

Towards a  
promising future.



## Cover Rationale

The cover of QL Resources Berhad Annual Report 2007 shows the earnest linking of fingers between two children. This innocent way of sealing a solemn promise signifies the integrity of the company. The warmth of this gesture is true to the down-to-earth nature of QL Resources.

It is also a time-honoured symbol of the importance of fulfilling promises. This reflects the win-win spirit embodied in the characters “quan li” - the initials upon which the name QL Resources is based on.

**Mission:** We create nourishing products from agro resources, leading to benefit for all parties

**Vision:** To be the preferred global agro based enterprise

**Values:** Integrity, Win-win, Team Work & Innovative

**Personality:** Progressive, Trustworthy, Initiative and Humility



TENGGU DATO' ZAINAL RASHID  
BIN TENGKU MAHMOOD  
Chairman



QL Resources Berhad – From humble fishing family to global agro-based company

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# Principal Activities



QL today is a diversified resource and agricultural-based group with three core principal activities: Marine Products Manufacturing, Integrated Livestock Farming and Crude Palm Oil Milling.

## Marine Products Manufacturing

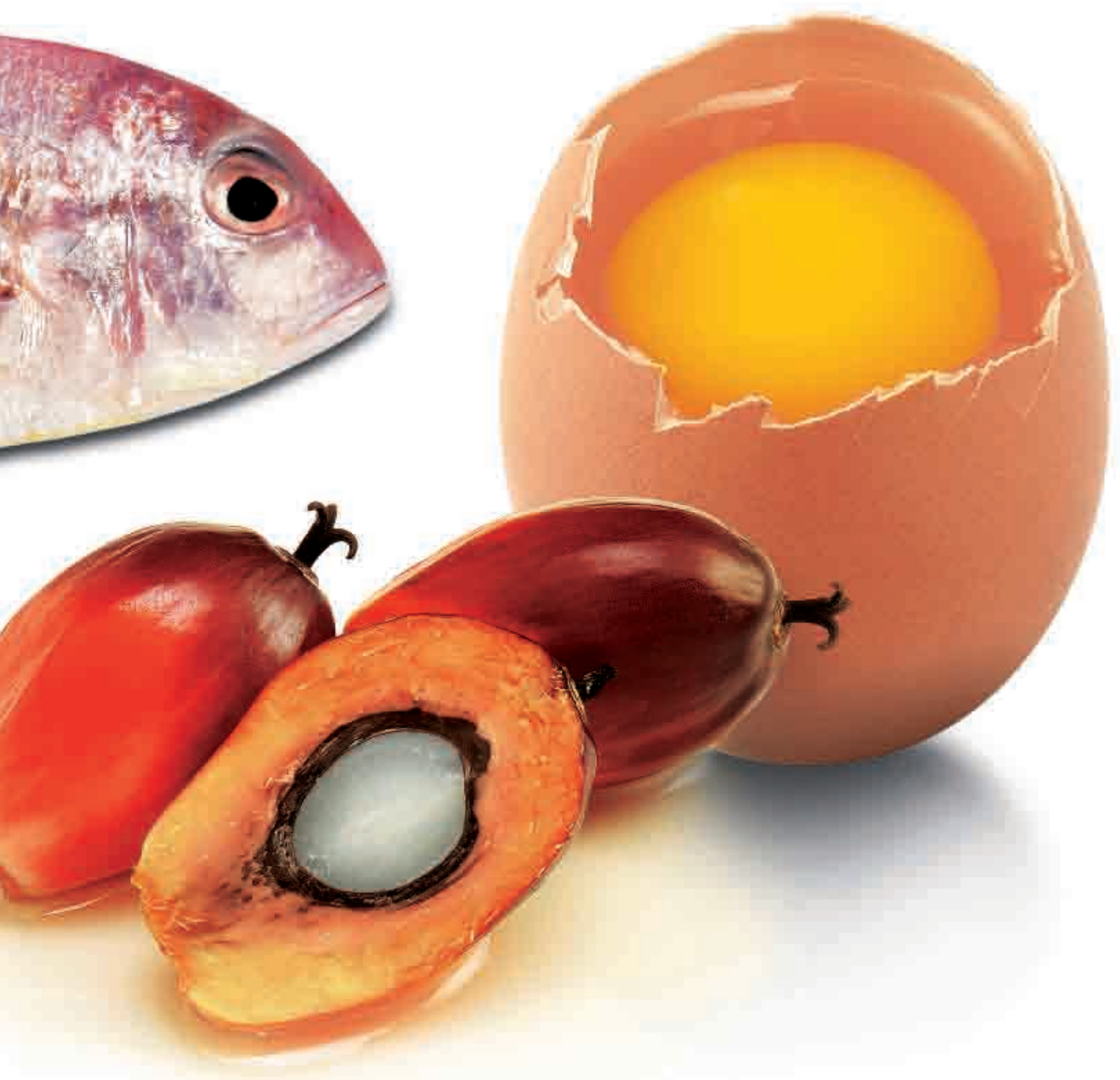
This consists of fully integrated manufacturing processes of surimi (semi-processed raw fish paste), fishmeal, surimi-based products and deep sea fishing. QL is the largest surimi producer in Asia and also the largest producer of fishmeal and surimi-based products in Malaysia. We are a leading deep sea fishing operator in Malaysia.

## Integrated Livestock Farming

This consists mainly of animal feed raw material distribution and poultry egg farming. QL is a leading poultry egg producer in Malaysia with egg farms geographically located throughout Peninsular and East Malaysia. QL has a daily egg production of 1.5 million eggs. QL is also a leading distributor of animal feed raw material such as corn and soyabean meal, in Malaysia.

## Crude Palm Oil Milling

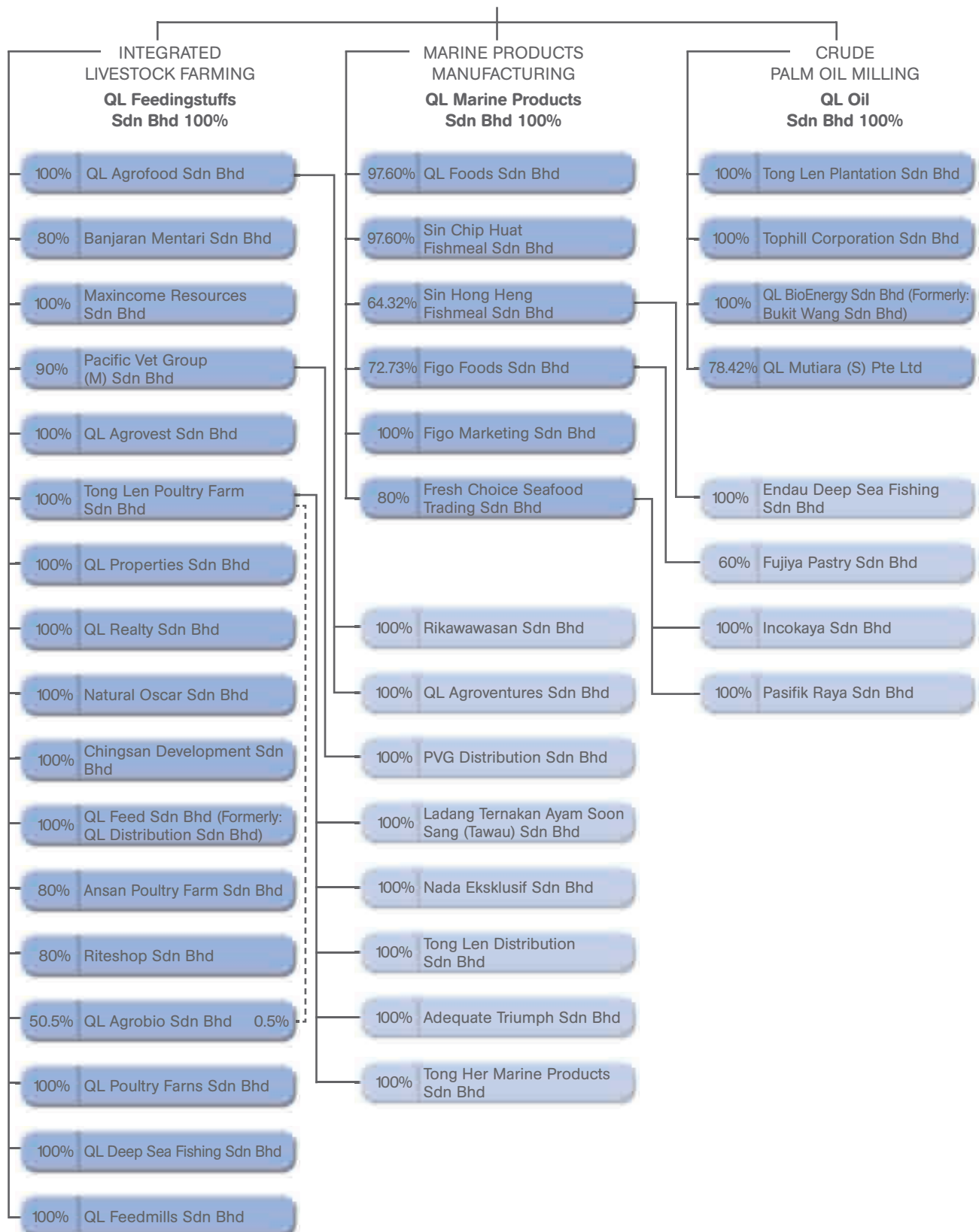
This consists mainly of Crude Palm Oil (CPO) milling and oil palm plantation development. QL has two CPO mills servicing small estates in the vicinity. The mills are located near Tawau and Kunak, Sabah. QL has 20,000 hectares of oil palm development in Eastern Kalimantan, Indonesia and some mature acreage in Sabah.



# Group Corporate Structure

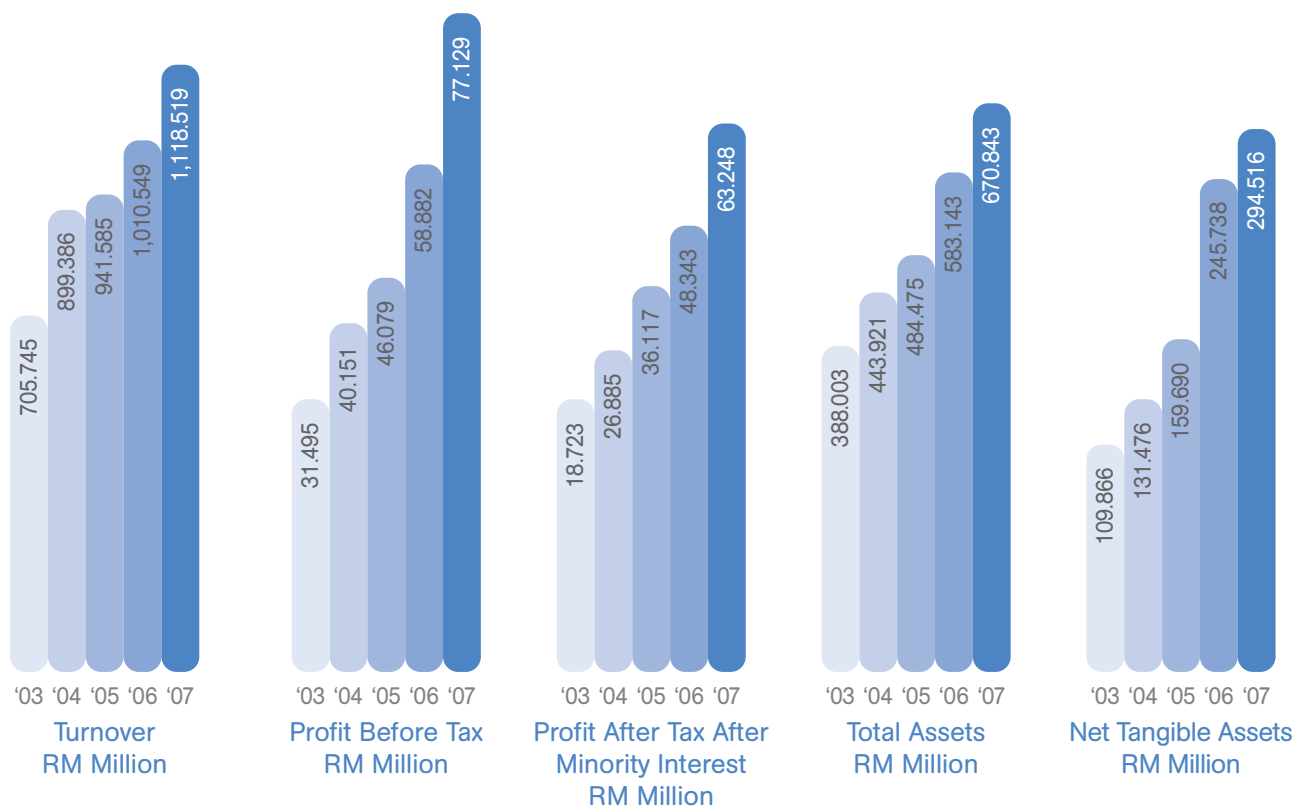
as at 29 June 2007

## QL RESOURCES BERHAD





# Five Years Financial Summary



	2003 RM Mil Restated	2004 RM Mil	2005 RM Mil	2006 RM Mil Restated	2007 RM Mil
<b>Turnover</b>	705.745	899.386	941.585	1,010.549	1,118.519
<b>Profit Before Tax</b>	31.495	40.151	46.079	58.882**	77.129
<b>Profit After Tax After Minority Interest</b>	18.723	26.885	36.117	48.343	63.248
<b>Total Assets</b>	388.003	443.921	484.475	583.143	670.843
<b>Net Tangible Assets</b>	109.866	131.476	159.690	245.738	294.516
<b>Profit as % of Turnover</b>					
– Before Tax	4.46	4.46	4.89	5.84	6.90
– After Tax	2.65	2.99	3.83	4.78	5.65
<b>Earnings Per Share (sen) - Basic#</b>	9*	13	18	24^	29
<b>Net Tangible Assets Per Share (sen)</b>	183.11	219.13	106.46	111.70	133.87
<b>Paid-up Share Capital</b>	60.000	60.000	75.000	110.000	110.000
<b>No. of Share in Issue</b>	60.000	60.000	150.000	220.000	220.000

\* Restated to comply with MASB 25

# Adjusted for share split in 2005 and bonus issue in 2005 and 2006

^ Adjusted for share placements in 2006

\*\* Restated to comply with FRS



QL Resources Berhad

# Corporate Information

## Board of Directors

**Tengku Dato' Zainal Rashid  
Bin Tengku Mahmood**  
Chairman / Independent Non-Executive Director

**Chia Song Kun**  
Managing Director

**Chia Seong Pow**  
Executive Director

**Chia Seong Fatt**  
Executive Director

**Chia Song Kooi**  
Executive Director

**Chia Song Swa**  
Executive Director

**Chia Mak Hooi**  
Executive Director

**Chieng Ing Huong, Eddy**  
Senior Independent Non-Executive Director

**Teh Kim Teh**  
Independent Non-Executive Director

## Company Secretary

**Ng Geok Ping**  
(MAICSA 7013090)

## Auditors

**KPMG**  
Chartered Accountants  
Wisma KPMG, Jalan Dungun  
Damansara Heights  
50490 Kuala Lumpur

## Audit Committee

**Tengku Dato' Zainal Rashid  
Bin Tengku Mahmood**  
Chairman / Independent Non-Executive Director

**Chia Song Kun**  
Non-Independent Executive Director

**Chieng Ing Huong, Eddy**  
Senior Independent Non-Executive Director

**Teh Kim Teh**  
Independent Non-Executive Director

## Remuneration Committee

**Tengku Dato' Zainal Rashid  
Bin Tengku Mahmood**  
Chairman / Independent Non-Executive Director

**Chia Song Kun**  
Non-Independent Executive Director

**Chieng Ing Huong, Eddy**  
Senior Independent Non-Executive Director

## Nomination Committee

**Tengku Dato' Zainal Rashid  
Bin Tengku Mahmood**  
Chairman / Independent Non-Executive Director

**Chieng Ing Huong, Eddy**  
Senior Independent Non-Executive Director

## Registered Office

No 16A, Jalan Astaka U8/83  
Bukit Jelutong  
40150 Shah Alam  
Selangor Darul Ehsan  
Tel: 03-7801 2288  
Fax: 03-7801 2228

## Principal Bankers

CIMB Bank Berhad  
Hong Leong Bank Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
RHB Bank Berhad  
Bank Muamalat Malaysia Berhad

## Registrars

**Bina Management (M) Sdn Bhd**  
Lot 10, The Highway Centre  
Jalan 51/205  
46050 Petaling Jaya  
Selangor Darul Ehsan  
Tel: 03-7784 3922  
Fax: 03-7784 1988

## Stock Exchange Listing

Main Board of  
Bursa Malaysia Securities  
Berhad

# Board of Directors



1 Tengku Dato' Zainal Rashid Bin Tengku Mahmood Chairman 2 Chia Song Kun Managing Director 3 Chia Mak Hooi Executive Director 4 Chia Song Kooi Executive Director 5 Chia Song Swa Executive Director 6 Chieng Ing Huong, Eddy Senior Independent Non-Executive Director 7 Teh Kim Teh Independent Non-Executive Director 8 Chia Seong Fatt Executive Director 9 Chia Seong Pow Executive Director



# Directors' Profile

**Tengku Dato' Zainal Rashid Bin Tengku Mahmood**, aged 68, Malaysian, is the Chairman & Independent Non-Executive Director of the Company since 3 January 2000.

He has a wide range of experience, having been actively involved in a variety of business over the last 40 years. Yang Mulia Tengku has an MBA from Syracuse University, USA. He began his business career with the Harper Gilfillan Group (a diversified British organisation) in the early 1960's and retired as the Group Managing Director of Harper Wira Sdn. Bhd. Currently, the Executive Chairman of K-Line Maritime (Malaysia) Sdn. Bhd., a Malaysian-Japanese joint-venture company with K-Line Tokyo, one of the biggest Japanese shipping company. He also sits on the boards of several other companies. Apart from managing various companies, Yang Mulia Tengku is also actively involved in the affairs of maritime related organisations.

He was the Chairman of the International Shipowners Association of Malaysia (ISOA) and past president of I.C.H.C.A. Malaysian chapter. He also sat on the Boards of Klang and Kuantan Port Authorities for more than a decade.

In addition to maritime bodies, Yang Mulia Tengku is also an active participant in the affairs of Chambers of Commerce. He is past President of the Malaysian International Chamber of Commerce and Industry (MICCI) and a Vice-President of the National Chamber of Commerce and Industry of Malaysia (NCCIM). At the Asean level, he is Malaysia Chairman of the Asean Chambers of Commerce and Industry. Yang Mulia Tengku was also on the board of MIDA, a Council Member of the Malaysia-India Business Council and the Malaysian Norway Business Council and a Director of Port Klang Free Zone Sdn. Bhd., a GLC.

Yang Mulia Tengku Dato' Zainal Rashid is also the Honorary Consul of Norway.

He attended all the 4 board of directors' meetings held for the financial year.

He has no family relationship with any Director and/or major shareholders of QL. He has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

**Mr Chia Song Kun**, aged 57, Malaysian, is the Managing Director of the Company since 3 January 2000.

He graduated with a Bachelor of Science (Honours) degree majoring in Mathematics from University of Malaya in 1972 and obtained a Master degree in Business Administration in 1988 from the same university.

He is the founder member of QL Group, was appointed as the Managing Director of QL Feedingstuffs Sdn. Bhd. on 22 June 1987. He is in charge of the Group's overall operations.

He started his career in 1973 as a tutor in the University of Malaya and subsequently joined Institut Teknologi Mara, Shah Alam, as a lecturer where he served for 11 years until 1984.

Mr Chia Song Kun incorporated CBG Holdings Sdn. Bhd. (currently, one of QL Group's substantial shareholders) in 1984 to commence the business of distributing fishmeal and other feed-meal raw materials.

Together with the help of his family members, he has successfully nurtured, developed and transformed the QL Group into a diversified agricultural based group with an annual turnover of more than RM1 billion.

He is also a founder member and a Non-Executive Director of Inti Universal Holdings Berhad, a company listed on the Bursa Malaysia Securities Berhad. The Company is one of the leading private colleges in Malaysia. He is also a Non-Executive Director of Eita Holdings Sdn. Bhd., a group of companies which are involved in the trading of electrical, information technology and business automation products.

Mr Chia Song Kun is the brother to Mr Chia Song Swa and Mr Chia Song Kooi. He is also the brother-in-law to Mr Chia Seong Pow and Mr Chia Seong Fatt. He is the director and substantial shareholder of CBG Holdings Sdn. Bhd. of which is the major shareholder of QL.

He attended all the 4 board of directors' meetings held for the financial year.

He has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

**Mr Chia Seong Pow**, aged 51, Malaysian, is an Executive Director of the Company since 3 January 2000.

He graduated from Tuanku Abdul Rahman College with a diploma in Building Technology.

He is one of the founder members of QL Group. He joined CBG Holdings Sdn. Bhd., a substantial shareholder of QL, as Marketing Director in 1984. He has more than 22 years of experience in the livestock and food industry covering layer farming, manufacturing, trading and shipping.

Currently Mr Chia Seong Pow is mainly in charge of regional merchanting trade in food grains. Besides that he is also in charge of new business developments. He is also a Non-Executive Director of the Eita Holdings Sdn. Bhd. group of companies which is involved in the trading of electrical, information technology and business automation products.

A majority of the Group's new expansion programmes were initiated by him.

He is the younger brother to Mr Chia Seong Fatt. Both of them are brothers-in-law to Mr. Chia Song Kun. He is the director and substantial shareholder of Farsathy Holdings Sdn. Bhd. and of which is a major shareholder of QL.

He attended 3 out of the 4 board of directors' meetings held for the financial year.

