

IOI Corporation Berhad
9027-W



iNTEGRATioN

Annual
2005 | Report

Integration of the entire supply, production and distribution process is a key component in IOI's palm oil business, and in our success at being one of the world's top palm oil producers.

integration

It enables us to deliver:
Highest quality palm oil and fractions,
At best possible prices,
With traceability and food safety,
Applications expertise,
Regularly and reliably.

our vision

... is to be a pre-eminent corporation in our core businesses by providing products and services of superior values by sustaining consistent long-term growth in volume and profitability.

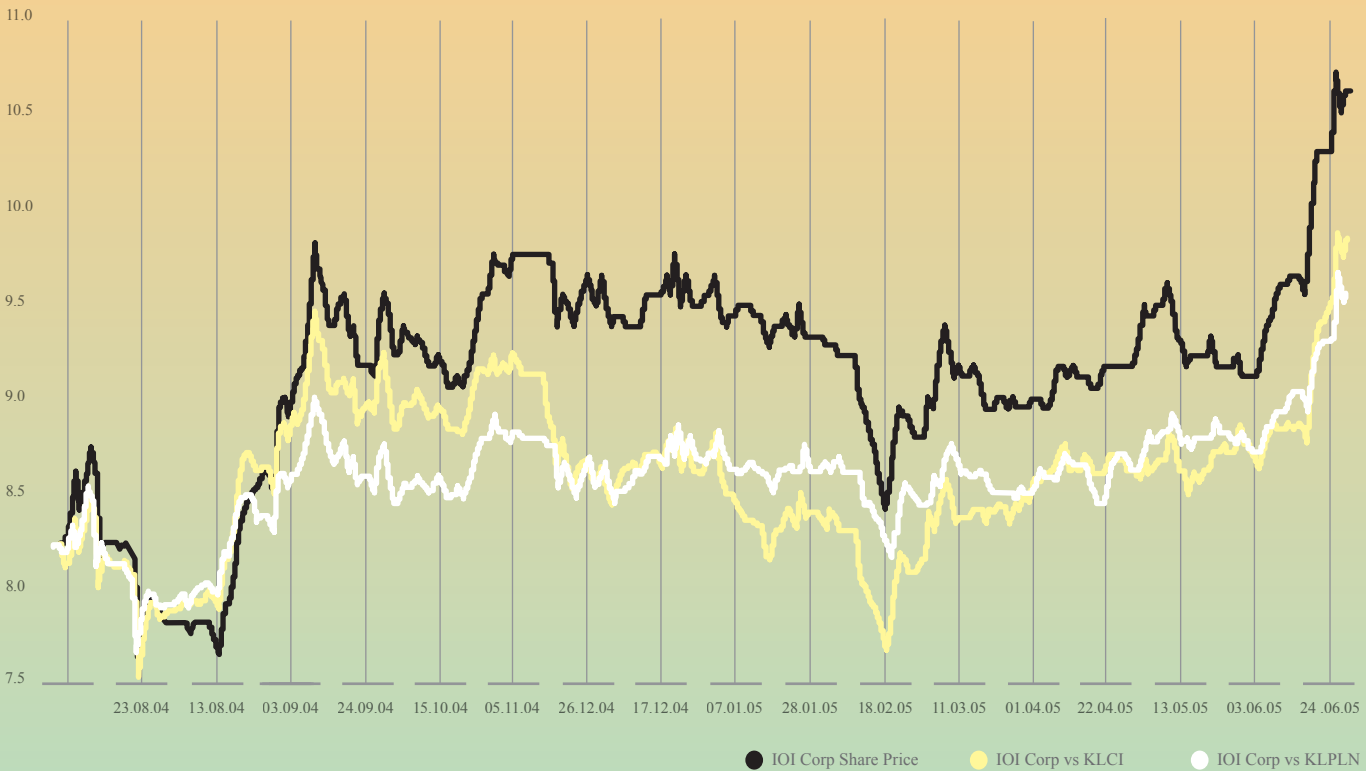
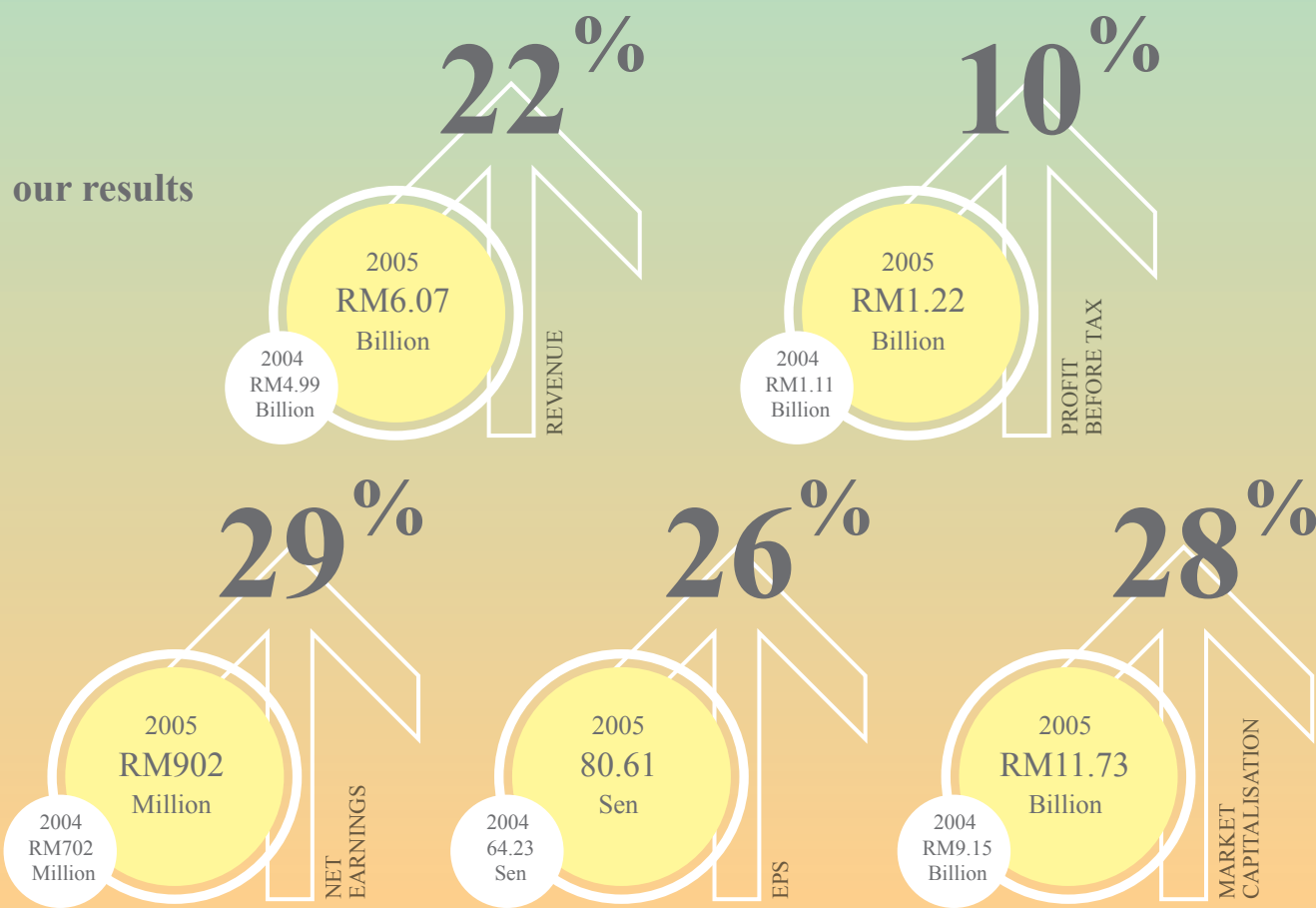
We shall strive to achieve responsible and balanced commercial success by satisfying our customers' needs, giving superior performance to our shareholders, providing rewarding careers to our people, having mutually beneficial relationship with our business associates, participating and contributing effectively towards nation building and the welfare and advancement of the society in which we operate.

our key strategies

- ~ plan and act with cohesive purpose towards Vision IOI
- ~ focus on core businesses
- ~ create value for all stakeholders
- ~ market focused and oriented
- ~ continuous improvement in quality, productivity and cost efficiencies

KEY INDICATORS		2005	2004	2003	2002	2001
Financial						
Profit before taxation	RM'000	1,220,854	1,112,045	812,626	569,311	456,744
Net profit attributable to shareholders	RM'000	902,220	701,550	502,052	346,501	286,669
Shareholders' equity	RM'000	4,862,328	4,418,152	3,530,192	2,891,919	2,494,974
Return on average equity	%	19.44	17.65	15.64	12.86	12.07
Basic earnings per share	Sen	80.61	64.23	53.24	40.69	34.09
Gross dividend per share	%	70.0	50.0	40.0	30.0	25.0
Plantation						
FFB production	MT	3,657,776	2,927,194	2,396,231	1,920,692	1,926,808
Total oil palm area	HA	143,696	145,060	124,203	98,864	87,605
Property						
Sales value	RM'000	493,378	669,426	428,897	483,522	435,965
Sales	Unit	1,588	2,880	1,963	2,090	3,564
Oleochemical						
Plant utilisation	%	99	92	88	95	97
Sales	MT	366,040	327,510	291,234	221,889	219,205

our results





2

Chairman's Statement

10

Group Financial Overview

12

Group Performance Highlights

13

Group Quarterly Results

13

Financial Calendar

14

Five-Year Financial Highlights

17

• Group Financial Review

25

• Group Business Review

46

Corporate Information

47

Board of Directors

48

Profile of Directors

54

Audit Committee Report

59

Corporate Governance

67

Statement on Internal Control

70

Statement of Directors' Interests

71

Other Information

78

Senior Management Team

79

Group Business Structure

80

Global Presence

82

Location of Operations in Malaysia

84

Corporate Calendar

86

Social Contributions

89

Financial Statements

194

Group Properties

203

• Notice of Annual General Meeting

207

• Statement Accompanying Notice of Annual General Meeting

208

Shareholders Information

Proxy Form

Management's Discussion and Analysis

Annual General Meeting Information



Dear Valued Shareholders,

On behalf of the Board members of IOI Corporation Berhad, it gives me great pleasure to present to you the Annual Report and Financial Statements of the Company and the Group for the financial year ended 30 June 2005.

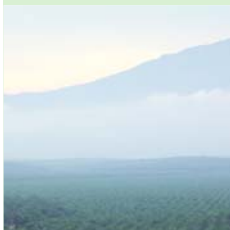
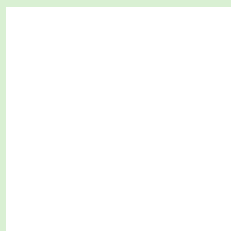
HIGHLIGHTS

It was yet another record setting year for the IOI Group. The Group registered another set of outstanding results for FY 2005, with the following key highlights:

- **Group revenue rose by 22% to RM6.07 billion.**
- **Group pretax profit grew from RM1.11 billion to RM1.22 billion, a 10% increase.**
- **Net earnings register a new high of RM902.2 million, a 29% increase from the RM701.6 million recorded in FY 2004.**
- **Diluted earnings per share increased by 26% to a record 80.54 sen.**
- **Group's net operating cash flow increased by 8% to RM1,058.8 million.**

OPERATING BACKGROUND

The overall economic environment prevailing during the Group's fiscal year 2005 was generally favourable but less buoyant than that experienced in the previous fiscal year. Increasingly high crude oil prices weighed down on economic growth, with both global and domestic economy moderating to slower growth rates in the second half of our fiscal year. Also, the weakness of the USD coupled with hikes in freight costs pushed imported cost inputs, such as fertilisers, up significantly whereas on the revenue front, palm oil prices softened.



OPERATING BACKGROUND cont'd

Against this challenging backdrop, the Group did well to be able to forge further ahead in its overall performance. The growth strategies that we have pursued, our core competencies and our culture of continuous pursuit of productivity and cost efficiency enhancements that we have developed and imbued at all levels over the years, were major contributors to the Group's continued success.

REVIEW OF RESULTS

For the financial year under review, Group revenue grew by 22% to RM6.07 billion because of volume growth in the integrated palm oil business, with increases in production outputs both at the plantation as well as the downstream manufacturing segments.

The Group's operating profit ("EBIT") increased by 12% to RM1.30 billion on the back of a 22% increase in plantation earnings and consistent performances from the other two core business segments, namely resource-based manufacturing and property.

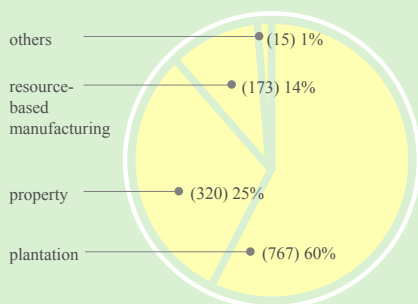
Despite average CPO prices being lower by 8%, higher fertiliser costs and higher Sabah sales tax on palm oil, plantation EBIT increased from RM631.1 million to RM767.5 million for FY 2005 because of a 16% increase in CPO oil yield and a 8% increase in average mature area harvested. I am pleased to report that our plantation segment was able to achieve average yields of 27.57 MT of FFB per hectare and 5.97 MT of CPO per hectare which is very commendable over a substantial area of 132,679 hectares as these quantum are about 50% above the industry average. The best performing estate within the Group in fact achieved yields of 38.2 MT of FFB and 8.2 MT of CPO per hectare.

For the property business, operating profit for FY 2005 was lower at RM319.9 million against previous year's RM336.8 million but this was within expectation. Sales of residential properties were lower as increasing supply dampened take-up rates of new launches. Despite the lower profit achieved, operating margin for the property business for the year under review was higher due to significantly better performance from the commercial segment of the Group's property business. Much higher sales of commercial properties, in particular the shop houses in our flagship project in Bandar Puteri, were achieved. The better performance of the commercial segment was also reflected in higher rental income from our property investment portfolio.

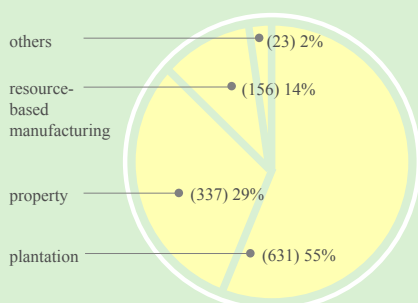
As for the manufacturing segment, despite challenging operating environment and volatile raw material prices, which resulted in fluctuating margins, operating results, excluding one-off items, increased by 16% from RM179.7 million for FY 2004 to RM208.7 million for the financial year under review. This was mainly due to volume growth.

Segmental Contribution to operating profit

2005



2004





REVIEW OF RESULTS cont'd

Besides the growth in operating profits, Group net earnings were boosted by the tax incentive granted to the Company for the acquisition of Loders Croklaan as explained in greater detail in the Notes to the Financial Statements and also because of lower percentage share of minority interests in various subsidiaries where the Company has increased its equity stake.

Another key indication of the Group's financial resilience and strength is the high cash generative capacity of its business operations. For fiscal year 2005, the Group's operations generated a net cash flow of RM1,058.8 million, an increase of 8% over FY 2004.

A more detail review of the Group's performance is provided under the section on "Management's Discussion and Analysis" in this Annual Report.

DIVIDENDS

For FY 2005, the Group continued to increase its dividend pay-out in tandem with the good results achieved in order to reward all the shareholders for their support and confidence to the Group. Total dividend declared for FY 2005 totalled 70% gross on par value, a 40% increase as compared to the previous financial year.

The first interim dividend for the current financial year of 40% (FY 2004 - 24%) less tax was paid to shareholders on 7 March 2005 whilst the second interim dividend of 30% tax exempt (FY 2004 - 26% less tax) was declared by the Board on 3 June 2005 and paid to entitled shareholders on 18 July 2005. The two interim dividends result in a total dividend pay-out of RM328.3 million for FY 2005, up 62.2% from RM202.4 million for the previous year.

UPDATES ON GROWTH STRATEGIES & RECENT CORPORATE DEVELOPMENTS

As a follow-up to the various initiatives for growth mentioned in my report last year, I am pleased to provide the following updates:

- The acquisition of Soctek, a Malaysian specialty fats producer and refinery based in Pasir Gudang, was successfully completed in September 2004 and integrated into the Loders Croklaan specialty fats business. In just a short duration since the completion of the acquisition, we have been able to ramp up capacity utilisation from less than 50% to full capacity and to achieve a turn-around in profitability. The manufacturing facilities at this site are currently being enhanced to further increase capacity and product range.





UPDATES ON GROWTH STRATEGIES & RECENT CORPORATE DEVELOPMENTS cont'd

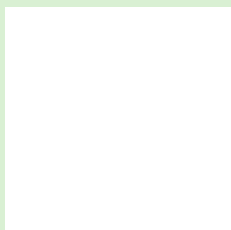
- Construction of the 700,000 MT per annum palm oil refinery in Rotterdam is progressing well and is scheduled for completion by October 2005.
- The proposed rationalisation exercise to streamline the Group's property investment activities by the transfer of two direct subsidiaries of the Company which are owners of hotel properties and office blocks in the IOI Resort Putrajaya to IOI Properties Berhad has been aborted because the purchase consideration as revised by the Securities Commission, would not, in your directors' opinion, be to the best interest of the Company in view of high replacement values and potential capital appreciation.

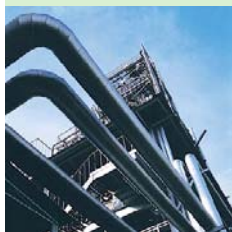
Fiscal year 2005 was also marked by the Group's maiden venture into the USD bond market. Taking advantage of favourable market conditions, the Group, through special purpose vehicle subsidiaries, made the following issues which received overwhelming response:

- In October 2004, a USD 310 million zero coupon nominal value of Exchangeable Bond with a 5-year tenure. The bond was issued with a yield-to-maturity of 0.875 % p.a. and is exchangeable into IOI shares at an exercise price of RM11.06 per IOI share.
- In February 2005, a USD 500 million redeemable bond with a 10-year tenure and a fixed coupon rate of 5.25%.

The above USD bond issues has enabled the Group to lock in longer term fundings at favourable rates whilst also hedging against impact of Ringgit-USD rates movement arising from its USD denominated palm oil revenue. The proceeds has been used to refinance short term Euro borrowings, the funding of the various expansion projects mentioned earlier and a cash reserve for acquisition opportunities, if any, and flexibility in capital management.

Your Company announced in August 2005, that it intends to take its 65% owned IOI Oleochemical Industries Berhad ("IOI Oleo") private by way of a scheme of arrangement. In view of the increasing integration of the various components of our palm oil business and the fact that the shares of IOI Oleo are quite illiquid, the Board is of the view that maintaining IOI Oleo's listing status, which IOI first invested into in 1997, does not serve much benefit whereas the proposed privatisation will provide greater values to be unlocked for all stakeholders of IOI Oleo. Besides, it will also provide greater flexibility for the Group to synergise benefits. Under the proposal, which is subject to approvals from the Company's shareholders, IOI Oleo shareholders and the Securities Commission, IOI Oleo shareholders will have the option of either surrendering one IOI Oleo share in exchange for cash payment of RM11.08 or to surrender two IOI Oleo shares in exchange for one IOI share valued at RM10.82 and cash payment of RM11.34. Details of the proposals together with independent advisor reports will be provided in a separate circular to shareholders in due course.





UPDATES ON GROWTH STRATEGIES & RECENT CORPORATE DEVELOPMENTS cont'd

The proposed privatisation of IOI Oleo is expected to be earnings enhancing and will also increase the Group's net share of contributions from the oleochemical business, thereby providing a better overall hedge ratio against the Group's upstream plantations earnings; especially when the oleochemical business takes on further expansion in due course.

HUMAN RESOURCES

In line with the strong growth and expansion in its business operations, the main thrust of the Group's human resource strategy during the year was focused on two inter-dependent objectives i.e. human resource capacity building and talent retention. New estates, new mills, new markets and new launches/sales showrooms necessitated additional manpower support and seamless systems integration and linkages with the Group's overall operating platforms and IT protocols. This was carried out through external recruitment, internal upgrading and promotions as well as grooming-up of a cadre of young graduate cadets to fill field supervisory positions and operative/functional posts at various operating units under the Group.

In terms of talent development and retention, the Group subscribes to a proactive philosophy of leveraging on the innate potential of its human resources and providing a conducive environment for them to develop their skills, know-how and capabilities to the highest pinnacle. Hence, senior management executives were enrolled into advanced management programs at well-renowned graduate business schools, key managers were put through experiential leadership and teambuilding programs, while fresh cadets and graduate engineers were deployed for specialised industrial attachment training to enhance their work competencies further. Staff within the rank and file were put through various customised training programs centered on improving their personal effectiveness and productivity at work. These covered key operations-related areas like plantation agronomics, planting techniques, construction quality management and methods, and customer-centric training to enhance customer transactions, improve service delivery, communications skills for more effective interaction and results. Industrial training opportunities were also extended to university students who were keen to gain some practical work exposure before their graduation.



CORPORATE SOCIAL RESPONSIBILITIES

Yayasan Tan Sri Dato' Lee Shin Cheng continued to be actively engaged in educational welfare and charity work during the year. The Foundation continued to channel financial support and contributions to many worthy causes and welfare organisations that affected a wide cross-section of Malaysian society. The Yayasan's Young Achievers Awards for educational excellence proved to be a highly valuable channel invigorating and motivating young students from rural areas to strive for excellence in their studies. Various awards were distributed out to students from primary to upper secondary levels. At the tertiary level, the Foundation provided several scholarships and bursaries to outstanding students pursuing degree courses in local institutions of higher learning in such fields as Agriculture, Biotechnology, Engineering Science, and other related specialisations.

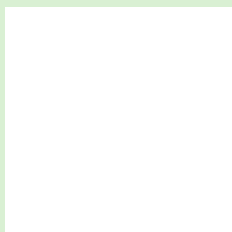
The Group also supported the inaugural "Best MBA Student Award 2005" initiated by UiTM School of Business by being the Corporate Sponsor for a 5-year series. By nurturing such excellent endeavours in the post-graduate learning environment, the Group hopes to contribute towards the development of a cadre of young entrepreneurial Malaysians with the requisite aptitude and tenacity to create higher value added services and economic progress for Malaysian business and industry.

PROSPECTS

Two new factors which Malaysian businesses will have to contend with, would be the continual increase in crude oil prices and the de-pegging of the Malaysian Ringgit with a switch to a managed-float system.

High crude oil prices generally result in higher input costs whilst also dampening sentiment and demand. In this regard, we are somewhat fortunate in that firstly, the current scenario provides an opportunity for the vegetable oil industry to develop a new and significant demand in the field of bio-fuel and bio-diesel. This will have the likely effect of at least raising "floor prices" of vegetable oils in the medium term. Secondly, our operations that utilise substantial amount of energy fuel such as the oleochemical operations, have already switched to using natural gas.

As for the Ringgit de-peg, the impact on the Group's net earnings is not expected to be significant as lower Ringgit proceeds will be off-set by lower import costs, and lower debt servicing cost as most of the Group's liability is denominated in USD.



PROSPECTS cont'd

For the immediate financial year, the Group will continue to benefit from volume growth in its integrated palm oil business, with growth both at the plantations as well as downstream segments. The Group, as always, is prepared and is soundly positioned to seize good opportunities that may arise in its business fields. Notwithstanding this, a primary focus remains on generating organic growth from higher efficiency and productivity through utilisation of existing investments and resources. Your Board is therefore confident that the Group is soundly positioned to continue with its good performances.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our sincere appreciation to the management team and all members of the IOI Group for their untiring commitment, dedication and loyalty without which our continuous growth and outstanding performance over the years will not be possible.

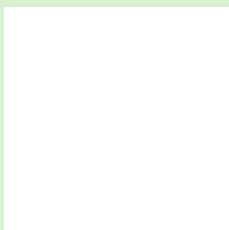
I wish also to thank our valued customers, bankers and other business partners for their unstinting support and loyalty and look forward to their continued trust and support.

I would also like to extend my gratitude to the relevant government authorities for their assistance and support.

Finally, dear shareholders, my special thanks to you all, for your continued support and confidence in the Group and we assure you that we will continue to work to uphold your trust in us.

Thank you.

Tan Sri Dato' Lee Shin Cheng
Executive Chairman





It's a growing, integrated world. Not just growing markets, but growing kids, families.

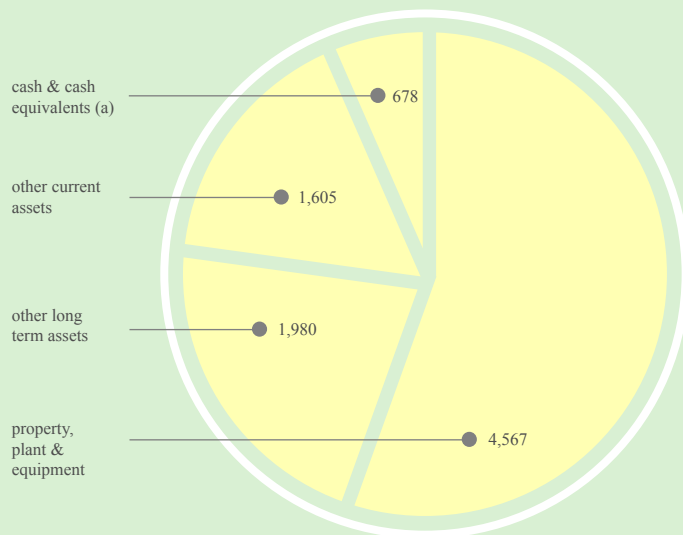
And with it a growing global demand. IOI, with its growing worldwide presence, plays a part in meeting that demand. We try in our own way to make a difference. Because, even though the world keeps growing, we help bring it closer.

Growth

group financial overview

Balance Sheet As At 30 June 2004 RM Million

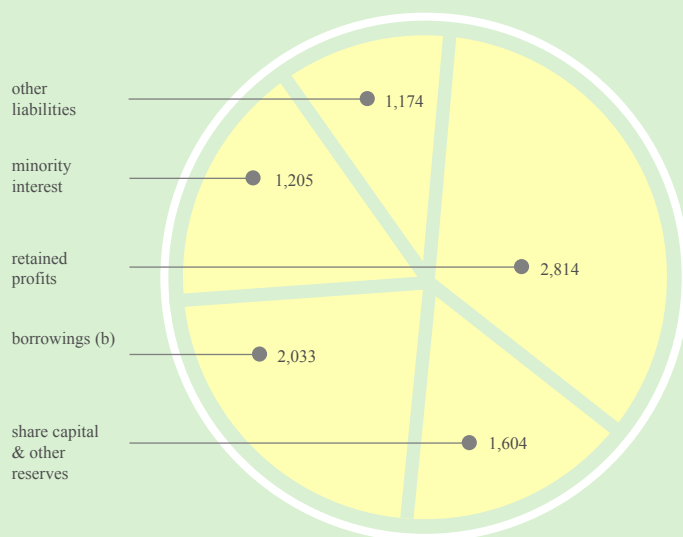
~ assets



Cash Flow for The Financial Year Ended 30 June 2005 RM Million

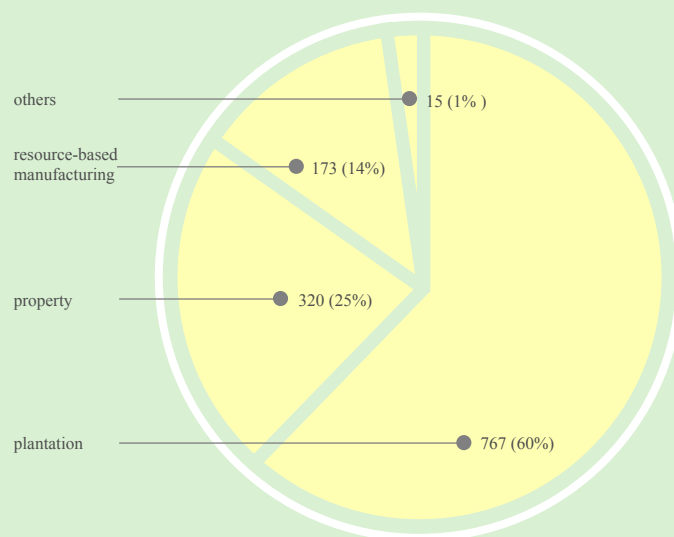
Net operating cash flow	1,059
Capital expenditure, net of disposal	(318)
Free cash flow from operation	741
Proceeds from shares issued	49
Proceeds from disposal of a business sub-unit	39
Proceeds from disposal of investments, net of payments for other investments	8
Acquisition of subsidiaries, net of cash balances and borrowings	(3)
Acquisition of additional share in subsidiaries	(137)
Share repurchases	
– Company	(128)
– Subsidiaries	(25)
Interest and interest rate swaps payments	(66)
Dividend payments	
– Shareholders of the Company	(266)
– Shareholders of subsidiaries	(79)
Investment in development land bank	(76)
Net increase in net borrowings	57
Net borrowings as at 30.06.04	(1,355)
Translation difference	45
Net borrowings as at 30.06.05	(1,253)

~ shareholders' equity & liabilities



Net gearing = 30.7%

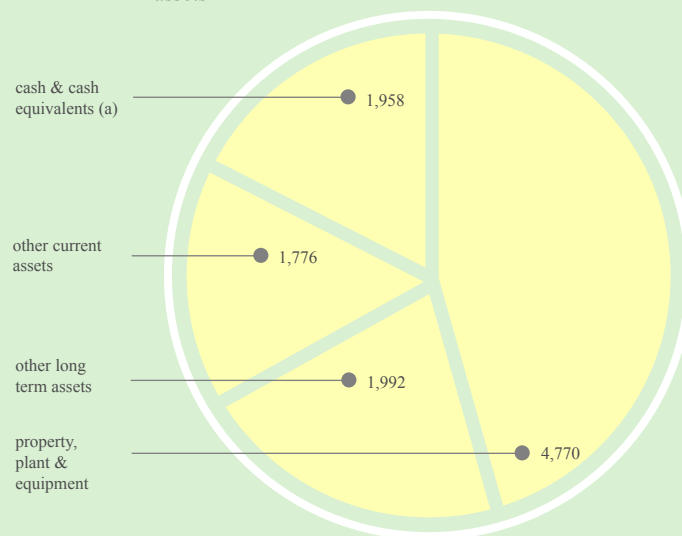
Segmental Contributions to Operating Profit RM Million



Segmental results: 1,275 million

Balance Sheet As At 30 June 2005 RM Million

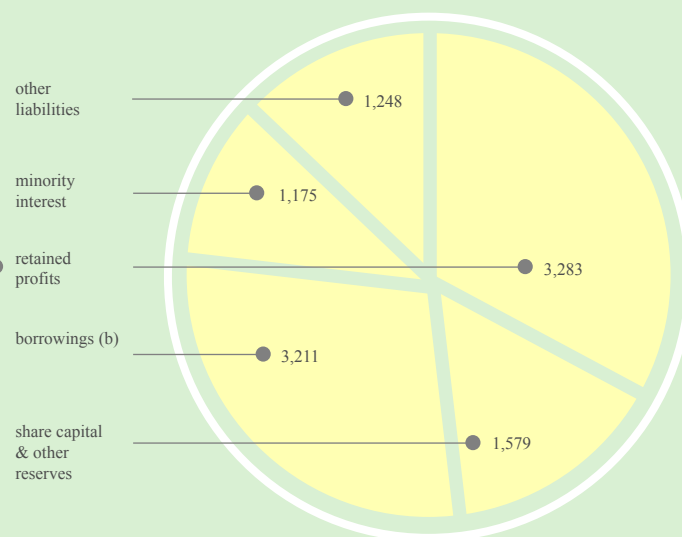
~ assets



Retained Profit for The Financial Year Ended 30 June 2005 RM Million

Segmental results	1,275
Unallocated corporate expenses	(40)
Operating profit	1,235
Net interest expenses	(78)
Share of profit of associates	64
Profit before taxation	1,221
Taxation	(134)
Profit after taxation	1,086
Minority interests	(184)
Net profit for the financial year	902
Dividends paid	(433)
Retained profit for the financial year	469
Retained profits as at 30.06.04	2,814
Retained profits as at 30.06.05	3,283

~ shareholders' equity & liabilities



Net borrowing = (b) – (a) = RM1,253 million
Net gearing = 25.8%

group performance highlights

	2005 RM'000	2004 RM'000	% +/-
Financial Performance			
Revenue	6,072,507	4,993,454	22
Profit before interest and taxation	1,234,905	1,118,815	10
Profit before taxation	1,220,854	1,112,045	10
Net operating profit after taxation ("NOPAT")	1,199,783	953,635	26
Net profit attributable to shareholders	902,220	701,550	29
Average shareholders' equity	4,640,240	3,974,172	17
Average capital employed	8,998,939	7,601,306	18
Operating margin (%)	20.34	22.41	(9)
Return on average equity (%)	19.44	17.65	10
NOPAT/Average capital employed (%)	13.33	12.55	6
Basic earnings per share (sen)	80.61	64.23	26
Dividend per share - gross (sen)	35.0	25.0	40
Net tangible assets per share (sen)	398	358	11
Dividend cover (number of times)	2.75	3.46	(21)
Interest cover (number of times)	12.11	19.58	(38)
Plantation Performance			
FFB production (MT)	3,657,776	2,927,194	25
Yield per mature hectare (MT)	27.57	23.91	15
Mill production (MT)			
- Crude palm oil	815,790	677,319	20
- Palm kernel	192,446	157,243	22
Oil extraction rate (%)			
- Crude palm oil	21.59	21.54	—
- Palm kernel	5.09	5.00	2
Average selling price (RM/MT)			
- Crude palm oil	1,453	1,575	(8)
- Palm kernel	1,005	794	27
Operating profit (RM/mature hectare)	5,783	5,300	9
Property Performance			
Sales value	493,378	669,426	(26)
Sales (unit)	1,588	2,880	(45)
Average selling price	311	232	34
Revenue	587,848	685,189	(14)
Operating profit	295,249	315,487	(6)
Progress billings	533,933	649,337	(18)
Oleochemical Performance			
Plant utilisation (%)	99	92	8
Sales (MT)	366,040	327,510	12

group quarterly results

FY 2005	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Full Year	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue	1,714,205	28	1,480,128	25	1,479,165	24	1,399,009	23	6,072,507	100
Operating profit	320,489	26	319,165	26	271,410	22	323,841	26	1,234,905	100
Interest income	5,889	19	8,690	27	9,044	28	8,353	26	31,976	100
Finance cost	(18,245)	17	(28,724)	26	(24,237)	22	(38,648)	35	(109,854)	100
Share of results of associates	12,898	20	16,239	26	17,951	28	16,739	26	63,827	100
Profit before taxation	321,031	26	315,370	26	274,168	23	310,285	25	1,220,854	100
Taxation	(62,743)	47	35,909	-27	(57,066)	42	(50,441)	38	(134,341)	100
Profit after taxation	258,288	24	351,279	32	217,102	20	259,844	24	1,086,513	100
Minority interests	(48,172)	26	(47,227)	26	(41,871)	23	(47,023)	25	(184,293)	100
Net profit attributable to shareholders	210,116	23	304,052	34	175,231	19	212,821	24	902,220	100
Earnings per share (sen)										
- Basic	18.72		27.12		15.70		19.05		80.61	
- Diluted	18.69		27.08		15.69		19.05		80.54	
Operating profit on segmental basis										
Plantations	230,266	30	254,111	33	134,159	18	148,936	19	767,472	100
Property development	63,276	21	54,714	19	84,086	28	93,173	32	295,249	100
Property investment	5,710	23	6,034	24	5,394	22	7,509	31	24,647	100
Manufacturing	32,090	18	26,906	16	42,092	24	72,367	42	173,455	100
Others	724	5	2,984	20	5,776	40	5,097	35	14,581	100
Segment results	332,066	26	344,749	27	271,507	21	327,082	26	1,275,404	100
Unallocated corporate expenses	(11,577)	29	(25,584)	63	(97)	-	(3,241)	8	(40,499)	100
Operating profit	320,489	26	319,165	26	271,410	22	323,841	26	1,234,905	100

financial calendar

Financial Year End

30 June 2005

Payment of Dividends

First Interim

- Declaration 13 January 2005
- Book Closure 23 February 2005
- Payment 7 March 2005

Announcement of Results

1st Quarter 12 November 2004
2nd Quarter 17 February 2005
3rd Quarter 16 May 2005
4th Quarter 16 August 2005

Notice of Annual General Meeting 27 September 2005

Annual General Meeting 28 October 2005

Second Interim

- Declaration 3 June 2005
- Book Closure 5 July 2005
- Payment 18 July 2005

five-year financial highlights

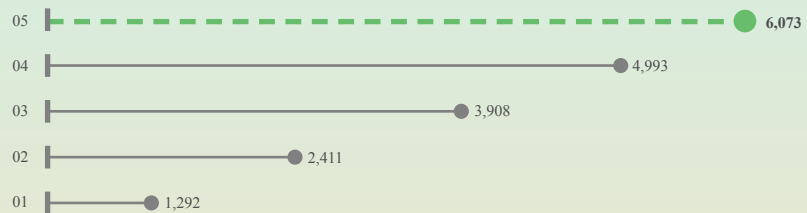
	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
Results					
Revenue	6,072,507	4,993,454	3,907,871	2,410,500	1,291,578
Profit before taxation	1,220,854	1,112,045	812,626	569,311	456,744
Taxation	(134,341)	(220,429)	(161,093)	(115,537)	(99,005)
Profit after taxation	1,086,513	891,616	651,533	453,774	357,739
Minority interests	(184,293)	(190,066)	(149,481)	(107,273)	(71,070)
Net profit attributable to shareholders	902,220	701,550	502,052	346,501	286,669
Group Assets					
Property, plant and equipment	4,770,375	4,567,360	3,817,976	2,665,410	2,116,561
Associates	249,441	222,636	231,379	258,463	409,271
Investment properties	508,176	580,677	534,243	522,456	489,519
Other long term investments	30,699	32,043	31,363	18,191	33,276
Land held for development	637,393	652,517	650,029	660,074	524,333
Other assets	566,277	491,772	450,783	208,939	117,931
Current assets	3,742,698	2,298,945	1,863,950	1,265,735	1,006,213
Total assets	10,505,059	8,845,950	7,579,723	5,599,268	4,697,104
Current liabilities	(813,857)	(1,441,071)	(896,442)	(1,133,531)	(901,600)
	9,691,202	7,404,879	6,683,281	4,465,737	3,795,504
Financed by					
Share capital	559,241	582,618	540,400	447,988	425,026
Reserves	4,303,087	3,835,534	2,989,792	2,443,931	2,069,948
Shareholders' equity	4,862,328	4,418,152	3,530,192	2,891,919	2,494,974
Minority interests	1,175,183	1,205,239	1,195,425	928,336	661,013
Long term liabilities	3,163,482	1,348,373	1,627,783	433,251	507,357
Deferred taxation	490,209	433,115	329,881	212,231	132,160
	9,691,202	7,404,879	6,683,281	4,465,737	3,795,504
Net operating profit after tax ("NOPAT")	1,199,783	953,635	721,885	496,153	398,357
Average shareholders' equity	4,640,240	3,974,172	3,211,056	2,693,447	2,374,532
Average capital employed ¹	8,998,939	7,601,306	6,098,118	4,766,606	4,086,729
Financial Statistics					
Basic earnings per share (sen)	80.61	64.23	53.24	40.69	34.09
Gross dividend per share (sen)	35.0	25.0	20.0	15.0	12.5
Net tangible assets per share (sen)	398	358	302	312	284
Return on average equity (%)	19.44	17.65	15.64	12.86	12.07
NOPAT/Average capital employed	13.33	12.55	11.84	10.41	9.75
Net debt/Equity (%) ²	25.76	30.66	39.47	22.13	25.05

¹ Average capital employed comprises shareholders' equity, minority interests, long term liabilities, short term borrowings and deferred taxation.

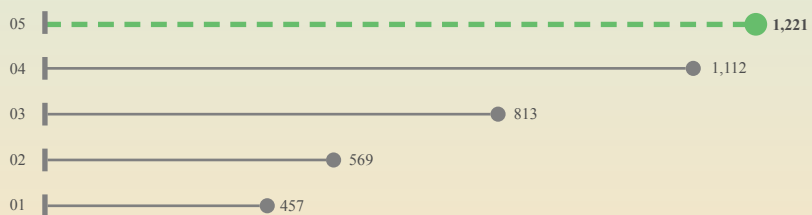
² Net debt represents total bank borrowings less short term funds, deposits with financial institutions and cash and bank balances. Certain comparative figures have been reclassified to conform with current financial year's presentation as disclosed in Note 45 to the financial statements.

five-year financial highlights cont'd

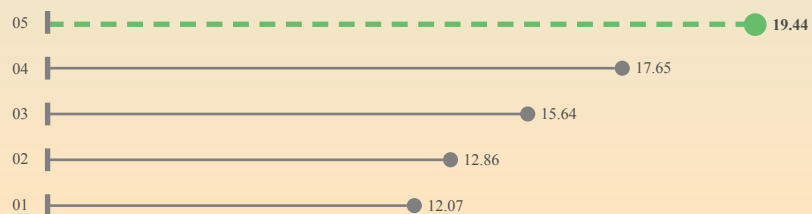
revenue
RM Million



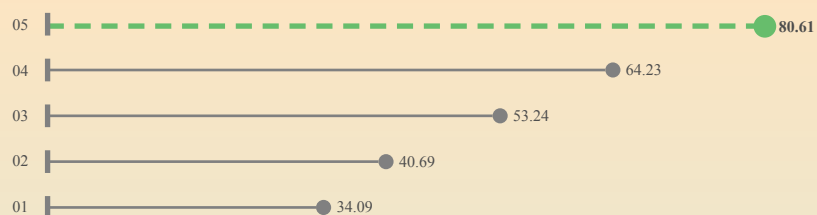
profit before taxation
RM Million



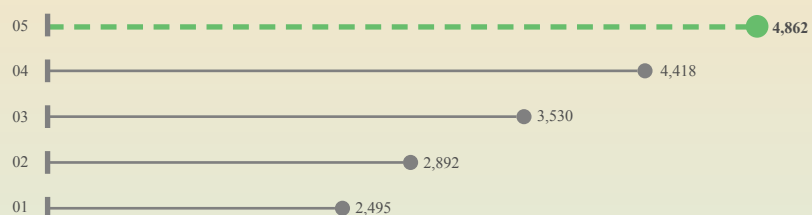
return on average equity
%



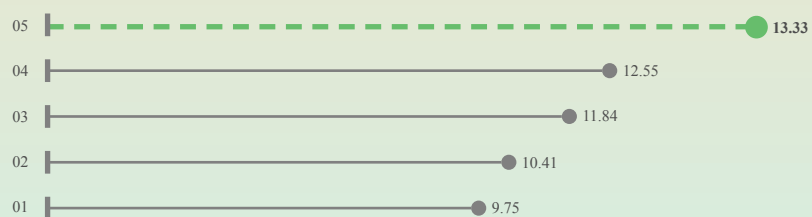
earnings per share
Sen

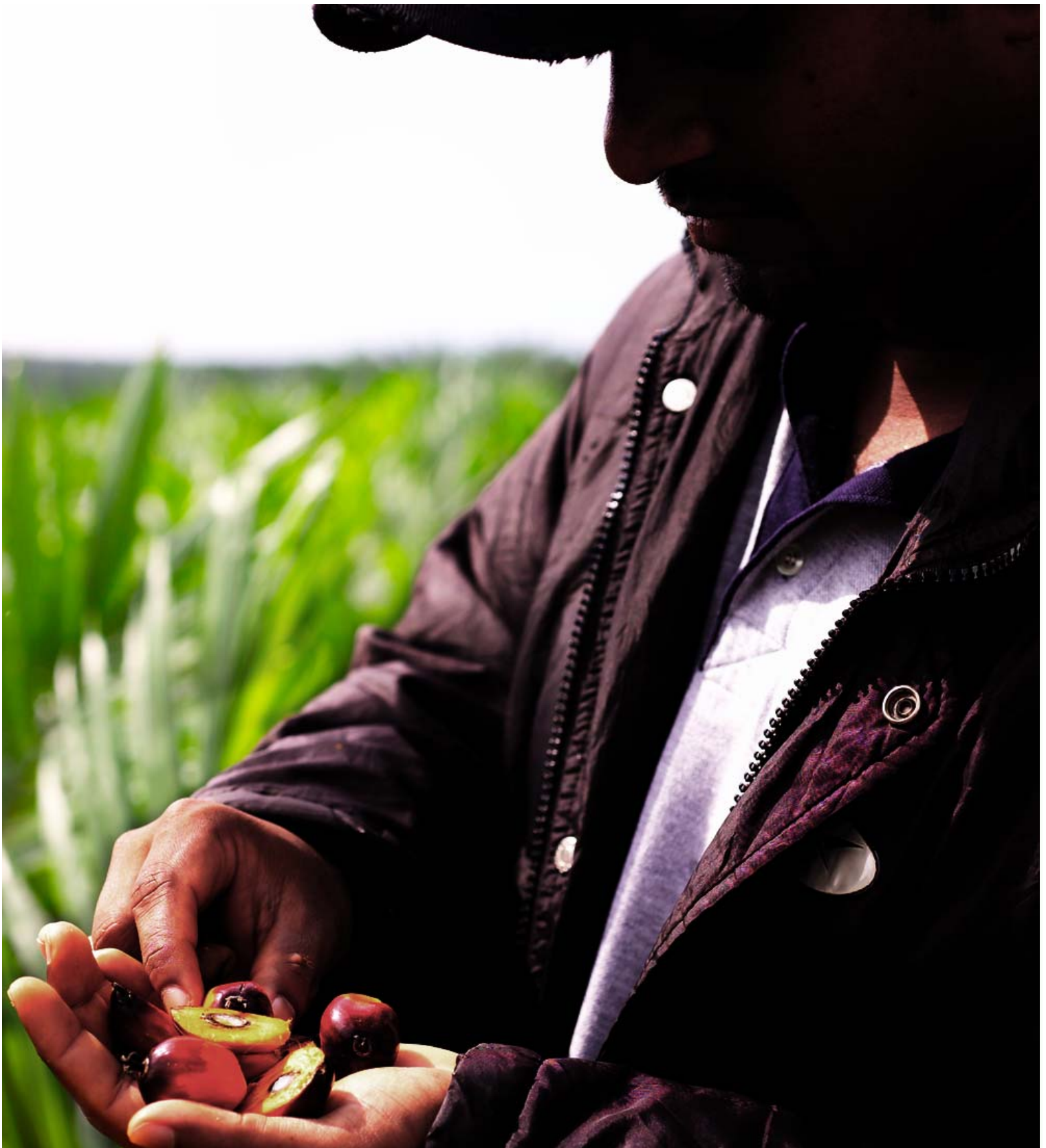


shareholders' equity
RM Million



nopat/average capital
employed
%

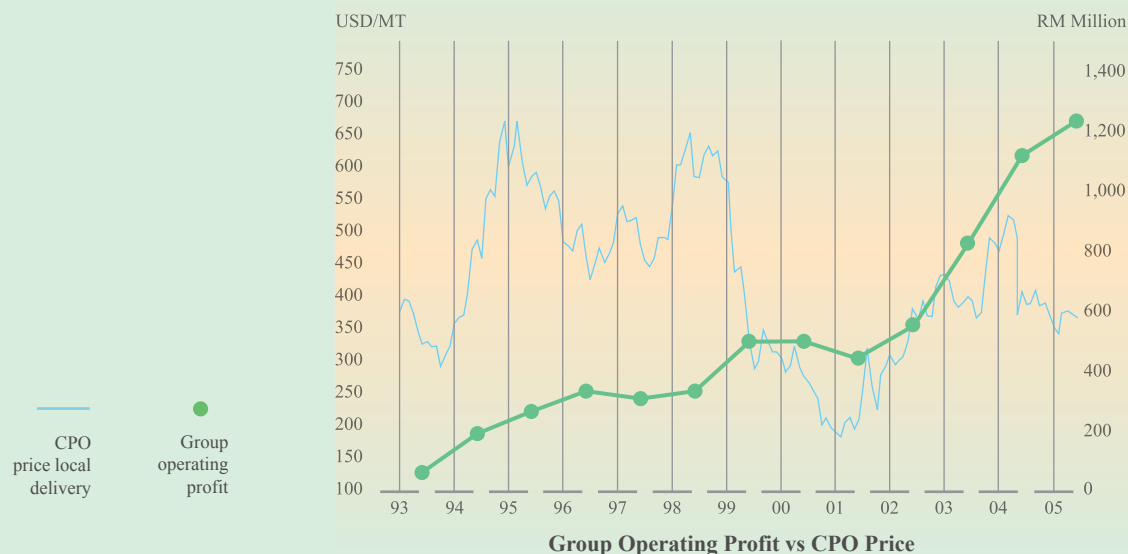




To obtain a good harvest, you need a dedicated team. You need good people. You need the seed of enthusiasm, from which germinates all good things.

Harvest

GROWING THROUGH THE CYCLES



INTRODUCTION

The purpose of this review is to highlight key financial and operating information on the IOI Group's performance for the financial year 2005.

KEY FINANCIAL INDICATORS

	FY 2005	FY 2004	% Change
Pretax (RM'Million)	1,220.9	1,112.0	10
Net earnings (RM'Million)	902.2	701.6	29
Return on shareholders equity ("ROE")	19.4%	17.7%	10
Return on average capital employed	13.3%	12.6%	6
Net operating profit after tax ("NOPAT") (RM'Million)	1,199.8	953.6	26
Economic profit (RM'Million)	581.2	343.4	69
Total return to shareholder			
- Change in share price	RM2.25	RM2.45	(8)
- Gross dividend	35 sen	25 sen	40
Net cash flow generated from operation (RM'Million)	1,058.8	976.9	8
Net Gearing	26%	31%	16

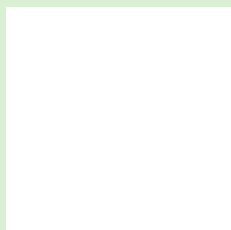
FINANCIAL HIGHLIGHTS & INSIGHTS

- Group pre-tax profit grew by 10% to RM1.22 billion on the back of a 22% increase in operating profit from the integrated palm oil business.
- Contribution from the Group's two business lines, palm oil and property, are as follows:

	FY 2005		EBIT		Change
	RM' Million	%	RM' Million	%	%
Plantation	777.9	60	638.7	55	22
Downstream Manufacturing	226.5	17	186.2	16	22
Palm Oil - Total*	1,004.4	77	824.9	71	22
Property	319.9	25	336.8	29	(5)
Others (unallocated)	(25.6)	(2)	(5.3)	—	>100
	1,298.7	100	1,156.4	100	12

* Includes share of results of associates

- The palm oil business stream contributed 77% towards Group EBIT for FY 2005 increasing its share of contribution from 71% in FY 2004. In absolute terms, EBIT for the palm oil business grew by 22% to RM1,004.4 million, with both the plantations and the downstream segments growing at the same 22% rate.
- Plantation segment's EBIT growth of 22% to RM777.9 million was achieved on the back of a 16% increase in yields and a 8% increase in average mature area harvested and despite a 8% decline in CPO prices, higher fertiliser costs and higher Sabah state sales tax.
- Excluding the net effect of one-off items, the downstream segment's increased contribution was mainly due to volume growth and should have been higher. Margins were however trimmed by impact of some ineffective hedges as a result of an "inverse market" scenario over a short duration and volatile raw material prices.
- Results of the property business were quite stable despite lower sales. Operating margins were higher because of a substantially high percentage of commercial properties in the overall sales mix. The stronger trend shown by the commercial sub-sector in sales was also reflected by an improvement in rental income from the property investment portfolio. The property segment's EBIT for FY 2005 was RM319.9 million, a 5% decrease over the previous year and which accounted for 25% of Group EBIT (vs 29% in FY 2004).
- The RM25.6 million negative listed under the "unallocated" segment of Group EBIT comprise mainly of forex translation losses realised on refinancing of the Euro loan.

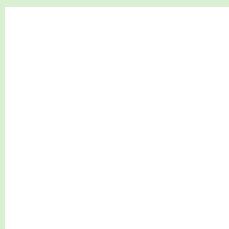


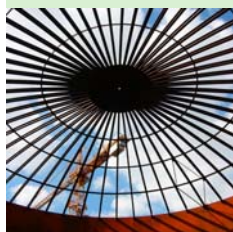
FINANCIAL HIGHLIGHTS & INSIGHTS cont'd

- At the net earnings level, profit attributable to shareholders increased by 29% to RM902.2 million. Apart from improvements at operating level, net earnings for the year were boosted by a write-back of tax provision of approximately RM83.4 million pertaining to incentives granted for the acquisition of Lodders Croklaan in FY 2003 and by the increases in equity stakes in IOI Oleo and IOI Properties.
- As some of the subsidiaries are not wholly-owned, the segmental contribution at the net earnings level are as follows:

	FY 2005	FY 2004
Plantation	81%	74%
Downstream Manufacturing	8%	4%
Palm Oil - Total	89%	78%
Property	18%	23%
Others (unallocated)	(7%)	(1%)
	100%	100%

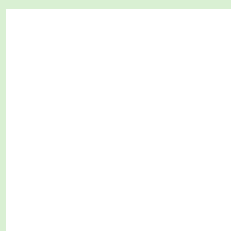
- For FY 2005, the Group recorded a Return on Equity ("ROE") of 19.4% based on an average shareholders' equity of RM4.64 billion (FY 2004 - RM3.97 billion), up from 17.7% for the previous financial year.
- Similarly, the Return on Average Capital Employed ("ROCE") continued its up-trend to achieve 13.3% for FY 2005, up from 12.6 % for FY 2004.
- The Group strives to enhance ROE and ROCE by continuous improvement in operating performance and by active management of its capital structure. Initiatives undertaken by the Group include higher dividend pay-outs, a share buy-back (and cancellation) program and a continuous review and adjustment of the Group's debt gearing ratio.
- In line with the good set of results achieved, total gross dividend for the financial year ended 30 June 2005 was increased further from 50% less tax for FY 2004 to 70% (40% taxable and 30% tax exempt). Total net cash dividend in respect of FY 2005 totalled RM328.3 million, an increase of 62% over FY 2004's RM202.4 million.
- In respect of share buy-back, the Company spent a total of RM128.3 million (FY 2004 - RM43.5 million) in FY 2005 to buy-back 14,014,300 (FY 2004 - 5,447,900) of its own shares from the open market at an average price of RM9.15 per share.
- The amount paid for share buy-back, together with the net dividend in respect of FY 2005 totalled RM456.6 million, representing 51% "payout" (FY 2004 - 35%) of the Group's net earnings for FY 2005.





FINANCIAL HIGHLIGHTS & INSIGHTS cont'd

- The Group generated an operating cash flow of RM1,058.8 million for FY 2005 against RM976.9 million for the previous financial year. Free cash flow for the financial year just ended however, reduced from RM854.1 million for FY 2004 to RM740.7 million due mainly to higher capital expenditure incurred for the year.
- For FY 2005, the Group spent a total of RM332.5 million (FY 2004 - RM144.3 million) for capital expenditure ("capex"). The notable increase was mainly for the new refinery in Rotterdam, which will be completed in FY 2006, as well as capex for the newly acquired Soctek Group, for expansion of capacity and upgrade of facilities.
- The Group also invested a total of RM246.9 million on the acquisition of the Soctek Group (specialty fats/refinery), Legend Advance Sdn Bhd (property development) and on the purchase of additional stakes in the two listed subsidiaries, IOI Properties and IOI Oleo from the open market.
- The Group's shareholders' equity as at 30 June 2005 stood at RM4.86 billion, an increase of RM0.44 billion or 10% over the previous year. The increase was mainly due to net earnings for the year of RM902.2 million and proceeds from new shares issued under the Company's ESOS of RM48.5 million, net of share buy-back totalled RM128.3 million and dividend for FY 2005 of RM328.3 million as well as the second interim dividend for the previous financial year which was paid during the financial year under review.
- The Group restructured its loans portfolio significantly during the financial year. Exchangeable Bonds and a 10 year tenure straight Bonds amounting to USD310 million and USD500 million respectively were issued. Part of the proceeds from these bonds issuance were utilised to repay a substantial part of the Group's short term loans and to finance capex. These new USD loans provide greater flexibility in capital management, interest and currency risks hedges and cash reserves for potential acquisitions.
- As at 30 June 2005, the Group's net borrowings stood at RM1.25 billion. Based on shareholders' equity of RM4.86 billion as at 30 June 2005, the net gearing ratio of the Group was 26% as compared to 31% as at the end of the previous financial year end.
- The Group's net interest cover is 12.1 times but after adjusting differences between accounting and cash interest payment, the net interest cover is 17.0 times for FY 2005.
- From an economic profit perspective, the Group achieved an economic profit [i.e. a surplus of net operating profit after tax ("NOPAT") over its weighted average cost of capital ("WACC")] of RM581.2 million for FY 2005, up 69% from FY 2004's RM343.4 million. The significant increase is attributable to a higher NOPAT of RM1,199.8 million (FY 2004 - RM953.6 million) as well as a lower WACC of 6.87% for financial year 2005 (FY 2004 - 8.03%).



FINANCIAL HIGHLIGHTS & INSIGHTS cont’d

- The lower WACC for the financial year just ended is due principally to a lower cost of equity as a result of lower share prices volatility and hence a lower beta co-efficient applied in the computation of cost of equity.

FIVE-YEAR ECONOMIC PROFIT TREND

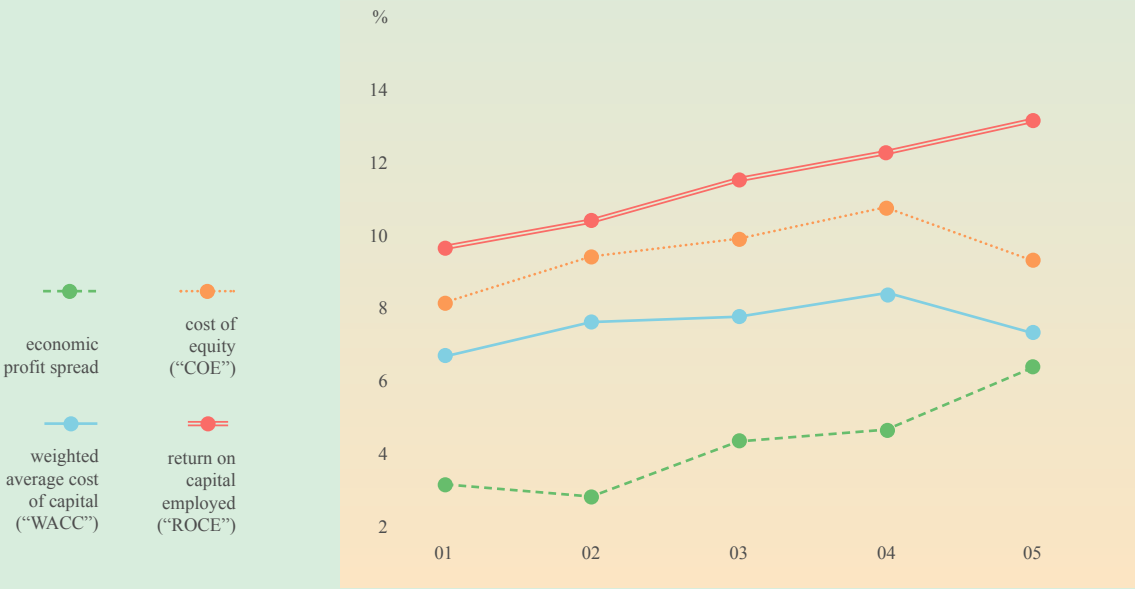
An analysis on the distribution of the Group’s NOPAT between cost of debts, cost of equity and economic profit:

	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
Economic Profit	122,711	136,612	260,126	343,416	581,241
Total Cost of Debts	35,846	34,797	51,984	43,093	87,971
Total Cost of Equity	239,800	324,744	409,775	567,126	530,571
NOPAT	398,357	496,153	721,885	953,635	1,199,783

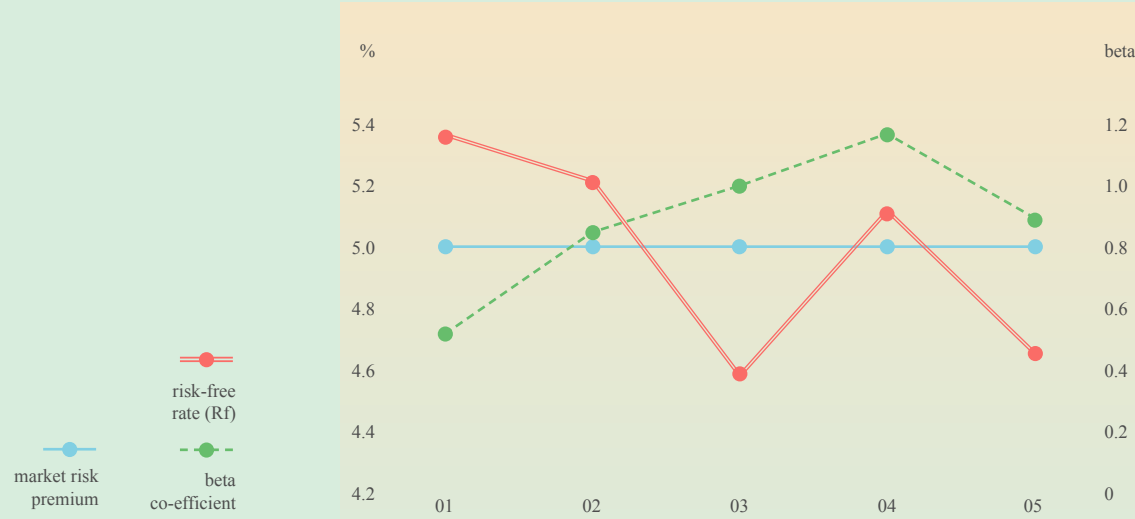
Distribution of NOPAT



FIVE-YEAR ECONOMIC PROFIT TREND cont’d



The above computations were arrived at based on the following parameters:





RISK MANAGEMENT

The Group has in place a formal risk management framework. Overall through strategic measures, consistent risk management and continuous refinement, we are able to recognise and exclude fundamental dangers for IOI in the ordinary course of business.

Operating Risk Management

- Our participation in our core businesses, namely palm oil and properties, entails risks that arise in the ordinary course of business. Palm oil prices in particular, can be very volatile and can result in wide fluctuation in revenue and cash flow. Other risks include oleo and specialty fats products price risk, changes in the property market and other operational risks. Our risk management policy is to exploit as fully as possible the many opportunities available in the markets we operate in, while taking on only those risks that are necessarily associated with creating added economic value and while strategically balancing up risks that could not otherwise be managed to a satisfactory level.
- In the case of palm oil, for instance, normal price fluctuations are manageable risks whilst unduly sharp fluctuations and cyclical trends are strategically balanced by the Group's positioning in different segments of the palm oil value chain, namely plantation, refinery, oleochemicals and specialty oils and fats. The Group's exposure to different segments of the palm oil chain also provides better visibility and enables better risk management execution that enhances value beyond mere balancing out the effects of price fluctuation.
- For the property segment the judicious selection of locations when acquiring land bank and the choice of product mix when making property sales launches during different phases of the property market cycles are the most crucial factors in managing market and operation risks.
- Control risks and other day-to-day operational risks are covered by the Group's Enterprise Risk Management System. Risks of not meeting strategic objectives or performance targets are identified, evaluated and remedial action taken. The Risk Management Committee of the respective business units formally reviews, update status and reports to the Audit Committee on a quarterly basis.



Financial Risk Management

- The Group's operations which have expanded substantially in recent years expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, market risk (including commodity price risk), credit risk, liquidity and cashflow risk.
- The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential adverse effects on its financial performance and positions.
- The Group addresses the various financial risks exposure by taking pro-active measures within our established risk management framework and clearly defined guidelines that are approved by the Board. In this respect, the Group enters into forward contracts and exchange-traded agricultural commodity futures as well as commodity swap to hedge our inventories, sale and purchase commitments. The effectiveness of hedges are periodically reviewed and limits for mandatory "cut loss" are set to limit commodity price exposures for all relevant operations.
- Besides, the Group also enters into interest rate derivative instruments with the objective of minimising overall cost of borrowings over the tenure of the underlying borrowings. An appropriate mix of fixed and floating rates are taken after giving due consideration to current fixed rates level, forward scenario analysis and potential net cash flow fluctuation.
- Whenever possible, the Group favours taking a "natural hedge" approach as for instance, to have the same currency base in the risk management of its foreign currency denominated assets and liabilities and in respect of income and expenditure as for example, to have USD liabilities as hedge against the Group's USD denominated palm oil income stream.
- Whenever appropriate, we also enter into forward foreign currency contracts to limit the Group's exposure to fluctuation in foreign exchange rates with respect to our foreign currency denominated assets and liabilities as well as committed sales and purchases of commodity and other products.
- Credit risks and counter party risks are evaluated and managed at the level of the respective business units within the Group's prescribed framework.

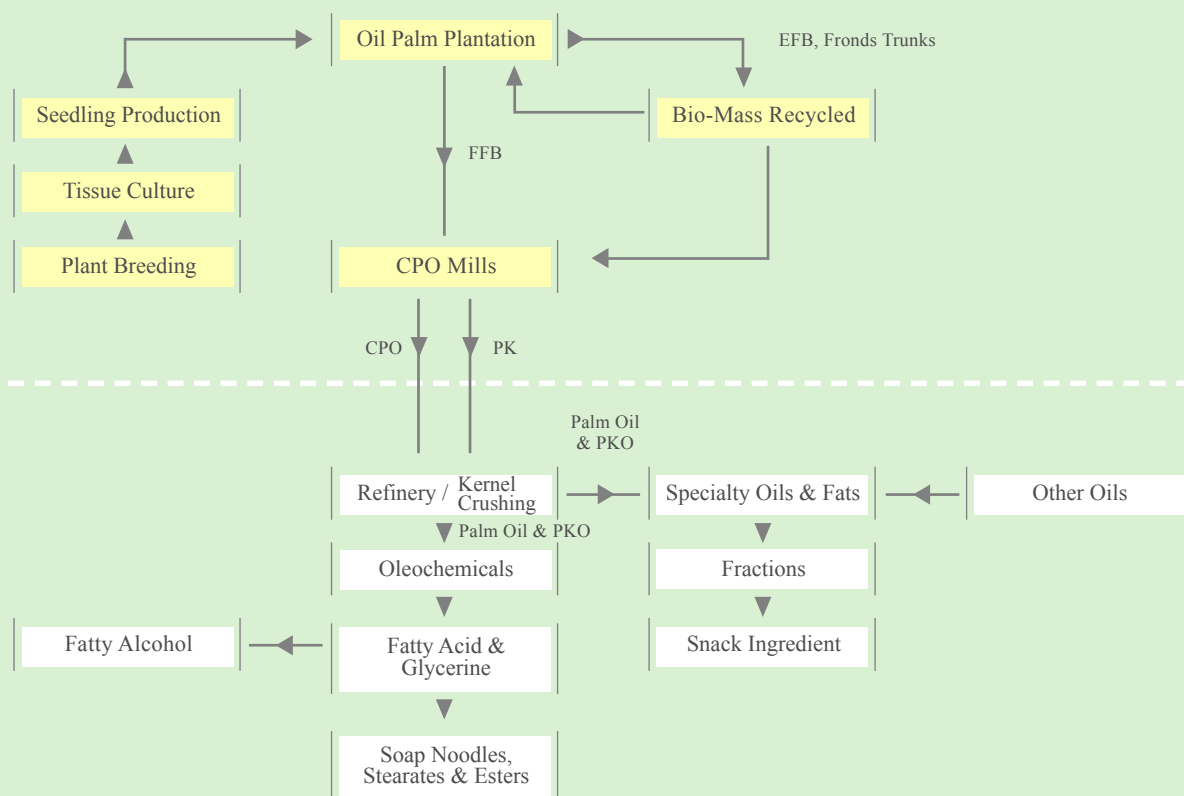
For more disclosures on the Group's financial risk management, refer to Note 39 of the financial statements included in this Annual Report.

PALM OIL BUSINESS STREAM

The Group's palm oil business comprises the plantation and the downstream resource-based manufacturing segments. The vertical integration of these two business segments has increased significantly over the last couple of years as the Group expanded and moved more aggressively into downstream activities. Consequently, a substantial portion of the Group's plantation produce, i.e. crude palm oil and palm kernel is being utilised in our downstream manufacturing operations. For the financial year ended 30 June 2005, approximately 67% (FY 2004 - 57%) of our plantation revenue of RM1,372.5 million comprises sales to our manufacturing division. With the commissioning of our newly constructed refinery in Rotterdam in the new financial year, the inter-segment volume between the two business segments is expected to further increase.

The integration of the two business segments is best illustrated in the following diagram:

Plantation Segment



Resource-based Manufacturing Segment



INTRODUCTION

As at 30 June 2005, the Group's total titled plantation area (all of which are in Malaysia) stood at 158,514 hectares.

The Group has 79 estates with 99% of the estates' planted area being planted with oil palm. Total oil palm planted area as at the end of the financial year under review totalled 143,696 hectares, about the same level as the previous financial year end. Approximately 68% of the Group's plantation holdings are in the state of Sabah with the remaining 32% in Peninsular Malaysia, mainly in the central and southern parts of the Peninsular. The Group's plantation produce are principally processed by its own 12 palm oil mills with an annual milling capacity of approximately 3,900,000 tonnes of fresh fruit bunches.

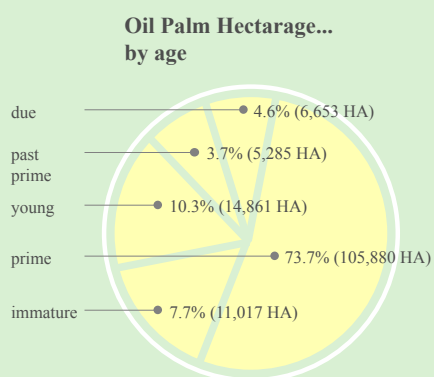
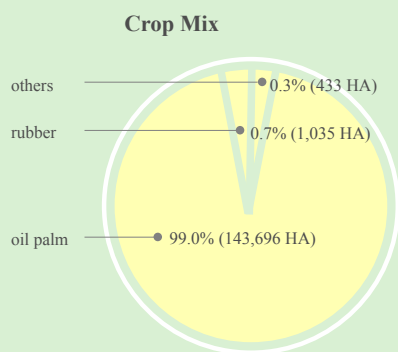


The Group's plantation business's strong growth in a short span of 22 year since 1983 was achieved not just through acquisitions whenever opportunities arises, but also because of its distinctive plantation management practices that emphasise greatly on continuous improvement in yields and in cost efficiencies which enable us to be one of the most cost effective producers in the industry. For the financial year under review, the Group managed to achieve another milestone with CPO yield touching a new high of 5.97 MT(FY 2004 - 5.16 MT) per mature hectare, which is approximately 50% higher than the national average. Our achievement on productivity is the results of years of concerted efforts and commitment on good and quality plantation management practices.