Mr Chia Seong Pow has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

**Mr Chia Seong Fatt**, aged 51, Malaysian, is an Executive Director of the Company since 3 January 2000.

He obtained his B.Sc. Honours degree in chemistry from University of London in 1979. He practised as an industrial chemist for 3 years before he pursued further studies in University Malaya.

In 1984, he graduated from University of Malaya with a Master degree in Business Administration.

He served for seven years as Managing Director in Sri Tawau Farming Sdn. Bhd., a company involved in layer farming. The Company is an associated company of Lay Hong Berhad, a company listed on the Second Board of the Bursa Malaysia Securities Berhad.

In 1991, he was appointed as Managing Director of Tong Len Poultry Farm Sdn. Bhd. a subsidiary of QL to take charge of its operations in Tawau. In January 1996 he was appointed an Executive Director of QL Feedingstuffs Sdn. Bhd. in charge of layer farm and CPO milling operations. In view of the restructuring of the QL Group, he has resigned as a director of QL Feedingstuffs Sdn. Bhd., however he is still in charge of layer, broiler farm and CPO milling operations in Tawau.

He is the elder brother to Mr Chia Seong Pow. Both of them are brothers-in-law to Mr Chia Song Kun. He has indirect interest by virtue of his and his wife's interests in Farsathy Holdings Sdn. Bhd., a major shareholder of QL.

He attended all the 4 board of directors' meetings held for the financial year.

## Directors' Profile

Mr Chia Seong Fatt has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

**Mr Chia Song Kooi**, aged 47, Malaysian, is an Executive Director of the Company since 3 January 2000.

He holds a bachelor of Agricultural Science from University Putra Malaysia (1985).

He began his career with Ancom Berhad, a company listed on the Main Board of the Bursa Malaysia Securities Berhad as a Marketing Executive for agro-chemical products and eventually headed the Product and Market Development Division in 1987.

He joined QL Feedingstuffs Sdn. Bhd. as an Executive Director on 21 September 1988. He has 18 years experience in farm management and in trading of raw materials for farm use. He is currently the Deputy Chairman of Sabah Livestock Poultry Association. In view of the restructuring of the QL Group, he has resigned as a Director of QL Feedingstuffs Sdn. Bhd. He is overall in charge of the group's Kota Kinabalu operations.

Mr Chia Song Kooi is the brother to Mr Chia Song Kun and Mr Chia Song Swa. He has indirect interest by virtue of his interest in CBG Holdings Sdn. Bhd., a major shareholder of QL.

He attended all the 4 board of directors' meetings held for the financial year.

Mr Chia Song Kooi has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

**Mr Chia Song Swa**, aged 47, Malaysian, is an Executive Director of the Company since 3 January 2000.

He holds a degree in Chemistry and Statistics from the University of Campbell, USA.

He started his career at Genting Berhad, a company listed on the Bursa Malaysia Securities Berhad as a Management Trainee in 1984 and served for 2 years.

In 1987 he joined QL Feedingstuffs Sdn. Bhd. as a Sales Executive. He was appointed as a Director of QL Feedingstuffs Sdn. Bhd. in 22 June 1987. At present, he is an Executive Director in charge of sales and logistics function at QL Feedingstuffs Sdn. Bhd. As a result of his 19 years experience in feed raw material distribution, he has helped the Company to establish a very strong distribution network.

He is the brother to Mr Chia Song Kun and Mr Chia Song Kooi. He has indirect interest by virtue of his interest in CBG Holdings Sdn. Bhd., a major shareholder of QL.

He attended all the 4 board of directors' meetings held for the financial year.

Mr Chia Song Swa has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

**Mr Chia Mak Hooi**, aged 42, Malaysian, is an Executive Director of the Company.

He graduated from Arizona State University, USA with a degree in Accounting and Finance in 1988.

He began his career with a local audit firm in Los Angeles for 1 year. Subsequently he joined Concept Enterprises Inc. USA as an Assistant Accountant for 2 years.

After returning from the USA in 1991, with his exposure in USA, he joined QL Feedingstuffs Sdn. Bhd. as a Finance Manager in charge of accounts, tax and audit planning and corporate financial management and liaised with bankers for banking facilities. In 1996, he was appointed as a Director of QL Feedingstuffs Sdn. Bhd.. Currently he is the Finance Director of EITA Holdings Sdn. Bhd. group of companies which is involved in the trading of



electrical, information technology and business automation products.

He is the nephew to Mr Chia Song Kun, Mr Chia Song Swa and Mr Chia Song Kooi. He has indirect interest by virtue of his interest in CBG Holdings Sdn. Bhd., a major shareholder of QL.

He attended all the 4 board of directors' meetings held for the financial year.

Mr Chia Mak Hooi has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

**Mr Eddy Chieng Ing Huong**, aged 49, Malaysian, is a Senior Independent and Non-Executive Director of the Company since 24 December 2001. He is a member of Audit, Nomination and Remuneration Committees.

Mr Chieng graduated in 1980 from the University of New South Wales, Australia with a Bachelor of Commerce Degree with Merit in Accounting, Finance and Information Systems. He is qualified as a Chartered Accountant in 1981 and he is a member of the Institute of Chartered Accountants, Australia. He is also a Chartered Accountant registered with the Malaysian Institute of Accountants since 1983.

He has extensive senior management and working experience in both Malaysia and Australia. He was the Founder/Director and a substantial shareholder of Nationwide Express Courier Services Berhad, a company listed on the Main Board of the Bursa Malaysia Securities Berhad.

Since March 1999, he is the Senior Vice President-Business Development of Hwang-DBS Securities Berhad which is involved in stockbroking, corporate finance and equity research. Other than being the Managing Director of his private group of companies, Mr Chieng is also the Chairman of Selangor Dredging Berhad and Esthetics International Group Berhad. He was previously the Independent and Non-Executive Directors of

Ancom Berhad and Nylex (Malaysia) Berhad respectively and the Chairman of Asia Poly Holdings Berhad.

He attended 3 out of the 4 board of directors' meetings held for the financial year.

He does not have any family relationship with any director and/or major shareholder of the Company. Mr Chieng has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

**Mr Teh Kim Teh**, aged 53, Malaysian, is an Independent Non-Executive Director of the Company since 4 December 2003.

He completed his ICSA course in Tuanku Abdul Rahman College and was admitted as an Associate of the Institute of Chartered Secretaries and Administrators, England in 1980. He worked as a Company Secretary cum management consultant before studying law in England.

He graduated from the University of The West of England and obtained LL.B (Hons) in 1986 and obtained his Certificate for Legal Practice, Malaysia in 1990 and he was called to the Malaysian Bar in 1991.

Mr. Teh was a law lecturer in various colleges prior to practising as an advocate and solicitor. He is presently the principal partner of Messrs. Teh Kim Teh, Salina & Co., a legal firm in Klang, Selangor.

He was an independent director of Audrey International (M) Berhad from 1999 to 2001.

He attended all the 4 board of directors' meetings held for the financial year.

He has no family relationship with any director and/or major shareholder of the Company and he has no conflict of interest with the Company and he has no convictions for any offences within the past ten years.

# Chairman's Statement



## Dear Shareholders,

The financial year ending 31.3.2007 was another successful year for the QL Group and once again we achieved a respectable revenue and earnings growth, with all three core businesses making significant contribution.

## Financial Performance

The turnover for the year of RM1.118 billion was 11% higher than the previous year while the pre-tax profit of RM77 million was up 31% on last year. Despite a 10% enlargement of paid-up capital, earnings per share was 29 sen representing a growth of 21%. The Group's cash flow and margins have also improved significantly.

## Dividends

The board has recommended a final dividend of 20% less tax; last year was 18% less tax. This is in line with QL's minimum dividend payout policy of 25%. Based on 30th June 2007 share price of RM3.50, our dividend yield is 2.9% gross.

## Corporate Branding Exercise

During the year, Leo Burnett engaged to carry out brand audit, with the objectives of developing a strong, unifying corporate identity for QL that

- connotes the values, mission and vision of the group as a whole;
- provides a synergistic framework and direction for the subsidiary companies in the diverse sectors in which they operate;
- forms the basis for brand personality, synergy and message efficiency.

As a result of the brand audit, the management has collectively formalised QL's mission, vision, values and personality statements. This formalisation gives a clearer picture of our culture and future direction as well as creating a platform to further fuel our future growth.

**Our Mission** is to create nourishing products from agro resources, leading to benefit for all parties.

**Our Vision** is to be the preferred global agro based enterprise.

**Our Values** are Integrity, Win-win, Team Work and Innovative.

**Our Personalities** are Progressive, Trust Worthy, Initiative and Humility

## 20th Anniversary and New Corporate Logo

The Group celebrated our 20 years anniversary on 22nd June 2007 by launching our new corporate logo at the Head Office. To publicise the occasion, advertorial were placed in several newspapers/media. All the major subsidiaries throughout the country organised their own event to mark this occasion. The new corporate logo was designed to encapsulate the newly formalised mission, vision and values.



## Logo Rationale

It is interesting to know our logo rationale. The letters Q and L stands for 'Quan Li' which means everybody benefits. The globe symbolizes the spherical shape of QL's agricultural products as well as represents our vision to be the preferred global agro based enterprise and our mission to provide nourishing products from global agro resources that benefit all.

The colour gold represents the grains of a harvest at its prime, while the maroon and gold combination reflects QL's warmth and optimism as well as signifying teamwork. Progressiveness is shown by the colour gradation and our diversified agricultural business models are symbolized by the logo's multi-dimensional ring.

Straightforward typeface reflects the integrity and modernity of this company.

## Corporate Social Responsibility (CSR)

QL's mission, vision and values reveal our commitment to social responsibility. While our main obligation is always to our shareowners, we also work hard to fulfil our obligations to our other stakeholders - consumers, employees, suppliers, customers and the communities in which we operate. During the year, we have formalised our CSR statement which basically asked ourselves the following questions:

- Does QL serve an economic purpose?
- Is QL environmentally conscious?
- Is the community well-being where QL operates better off?

For more details you can refer to our CSR statements in this Annual Report .

## Recognitions

QL was ranked number two in the KPMG/The Edge Shareholder Value Awards 2005 under the Agriculture & Fisheries Sector. In previous years, QL was ranked No. 1, No. 6 and No. 4 respectively in 2002, 2003 and 2004.

Our Managing Director, Mr. Chia Song Kun was also the Top 5 nominee in the Malaysia 2006 Ernst & Young Master Entrepreneur of the year.

In June 2007, once again we were ranked in The Edge Financial Weekly's feature on Top 100 companies in Malaysia that gave the best returns for the calendar year 2006.

## Appreciation

The Group have over 3,000 dedicated employees. Their commitment to the development and growth of the Company have contributed immensely to the successful implementation of the Group's objectives. The Board and I would like to thank them for their valuable contribution.

I have learnt that QL is a company that can inspire loyalty from its shareholders and stakeholders. The Group will continue in its efforts to further enhance shareholders value as a reward for their loyalty and support.

**Tengku Dato' Zainal Rashid Bin Tengku Mahmood**  
Chairman

# Group Managing Director's 2007 Report

## New Milestones

This year QL passed a number of important new milestones, but there are three that I believe will interest you as shareholders:

1. We achieved a record of 20 years of uninterrupted growth in turnover and earnings. Maintaining ROE (Return on Equity) of more than 20% and Earnings after tax CAGR (Compounded Annual Growth Rates) of more than 20%.
2. We celebrated our 20th anniversary on 22nd June 2007.
3. We launched our new corporate logo and also encapsulated QL's new formalised mission, vision and values in our new corporate logo.

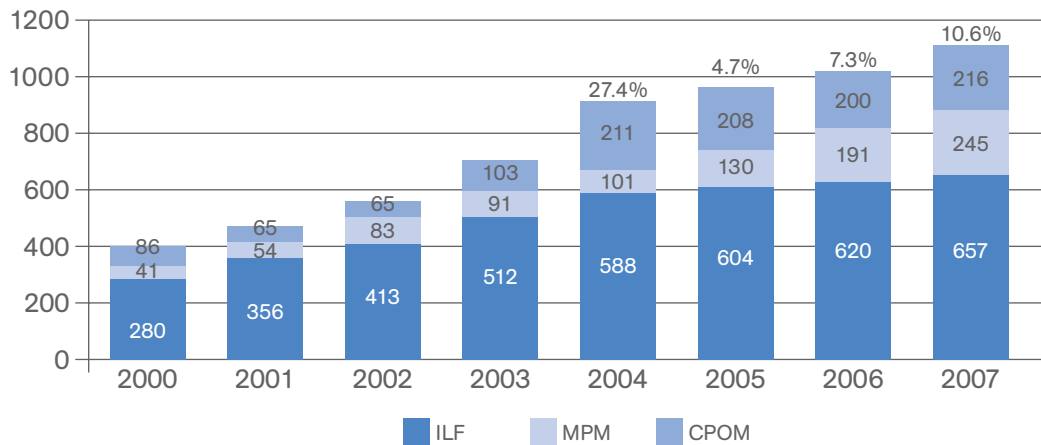
## 2007 Performance

Once again, as always with QL, our growth stories continue. 2007 results mark QL's 20 years of uninterrupted growth. During the year, we achieved growth of 11%, 31% and 31% respectively for our sales, profit before tax and profit after tax after minorities.

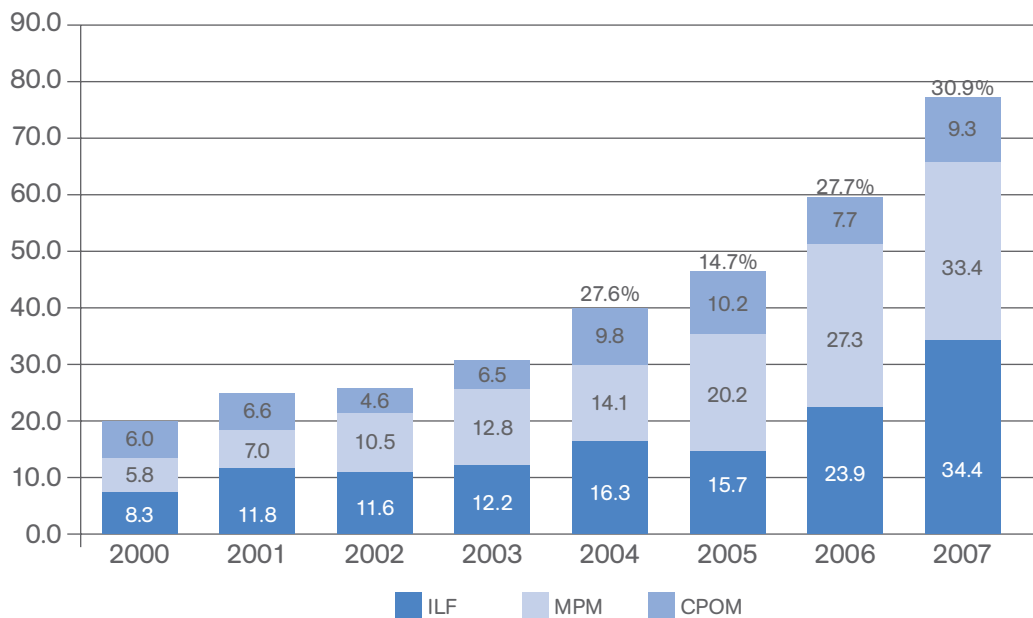
All three core activities of Marine Products Manufacturing (MPM), Integrated Livestock Farming (ILF) and Crude Palm Oil Milling (CPOM) contributed to 2007 growth.



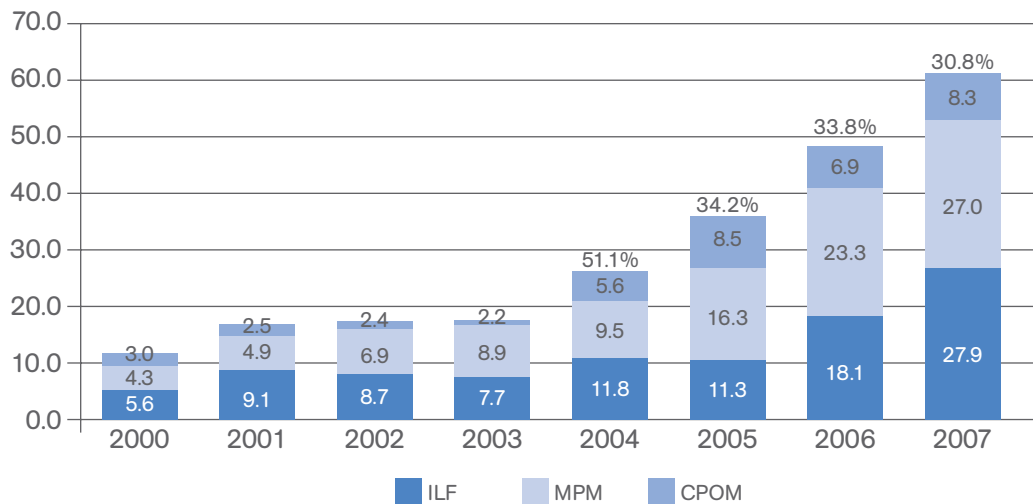
### Segmental Turnover (RM million)



### Segmental PBT (RM million)



### Segmental PAT (RM million)



## CAGR and ROE

Since the year 2000 when QL was listed, QL's Earnings CAGR continued to be maintained above 20%.

CAGR (%) FY 2000 to 2007	Turnover	Profit Before Tax	Profit After Tax after minorities
MPM	29	29	30
ILF	14	6	16
CPOM	13	22	25
Overall	16	21	24

QL's ROE for these years was also maintained above 20%.

Financial Year ended	2001	2002	2003	2004	2005	2006	2007
ROE (%)	21.5	19.6	20.7	22.0	24.5	23.6	22.0

## The Edge Top 100 companies

In June 2007, we were again ranked in The Edge Financial Weekly's feature on Top 100 companies in Malaysia that gave the best returns for the calendar year 2006.

The figures were computed for all companies listed on Bursa Malaysia and the companies were ranked based on best shareholder returns, which implies best CAGR of shareholder investment return. Shareholder return over the period is defined as the appreciation of the share price plus dividends paid during the period as a percentage of the original price. The ranking is for the best companies to invest in.

QL was ranked as follows:

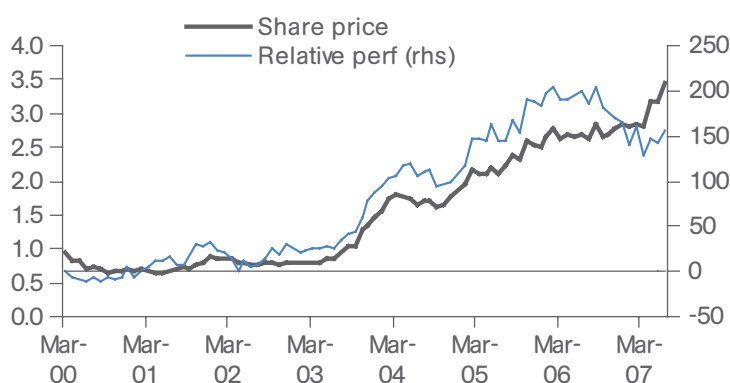
Over 3 calendar years	2004 (2002 to 2004)	2005 (2003 to 2005)	2006 (2004 to 2006)
CAGR (%)	30.1	49.3	27.7
Overall Rank	65	15	54

Over 5 calendar years	2004 (2000 to 2004)	2005 (2001 to 2005)	2006 (2002 to 2006)
CAGR (%)	n/a	31.2	28.3
Overall Rank	n/a	13	36

## Outperformed Kuala Lumpur Composite Index (KLCI)

QL has to-date outperformed KLCI by more than 150% during March 2000 to June 2007 period.

QL share price performance relative to KLCI  
(March 2000 to 30 June 2007)

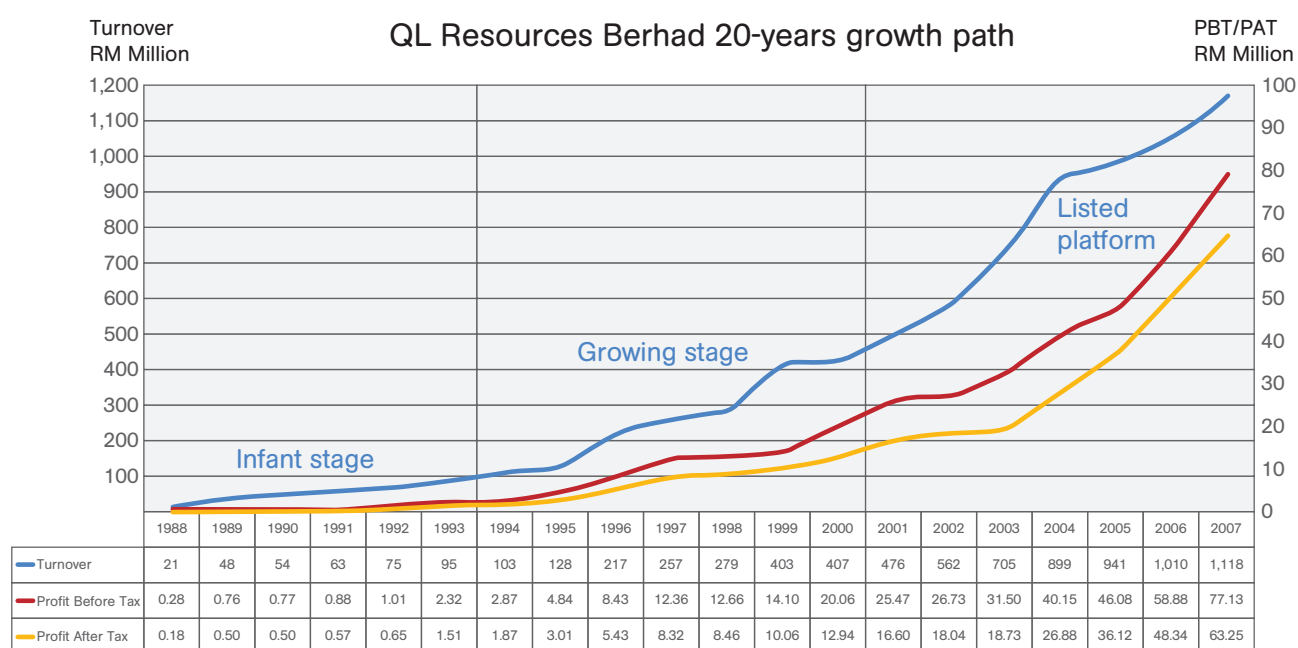


## QL's 20th Anniversary and History

22nd June 2007 is QL's 20th anniversary and I would like to go back a bit about our history. About twenty years ago, we started as a small scale business in integrated livestock activities and towards the tail end of our infant stage period of 1987 to 1993, we began to corporatise and streamline various family business units.