Our quality commitment approach in the plantation sector begins with the use of superior planting materials to ensure high oil yield as well as quality of the palm oil produced. We have a dedicated research team focused on improving fresh fruit bunches yields, the oil and kernel extraction rates and carrying out research involving tissue culture to cultivate seedlings with superior traits. We believe that this helps ensure the high yield of our palm oil and helps ensure profitability of our oil palm business.

The yield from oil palm plantation also depends on other factors such as soil and climatic conditions, the quality of plantation management, and harvesting and processing of the fresh palm fruit bunches at the optimum time. In this respect, hands-on management, pro-active attitude and attention to details have contributed to our success in productivity. In addition, we also have a team of in-house agronomists to conduct various analysis and studies with the objective of ensuring quality palms and fruits, including studies on palm oil nutrient status, palm appearance, ground conditions, pests and diseases affecting palms, pruning methods etc to ensure that best practices for sustainable agriculture are practised by the Group.





PLANTATION STATISTICS

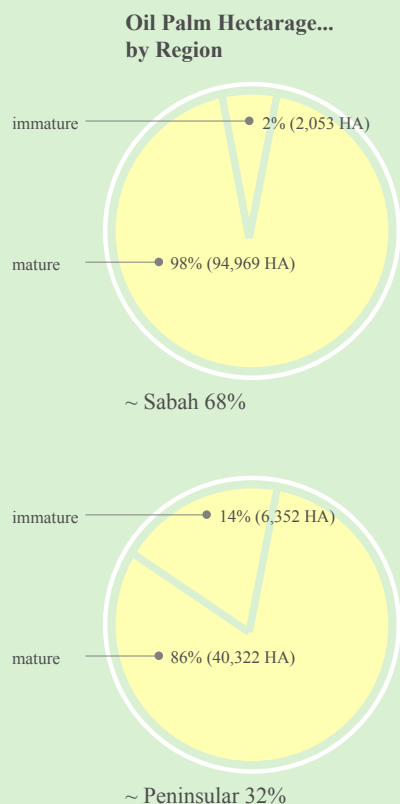
The plantation statistics are tabulated as follows:

CROP STATEMENT

	2005	2004	2003	2002	2001
Oil Palm					
Mature area					
harvested (hectare)	132,679	122,401	95,450	83,825	79,477
FFB production (tonne)	3,657,776	2,927,194	2,396,231	1,920,692	1,926,808
Yield per mature hectare (tonne)	27.57	23.91	25.10	22.91	24.24
Mill production					
Crude palm oil	815,790	677,319	597,515	477,794	469,070
Palm kernel	192,446	157,243	143,307	118,209	119,855
Oil extraction rate (%)					
Crude palm oil	21.59	21.54	21.82	21.28	19.98
Palm kernel	5.09	5.00	5.23	5.26	5.11
Average selling price (RM/tonne)					
Crude palm oil	1,453	1,575	1,461	1,075	838
Palm kernel	1,005	794	711	522	457
Operating profit (RM/mature hectare)	5,783	5,300	5,576	2,834	1,615
Rubber					
Mature area					
tapped (hectare)	1,054	1,249	1,605	1,808	2,009
Rubber production ('000 kg)	1,730	2,329	3,615	3,607	3,727
Yield per mature hectare (kg)	1,641	1,865	2,252	1,995	1,855
Average selling price (RM/kg)	4.88	5.27	4.15	3.30	3.40
Operating profit (RM/mature hectare)	4,356	4,380	3,850	1,486	1,534

PLANTATION STATISTICS cont'd

AREA STATEMENT (In Hectares)

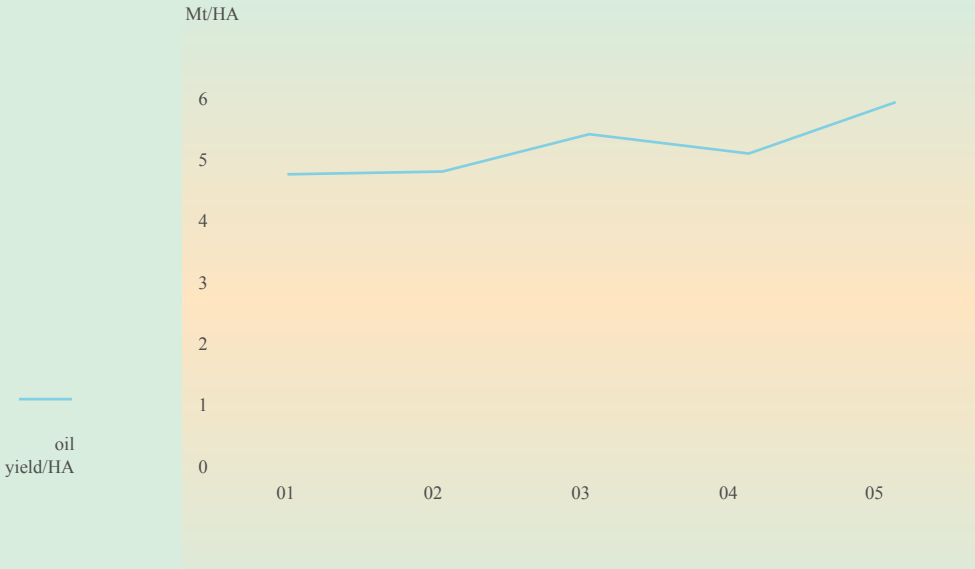


	2005	2004	2003	2002	2001
Oil Palm					
Mature	135,291	131,333	107,108	85,035	80,226
Immature	8,405	13,727	17,095	13,829	7,379
	143,696	145,060	124,203	98,864	87,605
Rubber					
Mature	1,035	1,172	1,397	1,776	2,001
Others					
	433	495	590	314	299
Total planted area	145,164	146,727	126,190	100,954	89,905
Nursery					
	76	67	142	167	109
Estate under development					
	682	461	805	2,538	7,810
Housing project					
	1,150	1,158	1,162	1,187	1,105
Labour lines, buildings sites and infrastructure					
	11,442	10,089	8,034	5,250	4,884
	158,514	158,502	136,333	110,096	103,813

OPERATIONS REVIEW

For the financial year under review, the Group's estates produced a total of 3.66 million MT of FFB, up 25% against the previous year's 2.93 million MT due mainly to a 15% increase in FFB yield as well as a 8% increase in the overall mature area harvested as a result of accounting for the full year results of the five Sabah plantation companies acquired in the second quarter of the last financial year.

The much higher FFB yield of 27.57 MT (FY 2004 - 23.9 MT) per mature hectare coupled with an extraction rate of 21.59% (FY 2004 - 21.54%) enabled the Group to achieve a CPO yield of 5.97 MT per mature hectare for FY 2005 as compared to a yield of 5.16 MT per mature hectare for FY 2004. The CPO yield achieved is about 50% higher than the national average of 3.8 - 4.0 MT per mature hectare. The Group's CPO yield trend for the last 5 years are as follows:



The best performing estate, Sagil Estate, in fact achieved a yield of 8.23 MT of CPO per hectare for FY 2005.

OPERATIONS REVIEW cont'd

In line with the overall increase in Group CPO yield, the number of estates that managed to achieve oil yields of more than 6 MT per mature hectare has increased significantly from 12 estates in FY 2004 to 41 estates for the financial year under review. The trend over the last four years are as follows:

Estates that achieved >6 MT of CPO per hectare

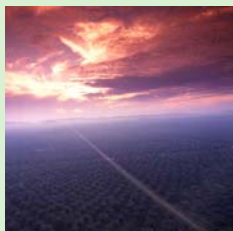
FY 2005	41 estates	73,859 hectares
FY 2004	12 estates	22,410 hectares
FY 2003	16 estates	32,089 hectares
FY 2002	3 estates	5,425 hectares

Roll of Honour

Estates that achieved > 7 MT of CPO per hectare

The following estates achieved more than 7 MT of CPO per hectare in FY 2005.

	CPO MT/HA
Sagil Estate	8.23
Jasin Lalang	7.99
Sakilan	7.60
Syarimo 1	7.57
Syarimo 3	7.57
Syarimo 2	7.56
Sg. Sapi	7.22
Luang Manis	7.18
Laukin	7.17
Mayvin 1	7.09
Morisem 4	7.09
Syarimo 6	7.07
Moynod	7.06
Baturong 3	7.03
Ladang Tas	7.00



management's discussion and analysis

group business review cont'd



OPERATIONS REVIEW cont'd

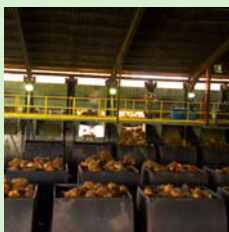
For FY 2005, the Group's plantation business recorded an operating profit of RM777.9 million, an increase of 22% over FY 2004's RM638.7 million due mainly to a 25% higher FFB production. The higher revenue generated from the increased crop production more than offset the negative impact of a 8% lower CPO prices, higher fertiliser costs and higher Sabah sales tax.

At net operating profit after tax ("NOPAT") level, the division made a total RM776.8 million for FY 2005, up 33% from previous year, giving a ROCE 22.5% (2004 - 19.1%) based on an average capital employed of RM3,447.1 million (2004 - RM3,050.1 million).

Higher crude oil prices and a weak USD resulted in a substantial increase in fertiliser costs which had increased from RM672 per hectare in FY 2003 to RM764 per hectare in FY 2004 and further to RM977 per hectare in FY 2005. Meanwhile, in the 3Q of FY 2005, the Sabah State Government increased the sales tax on palm oil from 5% to 7.5%.

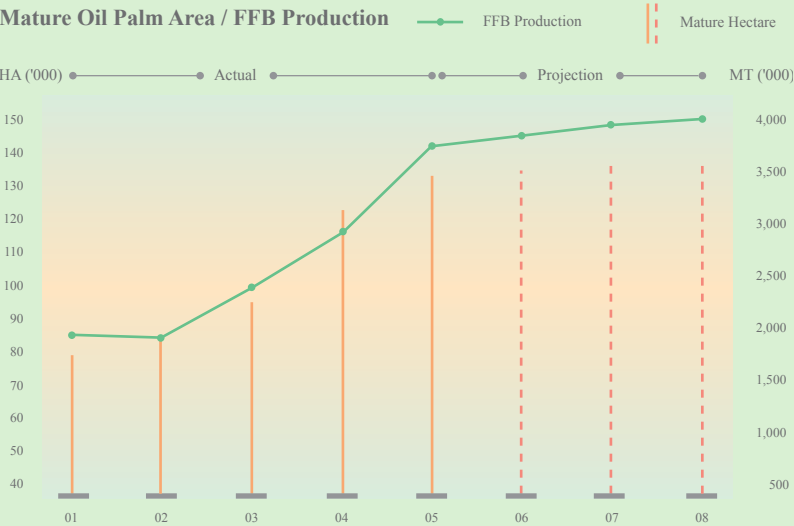
The cess and tax for the year were as follows:

	FY 2005 RM'000	FY 2004 RM'000
MPOB cess	12,237	10,160
Rubber	82	192
	12,319	10,352
Sabah sales tax	51,188	38,845
	63,507	49,197



Despite the above and in tandem with the significantly higher production yield, operating profit per mature hectare for oil palm increased 9% to RM5,783 per hectare for the financial year under review as compared to RM5,300 per hectare for the previous financial year. This underscores the very substantial impact of yields to profitability.

For capital expenditure, the Division spent a total of RM93.9 million for FY 2005 as compared to RM78.2 million for the previous financial year. The capital expenditure is mainly incurred on new planting, staff quarters, road and bridges, agricultural equipment as well as the upgrade and expansion of milling capacity. As for replanting expenditure, RM8.8 million was charged out in the financial year just ended as compared to RM11.4 million for the previous financial year.

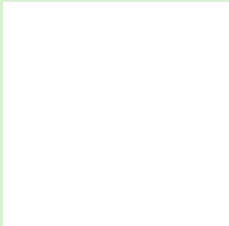


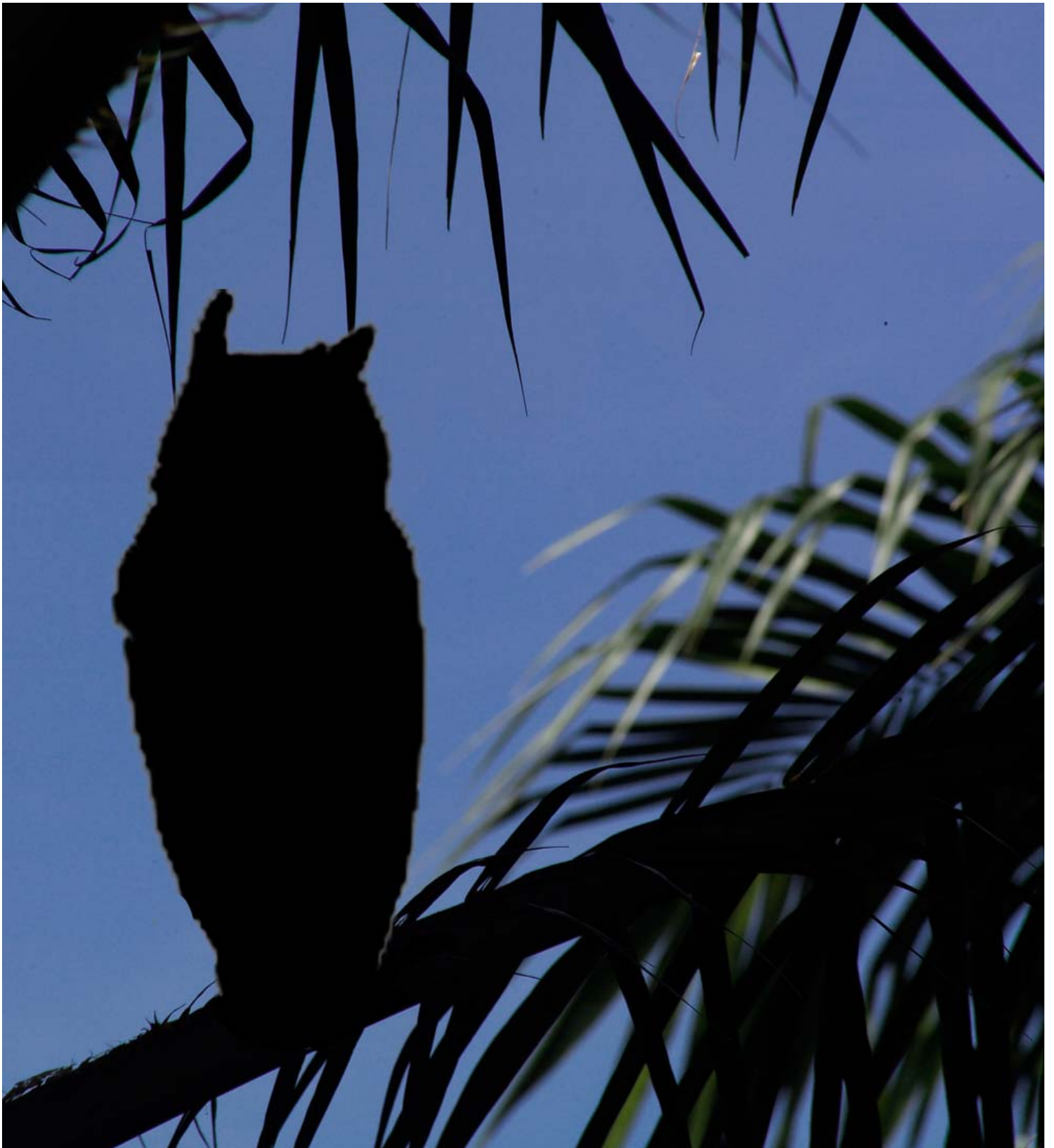
OUTLOOK & PROSPECTS

Palm oil prices have been on its cyclical (typically 2½ - 3½ years) downturn since early 2004. Prices will likely be ranged bound in the short term as the balance of a relatively mild down cycle is played out. Downside risk is limited whilst immediate upside depends on the extent this season's American soybean crop may have been affected by dry weather.

The medium to longer term outlook is more bullish as the new and significant demand for biodiesel and biofuel accelerates globally. Given that the energy oil market size is about ten times bigger than the edible oil market, a “mere” one percent substitution of fossil oil by “bio-oil” has the potential of boosting edible oil demand by ten percent. Hence, average floor prices of vegetable oils in general will likely adjust to a higher level.

On the yield and productivity front, we are determined to continue pushing our yields to higher levels. Hence, overall, returns are expected to continue to be enhanced significantly, especially in light of the medium term demand outlook.





It is said that knowledge is more easily acquired, but wisdom is an accumulation of another sort. Knowing how to strike the right balance, learning from past mistakes. At IOI we endeavour, through a combination of skills, talents, experience and enthusiasm, to utilise and build on our accumulated wisdom in order to continue to soar.

Wisdom

THE ENVIRONMENT AND SUSTAINABILITY

The oil palm plantation business is inherently a long-term one, with each successive generation of oil palms lasting more or less 25 years. It is thus an inherent necessity that agro-management practices which are employed in the operations can sustain productivity for the long-term. Best management practices for oil palm cultivation and production have evolved in Malaysia for almost a hundred years since the time of the first plantation in the early 1900s. In IOI Group, many of our plantings are now in their 3rd cycle of cropping. The proof that our management practices lead to sustainable production over the long term is reflected in the improving, rather than declining, crop productivity performance in successive crop generations on our lands.

The foundation of IOI Group's sustainable agro-management best practices is an understanding of the agro-ecosystems in which we operate. This understanding, coupled with practical and economic considerations, is the basis of the IOI Group Agricultural Policy ("GAP") that guides all our oil palm plantation operations. Over the years, our agro-management practices have evolved to optimise the utilisation, conservation and recycling of resources, in particular soil, water and biomass. Impacts on the environment in general, and our operating agro-ecosystem in particular, are minimised by the adoption of practices such as:

- zero burning in our land development and re-development activities;
- soil and water conservation methods tailored to the topography and drainage characteristics of the land;
- setting aside of land for riparian conservation, and areas unsuitable for oil palm cultivation, including rehabilitation of degraded areas by planting suitable tree species;
- data-driven site-specific fertiliser recommendations formulated by the agronomists of IOI Research Centre;
- recycling of digested palm oil mill effluents ("POME") and empty fruit bunches ("EFB") back to the plantations;
- an integrated pest management ("IPM") approach that emphasises biological control methods in preference to interventions with pesticides; and
- self-sufficiency in energy inputs in our palm oil mills and palm products refinery.

Our GAP is continuously being improved over time as new knowledge becomes available.

Ongoing studies by IOI Research Centre include the optimisation of use of the new shade-tolerant perennial legume species *Mucuna bracteata*. Planting of this perennial legume cover plant is now a policy in all our replants - compared to the previous use of shorter-term legume species, this is anticipated to prolong the beneficial effects of legume cover plants - i.e. nitrogen fixation, organic matter and soil conservation - for much longer in the life span of the palms.

The potential of organic microbial additives is now being evaluated by the Research Centre for enhancing the utilisation-efficiency of applied plant nutrients, so that lesser quantities of inorganic fertilisers may be used in the future.

The functional biodiversity of our agro-ecosystem is an important factor in the overall management of our plantation operations. In most considerations of biodiversity, the "big life" - e.g. tigers, elephants and orang utans - get attention. However, we believe that the "small life" components of biodiversity may be even more important for the long-term sustenance of the agro-ecosystem in which we operate, particularly the soil and its living components. Thus, as a part of the evaluation of soil microbial additives by our Research Centre, we have secured the services of the Commonwealth Agricultural Bureau International ("CABI") Bioscience, a not-for-profit research organisation based in the United Kingdom, to help characterise the microbiobiodiversity of the soil in our plantations.

THE ENVIRONMENT AND SUSTAINABILITY cont'd

Many other practices we employ seek to conserve and use the functional biodiversity in our operating agro-ecosystem to our advantage, and to protect and sustain the system itself :

- Biological control is always preferred to pesticides - a census-based system is used to monitor the respective populations of pests and their natural enemies, and various ways are employed to keep the balance of the two populations in check.
- Beneficial plants (e.g. *Cassia cobanensis* and *Tunera* spp) are planted to attract and sustain the natural predators of bagworms, nettle caterpillars and other leaf-eating pests.
- Under-storey flora in the plantations is maintained by the selective and controlled use of herbicides to eradicate only weeds that are noxious or interfering with operations. Soft grasses and ferns are maintained to prevent soil erosion, and to conserve and enhance the organic matter levels in the underlying soil, which in turn supports important soil microflora and fauna, like earthworms. Where practical, mechanical weed control is practised in preference to use of herbicides.
- Nest boxes are erected in the estates to facilitate the breeding of the barn owl - this owl feeds on rats, and the aim is to maintain its population at a level that keeps the rat population below a level that can cause significant yield reduction.
- Use of buffaloes wherever practical instead of vehicles to transport fresh fruit bunches in the infields. Buffaloes do not utilise non-renewable diesel fuel and since they eat the grass and provide manuring, there is less need to use weedicides and inorganic fertiliser.

Perhaps the most important of our environmentally-friendly practices is the recycling and utilisation of by-products from palm oil mills, particularly EFB and POME. By returning these organic materials to our plantations, we improve the efficiency of our nutrient input to crop removal ratio that, over time, allows us to avoid the need for increased use of inorganic fertilisers. Mulching with EFB, and land application (or irrigation) with POME, also enhances the moisture and organic matter status of the soil, leading to an improvement in soil health - this is reflected in enhanced crop yields from fields where such organic biomass returns have been made.

Self-sufficiency for energy in our process plants is another important, though often over-looked, aspect of our operations. Mesocarp fibre and palm kernel shell are used as biofuel for power generation in our palm oil mills - the amount of power produced is not just sufficient to run the mill, but also to meet most of the needs of the surrounding plantation and its populace. EFB fibre is used as biofuel for steam generation in our Sandakan palm products refinery. These practices reduce our need for fossil fuels.

To ensure that practices on the ground match written policies, constant monitoring is needed. In effect, the Group's hierarchical organisation structure ensures daily monitoring of all operations. To enhance this, a documented internal audit process was implemented in 2004/2005 in the Group's Sabah operations, which constitutes two-thirds of the Group's total plantation area. This internal audit process is linked to an external audit by one of the Group's business clients, and covers not just the GAP aspects, but also covering

- food safety aspects; and
- training, development and welfare of our human resources, including employee health & safety.

On a wider platform in 2004/2005, IOI Group continued to be actively engaged in the formulation of criteria for sustainable palm oil production, an initiative of the Roundtable on Sustainable Palm Oil ("RSPO"). The RSPO is a global multi-stakeholder initiative of which IOI is one of 10 founding members to promote the expansion of sustainably produced palm oil and its use.

MANUFACTURING

INTRODUCTION

The Group's resource-based manufacturing business is essentially the other segment of our palm oil business that commences from the oil palm plantation segment and comprises mainly manufacturing and related activities ranging from primary production such as refinery to downstream processing of palm oil into oleochemicals and specialty oils and fats. Crude palm oil and palm kernel oil are processed into products that are used in various industries including personal care, households, food, pharmaceutical, cosmetics and chemical industries.

REFINING

As at 30 June 2005, the Group has two refineries in Malaysia, i.e. one in Sabah with a refining capacity of 700,000 MT and kernel crushing capacity of 300,000 MT per annum whilst the second refinery which is situated in Johor and with a annual refining capacity of 300,000 MT was added into the Group's stable during the financial year upon completion of the acquisition of the Soctek Group in FY 2005.

These 2 Malaysian based refineries cover the rapidly growing Asian market as well as occasional shipments to support the needs of Loders Croklaan, USA.

The Group's new refinery and fractionation plant in Rotterdam which is currently under construction has an annual refining capacity of approximately 700,000 MT. The new refinery which will be the largest single site palm oil refinery in Europe, is expected to start its commercial operations in October 2006. Apart from providing Loders Croklaan Europe with fresh palm oil for its downstream operations, the Rotterdam refinery will also enable the Group to channel its crude palm oil to the European market, which has overtaken China as the top palm oil importer, for value added sales, utilising Loders Croklaan's established distribution network and market standing.

OLEOCHEMICALS MANUFACTURING

The oleochemicals manufacturing activities are undertaken through our 65% owned subsidiary, IOI Oleochemical Industries Berhad ("IOI Oleo"). IOI Oleo's principal products include fatty acids, glycerine, soap noodles, and metallic stearates. With an annual production capacity of 350,000 MT, IOI Oleo is the largest vegetable-based oleochemical manufacturer in Asia. Its products are used in a wide variety of applications, including manufacturing of detergents, surfactants, shampoo, soaps, cosmetics, pharmaceutical products, food additives and plastics. These products are exported to more than 60 countries worldwide, particularly to Europe, Japan and China. IOI Oleo's customers include some of the world's largest multi-national corporations. IOI Oleo is also a 30% joint-venture partner with Kao Corporation of Japan for the production of fatty alcohol. The fatty alcohol plant which has an annual capacity of about 170,000 MT per annum is sited next to IOI Oleo's 50 acre production complex.



management's discussion and analysis

group business review cont'd



OLEOCHEMICALS MANUFACTURING cont'd

A significant portion of IOI Oleo's production is sold to customers under long term supply contracts. To better serve its wide geographical distribution of customers, IOI Oleo has a network of distributors and agents in various countries, including countries in Europe, Asia and Australia as well as storage facilities in Europe, and the United States.

SPECIALTY OILS AND FATS MANUFACTURING

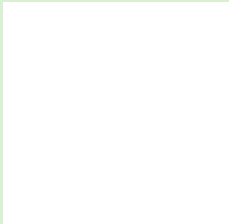
The specialty oils and fats business of the Group is carried out by Loders Croklaan which has manufacturing operations in the Netherlands, the United States, Malaysia, Egypt and Canada, and sales offices in eight other countries with sales to more than 60 countries worldwide. It has one of the most developed specialty oils and fats technology base in the industry and has a corporate history tracing back to 1891, and is a global market leader in its field.

Loders Croklaan is organised into two main divisions, namely the snack ingredients and lipid nutrition and a small division called special products division that deal with food and animal feed ingredients such as collagen, soya isolates, concentrates, feed enzymes and colors. A brief summary of the two main divisions are as follows:

Snack Ingredients

The snack ingredients division is the principal business of Loders Croklaan, supplying fractionated oils, mainly coating fats, filling fats or high stability oils to the processed food industry globally, principally for confectionery and bakery application. Currently, Loders Croklaan's most important market is North Western Europe which is the world's biggest consumer of specialty fats where the majority of sales of specialty fats are to chocolate manufacturers in the form of cocoa butter equivalents, cocoa butter replacers and cocoa butter substitutes. Loders Croklaan's other markets include Eastern Europe, the United States, Canada, Central and Latin America, Egypt, the Middle East countries, China, Japan, Korea, India and South East Asia. With the acquisition of Soctek Group that provide the much needed competitive cost base, the Asian specialty fats market is expected to be a growth driver for this segment of business.

Since becoming a member of the IOI Group, Loders Croklaan has gradually moved away from non-palms products to focus on palm-based materials to leverage on the Group's palm oil supply chain. For the financial year under review, the Wormerveer site of Loders Croklaan has moved away completely from soy-based materials to concentrate fully on palm related products. As for the US operations, the advent of the trans fatty acid issue provided an excellent opportunity for the Group's palm-based operations to penetrate the US market and leverages on its technical expertise on palm attributes to introduce palm-based solutions into the non-trans fatty acid applications market in USA.



SPECIALTY OILS AND FATS MANUFACTURING cont'd

Lipid Nutrition



Lipid Nutrition is a relatively new business unit of Loders Croklaan which was started in 1999. This business was developed from the lipid technology of the snack ingredients division, by utilising Loders Croklaan's understanding of the functionality and the nutritional properties of components to build a new business to diversify its product range and earning base. Loders Croklaan manufactures and sells active ingredients for use in the supplements, such as pills and capsules, focusing on three key areas namely conjugated linoleic acid marketed under the brandname "Clarinol", Omega-3 fatty acids marketed under the "Marinol" name and gamma linoleic acid which is marketed under the "Gammonal" name. In addition, Loders Croklaan also produces infant formulae products marketed under the name Betapol and lecithins as an ingredient in margarines and spreads. Competitors vary depending on the product segment and come from a range of sectors including chemical, pharmaceutical, food ingredient, oil processing and specialty ingredients.

OPERATIONS REVIEW

The oleochemicals sub-segment, including associate FCM contributed a total of RM131.3 million to Group operating profit for FY 2005, up 24% from RM105.9 million for the previous financial year. The good set of results achieved is due principally to a 78% increase in contribution from FCM which benefited from a slight global shortage of fatty alcohol and its current competitiveness vis-a-vis synthetic alcohol, as well as consistent results from our main oleochemicals subsidiary, Acidchem which enjoyed volume growth but had unfavourable and challenging operating conditions as a result of volatile and high palm kernel prices.



The refinery and specialty fats business, which sees increasing integration as a result of the Soctek acquisition and the inter substitution of PK fractions from the Malaysian refinery and the European and USA operations, reported RM77.4 million in operating profits, excluding one-off items, against RM73.9 million for FY 2004. Profitability should have been better but were trimmed by promotional and start up costs for the TFA initiatives in USA and by ineffective hedges during a spell of "inverse market" conditions.

OUTLOOK & PROSPECTS

FY 2006 marks the beginning of a new phase of growth for the manufacturing segment with new capacities commencing production in Asia, Europe and USA. The coming years will also see increasing integration between the various business units, cross supporting each other to make best use of both product fractions and geographical locations to better serve customers. The proposed privatisation of IOI Oleo is therefore timely in this context, as it will enable greater flexibility in optimizing synergistic benefits.



INTRODUCTION

The Group's property business are principally carried out by the Company's 69% owned listed property arm, IOI Properties Berhad. The main stream of the property business is the development activities which contributed more than 90% of the overall property business's operating profit. Besides, the Group is also involved in property investment and most of the investment properties held by the Group are mainly in respect of retail complexes and office buildings developed as part of our township development.

Over the years, the Group has build a reputation as a reliable and successful township developer with our mainstay being the Puchong growth corridor and southern Johor. As at 30 June 2005, our main property development projects and the status of their development are as follows:

Project	Year of Development Commencement	Original Land size (Hectares)	Status	Estimated Gross Development Value
Bandar Puchong Jaya	1990	374	Approaching Completion	RM3 billion
Bandar Puteri Puchong	2000	374	On-going	RM4 billion
Bandar Putra Kulai	1995	2,299	On-going	RM10 billion
Dengkil Land	-	223	New township expected to be launched in FY 2006	RM2 billion

The table below sets forth certain information with respect to the performance of our property development business:

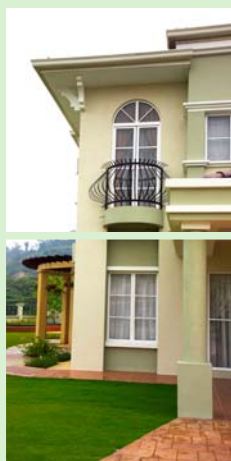
	2005	2004	Financial Year 2003	2002	2001
Units of property sold	1,588	2,880	1,963	2,090	3,564
Total sales (RM'000)	493,378	669,426	428,897	483,522	435,965
Revenue (RM'000)	587,848	685,189	509,857	538,809	423,536
EBIT (RM'000)	295,249	315,487	241,907	231,642	186,283

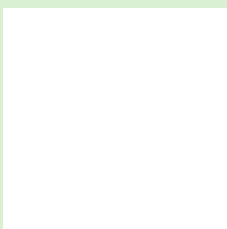
OPERATIONS REVIEW

For the financial year under review, the overall property market was under a much more competitive and challenging environment as compared to the previous financial year.

After experiencing a good second half in FY 2004, boosted in part by the government's stamp duty waiver incentive, take-up rates for new residential launches began to slow down as the number of new sales launches began to intensify.

Besides, persistently high oil prices which have decelerated economic growth and affected prices of household items significantly over the last one year has rendered house buyers becoming more cautious to commit and hence affected the sentiments which were more buoyant a year ago.





OPERATIONS REVIEW cont'd

Against this very competitive backdrop, the Group's property sales for the first two quarters of the financial year under review slowed significantly against the immediate preceding two quarters. Nevertheless, as the Group adjusted its product mix, sales improved significantly in the second quarter of the financial year.

For the financial year under review, the Group sold a total of 1,588 units of properties for a total sales value of RM493.4 million against the previous year's 2,880 units at a total sales value of RM669.4 million.

Property sales for the various projects are summarised as follows:

Projects	Units		Sales Value (RM' Million)	
	FY 2005	FY 2004	FY 2005	FY 2004
Bandar Puchong Jaya	71	188	18.8	41.4
Bandar Puteri, Puchong	771	974	356.3	430.8
Bandar Putra, Kulai	530	1,481	92.0	172.7
Others	216	237	26.3	24.5
Total	1,588	2,880	493.4	669.4

The Puchong, Putrajaya/Cyberjaya corridor in which our Klang Valley projects, Bandar Puteri, Puchong and Bandar Puchong Jaya are located, continues to be the mainstay, enjoying good demand because of its easy accessibility, good infrastructure and increased township convenience and amenities. In this respect, our current flagship project, Bandar Puteri alone account for approximately 72% of the total Group's property sales value. The improved accessibility with the opening of the Bandar Puteri interchange coupled with increased commercial activities in Bandar Puteri has attracted not only the residential buyers but also significant interests in the commercial and shophouses. Consequently, sales of shophouses in this new township has increased significantly. The increased sales of shophouses have improved the overall development margin and contributed to the overall profitability of our property business and helped offset impact from lower sales of residential units for FY 2005.

The higher sales of shophouses in Bandar Puteri have changed the product price mix with property sales above RM350,000 per unit constituted 72% of the total property sold during the financial year as against the previous year's 55% as well as increased the average sales value per unit of properties sold by 34% from RM232,000 for FY 2004 to RM311,000 for FY 2005.

The property sales mix by price range are as follows:

Projects	FY 2005		FY 2004	
	RM'Million	%	RM'Million	%
Below RM100,000	10.2	2	70.7	11
Between RM100,000 to RM150,000	50.1	10	56.7	8
Between RM150,000 to RM250,000	68.7	14	85.3	13
Between RM250,000 to RM350,000	9.7	2	89.9	13
Between RM350,000 to RM500,000	209.4	43	144.5	22
Above RM500,000	145.2	29	222.3	33
Total	493.4	100	669.4	100

management's discussion and analysis

group business review cont'd

OPERATIONS REVIEW cont'd

The Group's property investment portfolio comprises mainly of retail and office space totalling approximately 1.6 million sq ft of net lettable space (FY 2004 - 1.8 million sq ft), of which about 100,000 sq ft is located in Singapore. The decrease in net lettable area of approximately 180,000 is due to the disposal of Amoda Sdn Bhd which own the AMODA Building in Kuala Lumpur.

The overall occupancy and rental rate for our investment properties especially the retail complexes have improved during the financial as business sentiments improved and business activities increased. The higher occupancy and rental rates have increased the property investment's contribution to Group EBIT by 16%, from RM21.3 million for the previous financial year to RM24.6 million for the year under review.

The combined operating profit of the property development and investment activities totaled RM319.9 million for FY 2005, against RM336.8 million for the previous financial year.

Overall NOPAT for FY 2005 was RM234.7 million as compared to RM223.7 million for FY 2004. Based on an average capital employed of RM1,852.0 million, the ROCE for the Group's property segment is 12.7% (FY 2004 - 12.6%).

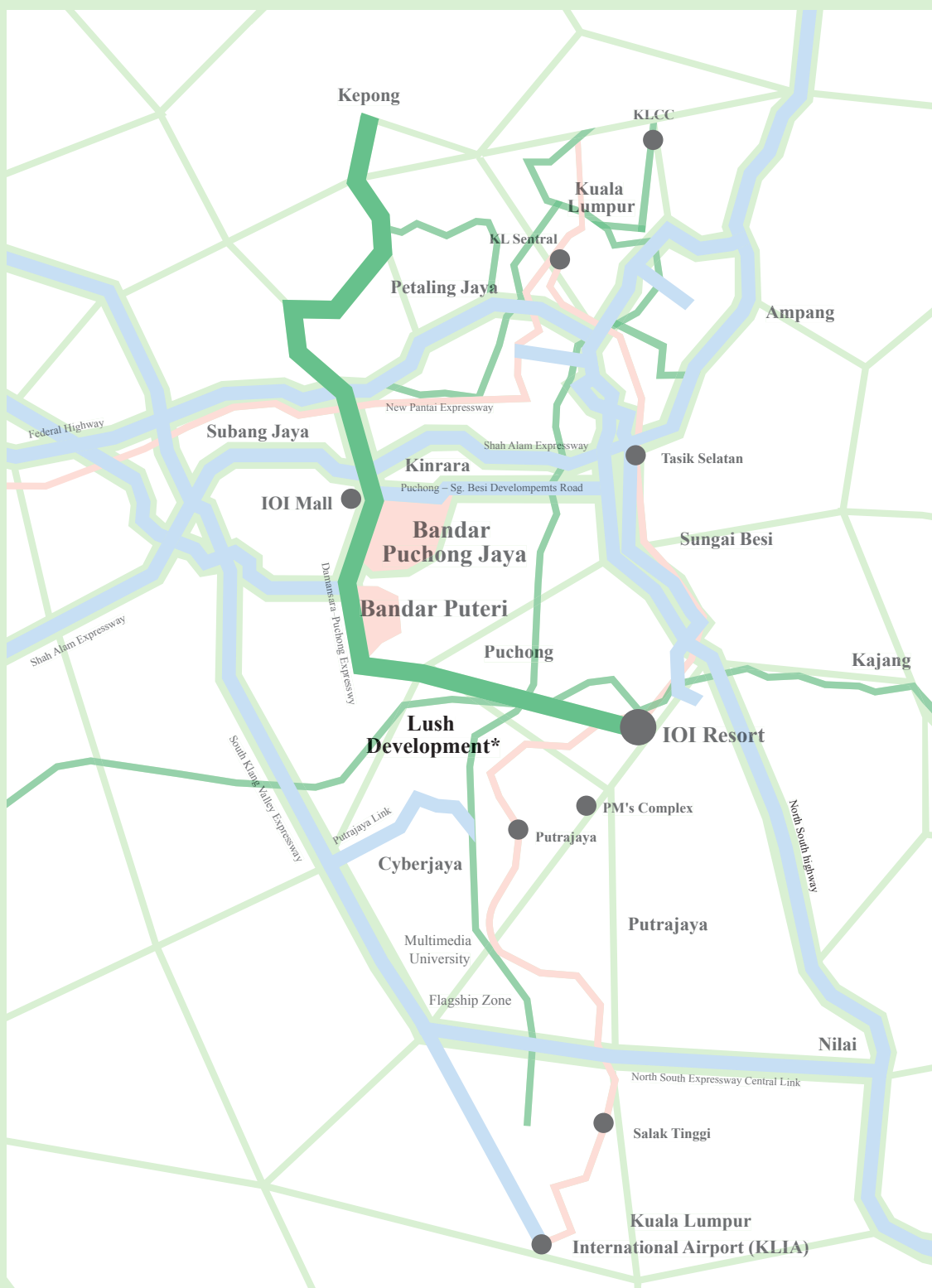
OUTLOOK & PROSPECTS

The supportive fundamentals, i.e. low interest rates, ample liquidity and affordability are still very much in place. Hence overall housing demand in the country is expected to continue to be good. However, increasing supply is expected to slow down take-up rates. The Group is responding to the challenge by modifying its product mix and will also be launching at least one new township in the second half of FY 2006.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. These statements reflect our current views and expectations with respect to future events and are subject to risks and uncertainties and hence are not guarantees of future performance. Some factors include, but are not limited to, changes in general economic and business conditions, exchange rates, exceptional climatic conditions and competitive activities that could cause actual results to differ materially from those expressed or forecast in the forward-looking statements.





* Proposed development

Board of Directors

Tan Sri Dato' Lee Shin Cheng

PSM, DPMS, JP

Executive Chairman

Dato' Lee Yeow Chor

DSAP

Executive Director

Dato' Yeo How

DIMP

Executive Director

Lee Cheng Leang

Executive Director

Datuk Hj Mohd Khalil b

Dato' Hj Mohd Noor

PJN, DSPN, JSM

Independent Non-Executive Director

Datuk Khalid b Hj Husin

PJN, DIMP, JMN, KMN, BJB

Independent Non-Executive Director

Chan Fong Ann

Independent Non-Executive Director

Audit Committee

Datuk Hj Mohd Khalil b

Dato' Hj Mohd Noor *

PJN, DSPN, JSM

Chairman

Datuk Khalid b Hj Husin *

PJN, DIMP, JMN, KMN, BJB

Chan Fong Ann *

Dato' Yeo How

DIMP

(MIA 4368)

* Independent Non-Executive Directors

Secretaries

Lee Ai Leng

(LS 005809)

Yap Chon Yoke

(MAICSA 0867308)

Registered Office

Two IOI Square

IOI Resort

62502 Putrajaya

Tel • (03) 8947 8888

Fax • (03) 8943 2266

Auditors

BDO Binder

Chartered Accountants

12th Floor, Menara Uni.Asia

1008, Jalan Sultan Ismail

50250 Kuala Lumpur

Tel • (03) 2616 2888

Fax • (03) 2616 3191

Registrar

PFA Registration Services Sdn Bhd

1301, Level 13, Uptown 1

No. 1, Jalan SS21/58

Damansara Uptown

47400 Petaling Jaya

Selangor Darul Ehsan

Tel • (03) 7725 4888

Fax • (03) 7722 2311

Legal Form and Domicile

Public Limited Liability Company

Incorporated and Domiciled in

Malaysia

Stock Exchange Listing

Main Board of Bursa Malaysia

Securities Berhad

Websites

www.ioigroup.com

www.myioi.com

www.ioioi.com.my

www.croklaan.com

Email Address

corp@ioigroup.com



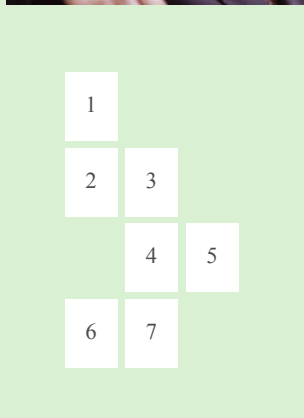
1 Tan Sri Dato' Lee Shin Cheng
Executive Chairman



2 Dato' Lee Yeow Chor
Executive Director



3 Dato' Yeo How
Executive Director



4 Lee Cheng Leang
Executive Director



5 Datuk Hj Mohd Khalil b
Dato' Hj Mohd Noor
Independent Non-Executive Director



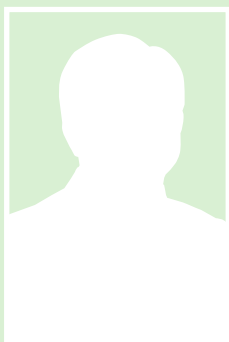
6 Datuk Khalid b Hj Husin
Independent Non-Executive Director



7 Chan Fong Ann
Independent Non-Executive Director



profile of directors



Tan Sri Dato' Lee Shin Cheng
Executive Chairman
Malaysian
Aged 66

Tan Sri Dato' Lee Shin Cheng was first appointed to the Board on 21 July 1981. As Executive Chairman, he actively oversees the operations of the Group. He is an entrepreneur with considerable experience in the plantation and property development industries. In recognition of Tan Sri's immense contributions to the evolving needs and aspirations of the property industry in Malaysia, Tan Sri was bestowed the singular honour of FIABCI Malaysia Property Man of the Year 2001 Award. In February 2002, Tan Sri was conferred the Honorary Doctorate Degree in Agriculture by Universiti Putra Malaysia in recognition of his contributions to the palm oil industry. Tan Sri is also active in providing his advice and guidance to a large number of industry groupings, associations and social organisations. He serves as, among others, a Board Member of Universiti Putra Malaysia, the Adviser to the KL & Selangor Chinese Chamber of Commerce and Industry, a Council Member of Malaysian Palm Oil Association (MPOA), a member of Malaysia-China Business Council, the Honorary President of Association of Eng Choon Societies of Malaysia and Federation of Hokkien Association of Malaysia.

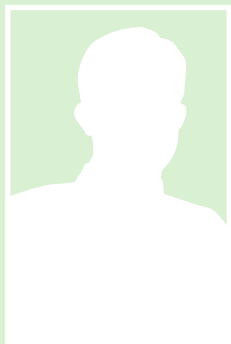
Tan Sri is a member of Remuneration Committee of the Company. He is also the Executive Chairman of IOI Properties Berhad and IOI Oleochemical Industries Berhad.

Tan Sri is the father of Dato' Lee Yeow Chor and the brother of Lee Cheng Leang, both Executive Directors of the Company.

Tan Sri is deemed in conflict of interest with the Company by virtue of his interest in certain privately-owned companies which are also involved in property development business. However, these privately-owned companies are not in direct competition with the business of the Company due to the different locality of the developments. Except for certain recurrent related party transactions of revenue nature which are necessary for day-to-day operations of the Company and its subsidiaries and for which Tan Sri is deemed to be interested as disclosed under Other Information section of the Annual Report, there are no other business arrangements with the Company in which he has personal interests.

Tan Sri attended seven out of the eight Board Meetings held during the financial year ended 30 June 2005.

1		
2	3	
	4	5
6	7	



Dato' Lee Yeow Chor
Executive Director
Malaysian
Aged 39

Dato' Lee Yeow Chor was first appointed to the Board on 25 April 1996. He is the Group Executive Director of IOI Group of companies which are involved in four core business sectors, namely oil palm plantations, oleochemical manufacturing, specialty fats and oils and lastly, property development and investment.

Dato' Lee is a barrister from Gray's Inn, London and holds a LLB (Honours) from King's College London and a Postgraduate Diploma in Finance and Accounting from London School of Economics. Prior to joining IOI Group as a General Manager in 1994, he served in various capacities in the Attorney General's Chambers and the Malaysian Judiciary service for about four years. His last posting was as a Magistrate.

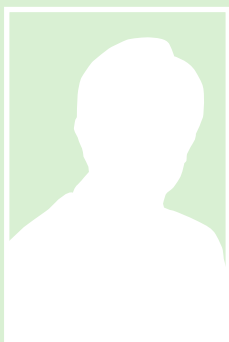
Dato' Lee also serves as the National Secretary-General of the Malaysian Real Estate & Housing Developers Association (REHDA) and a National Executive Council Member in the Malaysian Palm Oil Association (MPOA).

He is also an Executive Director of IOI Properties Berhad and IOI Oleochemical Industries Berhad.

Dato' Lee Yeow Chor is the eldest son of Tan Sri Dato' Lee Shin Cheng.

Dato' Lee Yeow Chor is deemed in conflict of interest with the Company by virtue of his interest in certain privately-owned companies which are also involved in property development business. However, these privately-owned companies are not in direct competition with the business of the Company due to the different locality of the developments. Except for certain recurrent related party transactions of revenue nature which are necessary for day-to-day operations of the Company and its subsidiaries and for which Dato' Lee is deemed to be interested as disclosed under Other Information section of the Annual Report, there are no other business arrangements with the Company in which he has personal interests.

He attended all the eight Board Meetings held during the financial year ended 30 June 2005.

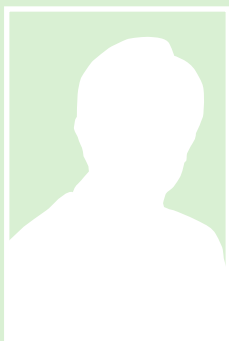


Dato' Yeo How
Executive Director
Malaysian
Aged 49

Dato' Yeo How was first appointed to the Board on 25 April 1996. He is a Certified Public Accountant and a member of the Malaysian Institute of Accountants. As a Group Executive Director and apart from his principal responsibilities as Chief Financial Officer, he also oversees the Group's commodity marketing and palm-based manufacturing business units. He has considerable experience in corporate finance and general management. He has been with the IOI Group for the past 22 years and, prior to joining the IOI Group in 1983, he was with a public accounting firm for 5 years. Dato' Yeo How is also a Council Member of the Malaysian Institute of Certified Public Accountants (MICPA).

Dato' Yeo How is a member of the Audit Committee. He is also an Executive Director of IOI Properties Berhad and IOI Oleochemical Industries Berhad.

He attended all the eight Board Meetings held during the financial year ended 30 June 2005.



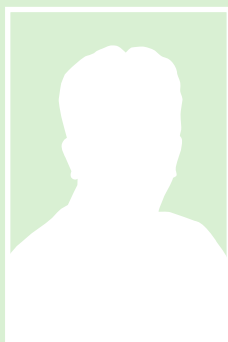
Lee Cheng Leang
Executive Director
Malaysian
Aged 57

Lee Cheng Leang was first appointed to the Board on 21 July 1981. He has considerable experience in the hardware, chemical and industrial gas industry.

Lee Cheng Leang is the brother of Tan Sri Dato' Lee Shin Cheng.

He attended all the eight Board Meetings held during the financial year ended 30 June 2005.



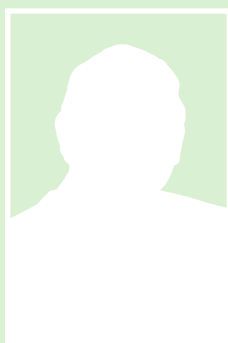


Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor
Independent Non-Executive Director
Malaysian
Aged 64

Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor was first appointed to the Board on 18 February 2000. He holds a B.A. (Honours) in Economics & Islamic Studies from the University of Malaya and Diploma in Commercial Policy from Geneva. He is a former public servant and his last post in the public service was as the Auditor General of Malaysia (1994 - 2000). Some of the other posts he held during his 36 years of distinguished service in the public sector were as Secretary of the Foreign Investment Committee, Deputy Secretary General of the Ministry of Trade and Industry and Secretary General of the Ministry of Works.

Datuk Hj Mohd Khalil is also the Chairman of the Audit Committee, a member of the Remuneration Committee and Nominating Committee of the Company. He is also the Chairman of TIME Engineering Berhad and a director of MNRB Holdings Berhad, and Malaysian Re-insurance Berhad as well as Bank Kerjasama Rakyat Malaysia Berhad, Angkasa Raya Development Sdn Bhd and Aman Properties Sdn Bhd.

He attended all the eight Board Meetings held during the financial year ended 30 June 2005.

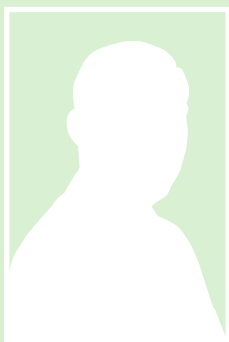


Datuk Khalid b Hj Husin
Independent Non-Executive Director
Malaysian
Aged 59

Datuk Khalid b Hj Husin was first appointed to the Board on 26 July 2001. He graduated with a B.A. (Honours) in History (International Relations) & Diploma in Public Administration from University of Malaya and MSc (Town Planning) from University of Wales, U.K. He has had an illustrious career in the civil service where he served in various capacities in the government agencies and Ministries such as Kuala Selangor Land Office, INTAN, Farmers Organisation Authority, Ministry of Agriculture, Ministry of Entrepreneur Development and Ministry of Education. His last post before retirement was as Secretary General of the Ministry of Housing and Local Government.

Datuk Khalid is also a member of the Audit Committee and Nominating Committee of the Company.

He attended seven out of the eight Board Meetings held during the financial year ended 30 June 2005.



Chan Fong Ann
Independent Non-Executive Director
Malaysian
Aged 75

Chan Fong Ann was first appointed to the Board on 27 June 1985. He was a member of the Incorporated Society of Planters (1979 - 1995). He is a businessman with considerable experience in the plantation industry. He also hold directorships in several private companies.

Chan Fong Ann is actively involved in providing advice and guidance to associations and social organisations in Muar such as Kah Yin Thong Sheong Fui (Chairman since 1991), Hakka Association, Seu Teck Sean Tong, Chong Hwa Associated Chinese School, Chinese Chamber of Commerce, Chinese Association and Chung Hwa Primary Schools.

Chan Fong Ann is also a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Company.

He attended all the eight Board Meetings held during the financial year ended 30 June 2005.

1		
2	3	
	4	5
6	7	

Notes:

1. Save as disclosed above, none of the Directors have:
 - a. any family relationship with any directors and/or substantial shareholders of the Company; and
 - b. any conflict of interest with the Company.
2. None of the Directors have any conviction for offences within the past 10 years.



We can't do it alone. Every successful business works effectively and dynamically with its strategic partners, its vendors and suppliers, to create higher synergies of performance and integration. Growing together, overcoming challenges, giving each other value, all go hand in hand.

Partnership

audit committee report

MEMBERS

Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor
Chairman / Independent Non-Executive Director

Datuk Khalid b Hj Husin
Member / Independent Non-Executive Director

Chan Fong Ann
Member / Independent Non-Executive Director

Dato' Yeo How, *CPA (M), CA (M)*
Member / Executive Director

TERMS OF REFERENCE

1 Composition of Audit Committee

The Audit Committee ("the Committee") shall be appointed by the Board of Directors from amongst its members and shall consist of no fewer than three (3) members, with a majority of the Committee being Independent Non-Executive Directors and at least one member of the Committee being a member of the Malaysian Institute of Accountants.

The Committee shall elect a Chairman from amongst its members who is an Independent Non-Executive Director.

In the event that a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum of three (3) members.

2 Objectives

The primary objectives of the Committee are to:

- i Provide assistance to the Board in fulfilling its fiduciary responsibilities, particularly in the areas relating to the Company and its subsidiary companies' accounting and internal control systems, financial reporting and business ethics policies.
- ii Provide greater emphasis on the audit function by serving as the focal point for communication between non-Committee Directors, the external auditors, internal auditors and the management and providing a forum for discussion that is independent of the management. It is to be the Board's principal agent in assuring the independence of the Company's external auditors, the integrity of the management and the adequacy of disclosures to shareholders.
- iii Undertake such additional duties as may be appropriate and necessary to assist the Board.



TERMS OF REFERENCE cont'd

3 Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It shall have:

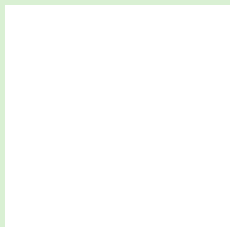
- i Unrestricted access to any information pertaining to the Company and its subsidiary companies.
- ii Direct communication channels with both the external auditors and internal auditors.
- iii Full access to any employee or member of the management.

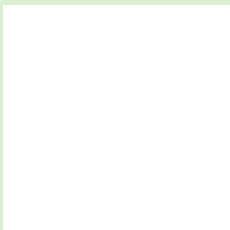
The Committee is also authorised by the Board to obtain outside legal or other independent professional advice it considers necessary and reasonable for the performance of its duties.

4 Duties and Responsibilities

In fulfilling its primary objectives, the Committee will need to undertake the following duties and responsibilities summarised as follows:

- i To review with management on a periodic basis, the Company's general policies, procedures and controls especially in relation to management accounting, financial reporting, risk management and business ethics.
- ii To consider the appointment of the external auditors, the terms of reference of their appointment, the audit fee and any questions of resignation or dismissal.
- iii To review with the external auditors their audit plan, scope and nature of the audit for the Company and the Group.
- iv To review the external auditors' management letter and management's response.
- v To review with the external auditors with regard to problems and reservations arising from their interim and final audits.
- vi To review with the external auditors, their audit report.
- vii To review the assistance given by employees to the external auditors.
- viii To review the adequacy of the scope, functions and resources of the internal audit department and that it has the necessary authority to carry out its work.
- ix To review the internal audit programme and results of the internal audit programme and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function.





TERMS OF REFERENCE cont'd

4 Duties and Responsibilities cont'd

- x To consider the report, major findings and management's response thereto on any internal investigations carried out by the internal auditors.
- xi To review the Group's quarterly financial statements and the Group's and the Company's annual financial statements before submission to the Board.

The review shall focus on:

- any changes in accounting policies and practices
- major potential risks issues, if any
- significant adjustments and issues arising from the audit
- the going concern assumption
- compliance with the applicable approved accounting standards
- compliance with stock exchange and legal requirements

- xii To review any related party transaction and conflict of interest situations that may arise within the Company or the Group.

- xiii To undertake any other activities as authorised by the Board.

5 Meetings

Number of Meetings

The Committee shall meet at least five (5) times a year or more frequently as circumstances dictate. The Chairman shall also convene a meeting of the Committee if requested to do so by any member, the management or the internal or external auditors to consider any matter within the scope and responsibilities of the Committee.

Attendance of Meetings

The head of finance and head of internal audit division and representatives of the external auditors shall normally be invited to attend meetings of the Committee. The Committee may also invite other directors and employees to attend any of its meeting to assist in resolving and clarifying matters raised. The Committee shall have direct communication channels and be able to convene meetings with the external auditors without the presence of the executive members of the Committee, whenever deemed necessary.

Quorum

A quorum shall consist of a majority of Independent Non-executive Directors and shall not be less than two.

TERMS OF REFERENCE cont'd

6 Secretary to Audit Committee and Minutes

The Company Secretary shall be the secretary of the Committee and as a reporting procedure, the minutes shall be circulated to all members of the Board.

ACTIVITIES

During the year, the Committee discharged its duties and responsibilities in accordance with its terms of reference.

The main activities undertaken by the Committee were as follows:

- i Review of the external auditors' scope of work and their audit plan and discuss results of their examinations and recommendations.
- ii Review with the external auditors the results of their audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of their audit.
- iii Review the audited financial statements before recommending them for the Board of Directors' approval.
- iv Review the Company's compliance, in particular the quarterly and year end financial statements with the Listing Requirements of Bursa Malaysia Securities Berhad and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.
- v Review of the quarterly unaudited financial results announcements of the Group and the Company prior to recommending them to the Board of Directors for consideration and approval.
- vi Review of the Internal Audit Department's resource requirement, programmes and plan for the financial year to ensure adequate coverage over the activities of the respective business units and the annual assessment of the Internal Audit Department's performance.
- vii Review of the audit reports presented by Internal Audit Department on findings and recommendations and management's responses thereto and ensure that material findings are adequately addressed by management.
- viii Review of the related party transactions entered into by the Group.
- ix Review and assess the risk management activities and risk review reports of the Group.
- x Review of the extent of the Group's compliance with the relevant provisions set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Corporate Governance Statement and Statement on Internal Control pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad.





ACTIVITIES cont'd

Number of Meetings & Details of Attendance

7 meetings were held during the financial year ended 30 June 2005. The attendance record of each member is as follows:

Audit Committee Members	Total Number of Meetings	Number of Meetings Attended
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor	7	7
Datuk Khalid b Hj Husin	7	7
Chan Fong Ann	7	7
Dato' Yeo How	7	7

3 meetings were held subsequent to the financial year end to the date of Directors' Report and were attended by all 4 members.

INTERNAL AUDIT FUNCTION

The annual Internal Audit plan is approved by the Committee at the beginning of each financial year.

The Internal Audit Department performs routine audit on and reviews all operating units within the Group, with emphasis on principal risk areas. Internal Audit adopts a risk based approach towards planning and conduct of audits, which is partly guided by the Corporate Risk Management framework. Impact on IOI's vision is taken into consideration in determining the risk level as a holistic approach in contributing to the achievement of the Group's objective and enhancing shareholders' value.

109 audit assignments were completed during the financial year on various operating units of the Group covering plantation, properties, manufacturing, hotels and other sectors. Audit reports were issued to the Committee and Board of Directors, incorporating findings, recommendations to improve on the weaknesses noted in the course of the audits and management comments on the findings. An established system has been in place to ensure that all remedial actions had been taken on the agreed audit issues and recommendations highlighted in the audit reports. Significant issues and matters unsatisfactorily resolved would be highlighted to the Committee quarterly.





INTRODUCTION

The Board of Directors of the Company recognises the paramount importance of good corporate governance to the success of the Group. It strives to ensure that a high standard of corporate governance is being practised throughout the Group in ensuring a continuous and sustainable growth for the interests of all the stakeholders, that is, our customers, our shareholders, our people, our business associates and our nation and the society in which we operate.

The Group's corporate governance practices is guided by its "Vision IOI" framework whereby responsible and balanced commercial success is to be achieved by addressing the interests of all stakeholders. A set of core values and guiding principles guides our people at all levels in the conduct and management of the business and affairs of the Group. We believe that good corporate governance results in quantifiable and sustainable long term success and creation of shareholder value as well as benefits for all other stakeholders, all of which are reflected by our performance track record over the years.

We are pleased to report that IOI was polled the Best Managed Asian Company and the Best Corporate Governance (Malaysia) at the recent Euromoney 2004 Best Managed Company Awards. In addition, the Group was also ranked second among the "Best Corporate Governance" companies in Malaysia in a poll conducted by the Asset Benchmark Research.

In relation to the principles and recommendations of the Malaysian Code on Corporate Governance ("the Code"), the Board is pleased to provide the following statement, which outlines how the Group has applied the principles laid down in the Code. Except for matters specifically identified, the Board of Directors has complied with the best practices set out in the Code.

THE BOARD OF DIRECTORS

Roles and Principal Duties

The Board takes full responsibility for the overall performance of the Company and of the Group.

The Board establishes the vision and strategic objectives of the Group, directing policies, strategic action plans and stewardship of the Group's resources towards realising "Vision IOI". It focuses mainly on strategies, financial performance, critical and material business issues and specific areas such as principal risks and their management, internal control system, succession planning for senior management, investor relations programme and shareholders' communication policy.

The executive directors take on primary responsibility for managing the Group's business and resources. Their intimate knowledge of the business and their "hands-on" management practices have enabled the Group to have leadership positions in its chosen industries.



THE BOARD OF DIRECTORS cont'd

Roles and Principal Duties cont'd

The independent non-executive directors are actively involved in various Board committees and contribute significantly to areas such as performance monitoring and enhancement of corporate governance and controls. They provide a broader view, independent assessment and opinions on management proposals sponsored by the executive directors and an effective check and balance for the executive directors.

Although a relatively small Board, it provides an effective blend of entrepreneurship, business and professional expertise in general management, finance, legal and technical areas of the industries the Group is involved in. A key strength of this structure has been the speed of decision-making.

Board Composition and Balance

The Board comprises seven (7) members, of whom four are executive directors and three are independent non-executive directors. The Board composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") that requires a minimum of 2 or 1/3 of the Board to be independent directors. A brief profile of each Director is presented on pages 48 to 52 of the Annual Report.

In his capacity as Executive Chairman, Tan Sri Dato' Lee Shin Cheng functions both as Chief Executive Officer and Chairman of the Board. The Board is mindful of the convergence of the two roles, but is comfortable that there is no undue risk involved as all related party transactions are strictly dealt with in accordance with the Listing Requirements of Bursa Securities and with independent consultants to advise other Board members and shareholders.

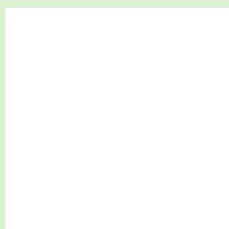
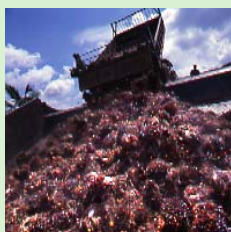
The Board also has a well-defined framework on the various categories of matters that require the Board's approval, endorsement or notations, as the case may be.

Besides, there is balance in the Board with the presence of independent directors with distinguished records and credentials and who demonstrate objectivity and robust independence of judgement.

Other than the three independent directors, the Board is not comprised of representative from shareholder other than a significant shareholder (i.e. Progressive Holdings Sdn Bhd) as the other major shareholders are mainly institutional funds that individually hold less than 10% shareholding in the Company.

The Board has identified Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor as the Senior Independent Non-Executive Director of the Board to whom concerns (of shareholders, management or others) may be conveyed.





THE BOARD OF DIRECTORS cont'd

Board Meetings

The Board has at least five (5) regularly scheduled meetings annually, with additional meetings for particular matters convened as and when necessary. Board meetings bring an independent judgement to bear on issues of strategy, risks issues, performance, resources and standards of conduct.

Eight (8) Board meetings were held during the financial year ended 30 June 2005. The attendance record of each Director since the last financial year is as follows:

	Total Number of Meetings	Number of Meetings Attended
Executive Directors		
Tan Sri Dato' Lee Shin Cheng	8	7
Dato' Lee Yeow Chor	8	8
Dato' Yeo How	8	8
Lee Cheng Leang	8	8
Non-executive Directors		
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor	8	8
Chan Fong Ann	8	8
Datuk Khalid b Hj Husin	8	7

Supply of Information

All Board members are supplied with information in a timely manner. Board reports are circulated prior to the Board meetings to enable the Directors to obtain further information and explanation, where necessary, before the meetings.

The Board reports provide, amongst others, periodical financial and corporate information, significant operational, financial and corporate issues, performance of the various business units and management proposals that require Board's approval.

Detailed periodic briefings on industry outlook, company performance and forward previews (forecasts) are also conducted for the Directors to ensure the Board is well informed of the latest market and industry trend and development.

The Board has the services of two Company Secretaries who are responsible to the Board for ensuring that all Board procedures are followed and that applicable laws and regulations are complied with. These include obligations on Directors relating to disclosure of interests and disclosure of any conflict of interests in transactions with the Group. The Company Secretaries are also charged with highlighting all issues which they feel ought to be brought to the Board's attention. Besides Company Secretaries, independent directors also have unfettered access to the financial and legal officers as well as the internal auditors of the Company.



THE BOARD OF DIRECTORS cont'd

Supply of Information cont'd

In exercising their duties, Board committees are entitled to obtain professional opinions or advice from external consultant such as merchant bankers, valuers, human resource consultant, etc.

Continuing Education

Board members keep abreast with general economic, industry and technical developments by their attendances at various appropriate conferences and seminars.

During the year, members of the Board have attended various training programmes accredited by Bursa Securities. Besides attending, some Board members have also contributed by presenting papers at various conferences and training seminars.

Appointment to the Board

The Nominating Committee of the Company comprises the independent directors. The Nominating Committee is responsible for making recommendations for any appointments to the Board. In making these recommendations, the Nominating Committee considers the required mix of skills and experience which the Directors should bring to the Board. Any new nomination received is put to the full Board for assessment and endorsement. No nominations were received during the year.

Re-election

In accordance with the Company's Articles of Association ("Articles"), all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting provided always that all Directors including the Managing Director shall retire from office at least once every three years but shall be eligible for re-election.

Tan Sri Dato' Lee Shin Cheng and Dato' Yeo How shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' Remuneration

The Company's remuneration scheme is linked to performance, service seniority, experience and scope of responsibilities and is periodically benchmarked to market/industry survey conducted by human resource consultants.

The Remuneration Committee of the Company comprises the following Directors:

- 1 Tan Sri Dato' Lee Shin Cheng (Chairman)
- 2 Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor
- 3 Chan Fong Ann

THE BOARD OF DIRECTORS cont'd

Directors' Remuneration cont'd

The Committee ascertains and approves remuneration packages of executive directors in accordance with the Company's policy guidelines which set a proportionately high variable pay component to the remuneration package so as to strongly link remuneration to performances.

The remuneration package of the Executive Chairman is approved by the full Board and fees for Directors are determined by the full Board with the approval from shareholders at the Annual General Meeting.

The details of the remuneration of Directors of the Company comprising remuneration received/receivable from the Company and subsidiary companies during the financial year ended 30 June 2005 are as follows:

1 Aggregate remuneration of Directors categorised into appropriate components:

	Fees RM'000	Salaries RM'000	Bonus & Incentives RM'000	Benefits- in-kind RM'000	EPF RM'000	Others RM'000	Total RM'000
Executive Directors	457	3,633	11,944	181	2,396	134	18,745
Non-executive Directors	150	—	—	13	—	178	341

2 Number of Directors whose remuneration falls into the following bands:

Range of Remuneration	Number of Directors	
	Executive	Non-executive
Below RM50,000	—	—
RM50,001 to RM100,000	—	2
RM100,001 to RM150,000	—	—
RM150,001 to RM200,000	—	1
RM200,001 to RM300,000	—	—
RM300,001 to RM350,000	1	—
RM350,001 to RM1,350,000	—	—
RM1,350,001 to RM1,400,000	2	—
RM1,400,001 to RM15,650,000	—	—
RM15,650,001 to RM15,700,000	1	—

For the financial year ended 30 June 2005, none of the Directors was offered share options under the Company's ESOS. The scheme had expired on 4 April 2005.

SHAREHOLDERS

Dialogue Between the Company and Investors

The Company strives to maintain an open and transparent channel of communication with its shareholders, institutional investors and the investing public at large with the objectives of providing as clear and complete a picture of the Group's performance and position as possible. The Company believes that a constructive and effective investor relationship is an essential factor in enhancing value for its shareholders. However, whilst the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

The Company uses the following key investor relation activities to update investors, to explain its business and financial objectives and to solicit feedback from investors:

- Meeting with financial analysts and institutional fund managers;
- Participating in roadshows and investors conferences, both domestically and internationally; and
- Participating in teleconferences with investors and research analysts.

The Group has also established several websites with the main one being www.ioigroup.com, for shareholders and the public to access corporate information, financial statements, news and events related to the Group on a timely basis. Material facts and presentation materials given out at above functions are made available on the Group's website to provide equal opportunity of access for other shareholders and the investing public.

During the financial year, the Group had participated in approximately 4 roadshows and investor conferences and had approximately 75 meetings with financial analysts and investors.

Besides the above, management believes that the Company's Annual Report is a vital and convenient source of essential information for existing and potential investors and other stakeholders. Accordingly, the Company strives to provide a high level of reporting and transparency that goes significantly beyond mandatory requirements in order to provide value for users.

Annual General Meeting and Other Communications with Shareholders

Historically, the Company's Annual General Meetings ("AGMs") have been well attended. It has always been the practice for the Chairman to provide ample time for the Q&A sessions in the AGMs, for suggestions and comments by shareholders to be noted by management for consideration.

Timely announcements are also made to the public with regard to the Company's quarterly results, corporate proposals and other required announcements to ensure effective dissemination of information relating to the Company and that accurate information are provided to the investing public at large.

The Group enjoys a relatively high level of coverage and exposure to the investment community.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for Preparing the Annual Audited Financial Statements

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the Group and of the Company's state of affairs. Following discussions with the external auditors, the Directors consider that the Company uses appropriate accounting policies that are consistently applied and supported by reasonable as well as prudent judgements and estimates, and that the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company which enable them to ensure that the financial statements comply with the Act. They have the general responsibility for taking such steps to safeguard the assets of the Group, and to detect and prevent fraud as well as other irregularities.

Financial Reporting

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

In addition to Chairman's Statement, the Annual Report of the Company contains the following additional non-mandatory information to enhance shareholders' understanding of the business operations of the Group:

- Management's discussion and analysis.
- Financial trends and highlights, key performance indicators and other background industry notes deemed necessary.