From 1994 onwards, our focus was then on building an agro and broad-based business model consist of integrated livestock farming, marine product manufacturing and oil palm milling activities, targeting ourselves for listing. We were listed on 30th March 2000.

During the years 2000 to 2007; we grew all three core activities organically as well as through acquisitions. Major emphasis was placed on marine-based activities as we have competitive edge over other players. During this time, we further refined our strategy by setting up the platform for long term growth by investing in CPO milling and oil palm plantation development in Indonesia.



## Going forward

Going forward, we will continue to grow all three core activities organically as well as by acquisitions. I have mentioned in the past that our success is rooted in our broad and resource-based business model, and beyond 2007, we will gear ourselves towards a bigger growing platform by focusing more on global market for our products and regionalising our base of operations.

We will strive to continue with our uninterrupted growth story and to produce respectable returns for all who count on us. More importantly, we will strive to remain within The Edge Top 100 best return companies list for years to come, meaning continuing to be one of the best Bursa Malaysia companies to invest in.

**Chia Song Kun**  
Managing Director



# Audit Committee Report

## Membership

The present members of the Audit Committee comprise:-

Tengku Dato' Zainal Rashid Bin Tengku Mahmood  
Chairman/Independent Non-Executive Director  
Mr Chia Song Kun  
Member/Non- Independent Executive Director  
Mr Chieng Ing Huong, Eddy  
Member/Independent Non-Executive Director  
Mr Teh Kim Teh  
Member/Independent Non-Executive Director

## Attendance at Meetings

During the year, the Committee held a total of four (4) meetings. Details of attendance of the Committee members are as follows:

Name of member	Number of meetings attended
Tengku Dato' Zainal Rashid Bin Tengku Mahmood	4
Mr Chia Song Kun	4
Mr Chieng Ing Huong, Eddy	3
Mr Teh Kim Teh	4

The Finance Director, Group Accountant and Risk Management Manager were present by invitation in all the meetings. The Secretary to the Committee is the Company Secretary.

## Summary of Activities during the Financial Year

The main activities undertaken by the Committee were as follows:

- Reviewed the external auditors' scope of work and the audit plans for the year prior to the commencement of audit.
- Reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's response.

- Reviewed the internal audit department's resources requirements, programme and plan for the financial year under review.
- Reviewed the internal audit reports, which highlighted the risk issues, recommendations and management's response.
- Reviewed the risk assessment reports, which highlighted the risk rating, residual risk treatment options, the recommended action plans and management's response.
- Reviewed the audited financial statements of the Group prior to submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with applicable approved accounting standards for entities other than private entities issued by the MASB and the provisions of the Companies Act, 1965.
- Reviewed the Group's compliance in particular the quarterly and year end financial statements with the Listing Requirements of the Bursa Malaysia, MASB and other relevant legal and regulatory requirements.
- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval. The review and discussions were conducted with the Group Accountant and Finance Director.
- Reviewed the related party transactions entered into by the Group.

## Internal audit function

The Company has outsourced its internal audit function to an independent professional consulting firm together with the Risk Management Manager,

# Audit Committee Report

which is tasked with the aim of providing assurance to the Audit Committee and the Board on the adequacy and effectiveness of the internal control systems and risk management in the Company. This function also acts as a source to assist the Audit Committee and the Board to strengthen and improve current management and operating style in pursuit of best practices.

## TERMS OF REFERENCE

The Audit Committee is governed by the following terms of reference:

### 1. Memberships

The Committee shall be appointed by the Board of Directors of the Company from amongst the Board and shall consist of not less than three (3) members, majority of which shall comprise of independent directors. At least one member must be a member of the Malaysian Institute of Accountants or eligible for membership.

In the event of any vacancy in an audit committee resulting in the non compliance with the above, the Board shall, within 3 months of that event, fill the vacancy.

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

The terms of office and performance of an audit committee and each of its members should be reviewed by the Board at least once every three years.

### 2. Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It shall have resources which are required to perform its duties. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. It shall have

direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

### 3. Functions of the Committee:

- (a) To oversee all matters relating to external audit including the review with the external auditor the audit plan, their audit report and their evaluation of the system of internal controls;
- (b) To review and report on the assistance given by the employees of the company to the external auditor;
- (c) To review and report the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (d) To review and report the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (e) To review and report the quarterly and year end financial statements prior to the approval by the Board of Directors, focusing particularly on:-
  - (i) changes in or implementation of major accounting policy changes;
  - (ii) significant and unusual events; and
  - (iii) compliance with accounting standards and other legal requirements'

- (f) To review and highlight any related party transaction and conflict of interest situation that may arise within the company or group;
- (g) To recommend the appointment of external auditors, audit fee and any question of resignation or dismissal;
- (h) Undertake such other responsibilities as may be agreed to by the Committee and the Board; and
- (i) To report its findings to the Board and if necessary to the Bursa Malaysia Securities Berhad.

#### 4. Attendance at Meetings

The company must ensure that other Directors and employees attending any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting. However, at least once a year the Committee shall meet with external auditors.

The Company Secretary shall be the secretary of the Committee.

#### 5. Procedure of the committee:

- (a) The internal and external auditors and members of the Committee may call for the Audit Committee meeting which they deem necessary.
- (b) The notice of such meetings shall be given at least 7 days before the meetings.
- (c) The voting and proceedings of such meetings shall be on show of hands. The Chairman shall have a casting vote.
- (d) The minutes shall be kept by the secretarial

department and shall be available for inspection during working hours at the request of the Directors and members.

- (e) The Committee shall cause minutes to be duly entered in books provided for the following purpose:-
  - (i) of all appointments of members;
  - (ii) of the names of members and invitees such as others Director, and employees present at all meetings of the Committee;
  - (iii) of all actions, resolutions and proceedings at all meetings of committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting in which case the minutes shall be confirmed as correct by a member or members present at the succeeding meeting who was or were also present at the preceding meeting. Such minutes shall be conclusive evidence without further proof of the facts thereon stated; and
  - (iv) of all other orders made by the members of the Committee.

#### 6. Quorum

A majority of members present must be Independent Directors and shall form the quorum of the Committee.

#### 7. Frequency of Meetings

Meetings shall be held at least every quarter in a calendar year. The external auditor may request a meeting if they consider one necessary.

# Corporate Governance Statement

The Board of Directors of QL Resources Berhad recognises the importance of adopting high standards of corporate governance throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and financial performance of the Group.

As such, the Board strives to adopt the substance behind corporate governance prescriptions and not merely the form. The Board is therefore committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in the Malaysian Code of Corporate Governance.

## A. BOARD OF DIRECTORS

### (a) Board responsibilities

The Company is led by an experienced and dynamic Board. It has a balanced board composition with effective Independent Directors. The Board plays a pivotal role in the stewardship of the Group and ultimately enhancing shareholders value. To fulfill this role, the Board is responsible for the following:-

- Reviewing and adopting a strategic plan for the Company.
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed.
- Identifying principal risks and ensuring the

implementation of appropriate systems to manage these risks.

- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management.
- Maintaining shareholder and investor relations for the Company.
- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

### (b) Board Meetings

During the financial year ended 31 March 2007, the Board met on four (4) occasions and 19 circular resolutions were passed; where it deliberated upon and considered a variety of matters including the Group's financial results, major investments and strategic decisions and the business plan and direction of the Group.

The Board receives documents on matters requiring its consideration prior to and in advance of each meeting to enable them to obtain explanations, where necessary to allow them to effectively discharge their responsibilities. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting.

Details of each existing Director's meeting attendances are as follows:

Name of Director	Designation	Attendance
Tengku Dato' Zainal Rashid Bin Tengku Mahmood	Independent Non-Executive Chairman	4/4
Chia Song Kun	Managing Director	4/4
Chia Seong Pow	Executive Director	3/4
Chia Seong Fatt	Executive Director	4/4
Chia Song Swa	Executive Director	4/4
Chia Song Kooi	Executive Director	4/4
Chia Mak Hooi	Executive Director	4/4
Chieng Ing Huong, Eddy	Senior Independent Non-Executive	3/4
Teh Kim Teh	Independent Non-Executive	4/4

(c) Board balance

As at the date of this statement, the Board consists of nine members; comprising one independent Non-Executive Chairman, six Executive Directors and two Independent Non-Executive Directors. A brief profile of each Director is presented on pages 12 to 15 of this annual report. The Directors have wide ranging experience and all have occupied or currently occupying senior positions both in the public and private sectors. The Board has appointed Mr Chieng Ing Huong, Eddy as the senior Independent Non-Executive Director to whom concerns may be conveyed.

The concept of independence adopted by the Board is in tandem with the definition of an Independent Director in Section 1.01 of the Listing Requirements of the Bursa Malaysia. The key elements for fulfilling the criteria are the appointment of an Independent Director who is not a member of management (a Non-Executive Director) and who is free of any relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of the Company. The Board complies with paragraph 15.02 of the Listing Requirements which requires that at least two Directors or one-third of the Board of the Company, whichever is the higher, are Independent Directors.

The Executive Directors in particular are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-coordinating the development and implementation of business and corporate strategies. The Independent Non-Executive Directors bring to bear objective and independent judgment to the decision

making of the Board and provide a capable check and balance for the Executive Directors. The Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with the Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

There is a clear division of responsibilities at the head of the company to ensure a balance of authority and power. The Board is led by Tengku Dato' Zainal Rashid Bin Tengku Mahmood as the Independent Non-Executive Chairman and the executive management of the company is led by Mr Chia Song Kun, the Group Managing Director.

(d) Supply of Information

Notice of meetings, setting out the agenda and accompanied by the relevant Board papers are provided to the Directors in a timely manner so that, if necessary, clarification or additional information can be sought.

The Board has access to all information in relation to the Group whether as a full Board or in their individual capacity to assist them in the furtherance of their duties. Besides direct access to management staff, the Company Secretary is also made available to render their independent views and advice to the Board. In addition, the Directors, if necessary, may also seek professional advice, at the Company's expenses, if required.

## Corporate Governance Statement

The Directors may also consult the Chairman and other Board members prior to seeking any independent professional advice.

### (e) Appointments to the Board

The Board of Directors delegates certain responsibilities to the Board Committees, namely an Executive Committee, an Audit Committee, a Nomination Committee, a Remuneration Committee and a Risk Management Committee in order to enhance business and operational efficiency as well as efficacy. The Nomination and Remuneration Committee were established on 18 February 2002 to assist the Board in the execution of its duties. Prior to the establishment of these committees, their functions were assumed by the Board as a whole.

The Executive Committee of the Company was established on December 2004 interlia, deliberate on issues relating to any proposed capital investments, business ventures and other policy matters related to the Group's business, for recommendation to the Board for their approval.

The Audit Committee of the Board has been in place since January 1999. It presently comprises three Independent Non-Executive Directors and the Managing Director. Its terms of reference and a summary of its activities are set out on page 23 to 25 of this Annual Report.

The Nomination Committee comprised the following members during the year:

Tengku Dato' Zainal Rashid  
Bin Tengku Mahmood  
- Chairman, Independent Non-Executive Director

Mr Chieng Ing Huong, Eddy  
- Senior Independent Non-Executive Director

The Committee consists entirely of Non-Executive Directors, all of whom are independent.

The Nomination Committee is empowered by the Board and its terms of reference are to bring to the Board recommendations as to the appointment of new Directors and review the contribution of each individual Director on an annual basis. The Committee also keeps under review the Board structure, size and composition as well as considering the Board succession planning. This Committee has reviewed the annual assessment of the Directors' performance as a whole and individually and will recommend to the Board its findings for further action.

The Risk Management Committee which were established on April 2002 is primarily responsible for the adequacy and integrity of systems of internal control in accordance with the Malaysian Code of Corporate Governance.

The Directors undergoes training to equip themselves to effectively discharge its duties as a Director and for that purpose he ensures that he attends such training programmes. All the Directors have fulfilled the requirement to accumulate 72 CEP points for the years 2003 and 2004. For the year under review, the Directors have undergone continuous training which they deem relevant to keep abreast on issues facing the changing business environment.

Training Programmes, Seminar and Briefings attended by Directors in 2006/2007

Seminar/Course	Organiser
1. An Understanding of Business Failure and Corporate Recovery : A Director's Perspective	Rating Agency Malaysia
2. Vietnam: Market Outlook & Entry Strategies	LexisNexis
3. The Food, Feed and Fuel Dilemma	Alltech, Inc.
4. Annual Palm & Lauric Oils Conference & Exhibition: Price Outlook 2007/2008	Bursa Malaysia
5. Update of Changes in the Securities Industry	Hwang-DBS Securities Berhad
6. Learning About Stock Market Behaviour: An Insight Into Different Investment Practices	Hwang-DBS Securities Berhad
7. Malaysian Economic Challenges in the Global Economic Context	ASLI
8. Bank Negara Annual Report 2006 and Financial Stability and Payment Systems Report 2006	Bank Negara
9. Invest Malaysia Conference 2007	Bursa Malaysia
10. The Public Sector's Competitiveness and Delivery System	Briefing by Chief Secretary to the Government (KSN)
11. Building a Framework for Effective Audit Committee Oversight	KPMG
12. Leading at a Higher Level	Global Leaders

(f) Re-election

The Articles of Association of the Company provide that one third of the Board members are required to retire at every Annual General Meeting and be subject to re-election by shareholders. Newly appointed Directors shall hold office until the next annual general meeting and shall be subject to re-election by the shareholders. The Articles of Association provided that all Directors shall retire once every three years.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act 1965.

Tengku Dato' Zainal Rashid  
Bin Tengku Mahmood

- Chairman, Independent Non-Executive Director

Mr Chieng Ing Huong, Eddy

- Senior Independent Non-Executive Director

Mr Chia Song Kun

- Managing Director

The Remuneration Committee is responsible for reviewing and recommending the remuneration framework for Directors' as well as the remuneration packages of Executive Directors to the Board. None of the Executive Directors participated in any way in determining their individual remuneration.

**B. DIRECTORS' REMUNERATION**

(a) Remuneration Committee

The members of the Remuneration Committee during the year were:

The Board as a whole determines the remuneration of Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration.

## Corporate Governance Statement

### (b) Details of the Directors' remuneration

The aggregate remuneration of Director of the Company are as follows:

Subject Aggregate Remuneration	Executive Directors RM	Non-Executive Directors RM
• Directors' fees	542,800	138,000
• Salaries	1,734,810	-
• Allowance	900	4,000
• Bonuses	1,672,252	-
• Benefits in kind based on an estimated money value	104,125	-
<b>Total</b>	<b>4,054,887</b>	<b>142,000</b>

Band (RM)	No. of Directors	No. of Directors
50,000 and below		2
50,001 – 100,000		1
400,001 – 450,000	1	
450,001 – 500,000	1	
600,001 – 650,000	1	
650,001 – 700,000	1	
750,001 – 800,000	1	
1,050,001 – 1,100,000	1	

### C. SHAREHOLDERS

The Company recognises the importance of communicating with its shareholders and does this through the annual report, Annual General Meeting, analyst meetings and announcements via Bursa Malaysia. The Company has set up a website to enable an active dialogue with its investors and shareholders with the intention of giving investors and shareholders as clear and complete a picture of the Company's performance and position as possible. Additionally, a press conference is held immediately after the AGM where the Managing Director advises the press of the resolutions passed, and answers questions on the Group. The Chairman and the Executive Director are also present at the press conference to clarify and explain any issue.

An analyst briefing in conjunction with QL's 20th anniversary has been organized by the Company.

The Company also responded to fund managers, institutional investors and investment analysts and members of the media upon request, to brief them on key events of the Company. Investors and analysts' feedback is sought to ensure principal issues are being effectively communicated and shareholders' objectives are known.

### D. ACCOUNTABILITY AND AUDIT

#### (a) Financial reporting

The Board aims to present a balanced and understandable assessment of the Company's and the Group's position and prospects in the various financial reports to the shareholders, investors and regulatory authorities. The assessment is primarily provided in the annual report through the Chairman's Statement, the audited financial statements and the quarterly results announcement.



The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

The Directors are also required by the Companies Act 1965 to prepare financial statements for each financial year which have been made out in accordance with applicable approved accounting standards for entities other than private entities and give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their profit or loss and cashflows for the period then ended.

Directors' responsibility statement in respect of the preparation of the audited financial statements is set out on page 32 of this annual report.

(b) Internal controls

The Statement on Internal Control furnished on pages 33 to 34 of the annual report provides an overview of the state of internal controls within the Group.

(c) Relationship with the Auditors

The Company through the Audit Committee, has an appropriate and transparent relationship with the external auditors. In the course of audit of the Group's operation the external auditors have highlighted to the Audit Committee and the Board, matters that requires the Board's attention.

A summary of the activities of the Audit Committee during the year, including the evaluation of the independent audit process, are set out in the Audit Committee Report on pages 23 to 24 of the annual report.

## E. OTHER INFORMATION

(a) Recurrent Related Party Transactions (RRPT) of revenue nature

The shareholders of the Company approved

the Proposed Shareholders' Mandate for RRPT of revenue nature during its Extraordinary General Meeting (EGM) held on 29 August 2006.

The Company is also seeking shareholders approval to renew and additional Shareholders' Mandate for RRPT in the forthcoming EGM. The details of the RRPT entered into or to be entered by the Company or its subsidiaries with related parties are included in the Circular to Shareholders.

(b) Non-audit fee

The amount of non-audit fees charged for the financial year ended 31 March 2007 is RM4,000.

## ADDITIONAL COMPLIANCE INFORMATION

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

During the financial year under review, except for the share placements there were no:

- i) share buybacks;
- ii) options, warrants or convertible securities exercised;
- iii) American Depository Receipt (ADR) or Global Depository Receipt (GDR) programme sponsored by the Company;
- iv) sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies;
- v) material variance between the results for the financial year and the unaudited results previously announced;
- vi) profit guarantees given by the Company;
- vii) material contracts between the Company and its subsidiaries that involve directors' or major shareholders interests, except as those disclosed on RRPT transactions;
- viii) contract of loans between the Company and its subsidiaries that involve directors' or major shareholders' interests;
- ix) revaluation policy on landed properties.

## Statement of Directors' Responsibilities

Directors are required by Company Law to prepare financial statement 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 of the results of the Group and of the Company for the financial year then ended.

In preparing those financial statements, the Directors have:

- adopted suitable accounting policies and then apply them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensures applicable accounting standards for entities other than private entities have been followed, subject to any material departures disclosed and explained in the financial

- statements; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible for safeguarding the assets of the Group and of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Directors' Shareholdings (as at 29 June 2007)

Name of directors	Direct	No. of shares held		
		%	Indirect	%
Tengku Dato' Zainal Rashid Bin Tengku Mahmood	750,000	0.34	-	-
Chia Song Kun	125,000	0.05	104,632,814 *	47.56
Chia Seong Pow	250,000	0.11	29,749,317 #	13.52
Chia Song Kooi	50,000	0.02	103,596,814 **	47.09
Chia Seong Fatt	90,000	0.04	29,649,317 ###	13.48
Chia Song Swa	50,000	0.02	103,244,814 **	46.93
Chia Mak Hooi	100,000	0.04	104,197,814 @	47.58
Chieng Ing Huong	-	-	-	-
Teh Kim Teh	-	-	-	-

#### Notes:

\* Deemed interest via his and his spouse's interest in CBG Holdings Sdn. Bhd. and Attractive Features Sdn. Bhd., his spouse's and children's shares in QL.

\*\* Deemed interest via CBG Holdings Sdn. Bhd. and his spouse's shares in QL.

# Deemed interest via his and his spouse's shareholding in Farsathy Holdings Sdn. Bhd. and his spouse's shares in QL.

## Deemed interest via his and his spouse's shareholding in Farsathy Holdings Sdn. Bhd.

@ Deemed interest via his and his father's interest in CBG Holdings Sdn. Bhd. and his father's and spouse's shares in QL.

# Statement of Internal Control

Pursuant to paragraph 15.27(b) of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Listing Requirements, the Board of Directors of QL Resources Berhad is pleased to provide the following statement on internal control on the state of internal control of the Group comprising QL Resources Berhad and its subsidiaries for the financial year ended 31 March 2007, which has been prepared in accordance with the “Statement on Internal Control – Guidance for Directors of Public Listed Companies” issued by the Institute of Internal Auditors Malaysia and adopted by the Bursa Malaysia.

The Statement on Internal Control outlines the nature and scope of internal control of the Group during the year.

## Board Responsibility

The Board recognises the importance of a sound system of internal control to safeguard shareholders’ investment and the Group’s assets. The Board acknowledges its responsibility for maintaining a sound system of internal control, and for reviewing its adequacy and integrity. The Board of Directors is committed to maintaining a system of internal control in financial, operational and compliance as well as risk management to achieve the following objectives:

- Safeguard assets of the Group and shareholders’ interest;
- Identify and manage risks affecting the Group;
- Ensure compliance with regulatory requirements; and
- Ensure operational results are closely monitored and substantial variances are promptly explained.