Internal Control

The information on the Group's internal control is presented in the Statement on Internal Control in the Annual Report.

Audit Committee

The Company has an Audit Committee whose composition meets the Listing Requirements of Bursa Securities, i.e. independent directors forming the majority and a member who is a qualified accountant.

The Audit Committee meets periodically to carry out its functions and duties pursuant to its terms of reference. Other Board members also attend meetings upon the invitation of the Audit Committee. The Audit Committee shall have direct communication channels and be able to convene meetings with the external auditors without the presence of the executive members of the Audit Committee, whenever deemed necessary.

The Audit Committee is able to obtain external professional advice and to invite any outsider with relevant experience to attend its meeting, if necessary.

The role of the Audit Committee in relation to the external auditors and the number of meetings held during the financial year as well as the attendance record of each member are shown in the Audit Committee Report.



We're all a team at IOI. And that means appreciating our individuality as well. Integrating those individual strengths into a multipatterned cloth of beauty and strength. Many jobs, many duties, many routines...one vision.

Commitment

statement on internal control

INTRODUCTION

This statement is made pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) with regard to the Group’s compliance with the Principles and Best Practices provisions relating to internal controls as stipulated in the Malaysian Code on Corporate Governance (“the Code”).

The Board is pleased to present hereinafter the annual update on the Group’s state of internal controls plus work done for the year under review.

ACKNOWLEDGEMENT OF RESPONSIBILITIES

The Board of Directors affirms that it is ultimately responsible for the Group’s systems on internal controls that includes the assurance of its adequacy and integrity at all times, and its alignment with our business objectives. However, it should be noted that these systems are designed to manage rather than to eliminate the risks of failure to achieve business objectives; and as such, could only provide reasonable but not absolute assurance against material misstatement or loss.

STATE OF INTERNAL CONTROLS & RISK MANAGEMENT BEST PRACTICES

There has been no material change to our integrated systems of internal controls driven by our Enterprise Risk Management (“ERM”) framework, which was elaborated in detail in our past statements. Our internal controls are constantly subjected to review and evolution to address current, emerging and new principal risks arising from internal dynamics and external forces. This is made possible by engaging each and every level of our organisation to proactively embrace and manage related risks within an organised framework and policies, in a cohesive manner as shown in the illustration below.



STATE OF INTERNAL CONTROLS & RISK MANAGEMENT
BEST PRACTICES cont'd

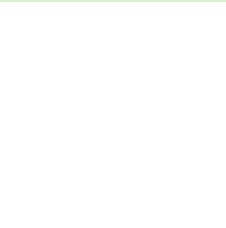
In the Board’s opinion, the current ERM framework provides an adequate and satisfactory mechanism for on-going process of identification, evaluation, managing and monitoring of significant risks, and also serves as a feed forward mechanism to drive strategic planning and response at each level of the organisation. In that regard, the Board affirms that the state of internal controls of the Group is adequate and satisfactory in addressing its principal risks.

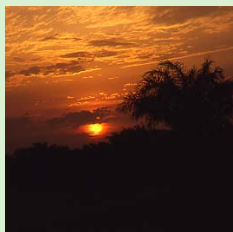
WORK DONE FOR YEAR UNDER REVIEW & SUCCESS STORY

The Group’s risk management activities (i.e. risk identification, assessment, and control activities and strategic response) are an integral part of daily management and operation. For the year under review, all principal risks including emerging risks for current year and anticipatory risks for next financial year were reviewed in tandem with corresponding control activities and strategic opportunities. Results from the aforementioned new response programmes and strategic initiatives were endorsed for implementation. Rolled over programmes and initiatives from previous financial year were also reviewed. Without going into details, numerous risk response and best practice programmes plus strategic initiatives - categorised in the four quadrants below - are constantly being implemented.

		Levels	
Risk Management Legs	Controls	Group or Corporate	Operations or business units
		<ul style="list-style-type: none">• Global and group wide• More dynamic & sophisticated• Benchmarked to global standards and best practices	<ul style="list-style-type: none">• Mature and evolving• Benchmarked to industry best practices• Increasingly computerised
	Strategic	<ul style="list-style-type: none">• Most dynamic• Global opportunities in line with group’s business objectives	<ul style="list-style-type: none">• Dynamic• Localised and regional opportunities in line with unit’s business objectives

The Group’s risk management implementation and oversight structure - which was also elaborated in detail in our last report - remains the same. The respective Risk Management Committee and the oversight Audit Committee presided twice in the year under review.





WORK DONE FOR YEAR UNDER REVIEW & SUCCESS STORY cont'd

We view risk management as a component of our commitment towards excellence in Enterprise Governance, and its success or failure should be measured in terms of its contribution towards the overall achievement of the Group's business objectives. As examples, we are pleased to share that ERM framework has proven effective as seen from the organisation's abilities to deal satisfactorily with emerging risks such as the following during the year under review.

- Impact and the aftermath of tsunami to our hospitality operation in Penang
- Labour shortages and immigrant work force in plantations
- Rising production costs resulting from weakened USD and record high fossil fuel prices
- Impending Ringgit/USD peg removal and its impact on the Group's foreign currency denominated investments and earnings
- India's increased tariffs on crude palm oil and softer palm oil prices
- Consolidation and increased pace of global integration in downstream palm oil processing

BOARD'S CONCLUSION

The Board is pleased to disclose that the state of the Group's Internal Control System is sufficiently in line with the Code and the Guidelines (on Statement on Internal Control) issued by Bursa Securities. There is no material control failure or weakness that would have resulted in material loss that requires disclosure in the Group's annual report for the financial year under review. The Board's conclusion is reached based on its review as mentioned above, and also on the following:

- Periodic internal audit reports and discussion with the Audit Committee
- Periodic management report on the state of the Company's affairs which also covers the state of internal controls
- Representation from the Risk Management Committee that presided bi-annually to review and endorse the risk review reports submitted by each business unit and its work groups

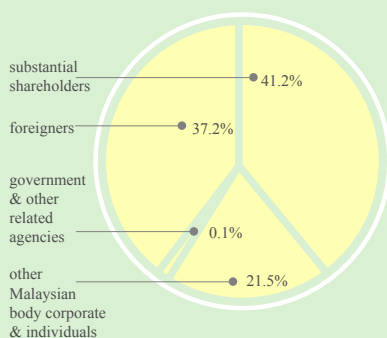
statement of directors' interests

in the company and related corporations as at 30 August 2005

Name of Director	Direct	%	Indirect	%
The Company				
<i>No. of ordinary shares of RM0.50 each</i>				
Tan Sri Dato' Lee Shin Cheng	9,688,983	0.87	450,849,329	40.37
Dato' Lee Yeow Chor	1,088,000	0.10	409,916,020	36.71
Dato' Yeo How	250,000	0.02	—	—
Lee Cheng Leang	150,000	0.01	—	—
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor	65,000	0.01	—	—
Chan Fong Ann	1,347,500	0.12	33,295,000	2.98
Datuk Khalid b Hj Husin	—	—	—	—
Subsidiaries				
IOI Properties Berhad				
<i>No. of ordinary shares of RM1.00 each</i>				
Tan Sri Dato' Lee Shin Cheng	810,200	0.24	2,009,800	0.61
Dato' Lee Yeow Chor	15,000	—	2,009,800	0.61
Dato' Yeo How	4,000	—	—	—
Chan Fong Ann	11,200	—	—	—
Kapar Realty And Development Sdn Berhad				
<i>No. of ordinary shares of RM1,000 each</i>				
Tan Sri Dato' Lee Shin Cheng	100	27.03	—	—

By virtue of their interests in the shares of the Company, Tan Sri Dato' Lee Shin Cheng and Dato' Lee Yeow Chor are also deemed to be interested in the shares of all the subsidiaries of the Company to the extent the Company has an interest.

COMPOSITION OF SHAREHOLDERS



MATERIAL CONTRACTS

The following are the particulars of the material contracts entered into by the Company and its subsidiary companies which involved Directors' and major shareholders' interests entered into since the end of the previous financial year:

- 1 IOI Properties Berhad ("IOIP"), a subsidiary of the Company had on 20 August 2004 entered into a sale and purchase agreement with Upright Properties Sdn Bhd ("UPSB") to acquire 2,000,000 ordinary shares of RM1.00 each representing 40% of the issued and paid-up share capital of Nice Skyline Sdn Bhd ("NSSB") for a cash consideration of RM15,000,000. NSSB is a 60%-owned subsidiary of the Company.

The following directors and major shareholders of NSSB were interested in the transaction:

- i Mr Lee Beng Teck[^], a director of NSSB is also a director and shareholder of UPSB;
- ii Mr Tee Kok Tong^{*}, a director of NSSB is also a director and substantial shareholder of UPSB;
- iii Mr Lim Boon Kim[^], an alternate director to Mr Lee Beng Teck of NSSB is also a director and shareholder of UPSB; and
- iv Mdm Lai Ming Chun @ Lai Poh Lin, a director of the subsidiaries of the IOI Group is also a shareholder of UPSB.

[^] resigned as director of NSSB on 20 August 2004

^{*} resigned as director of NSSB on 31 December 2004

- 2 The Company had on 10 January 2005 entered into a conditional share sale and purchase agreement to dispose of its 1,200,000 ordinary shares of RM1.00 each and 6,000,000 preference shares of RM1.00 each representing 60% of the issued and paid-up share capital of Amoda Sdn Bhd ("Amoda") to Malayapine Sdn Bhd ("Malayapine") and Amoy Canning Corporation (Malaya) Berhad ("Amoy"), for a cash consideration of RM41,195,000.

The following directors and major shareholders of Amoda were interested in the transaction:

- i Tan Sri Dato' Wong Tok Chai ("Tan Sri Dato' Wong"), a director and major shareholder of Amoda is also a director and major shareholder of both Malayapine and Amoy;

MATERIAL CONTRACTS cont'd

- ii Dato' Huang Chang Hsun ("Dato' Huang"), a director and major shareholder of Amoda is also a director and major shareholder of both Malayapine and Amoy and person connected to Tan Sri Dato' Wong; and
- iii Huang Chang Yi, an alternate director of Tan Sri Dato' Wong in Amoda is also a director and major shareholder of both Malayapine and Amoy and person connected to Tan Sri Dato' Wong and Dato' Huang.

The above transactions have been completed according to the terms of the agreements.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

Recurrent related party transactions of a revenue nature of IOI Corporation Berhad ("IOI") Group conducted pursuant to shareholders' mandate for the financial year ended 30 June 2005 are as follows:

Related Parties	Type of Recurrent Related Party Transactions	Interested Directors/ Major Shareholders and Connected Persons	Value of Transactions RM'000
Pilihan Megah Sdn Bhd, Dynamic Management Sdn Bhd, Flora Development Sdn Bhd and Lush Development Sdn Bhd (1) & (3)	Sale of plants and provision of landscaping services by IOI Landscape Services Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (5) • Puan Sri Datin Hoong May Kuan (6) • Dato' Lee Yeow Chor (7) • Dato' Yeo How (8) 	891
Nice Frontier Sdn Bhd (1)	Purchase of estate produce by Syarikat Pukin Ladang Kelapa Sawit Sdn Bhd and Pamol Plantations Sdn Bhd (4)	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (5) • Puan Sri Datin Hoong May Kuan (6) • Dato' Lee Yeow Chor (7) • Dato' Yeo How (8) • YM Raja Said Abidin b Raja Shahrome (9) 	8,539
Continental Estates Sdn Bhd (2)	Purchase of estate produce by Dynamic Plantation Berhad	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (5) • Puan Sri Datin Hoong May Kuan (6) • Dato' Lee Yeow Chor (7) • Dato' Yeo How (8) 	23,111
Permodalan Plantations Sdn Bhd	Purchase of estate produce and palm oil products by Morisem Palm Oil Mill Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (10) 	65,059
Palmco Plantations (Sabah) Sdn Bhd, Pamol Estates (Sabah) Sdn Bhd and Milik Berganda Sdn Bhd (4)	Purchase of estate produce by Ladang Sabah Sdn Bhd and Mayvin Incorporated Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (11) • Dato' Lee Yeow Chor (12) • Dato' Yeo How (13) 	46,318
Pamol Plantations Sdn Bhd (4)	Sale of estate produce by Perusahaan Mekassar (M) Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (11) • Dato' Lee Yeow Chor (12) • Dato' Yeo How (13) 	12,689

Related Parties	Type of Recurrent Related Party Transactions	Interested Directors/ Major Shareholders and Connected Persons	Value of Transactions RM'000
Acidchem International Sdn Bhd, Derichem (M) Sdn Bhd and Stabilchem (M) Sdn Bhd (4)	Purchase of palm oil products by Loders Croklaan Group B.V. and its subsidiaries	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (11) • Dato' Lee Yeow Chor (12) • Dato' Yeo How (13) 	1,298
Palmco Oil Mill Sdn Bhd and Acidchem International Sdn Bhd (4)	Sale of palm oil products by IOI Edible Oils Sdn Bhd and IOI Speciality Fats Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (11) • Dato' Lee Yeow Chor (12) • Dato' Yeo How (13) 	196,285
Palmco Oil Mill Sdn Bhd, Pamol Plantations Sdn Bhd, Pamol Estates (Sabah) Sdn Bhd and Acidchem International Sdn Bhd (4)	Purchase of palm oil products by IOI Edible Oils Sdn Bhd, IOI Speciality Fats Sdn Bhd and IOI Commodity Trading Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (11) • Dato' Lee Yeow Chor (12) • Dato' Yeo How (13) 	246,474
Palmco Oil Mill Sdn Bhd (4)	Sale of palm oil products by IOI Commodity Trading Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (11) • Dato' Lee Yeow Chor (12) • Dato' Yeo How (13) 	24,375
Palmco Plantations (Sabah) Sdn Bhd, Pamol Plantations Sdn Bhd, Pamol Estates (Sabah) Sdn Bhd and Milik Berganda Sdn Bhd (4)	Management of oil palm estates by IOI Corporation Berhad and Halusah Ladang Sdn Bhd	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (11) • Dato' Lee Yeow Chor (12) • Dato' Yeo How (13) 	5,273
Affinity Future Sdn Bhd	Securing of transportation of CPO and PK by Morisem Palm Oil Mill Sdn Bhd, Ladang Sabah Sdn Bhd, Halusah Ladang Sdn Bhd, Syarimo Sdn Bhd and Mayvin Incorporated Sdn Bhd	<ul style="list-style-type: none"> • Datuk Koh Kin Chee (14) 	7,724
Malayapine Estates Sdn Bhd	Property project management services by Pilihan Megah Sdn Bhd (1)	<ul style="list-style-type: none"> • Tan Sri Dato' Lee Shin Cheng (15) • Puan Sri Datin Hoong May Kuan (16) • Dato' Lee Yeow Chor (17) • Lee Yeow Seng (18) 	2,325

Notes

- 1 Subsidiaries of IOI Properties Berhad ("IOI Properties").
- 2 An associated company of IOI Properties.
- 3 Subsidiaries of IOI Properties, which undertake property development activities of the IOI Properties Group.
- 4 Subsidiaries of IOI Oleochemical Industries Berhad ("IOI Oleo").
- 5 Tan Sri Dato' Lee Shin Cheng is a Director of IOI, IOI Properties and IOI Oleo. He is a Major Shareholder of IOI and he holds 224,265,800 shares representing 68.14% stake in IOI Properties.
- 6 Puan Sri Datin Hoong May Kuan is a Director of IOI Properties. She is a Major Shareholder of IOI and person connected to both Tan Sri Dato' Lee Shin Cheng and Dato' Lee Yeow Chor. She holds 224,265,800 shares representing 68.14% stake in IOI Properties.
- 7 Dato' Lee Yeow Chor is a Director of IOI, IOI Properties and IOI Oleo and he is a Major Shareholder of IOI and he holds 223,455,600 shares representing 67.89% stake in IOI Properties.
- 8 Dato' Yeo How is a Director of IOI, IOI Properties and IOI Oleo. He holds 4,000 shares representing less than 0.01% stake in IOI Properties.
- 9 YM Raja Said Abidin b Raja Shahrome is a Director of IOI Properties and IOI Oleo. He holds 10,000 shares representing less than 0.01% stake in IOI Properties.
- 10 Tan Sri Dato' Lee Shin Cheng is a Director of IOI and Permodalan Plantations Sdn Bhd ("Permodalan") and he is a Major Shareholder of IOI.
- 11 Tan Sri Dato' Lee Shin Cheng is a Director of IOI and IOI Oleo and he is a Major Shareholder of IOI.
- 12 Dato' Lee Yeow Chor is a Director of IOI and IOI Oleo and he is a Major Shareholder of IOI.
- 13 Dato' Yeo How is a Director of IOI and IOI Oleo and he holds 300,000 shares representing 0.03% stake in IOI.
- 14 Datuk Koh Kin Chee is a Director of certain subsidiaries of IOI and he is a Major Shareholder of Affinity Future Sdn Bhd.
- 15 Tan Sri Dato' Lee Shin Cheng is a Director and Major Shareholder of IOI and Malayapine Estates Sdn Bhd ("Malayapine").
- 16 Puan Sri Datin Hoong May Kuan is a Major Shareholder of IOI and Malayapine.
- 17 Dato' Lee Yeow Chor is a Director and a Major Shareholder of IOI and Malayapine.
- 18 Lee Yeow Seng is a Director of Malayapine and a Major Shareholder of IOI and Malayapine.

- Notwithstanding the related party disclosure already presented in the financial statements in accordance with Financial Reporting Standards No. 124 ("FRS 124"), the above disclosure are made in order to comply with Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") with regard to the value of related party transactions of a revenue nature conducted pursuant to shareholders' mandate during the financial year, as the scope of related party relationships and disclosure contemplated by the Listing Requirements are, to certain extent, different from those of FRS 124.
- The shareholdings of the respective interested Directors/Major Shareholders as shown above are based on information disclosed in the Circular to Shareholders in relation to the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature dated 29 September 2004.

PENALTIES

The particulars of penalties imposed on the Company, its subsidiaries and directors by the relevant regulatory bodies during the financial year under review are as follows:

Name of company/Directors	Penalty imposed by the regulatory bodies	Remarks
Halusah Ladang Sdn Bhd ("HLSB")	HLSB's Sakilan Palm Oil Mill paid the compound of RM2,000 to the Department of Environment ("DOE") Sabah for an offence under Regulation 40 of the Environmental Quality (Clean Air) Regulations 1978.	This mill was found by the DOE to have operated the boiler without the control equipment in proper operation. Remedial action has been taken by the management to ensure proper functioning of control equipment.

PENALTIES cont'd

Name of company/Directors	Penalty imposed by the regulatory bodies	Remarks
Dynamic Plantations Berhad ("DPB")	i DPB paid the compound of RM2,000 for each of the 3 offences under the Environmental Quality (Clean Air) Regulations 1978/(Scheduled Waste) Regulations 1989.	DPB's Gomali Palm Oil Mill was found by the DOE of Johor to have failed to operate control equipment in the proper manner, for allowing the emission of smoke exceeding the permissible limit and for the failure to properly store Scheduled Wastes. The management has taken the necessary corrective measures and DOE is satisfied with the measures taken.
	ii DPB paid compound totalling RM400 to the Department of Factories and Machinery, Johor for offences under Section 31 of the Factories and Machinery Act 1967.	These offences relate to the failure to immediately notify the Inspector of Factories and Machinery on the occurrence of accidents. Relevant guidelines on immediate appropriate notification have since been instituted by the management.
	iii DPB was fined RM20,000 by Segamat Sessions Court for an offence under Section 16(1) of the Environmental Quality Act 1974 ("EQA").	DPB's Gomali Palm Oil Mill was found by the DOE of Johor to have discharged effluent exceeding the permissible limit and not to the designated place, thereby contravened the terms of the licence issued. This incident occurred during heavy rainfall whereby the effluent retaining wall gave way and resulted in the discharge of effluent. Remedial and upgrading works have been carried out and approval has been obtained from DOE for the increase in capacity of the existing effluent treatment system.
	iv DPB paid the fine of RM4,000 and RM4,500 respectively to Malaysian Palm Oil Board ("MPOB") for 2 offences under Palm Oil Industry (Licensing) Regulations 1979.	These offences relate to processing fresh fruit bunches exceeded the approved capacity for year 2003 and 2004. DPB has applied to MPOB for the increase of approved capacity and the same is pending approval.

PENALTIES cont'd

Name of company/Directors	Penalty imposed by the regulatory bodies	Remarks
	v DPB was fined RM25,000 for each of the 4 offences under Section 49(1) and Section 15(2) of the Occupational Safety and Health Act 1994.	These offences relate to DPB's failure to comply with the improvement notices issued by the Department of Occupational Safety and Health and the failure to provide information training and supervision on safety procedures and the absence of work procedure on the use and operation of estate transport. The management has since reviewed safety measures, conducted refresher training, put in place work procedures and carried out safety awareness campaign.
IOI Corporation Berhad ("IOI")	i IOI was fined RM20,000 by Tawau Sessions Court for an offence under Section 25(1) of the EQA.	IOI's Baturong Palm Oil Mill was found by the DOE, Sabah to have discharged effluent which exceeded the limits for parameters of effluent stipulated under the EQA. Remedial action has been implemented to prevent the recurrence of this problem.
	ii IOI's Baturong Palm Oil Mill paid the compound of RM2,000 to the DOE Sabah for an offence under Regulation 36 of the Environmental Quality (Clean Air) Regulations 1978.	The Mill was found by DOE to have built, installed and fixed a generator without the prior approval of the Director-General of DOE. Strict instruction has been given to the mill to ensure compliance with DOE's regulations.
Ladang Sabah Sdn Bhd ("LSSB")	LSSB's Luangmanis Estate paid the compound of RM2,000 to DOE, Sabah for an offence under Section 29A of EQA.	The estate was found by DOE to have allowed burning of empty fruit bunches without the prior approval of the Director General of DOE. Strict instruction has been given to the estate to comply with group policy at all times.

PENALTIES cont'd

Name of company/Directors	Penalty imposed by the regulatory bodies	Remarks
Acidchem International Sdn Bhd ("AISB"), a subsidiary of IOI Oleochemical Industries Berhad ("IOI Oleo")	AISB was fined RM25,000 by Butterworth Sessions Court for an offence under Section 25(1) of the Environmental Quality Act 1974 (EQA).	AISB was found by the DOE of Penang to have discharged effluent exceeding the parameter limits stipulated under Regulation 8(i)(b) of the Environmental Quality (Sewerage and Industrial Effluents) Regulations 1979. The aforesaid incident was caused by an unexpected plant upset. Immediate interim remedial actions have been taken whilst project rectification work is being carried out.
Tan Sri Dato' Lee Shin Cheng ("TSDLSC"), Dato' Lee Yeow Chor ("DLYC"), Dato' Yeo How, Dato' Chet Singh a/l Karam Singh, Dato' Nazir Ariff b Dato' Hj Mushir Ariff, YM Raja Said Abidin b Raja Shahrome and Dr Barry Kheng Cheok Tan (resigned on 6 May 2004) directors of IOI Oleo	<p>i Each of the directors named herein paid the compound of RM3,000 to Companies Commission of Malaysia ("CCM") for an offence under Section 168(1)(b) of the Companies Act 1965 ("CA").</p> <p>ii TSDLSC paid the compound of RM4,000 to CCM in respect of offences under Section 135(2) and Section 69F(2) of the CA.</p> <p>iii DLYC paid the compound of RM8,000 to CCM in respect of offences under Section 135(2) of the CA.</p>	<p>This offence relates to the failure to ensure that the financial year end of Tianjin Palmco Oil and Fats Co. Ltd (a subsidiary acquired by IOI Oleo in China in 1994 which has ceased operation since 1997) coincides with that of IOI Oleo. It is mandatory for companies in China to have December 31 year end. Application to CCM for an order authorising the above subsidiary to have financial year which does not coincide with IOI Oleo has been made.</p> <p>These offences relate to failure to give the relevant notices within the stipulated period to IOI Oleo for the purchase of 77,000 IOI Oleo shares in 1997, i.e. 0.048% of the then issued and paid-up capital of IOI Oleo.</p> <p>These offences relate to the failure to give the relevant notices to IOI Oleo in relation to the dealings in 70,000 IOI Oleo shares in 1998, i.e. 0.046% of the then issued and paid-up capital of IOI Oleo.</p>

senior management team

Group Chief Executive Officer

Tan Sri Dato Lee Shin Cheng

Group Executive Directors

Dato' Lee Yeow Chor

Dato' Yeo How

Lee Cheng Leang

Plantation

Group Plantation Director
Dato' Foong Lai Choong

Executive Director, Sabah
Lai Poh Lin

Senior General Manager
Lahad Datu
Tan Peng Chan

Senior General Manager
Group Commodities
Marketing
Yong Chin Fatt

Acting General Manager
Lahad Datu
Tee Ke Hoi

Acting General Manager
Sandakan
Lee Foo Wah

Assistant General Manager
Peninsular
Tay Ching An

Plantation Controllers
Goh Hock Sin
Goh Pey Seng
Lim Chan Khoo
Ragupathy A/L Selvaraj

Research Controller
Christopher Richard
Donough

General Manager (Finance)
Lim Eik Hoy

Refinery

General Manager
Wong Chee Kuan

Assistant General Manager
Sudhakaran A/L Nottath
Bhaskar

Property

Property Director
Dato' David Tan Thean Thye

General Manager
Lim Jee Kong
Ong Choon Hoo
Simon Heng Kwang Hock

Acting General Manager
Lee Beng Yeang

Assistant General Manager
Lee Thian Yew

Senior Complex Manager
Ronnie Aurther Francis

Chief Accountant
Michael Chai Chee Loong

Oleochemicals

Chief Operating Officer/
Executive Director
Lee Sing Hin

Deputy Chief Operating
Officer
Tan Kean Hua

Financial Controller
Chan Choung Yau

Specialty Oils and Fats

Chief Executive Officer
Loders Croklaan
Etienne Seloisse

Finance Director
David Masters

Hotel

General Managers
Yeow Hock Siew
Muhamad Ariff Ng

Golf Club

Assistant General Manager
Lim Hock Seng

Corporate

Special PA to Group Chief
Executive Officer
Lee Yeow Seng

Group Legal Adviser/
Company Secretary
Lee Ai Leng

Assistant Financial
Controller
Kong Chee Khoo

Senior Manager
Corporate Planning
Choo Kah Yean

Senior Manager
Corporate Finance
Mah Siew Khoo

Senior Manager
Corporate Affairs
Lam Kam Choong

Senior Manager
Legal/Group Operations
Lee Yoke Har

Group Accountant
Soon Yeong Chyan

Company Secretary
Yap Chon Yoke

Internal Audit

Senior Internal Audit
Managers
Fan Sze Sze
Bulvant Singh

Plantation

Plantation Subsidiaries

Oil Palm
Rubber
CPO Mill
Latex Concentrate



Resource-based manufacturing

**IOI Oleochemical
Industries Berhad Group ***
Oleochemicals

IOI Edible Oils Sdn Bhd
Palm Oil Refinery
Palm Kernel Crushing

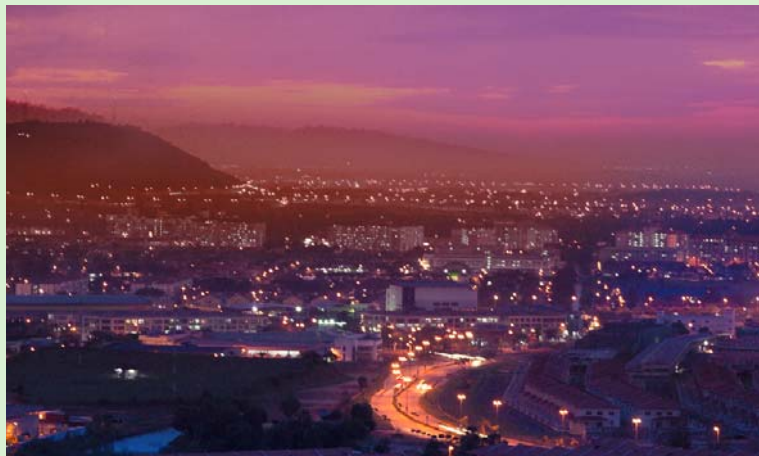
Loders Crocklaan Group
Specialty Oils and Fats



Property Development &
Investment

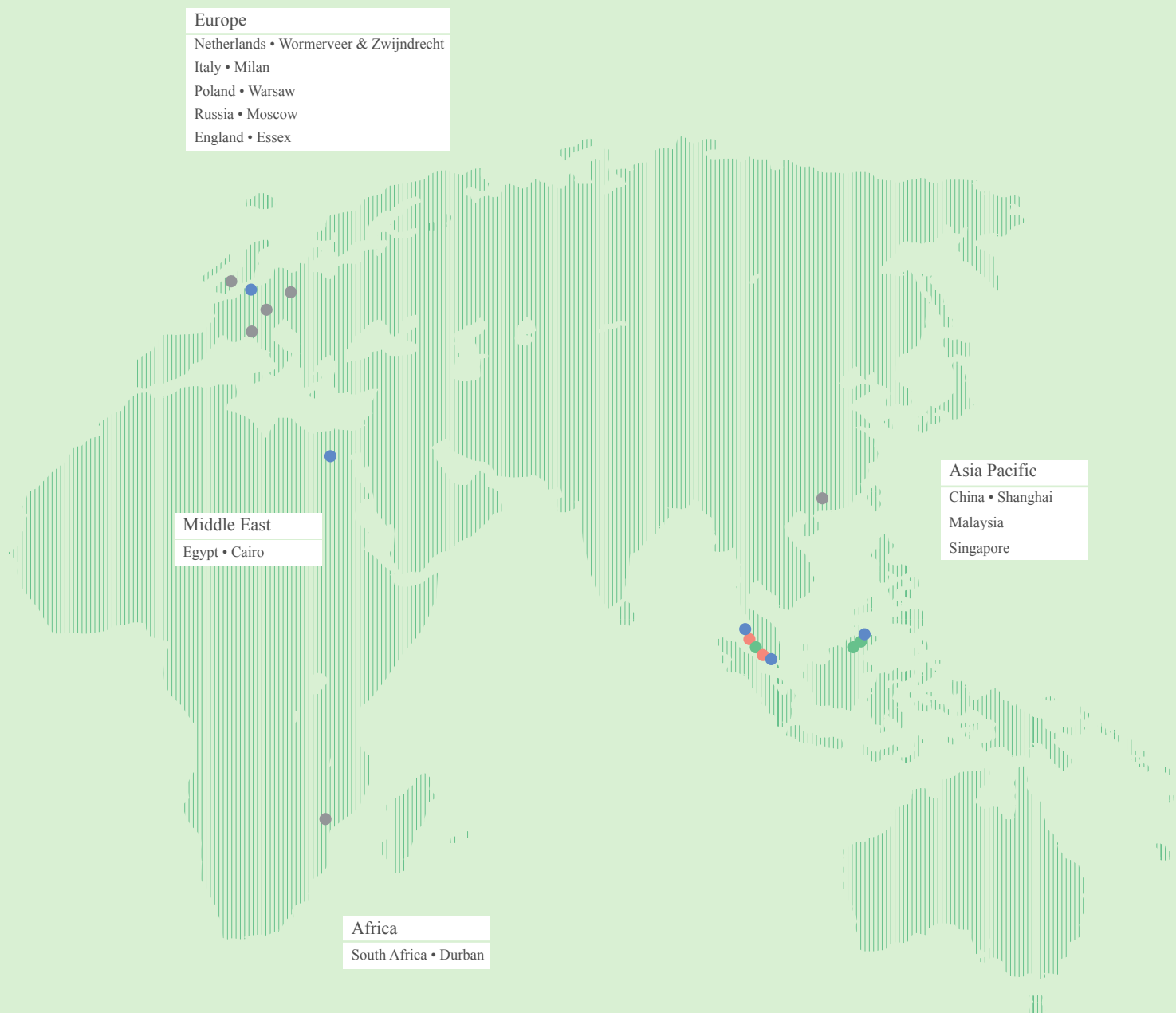
**IOI Properties Berhad
Group ***

Property subsidiaries
Township Development
Shopping Mall
Office Complex
Hotel
Resorts



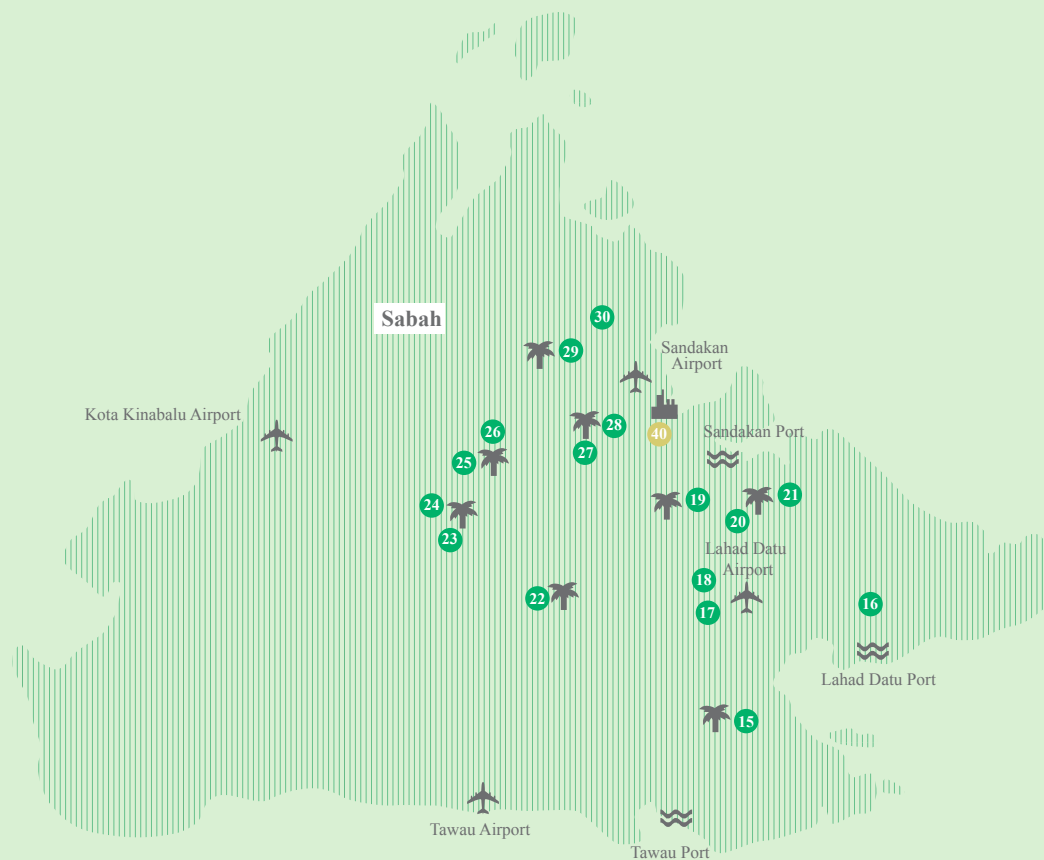
* Companies listed on Bursa
Malaysia Securites Berhad





location of operations in malaysia





● Plantation		● Property Development
1 Bukit Dinding Estate	16 Cantawan Estate	31 Bandar Puchong Jaya and Bandar Puteri Puchong
2 Detas Estate	17 Halusah Estate	32 Bandar Putra Kulai
3 Bukit Leelau Estate	18 Tas Estate	33 Bandar Putra Segamat
4 Mekassar Estate, Merchong Estate, Leepang A Estate and Laukin A Estate	19 Morisem Estate	34 Taman Regent
5 Pukin Estate and Shahzan IOI Estate	20 Leepang Estate	35 Sagil Resort
6 Bahau Estate and Kuala Jeiei Estate	21 Permodalan Estate	36 Desaria Sungai Ara
7 IOI Research Centre	22 Syarimo Estate	
8 Regent Estate	23 Tangkulap Estate and Bimbingan Estate	● Resort
9 Gomali Estate, Paya Lang Estate and Tambang Estate	24 Mayvin Estate	37 IOI Resort, Putrajaya (Putrajaya Marriott Hotel, Palm Garden Hotel and Palm Garden Golf Club)
10 Bukit Serampang Estate and Sagil Estate	25 Laukin Estate	38 Casuarina Beach Resort
11 Segamat Estate	26 Ladang Sabah Estate, IOI Lab and Sandakan Regional Office	
12 Kahang Estate	27 Linbar Estate	● Resource-based Manufacturing
13 Pamol Kluang Estate	28 Sakilan Estate	39 IOI Oleochemical Operations
14 Swee Lam Estate	29 Pamol Sabah Estate	40 IOI Palm Oil Refinery/Kernel Crusing Plant
15 Baturong Estate	30 Sugut Estate	41 IOI-Loders Crokklan Refinery/Specialty Fats Operations



Sep 2004

Putrajaya Marriott Hotel was awarded the FIABCI Award of Distinction 2004 for best hotel development by FIABCI-Malaysia. FIABCI is a worldwide network whose membership is open to all professionals involved in the property industry.

Oct 2004

IOI Properties Berhad acquired 2,000,000 ordinary shares of RM1.00 each representing 40% of the issued and paid-up share capital in Nice Skyline Sdn Bhd for a total cash consideration of RM15 million.

Oct 2004

IOI Properties Berhad was one of the four Malaysian companies who made it into the Forbes magazine's list of 100 Best Smaller-Sized Enterprises with annual revenue of US\$1 billion (RM3.8 million) in Asia-Pacific. The rankings were based on their five-year returns on capital of at least 5.0 percent, a good track record of rewarding shareholders and representing the economic dynamism of the countries they come from. It was chosen from 2,600 public listed companies in Asia-Pacific.

Jan 2005

Loders Croklaan changed its company's logo to reflect its connection with IOI Group, its parent company in Malaysia, and to emphasise their joint palm oil effort.

Jan 2005

IOI Corporation Berhad won two prominent awards, namely the Best Managed Asian Company (Asia - Overall) and the Best Corporate Governance Award (Asia - Manufacturing Sector), at the Euromoney 2004 Best Managed Company Awards. These two awards carry the affirmative endorsement of key market analysts and fund managers of the leading banks and research houses in Asia. IOI also topped the Most Convincing and Coherent Strategy category. The overall top ranking is an outstanding achievement for IOI as it is the first time a Malaysian corporate has been ranked top in Asia.

Feb 2005

IOI Corporation Berhad disposed of its 1,200,000 ordinary shares of RM1.00 each and 6,000,000 preference shares of RM1.00 each representing 60% of the issued and paid-up share capital of Amoda Sdn Bhd to Malayapine Sdn Bhd and Amoy Canning Corporation (Malaya) Bhd for a total disposal consideration of RM41.2 million.

Mar 2005

IOI Corporation Berhad and its subsidiary, IOI Ventures (L) Berhad completed the issuance of 10-year USD500 million Guaranteed Notes at an issue price of 99.294%.



Apr 2005



IOI Corporation Berhad (“IOI”) has improved on the ranking and ranked 4th among the “Best Managed Companies” in Malaysia in a poll conducted by Finance Asia Magazine. IOI also won the 6th placing under the “Best Corporate Governance” category.

May 2005

Prime Minister of Malaysia, YAB Datuk Seri Abdullah Ahmad Badawi unveiled the topmost point of Europe’s biggest palm oil refinery in Rotterdam during his official visit to the Netherlands/Germany. He was accompanied by Tan Sri Dato’ Lee Shin Cheng and the CEO of Loders Croklaan, Mr Etienne Selosse during the said ceremony.

May 2005

Dynamic Management Sdn Bhd acquired 3,500,000 ordinary shares of RM1.00 each and 700,000 irredeemable preference shares of RM1.00 each representing 70% of the issued and paid-up share capital of Legend Advance Sdn Bhd for a total purchase consideration of RM16.5 million.

Jul 2005

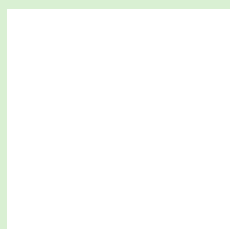
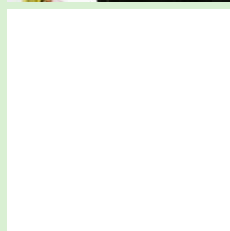
IOI Properties Berhad was ranked second in the Edge Malaysia Top Property Developers Awards 2005. The award, presented in KL on 28 July 2005, aims to rank the best local property players from the consumer’s perspective for both their qualitative and quantitative strengths. The ranking exercise involved all 102 companies listed in the property sector of the Main and Second Boards of Bursa Malaysia.

Aug 2005

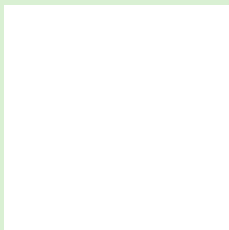
IOI Corporation Berhad was ranked second among the “Best Corporate Governance” companies in Malaysia in a poll conducted by the Asset Benchmark Research, a research firm in Hong Kong. The survey, conducted from the end of last year to the first quarter of 2005, involved more than 110 institutions (Asian and Non Asian) investing in the Asian equity markets.

Aug 2005

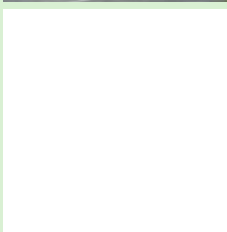
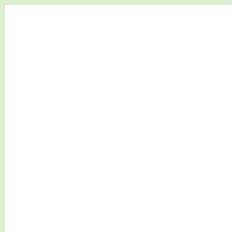
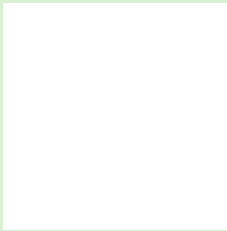
IOI Corporation Berhad proposed to consolidate and streamline its palm oil business via the proposed privatisation of IOI Oleochemical Industries Berhad (“IOI Oleo”) by way of an IOI Oleo members’ scheme of arrangement under Section 176 of the Companies Act, 1965 between the Company, IOI Oleo and the shareholders of IOI Oleo other than the Company. Upon completion of the proposed privatisation, IOI Oleo will become a wholly-owned subsidiary of IOI Corporation Berhad.



social contributions



- Yayasan Tan Sri Dato' Lee Shin Cheng donated RM100,000 to the Assunta Hospital Building Fund to finance their new hospital building, in conjunction with the hospital's 50th anniversary celebration.
- Yayasan donated RM375,000 to the SJK (C) Han Ming's School Building Fund for their new three-storey classroom building, which aims to accommodate more students and to provide a conducive study environment.
- IOI Properties Berhad's Johor Bahru division organised a gotong-royong campaign with support from the Majlis Perbandaran Kulai, in its Kulai township. Its primary objective was to build a clean township and to instil neighbourliness.
- Yayasan Tan Sri Dato' Lee Shin Cheng contributed to the Tabung Thalassaemia Malaysia, set up by the Badan Kebajikan Thalassaemia Malaysia (BERKAT) and Ministry of Health and Tabung Darah Negara. It aims to provide welfare and medical treatments to Thalassaemia patients.
- The Yayasan Tan Sri Dato' Lee Shin Cheng's Young Achievers' Awards 2004 held on 18 December 2004 at IOI Research Centre, continued to foster and nurture academic excellence amongst the rural youngsters by giving out cash incentives to the outstanding scholastic achievers in the UPSR, PMR, SPM and STPM categories.
- Yayasan Tan Sri Dato' Lee Shin Cheng extended a helping hand to the Spastic Children's Association in Johor whereby it provided special assistance to the children and young adults who are afflicted with cerebral palsy (spasticity).
- IOI Properties Berhad together with Reach Out, a Puchong community's newsletter organised a charity carnival on 5 December 2004, with aim to foster closer relationships among the Puchong's community through charity.
- IOI Mall and the Residents' Association of Banyan and Sri Kesidang in Puchong, hosted a Christmas party for the underprivileged children of Rumah Ti-Ratana, as part of their efforts in philanthropy and community service.
- For humanitarian reasons, IOI Corporation Berhad contributed RM307,000 to Malaysian Tsunami Disasters Fund to assist the Tsunami victims.
- Putrajaya Marriott Hotel contributed to the Tsunami Disaster Fund by donating 50% of the hotel's beverage sales during the New Year's Eve celebration, fund from the associates' birthday bash and 20% of the special room package and the Terrace Café buffet package for the good cause. The charity drive was a joint effort with other Renaissance and Marriott Hotels in Malaysia.
- IOI Corporation Berhad contributed in the reconstruction of Tsunami affected areas by making a RM100,000 donation to the Force of Nature Aid Foundation, which helps to raise funds, empower and motivate people around the world to assist countries affected by natural disasters like the Asian Tsunami.



- IOI Corporation Berhad was the platinum sponsor for Bursa Saham Malaysia's Annual Palm and Lauric Oils Conference and Exhibition on Palm Oil Price Outlook 2005/2006. It was a major palm oil industry conference and expo held at international level.
- IOI Corporation Berhad was a major sponsor for the Fourth Malaysian International Conference on Languages, Literatures and Cultures (MICOLLAC 2005) held on 23 April 2005, organised by the Faculty of Modern Languages and Communications, University Putra Malaysia. The conference aimed to strengthen the role of languages and cultures among Malaysians in evolving a progressive nation.
- IOI Corporation Berhad made a five-year corporate sponsorship to Universiti Teknologi Mara (UiTM)'s "Best MBA Student Award", as part of its corporate responsibility to the development of young Malaysian entrepreneurs. The event was organised by UiTM's Faculty of Business Management, Federation of Public Listed Companies Bhd (FPLC) and Malaysian Institute of Corporate Governance (MICG).
- IOI Properties Berhad, Johor Bahru contributed RM5000 to the Chinese Chamber of Commerce Kulai's Education Fund, with aim to help the outstanding scholastic achievers of the local community.
- IOI Corporation Berhad sponsored the Majlis Santapan DiRaja Sempena Malam Kenangan Wira Pahang Darul Makmur 2005, in appreciation and recognition of the sacrifices and contributions of the Ex-Security Forces in Malaysia. The event was held on 3 June 2005 in Cameron Highlands and graced by DYMM Sultan of Pahang.
- IOI Properties Berhad was one of the corporate sponsors of the FIABCI-Malaysia Property Contest 2005 co-organised by FIABCI (Malaysia Chapter), The Edge and theSun. The contest aimed to create public's awareness of the anchor property developers in Malaysia.
- IOI Properties Berhad's Johor Bahru Division organised a charity recycling campaign from January to June 2005. The campaign aimed to educate public to adopt the habit of recycling and encourage them to contribute their bit to the good cause. A total of RM1600 was raised through the sales of the recycled item, and the collection has been channelled to Persatuan Kanak-kanak Terencat Akal Johor Bahru.
- IOI Properties Berhad, Johor Bahru together with IOI Mall Johor Bahru organised the Putra Charity Walk on 3 July 2005. The project was targeted to the Kulai and Senai's communities, with the aim to foster a closer relationship among the communities and to raise fund for the needy. A total of RM6,400 was collected and channelled to Persatuan Kanak-kanak Terencat Akal Johor Bahru.



financial statements

90	Directors' Report
101	Income Statements
102	Balance Sheets
103	Statements of Changes in Equity
106	Cash Flow Statements
110	Notes to the Financial Statements
192	Statement by Directors
192	Statutory Declaration
193	Report of the Auditors

The Directors of IOI Corporation Berhad have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2005.

Principal Activities

The principal activities of the Company consist of investment holding and the cultivation of oil palm and rubber and processing of palm oil and rubber.

The principal activities of the subsidiaries and associates are set out in Note 45 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

Financial Results

The audited results of the Group and of the Company for the financial year ended 30 June 2005 are as follows:

	Group RM'000	Company RM'000
Profit before taxation	1,220,854	1,059,406
Taxation	(134,341)	(131,060)
Profit after taxation	1,086,513	928,346
Minority interests	(184,293)	—
Net profit attributable to shareholders	902,220	928,346

Dividends

A second interim dividend of 26% in respect of the financial year ended 30 June 2004 amounting to RM105,062,219 was paid on 20 September 2004 as compared to RM105,128,065 as dealt with in the Directors' Report of that financial year. The net reduction of RM62,848 was arrived at after accounting for the issue of 1,815,000 new shares arising from the exercise of options granted under the Executive Share Option Scheme and the buy back of 2,518,500 shares subsequent to the financial year-end but before the book closure for dividend entitlement.

On 13 January 2005, the Directors declared an interim dividend of 40% less income tax amounting to RM160,796,951 in respect of the financial year ended 30 June 2005. The dividend was paid on 7 March 2005, to shareholders whose names appear in the Record of Depositors at the close of business on 23 February 2005.

On 3 June 2005, the Directors declared a second interim tax-exempt dividend of 30% amounting to RM167,508,412 in respect of the financial year ended 30 June 2005. The dividend was paid on 18 July 2005, to shareholders whose names appear in the Record of Depositors at the close of business on 5 July 2005.

No final dividend is recommended for the financial year ended 30 June 2005.

Issue of Shares and Debentures

During the financial year, the Company issued 7,574,000 new ordinary shares of RM0.50 each for cash arising from the exercise of options granted under the Company's Executive Share Option Scheme as follows:

No. of shares	Issue price per share
41,000	RM2.13
2,000	RM2.37
62,000	RM2.61
20,000	RM2.71
68,000	RM3.58
94,000	RM3.77
2,767,000	RM5.20
1,140,000	RM6.90
3,380,000	RM7.50

The above-mentioned shares rank pari passu with the then existing issued shares of the Company.

There were no issue of debentures by the Company during the financial year.

Treasury Shares

From the beginning of the financial year until 13 January 2005, the Company repurchased 12,255,600 of its issued share capital from the open market. The average price paid for the shares repurchased was RM9.17 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased were held as treasury shares until 13 January 2005, the date of which the Company cancelled all its accumulated 54,327,500 treasury shares with carrying amount of RM306,553,613 or at an average price of RM5.64 per share. The share capital cancelled was transferred to capital reserve and the consideration paid for the shares cancelled was set off against the share premium in accordance with the requirement of Section 67A of the Companies Act, 1965.

Subsequent to the above cancellation of treasury shares, the Company repurchased 1,758,700 of its issued share capital from the open market. The average price paid for the shares repurchased was RM9.02 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares and treated in accordance with the requirement of Section 67A of the Companies Act, 1965.

USD310 Million Zero Coupon Guaranteed Exchangeable Bonds due 2009

On 17 September 2004, the Company's wholly owned subsidiary, IOI Investment (L) Berhad ("IOIL" or the "Issuer"), a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, issued USD310 million Zero Coupon Guaranteed Exchangeable Bonds due 2009 (the "Bonds"). The Bonds were issued at 100% of the principal amount and listed on the Singapore Exchange Securities Trading Limited and the Labuan International Financial Exchange and will mature on 18 September 2009. The Bonds are unconditionally and irrevocably guaranteed by the Company.

Further details of the Bonds are disclosed in Note 31.2 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to comply with Section 169(11) of the Companies Act, 1965 to disclose the list of Bond holders who have the options to exchange their Bonds into the Company's shares.

USD500 Million 5.25% Guaranteed Notes due 2015

On 16 March 2005, the Company's wholly owned subsidiary, IOI Ventures (L) Berhad, a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, issued 10-year USD500 million Guaranteed Notes at an issue price of 99.294% (the "Notes"). The Notes are listed on the Singapore Exchange Securities Trading Limited and the Labuan International Financial Exchange. The Notes carry an interest rate of 5.25% per annum payable semi-annually in arrears on 16 March and 16 September commencing 16 September 2005 and will mature on 16 September 2015. The Notes are unconditionally and irrevocably guaranteed by the Company.

Executive Share Option Scheme

An Executive Share Option Scheme ("ESOS") was implemented on 5 April 1995 for the benefit of the executives and full time executive directors of the Group. The committee appointed by the Board of Directors to administer the ESOS ("Option Committee"), may from time to time offer options to eligible executives of the Group to subscribe for new ordinary shares of RM0.50 each in the Company.

During the financial year ended 30 June 2003, the Company has obtained the necessary approvals from shareholders and the relevant authorities to amend the Bye-Laws of ESOS to allow the Company to enjoy certain flexibilities introduced by the Securities Commission ("SC") under the revised guidelines on employee share option scheme issued by the SC on 10 May 2001.

The salient features of the ESOS after the amendments were as follows:

- i The maximum number of shares to be offered and allotted under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.
- ii Eligible executives are confirmed executives with at least one year service as at date of offer including full time executive directors of any company comprised in the Group and foreign executives of the Group who are in service for at least five years as at date of offer.
- iii No option shall be granted for less than 1,000 shares or more than 2,000,000 shares.
- iv Any allotment of options to the selected eligible executives who are directors or part of senior management shall not exceed 50% of the available balance and any allotment to a selected eligible executive who is also a major shareholder shall not exceed 10% of the available balance.
- v The option price for ordinary share of RM0.50 each shall be a price to be determined by the Board upon the recommendation of the Option Committee which shall not be at a discount of more than 10% on the weighted average market price of the shares of the Company as shown in the Daily Official List issued by Bursa Malaysia Securities Berhad ("BMSB") for the five market days preceding the date of offer or the par value of the shares, whichever is higher.
- vi The original option period of five years that expired on 4 April 2000, was extended for another five years to expire on 4 April 2005.
- vii The options granted may be exercised at anytime within the option period from the date of offer of the option.

Executive Share Option Scheme cont'd

viii The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of and not less than 1,000 shares.

ix Grantee of the option has no right to participate by virtue of the option in any other share issue of any other company within the Group.

The options expired on 4 April 2005 pursuant to the Bye-Laws of the ESOS.

The movements of the options over unissued shares of the Company granted under the ESOS during the financial year are as follows:

Option price	Date of offer	No. of share options			Lapsed on expiry date 4 April 2005
		As at 1 July 2004	Offered and accepted	Exercised	
RM2.71	11 May 1995	128,000	—	20,000	108,000
RM3.77	8 November 1996	94,000	—	94,000	—
RM2.61	27 August 1997	182,000	—	62,000	120,000
RM2.13	1 December 1999	41,000	—	41,000	—
RM2.37	6 January 2001	2,000	—	2,000	—
RM3.58	28 December 2001	69,000	—	68,000	1,000
RM5.20	10 June 2003	2,797,000	—	2,767,000	30,000
RM6.90	14 November 2003	1,140,000	—	1,140,000	—
RM7.50	17 June 2004	—	3,642,000	3,380,000	262,000
	Total	4,453,000	3,642,000	7,574,000	521,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to comply with Section 169(11) of the Companies Act, 1965 to disclose the list of option holders who are granted options during the financial year to subscribe for less than 500,000 shares in the Company.

No option holder was granted option to subscribe for 500,000 shares and above during the financial year.

Reserves and Provisions

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

Directors

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

- Tan Sri Dato' Lee Shin Cheng
- Dato' Lee Yeow Chor
- Dato' Yeo How
- Lee Cheng Leang
- Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor
- Datuk Khalid b Hj Husin
- Chan Fong Ann

In accordance with Article 101 of the Company's Articles of Association, Tan Sri Dato' Lee Shin Cheng and Dato' Yeo How retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Chan Fong Ann who has attained the age of seventy, retires in accordance with Section 129(2) of the Companies Act, 1965 at the forthcoming Annual General Meeting. The Directors recommend that he be re-appointed in accordance with Section 129(6) of the said Act and to hold office until the conclusion of the next Annual General Meeting of the Company.

Directors' Interests

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in the ordinary shares of the Company and its related corporations are as follows:

Direct Interests	As at 1 July 2004	Acquired	Disposed	As at 30 June 2005
The Company				
<i>No. of ordinary shares of RM0.50 each</i>				
Tan Sri Dato' Lee Shin Cheng	8,188,983	1,500,000	—	9,688,983
Dato' Lee Yeow Chor	628,000	500,000	—	1,128,000
Dato' Yeo How	300,000	100,000	150,000	250,000
Lee Cheng Leang	150,000	—	—	150,000
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor	65,000	—	—	65,000
Chan Fong Ann	1,347,500	—	—	1,347,500
Subsidiaries				
IOI Properties Berhad				
<i>No. of ordinary shares of RM1.00 each</i>				
Tan Sri Dato' Lee Shin Cheng	810,200	—	—	810,200
Dato' Lee Yeow Chor	15,000	—	—	15,000
Dato' Yeo How	4,000	—	—	4,000
Chan Fong Ann	11,200	—	—	11,200
Kapar Realty And Development Sdn Berhad				
<i>No. of ordinary shares of RM1,000 each</i>				
Tan Sri Dato' Lee Shin Cheng	100	—	—	100

Directors' Interests cont'd

Indirect Interests	As at 1 July 2004	Acquired	Disposed	As at 30 June 2005
The Company				
<i>No. of ordinary shares of RM0.50 each</i>				
Tan Sri Dato' Lee Shin Cheng	418,125,229	30,330,400	—	448,455,629
Dato' Lee Yeow Chor	377,769,920	29,712,400	—	407,482,320
Chan Fong Ann	33,301,000	—	6,000	33,295,000
Subsidiary				
IOI Properties Berhad				
<i>No. of ordinary shares of RM1.00 each</i>				
Tan Sri Dato' Lee Shin Cheng	1,914,600	95,200	—	2,009,800
Dato' Lee Yeow Chor	1,914,600	95,200	—	2,009,800

The movements of the options over unissued shares of the Company granted under the Executive Share Option Scheme to the Directors in office at the end of the financial year are as follows:

Director	Option Price	No. of share options			As at expiry date 4 April 2005
		As at 1 July 2004	Offered and accepted	Exercised	
Tan Sri Dato' Lee Shin Cheng	RM5.20	1,500,000	—	1,500,000	—
Dato' Lee Yeow Chor	RM5.20	500,000	—	500,000	—
Dato' Yeo How	RM5.20	100,000	—	100,000	—

By virtue of their interests in the shares of the Company, Tan Sri Dato' Lee Shin Cheng and Dato' Lee Yeow Chor are also deemed to be interested in the shares of all the subsidiaries of the Company to the extent the Company has an interest.

None of the other Directors in office at the end of the financial year held any interest in the shares of the Company or its related corporations.

Directors' Benefits

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, except for the share options granted to Directors of the Company pursuant to the Company's Executive Share Option Scheme.

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefits as disclosed in Note 6 to the financial statements) by reason of a contract made by the Company or by a related corporation with a 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 except for any benefits which may be deemed to have arisen by virtue of the significant related party transactions as disclosed in Note 37 to the financial statements.

Statutory Information on the Financial Statements

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

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

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

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

As 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 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 or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations when they fall due.

Other Statutory Information

As at the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the respective financial statements as misleading.

In the opinion of the Directors:

- i the results of operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Note 6 to the financial statements; and
- ii no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Different Financial Year End of a Subsidiary

Due to local requirements, an indirect subsidiary of the Company, Loders Croklaan (Shanghai) Trading Co. Ltd is adopting 31 December financial year end which does not coincide with that of the Company. The Directors of the Company have been granted an approval under Section 168(3) of the Companies Act, 1965 by the Companies Commission of Malaysia for the aforementioned subsidiary to have a different financial year end from that of the Company for the financial year ended 30 June 2005.

Significant Events During the Financial Year

i Acquisition of Shares in Soctek Sdn Bhd

On 21 July 2004, Loders Croklaan Group B. V., a subsidiary of the Company, entered into a conditional share sale agreement with Ugreat Holdings Pte Ltd to acquire 15,600,000 shares of RM1.00 each representing 100% of the issued and paid-up share capital of Soctek Sdn Bhd ("Soctek") for a total cash consideration of RM2,049,323 and to settle the shareholder's loan and advance of RM87,138,363, i.e. the amount owed by Soctek and its wholly owned subsidiary, Soctek Edible Oils Sdn Bhd ("SEO") to the vendor and the vendor's related persons.

Soctek is principally engaged in the refining and trading of crude palm oil, other refined products and tolling services whilst SEO is principally engaged in processing and sale of palm oil and palm kernel oil derived specialty fats and related downstream products.

The acquisition was completed on 8 September 2004 with a revision of cash consideration to RM1,455,766 and shareholder's loan and advance to RM87,698,886.

Subsequent to the acquisition, Soctek and SEO have changed names to IOI Loders Croklaan Oils Sdn Bhd and Loders Croklaan (Asia) Sdn Bhd respectively.

ii Issuance of USD310 Million Zero Coupon Guaranteed Exchangeable Bonds due 2009

On 17 September 2004, the Company's wholly owned subsidiary, IOI Investment (L) Berhad ("IOIL" or the "Issuer"), a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, issued USD310 million Zero Coupon Guaranteed Exchangeable Bonds due 2009 (the "Bonds"). The Bonds were issued at 100% of the principal amount and listed on the Singapore Exchange Securities Trading Limited and the Labuan International Financial Exchange and will mature on 18 September 2009. The Bonds are unconditionally and irrevocably guaranteed by the Company.

iii Acquisition of 2,000,000 ordinary shares in Nice Skyline Sdn Bhd

On 20 August 2004, IOI Properties Berhad, a subsidiary of the Company, entered into a sale and purchase agreement with Upright Properties Sdn Bhd for the purchase of 2,000,000 ordinary share of RM1.00 each representing 40% of the issued and paid-up share capital in Nice Skyline Sdn Bhd for a total cash consideration of RM15 million.

The acquisition was completed on 20 October 2004.

Significant Events During the Financial Year cont'd

iv Disposal of 60% shareholdings in Amoda Sdn Bhd

On 10 January 2005, the Company entered into a conditional share sale and purchase agreement to dispose of its 1,200,000 ordinary share of RM1.00 each and 6,000,000 preference shares of RM1.00 each representing 60% of the issued and paid-up share capital of Amoda Sdn Bhd ("Amoda") to Malayapine Sdn Bhd and Amoy Canning Corporation (Malaya) Bhd for a total disposal consideration of RM41,195,000.

The disposal was completed on 24 February 2005. The gain on disposal of RM1.9 million to the Group was recognised in the income statement.

v Issuance of USD500 Million 5.25% Guaranteed Notes due 2015

On 16 March 2005, the Company's wholly owned subsidiary, IOI Ventures (L) Berhad, a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, issued 10-year USD500 million Guaranteed Notes at an issue price of 99.294% (the "Notes"). The Notes are listed on the Singapore Exchange Securities Trading Limited and the Labuan International Financial Exchange. The Notes carry an interest rate of 5.25% per annum payable semi-annually in arrears on 16 March and 16 September commencing 16 September 2005 and will mature on 16 September 2015. The Notes are unconditionally and irrevocably guaranteed by the Company.

vi Proposed Disposal of Resort Villa Golf Course Development Sdn Bhd and Resort Villa Development Sdn Bhd

As reported in previous years' Directors' Report, the Company had on 24 May 2004, entered into a conditional share sale agreement with its subsidiary, IOI Properties Berhad ("IOIPB"), for the disposal of:

- a 1,000,000 ordinary shares of RM1.00 each and 320,000 redeemable preference shares of RM0.50 each representing the entire issued and paid-up share capital of Resort Villa Golf Course Development Sdn Bhd ("RVGCD") for a consideration of RM44,264,000; and
- b 3,000,000 ordinary shares of RM1.00 each and 2,100,000 redeemable preference shares of RM0.50 each representing the entire issued and paid-up share capital of Resort Villa Development Sdn Bhd ("RVD") for a consideration of RM338,495,000.

The total consideration of RM382,759,000 was to be satisfied by the issuance of 30,000,000 new ordinary shares of RM1.00 each in ("IOIPB Shares") at a proposed price of RM7.70 per share and RM151,759,000 by cash.

On 27 April 2005, the Company announced that the Securities Commission has approved the above proposal with the following revised terms:

- a consideration of the disposal of RVGCD to be revised to RM40,227,000 as opposed to RM44,264,000;
- b consideration of the disposal of RVD to be revised to RM296,457,000 as opposed to RM338,495,000; and
- c the total revised consideration of RM336,684,000 to be satisfied by the issuance of 30,000,000 new IOIPB Shares at a proposed price of RM7.70 per share and RM105,684,000 in cash.

The Board has on 27 April 2005 deliberated on the above revised terms and has resolved not to accept the said terms. In view of that, both the Company and IOIPB have mutually agreed not to proceed with the proposed disposals.

Significant Events During the Financial Year cont'd

vii Acquisition of Legend Advance Sdn Bhd by Dynamic Management Sdn Bhd

On 28 April 2005, Dynamic Management Sdn Bhd, a subsidiary of IOI Properties Berhad, entered into a conditional share sale agreement with several vendors to acquire 3,500,000 ordinary shares of RM1.00 each and 700,000 irredeemable preference shares of RM1.00 each representing 70% of the issued and paid-up share capital of Legend Advance Sdn Bhd ("Legend Advance") for a total purchase consideration of RM16,588,980.

Legend Advance is principally engaged in property development and investment. It owns 24 pieces of contiguous vacant land measuring approximately 225 acres located in Mukim Senai Kulai, Daerah Johor Bahru, Johor Darul Takzim.

The acquisition was completed on 31 May 2005 with a revised purchase consideration of RM16,536,272.

Significant Event Subsequent to the Financial Year

i Proposed Privatisation of IOI Oleochemical Industries Berhad

On 2 August 2005, the Company announced that it proposed to consolidate and streamline its palm oil business via the proposed privatisation of IOI Oleochemical Industries Berhad ("IOI Oleo") by way of an IOI Oleo members' scheme of arrangement under Section 176 of the Companies Act, 1965 between the Company, IOI Oleo and the shareholders of IOI Oleo other than the Company ("IOI Oleo MI") ("Proposed Privatisation").

As at date of the announcement, the Company and IOI Properties Berhad hold 123,268,183 and 11,369,000 ordinary shares of RM1.00 each ("Shares") in IOI Oleo, representing 61.03% and 5.63% respectively of IOI Oleo's issued and paid-up share capital of 201,977,941 Shares. Upon completion of the Proposed Privatisation, IOI Oleo will become a wholly owned subsidiary of the Company.

Further details of the Proposed Privatisation are disclosed in Note 42.1 to the financial statements.

Audit Committee

The Directors who served as members of the Audit Committee since the date of the last report are as follows:

- Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor (Chairman)
- Datuk Khalid b Hj Husin
- Chan Fong Ann
- Dato' Yeo How (MIA 4368)

Nominating Committee

The Directors who served as members of the Nominating Committee since the date of the last report are as follows:

- Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor (Chairman)
- Chan Fong Ann
- Datuk Khalid b Hj Husin

Remuneration Committee

The Directors who served as members of the Remuneration Committee since the date of the last report are as follows:

- Tan Sri Dato' Lee Shin Cheng (Chairman)
- Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor
- Chan Fong Ann

Auditors

The retiring auditors, Messrs. BDO Binder, have indicated their willingness to accept reappointment.