However, the Board recognises that reviewing of the Group’s system of internal controls is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing this objective, internal control can only provide reasonable and not absolute

assurance against material misstatement or loss. In striving for continuous improvement, the Board will put in place appropriate action plans, when necessary, to further enhance the Group’s system of internal controls.

## Internal Control

The Group’s system of internal controls comprises the following key elements:

- **Organisational structure and accountability levels**  
Key responsibilities and lines of accountability within the Group are defined, with clear reporting lines up to the Senior Management of the Group and to the Board of Directors of the QL Resources Berhad. The Group’s delegation of authority sets out the decisions that need to be taken and the appropriate authority levels of Management including matters that require Board approval.
- **Strategic business planning processes**  
Business planning and budgeting is undertaken bi-annually, to establish plans and targets against which performance is monitored.
- **Reporting and review**  
The Group’s management teams carry out monthly monitoring and review of financial results and forecasts for all businesses within the Group, including monitoring and reporting thereon, of performance against the operating plans and annual budgets. The Group’s management teams communicate regularly to monitor operational and financial performance as well as formulate action plans to address any areas of concern.
- **Control procedures**  
Operating Procedures Manuals that set out the certain policies and procedures are maintained by certain companies in the Group, to ensure that accountabilities and standard control procedures are in place.

# Statement of Internal Control

## Internal Audit

Internal audits are carried out by an independent professional services firm to review the adequacy and integrity of the internal control systems of certain business units during the financial year ended 31 March 2007. The internal audit team had completed the review of certain internal controls for selected subsidiaries in the Group and had highlighted to the executive and operational management on areas for improvement. The reports are submitted to the Audit Committee, which reviews the findings with management at the Audit Committee Meeting. In assessing the adequacy and effectiveness of the system of internal controls of the Group, the Audit Committee reports to the Board of Directors its activities, significant results, findings and the necessary recommendations or changes.

## Risk Management

The Board have formalised a Risk Management framework that projects the Group's desire to identify, evaluate and manage significant business risks. The Risk Management Committee had carried out its duties in accordance with the Group's Risk Management Policies and Procedures.

The Committee had monitored and reviewed the Risk Management plan and activities and had reported to the Audit Committee on a quarterly basis. The Audit Committee had, on a quarterly basis, performed formal reviews on the adequacy and integrity of the system of internal controls.

The Group's risk management framework ensures that significant risks are continuously identified and that instituted controls are appropriate and effectively applied by the Management to achieve acceptable exposures consistent with the Group's risk management practices.

## Associated company

The Group's system of internal controls does not cover any associated company.

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year ended 31 March 2007. The Group continues to take the necessary measures to ensure that the system of internal control is in place and functioning effectively.

# Report on Corporate Social Responsibilities

QL's mission, vision, values and personality reveal our commitment towards CSR in balancing our business, environment and social objectives.

## Our Mission:

We create nourishing products from agro resources, leading to benefit for all parties.

## Our Vision:

To be the preferred global agro based enterprise.

## Our Values:

Integrity, Win-win, Team Work & Innovative

## Our Personality:

Progressive, Trustworthy, Initiative and Humility

We are committed to create nourishing products from agro resources, leading to benefit for all parties. By all parties we mean our consumers, customers, employees, shareholders and the communities in which we operate.

In QL, we ask ourselves the following questions:

1. Does QL serve an economic purpose?
2. Is QL environmentally conscious?
3. Is the community well-being where QL operates better off?

## Does QL serve an economic purpose?

QL's business activities are resource-based and value adding in nature i.e fisheries, oil palm and livestock.

Our crude palm oil mills provide milling services to small estate holders. Our poultry egg farms provide cheap source of protein for all levels of income group. Our marine manufacturing plants provide value adding activities to the fisheries community.

In addition, QL's value adding activities meet the NAP3 (National Agriculture Plan No.3) objectives of import savings, food security and export earnings.

## Is QL environmentally conscious?

Here at QL, we strive to reduce waste and improve our operations and at the same time benefiting the environment. By continuously exploring ways to be more efficient in our use of resources and materials, we can reduce costs, improve margins, protect the environment and benefit our communities.

QL's fishmeal manufacturing operations in Hutan Melintang, Perak uses renewable bio-mass fuel (dried padi husk) instead of fossil fuel in our steam drying production process and thereby producing premium grade fishmeal suitable for animal and aquaculture industry. We are also in the process of converting and upgrading our fishmeal operation in Endau, Johore into using renewable bio-fuel (dried padi husk).

At QL's crude palm oil mills, we have put in place Danish technology carbon emission reduction process in our treatment of our palm oil effluent through converting sludge into fertilisers. We are also in the midst of evaluating technology to deal with reduction of methane emissions from oil palm Empty Fruit Bunches (EFB).

QL's poultry egg farms are geographically located throughout Peninsular Malaysia as well as East Malaysia. Our farms carry out risk management in terms of bio-securities as well as compliance with veterinary requirements. Over the next two years, our farms will intensify effort to convert open-house poultry layer operations into closed-house. The conversion will address the bio-securities risk associated with various poultry viruses.

# Report on Corporate Social Responsibilities

## Is the community well-being where QL operates better off?

More than 75% of QL's workforce is in the rural areas. Over the last 20 years, QL's agri-based business has achieved impressive growth of assets, earnings and revenue, while making a positive impact on the lives of the people living wherever we operate. QL provides rural employment in the fishing communities and we are the largest employer in Hutan Melintang (Perak), Endau (East Johore), Tuaran (Sabah).

QL also practices win-win in our business alliance with the fishing community. We provide financial assistance through interest free advances to fishermen in this region to help them to build, upgrade and modernise their fishing fleet. Such scheme is usually not available through commercial bankers or the government. Our advances to

fishermen (totaling 550 fishermen) to-date amount to more than RM20million.

This type of financial assistance addresses need in an area where fisheries is the mainstay occupation. In consideration for their steady supply of fish at market price, our financial assistance enhances and sustains livelihoods and economic growth of the rural fishing communities.

## Making a difference

As Asia's largest producer of surimi and Malaysia's largest producer of surimi-based products, largest fishmeal producer, leading deep sea fishing operator and leading producer of poultry eggs, we touch the lives of many people including our stakeholders. This brings with it a special sense of social responsibility, one we take to heart. We live our values and seek to make a difference to the community where we operate.

# Financial Statements

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# Directors' Report

for the year ended 31 March 2007

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 March 2007.

## Principal activities

The Company is principally engaged in investment holding and provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 32 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

## Results

	Group	Company
	RM'000	RM'000
Net profit for the year		
Attributable to:		
Shareholders of the Company	63,248	13,883
Minority interest	5,336	-
	<hr/> 68,584	<hr/> 13,883

## Reserves and provisions

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

## Dividends

Since the end of the previous financial year, the Company paid a final dividend of 9 sen per ordinary share of RM0.50 each less tax totaling RM14,256,000 in respect of the year ended 31 March 2006 on 27 September 2006.

The Directors recommend a final dividend of 10 sen per ordinary share of RM0.50 each less tax totaling RM16,060,000 in respect of the year ended 31 March 2007.

## Directors of the Company

Directors who served since the date of the last report are:

Tengku Dato' Zainal Rashid bin Tengku Mahmood  
Chia Song Kun  
Chia Seong Pow  
Chia Seong Fatt  
Chia Song Kooi  
Chia Song Swa  
Chia Mak Hooi  
Chieng Ing Huong  
Teh Kim Teh



### Directors' interests

The holdings and deemed holdings in the ordinary shares of the Company and of its related companies (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			At 31.3.2007
	At 1.4.2006	Bought	Sold	
<b>Shareholdings in which Directors have direct interests in the Company</b>				
Tengku Dato' Zainal Rashid bin Tengku Mahmood	250,000	500,000	-	750,000
Chia Song Kun	125,000	-	-	125,000
Chia Seong Pow	110,000	140,000	-	250,000
Chia Seong Fatt	90,000	-	-	90,000
Chia Song Kooi	50,000	-	-	50,000
Chia Song Swa	50,000	-	-	50,000
Chia Mak Hooi	100,000	-	-	100,000

### Shareholdings in which Directors have indirect interests in the Company

Chia Song Kun	101,078,014	3,106,800	-	104,184,814
Chia Seong Pow	28,856,117	893,200	-	29,749,317
Chia Seong Fatt	28,756,117	893,200	-	29,649,317
Chia Song Kooi	100,388,014	3,208,800	-	103,596,814
Chia Song Swa	100,138,014	3,106,800	-	103,244,814
Chia Mak Hooi	101,061,014	3,136,800	-	104,197,814

The above Directors are deemed to have interests in shares of all subsidiaries disclosed in Note 32 to the financial statements to the extent that the Company has an interest. Details of their deemed shareholdings in non-wholly owned subsidiaries are shown in Note 32.1 to the financial statements.

The other Directors, Chieng Ing Huong and Teh Kim Teh, holding office at 31 March 2007 did not have any interest in the ordinary shares of the Company and of its related companies during the financial year.

### Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company and its related companies) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who may be deemed to derive a benefit by virtue of certain trading transactions in the ordinary course of business between related companies and firms as well as companies in which certain Directors have interest and persons connected to Directors as disclosed in Note 30 to the financial statements.

## Directors' Report

There were no arrangements during and at the end of the financial year which had the object 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.

### Significant events during the year

The significant events during the year are as disclosed in Note 33 to the financial statements.

### Significant events subsequent to balance sheet date

The significant events subsequent to balance sheet date is as disclosed in Note 34 to the financial statements.

### Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

### Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

### Other statutory information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group's and in the Company's financial statements misleading, or
- iii) 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, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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 and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 March 2007 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

#### Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Chia Song Kun

Chia Mak Hooi

Shah Alam,

Date: 10 July 2007

# Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 45 to 113 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 March 2007 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

Chia Song Kun

Chia Mak Hooi

Shah Alam,

Date: 10 July 2007

# Statutory Declaration

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

I, Chia Mak Hooi, the Director primarily responsible for the financial management of QL Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 45 to 113 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 the abovenamed in Klang on 10 July 2007.

Chia Mak Hooi

Before me:  
Mr Soo Ah Kow @ Soo Keh Yap (JP AMS PJK)  
Commissioner for Oaths  
Klang, Selangor

# Report of the Auditors

to the members of QL Resources Berhad

We have audited the financial statements set out on pages 45 to 113. The preparation of the financial statements is the responsibility of the Company's Directors.

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

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

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
  - i) the state of affairs of the Group and of the Company at 31 March 2007 and the results of their operations and cash flows for the year ended on that date; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the said Act.

The subsidiary in respect of which we have not acted as auditors is identified in Note 32 to the financial statements and we have considered its financial statements and the auditors' report thereon.

We are satisfied that the financial statements of the subsidiaries 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 those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

**KPMG**

Firm Number: AF 0758  
Chartered Accountants

**Ow Peng Li**

Partner  
Approval Number: 2666/09/07(J)

Kuala Lumpur,

Date: 10 July 2007

# Balance Sheets

at 31 March 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000
<b>Assets</b>					
Property, plant and equipment	4	286,162	250,997	15	4
Intangible assets	5	427	496	-	-
Biological assets	6	14,578	13,104	-	-
Prepaid lease payments	7	49,662	36,467	-	-
Investment properties	8	8,903	-	-	-
Investment in subsidiaries	9	-	-	131,414	131,414
Investment in associates	10	3,449	3,762	-	-
Other investments	11	103	103	-	-
Deferred tax assets	12	61	215	-	-
Receivables	13	-	-	23,746	11,338
Goodwill on consolidation		2,855	2,583	-	-
<b>Total non-current assets</b>		<b>366,200</b>	<b>307,727</b>	<b>155,175</b>	<b>142,756</b>
Receivables, deposits and prepayments	13	137,530	122,772	14,583	31,918
Inventories	14	120,139	110,794	-	-
Biological assets	6	15,615	12,722	-	-
Current tax assets		3,047	3,143	75	74
Cash and cash equivalents	15	28,312	25,985	311	355
<b>Total current assets</b>		<b>304,643</b>	<b>275,416</b>	<b>14,969</b>	<b>32,347</b>
<b>Total assets</b>		<b>670,843</b>	<b>583,143</b>	<b>170,144</b>	<b>175,103</b>
<b>Equity</b>					
Share capital		110,000	110,000	110,000	110,000
Reserves		187,798	138,817	41,119	41,492
<b>Total equity attributable to shareholders of the Company</b>	16	<b>297,798</b>	<b>248,817</b>	<b>151,119</b>	<b>151,492</b>
Minority shareholders' interests		25,501	20,746	-	-
<b>Total equity</b>		<b>323,299</b>	<b>269,563</b>	<b>151,119</b>	<b>151,492</b>

## Balance Sheets

	Note	Group		Company	
		2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000
<b>Liabilities</b>					
Loans and borrowings	17	61,624	65,587	13,750	9,375
Deferred tax liabilities	12	26,151	24,940	-	-
<b>Total non-current liabilities</b>		<b>87,775</b>	<b>90,527</b>	<b>13,750</b>	<b>9,375</b>
Payables and accruals	18	55,427	59,997	275	13,611
Loans and borrowings	17	203,203	161,907	5,000	625
Current tax liabilities		1,139	1,149	-	-
<b>Total current liabilities</b>		<b>259,769</b>	<b>223,053</b>	<b>5,275</b>	<b>14,236</b>
<b>Total liabilities</b>		<b>347,544</b>	<b>313,580</b>	<b>19,025</b>	<b>23,611</b>
<b>Total equity and liabilities</b>		<b>670,843</b>	<b>583,143</b>	<b>170,144</b>	<b>175,103</b>

The notes on pages 53 to 113 are an integral part of these financial statements.



# Income Statements

for the year ended 31 March 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000
Revenue	19	1,118,519	1,010,549	19,616	37,853
Results from operating activities	19	88,192	69,402	17,437	36,905
Interest expense	20	(11,862)	(11,290)	(855)	(249)
Interest income	21	343	336	1,112	405
Share of profits of an associate		456	434	-	-
Profit before taxation		77,129	58,882	17,694	37,061
Tax expense	23	(8,545)	(7,483)	(3,811)	(3,398)
Profit for the year		68,584	51,399	13,883	33,663
Attributable to:					
Shareholders of the Company		63,248	48,343		
Minority interest		5,336	3,056		
Profit for the year		68,584	51,399		
Basic earnings per ordinary share (sen)	24	29	24		

The notes on pages 53 to 113 are an integral part of these financial statements.

# Statements of Changes in Equity

for the year ended 31 March 2007

Group	Note	Share capital RM'000	Non-distributable Share premium RM'000	Translation reserve RM'000	Distributable Retained profits RM'000	Sub- Total RM'000	Minority interest RM'000	Total RM'000
At 1 April 2005		75,000	1,551	-	82,429	158,980	15,302	174,282
Issuance of shares								
- Bonus issue		25,000	-	-	(25,000)	-	-	-
- Private placement		10,000	39,400	-	-	49,400	-	49,400
Expenses not recognised in income statement								
- Share issue expenses		-	(605)	-	-	(605)	-	(605)
Profit for the year		-	-	-	48,343	48,343	3,056	51,399
Acquisition of minority interest		-	-	-	-	-	2,388	2,388
Dividends - 2005 final	25	-	-	-	(8,100)	(8,100)	-	(8,100)
At 31 March 2006, as previously reported		110,000	40,346	-	97,672	248,018	20,746	268,764
Effect of adopting FRS 3	36.1	-	-	-	799	799	-	799
At 31 March/ 1 April 2006, restated		110,000	40,346	-	98,471	248,817	20,746	269,563
Foreign translation reserve		-	-	(11)	-	(11)	-	(11)
Profit for the year		-	-	-	63,248	63,248	5,336	68,584
Disposal of minority interest		-	-	-	-	-	(581)	(581)
Dividends - 2006 final	25	-	-	-	(14,256)	(14,256)	-	(14,256)
At 31 March 2007		110,000	40,346	(11)	147,463	297,798	25,501	323,299
		Note 16.1		Note 16.2	Note 16.3			

Company	Note	Share capital RM'000	Non-distributable Share premium RM'000	Distributable Retained profits RM'000	Sub-Total RM'000	Total RM'000
<b>At 1 April 2005</b>		75,000	1,551	583	2,134	77,134
Issuance of shares						
- Bonus issue		25,000	-	(25,000)	(25,000)	-
- Private placement		10,000	39,400	-	39,400	49,400
Expenses not recognised in income statement						
- Share issue expenses		-	(605)	-	(605)	(605)
Profit for the year		-	-	33,663	33,663	33,663
Dividends - 2005 final	25	-	-	(8,100)	(8,100)	(8,100)
<b>At 31 March 2006</b>		110,000	40,346	1,146	41,492	151,492
Profit for the year		-	-	13,883	13,883	13,883
Dividends - 2006 final	25	-	-	(14,256)	(14,256)	(14,256)
<b>At 31 March 2007</b>		110,000	40,346	773	41,119	151,119
		Note 16.1		Note 16.3		

The notes on pages 53 to 113 are an integral part of these financial statements.

# Cash Flow Statements

for the year ended 31 March 2007

	Note	Group		Company	
		2007	2006	2007	2006
		RM'000 Restated	RM'000	RM'000 Restated	RM'000
<b>Cash flows from operating activities</b>					
Profit before taxation		77,129	58,882	17,694	37,061
Adjustments for:					
Amortisation of investment properties		53	-	-	-
Amortisation of prepaid lease payments		620	513	-	-
Amortisation of trademarks		4	4	-	-
Biological asset written off		-	50	-	-
Depreciation		24,039	19,895	2	2
Dividend income		-	(3)	(18,012)	(37,100)
Gain on disposal of other investment		-	(15)	-	-
Gain on disposal of investment properties		(229)	-	-	-
Gain on disposal of prepaid lease rights		-	(833)	-	-
Gain on disposal of property, plant and equipment		(34)	(82)	-	-
Interest expense		11,862	11,290	855	249
Interest income		(343)	(336)	(1,112)	(405)
Impairment loss on intangible assets		89	-	-	-
Impairment loss on investment properties		183	-	-	-
Impairment loss on property, plant and equipment		557	28	-	-
Inventories written down to net realisable value		921	-	-	-
Loss/(gain) on foreign exchange – unrealised		61	(98)	-	-
Provision for diminution in value of property held for resale		-	732	-	-
Property, plant and equipment written off		986	83	-	-
Share of profits of an associate		(456)	(434)	-	-
Operating profit/(loss) before changes in working capital		115,442	89,676	(573)	(193)
(Increase)/Decrease in working capital:					
Inventories		(10,266)	(32,166)	-	-
Biological assets		(2,893)	(411)	-	-
Receivables, deposits and prepayments		(17,761)	15,316	(490)	(41,668)
Payables and accruals		(5,091)	3,029	(13,336)	(217)
Bills payable		34,017	(11,412)	-	-
Cash generated from/(used in) operations		113,448	64,032	(14,399)	(42,078)
Income taxes paid		(6,634)	(7,790)	(57)	(50)
Interest paid		(11,448)	(5,680)	(855)	(249)
Interest received		343	336	1,112	405

	Note	Group		Company	
		2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000 Restated
<b>Net cash generated from/(used in) operating activities</b>		95,709	50,898	(14,199)	(41,972)
<b>Cash flows from investing activities</b>					
Acquisition from minority interest		(130)	(62)	-	-
Additional investment in subsidiary	(iii)	-	-	-	(20,000)
Acquisition of subsidiaries	35	(384)	(12,548)	-	-
Decrease in pledged fixed deposits placed with licensed banks		-	20	-	-
Proceeds from disposal of investments		-	30	-	-
Proceeds from disposal of investment properties		650	-	-	-
Proceeds from disposal of property, plant and equipment		2,309	2,322	-	-
Proceeds from disposal of prepaid lease rights		632	2,154	-	-
Purchase of biological assets		(1,474)	-	-	-
Purchase of investment properties		(4,844)	-	-	-
Purchase of prepaid lease rights		(14,447)	(4,415)	-	-
Purchase of property, plant and equipment	(i)	(62,956)	(59,171)	(13)	-
Purchase of intangible assets		(24)	(411)	-	-
Dividend received from subsidiaries		-	-	14,256	33,733
Dividend received from associates		769	387	-	-
Dividend received from quoted shares		-	3	-	-
<b>Net cash (used in)/generated from investing activities</b>		<b>(79,899)</b>	<b>(71,691)</b>	<b>14,243</b>	<b>13,733</b>
<b>Cash flows from financing activities</b>					
Repayment from/(advances to) subsidiaries		-	-	5,418	(22,211)
Share issue expenses		-	(605)	-	(605)
Contribution from minority shareholders		200	5,249	-	-
Dividend paid to minority shareholders		(651)	(4,697)	-	-
Dividend paid to shareholders of the Company		(14,256)	(8,100)	(14,256)	(8,100)
Interest paid		(414)	(5,727)	-	-
Repayment of hire purchase liabilities		(2,524)	(2,135)	-	-
Payment of finance lease liabilities		(290)	(457)	-	-
Proceeds from/(Repayment of) loans and other borrowings		997	(7,231)	8,750	10,000
Proceeds from issuance of shares		-	49,400	-	49,400

## Cash Flow Statements

	Note	Group		Company	
		2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000 Restated
Net cash (used in)/generated from financing activities		(16,938)	25,697	(88)	28,484
Net (decrease)/increase in cash and cash equivalents		(1,128)	4,904	(44)	245
Cash and cash equivalents at beginning of year		18,690	13,786	355	110
Cash and cash equivalents at end of year	(ii)	17,562	18,690	311	355

### Note to the cash flow statements

#### i) Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM64,634,000 (2006 – RM65,099,000) of which RM1,678,000 (2006 - RM5,928,000) was acquired by means of hire purchases.

#### ii) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and bank balances	25,152	22,024	311	355
Deposits placed with licensed banks	3,160	3,961	-	-
Bank overdrafts	(10,750)	(7,295)	-	-
	17,562	18,690	311	355

#### iii) Non-cash transactions

##### Investing activities

During the previous financial year, the Company increased its investment in its subsidiaries by RM58,151,000 of which RM38,151,000 was through capitalisation of debts.

##### Financing activities

During the previous financial year, the Company undertook bonus issue of 50,000,000 new ordinary shares of RM0.50 each on the basis of one (1) new ordinary share of RM0.50 each for every three (3) existing ordinary shares held. The issuance of bonus shares totaling RM25,000,000 was capitalised from the retained profits of the Company.

The notes on pages 53 to 113 are an integral part of these financial statements.

# Notes to the Financial Statements

QL Resources Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

## Registered office/Principal place of business

No. 16A Jalan Astaka U8/83  
Bukit Jelutong  
40150 Shah Alam  
Selangor Darul Ehsan

The consolidated financial statements as at and for the year ended 31 March 2007 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 March 2007 do not include other entities.

The Company is principally engaged in investment holding and provision of management services, whilst the principal activities of the subsidiaries are as stated in Note 32 to the financial statements.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities (also referred to as Financial Reporting Standards) issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous years except for the adoption of the new and revised Financial Reporting Standards (FRSs), issued by MASB that are effective for financial period beginning 1 January 2006.

MASB has also issued a number of new and revised FRSs and Interpretations that are effective for annual periods beginning after 1 January 2006 or available for early adoption which are as follows:

Standard/Interpretation	Effective date
FRS 117, <i>Leases</i>	1 October 2006
FRS 124, <i>Related Party Disclosures</i>	1 October 2006
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	To be announced

# Notes to the Financial Statements

## 1. Basis of preparation (continued)

Standard/Interpretation	Effective date
Amendment to FRS 119 <sub>2004</sub> , <i>Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures</i>	1 January 2007
FRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2007
Amendment to FRS 121, <i>The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation</i>	1 July 2007
IC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 July 2007
IC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	1 July 2007
IC Interpretation 5, <i>Rights Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 July 2007
IC Interpretation 6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	1 July 2007
IC Interpretation 7, <i>Applying the Restatement Approach Under FRS 129<sub>2004</sub> Financial Reporting in Hyperinflationary Economies</i>	1 July 2007
IC Interpretation 8, <i>Scope of FRS 2</i>	1 July 2007
FRS 107, <i>Cash Flow Statements</i>	1 July 2007
FRS 111, <i>Construction Contracts</i>	1 July 2007
FRS 112, <i>Income Taxes</i>	1 July 2007
FRS 118, <i>Revenue</i>	1 July 2007
FRS 119, <i>Employee Benefits</i>	1 July 2007
FRS 120, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	1 July 2007
FRS 126, <i>Accounting and Reporting by Retirement Benefit Plans</i>	1 July 2007
FRS 129, <i>Financial Reporting in Hyperinflationary Economies</i>	1 July 2007
FRS 134, <i>Interim Financial Reporting</i>	1 July 2007
FRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 July 2007



## 1. Basis of preparation (continued)

The Group has chosen to early adopt FRS 117, Leases which is effective for annual periods beginning on or after 1 October 2006. The Group plans to apply FRS 124 and the Amendments to FRS 119<sup>2004</sup> initially for annual period beginning 1 April 2007 and to apply the rest or the above mentioned FRS and Interpretations (except for FRS 6, FRS 111, FRS 120, FRS 126, FRS 129, IC Interpretation 1, IC Interpretation 2, IC Interpretation 5, IC Interpretation 6 and IC Interpretation 7 as explained below and FRS 139 of which the effective date has yet to be announced) for the annual period beginning 1 April 2008.

The impact of applying FRS 124 and FRS 139 on the financial statements upon first adoptions of these standards as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the standards.

FRS 6, FRS 111, FRS 120, FRS 126, FRS 129, IC Interpretation 1, IC Interpretation 2, IC Interpretation 5, IC Interpretation 6 and IC Interpretation 7 are not applicable to the Group and Company. Hence, no further disclosure is warranted.

The initial application of the other standards and interpretations are not expected to have any material impact on the financial statements of the Group and Company except as disclosed in Note 36.

The financial statements were approved by the Board of Directors on 10 July 2007.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

# Notes to the Financial Statements

## 1. Basis of preparation (continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 4 - measurement of the residual values and useful lives
- Note 12 - recognition of unutilised tax losses and capital allowances
- Note 13 - valuation of receivables

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the current year's presentation (see Note 37). The comparative financial statements have been restated to take into account the effect of adopting FRS 3, *Business Combinations*, FRS 117, *Leases* and FRS 140, *Investment Property* (see Note 36).

### (a) Basis of consolidation

#### (i) *Subsidiaries*

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Company has the ability to exercise its powers to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

#### (ii) *Associates*

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

## 2. Significant accounting policies (continued)

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's balance sheet at cost less impairment losses unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

### *(iii) Changes in Group composition*

Where a subsidiary issues new equity shares to minority interest for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When Group purchases a subsidiary's equity shares for minority interest for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

### *(iv) Minority interest*

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group is presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

#### *(v) Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **(b) Foreign currency**

##### *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

#### **(c) Derivative financial instruments**

The Group holds derivative financial instruments, namely forward foreign exchange contracts, foreign exchange options and commodity options, to hedge its foreign exchange risk arising from operational activities.

Derivative financial instruments used for hedging purposes are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and marked to market at balance sheet date. Any profit or loss is recognised in the income statement.

## 2. Significant accounting policies (continued)

### (d) Property, plant and equipment

#### *(i) Recognition and measurement*

Property, plant and equipment except freehold land and construction work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and construction work-in-progress is stated at cost less impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

#### *(ii) Reclassification to investment property*

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in the income statement.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in equity. Any loss is recognised immediately in the income statement.

#### *(iii) Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

#### *(iv) Depreciation*

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Farm buildings	12 years
Fishing boat and equipment	5 – 20 years
Plant and machinery	4 – 20 years
Furniture, fittings and equipment	5 – 12.5 years
Office improvements and renovation	5 – 10 years
Motor vehicles	5 – 6.7 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

#### *(e) Leased assets*

Leases in terms of which the Group and the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and except for leasehold land classified as investment property, the lease assets are not recognised on the Group and Company's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

#### *(f) Prepaid lease payments*

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided except for leasehold land classified as investment property.

## 2. Significant accounting policies (continued)

The Group had previously classified leasehold lands as finance lease and had recognised the amount of prepaid lease payments as property within its property, plant and equipment. On early adoption of FRS 117, Leases, the Group treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions in FRS 117.67A. Such prepaid lease payments is amortised over the lease term.

### (g) Investment property

Investment properties are properties which are held to earn rental income or for capital appreciation or both. Properties that are occupied by the companies in the Group for conduct of business operations are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2 (d).

In the previous year, all investment properties were included in property, plant and equipment. Following the adoption of FRS 140, Investment Property, these *investment properties* are now classified separately. Transfers between investment property and property, plant and equipment do not change the carrying amount and the cost of the property transferred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

### (h) Intangible assets

#### (i) Goodwill

Goodwill/(negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

With the adoption of FRS 3, the carrying amount of negative goodwill at 1 January 2006 is derecognised with a corresponding adjustment to the opening balance of retained earnings.

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment when there is objective evidence of impairment.

#### *Acquisition of minority interest*

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

#### *(ii) Trademarks*

Trademarks are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Trademarks are amortised on a straight-line basis over its estimated useful life of not more than 25 years.

#### *(i) Biological assets*

##### *(i) Plantation development expenditure*

New planting expenditure which include land clearing, planting, field upkeep and maintenance of oil palms plantings to maturity are capitalised as plantation development expenditure and it is not amortised. Oil palm plantings are considered mature 30 months after the date of planting. Expenditures incurred after maturing of crops are charged to the income statement. Estate overhead expenditure is apportioned to revenue and plantation development expenditure on the basis of the proportion of mature and immature areas.

Net income from scout harvesting prior to maturity is offset against plantation development expenditure.

Replanting expenditure is written off during the period in which it is incurred.

##### *(ii) Livestock*

Livestock comprises pullets and layers and is valued at the lower of amortised cost and net realisable value. Cost includes cost of the pullet plus all attributable costs including relevant overheads in nursing the pullet to the point of lay. Thereafter the cost is amortised over its estimated economic life of the layers of approximately 58 weeks. Net realisable value is defined as the aggregate income expected to be generated from total eggs to be produced per layer and sales proceeds from the disposal of the ex-layer less expenses expected to be incurred to maintain the layer.



## 2. Significant accounting policies (continued)

### (j) Investments

Other long term investments are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

### (k) Inventories

Raw materials, manufactured inventories, trading inventories and spares and consumables are stated at the lower of cost and net realisable value. The cost of inventories is based on first-in-first-out principle, except for a subsidiary where trading inventories' cost is based on standard cost being the main basis for costs adjusted for variances which approximate actual cost on the first-in-first-out basis.

The cost of raw materials comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition. For manufactured inventories and trading inventories, cost consists of raw materials, direct labour, an appropriate portion of fixed and variable production overheads based on normal operating capacity and other incidental costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

### (l) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

### (m) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

### (n) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

### (o) Employee benefits

#### *Short-term employee benefits*

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

## Notes to the Financial Statements

### 2. Significant accounting policies (continued)

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group and Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group and Company's contribution to the Employees Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group and Company have no further payment obligations.

#### (p) Impairment of assets

The carrying amounts of assets other than deferred tax assets, inventories and financial assets (other than investment in subsidiaries and associates) are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, then the assets' recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

#### (q) Share capital

##### *Share issue expenses*

Incremental costs directly attributable to issue of shares and share option classified as equity are recognised as deduction from equity.

## 2. Significant accounting policies (continued)

### (r) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

### (s) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

### (t) Revenue

#### (i) Goods sold

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

# Notes to the Financial Statements

## 2. Significant accounting policies (continued)

### *(ii) Dividend income*

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

### *(iii) Management fee*

Management fee is recognised on an accrual basis.

### *(iv) Rental income*

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

### **(u) Lease payments**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### **(v) Interest income and borrowing costs**

Interest income is recognised in the income statement as it accrues using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

## 2. Significant accounting policies (continued)

### (w) Earnings per ordinary share

The Group presents basic and diluted earnings per ordinary share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### (x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

## 3. Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the Group's business development. The Group has clear defined guidelines and written risk management policies on credit risk, interest rate risk, foreign currency risk, liquidity and cash flow risk. The Group operates within clearly defined guidelines that are approved by the Board and do not engage in speculative transactions.

The Group enters into derivative instruments, principally forward foreign currency exchange contracts to reduce exposure to fluctuations in foreign exchange rates. While the risk of market rates may change subsequent to acquisition, such changes are generally offset by the opposite effects on items being hedged. The Group does not trade in derivative instruments. The notional amounts of derivatives summarised in the notes to the financial statements do not represent amount exchanged by the parties and thus are not a measurement of the Group's exposure for its use of derivative financial instruments.

### Credit risk

Financial instruments contain an element of risk of the counterparties being unable to meet their obligations. Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group and Company do not have any significant exposure to any individual counterparty. The Group and Company have credit policy in place to ensure that transactions are conducted with creditworthy counter parties.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and Company are represented by the carrying amount of each financial assets.

# Notes to the Financial Statements

## 3. Financial risk management objectives and policies (continued)

### Interest rate risk

The Group is exposed to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rate.

Interest rate risk mainly arises from the Group's borrowings.

The Group adopts an informal policy of managing this risk through the use of fixed and floating rates debts and financial instruments. The Group does not use interest rate swaps as hedging instrument. The Group's interests bearing assets are mainly placed in short term deposits with reputable financial institutions and they are not held for speculation purposes.

### Foreign currency risk

The Group is exposed to foreign currency risk arising from transactions in foreign currencies. The currencies giving rise to this risk are primarily in US Dollars, Australian Dollars, Singapore Dollars, EURO, Japanese Yen and Sterling Pound.

It is the Group's policy to enter into forward foreign currency contracts and options to hedge against exposures to exchange rate fluctuations.

### Liquidity risk

The Group and Company actively manage its cash flows so as to ensure effective working capital within the Group and Company. The Group and Company strive to maintain available bank facilities of a reasonable level to its overall debt position.

#### 4. Property, plant and equipment

Group	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings and improvements RM'000	Farm buildings RM'000	Fishing boat and equipment RM'000	Furniture, fittings and equipment RM'000	Plant and machinery RM'000	Office improvements and renovation RM'000	Motor vehicles RM'000	Plantation development expenditure RM'000	Capital work-in progress RM'000	Total RM'000
At 1 April 2005	10,974	31,512	3,967	45,949	33,021	3,705	20,551	105,201	2,313	22,555	13,154	20,200	313,102
Transfer to biological asset	-	-	-	-	-	-	-	-	-	-	(13,154)	-	(13,154)
Effect of adopting FRS 117	-	(31,512)	(3,967)	-	-	-	-	-	-	-	-	-	(35,479)
At 1 April 2005, restated	10,974	-	-	45,949	33,021	3,705	20,551	105,201	2,313	22,555	-	20,200	264,469
Additions	617	-	-	9,204	681	3,913	4,741	30,464	575	4,021	-	10,883	65,099
Disposals	(170)	-	-	(1,700)	-	-	(300)	(104)	(2)	(858)	-	-	(3,134)
Written off	-	-	-	-	-	-	(342)	(65)	(78)	-	-	-	(485)
Transfer in/(out)	2,108	-	-	5,520	869	2,045	31	12,552	-	-	-	(23,125)	-
Acquisition of subsidiary	5,800	-	-	2,628	521	-	267	5,333	-	697	-	-	15,246
At 31 March/1 April 2006, restated	19,329	-	-	61,601	35,092	9,663	24,948	153,381	2,808	26,415	-	7,958	341,195
Transfer to investment property	(759)	-	-	(1,084)	-	-	-	-	-	-	-	-	(1,843)
Additions	-	-	-	1,520	9,424	3,625	1,516	20,646	766	3,180	-	23,957	64,634
Disposals	(180)	-	-	-	-	-	(727)	(1,633)	(21)	(1,151)	-	(13)	(3,725)
Written off	-	-	-	-	-	-	(362)	(1,356)	(614)	-	-	-	(2,332)
Transfer in/(out)	-	-	-	69	1,831	1,859	1,035	9,240	-	-	-	(14,034)	-
Acquisition of subsidiary	101	-	-	-	-	-	-	-	-	-	-	-	101
At 31 March 2007	18,491	-	-	62,106	46,347	15,147	26,410	180,278	2,939	28,444	-	17,868	398,030

#### 4. Property, plant and equipment (continued)

Group	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings and improvements RM'000	Farm buildings RM'000	Fishing boat and equipment RM'000	Furniture, fittings and equipment RM'000	Plant and machinery RM'000	Office improvements and renovation RM'000	Motor vehicles RM'000	Plantation development expenditure RM'000	Capital work-in-progress RM'000	Total RM'000
<b>Depreciation and impairment loss</b>													
At 1 April 2005,													
Accumulated depreciation	-	1,328	996	5,368	10,532	133	7,172	36,146	912	11,308	-	-	73,895
Effect of adopting FRS 117	-	(1,328)	(996)	-	-	-	-	-	-	-	-	-	(2,324)
At 1 April 2005, restated	-	-	-	5,368	10,532	133	7,172	36,146	912	11,308	-	-	71,571
Depreciation for the year	-	-	-	1,512	2,213	447	2,361	10,157	288	2,917	-	-	19,895
Disposals	-	-	-	(190)	-	-	(55)	(35)	-	(614)	-	-	(894)
Written off	-	-	-	-	-	-	(308)	(22)	(72)	-	-	-	(402)
Impairment loss	-	-	-	-	-	-	-	-	28	-	-	-	28
At 31 March/1 April 2006, restated													
Accumulated depreciation	-	-	-	6,690	12,745	580	9,170	46,246	1,128	13,611	-	-	90,170
Accumulated impairment loss	-	-	-	-	-	-	-	-	28	-	-	-	28
Transfer to investment property	-	-	-	(130)	-	-	-	-	-	-	-	-	(130)
Depreciation for the year	-	-	-	1,959	2,563	813	2,709	13,194	294	2,507	-	-	24,039
Disposals	-	-	-	-	-	-	(294)	(291)	(11)	(854)	-	-	(1,450)
Written off	-	-	-	-	-	-	(120)	(933)	(293)	-	-	-	(1,346)
Transfer in/(out)	-	-	-	9	-	-	-	(9)	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	402	36	119	-	-	-	557
At 31 March 2007													
Accumulated depreciation	-	-	-	8,528	15,308	1,393	11,465	58,207	1,118	15,264	-	-	111,283
Accumulated impairment loss	-	-	-	-	-	-	402	36	147	-	-	-	585
Carrying amounts													
At 1 April 2005, restated	10,974	-	-	40,581	22,489	3,572	13,379	69,055	1,401	11,247	-	20,200	192,898
At 31 March/1 April 2006, restated	19,329	-	-	54,911	22,347	9,083	15,778	107,135	1,652	12,804	-	7,958	250,997
At 31 March 2007	18,491	-	-	53,578	31,039	13,754	14,543	122,035	1,674	13,180	-	17,868	286,162



## Notes to the Financial Statements

### 4. Property, plant and equipment (continued)

Company	RM'000
Furniture, fitting and equipment	
<i>Cost</i>	
At 1 April 2005/31 March 2006/1 April 2006	11
Additions	13
At 31 March 2007	24
<i>Accumulated depreciation</i>	
At 1 April 2005	5
Charge for the year	2
At 31 March/1 April 2006	7
Charge for the year	2
At 31 March 2007	9
<i>Carrying amounts</i>	
At 1 April 2005	6
At 31 March/1 April 2006	4
At 31 March 2007	15

#### 4.1 Borrowing costs

The following borrowing costs incurred during the year are capitalised under property, plant and equipment:

	Group	
	2007 RM'000	2006 RM'000
Capital work-in-progress at Nil (2006 - 5.17%) per annum	-	117

#### 4.2 Security

The freehold land together with buildings and palm oil mill of certain subsidiaries with total cost of RM8,084,000 (2006 – RM9,163,000) have been charged to banks to secure banking facilities granted to the respective subsidiaries.

The freehold land and buildings of a subsidiary costing Nil (2006 - RM899,000) are pending discharge as security by the bank.

## Notes to the Financial Statements

### 4. Property, plant and equipment (continued)

#### 4.3 Assets under hire purchase

Included in property, plant and equipment of the Group are assets acquired under hire purchase agreements with the following net book value:

	Group	
	2007 RM'000	2006 RM'000
Plant and machinery	5,329	8,472
Motor vehicles	3,345	2,792
Renovation	-	152
Furniture, fittings and office equipment	-	309
	8,674	11,725

#### 4.4 Assets under finance lease

Included in plant and equipment of the Group are furniture, fittings and equipment acquired under finance lease with carrying amounts of RM424,000 (2006 – RM808,000).

#### 4.5 Capital work-in-progress

Capital work-in-progress is in respect of the ongoing construction of buildings and installation of plant and machinery of certain subsidiaries.

## 5. Intangible assets

	Group RM'000
<b>Trademarks</b>	
<i>Cost</i>	
At 1 April 2005	104
Additions	411
At 31 March/1 April 2006	515
Additions	24
At 31 March 2007	539
<i>Accumulated amortisation/impairment</i>	
At 1 April 2005, Accumulated amortisation	15
Amortisation charge for the year	4
At 31 March/1 April 2006	19
Amortisation charge for the year	4
Impairment loss on intangible assets	89
At 31 March 2007	
- Accumulated amortisation	23
- Accumulated impairment loss	89
	112
Carrying amounts	
At 1 April 2005	89
At 31 March/1 April 2006	496
At 31 March 2007	427

## Notes to the Financial Statements

### 6. Biological assets

	Group	
	2007 RM'000	2006 RM'000 Restated
<b>Non-current</b>		
Plantation development expenditure	14,578	13,104
<b>Current</b>		
Livestock, at cost	15,615	12,722

### 7. Prepaid lease payments

Group	Leasehold land		Total RM'000
	Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	
<b>Cost</b>			
At 1 April 2005	-	-	-
Effect of adopting FRS 117	3,967	31,512	35,479
At 1 April 2005, restated	3,967	31,512	35,479
Additions	2,498	1,917	4,415
Disposal	-	(1,330)	(1,330)
Acquisition of subsidiary	731	-	731
At 31 March/1 April 2006, restated	7,196	32,099	39,295
Additions	10,822	3,625	14,447
Disposal	-	(632)	(632)
Transfer in/(out)	356	(356)	-
At 31 March 2007	18,374	34,736	53,110

## 7. Prepaid lease payments (continued)

Group	Leasehold land		Total RM'000
	Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	
<i>Amortisation</i>			
At 1 April 2005	-	-	-
Effect of adopting FRS 117	996	1,328	2,324
At 1 April 2005, restated	996	1,328	2,324
Charge for the year	174	339	513
Disposal	-	(9)	(9)
At 31 March/1 April 2006, restated	1,170	1,658	2,828
Charge for the year	232	388	620
At 31 March 2007	1,402	2,046	3,448
<i>Carrying amounts</i>			
At 1 April 2005, restated	2,971	30,184	33,155
At 31 March/1 April 2006, restated	6,026	30,441	36,467
At 31 March 2007	16,972	32,690	49,662

### 7.1 Security

Certain leasehold land of the Group with a carrying amount of RM1,853,000 (2006 – RM1,207,000) in subsidiaries have been charged to certain licensed banks for bank facilities granted to the subsidiaries as set out in Note 17.

7.2 Included in the 2007 addition to the prepaid lease payments is an amount of RM8,364,000 (2006 – Nil) which represents progress payments made to the developer (see Note 33.3).

7.3 Long term leasehold land with cost of Nil (2006 – RM140,000) is held under native title in the name of a third party in trust for certain subsidiaries.