Signed in accordance with a resolution of the Directors:

Tan Sri Dato' Lee Shin Cheng

Executive Chairman

Dato' Yeo How

Executive Director

Putrajaya

1 September 2005

income statements

for the financial year ended 30 June 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue	4	6,072,507	4,993,454	1,197,279	376,600
Cost of sales		(4,219,439)	(3,235,608)	(90,383)	(79,720)
Gross profit		1,853,068	1,757,846	1,106,896	296,880
Other operating income	5	89,112	46,101	23,420	6,524
Marketing and selling expenses		(246,485)	(215,579)	(241)	(453)
Administration expenses		(173,792)	(173,776)	(16,881)	(16,090)
Other operating expenses		(286,998)	(295,777)	(36,007)	(27,264)
Operating profit	6	1,234,905	1,118,815	1,077,187	259,597
Interest income	7	31,976	15,502	62,319	44,655
Finance costs	8	(109,854)	(59,851)	(80,100)	(47,186)
Share of profits of associates		63,827	37,579	—	—
Profit before taxation		1,220,854	1,112,045	1,059,406	257,066
Taxation	9				
- Company and subsidiaries		(121,910)	(215,459)	(131,060)	(60,949)
- Share of taxation of associates		(12,431)	(4,970)	—	—
		(134,341)	(220,429)	(131,060)	(60,949)
Profit after taxation		1,086,513	891,616	928,346	196,117
Minority interests		(184,293)	(190,066)	—	—
Net profit attributable to shareholders		902,220	701,550	928,346	196,117
Earnings per share (sen)	10				
Basic		80.61	64.23		
Diluted		80.54	64.02		
Gross dividend per share (sen)	11				
First interim dividend		20.0	12.0	20.0	12.0
Second interim dividend		15.0	13.0	15.0	13.0
Total		35.0	25.0	35.0	25.0

balance sheets

as at 30 June 2005

		Group		Company	
	Note	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
ASSETS EMPLOYED					
Property, plant and equipment	12	4,770,375	4,567,360	387,379	386,971
Subsidiaries	13	—	—	3,834,398	2,971,573
Associates	14	249,441	222,636	29,300	2,500
Investment properties	15	508,176	580,677	—	—
Other long term investments	16	30,699	32,043	9,894	10,851
Land held for property development	17	637,393	652,517	—	—
Deferred tax assets	33	118,792	62,339	—	—
Goodwill on consolidation	18	447,485	429,433	—	—
Current assets					
Property development costs	19	236,695	183,404	—	—
Inventories	20	719,430	604,278	4,598	5,681
Trade and other receivables	21	696,951	803,589	17,155	13,638
Amount due from subsidiaries	13	—	—	1,736,900	1,207,575
Tax recoverable		120,855	9,767	106,223	—
Short term investments	22	2,057	3,513	—	—
Short term funds	23	1,023,739	21,254	941,375	—
Deposits with financial institutions	24	590,446	339,565	244,118	7,143
Cash and bank balances	25	352,525	333,575	1,309	363
		3,742,698	2,298,945	3,051,678	1,234,400
Current liabilities					
Trade and other payables	26	489,132	614,611	39,462	26,571
Bank overdrafts	27	8,569	15,809	—	6,516
Short term borrowings	28	117,978	759,441	—	569,792
Amount due to subsidiaries	13	—	—	1,258,946	670,083
Amount due to an associate	14	2,739	2,739	2,739	2,739
Taxation		27,931	48,471	—	645
Dividend payable		167,508	—	167,508	—
		813,857	1,441,071	1,468,655	1,276,346
Net current assets/(liabilities)		2,928,841	857,874	1,583,023	(41,946)
		9,691,202	7,404,879	5,843,994	3,329,949
FINANCED BY					
Share capital	29	559,241	582,618	559,241	582,618
Reserves	30	4,303,087	3,835,534	2,212,810	1,818,583
Shareholders' equity		4,862,328	4,418,152	2,772,051	2,401,201
Minority interests		1,175,183	1,205,239	—	—
Long term borrowings	31	3,092,883	1,273,859	—	922,167
Amount due to subsidiaries	13	—	—	3,064,881	—
Other long term liabilities	32	70,599	74,514	1,042	561
Deferred tax liabilities	33	490,209	433,115	6,020	6,020
		9,691,202	7,404,879	5,843,994	3,329,949

The notes on pages 110 to 191 form an integral part of the financial statements.

statements of changes in equity

for the financial year ended 30 June 2005

	Share capital RM'000	Share premium RM'000	Revaluation surplus RM'000	Capital reserve RM'000	Foreign exchange fluctuation reserve RM'000	Reserve on consoli- dation RM'000	Treasury shares RM'000	Retained profits RM'000	Total RM'000
Group									
As at 1 July 2004	582,618	1,152,750	82,385	9,330	(35,831)	6,597	(194,168)	2,814,471	4,418,152
Transfer of revaluation surplus to retained profits upon disposal of investment properties	—	—	(75)	—	—	—	—	75	—
Currency translation differences	—	—	—	—	(65,526)	—	—	—	(65,526)
Net (loss)/gain not recognised in the income statement	—	—	(75)	—	(65,526)	—	—	75	(65,526)
Net profit for the financial year	—	—	—	—	—	—	—	902,220	902,220
Amortisation of reserve on consolidation	—	—	—	—	—	(758)	—	—	(758)
Dividend paid in respect of previous financial year	—	—	—	—	—	—	—	(105,062)	(105,062)
First interim dividend paid	—	—	—	—	—	—	—	(160,797)	(160,797)
Second interim dividend declared	—	—	—	—	—	—	—	(167,508)	(167,508)
Issue of shares	3,787	44,723	—	—	—	—	—	—	48,510
Repurchase of shares	—	—	—	—	—	—	(128,255)	—	(128,255)
Cancellation of treasury shares	(27,164)	(306,554)	—	27,164	—	—	306,554	—	—
Acquisition of subsidiaries	—	—	—	—	—	3,060	—	—	3,060
Disposal of a subsidiary	—	—	—	—	—	(1,636)	—	—	(1,636)
Equity component of USD310 million Zero Coupon Guaranteed Exchangeable Bonds due 2009	—	—	—	119,928	—	—	—	—	119,928
As at 30 June 2005	559,241	890,919	82,310	156,422	(101,357)	7,263	(15,869)	3,283,399	4,862,328

The notes on pages 110 to 191 form an integral part of the financial statements.

statements of changes in equity

for the financial year ended 30 June 2005 cont'd

	Share capital RM'000	Share premium RM'000	Revaluation surplus RM'000	Capital reserve RM'000	Foreign exchange fluctuation reserve RM'000	Reserve on consolidation RM'000	Treasury shares RM'000	Retained profits RM'000	Total RM'000
Group									
As at 1 July 2003	540,400	764,711	82,474	9,330	(38,295)	7,372	(150,659)	2,314,859	3,530,192
Transfer of revaluation surplus to retained profits upon disposal of investment properties	—	—	(89)	—	—	—	—	89	—
Currency translation differences	—	—	—	—	2,464	—	—	—	2,464
Net (loss)/gain not recognised in the income statement	—	—	(89)	—	2,464	—	—	89	2,464
Net profit for the financial year	—	—	—	—	—	—	—	701,550	701,550
Amortisation of reserve on consolidation	—	—	—	—	—	(775)	—	—	(775)
Dividend paid in respect of previous financial year	—	—	—	—	—	—	—	(104,650)	(104,650)
First interim dividend paid	—	—	—	—	—	—	—	(97,377)	(97,377)
Issue of shares	42,218	388,039	—	—	—	—	—	—	430,257
Repurchase of shares	—	—	—	—	—	—	(43,509)	—	(43,509)
As at 30 June 2004	582,618	1,152,750	82,385	9,330	(35,831)	6,597	(194,168)	2,814,471	4,418,152

The notes on pages 110 to 191 form an integral part of the financial statements.

statements of changes in equity

for the financial year ended 30 June 2005 cont'd

	Non Distributable				Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Foreign exchange fluctuation reserve RM'000	Treasury shares RM'000	Retained profits RM'000	
Company							
As at 1 July 2004	582,618	1,152,750	—	—	(194,168)	860,001	2,401,201
Currency translation differences	—	—	—	(44,384)	—	—	(44,384)
Net loss not recognised in the income statement	—	—	—	(44,384)	—	—	(44,384)
Net profit for the financial year	—	—	—	—	—	928,346	928,346
Dividend paid in respect of previous financial year	—	—	—	—	—	(105,062)	(105,062)
First interim dividend paid	—	—	—	—	—	(160,797)	(160,797)
Second interim dividend declared	—	—	—	—	—	(167,508)	(167,508)
Issue of shares	3,787	44,723	—	—	—	—	48,510
Repurchase of shares	—	—	—	—	(128,255)	—	(128,255)
Cancellation of treasury shares	(27,164)	(306,554)	27,164	—	306,554	—	—
As at 30 June 2005	559,241	890,919	27,164	(44,384)	(15,869)	1,354,980	2,772,051
As at 1 July 2003	540,400	764,711	—	—	(150,659)	865,911	2,020,363
Net profit for the financial year	—	—	—	—	—	196,117	196,117
Dividend paid in respect of previous financial year	—	—	—	—	—	(104,650)	(104,650)
First interim dividend paid	—	—	—	—	—	(97,377)	(97,377)
Issue of shares	42,218	388,039	—	—	—	—	430,257
Repurchase of shares	—	—	—	—	(43,509)	—	(43,509)
As at 30 June 2004	582,618	1,152,750	—	—	(194,168)	860,001	2,401,201

cash flow statements
for the financial year ended 30 June 2005

Note	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash Flows From Operating Activities				
Profit before taxation	1,220,854	1,112,045	1,059,406	257,066
Adjustments for:				
Depreciation of				
property, plant and equipment	157,638	146,376	5,687	5,221
Interest expenses	109,854	59,851	80,100	47,186
Realised foreign exchange loss on term loan	28,774	—	28,774	—
Amortisation of goodwill on consolidation	28,264	21,909	—	—
Property, plant and equipment written off	22,927	2,988	3,358	389
Marked-to-market loss on				
interest rate swaps	28,237	—	28,237	—
Expenses for retirement benefits	16,266	20,932	618	612
Allowance for stock obsolescence	3,095	3,415	—	—
Allowance for diminution in value of				
short term investments	1,456	—	—	—
Allowance for doubtful debts	562	4,340	—	—
Allowance for diminution in value of				
other long term investments	387	—	—	—
Unrealised foreign exchange loss	71	17,545	71	17,545
Gain on disposal of other long term investments	(474)	(3,968)	(474)	—
Dividend income from other investments	(488)	(532)	(125)	(121)
Gain on disposal of investment properties	(533)	(331)	—	—
Amortisation of reserve on consolidation	(758)	(775)	—	—
Allowance for doubtful debts written back	(1,155)	(758)	—	—
Dividend income from short term funds	(1,338)	—	(1,338)	—
Gain on disposal of short term funds	(1,380)	—	(1,380)	—
Gain on disposal of a subsidiary	(1,878)	—	(13,870)	—
Amortisation of discount on acquisition				
of associates	(2,207)	(2,208)	—	—
Gain on disposal of property,				
plant and equipment	(7,320)	(8,510)	(4,333)	(249)
Gain on disposal of a business sub-unit	(30,898)	—	—	—
Interest income	(31,976)	(15,502)	(62,319)	(44,655)
Share of profits of associates	(63,827)	(37,579)	—	—
Allowance for diminution in value of other				
long term investments written back	—	(778)	—	—
Allowance for diminution in value of				
short term investments written back	—	(1,438)	—	—
Dividend income from associates	—	—	(5,760)	—
Dividend income from subsidiaries	—	—	(976,292)	(186,028)
Operating profit before working capital changes	1,474,153	1,317,022	140,360	96,966

The notes on pages 110 to 191 form an integral part of the financial statements.

cash flow statements

for the financial year ended 30 June 2005 cont'd

Note	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash Flows From Operating Activities <small>cont'd</small>				
Operating profit before working capital changes	1,474,153	1,317,022	140,360	96,966
Decrease in property development costs	50,428	153,005	—	—
(Increase)/decrease in inventories	(68,863)	(132,212)	1,083	(1,727)
Decrease/(increase) in trade receivables	29,209	(109,566)	320	314
(Increase)/decrease in other receivables, deposits and prepayments	(10,418)	11,217	(8,970)	(3,249)
(Increase)/decrease in amount due from customers on contracts	(110)	214	—	—
(Decrease)/increase in trade payables	(18,035)	25,956	(1,101)	1,669
(Decrease)/increase in other payables and accruals	(72,376)	(32,885)	(4,300)	13,208
Cash generated from operations	1,383,988	1,232,751	127,392	107,181
Club membership deposits received	45	125	—	—
Retirement benefits paid	(913)	(689)	(137)	(51)
Retirement benefits contributed	(21,004)	(34,211)	—	—
Tax paid	(303,286)	(221,997)	(8,721)	(21,137)
Tax refund	—	958	—	—
Net cash generated from operating activities	1,058,830	976,937	118,534	85,993

cash flow statements

for the financial year ended 30 June 2005 cont'd

		Group		Company	
	Note	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash Flows From Investing Activities					
Proceeds from the disposal of a subsidiary	34.1	39,841	—	40,451	—
Proceeds from the disposal of a business sub-unit	34.2	39,071	—	—	—
Interest received		31,745	15,682	14,307	5,329
Dividends received from associates		26,798	43,560	4,147	—
Proceeds from disposal of property, plant and equipment		14,582	21,512	5,865	802
Proceeds from the disposal of investment properties		2,727	3,073	—	—
Proceeds from the disposal of other long term investments		1,560	4,856	1,560	—
Dividends received from other quoted investments		1,486	418	1,430	89
Proceeds from the disposal of short term funds		1,380	—	1,380	—
Decrease in deposits pledged		1,000	—	1,000	—
Payments received from associates		347	3,437	—	191
Purchase of other long term investments		(129)	(790)	(129)	—
Additions to investment properties		(2,670)	(1,188)	—	—
Acquisition of subsidiaries, net of cash and cash equivalents acquired	35	(3,024)	(181,717)	—	(187,596)
Additions to land held for property development		(75,562)	(80,858)	—	—
Settlement of debts of subsidiaries acquired		(107,301)	—	—	—
Acquisition of additional interest in subsidiaries		(136,540)	(150,938)	(121,495)	(150,938)
Additions to property, plant and equipment		(332,463)	(144,310)	(10,985)	(7,595)
Additions to short term investments		—	(11)	—	—
Payments from subsidiaries		—	—	2,353,738	275,018
Dividends received from subsidiaries		—	—	748,731	145,517
Net cash (used in)/generated from investing activities		(497,152)	(467,274)	3,040,000	80,817

cash flow statements
for the financial year ended 30 June 2005 cont'd

		Group		Company	
		2005	2004	2005	2004
Note		RM'000	RM'000	RM'000	RM'000
Cash Flows From Financing Activities					
Proceeds from issuance of guarantee notes		1,886,586	—	—	—
Proceeds from issuance of exchangeable bonds		1,178,000	—	—	—
Proceeds from issuance of shares		48,510	55,309	48,510	55,309
Proceeds from shares issued to minority shareholders		63	990	—	—
Payment on interest rate swaps		(9,750)	—	(9,750)	—
Repurchase of shares by a subsidiary		(25,363)	(929)	—	—
Interest paid		(55,783)	(62,671)	(36,133)	(40,424)
Dividend paid to minority shareholders		(78,702)	(67,105)	—	—
Repurchase of shares		(128,255)	(43,509)	(128,255)	(43,509)
Dividend paid		(265,859)	(202,027)	(265,859)	(202,027)
Repayment of short term borrowings		(322,262)	—	(285,000)	—
Repayment of term loans		(1,508,326)	(157,593)	(1,295,235)	(91,000)
Proceeds from short term borrowings		—	148,741	—	115,000
Proceeds from term loans		—	12,000	—	—
Net cash generated from/(used in) financing activities		718,859	(316,794)	(1,971,722)	(206,651)
Net increase/(decrease) in cash and cash equivalents		1,280,537	192,869	1,186,812	(39,841)
Cash and cash equivalents as previously reported		677,585	486,684	(10)	39,831
Effect of exchange rate changes		19	(1,968)	—	—
Cash and cash equivalents at beginning of financial year as restated		677,604	484,716	(10)	39,831
Cash and cash equivalents at end of financial year	36	1,958,141	677,585	1,186,802	(10)

1 PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and the cultivation of oil palm and rubber and processing of palm oil and rubber.

The principal activities of the subsidiaries and associates are set out in Note 45 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 require the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Actual results could differ from those estimates.

3 SIGNIFICANT ACCOUNTING POLICIES

During the financial year, the Group adopted Financial Reporting Standard (“FRS”) 201, Property Development Activities. The adoption of FRS201 does not have any material impact on the results of the Group for the current financial year. The comparative figures in respect of property development costs, however, have been restated as disclosed in Note 46 to the financial statements in accordance with the requirements of FRS201.

3.1 Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention (as modified for the revaluation of investment properties), unless otherwise indicated in the significant accounting policies.

3.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to the end of the financial year. All subsidiaries’ financial statements are consolidated based on the acquisition method of accounting. Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed during the financial year are included in the consolidated income statement from the date of acquisition or up to the date of disposal.

At the date of acquisition, the fair values of the subsidiaries’ net assets are determined and these values are reflected in the consolidated financial statement. The difference between the fair value of purchase consideration and the Group’s share of the fair value of the separable net assets of the subsidiaries at the date of acquisition is retained in the consolidated balance sheet either as goodwill or reserve on consolidation, as appropriate. The Group amortises goodwill or reserve on consolidation over a period of not exceeding 20 years.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.2 Basis of Consolidation cont'd

The total profits and losses of subsidiaries are included in the consolidated income statement, the proportion of the profit or loss applicable to minority shareholders is deducted in arriving at the profit attributable to the shareholders of the Company.

The total assets and liabilities of the subsidiaries are included in the consolidated balance sheet and the interests of minority shareholders in the net assets are stated separately. Minority interest is measured at the minorities' share of the fair values of the identifiable assets and liabilities of the acquiree.

The gain or loss on disposal of a subsidiary is the difference between net disposal and the Group's share of its net assets together with any unamortised balance of goodwill or reserve on consolidation and exchange difference which were not previously recognised in the consolidated income statement.

Investments in associates are accounted for in the consolidated financial statement using the equity method of accounting based on the latest financial statements of the associates concerned. Under the equity method of accounting, the Group's share of profits less losses of the associates is included in the consolidated income statement. The Group's interest in associates is stated at cost plus the Group's share of their post acquisition results and reserves less amortisation of goodwill or discount on acquisition, if any, in the consolidated balance sheet. Losses of an associate in excess of the Group's interest in that associate are not recognised.

In line with the Group's policy on amortisation of goodwill or reserve on consolidation, the Group amortises goodwill or discount on acquisition of associates over a period of not exceeding 20 years.

Intra-group transactions and balances and the resulting unrealised gains are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated unless cost cannot be recovered.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

3.3 Subsidiaries and Associates

Subsidiaries are entities that are controlled by the Company. Control is the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities.

Associates are those entities in which the Group has long term equity investment of between 20% and 50% and is in a position to exercise significant influence over the financial and operating policies of the investee entities.

Investments in subsidiaries (which are eliminated on consolidation) and associates are stated at cost less impairment losses, if any.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are charged or credited to the income statement.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.4 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits associated with the transaction will flow to the entities and the amount of the revenue can be measured reliably.

Commodities, other products and services

Revenue is recognised upon delivery of products and customer acceptance, if any, or performance of services, net of sales taxes and discounts and after eliminating inter-company transactions within the Group.

Property development

Revenue from property development is recognised based on the “percentage of completion” method in respect of all units that have been sold. The stage of completion is determined based on the proportion of contract costs incurred for work performed up to the balance sheet date over the estimated total contract costs.

When the outcome of a development activity cannot be reliably estimated, the property development revenue shall be recognised only to the extent of property development costs incurred that is probable to be recoverable and property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in the income statement.

Construction contracts

Revenue from work done on construction contracts is recognised based on the “percentage of completion” method. The stage of completion is determined based on the proportion of contract costs incurred for work performed up to the balance sheet date over the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probably that total contract costs will exceed total contract revenue, the foreseeable loss is recognised as an expense immediately.

Dividend income

Dividend income is recognised when shareholder’s right to receive payment is established.

Rental income

Rental income from investment properties is recognised based on accrual basis.

Interest income

Interest income is recognised in the income statement as it accrues.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.4 Revenue Recognition cont'd

Club membership licence fee

Club membership licence fees, which are not refundable, are recognised as income when received.

3.5 Foreign Currency

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the approximate rates of exchange on that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Gains or losses on foreign exchange are taken up in the income statement with the exception of translation differences on foreign currency borrowings that provide a hedge against net investment in a foreign entity in which case the exchange differences are taken directly to foreign exchange fluctuation reserve until the disposal of the net investment, at which time they are recognised in the income statement.

For consolidation purpose, the assets and liabilities of overseas subsidiary are translated into Ringgit Malaysia at exchange rates closely approximating to those ruling at the balance sheet date. Income statement items are translated at average exchange rates for the financial year. All exchange differences arising from translation are included in the foreign exchange fluctuation reserve until the disposal of the net investment.

Goodwill arising on the acquisition of foreign subsidiary and fair value adjustments to the carrying amounts of assets and liabilities acquired are translated at exchange rate at the date of the transaction and exchange rates closely approximating to those ruling at the balance sheet date respectively.

The closing rates of exchange used in translation are as follows:

RM1.00	:	SGD0.44 (2004 - SGD0.45)
RM1.00	:	USD0.26 (2004 - USD0.26)
RM1.00	:	EUR0.22 (2004 - EUR0.22)
RM1.00	:	YEN33.33 (2004 - YEN33.33)
RM1.00	:	HKD2.04 (2004 - HKD2.04)
RM1.00	:	CAD0.33 (2004 - CAD0.36)
RM1.00	:	EGP1.53 (2004 - EGP1.64)

3.6 Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation, less accumulated depreciation and impairment losses, if any.

Freehold land, golf course and construction in progress are not depreciated.

Golf course is not depreciated as depreciation charge is immaterial because of the asset's long useful economic life and the Group's policy and practice to maintain and repair the golf course regularly such that the asset is kept to its previously assessed standard of performance. The related repair and maintenance expenses are dealt with in the income statement.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.6 Property, Plant and Equipment and Depreciation cont'd

Other property, plant and equipment are depreciated on the straight line method so as to write off the cost of the assets over their estimated useful lives. The principal annual depreciation rates are as follows:

Leasehold land	over the lease period (30 - 99 years)		
Buildings and improvements	2%	-	10%
Plant and machinery	4%	-	20%
Motor vehicles	10%	-	20%
Furniture, fittings and equipment	5%	-	25%

Depreciation on assets under construction commences when the assets are ready for their intended use.

3.7 New Planting and Replanting Expenditure

New planting expenditure, which represents total cost incurred from land clearing to the point of harvesting, is capitalised under plantation development expenditure and is not amortised. Replanting expenditure, which represents cost incurred in replanting old planted areas, is charged to the income statement in the financial year it is incurred.

3.8 Leases

Finance lease

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the estimated present value of the minimum lease payments at the date of inception less accumulated depreciation and impairment losses. In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Group's incremental borrowing rate is used.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period.

Property, plant and equipment acquired under finance lease contracts are depreciated over the useful life of the asset. If there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its useful life.

Operating lease

Leases of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.9 Investment Properties

Investment properties consist of investments in land and buildings that are not substantially occupied for, use by, or in the operations of the Group.

Investment properties are stated at cost upon completion of the construction or acquisition. These properties are held for their investment potential and rental income and are therefore not depreciated. These properties will be revalued at regular intervals of at least once in every 5 years with additional valuation in the intervening years where market conditions indicate that the carrying value of the revalued asset is materially different from the market value.

Surpluses arising from such valuation will be credited to shareholders' equity as revaluation surplus and any deficit will be charged against such surplus to the extent that decrease offset any increase. In all other cases, the deficit will be charged to the income statement. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense.

On disposal of investment properties, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statement and the related amounts in revaluation surplus, if any, is transferred to retained profits.

3.10 Land Held For Property Development

Land held for property development, stated at cost less impairment losses, if any, is classified as non-current assets when no development work has been carried out or where development activities are not expected to be completed within the normal operating cycle.

3.11 Borrowing Costs

Costs incurred on external borrowings to finance qualifying assets are capitalised until the assets are ready for their intended use after which such expenses are charged to the income statement.

3.12 Property Development Costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchases is shown as accrued billings under trade and other receivables and the excess of billings to purchasers over revenue recognised in the income statement is shown as progress billings under trade and other payables.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.13 Construction Contracts

Cost represents direct materials, expenses, labour and an appropriate proportion of construction overheads.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amounts due from customers on contracts. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amounts due to customers on contracts.

3.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in first out or weighted average basis. Cost comprises the original cost of purchase plus the cost of bringing the inventories to their intended location and condition. The cost of produce and finished goods includes the cost of raw materials, direct labour and a proportion of production overheads.

Inventories of completed development properties are stated at the lower of cost and net realisable value. Cost is determined on a specific identification basis and includes land, all direct building costs and other related development costs.

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

3.15 Employee Benefits

Short term employee benefits

Wages, salaries, bonuses, other monetary and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.15 Employee Benefits cont'd

Retirement benefits

The Group has various retirement benefit plans in accordance with local conditions and practices in the countries in which it operates. These benefit plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age and years of service.

i Defined contribution plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

ii Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the market yield at the balance sheet date on high quality corporate bonds or government bonds. The calculation is performed by an actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reduction in future contributions to the plan.

Equity compensation benefits

Details of the Group's Executive Share Option Scheme are set out in Note 29.1 to the financial statements. The Group does not make a charge to the income statement in connection with share options granted. When the share options are exercised, the proceeds received are credited to share capital and share premium.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.16 Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax.

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

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their related tax bases. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unabsorbed tax losses and unutilised capital allowances can be utilised.

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

3.17 Research and Development Expenditure

All general research and development expenditure are charged to the income statement in the financial year in which the expenditure is incurred.

3.18 Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investment and short term funds with maturity of less than three months which have an insignificant risk of changes in value.

3.19 Impairment of Assets

The carrying values of assets, other than inventories, deferred tax assets, assets arising from construction contracts, assets arising from employee benefits and financial assets (other than investments in subsidiaries and associates) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the assets belong.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it will be charged to equity. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on revalued asset in which case it is taken to equity.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.19 Impairment of Assets cont'd

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

3.20 Financial Instruments

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

i Other long term investments

Other long term investments are stated at cost less allowance for permanent diminution in value, if any. Permanent diminution in the value of an investment is recognised as an expense in the financial year in which the diminution is identified. On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

ii Short term investments

Short term investments are stated at the lower of cost and market value, calculated on a portfolio basis. Cost is determined on weighted average basis while market value is determined based on quoted market values. Increase or decrease in the carrying amount of short term investments is recognised in the income statement.

Investments in fixed income trust funds that do not meet the definition of cash and cash equivalent are classified as short term investments.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

iii Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

iv Guaranteed Notes

Notes issued by the special purpose entity are stated at the net proceeds received on issue. The difference between the net proceeds and the total amount of the payments of these borrowings are allocated to periods over the term of the borrowings at a constant rate on the carrying amount and are charged to the income statement.

Interest, losses and gains relating to a financial instrument classified as a liability is reported within finance cost in the income statement.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.20 Financial Instruments cont'd

v Exchangeable Bonds

The exchangeable bonds are regarded as compound instruments, consisting of a liability component and an equity component.

At the date of issue, the fair value of the liability component is estimated based on the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate applicable to similar instruments, but without the exchangeable option. The difference between the proceeds from the exchangeable bonds and the fair value assigned to the liability component, representing the embedded option for the holder to exchange the bonds into equity of the Company, is included in equity (capital reserves).

The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption, whilst the value of the equity component is not adjusted in subsequent periods. The imputed interest is charged to income statement together with the effective tax effect and is added to the carrying value of the exchangeable bonds.

Interest, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the income statement.

vi Other Liabilities

Other borrowings, trade and other payables are stated at cost.

vii Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

When issued shares of the Company are repurchased, the consideration paid, including any attributable transaction costs is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.20 Financial Instruments cont'd

viii Derivative financial instruments

The Group uses derivative financial instruments, including foreign exchange forward, interest rate swap and option and commodity future and swap contracts, to hedge its exposure to foreign exchange, interest rate and commodity price fluctuation arising from operational, financing and investment activities. These instruments are not recognised in the financial statements on inception.

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 are no longer designated as hedges are accounted for as trading instruments and marked to market at balance sheet date. Any profit or loss is recognised in the income statement.

3.21 Provisions and Contingent Liabilities

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote except for cases where the amount involved is material and the Directors are of the opinion that disclosure is appropriate.

4 REVENUE

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Sales of plantation produce, refined palm oil and related products	2,190,012	2,111,577	213,764	190,451
Sales of development properties	586,311	683,531	—	—
Sales of oleochemicals and related products	1,299,054	1,121,363	—	—
Sales of specialty oils and fats and related products	1,878,095	951,734	—	—
Rental income from investment properties	47,095	53,499	—	—
Rendering of services	68,577	69,560	—	—
Construction contract	1,537	1,658	—	—
Dividend income	1,826	532	983,515	186,149
	6,072,507	4,993,454	1,197,279	376,600

5 OTHER OPERATING INCOME

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of a business sub-unit	30,898	—	—	—
Gain on disposal of property, plant and equipment	7,320	8,510	4,333	249
Gain on disposal of a subsidiary	1,878	—	13,870	—
Gain on disposal of short term funds	1,380	—	1,380	—
Gain on disposal of other long term investments	474	3,968	474	—
Others	47,162	33,623	3,363	6,275
	89,112	46,101	23,420	6,524

6 OPERATING PROFIT

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
a Operating profit has been arrived at after charging:				
Allowance for diminution in other long term investments	387	—	—	—
Allowance for diminution in short term investments	1,456	—	—	—
Allowance for doubtful debts	562	4,340	—	—
Allowance for stock obsolescence	3,095	3,415	—	—
Amortisation of goodwill on consolidation	28,264	21,909	—	—
Auditors' remuneration				
- audit	1,827	1,701	70	70
- non audit	—	45	—	—
Depreciation of property, plant and equipment	157,638	146,376	5,687	5,221
Expenses for retirement benefits	16,266	20,932	618	612
Hire of plant and machinery	9,817	10,158	—	—
Lease rentals	2,417	302	—	—
Property, plant and equipment written off	22,927	2,988	3,358	389
Remuneration of directors of the Company				
- fees	607	563	350	315
- other emoluments	18,285	14,196	9,289	6,904
Realised foreign exchange loss	28,774	—	28,774	—
Rental of premises	1,196	1,148	999	292
Replanting expenditure	8,771	11,440	2,366	4,813
Research and development expenditure	20,046	16,020	7,052	5,688
Unrealised foreign exchange loss	71	17,545	71	17,545

6 OPERATING PROFIT cont'd

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
and crediting:				
Allowance for diminution in value of other long term investments written back	—	778	—	—
Allowance for diminution in value of short term investments written back	—	1,438	—	—
Allowance for doubtful debts written back	1,155	758	—	—
Amortisation of reserve on consolidation	758	775	—	—
Amortisation of discount on acquisition of associates	2,207	2,208	—	—
Gain on disposal of investment properties	533	331	—	—
Gross dividend received from				
- short term funds quoted in Malaysia	1,338	—	1,338	—
- other quoted investments in Malaysia	451	532	125	121
- other unquoted investments in Malaysia	37	—	—	—
- subsidiaries quoted in Malaysia	—	—	166,578	118,851
- unquoted subsidiaries	—	—	809,714	67,177
- unquoted associates	—	—	5,760	—
Realised foreign exchange gain	15,258	3,403	14,763	781
Rental income from plant and machinery	6,299	6,017	—	—
Rental income	49,132	55,224	74	62

Contract cost of the Group recognised as an expense during the financial year amounted to RM1,241,000 (2004 - RM2,277,000). Cost of inventories of the Group and of the Company recognised as an expense during the financial year amounted to RM3,039,222,000 (2004 - RM2,481,188,000) and RM16,303,000 (2004 - RM14,365,000) respectively.

The estimated monetary value of benefits-in-kind received by the Directors of the Company otherwise than in cash from the Group and the Company amounted to RM181,000 (2004 - RM175,000) and RM60,000 (2004 - RM47,000) respectively.

b Employee information

Employee costs	482,311	459,099	49,359	43,642
----------------	----------------	---------	---------------	--------

Employee costs include contributions of the Group and of the Company to the Employees' Provident Fund of RM16,014,000 (2004 - RM15,993,000) and RM3,664,000 (2004 - RM3,179,000) respectively.

The total number of employees of the Group and of the Company (including Executive Directors) as at end of the financial year was 28,719 (2004 - 26,686) and 3,184 (2004 - 3,253) respectively.

7 INTEREST INCOME

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Short term deposits	26,543	8,752	14,097	2,144
Subsidiaries	—	—	48,073	42,511
Associates	347	2,015	—	—
Others	5,086	4,735	149	—
	31,976	15,502	62,319	44,655

8 FINANCE COSTS

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Interest expenses				
Bank overdrafts	878	812	8	17
Revolving credits	1,317	1,425	704	1,058
Short term loans	2,602	5,579	2,346	5,319
Subsidiaries	—	—	44,162	6,751
Term loans	47,435	54,511	32,880	34,041
Exchangeable bonds	31,701	—	—	—
Guaranteed notes	29,548	—	—	—
Others	1,015	1,272	—	—
	114,496	63,599	80,100	47,186
Less: Interest capitalised	(4,642)	(3,748)	—	—
	109,854	59,851	80,100	47,186

9 TAXATION

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Company and subsidiaries				
Current year				
Malaysian income taxation	254,147	233,208	213,200	59,000
Foreign taxation	1,063	1,953	—	—
Deferred taxation (Note 33)	(52,766)	(11,949)	—	(100)
	202,444	223,212	213,200	58,900
Prior years				
Malaysian income taxation	(82,766)	(2,652)	(82,140)	1,649
Foreign taxation	(455)	831	—	—
Deferred taxation (Note 33)	2,687	(5,932)	—	400
	(80,534)	(7,753)	(82,140)	2,049
	121,910	215,459	131,060	60,949
Share of taxation of associates				
Current year				
Malaysian income taxation	12,431	4,970	—	—
	134,341	220,429	131,060	60,949

During the current financial year, the Company's application for the tax incentive under the Income Tax (Deduction for Cost on Acquisition of A Foreign Company) Rules 2003 for the acquisition of Loders Croklaan Group B. V. was approved by the authority. Under the incentive granted, the cost of acquisition and the related incidental costs are allowable for deduction over a period of five years commencing 30 November 2002. Consequently, RM83.4 million was written back during the current financial year due to the retrospective effect of the aforesaid tax incentive.

The numerical reconciliation between the average effective tax rate and the applicable tax rate are as follows:

	Group		Company	
	2005	2004	2005	2004
	%	%	%	%
Applicable tax rate	28.00	28.00	28.00	28.00
Tax effect in respect of:				
Non allowable expenses	0.97	1.47	2.16	2.63
Non taxable income	(0.36)	(0.06)	(0.52)	(0.12)
Revenue expenses capitalised	(0.21)	(0.10)	(0.02)	(0.02)
Tax exempt income	(0.04)	(2.19)	(4.95)	(7.17)
Tax incentives and allowances	(7.01)	(4.96)	(4.49)	(0.23)
Utilisation of previously unrecognised tax losses and capital allowances	(0.83)	(0.36)	—	—
Double deduction	(0.36)	(0.17)	(0.06)	(0.18)
Deferred tax assets recognised	(2.33)	(0.98)	—	—
Different tax rates in foreign jurisdiction	(0.01)	(0.02)	—	—
Other items	(0.22)	(0.11)	—	—
Average effective tax rate	17.60	20.52	20.12	22.91
(Over)/under provision in prior years	(6.60)	(0.70)	(7.75)	0.80
	11.00	19.82	12.37	23.71

9 TAXATION cont'd

The amount of tax savings arising from the utilisation of previously unrecognised brought forward unabsorbed tax losses for the Group amounted to approximately RM9,092,000 (2004 - RM358,000).

Subject to agreement with the tax authorities, certain subsidiaries of the Group have unabsorbed tax losses of approximately RM321,620,000 (2004 - RM296,410,000), for which the related tax effects have not been recognised in the financial statements. These losses are available to be carried forward for set off against future chargeable income when these subsidiaries derive future assessable income of a nature and amount sufficient for the tax losses to be utilised.

10 EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share of the Group is calculated based on the net profit attributable to shareholders divided by the weighted average number of ordinary shares in issue during the financial year, after taking into consideration treasury shares held by the Company.

	Group	
	2005	2004
Net profit attributable to shareholders (RM'000)	902,220	701,550
Weighted average number of ordinary shares in issue ('000)	1,119,181	1,092,255
Basic earnings per share (sen)	80.61	64.23

Diluted earnings per share

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

The diluted earnings per share of the Group are calculated based on the net profit attributable to shareholders divided by the adjusted weighted average number of ordinary shares.

	Group	
	2005	2004
	RM'000	RM'000
Net profit attributable to shareholders	902,220	701,550

10 EARNINGS PER SHARE cont'd

Diluted earnings per share cont'd

The adjusted weighted average number of ordinary shares for the computation of diluted earnings per share is arrived at as follows:

	Group	
	2005	2004
Weighted average number of ordinary shares in issue ('000)	1,119,181	1,092,255
Assumed exercise of Executive Share Option Scheme at beginning of financial year ('000)	992	3,645
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,120,173	1,095,900
Diluted earnings per share (sen)	80.54	64.02

11 DIVIDENDS

	Group and Company	
	2005	2004
	RM'000	RM'000
First interim dividend declared and paid of 20.0 sen (2004 - 12.0 sen) per share less income tax	160,797	97,377
Second interim dividend declared of 15.0 sen per share tax exempt (2004 - 13.0 sen per share less income tax)	167,508	105,128 *
Adjustments in interim dividends paid in respect of previous financial year	(66)	232
	328,239	202,737

* The second interim dividend of 13.0 sen per share less income tax for the previous financial year was declared by the Board of Directors subsequent to the financial year end and hence had not been accrued as a liability as at 30 June 2004.