## Notes to the Financial Statements

### 8. Investment properties

<i>Cost</i>	Note	Group RM'000
At 31 March/1 April 2006		-
Transfer from property, plant and equipment		1,843
Transfer from other receivables	8.1	3,918
Additions		4,844
Disposal		(470)
<b>At 31 March 2007</b>		<b>10,135</b>
<i>Amortisation and impairment loss</i>		
At 31 March/1 April 2006		-
Transfer from property, plant and equipment		
- Amortisation		130
Transfer from other receivables		
- Impairment loss	8.1	915
Amortisation during the year		53
Impairment loss during the year		183
Disposal		(49)
<b>At 31 March 2007</b>		<b>1,232</b>
- Accumulated amortisation		134
- Accumulated impairment loss		1,098
		<b>1,232</b>
<i>Carrying amounts</i>		
At 31 March/1 April 2006		-
<b>At 31 March 2007</b>		<b>8,903</b>
<i>Fair value</i>		
At 31 March 2007		12,869

**8.1** This represents properties held for resale which have been reclassified from other receivables in prior years to investment properties in accordance with FRS 140, Investment Properties (see Note 13.3 (iv)).

#### **8.2 Security**

The freehold land and buildings of a subsidiary costing Nil (2006 - RM2,289,000) are pending discharge as security by the bank.

#### **8.3 Titles**

The land title of a freehold land of a subsidiary valued at RM149,000 (2006 – RM48,000) is pending issuance by the authorities.

## 9. Investment in subsidiaries

	Company	
	2007 RM'000	2006 RM'000
Unquoted shares, at cost	131,414	131,414

Details of the Company's subsidiaries are shown in Note 32.

## 10. Investment in associates

	Group	
	2007 RM'000	2006 RM'000
Unquoted shares, at cost	2,496	2,496
Share of post-acquisition reserves	953	1,266
	3,449	3,762

Summary of financial information on associates:

	Country of incorporation	Effective ownership interest		Revenue (100%) RM'000	Profit / (Loss) (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
		2007 %	2006 %				
<b>2007</b>							
Indahgrains Logistics Sdn. Bhd.	Malaysia	29.87	29.87	6,491	1,540	11,584	224
Pilihan Mahir Sdn. Bhd.	Malaysia	49.00	-	-	(8)	10	(8)
<b>2006</b>							
Indahgrains Logistics Sdn. Bhd.	Malaysia	29.87	29.87	5,794	1,451	14,062	1,379

## Notes to the Financial Statements

### 11. Other investments

	Group	
	2007	2006
	RM'000	RM'000
Non current		
<i>At cost:</i>		
Quoted shares	58	58
Unquoted shares	45	45
	103	103
<i>Market values of quoted investments</i>		
Quoted shares	58	59

Investment in quoted shares is not written down as the Directors are of the view that the diminution in their value is temporary.

### 12. Deferred taxation

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group		Restated		Restated		Restated
Property, plant and equipment	-	-	(21,158)	(19,916)	(21,158)	(19,916)
Biological assets	-	-	(3,160)	(3,238)	(3,160)	(3,238)
Provision	410	759	-	-	410	759
Revaluation	-	-	(2,003)	(2,441)	(2,003)	(2,441)
Tax loss carry-forwards	883	1,135	-	-	883	1,135
Unabsorbed capital allowance	1,533	941	-	-	1,533	941
Other temporary differences	22	3	(2,617)	(1,968)	(2,595)	(1,965)
Tax assets/(liabilities)	2,848	2,838	(28,938)	(27,563)	(26,090)	(24,725)
Set-off of tax	(2,787)	(2,623)	2,787	2,623	-	-
Net tax assets/(liabilities)	61	215	(26,151)	(24,940)	(26,090)	(24,745)



## 12. Deferred taxation (continued)

In recognising the deferred tax assets attributable to unutilised capital allowance carry-forwards and unutilised tax loss carry-forwards, the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilised. If there is substantial change in the shareholders, unutilised tax loss carry-forwards and unutilised capital allowance carry-forwards amounting to approximately RM3,396,000 (2006 - RM4,054,000) and RM5,896,000 (2006 - RM3,361,000) respectively will not be available to the Group, resulting in decrease in net deferred tax assets of RM2,416,000 (2006 - RM2,076,000).

### Unrecognised deferred tax

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

	Note	Group	
		2007 RM'000	2006 RM'000 Restated
Unutilised capital allowance carry-forwards		15,745	11,621
(Taxable)/Deductible temporary differences	(i)	(182)	621
Tax loss carry-forwards		21,540	12,757
		<hr/>	<hr/>
		37,103	24,999

The above items do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%). If there is a substantial change in the shareholders, the unutilised tax loss carry-forwards and unutilised capital allowance carried-forwards amounting to RM21,540,000 (2006 – RM12,757,000) and RM15,745,000 (2006 – RM11,621,000) respectively will not be available to the Group. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

(i) Certain subsidiaries have tax incentives with tax exemption of 100% on its statutory income in accordance with Section 127 of the Income Tax Act, 1967 for a period of 10 years commencing from the year the subsidiaries achieve statutory income. Deferred tax liability has not been recognised in respect of this item because it is expected to be crystallised during the tax incentive period.

## Notes to the Financial Statements

### 13. Receivables, deposits and prepayments

	Note	Group		Company	
		2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000
<b>Non current</b>					
Subsidiaries	13.1	-	-	23,746	11,338
<b>Current:</b>					
<i>Trade</i>					
Trade receivables		103,579	102,457	-	-
Less: Allowance for doubtful debts		(11,463)	(9,629)	-	-
	13.2	92,116	92,828	-	-
<i>Non-trade</i>					
Other receivables		36,713	26,353	380	29
Less: Allowance for doubtful debts		(346)	(3,129)	-	-
	13.3	36,367	23,224	380	29
Subsidiaries	13.1	-	-	14,063	31,889
Related companies		961	115	1	-
Deposits	13.4	3,787	4,156	2	-
Prepayment	13.5	4,299	2,449	137	-
		137,530	122,772	14,583	31,918

#### 13.1 Subsidiaries

	Company	
	2007 RM'000	2006 RM'000
Non-current	23,746	11,338
Current	14,063	31,889
	37,809	43,227

The amount due from subsidiaries of the Company is in respect of advances, unsecured, interest free and repayable on demand except for:

- i) RM23,235,000 (2006 - RM17,000,000) which is subject to interest of 5% per annum with fixed terms of repayment of 3 years;
- ii) Nil (2006 - RM5,211,000) which is subject to interest of 5% per annum and repayable on demand; and
- iii) RM9,375,000 (2006 - RM10,000,000) which is subject to interest of 5.75% per annum and repayable on demand.

### 13. Receivables, deposits and prepayments (continued)

#### 13.2 Trade receivables

Included in the trade receivables of the Group are the following amounts due from related parties.

	Group	
	2007 RM'000	2006 RM'000
A person connected with a Director of a subsidiary	225	163
Companies in which Directors of certain subsidiaries have interest	1,552	1,078
	1,777	1,241

#### 13.3 Other receivables

Included in other receivables of the Group are:

- i) trade advances made to suppliers of certain subsidiaries amounting to RM19,255,000 (2006 - RM15,437,000) to secure the constant source of raw material supplies for the manufacturing activities. The amount is net of allowance for doubtful debts, unsecured, interest free and repayment is substantially made through the supply of raw materials.
- ii) an amount of RM11,954,000 (2006 - Nil) paid to acquire equity interest in a company (see Note 33.2).
- iii) recoveries from suppliers net of allowance for doubtful debts amounting to Nil (2006 - RM645,000).
- iv) property held for resale of Nil (2006 - RM3,003,000) which arose from the settlement of trade receivables by way of exchange of property.

In accordance with FRS140, *Investment Properties*, these properties held for resale amounting to RM3,003,000 have been reclassified to Investment Properties during the year (see Note 8).

## Notes to the Financial Statements

### 13. Receivables, deposits and prepayments (continued)

#### 13.4 Deposits

Included in deposits of the Group is deposits paid for purchase of property, plant and equipment amounting to RM1,819,000 (2006 - RM1,465,000).

#### 13.5 Prepayments

Included in prepayments of the Group is advance payment paid for the construction of fishing boats amounting to RM658,000 (2006 – Nil).

13.6 During the year, doubtful debts written off against allowance for doubtful debts made previously in the Group amounted to RM5,518,000 (2006 – RM9,167,000).

13.7 The currency profile of receivables denominated in Ringgit equivalents, is as follows:

	Group		Company	
	2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000
Ringgit Malaysia	117,486	119,651	38,329	43,256
US Dollars	18,717	2,232	-	-
Singapore Dollars	575	270	-	-
Japanese Yen	455	619	-	-
Brunei Dollar	16	-	-	-
Sterling Pound	281	-	-	-
	137,530	122,772	38,329	43,256

#### 14. Inventories

	Group	
	2007 RM'000	2006 RM'000 Restated
Raw materials	21,541	19,511
Manufactured, trading and retailed inventories	98,598	91,283
	120,139	110,794

#### 15. Cash and cash equivalents

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and bank balances	25,152	22,024	311	355
Deposits placed with licensed banks	3,160	3,961	-	-
	28,312	25,985	311	355

#### 16. Capital and reserves

##### 16.1 Share capital

		Group and Company			
		Amount 2007 RM'000	Number of shares 2007 '000	Amount 2006 RM'000	Number of shares 2006 '000
Ordinary shares of RM0.50 each	Authorised	200,000	400,000	200,000	400,000
Ordinary shares of RM0.50 each					
At 1 April 2006/2005		110,000	220,000	75,000	150,000
Issued during the year:					
- Bonus issue		-	-	25,000	50,000
- Private placement		-	-	10,000	20,000
At 31 March		110,000	220,000	110,000	220,000

##### 16.2 Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

##### 16.3 Retained profits

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained profits at 31 March 2007 if paid out as dividends.

## Notes to the Financial Statements

### 17. Loans and borrowings

		Group		Company	
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
<b>Non-current:</b>					
Term loans	- secured	1,126	7,526	-	-
	- unsecured	56,333	53,213	13,750	9,375
Hire purchase liabilities		4,165	4,732	-	-
Finance lease liabilities		-	116	-	-
		61,624	65,587	13,750	9,375
<b>Current:</b>					
Term loans	- secured	695	3,157	-	-
	- unsecured	22,300	15,562	5,000	625
Bank overdrafts	- secured	2,493	2,715	-	-
	- unsecured	8,257	4,580	-	-
Bills payable	- secured	3,437	4,235	-	-
	- unsecured	164,176	129,360	-	-
Hire purchase liabilities		1,747	2,026	-	-
Finance lease liabilities		98	272	-	-
		203,203	161,907	5,000	625
		264,827	227,494	18,750	10,000

## 17. Loans and borrowings (continued)

### Terms and debt repayment schedule

Group 2007	Financial year of maturity	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Secured term loans	2010	1,821	695	980	146	-
Unsecured term loans	2007-2012	78,633	22,300	20,581	34,919	833
Secured bank overdrafts	2008	2,493	2,493	-	-	-
Unsecured bank overdrafts	2008	8,257	8,257	-	-	-
Secured bills payable	2008	3,437	3,437	-	-	-
Unsecured bills payable						
- USD	2008	89,236	89,236	-	-	-
- RM	2008	74,940	74,940	-	-	-
Hire purchase liabilities	2007-2012	5,912	1,747	1,402	2,763	-
Finance lease liabilities	2008	98	98	-	-	-
		264,827	203,203	22,963	37,828	833

Group 2006	Financial year of maturity	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Secured term loans	2006-2010	10,683	3,157	4,517	3,009	-
Unsecured term loans	2006-2010	68,775	15,562	20,571	30,874	1,768
Secured bank overdrafts	2007	2,715	2,715	-	-	-
Unsecured bank overdrafts	2007	4,580	4,580	-	-	-
Secured bills payable	2007	4,235	4,235	-	-	-
Unsecured bills payable	2007	129,360	129,360	-	-	-
Hire purchase liabilities	2006-2012	6,758	2,026	1,135	3,597	-
Finance lease liabilities	2006-2008	388	272	116	-	-
		227,494	161,907	26,339	37,480	1,768

Company 2007	Financial year of maturity	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Unsecured term loans	2010	18,750	5,000	5,000	8,750	-

## Notes to the Financial Statements

### 17. Loans and borrowings (continued)

#### Terms and debt repayment schedule

	Financial year of maturity	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
<b>Company</b>						
<b>2006</b>						
Unsecured term loans	2010	10,000	625	5,000	4,375	-

#### *Hire purchase liabilities*

Hire purchase liabilities are payable as follows:

Group	Minimum lease payments 2007 RM'000	Interest 2007 RM'000	Principal 2007 RM'000	Minimum lease payments 2006 RM'000	Interest 2006 RM'000	Principal 2006 RM'000
Less than one year	2,047	(300)	1,747	2,394	(368)	2,026
Between one and five years	4,669	(504)	4,165	5,386	(654)	4,732
	6,716	(804)	5,912	7,780	(1,022)	6,758

Hire purchase liabilities bear interest rates at 2.62% to 12.00% (2006 – 3.20% to 7.52%) per annum.

#### *Finance lease liabilities*

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2007 RM'000	Interest 2007 RM'000	Principal 2007 RM'000	Minimum lease payments 2006 RM'000	Interest 2006 RM'000	Principal 2006 RM'000
Less than one year	113	(15)	98	315	(43)	272
Between one and five years	-	-	-	135	(19)	116
	113	(15)	98	450	(62)	388

Finance lease liabilities bear interest rates at 4.80% (2006 – 4.04% to 4.80%) per annum.



## 17. Loans and borrowings (continued)

### Security

#### Group

##### *Term loans*

##### *Secured*

The term loans are secured by way of:

- i) fixed charges over the landed properties of certain subsidiaries;
- ii) fixed and floating charges over assets of certain subsidiaries; and
- iii) corporate guarantee by a subsidiary and the Company.

##### *Term loans*

##### *Unsecured*

The term loans are supported by way of:

- i) corporate guarantee by a subsidiary and the Company;
- ii) a negative pledge on all assets of certain subsidiaries; and
- iii) a letter of undertaking by a subsidiary not to divest its interest in one of the subsidiaries.

##### *Bank overdrafts*

##### *Secured*

The bank overdrafts are secured by way of:

- i) fixed charges over landed properties of certain subsidiaries;
- ii) corporate guarantee by the Company; and
- iii) a charge on the subsidiaries' properties.

##### *Unsecured*

The bank overdrafts are supported by way of:

- i) a negative pledge on all assets of a subsidiary; and
- ii) corporate guarantee by a subsidiary and the Company.

## Notes to the Financial Statements

### 17. Loans and borrowings (continued)

#### *Significant covenants for certain term loans and bank overdraft granted to the Group:*

- i) not to create any new charges or provide additional securities in favour of other lenders without consent which would not be unreasonably withheld by the lenders;
- ii) maximum gearing of 2 times of the Group at all times; and
- iii) minimum interest cover ratio of 2 times at all times.

#### *Bills payable*

##### *Secured*

Bills payable are secured by way of:

- i) fixed and floating charges over assets of certain subsidiaries; and
- ii) corporate guarantee by the Company.

##### *Unsecured*

Bills payable are supported by way of:

- i) corporate guarantee by a subsidiary and the Company;
- ii) a negative pledge on all assets of a subsidiary;
- iii) general security agreement relating to goods; and
- iv) trade financing general agreement.

#### *Company*

##### *Term loans*

##### *Unsecured*

The term loans are supported by way of a negative pledge over the assets of the Company.

### 18. Payables and accruals

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade payables	18.1	37,994	41,200	-	-
Other payables	18.2	9,441	8,103	-	-
Accrued expenses		7,992	10,694	169	271
Subsidiaries	18.3	-	-	106	13,340
		55,427	59,997	275	13,611

## 18. Payables and accruals (continued)

18.1 Included in trade payables of the Group are:

	Group	
	2007 RM'000	2006 RM'000
Associate	260	582
A firm in which certain Directors of a subsidiary has interest	407	68
Companies in which Directors of certain subsidiaries have interest	22	412
	689	1,062

18.2 Included in other payables of the Group are:

	Group	
	2007 RM'000	2006 RM'000
Companies in which certain Directors have interest	321	-
Shareholders	243	-
	564	-

18.3 The amount due to subsidiaries is non-trade in nature, interest free, unsecured and repayable on demand.

18.4 The currency profile of payables denominated in Ringgit equivalents, is as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Ringgit Malaysia	53,387	58,775	275	13,611
US Dollars	1,687	643	-	-
Singapore Dollars	96	15	-	-
Australian Dollars	14	185	-	-
EURO	-	13	-	-
Sterling Pound	243	366	-	-
	55,427	59,997	275	13,611

## Notes to the Financial Statements

### 19. Results from operating activities

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Revenue</b> - sale of goods	1,118,519	1,010,546	-	-
- dividends	-	3	18,012	37,100
- management fee	-	-	838	753
- administrative charges	-	-	766	-
<b>Cost of sales</b>	1,118,519 (956,388)	1,010,549 (877,717)	19,616 -	37,853 -
<b>Gross profit</b>	162,131	132,832	19,616	37,853
Distribution costs	(18,313)	(15,116)	-	-
Administration expenses	(58,583)	(48,245)	(2,179)	(948)
Other operating expenses	(3,699)	(4,558)	-	-
Other operating income	6,656	4,489	-	-
<b>Results from operating activities</b>	88,192	69,402	17,437	36,905

	Group		Company	
	2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000
<b>Results from operating activities is arrived at after crediting:</b>				
Bad debts recovered	5	8	-	-
Dividend from associate	769	387	-	-
Dividend from subsidiaries				
- gross	-	-	13,910	12,026
- tax exempt	-	-	4,102	25,074
Dividend from quoted shares				
- gross	-	2	-	-
- tax exempt	-	1	-	-
Gain on disposal of property, plant and equipment	34	82	-	-
Gain on disposal of prepaid lease rights	-	833	-	-
Gain on foreign exchange - realised	347	896	-	-
Gain on foreign exchange - unrealised	-	98	-	-
Gain on disposal of investment in quoted equities	-	15	-	-
Gain on disposal of investment properties	229	-	-	-
Rental of equipment	12	12	-	-
Rental of premises	386	138	-	-

## 19. Results from operating activities (continued)

	Group		Company	
	2007 RM'000	2006 RM'000 Restated	2007 RM'000	2006 RM'000
<b>and after charging:</b>				
Auditors' remuneration				
- Audit services				
Auditors of the Company				
- current	329	266	18	18
- under provision in prior years	27	20	8	4
Other auditors	3	-	-	-
- Other services by auditors of the Company	4	4	4	4
Amortisation of investment properties	53	-	-	-
Amortisation of prepaid lease payments	620	513	-	-
Amortisation of intangible asset	4	4	-	-
Allowance for doubtful debts	4,569	4,934	-	-
Bad debts written off	150	266	-	-
Depreciation of property, plant and equipment	24,039	19,895	2	2
Hire of plant and machinery	16	10	-	-
Impairment loss on intangible assets	89	-	-	-
Impairment loss on investment properties	183	732*	-	-
Impairment loss on property, plant and equipment	557	28	-	-
Inventories written down to net realisable value	921	-	-	-
Loss on foreign exchange – unrealised	61	-	-	-
Personnel expenses				
(including key management personnel):				
- wages, salaries and others	51,677	48,793	-	-
- contribution to EPF	3,710	3,514	-	-
Property, plant and equipment written off	986	83	-	-
Rental of land and buildings	1,821	2,089	-	-
Rental of office premises	414	790	-	-
Rental of equipment	29	54	-	-
Rental of plant and machinery	75	122	-	-

\* In 2006, prior to the adoption of FRS 140, properties held for resale was classified under other receivables (see Note 13.3(iv)). Addition in provision for diminution in value on properties held for resale in 2006 amounted to RM732,000.

## Notes to the Financial Statements

### 20. Interest expense

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Term loans	4,970	5,211	855	249
Bank overdrafts	423	465	-	-
Bills payable	5,998	5,215	-	-
Hire purchase liabilities	414	329	-	-
Finance lease liabilities	46	70	-	-
Others	11	-	-	-
	11,862	11,290	855	249

### 21. Interest income

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits placed with licensed banks	343	336	-	54
Subsidiaries	-	-	1,112	351
	343	336	1,112	405

### 22. Directors' remuneration

The Directors' remuneration are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Company's Directors				
- Remuneration	3,694	3,440	4	6
- Fees	681	585	306	306
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	105	90	-	-
	4,480	4,115	310	312

## 22. Directors' remuneration (continued)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Other Directors				
- Remuneration	4,881	4,582	-	-
- Fees	361	310	-	-
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	80	38	-	-
	5,322	4,930	-	-
	9,802	9,045	310	312

## 23. Tax expense

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Tax expense on operations	8,545	7,483	3,811	3,398
Share of tax of equity accounted associates	168	168	-	-
Total tax expense	8,713	7,651	3,811	3,398
Current tax expense				
- current year	7,371	4,945	3,770	3,443
- (over)/under provision in prior year	(219)	(165)	41	(45)
- real property gains tax	48	-	-	-
	7,200	4,780	3,811	3,398
Deferred tax expense				
- origination and reversal of temporary differences	1,345	2,703	-	-
Tax expense on share of profits of an associate	168	168	-	-
Total tax expense	8,713	7,651	3,811	3,398

## Notes to the Financial Statements

### 23. Tax expense (continued)

#### Reconciliation of effective tax expense

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit before taxation	77,129	59,050	17,694	37,061
Income tax using Malaysian tax rates	20,825	16,534	4,777	10,377
Effect of changes in tax rates*	(240)	-	-	-
Non-deductible expenses	4,630	1,888	100	87
Tax exempt income	(302)	(308)	(1,107)	(7,021)
Tax incentives	(12,628)	(7,709)	-	-
Effect of temporary differences not recognised	(3,147)	(2,493)	-	-
Other items	(254)	(96)	-	-
	8,884	7,816	3,770	3,443
(Over)/under provision in prior year	(219)	(165)	41	(45)
Real property gains tax	48	-	-	-
Tax expense	8,713	7,651	3,811	3,398

\* With effect from year of assessment 2007, corporate tax rate is at 27%. The Malaysian Budget 2007 also announced the reduction of corporate tax rate to 26% in 2008. Consequently deferred tax assets and liabilities are measured using these tax rates.

### 24. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit for the year of RM63,248,000 (2006 – RM48,343,000) and the weighted average number of ordinary shares in issue during the year of 220,000,000 (2006 - 202,192,000).



## 25. Dividends

	Sen per Share (net of tax)	Total amount RM'000	Date of payment
<b>2007</b>			
Final 2006	6.48	14,256	27 September 2006
<b>2006</b>			
Final 2005	5.40	8,100	27 September 2005

After the balance sheet date, the Directors proposed a final dividend for the year ended 31 March 2007 of 10 sen less tax totaling RM16,060,000 which has not been accounted for in the financial statements of the Group and of the Company as at 31 March 2007. It will be recognised in the financial statements upon approval by shareholders at the forthcoming Annual General Meeting.

## 26. Segmental information

Segment information is presented in respect of the Group's business segments based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, investment properties, prepaid lease payments and intangible assets other than goodwill.

### *Business segments*

The Group comprises the following main business segments:

Marine-products manufacturing	Deep sea fishing, manufacture and sale of fishmeal, surimi and surimi based products.
Crude palm oil milling	Crude palm oil milling and oil palm cultivations.
Integrated livestock farming	Distribution of animal feed raw materials, food related products and poultry farming.

The inter-segment transactions have been entered into in the normal course of business and have been established under negotiated terms.

The Group operates predominantly in Malaysia and accordingly, information by geographical location on the Group's operation is not presented.

26. Segmental information (continued)

	Marine-products manufacturing		Crude palm oil milling		Integrated livestock farming		Eliminations		Consolidated	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<i>Business segments</i>										
Revenue from external customers	245,369	190,595	215,954	199,196	657,196	620,758	-	-	1,118,519	1,010,549
Inter-segment revenue	-	-	679	479	981	705	(1,660)	(1,184)	-	-
Total revenue	245,369	190,595	216,633	199,675	658,177	621,463	(1,660)	(1,184)	1,118,519	1,010,549
Segment result	37,306	30,372	9,670	8,991	42,192	30,987	-	-	89,168	70,350
Unallocated expenses									(976)	(948)
Operating profit									88,192	69,402
Interest expense									(11,862)	(11,290)
Interest income									343	336
Share of profits after tax of an associate									456	434
Profit before taxation									77,129	58,882
Tax expense									(8,545)	(7,483)
Profit for the year									68,584	51,399

26. Segmental information (continued)

	Marine-products manufacturing		Crude palm oil milling		Integrated livestock farming		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Segment assets</b>										
Share of net assets in an associate	221,320	184,371	91,821	85,412	319,355	277,536	-	-	632,496	547,319
Unallocated assets									3,449	3,762
									34,898	32,062
<b>Total assets</b>									670,843	583,143
<b>Segment liabilities</b>										
Unallocated liabilities	14,759	10,369	14,763	12,661	25,736	36,696	-	-	55,258	59,726
									292,286	253,854
<b>Total liabilities</b>									347,544	313,580
<b>Capital expenditure</b>										
	25,493	46,923	10,904	2,409	47,552	20,593	-	-	83,949	69,925
<b>Depreciation and amortisation</b>										
	11,315	8,373	3,960	4,631	9,441	7,408	-	-	24,716	20,412
<b>Impairment loss</b>										
	-	-	-	-	829	760	-	-	829	760
<b>Non-cash expenses other than depreciation, amortisation and impairment</b>										
	391	310	-	51	6,960	7,564	-	-	7,351	7,925

## Notes to the Financial Statements

### 27. Contingent liabilities - unsecured

	Company	
	2007	2006
	RM'000	RM'000
Guarantees and contingencies relating to borrowings of:		
- subsidiaries	531,516	463,631

### 28. Commitments

	Group	
	2007	2006
	RM'000	RM'000
		Restated
Capital commitments:		
<i>Property, plant and equipment</i>		
Authorised and contracted for	-	1,560
Authorised but not contracted for	3,000	4,308
Contracted but not provided for in the financial statements	14,326	6,821
<i>Prepaid lease payments</i>		
Contracted but not provided for in the financial statements	2,090	-
<i>Investment</i>		
Contracted but not provided for in the financial statements	4,000	-
	23,416	12,689
Other commitments:		
Commodity future sales contract on crude palm oil	109	2,328

### 29. Operating leases

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2007	2006
	RM'000	RM'000
Less than one year	200	574
Between one and five years	412	266
	612	840

The subsidiary leases land, retail outlets and equipment under operating lease. For the land under operating leases, the lease typically run for a period ranging from 15 to 25 years, with an option to renew the lease after that date. None of the leases for land includes contingent rentals. For the retail outlets and equipment, the leases typically run for an initial period of three years with an option to renew the leases after the expiry date for another three years.

### 30. Related parties

#### *Identity of related parties*

The Group has a controlling related party relationship with its subsidiaries (Note 32) and the substantial shareholders of the Company.

The Group also has a related party relationship with its Directors and the close members of their families.

Significant related party transactions other than that disclosed elsewhere in the financial statements are as follows:

	Group	
	2007	2006
	RM'000	RM'000
With persons connected to Cheah Yaw Song and Cheah Juw Teck, Directors of certain subsidiaries		
Cheah Joo Kiang:		
Sales	(1,495)	(1,789)
With companies in which Dr Ng Siew Thiam, Chia Song Kun, Chia Song Phuan, Chia Teow Guan, Cheah Yaw Song, Chia Soon Hooi, Chia Seong Fatt, Chia Song Swa, Chia Song Kooi and Chia Kah Chuan, Directors of certain subsidiaries have interests		
Success Portfolio Sdn. Bhd.:		
Sales	(4,314)	(3,394)
Fusipim Sdn. Bhd.:		
Sales	(1,823)	(1,164)
MB Agriculture (Sandakan) Sdn. Bhd.:		
Sales	-	(3,316)
MB Agriculture (Sabah) Sdn. Bhd.:		
Sales	(8,458)	(9,486)

## Notes to the Financial Statements

### 30. Related parties (continued)

	Group	
	2007	2006
	RM'000	RM'000
Keang Huat Trading Sdn. Bhd.:		
Purchases	1,348	1,437
Perikanan Sri Tanjung Sdn. Bhd.:		
Purchases	1,166	1,128
Arena Dijaya Sdn. Bhd.:		
Sales	-	(1,918)
<hr/>		
	Company	
	2007	2006
	RM'000	RM'000
Subsidiaries		
Net dividend received	(14,256)	(33,733)
Management fee income	(838)	(753)
Interest income	(1,112)	(351)
<hr/>		
	Group	
	2007	2006
	RM'000	RM'000
Associates		
Net dividend received	(769)	(387)
Management fee income	-	(78)

Balances with subsidiaries, associates and related parties at the balance sheet date are as disclosed in Note 13 and Note 18.

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

### 31. Financial instruments

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

Group	2007			2006						
	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1-5 years RM'000	After 5 years RM'000	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1-5 years RM'000	After 5 years RM'000
<b>Financial assets</b>										
Deposits placed with licensed banks	3.10	3,160	3,160	-	-	2.90	3,961	3,961	-	-
<b>Financial liabilities</b>										
Secured fixed rate term loans *	-	-	-	-	-	3.83	630	446	29	155
Secured variable rate term loans	7.68	1,821	1,821	-	-	7.08	10,053	10,053	-	-
Unsecured fixed rate term loans	5.49	65,746	17,042	47,871	833	4.85	54,122	11,349	41,005	1,768
Unsecured variable rate term loans	5.52	12,887	12,887	-	-	5.82	14,653	14,653	-	-
Secured bank overdrafts	8.27	2,493	2,493	-	-	8.07	2,715	2,715	-	-
Unsecured bank overdrafts	7.72	8,257	8,257	-	-	7.65	4,580	4,580	-	-
Secured bills payables	4.72	3,437	3,437	-	-	4.03	4,235	4,235	-	-
Unsecured bills payables										
- USD	5.75	89,236	89,236	-	-	-	-	-	-	-
- RM	4.20	74,940	74,940	-	-	3.39	129,360	129,360	-	-

\* The effective interest rate on certain secured fixed rate term loans of certain subsidiaries amounting to Nil (2006 - RM2,795,000) is not available as their interest rate is subject to change upon expiry of the Funds for Small Medium Industries ("FSMI") and 3F Funds ("3F") scheme and the said loans have no fixed terms of repayment.

31. Financial instruments (continued)

Company	2007			2006				
	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1-5 years RM'000	Effective interest rate per annum %	Total RM'000	Within 1 year RM'000	1-5 years RM'000
<b>Financial assets</b>								
Advances to subsidiaries	5.21	23,235	10,047	13,188	5.99	17,000	5,662	11,338
<b>Financial liabilities</b>								
Unsecured fixed rate term loan	5.41	18,750	5,000	13,750	4.84	10,000	625	9,375

The effective interest rate on other advances to subsidiaries is not available as the advances are repayable on demand.



## Notes to the Financial Statements

### 31. Financial instruments (continued)

#### Fair values

At balance sheet date, the carrying amounts of cash and cash equivalent, receivables, deposits, prepayment, accruals and payables and short term borrowings approximate fair value due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the balance sheets, are as follows:

Group	2007 Carrying amount RM'000	2007 Fair value RM'000	2006 Carrying amount RM'000	2006 Fair value RM'000
<b>Financial assets</b>				
Quoted shares	103	58	103	59
<b>Financial liabilities</b>				
Secured fixed rate term loans	-	-	630	546
Unsecured fixed rate term loans	65,746	61,705	54,122	49,719
Forward exchange contracts	-	(97)	-	(63)
Commodity options				
- Put option	-	(123)	-	-
Currency options				
- Put option	-	(88)	-	-
<b>Company</b>				
<b>Financial assets</b>				
Advances to subsidiaries	23,235	21,163	17,000	15,007
<b>Financial liabilities</b>				
Unsecured fixed rate term loan	18,750	16,248	10,000	8,172

## Notes to the Financial Statements

### 31. Financial instruments (continued)

In 2006, the fair values on certain secured term loan balances of certain subsidiaries cannot be established as their interest rate is subject to change upon expiry of the FSMI and 3F scheme and the said loans have no fixed terms of repayment.

The nominal value of derivatives is as follows:

Group	2007 RM'000	2006 RM'000
Forward exchange contracts	56,006	6,672
Commodity options		
- Put option	4,954	-
- Call option	3,660*	-
Currency options		
- Put option	27,884	-
- Call option	40,498*	-

\* The Directors estimate the value of the options to be insignificant.

The following summarises the methods in determining the fair values of financial instruments stated above.

Forward exchange contracts and options are either marked to market using listed market prices or by using the contractual forward price minus the current spot rate.

For other financial assets and liabilities, fair value is determined using estimated future cash flows discounted using market related rate for a similar instrument at the balance sheet date.

### 32. Subsidiaries

The principal activities of the subsidiaries and the interest of QL Resources Berhad are as follows:-

Name of Company	Principal activities	Effective ownership interest (%)	
		2007	2006
QL Feedingstuffs Sdn. Bhd. and its subsidiaries	Investment holding, distribution of animal feed raw materials and food grain	100.00	100.00
QL Agrofood Sdn. Bhd. and its subsidiary	Layer farming, processing, sale of animal feed, animal feed raw materials, lubricants and foodstuffs	100.00	100.00
Rikawawasan Sdn. Bhd.	Deep sea fishing	100.00	100.00
QL Agroventures Sdn. Bhd.	Layer farming	100.00	100.00

### 32. Subsidiaries (continued)

Name of Company	Principal activities	Effective ownership interest (%)	
		2007	2006
QL Agrobio Sdn. Bhd.	Commercial production and supply of biologically digested feeding raw materials	51.00	51.00
QL Feedmills Sdn. Bhd.	Processing, sale of animal feed and property holding	100.00	100.00
QL Poultry Farms Sdn. Bhd.	Layer farming	100.00	100.00
QL Properties Sdn. Bhd.	Property holding	100.00	100.00
QL Realty Sdn. Bhd.	Property holding	100.00	100.00
Pacific Vet Group (M) Sdn. Bhd. and its subsidiary	Investment holding	51.00	51.00
PVG Distribution Sdn. Bhd.	Distributors of feed, supplements, animal health products, agricultural products and retailing of pets and pet supplies	51.00	51.00
Maxincome Resources Sdn. Bhd.	Distribution of lubricants oil	100.00	100.00
Chingsan Development Sdn. Bhd.	Dormant	100.00	100.00
Natural Oscar Sdn. Bhd.	Dormant	100.00	100.00
QL Agrovest Sdn. Bhd.	Dormant	100.00	70.00
Banjaran Mentari Sdn. Bhd.	Layer farming, feed milling and distribution of animal feed raw materials	80.00	80.00
QL Feed Sdn. Bhd. (formerly known as QL Distribution Sdn. Bhd.)	Marketing and distribution of "FMCG" products, foreign products and animal feed raw material and feed grain	70.00	70.00
QL Deep Sea Fishing Sdn. Bhd.	Deep sea fishing	100.00	100.00
Riteshop Sdn. Bhd.	Dormant	80.00	-

## Notes to the Financial Statements

### 32. Subsidiaries (continued)

Name of Company	Principal activities	Effective ownership interest (%)	
		2007	2006
Tong Len Poultry Farm Sdn. Bhd. and its subsidiaries	Investment holding, layer farming and feedmeal manufacturing	100.00	100.00
Tong Her Marine Products Sdn. Bhd.	Property holding	100.00	100.00
Adequate Triumph Sdn. Bhd.	Property holding	100.00	100.00
Tong Len Distribution Sdn. Bhd.	Meehoon manufacturing and general trading	100.00	100.00
Nada Eksklusif Sdn. Bhd.	Sales of animal feed and property holding	100.00	100.00
Ladang Ternakan Ayam Soon Sang (Tawau) Sdn. Bhd.	Poultry breeding and farming and sundry provisions	100.00	100.00
Ansan Poultry Farm Sdn. Bhd.	Layer farming	80.00	80.00
QL Oil Sdn. Bhd. and its subsidiaries	Investment holding and oil palm cultivation	100.00	100.00
Tong Len Plantation Sdn. Bhd.	Crude palm oil milling and oil palm cultivation	100.00	100.00
Tophill Corporation Sdn. Bhd.	Oil palm cultivation	100.00	100.00
QL BioEnergy Sdn. Bhd. (formerly known as Bukit Wang Sdn. Bhd.)	Oil palm cultivation	100.00	100.00
QL Mutiara (S) Pte. Ltd.*	Investment holding	100.00	-
QL Marine Products Sdn. Bhd. and its subsidiaries	Investment holding, manufacturing of surimi and surimi-based products	100.00	100.00
QL Foods Sdn. Bhd.	Manufacturing of surimi and surimi-based products	97.59	97.59
Sin Chip Huat Fishmeal Sdn. Bhd.	Manufacturing of fishmeal	97.59	97.59

### 32. Subsidiaries (continued)

Name of Company	Principal activities	Effective ownership interest (%)	
		2007	2006
Sin Hong Heng Fishmeal Sdn. Bhd. and its subsidiary	Manufacturing of fishmeal	64.32	62.32
Endau Deep Sea Fishing Sdn. Bhd.	Deep sea fishing	64.32	62.32
Figo Foods Sdn. Bhd. and its subsidiary	Manufacturing and sales of frozen "halal" foodstuff	72.73	80.00
Fujiya Pastry Sdn. Bhd.#	Manufacturing and sales of frozen "halal" foodstuff	43.64	-
Figo Marketing Sdn. Bhd.	Sale of frozen "halal" foodstuff	100.00	100.00
Fresh Choice Seafood Trading Sdn. Bhd. and its subsidiaries	Wholesale and export of seafood	80.00	80.00
Incokaya Sdn. Bhd.	Wholesale of marine products	80.00	80.00
Pasifik Raya Sdn. Bhd.	Coastal trawling and wholesale of marine products	80.00	80.00

\* Subsidiary incorporated in Singapore and audited by another firm of accountants.

All other subsidiaries are incorporated in Malaysia and audited by KPMG.

# Consolidated based on the unaudited management accounts of this subsidiary.

## Notes to the Financial Statements

### 32. Subsidiaries (continued)

32.1 The Company's shareholdings in non-wholly owned subsidiaries are as follows

	Number of ordinary shares of RM1 each			At 31.3.2007
	At 1.4.2006	Subscribe	Sold	
Interest in non-wholly owned subsidiaries via QL Feedingstuffs Sdn. Bhd.				
Pacific Vet Group (M) Sdn. Bhd. and its subsidiary	1,550,400	-	-	1,550,400
PVG Distribution Sdn. Bhd.	2,000,000	-	-	2,000,000
Banjaran Mentari Sdn. Bhd.	3,680,000	-	-	3,680,000
QL Feed Sdn. Bhd. (formerly known as QL Distribution Sdn. Bhd.)	4,200,000	-	-	4,200,000
Ansan Poultry Farm Sdn. Bhd.	3,520,000	-	-	3,520,000
QL Agrobio Sdn. Bhd.	510,000	-	-	510,000
Riteshop Sdn. Bhd.	-	8	-	8
Interest in non-wholly owned subsidiaries via QL Marine Products Sdn. Bhd.				
QL Foods Sdn. Bhd.	9,759,940	-	-	9,759,940
Sin Chip Huat Fishmeal Sdn. Bhd.	5,855,970	-	-	5,855,970
Sin Hong Heng Fishmeal Sdn. Bhd. and its subsidiary	2,473,500	79,500	-	2,553,000
Endau Deep Sea Fishing Sdn. Bhd.	5,000,000	10,000,000	-	15,000,000
Figo Foods Sdn. Bhd.	2,020,000	-	-	2,020,000
Fujiya Pastry Sdn. Bhd.	-	299,999	-	299,999
Fresh Choice Seafood Trading Sdn. Bhd. and its subsidiaries	1,600,000	-	-	1,600,000
Incokaya Sdn. Bhd.	100,000	-	-	100,000
Pasifik Raya Sdn. Bhd.	250,000	-	-	250,000

### 33. Significant events during the year

33.1 In July 2006, QL Agroventures Sdn. Bhd. entered into a Sale and Purchase Agreement ("SPA") to acquire all the movable and immovable assets from Paitan Sdn. Bhd. for a purchase consideration of RM15,670,000 and to sublease the native land from Mr. Lungkis Bin Bariga.

### 33. Significant events during the year (continued)

33.2 In August 2006, QL Oil Sdn. Bhd. (“QLO”) entered into a master joint venture agreement with Hang Ting Pte. Ltd. (“HT”) and PT Pipit Citra Perkasa (“Promoter”) whereby QLO and HT will establish a joint venture company, QL Mutiara (S) Pte Ltd (“QLM”) to subscribe for new shares in a company, PT Pipit Mutiara Indah (“PMI”) to undertake the oil palm plantation project. The said project involved the development of two (2) parcels of plantation land in East Kalimantan, Indonesia measuring approximately 20,000 hectares (“land”) into oil palm plantation. QLO has paid USD3.4 million (equivalent to RM11,954,000) vide QLM for effective 74.5% equity interest in PMI (see Note 13.5(ii)). The issuance of shares was completed on 9 July 2007.

33.3 In August 2006, QL BioEnergy Sdn. Bhd. (formerly known as Bukit Wang Sdn. Bhd.) (“QLBio”) entered into a Sale and Purchase Agreement (“SPA”) with POIC Sabah Sdn. Bhd. for the acquisition of 2 lots of land held under Lot 13 and 13A, District of Lahad Datu, Sabah measuring approximately 435,600 square feet each for a total cash consideration of RM10,454,000.

As at balance sheet date, an amount of RM8,364,000 has been paid as progress payments for the acquisition of the land (see Note 7.2).

### 34. Significant events subsequent to balance sheet date

34.1 In April 2007, QL Distribution Sdn. Bhd. (“QLD”) entered into an Assets Sale and Purchase Agreement with Pok Brothers Sdn. Bhd. (“PB”) to dispose certain stocks, various equipments, furniture and fixtures and other items that are located at the head office to PB for a total consideration of RM3,154,000.

34.2 In April 2007, the Company signed a memorandum of understanding (“MOU”) with Sojitz Corporation of Japan (“Sojitz”) to signify their mutual intent to enter into a joint venture agreement upon the terms to be agreed by the parties (“Proposed JV”).

34.3 In June 2007, QLM increased its paid-up capital by USD3.23million (equivalent to RM11,359,000) of which QLO has subscribed 78.4% in QLM.

### 35. Acquisition of subsidiaries

In 2007, the Group acquired Riteshop Sdn. Bhd. for cash consideration of RM384,000.

In 2006, the Group acquired the following companies:

- a) QL Agrobio Sdn. Bhd. in April 2005, for cash consideration of RM510,000;
- b) Ansan Poultry Farm Sdn. Bhd. in September 2005, for a cash consideration of RM3,793,740;
- c) Fresh Choice Seafood Trading Sdn. Bhd. in November 2005, for cash consideration of RM6,376,000; and
- d) QL Agroventures Sdn. Bhd. (formerly known as Success Icon Sdn. Bhd.) in March 2006, for cash consideration of RM2.

## Notes to the Financial Statements

### 35. Acquisition of subsidiaries (continued)

The acquisition was accounted for using the acquisition method of accounting. During the year, these subsidiaries contributed a net profit of RM9,000 (2006 - RM1,572,000) to the consolidated net profit for the year, as follows:

	31 March 2007 RM'000	31 March 2006 RM'000
<b>Income statement:</b>		
Revenue	16	25,039
Operating costs	(4)	(22,783)
Profit before taxation	12	2,256
Tax expense	(3)	(349)
Profit after taxation	9	1,907
Less: Minority interest	-	(335)
Increase in the Group's net profit at the end of financial year	9	1,572

The acquisition had the following effect on the Group's assets and liabilities as at year end:

	2007 RM'000	2006 RM'000
<b>Balance sheet:</b>		
Non-current assets	101	18,556
Current assets	19	11,733
Current liabilities	(8)	(14,535)
Long term and deferred liabilities	-	(4,912)
Net assets acquired	112	10,842
Minority interest	-	(2,465)
Group's share of net assets	112	8,377
Goodwill on acquisition	272	2,583
Increase in the Group's net assets	384	10,960



### 35. Acquisition of subsidiaries (continued)

The fair values of assets and liabilities assumed in the acquisition and the cash flow effects are as follows:

	2007 RM'000	2006 RM'000
Non-current assets	101	15,982
Current assets	19	10,109
Current liabilities	(8)	(13,424)
Long term and deferred liabilities	-	(2,672)
Net assets acquired	112	9,995
Minority interest	-	(1,898)
Goodwill on acquisition	272	2,583
Consideration paid	384	10,680
Cash acquired	-	1,868
Net cash inflow	384	12,548

### 36. Changes in accounting policy

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 March 2007.

The changes in accounting policy arising from the adoption of FRS 3, *Business Combinations*, FRS 117, *Leases* and FRS 140, *Investment Properties* are summarised below:

#### 36.1 FRS 3, *Business Combinations*, FRS 136, *Impairment of Assets* and FRS 138, *Intangible Assets*

The adoption of FRS 3, *Business Combinations* has resulted in a change in the accounting policy for goodwill. The change in accounting policy is made in accordance with their transitional provisions.

Negative goodwill is recognised immediately in the income statement. This has resulted in the derecognition of negative goodwill and an increase of retained earnings for the Group as at 1 April 2006 by RM799,000.

This change in accounting policy has no material impact on earnings per ordinary share.

#### 36.2 FRS 117, *Leases*

The adoption of FRS 117, *Leases* has resulted in a retrospective change in accounting policy relating to the classification of leasehold land. The up-front payment made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Prior to 1 April 2006, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses.

## Notes to the Financial Statements

### 36. Changes in accounting policy (continued)

As a result of the adoption of FRS 117 at 1 April 2006, the carrying value of leasehold land which is held under operating lease has now been reclassified to prepaid lease payments as a separate line item on the consolidated balance sheets.

Other than the reclassification, the change in accounting policy does not have any impact on the earnings per ordinary shares.

#### 36.3 FRS 140, *Investment Property*

The Group now measures all investment property using the cost model. In accordance with the transitional provision, FRS 140 has been applied prospectively. The change in accounting policy is made in accordance with the transitional provisions.

Other than the reclassification, the change in accounting policy does not have any impact on the earnings per ordinary shares.

### 37. Comparative figures

Certain comparative figures have been reclassified as a result of changes in accounting policies as stated in Note 36 and to conform with the presentation requirements of FRS 101.

	As restated RM'000	As previously stated RM'000
<b>Balance sheet</b>		
Property, plant and equipment	250,997	300,568
Biological assets		
- non-current	13,104	-
- current	12,722	-
Prepaid lease payments	36,467	-
Inventories	110,120	114,952
Receivables, deposits and prepayments	122,772	131,336
Reserves	138,817	138,018
Negative goodwill	-	799

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	As restated RM'000	As previously stated RM'000
<b>Income statement</b>		
Depreciation	19,915	20,408
Amortisation of prepaid lease payments	493	-
Share of profit after tax and minority interest for associates	434	602
Tax expense on share of profit of associates	168	-
<hr/>		
<b>Cash flow statement</b>		
Profit before taxation	58,882	59,050
Share of profits of an associate	(434)	(602)
<i>Adjustments for:</i>		
Depreciation	19,915	20,408
Amortisation of prepaid lease payments	493	-
Property, plant and equipment written off	83	133
Biological asset written off	50	-
Gain on disposal of property, plant and equipment	(82)	(915)
Gain on disposal of prepaid lease rights	(833)	-
<i>Changes in working capital:</i>		
Inventories	(32,166)	(32,577)
Biological assets	(411)	-
<i>Cash flow from investing activities:</i>		
Purchase of property, plant and equipment	(59,171)	(63,586)
Purchase of prepaid lease payments	(4,415)	-
Proceeds from disposal of property, plant and equipment	2,322	4,476
Proceeds from disposal of prepaid lease rights	2,154	-

# List Of Properties

as at 31 March 2007

Owner Company	Particulars of property	Date of revaluation or (date of acquisition)
QL Marine Products Sdn Bhd	CL045081687, CL045076042 Kampung Bolong, District of Tuaran, Sabah	(27.12.2002) (19.09.2003)
Tong Len Plantation Sdn Bhd	CL 245321037, PL 246291092 PL 246291083, CL 245354170 Tingkeyu, Lahad Datu-Kunak Highway, District of Kunak, Sabah	(11.07.2000)
Tong Len Plantation Sdn Bhd	CL105355977 Mile 42, alongside Tawau-Kunak Highway, District of Tawau, Sabah	Dec 1998
Tong Len Plantation Sdn Bhd	CL 105336034, CL 105336025 CL 105339633, CL 105452033 Kalumpang, District of Tawau, Tawau, Sabah	(20.02.2000)
Sin Chip Huat Fishmeal Sdn Bhd	Lot 164, 2647, & 3314 and GM1653, GM1416 & GM2415 Mukim of Hutan Melintang, District of Hilir Perak, Perak  Lot 2647, Jalan Tepi Sungai, 36400 Hutan Melintang, Perak	(Nov 2003)
QL Feedingstuffs Sdn Bhd	PT 17697, HSD 142752 & PT 17698, HSD 142753, Mukim Damansara, Selangor No. 16 & 16A, Jalan Astaka U8/83, Bukit Jelutong, 40150 Shah Alam, Selangor	(3.12.2002)
QL Feedinstuffs Sdn. Bhd.	Parcel 3 & 5, Geran 24082, Lot 48, Mukim Kapar, Daerah Klang, Selangor	(Nov 2006)
QL Agroventures Sdn. Bhd.	CL 025061116 District of Papar Sabah	(14.07.2006)
QL Foods Sdn Bhd	Lot 9120 & 9121 held under GM2112 & GM2113, Mukim of Hutan Melintang, District of Hilir Perak, Perak  Lot 9120 & 9121, Jalan Tepi Sungai, 36400 Hutan Melintang, Perak	Dec 1998
QL Poultry Farms Sdn Bhd	Lot 1338/5, HSD 1318, Lot 1338/6, HSD 1319 Lot 1338/7, HSD 1320, Lot 1338/11, HSD 1324 Lot 1338/12, HSD 1325, Lot 1338/13, HSD 1326 Lot 1338/14, HSD 1327, Lot 1338/22, HSD 1335 Mukim of Setul, District of Seremban, Negeri Sembilan Lot 1338/5, Pajam, 71700 Mantin, Negeri Sembilan	(15.12.2000)

Tenure	Existing use	Land & Build-up area	Net Book Value (RM'000)	Age of building (years)
Leasehold to: 27.4.2929 20.11.2928	Surimi & Fishmeal Factory	26 acres 3 acres	11,037	3
Leasehold to: 31.12.2072 31.12.2073 31.12.2073 31.12.2078	Oil palm estate together with palm oil mill & building thereon	76.53 ha	10,248	7
Leasehold to: 31.12.2076	Agricultural land planted with oil palm together with palm oil mill & building thereon	81.06 ha	8,542	9
Leasehold to: 31.12.2071 31.12.2072 31.12.2071 31.12.2078	Oil palm estate with farm buildings	799.11 acres	7,145	7
Freehold	Fishmeal factory, warehouse cum office	Gross Build-up area of 7,544 square meter 4.365 ha	6,717	3
Freehold	2 units of semi-detached factories of 3 storey used as corporate head office	6,611.26 square metres	5,812	1
Freehold	Vacant industrial land	11.26 acres	4,844	N/A
Leasehold to 22.06.2924	Chicken layer farm	22.72 acres	4,742	10
Freehold	Surimi-based products factory & warehouse cum office	Gross Build-up area of 2,804.17 square meter 1.4222 ha	4,507	7
Freehold	Chicken layer farm	2.001 ha, 2.002 ha 2.406 ha, 2.403 ha 2.405 ha, 2.407 ha 2.386 ha, 3.167 ha	4,402	N/A

# Shareholders' Analysis Report

as at 29 June 2007

Authorised share capital : RM200,000,000  
Issued and paid-up capital : RM110,000,000  
Type of shares : Ordinary shares of RM0.50 each  
Voting Rights : One vote per ordinary share

## SHAREHOLDERS BY SIZE OF HOLDINGS

No. of Holders	Holdings	Total Holdings	%
109	less than 100	4,811	0.00
454	100 to 1,000	396,302	0.18
1,532	1,001 to 10,000	7,296,623	3.32
552	10,001 to 100,000	17,860,050	8.12
141	100,001 to less than 5% of issued shares	61,681,867	28.04
2	5% and above of issued shares	132,760,347	60.34
2,790		220,000,000	100.00

## DIRECTORS' SHAREHOLDINGS

The direct and deemed interests of the Company's Directors are stated in Page 32 of the Annual Report.

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	Shareholdings	%
1 CBG Holdings Sdn. Bhd.	103,144,814	46.88
2 Farsathy Holdings Sdn. Bhd.	29,649,317	13.48

# Shareholders' Analysis Report

## LIST OF 30 LARGEST SHAREHOLDERS

NAME OF SHAREHOLDERS	SHAREHOLDINGS	%
1 CBG HOLDINGS SDN BHD	103,128,147	46.88
2 FARSATHY HOLDINGS SDN BHD	29,632,200	13.47
3 LEMBAGA TABUNG HAJI	7,353,600	3.34
4 CITIGROUP NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : EXEMPT AN FOR PRUDENTIAL ASSURANCE MALAYSIA BERHAD	2,716,300	1.23
5 HSBC NOMINEES (ASING) SDN BHD BENEFICIARY : EXEMPT AN FOR MORGAN STANLEY & CO. INTERNATIONAL PLC	2,450,400	1.11
6 LIU SIN	1,335,600	0.61
7 CHEAH YAW SONG	1,243,000	0.57
8 CHIA SIANG ENG	1,104,531	0.50
9 CARTABAN NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : EXEMPT AN FOR MIDF AMANAH ASSET NOMINEES (TEMPATAN) SDN BHD (ACCOUNT 1)	1,035,000	0.47
10 UNIVERSAL TRUSTEE (MALAYSIA) BERHAD BENEFICIARY : ALLIANCE FIRST FUND	1,000,000	0.45
11 CHIA TEOW GUAN	998,000	0.45
12 TAN SWEE KWONG	991,800	0.45
13 SJ SEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR ARIFF FIRDAUS BIN ZABIR (SJ8)	984,334	0.45
14 AMMB NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : MIDF AMANAH ASSET MANAGEMENT BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (AMAN-TNB)	939,600	0.43
15 MAYBAN NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : MAYBAN LIFE ASSURANCE BERHAD (NON-PAR FUND)	924,300	0.42
16 MAYBAN NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : MAYBAN LIFE ASSURANCE BERHAD (PAR FUND)	920,000	0.42
17 AMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LEE BOON SIONG	900,000	0.41
18 CHIA BAK LANG	900,000	0.41
19 CHIA SONG PHUAN	891,867	0.41
20 HSBC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : HSBC (M) TRUSTEE BHD FOR HWANG-DBS SELECT SMALL CAPS FUND (4579)	810,000	0.37
21 KHOO NG HIONG	800,000	0.36
22 LOW LEH KIAN	800,000	0.36
23 CHEN FUN CHOW	755,467	0.34
24 LEE SING HIN	750,000	0.34
25 KEE SIOK HIN	681,000	0.31
26 PUBLIC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LIAU SU FAH (E-TWU)	678,067	0.31
27 HLB NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI	666,667	0.30
28 NG SAI BEE @ NG SAU BEE	660,334	0.30
29 TAN THEAN HOCK	657,367	0.30
30 UNIVERSAL TRUSTEE (MALAYSIA) BERHAD BENEFICIARY : SBB EMERGING COMPANIES GROWTH FUND	643,500	0.29

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 10th Annual General Meeting has been scheduled on Tuesday, 21 August 2007 at 10.00 a.m. to be held at Zamrud 1, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan.

## AGENDA

- (1) To receive and adopt the Financial Statements for the financial year ended 31 March 2007 together with the Directors' and Auditors' Report thereon. Resolution 1
- (2) To declare a final dividend of 10 sen per ordinary share of RM0.50 each less income tax in respect of the financial year ended 31 March 2007. Resolution 2
- (3) To re-elect the following Directors who retired in accordance with Article No. 98 of the Company's Articles of Association:  
  
Mr Chia Seong Fatt Resolution 3  
Mr Chia Song Kooi Resolution 4  
Mr Teh Kim Teh Resolution 5
- (4) To approve the Directors' fees for the financial year ended 31 March 2007. Resolution 6
- (5) To re-appoint Messrs. KPMG as the auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 7
- (6) Special business Resolution 8  
  
To consider and if thought fit, pass the following resolution as an ordinary resolution:  
  
"That pursuant to Section 132D of the Companies Act, 1965, and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company."
- (7) To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.



## Notice of Dividend Entitlement and Payment

NOTICE IS ALSO HEREBY GIVEN that the final dividend, if approved, will be paid on 25 September 2007 to shareholders whose names appear in the Record of Depositors of the Company at the close of business on 30 August 2007.

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 30 August 2007 in respect of transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

## By Order of the Board

Ng Geok Ping  
Company Secretary

Shah Alam, Selangor Darul Ehsan  
30 July 2007

### NOTES:-

- (a) A member of the Company entitled to attend and vote at the Meeting may appoint one or more proxies to attend and vote in his place. Where a member appoints two proxies or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.
- (b) The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 16A, Jalan Astaka U8/83, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, at least 48 hours before the appointed time of holding the Meeting.
- (c) In the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.
- (d) The details of the directors who are standing for re-election at the 10th Annual General Meeting are available on Pages 13 to 15 of the Annual Report.
- (e) Explanatory Statement on Special Business

### Resolution 8

The ordinary resolution proposed, if passed will empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. This would avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

# Recurrent Related Party Transactions

of revenue or trading nature of QL Resources Berhad Group as at 31 March 2007

Nature of Transaction	Related Parties	Interested Directors and/or major Shareholders	Estimated Value from date of our forthcoming AGM to the next AGM* RM	Transacted value for financial year ended 31 March 2007 RM	Transacted value for the period 1 April 2007 to 31 May 2007 RM
Purchase of animal feeds from Banjaran Mentari Sdn Bhd	Success Portfolio Sdn Bhd	Dr Ng Siew Thiam CBG Holdings Sdn Bhd <sup>(1)</sup> Farsathy Holdings Sdn Bhd <sup>(2)</sup>	4,500,000.00	4,314,323.00	780,894.68
Purchase of animal feeds from QL Agrofood Sdn Bhd	M. B. Agriculture (Sabah) Sdn Bhd	CBG Holding Sdn Bhd <sup>(1)</sup> Farsathy Holdings Sdn Bhd <sup>(2)</sup>	12,000,000.00	8,219,249.29	1,531,032.54
Purchase of animal feeds from Nada Eksklusif Sdn Bhd	Arena Dijaya Sdn Bhd	Liu Sin CBG Holdings Sdn Bhd <sup>(1)</sup> Farsathy Holdings Sdn Bhd <sup>(2)</sup>	5,000,000.00	nil	nil
Purchase of animal feeds from Nada Eksklusif Sdn Bhd	M.B. Agriculture (Sandakan) Sdn Bhd	Liu Sin CBG Holdings Sdn Bhd <sup>(1)</sup> Farsathy Holdings Sdn Bhd <sup>(2)</sup>	5,000,000.00	4,918,459.21	998,209.20

Notes:

\* The above estimated values of transactions are based on values transacted for the year ended 31 March 2007. However, the value of these transactions may be subjected to changes in the current financial year.

(1) The directors, shareholders and person connected of CBG are as follows:-

Chia Song Kun	Director	Shareholder
Chia Song Kang	Director	Shareholder
Chia Song Pou	Director	Shareholder
Chia Song Swa	Director	Shareholder
Chia Song Kooi	Director	Shareholder
Cheah Yaw Song	Director	Shareholder
Chia Song Phuan	Director	Shareholder
Chia Teow Guan	Director	Shareholder
Chia Mak Hooi	Director	Shareholder
Chia Bak Lang	-	Shareholder
Chia Cheong Soong	-	Shareholder
Cheah Juw Teck	-	-

(2) The directors, shareholders and persons connected of Farsathy are as follows:-

Chia Seong Pow	Director	Shareholder
Chia Suan Hooi	Director	Shareholder
Chia Seong Fatt	Director	Shareholder
Chia Chong Lang	-	Shareholder
Sim Ahi Yok	-	Shareholder
Chia Chw Pew	-	Shareholder
Koh Kwee Choo	-	Shareholder
Chia Chew Seng	-	Shareholder
Chia Chiew Yang	-	Shareholder
Chia Chew Ngee	-	Shareholder
Chia Bak Lang	-	-
Chia Chew Fon	-	-

The Proposed RRPT Mandate will apply to the following Related Parties

#### Success Portfolio Sdn. Bhd. (“SP”)

SP is a company engaged in livestock farming which Dr Ng Siew Thiam has interest. Dr Ng Siew Thiam is a director and shareholder in Banjaran Mentari Sdn. Bhd. SP is 75% owned by Ruby Technique Sdn. Bhd.(“RT”) which in turn is 77.67% and 22.33% owned by CBG Holdings Sdn. Bhd. (“CBG”) and Farsathy Holdings Sdn. Bhd. (“Farsathy”) respectively. CBG and Farsathy are the major shareholders of QL.

#### M.B. Agriculture (Sabah) Sdn. Bhd. (“MB (Sabah)”)

MB (Sabah) is engaged in livestock farming and is wholly owned by RT.

#### M.B. Agriculture (Sandakan) Sdn. Bhd.(“MB (Sandakan)”)

MB (Sandakan) is engaged in livestock farming which Mr Liu Sin is a director and shareholder. He is also a director of Tong Len Poultry Farm Sdn. Bhd. (“TLPF”) and Nada Eksklusif Sdn. Bhd. MB (Sandakan) is 90% owned by RT.

#### Arena Dijaya Sdn. Bhd. (“Arena”)

Arena is engaged in livestock farming and is 90% owned by RT. Mr Chia Seong Fatt and Mr Chia Song Kooi are directors of Arena. Mr Liu Sin is a director and shareholder of Arena.

#### Common Directors

Chia Song Kun is a Director of QL and TLPF.

Chia Seong Pow is a Director of QL.

Chia Seong Fatt is a Director of QL, SP, MB (Sabah), MB (Sandakan), TLPF and Arena.

Chia Song Kooi is a Director of QL, SP, MB (Sabah), MB (Sandakan),TLPF and Arena.

Dr Ng Siew Thiam is a Director of SP.

Liu Sin is a Director of MB (Sandakan),TLPF and Arena.

Other than as disclosed above, there are no common Directors in QL, SP, MB (Sabah), MB (Sandakan), TLPF and Arena.

#### Common Shareholders

Chia Song Kun is a shareholder in QL and CBG.

Chia Seong Pow is a shareholder in QL and Farsathy.

Chia Seong Fatt is a shareholder in QL and Farsathy.

Chia Song Kooi is a shareholder in QL and CBG.

Dr Ng Siew Thiam is a shareholder in SP.

Liu Sin is a shareholder in MB (Sandakan) and Arena.

Other than as disclosed above, there are no common shareholders in QL, SP, MB (Sabah), MB (Sandakan), TLPF and Arena.

## Notes

# Form of Proxy

I/We \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(FULL ADDRESS)

being a member/ members of QL Resources Berhad, hereby appoint \_\_\_\_\_  
(FULL NAME)

of \_\_\_\_\_  
(FULL ADDRESS)

or failing him, \_\_\_\_\_

of \_\_\_\_\_  
as my/our proxy/proxies to vote for me/us on my/our behalf at the 10th Annual General Meeting of the Company, to be held at Zamrud 1, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 21st day of August 2007 at 10.00 a.m., or at any adjournment thereof.

My/our proxy is to vote as indicated below:

Resolutions	For	Against
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		

Please indicate with an "X" or "✓" in the space provided as to how you wish your votes to be cast on the resolution specified in the Notice of 10th Annual General Meeting. If you do not do so, the proxy will vote or abstain from voting at his /her discretion.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2007

\_\_\_\_\_  
Signature/ Seal

\_\_\_\_\_  
No. of shares held

Notes:-

- (a) A member of the Company entitled to attend and vote at the Meeting may appoint one or more proxies to attend and vote in his place. Where a member appoints two proxies or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.
- (b) The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 16A, Jalan Astaka U8/83, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, at least 48 hours before the appointed time of holding the Meeting.
- (c) In the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.
- (d) The details of the directors who are standing for re-election at the 10th Annual General Meeting are available on Pages 13 to 15 of the Annual Report.
- (e) Explanatory Statement on Special Business

**Resolution 8**

The ordinary resolution proposed, if passed will empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. This would avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

Stamp

The Secretary,

**QL RESOURCES BERHAD (428915-X)**

No 16A, Jalan Astaka U8/83  
Bukit Jelutong  
40150 Shah Alam  
Selangor Darul Ehsan, Malaysia

**QL RESOURCES BERHAD (428915-X)**

Registered Office

No. 16A, Jalan Astaka U8/83, Bukit Jelutong,  
40150 Shah Alam, Selangor Darul Ehsan.

Tel: 03-7801 2288 Fax: 03-7801 2228