12 PROPERTY, PLANT AND EQUIPMENT

Group 2005

At Cost	At beginning of financial year RM'000	Additions RM'000	Acquisition of subsidiaries RM'000	Disposals RM'000	Disposal of a subsidiary RM'000	Foreign exchange differences RM'000	Write-offs RM'000	Reclassi- fication RM'000	At end of financial year RM'000
Freehold									
plantations									
Land	424,523	630	—	(970)	—	—	—	—	424,183
Plantation development expenditure	280,365	6,609	—	(844)	—	—	(4,611)	—	281,519
Long term leasehold plantations									
Land	835,690	1,137	—	(272)	—	—	—	(24)	836,531
Plantation development expenditure	1,334,918	21,821	—	—	—	—	(7,094)	2,098	1,351,743
Freehold land	123,801	739	—	(368)	—	136	—	—	124,308
Long term leasehold land	10,726	—	68	—	—	—	—	2	10,796
Short term leasehold land	28,254	—	16,505	—	—	—	—	—	44,759
Freehold golf course	44,016	—	—	—	—	—	—	—	44,016
Buildings and improvements	897,649	33,919	19,821	(4,330)	(5,774)	743	(9,813)	51,383	983,598
Plant and machinery	1,561,194	78,845	47,011	(6,183)	—	2,715	(17,808)	3,605	1,669,379
Motor vehicles	64,981	10,952	680	(3,527)	(611)	29	(1,559)	185	71,130
Furniture, fittings and equipment	122,808	10,491	2,739	(1,466)	(481)	29	(2,766)	1,146	132,500
Construction in progress	102,961	171,252	28	—	—	18	—	(58,395)	215,864
	5,831,886	336,395	86,852	(17,960)	(6,866)	3,670	(43,651)	—	6,190,326

12 PROPERTY, PLANT AND EQUIPMENT cont'd

Group
2005 cont'd

Accumulated Depreciation	At beginning of financial year RM'000	Current year depreciation charge RM'000	Acquisition of subsidiaries RM'000	Disposals RM'000	Disposal of a subsidiary RM'000	Foreign exchange differences RM'000	Write-offs RM'000	Reclassi- fication RM'000	At end of financial year RM'000
Long term leasehold plantations									
Land	104,895	8,733	—	—	—	—	(5,744)	—	107,884
Long term leasehold land	3,997	118	18	—	—	—	—	—	4,133
Short term leasehold land	5,287	743	2,325	—	—	—	—	—	8,355
Buildings and improvements	254,289	26,932	5,224	(1,319)	(5,302)	306	(2,855)	8	277,283
Plant and machinery	779,848	102,443	20,539	(3,007)	—	1,232	(8,342)	(20)	892,693
Motor vehicles	47,884	6,708	617	(2,800)	(372)	5	(1,404)	7	50,645
Furniture, fittings and equipment	68,326	11,961	2,693	(1,224)	(428)	4	(2,379)	5	78,958
	1,264,526	157,638	31,416	(8,350)	(6,102)	1,547	(20,724)	—	1,419,951

12 PROPERTY, PLANT AND EQUIPMENT cont'd

Group
2004

At Cost	At beginning of financial year RM'000	Additions RM'000	Acquisition of subsidiaries RM'000	Adjustments subsequent acquisition # RM'000	Disposals RM'000	Foreign exchange differences RM'000	Write-offs RM'000	Reclassi- fication RM'000	At end of financial year RM'000
Freehold									
plantations									
Land	246,344	1,575	—	—	(1,220)	—	—	177,824	424,523
Plantation development expenditure	164,788	2,356	—	—	(552)	—	—	113,773	280,365
Long term leasehold plantations									
Land	653,918	—	181,772	—	—	—	—	—	835,690
Plantation development expenditure	1,005,277	28,101	416,579	—	(510)	—	(756)	(113,773)	1,334,918
Freehold land	227,599	—	—	41,770	(236)	9,170	—	(154,502)	123,801
Long term leasehold land	10,726	—	—	—	—	—	—	—	10,726
Short term leasehold land	28,254	—	—	—	—	—	—	—	28,254
Freehold golf course	43,886	130	—	—	—	—	—	—	44,016
Buildings and improvements	815,636	17,377	21,808	43,272	(13,603)	13,776	(2,965)	2,348	897,649
Plant and machinery	1,375,315	46,520	48,847	61,790	(7,364)	30,656	(2,944)	8,374	1,561,194
Motor vehicles	58,310	5,676	2,142	—	(1,392)	(71)	(290)	606	64,981
Furniture, fittings and equipment	106,502	12,922	3,555	—	(375)	(56)	(3,450)	3,710	122,808
Construction in progress *	157,265	32,323	1,070	(5,294)	—	341	—	(82,744)	102,961
	4,893,820	146,980	675,773	141,538	(25,252)	53,816	(10,405)	(44,384)	5,831,886

12 PROPERTY, PLANT AND EQUIPMENT cont'd

Group

2004 cont'd

Accumulated Depreciation	At beginning of financial year RM'000	Additions RM'000	Acquisition of subsidiaries RM'000	Adjustments subsequent acquisition # RM'000	Disposals RM'000	Foreign exchange differences RM'000	Write-offs RM'000	Reclassi- fication RM'000	At end of financial year RM'000
Long term leasehold plantations									
Land	99,401	2,811	2,709	—	(126)	—	—	100	104,895
Long term leasehold land	3,881	116	—	—	—	—	—	—	3,997
Short term leasehold land	4,566	721	—	—	—	—	—	—	5,287
Buildings and improvements	193,498	27,390	4,507	26,387	(3,076)	6,995	(1,952)	540	254,289
Plant and machinery	676,061	97,509	15,669	(4,080)	(7,241)	6,370	(2,152)	(2,288)	779,848
Motor vehicles	41,399	6,745	1,561	—	(1,472)	(80)	(258)	(11)	47,884
Furniture, fittings and equipment	57,038	11,084	1,976	—	(335)	(41)	(3,055)	1,659	68,326
	1,075,844	146,376	26,422	22,307	(12,250)	13,244	(7,417)	—	1,264,526

* Construction in progress completed during the previous financial year amounted RM44,384,000 have been transferred to investment properties.

Adjustments to fair value of identifiable assets and liabilities of Loders Croklaan Group B. V. and its subsidiaries subsequent to acquisition in accordance with the provisions of Financial Reporting Standard 122, Business Combinations.

12 PROPERTY, PLANT AND EQUIPMENT cont'd

Company
2005

At Cost	At beginning of financial year RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassi- fication RM'000	At end of financial year RM'000
Freehold plantations						
Land	172,737	—	(716)	—	—	172,021
Plantation development expenditure	126,425	4,762	(672)	(3,262)	—	127,253
Long term leasehold plantations						
Land	9,523	172	—	—	—	9,695
Plantation development expenditure	44,219	—	—	—	—	44,219
Freehold land	2,115	—	—	—	—	2,115
Buildings and improvements	27,211	2,120	(165)	(87)	(7)	29,072
Plant and machinery	30,738	970	(61)	(193)	103	31,557
Motor vehicles	6,077	1,146	(181)	—	—	7,042
Furniture, fittings and equipment	10,586	1,197	(85)	(231)	206	11,673
Construction in progress	302	618	—	—	(302)	618
	429,933	10,985	(1,880)	(3,773)	—	435,265

Accumulated Depreciation	At beginning of financial year RM'000	Current year depreciation charge RM'000	Disposals RM'000	Write-offs RM'000	At end of financial year RM'000
Long term leasehold plantations					
Land	1,349	105	—	—	1,454
Buildings and improvements	8,660	1,240	(57)	(33)	9,810
Plant and machinery	21,660	2,611	(50)	(172)	24,049
Motor vehicles	4,317	819	(176)	—	4,960
Furniture, fittings and equipment	6,976	912	(65)	(210)	7,613
	42,962	5,687	(348)	(415)	47,886

12 PROPERTY, PLANT AND EQUIPMENT cont'd

Company
2004

At Cost	At beginning of financial year RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassi- fication RM'000	At end of financial year RM'000
Freehold plantations						
Land	172,526	433	(222)	—	—	172,737
Plantation development expenditure	124,442	2,215	(232)	—	—	126,425
Long term leasehold plantations						
Land	9,523	—	—	—	—	9,523
Plantation development expenditure	44,219	—	—	—	—	44,219
Freehold land	2,115	—	—	—	—	2,115
Buildings and improvements	25,484	1,815	—	(469)	381	27,211
Plant and machinery	30,028	800	(13)	(593)	516	30,738
Motor vehicles	5,246	1,186	(355)	—	—	6,077
Furniture, fittings and equipment	9,917	844	(49)	(164)	38	10,586
Construction in progress	935	302	—	—	(935)	302
	424,435	7,595	(871)	(1,226)	—	429,933

Accumulated Depreciation	At beginning of financial year RM'000	Current year depreciation charge RM'000	Disposals RM'000	Write-offs RM'000	At end of financial year RM'000
Long term leasehold plantations					
Land	1,244	105	—	—	1,349
Buildings and improvements	7,813	1,132	—	(285)	8,660
Plant and machinery	19,578	2,511	(11)	(418)	21,660
Motor vehicles	3,956	629	(268)	—	4,317
Furniture, fittings and equipment	6,305	844	(39)	(134)	6,976
	38,896	5,221	(318)	(837)	42,962

12 PROPERTY, PLANT AND EQUIPMENT cont'd

Net Book Value	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Freehold plantations				
Land	424,183	424,523	172,021	172,737
Plantation development expenditure	281,519	280,365	127,253	126,425
Long term leasehold plantations				
Land	728,647	730,795	8,241	8,174
Plantation development expenditure	1,351,743	1,334,918	44,219	44,219
Freehold land	124,308	123,801	2,115	2,115
Long term leasehold land	6,663	6,729	—	—
Short term leasehold land	36,404	22,967	—	—
Freehold golf course	44,016	44,016	—	—
Buildings and improvements	706,315	643,360	19,262	18,551
Plant and machinery	776,686	781,346	7,508	9,078
Motor vehicles	20,485	17,097	2,082	1,760
Furniture, fittings and equipment	53,542	54,482	4,060	3,610
Construction in progress	215,864	102,961	618	302
	4,770,375	4,567,360	387,379	386,971

Included in long-term leasehold plantations and construction in progress is an amount of interest expense capitalised during the financial year amounted to RM3,936,000 (2004 - RM2,670,000) for the Group.

Freehold and leasehold landed properties of the Group and of the Company at net book value of RM654,000 (2004 - RM947,135,000) and nil (2004 - RM26,028,000) respectively have been charged to banks for credit facilities granted to the Group and the Company.

13 SUBSIDIARIES

	Company	
	2005	2004
At cost		
Shares quoted in Malaysia	1,208,470	1,086,975
Unquoted shares in Malaysia	2,098,923	1,434,527
Unquoted shares outside Malaysia	532,729	455,795
	3,840,122	2,977,297
Less: impairment losses	(5,724)	(5,724)
	3,834,398	2,971,573
At market value		
Shares quoted in Malaysia	2,874,786	2,819,696

Details of the subsidiaries are set out in Note 45.

13 SUBSIDIARIES cont'd

During the current financial year, the Company:

- a acquired the following indirect subsidiaries from the direct subsidiaries pursuant to an internal restructuring exercise for the purpose of streamlining subsidiaries within the Group to create a more efficient group structure:

Subsidiaries acquired	Acquired from	Interest acquired	Purchase consideration
		%	RM
IOI Bio-Energy Sdn Bhd	IOI Edible Oils Sdn Bhd	100	700,000
IOI Specialty Fats Sdn Bhd	IOI Edible Oils Sdn Bhd	100	23,725,000
Ladang Sabah Sdn Bhd	Ladang Sabah Holdings Sdn Bhd	100	375,062,000
Terusan Baru Sdn Bhd	Ladang Sabah Sdn Bhd	100	44,262,000
Morisem Plantation Sdn Bhd	Morisem Consolidated Sdn Bhd	70	43,634,000
Morisem (Sabah) Sdn Bhd	Morisem Sdn Bhd	100	64,746,000
PR Enterprise Sdn Bhd	Morisem Palm Oil Mill Sdn Bhd	100	53,486,000
Priceland Sdn Bhd	Morisem Palm Oil Mill Sdn Bhd	100	46,401,000
Meriteam Sdn Bhd	Morisem Palm Oil Mill Sdn Bhd	100	31,732,000
Permodalan Plantations Sdn Bhd	Future Growth Sdn Bhd	70	11,189,000

The considerations for the above acquisitions were settled by way of crediting the inter-company balances of the respective direct subsidiaries with the Company.

- b subscribed for additional shares of EUR12.0 million in Loders Croklaan Group B. V. ("LC Group"). The consideration for the subscription was settled by off setting the amount due from LC Group to the Company.
- c redeemed 50,000 redeemable preference shares of RM0.50 each plus a premium of RM99.50 each in Resort Villa Golf Course Development Sdn Bhd ("RVGCD"). The total redemption amount of RM5,000,000 was settled by issuance of 25,000 new ordinary shares of RM1.00 each in RVGCD and payment of RM4,975,000 by utilising the amount due to RVGCD.

The amounts due from and to subsidiaries represent outstanding amounts arising from inter-company sales and purchases, advances and payments made on behalf of or by subsidiaries. These amounts are unsecured, bear interest at rates ranging from 0% to 7.0% (2004 - 0% to 5.5%) per annum. Except for the non-current portion, the amounts due from and to subsidiaries have no fixed terms of repayment.

14 ASSOCIATES

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
At cost				
Unquoted shares	100,987	100,987	29,300	2,500
Share of post acquisition results and reserves of associates	134,277	109,679	—	—
Discount on acquisition amortised	14,177	11,970	—	—
	148,454	121,649	—	—
Interest in associates (Note 14.1)	249,441	222,636	29,300	2,500

14 ASSOCIATES cont'd

Details of the associates are set out in Note 45.

During the current financial year, the Company acquired 30% equity interest in Reka Halus Sdn Bhd from Ladang Sabah Sdn Bhd for a purchase consideration of RM26,800,000 pursuant to an internal restructuring exercise as explained in Note 13 a.

Amounts due to associates represent outstanding amounts arising from agency income, purchases and payments made on behalf of or by associates which are unsecured, interest-free and have no fixed terms of repayment.

14.1 Interest in associates

	Group	
	2005 RM'000	2004 RM'000
Share of net tangible assets	279,410	254,812
Discount on acquisition of associates (Note 14.2)	(29,969)	(32,176)
	249,441	222,636

14.2 Discount on acquisition of associates

The movement in discount on acquisition of associates during the financial year is as follows:

	Group	
	2005 RM'000	2004 RM'000
Balance at beginning of financial year	(32,176)	(34,384)
Amortisation for the financial year	2,207	2,208
Balance at end of financial year	(29,969)	(32,176)

15 INVESTMENT PROPERTIES

	Group	
	2005 RM'000	2004 RM'000
At cost		
Freehold land and buildings	44,412	44,384
Leasehold land and buildings	1,999	1,999
	46,411	46,383
At valuation		
Freehold land and buildings	301,476	377,110
Leasehold land and buildings	160,289	157,184
	461,765	534,294
	508,176	580,677

15 INVESTMENT PROPERTIES cont'd

Investment properties comprise:

Name of building/location	Description	Tenure of land	Net lettable area
IOI Mall Bandar Puchong Jaya Puchong Selangor Darul Ehsan	3 storey shopping mall	Freehold	58,970 sq. metre
IOI Business Park Bandar Puchong Jaya Puchong Selangor Darul Ehsan	38 units of commercial lot	Freehold	5,650 sq. metre
Mayang Plaza Jalan SS 26/2, Taman Mayang Jaya Petaling Jaya Selangor Darul Ehsan	4 storey commercial complex	Freehold	12,575 sq. metre
IOI Resort Putrajaya	33 units of residential bungalow	Freehold	22,082 sq. metre
One IOI Square IOI Resort Putrajaya	12 storey office building	Freehold	18,092 sq. metre
IOI Mall Bandar Putra, Kulai Johor Bahru Johor Darul Takzim	3 storey shopping mall	Freehold	22,398 sq. metre
IOI Plaza 210 Middle Road Singapore	12 storey office building	Leasehold	8,740 sq. metre
Flat 28 Marathon House 200 Marylebone Road London NW1 5 PW	Residential apartment	Leasehold	Net built up area: 80 sq. metre

Leasehold land and buildings stated at cost amounted to RM1,999,000 (2004 - RM1,999,000) represent an investment property acquired in 1999 and has not been revalued subsequently as the amount is insignificant.

Certain investment properties with carrying amount of RM160,289,000 (2004 - RM235,231,000) have been pledged to banks for credit facilities granted to subsidiaries.

16 OTHER LONG TERM INVESTMENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At cost				
In Malaysia				
- Quoted shares	35,161	36,118	13,128	14,085
- Unquoted shares	1,783	1,783	860	860
- Quoted Warrants	2,185	2,185	2,185	2,185
Outside Malaysia				
- Quoted shares	5	5	5	5
	39,134	40,091	16,178	17,135
Less: allowance for diminution in value	(8,435)	(8,048)	(6,284)	(6,284)
	30,699	32,043	9,894	10,851
At market value				
- Shares quoted in Malaysia	31,511	38,632	6,148	7,845
- Warrants quoted in Malaysia	113	414	113	414

17 LAND HELD FOR PROPERTY DEVELOPMENT

Group

	Freehold land RM'000	Long term leasehold land RM'000	Development cost RM'000	Total RM'000
2005				
At cost				
At beginning of financial year	365,162	274	287,081	652,517
Cost incurred	—	—	76,659	76,659
Disposed	(619)	—	(121)	(740)
Addition through subsidiary acquired	27,052	—	2,350	29,402
Transfer to property development costs (Note 19)	(29,137)	—	(89,343)	(118,480)
Transfer to investment properties	(107)	—	(1,858)	(1,965)
At end of financial year	362,351	274	274,768	637,393
2004				
At cost				
At beginning of financial year	385,437	274	264,318	650,029
Cost incurred	350	—	80,265	80,615
Disposed	(393)	—	—	(393)
Transfer to property development costs (Note 19)	(20,232)	—	(57,502)	(77,734)
At end of financial year	365,162	274	287,081	652,517

Included in development cost is interest expense incurred during the financial year amounted to RM357,000 (2004 - RM536,000).

18 GOODWILL ON CONSOLIDATION

	Group	
	2005	2004
At beginning of financial year	429,433	415,565
Arising from acquisition of additional shares in subsidiaries	40,467	54,968
Arising from purchase of own shares by subsidiaries	5,851	181
Arising from disposal of a subsidiary	(2)	—
Arising from acquisition of subsidiaries (Note 35.3)	—	56,155
Arising from adjustments subsequent to acquisition in a subsidiary #	—	(69,580)
Arising from discount received on purchase consideration of acquisition of subsidiaries **	—	(5,947)
	475,749	451,342
Amortisation for the financial year	(28,264)	(21,909)
At end of financial year	447,485	429,433

Adjustments to fair value of identifiable assets and liabilities of Loders Crokiaan Group B. V. and its subsidiaries subsequent to acquisition in accordance with the provisions of Financial Reporting Standard 122, Business Combinations.

** Reduction of purchase consideration for the acquisition of Unipamol Malaysia Sdn Bhd and Pamol Plantations Sdn Bhd.

19 PROPERTY DEVELOPMENT COSTS

Group

	Freehold land	Development	Accumulated charged to income	Total
	RM'000	cost RM'000	statement RM'000	RM'000
2005				
At cost				
At beginning of financial year	146,172	1,792,152	(1,754,920)	183,404
Cost incurred	—	216,223	—	216,223
Transfer from land held for property development (Note 17)	29,137	89,343	—	118,480
Transfer to inventories	(1,010)	(14,100)	—	(15,110)
Recognised as expense in the income statement	—	—	(266,302)	(266,302)
At end of financial year	174,299	2,083,618	(2,021,222)	236,695
2004				
At cost				
At beginning of financial year	134,444	1,590,058	(1,392,138)	332,364
Cost incurred	—	265,663	—	265,663
Transfer from land held for property development (Note 17)	20,232	57,502	—	77,734
Transfer to inventories	(8,504)	(121,071)	—	(129,575)
Recognised as expense in the income statement	—	—	(362,782)	(362,782)
At end of financial year	146,172	1,792,152	(1,754,920)	183,404

Included in development expenditure is interest expense incurred during the financial year amounted to RM349,000 (2004 - RM542,000).

20 INVENTORIES

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
At cost				
Plantation produce	86,631	69,519	1,353	2,394
Raw materials and consumables	400,637	314,996	2,403	2,067
Completed development properties	47,214	37,561	—	—
Nursery inventories	2,764	3,388	842	1,220
Trading inventories	94	28,766	—	—
Finished goods	173,545	130,445	—	—
Others	7,725	5,630	—	—
	718,610	590,305	4,598	5,681
At net realisable value				
Raw materials and consumables	—	12,518	—	—
Completed development properties	820	1,455	—	—
	719,430	604,278	4,598	5,681

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Trade receivables (Note 21.1)	477,354	553,811	270	590
Other receivables, deposits and prepayments (Note 21.2)	115,405	116,007	16,885	13,048
Accrued billings	103,672	133,361	—	—
Amount due from customers on contracts (Note 21.3)	520	410	—	—
	696,951	803,589	17,155	13,638

21.1 Trade receivables

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Trade receivables	486,070	564,703	270	590
Allowance for doubtful debts	(8,716)	(10,892)	—	—
	477,354	553,811	270	590

21 TRADE AND OTHER RECEIVABLES cont'd

21.1 Trade receivables

Bad debts written off during the financial year against allowances created in the previous financial years are as follows:

	Group	
	2005	2004
	RM'000	RM'000
Bad debts written off	956	900

Allowance for doubtful debts on trade receivables relating to subsidiary disposed during the financial year amounted to RM671,000 (2004 - nil).

21.2 Other receivables, deposits and prepayments

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Prepaid lease rental (Note 21.2.1)	28,959	38,788	—	—
Other receivables	57,551	57,938	5,688	7,901
Other deposits	7,953	8,159	794	426
Prepayments	22,129	12,309	10,403	4,721
Allowance for doubtful debts on other receivables	(1,187)	(1,187)	—	—
	115,405	116,007	16,885	13,048

Bad debts written off during the financial year against allowances created in the previous financial years are as follows:

	Group	
	2005	2004
	RM'000	RM'000
Bad debts written off	—	33

21.2.1 Prepaid lease rental

This represents the advance lease rental paid for two pieces of land as follows:

- Advance lease rental amounted to RM13,644,000 for a piece of land for a lease period of 50 years with a renewal term of 16 years which covers a net area of 9,605 acres for cultivation of oil palm. The prepaid lease rental is amortised to the income statement over the lease period of 50 years.

The remaining lease rental which ranges from RM1,000,000 to RM1,610,000 per annum will be payable commencing from year 2006 to year 2066.

- Advance lease rental amounted to RM15,315,000 for a piece of land for a lease period of 60 years which covers a net area of 7,932 acres for cultivation of oil palm. The prepaid lease rental is amortised to the income statement over the lease period of 60 years.

The remaining lease rental which ranges from RM200,000 to RM1,000,000 per annum will be payable commencing from year 2004 to year 2056.

21 TRADE AND OTHER RECEIVABLES cont'd

21.3 Amount due from customers on contracts

	Group	
	2005 RM'000	2004 RM'000
Aggregate cost incurred to date	22,749	20,530
Recognised profit	4,800	4,234
	27,549	24,764
Progress billings	(27,029)	(24,354)
Amount due from customers on contracts	520	410

22 SHORT TERM INVESTMENTS

	Group	
	2005 RM'000	2004 RM'000
At cost		
In Malaysia		
- Quoted shares	452	452
- Loan stocks	11	11
Outside Malaysia		
- Quoted shares	16,189	16,189
- Unquoted shares	5	5
	16,657	16,657
Less: allowance for diminution in value	(14,600)	(13,144)
	2,057	3,513
At market value		
In Malaysia		
- Quoted shares	30	29
- Loan stocks	12	12
Outside Malaysia		
- Quoted shares	3,831	4,624
- Quoted warrants *	—	170

* Bonus issue, no cost incurred

23 SHORT TERM FUNDS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Investment in fixed income trust funds				
in Malaysia	1,023,739	21,254	941,375	—

24 DEPOSITS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits with licensed banks	497,221	330,031	203,418	7,143
Deposits with discount houses	93,225	9,534	40,700	—
	590,446	339,565	244,118	7,143

Included in the deposits with licensed banks of the Group and of the Company as at end of the previous financial year was fixed deposit of RM1,000,000 pledged as security for a fixed loan facility granted to the Company.

25 CASH AND BANK BALANCES

Included in the Group's cash and bank balances is an amount of RM209,741,000 (2004 - RM240,744,000) held under Housing Development Account pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 which is not available for general use by the Group.

26 TRADE AND OTHER PAYABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade payables (Note 26.1)	205,786	268,158	1,826	2,927
Other payables and accruals (Note 26.2)	268,754	301,597	37,636	23,644
Progress billings	14,592	44,856	—	—
	489,132	614,611	39,462	26,571

26.1 Trade payables

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade payables	205,786	268,158	1,826	2,927

Included in trade payables of the Group are retention monies of RM42,296,000 (2004 - RM41,234,000).

26 TRADE AND OTHER PAYABLES cont'd

26.2 Other payables and accruals

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Land premium payable	26,671	29,449	—	—
Advances from minority shareholders of subsidiaries to the subsidiaries	13,637	16,675	—	—
Other payables	77,925	150,083	25,961	9,546
Customer and other deposits	20,290	21,380	541	441
Accruals	130,231	84,010	11,134	13,657
	268,754	301,597	37,636	23,644

27 BANK OVERDRAFTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Secured	—	3,364	—	—
Unsecured	8,569	12,445	—	6,516
	8,569	15,809	—	6,516

The secured bank overdrafts as at end of previous financial year were secured by way of fixed charges over certain freehold and leasehold landed properties of the Group and of the Company. Additionally, certain bank overdrafts of the subsidiaries are secured by fixed and floating charges over their other assets. The bank overdrafts bear interest at rates ranging from 3.73% to 11.6% (2004 - 3.80% to 6.00%) per annum. The significantly higher interest rate of 11.6% incurred during the current financial year is in respect of an indirect subsidiary in Egypt.

28 SHORT TERM BORROWINGS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Secured				
Term loans - portion due within 12 months (Note 31)	94,273	357,889	—	228,792
Revolving credits (Note 28.1)	23,705	30,032	—	—
Trade financing (Note 28.2)	—	30,520	—	—
	117,978	418,441	—	228,792
Unsecured				
Term loans - portion due within 12 months (Note 31)	—	56,000	—	56,000
Short term loans (Note 28.3)	—	232,000	—	232,000
Revolving credits (Note 28.1)	—	53,000	—	53,000
	—	341,000	—	341,000
	117,978	759,441	—	569,792

28 SHORT TERM BORROWINGS cont'd

28.1 Revolving credits

The secured revolving credits are secured by way of fixed charges over certain leasehold landed properties of the Group and of the Company. The revolving credits bear interest at rates ranging from 1.61% to 3.5% (2004 - 1.39% to 4.75%) per annum.

28.2 Trade financing

The secured trade financing is secured by way of fixed charges over certain leasehold landed properties of the Group. Trade financing utilised during the financial year subject to interest at rates ranging from 2.27% to 2.71% (2004 - 2.11% to 2.42%) per annum.

28.3 Short term loans

The Company has entered into a RM300 million Islamic Notes Issuance Facility on 21 May 2002. The RM300 million Islamic Notes Issuance Facility comprises the issuance of Commercial Papers ("CPs") with maturity of one (1) to twelve (12) months and/or Medium Term Notes ("MTNs") with maturity of one (1) to seven (7) years based on the Syariah Principle of Al-Murabahah.

The CPs issued by the Company during the financial year bear yield to maturity ranging from 2.72% to 2.87% (2004 - 2.82% to 3.18%) per annum. The Company has not issued any MTNs during the financial year.

Total CPs issued as at 30 June 2004 amounted to RM232,000,000 was included in the unsecured short term loans.

29 SHARE CAPITAL

	Group and Company			
	2005		2004	
	No. of shares	RM'000	No. of shares	RM'000
Ordinary shares of RM0.50 each				
Authorised	1,500,000,000	750,000	1,500,000,000	750,000
Issued and fully paid-up				
At beginning of financial year	1,165,234,990	582,618	1,080,800,685	540,400
Issue of shares arising from the acquisition of subsidiaries at RM5.20 per share	—	—	72,105,305	36,053
Issue of shares arising from exercise of options granted under the Executive Share Option Scheme				
At RM2.13 per share	41,000	20	568,000	284
At RM2.37 per share	2,000	1	74,000	37
At RM2.61 per share	62,000	31	499,000	250
At RM2.71 per share	20,000	10	1,310,000	655
At RM3.58 per share	68,000	34	959,000	480
At RM3.77 per share	94,000	47	732,000	366
At RM5.20 per share	2,767,000	1,384	8,007,000	4,003
At RM6.90 per share	1,140,000	570	180,000	90
At RM7.50 per share	3,380,000	1,690	—	—
	7,574,000	3,787	12,329,000	6,165
Transfer to capital reserve arising from cancellation of treasury shares (Note 30.1)	(54,327,500)	(27,164)	—	—
At end of financial year	1,118,481,490	559,241	1,165,234,990	582,618

Of the total 1,118,481,490 (2004 - 1,165,234,990) issued and fully paid-up ordinary shares, 1,758,700 (2004 - 42,071,900) are held as treasury shares (Note 30.2) by the Company. Accordingly, the number of outstanding shares in issue and fully paid-up as at 30 June 2005 after deducting treasury shares held is 1,116,722,790 (2004 - 1,123,163,090) ordinary shares of RM0.50 each.

29.1 Executive Share Option Scheme

An Executive Share Option Scheme ("ESOS") was implemented on 5 April 1995 for the benefit of the executives and full time executive directors of the Group. The committee appointed by the Board of Directors to administer the ESOS ("Option Committee"), may from time to time offer options to eligible executives of the Group to subscribe for new ordinary shares of RM0.50 each in the Company. The original option period of 5 years which expired on 4 April 2000 has been extended for another 5 years and expired on 4 April 2005.

29 SHARE CAPITAL cont'd

29.1 Executive Share Option Scheme cont'd

The movements of the options over unissued shares of the Company granted under the ESOS during the financial year are as follows:

		No. of share options				
Option price	Date of offer	As at beginning of the financial year	Offered and accepted	Exercised	Lapsed	As at end of the financial year
2005						
RM2.71	11 May 1995	128,000	—	20,000	108,000	—
RM3.77	8 November 1996	94,000	—	94,000	—	—
RM2.61	27 August 1997	182,000	—	62,000	120,000	—
RM2.13	1 December 1999	41,000	—	41,000	—	—
RM2.37	6 January 2001	2,000	—	2,000	—	—
RM3.58	28 December 2001	69,000	—	68,000	1,000	—
RM5.20	10 June 2003	2,797,000	—	2,767,000	30,000	—
RM6.90	14 November 2003	1,140,000	—	1,140,000	—	—
RM7.50	17 June 2004	—	3,642,000	3,380,000	262,000	—
	Total	4,453,000	3,642,000	7,574,000	521,000	—
2004						
RM2.71	11 May 1995	1,438,000	—	1,310,000	—	128,000
RM2.61	10 January 1996	145,000	—	145,000	—	—
RM3.77	8 November 1996	826,000	—	732,000	—	94,000
RM2.61	27 August 1997	551,000	—	354,000	15,000	182,000
RM2.13	23 December 1998	35,000	—	35,000	—	-
RM2.13	1 December 1999	574,000	—	533,000	—	41,000
RM2.37	6 January 2001	76,000	—	74,000	—	2,000
RM3.58	28 December 2001	1,046,000	—	959,000	18,000	69,000
RM5.20	10 June 2003	10,893,000	—	8,007,000	89,000	2,797,000
RM6.90	14 November 2003	—	1,320,000	180,000	—	1,140,000
	Total	15,584,000	1,320,000	12,329,000	122,000	4,453,000

The aggregate proceeds and fair value of shares issued arising from the exercise of the share options during the financial year are as follows:

	2005 RM'000	2004 RM'000
Ordinary share capital	3,787	6,165
Share premium	44,723	49,144
Aggregate proceeds received on shares issued	48,510	55,309
Fair value at date of issue	68,148	96,265

30 RESERVES

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Share premium	890,919	1,152,750	890,919	1,152,750
Revaluation surplus	82,310	82,385	—	—
Capital reserve (Note 30.1)	156,422	9,330	27,164	—
Foreign exchange fluctuation reserve	(101,357)	(35,831)	(44,384)	—
Reserve on consolidation	7,263	6,597	—	—
Treasury shares, at cost (Note 30.2)	(15,869)	(194,168)	(15,869)	(194,168)
Retained profits	3,283,399	2,814,471	1,354,980	860,001
	4,303,087	3,835,534	2,212,810	1,818,583

The movements in reserves are shown in the statements of changes in equity.

30.1 Capital reserve

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Net accretion in Group's share of net assets arising from shares issued by certain subsidiaries to minority shareholders	9,330	9,330	—	—
Equity component of the USD310 million Zero Coupon Guaranteed Exchangeable Bonds due 2009 (Note 31.2)	119,928	—	—	—
Capital redemption reserve arising from the cancellation of treasury shares (Note 29)	27,164	—	27,164	—
	156,422	9,330	27,164	—

30.2 Treasury shares

The shareholders of the Company, by a special resolution passed in an extraordinary general meeting held on 18 November 1999, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company which comprises ordinary shares with par value of RM0.50 each ("Share Buy Back"). The authority granted by the shareholders was subsequently renewed during the last Annual General Meeting of the Company on 21 October 2004.

The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the Share Buy Back can be applied in the best interests of the Company and its shareholders.

30 RESERVES cont'd

30.2 Treasury shares cont'd

During the financial year, the Company bought back its issued shares from the open market and cancelled the treasury shares as follows:

	No. of Shares	Cost RM	Highest RM	Purchase Price Per Share Lowest RM	Average RM
2005					
At beginning of financial year	42,071,900	194,168,028	8.28	2.04	4.62
Purchases prior to cancellation					
July 2004	1,238,800	10,303,594	8.33	8.30	8.32
August 2004	1,279,700	10,972,092	8.57	8.57	8.57
September 2004	882,600	7,565,905	8.57	8.57	8.57
November 2004	4,865,100	45,894,239	9.50	9.38	9.43
December 2004	3,989,400	37,649,755	9.48	9.38	9.44
	12,255,600	112,385,585	9.50	8.30	9.17
Total prior to cancellation	54,327,500	306,553,613	9.50	2.04	5.64
Cancellation	(54,327,500)	(306,553,613)	9.50	2.04	5.64
Purchases subsequent to cancellation					
April 2005	1,758,700	15,869,462	8.68	9.03	9.02
At end of financial year	1,758,700	15,869,462	8.68	9.03	9.02
2004					
At beginning of financial year	36,624,000	150,658,566	5.72	2.04	4.11
Purchases during the financial year					
May 2004	1,482,500	11,774,567	8.13	7.89	7.94
June 2004	3,965,400	31,734,895	8.28	7.38	8.00
	5,447,900	43,509,462	8.28	7.38	7.99
At end of financial year	42,071,900	194,168,028	8.28	2.04	4.62

From the beginning of the financial year until 13 January 2005, the Company repurchased 12,255,600 of its issued share capital from the open market. The average price paid for the shares repurchased was RM9.17 per share. The shares repurchased were held as treasury shares until 13 January 2005, the date of which the Company cancelled all its accumulated 54,327,500 treasury shares with carrying amount of RM306,553,613 or at an average price of RM5.64 per share. The share capital cancelled amounted to RM27,164,000 was transferred to capital redemption reserve and the consideration paid for the shares cancelled was set off against the share premium in accordance with the requirement of Section 67A of the Companies Act, 1965.

Subsequent to the above cancellation of treasury shares, the Company repurchased 1,758,700 of its issued share capital from the open market. The average price paid for the shares repurchased was RM9.02 per share. The shares repurchased are being held as treasury shares and treated in accordance with the requirement of Section 67A of the Companies Act, 1965.

The repurchase transactions were financed by internally generated funds.

30 RESERVES cont'd

30.3 Distributable reserves

Subject to agreement with the tax authorities:

- i the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 to frank approximately RM302,539,000 (2004 - RM132,418,000) of its retained profits if paid out as dividends; and
- ii the Company has approximately RM303,874,000 (2004 - RM170,169,000) in its tax exempt accounts available for distribution of tax exempt dividends.

Any dividend paid in excess of the aggregated amount indicated in i and ii above would result in a tax charge and payable calculated at 28% (2004 - 28%) on the gross amount of the additional dividend paid.

31 LONG TERM BORROWINGS

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Secured				
Term loans	257,129	1,571,748	—	1,090,959
Less: portion due within 12 months included under short term borrowings (Note 28)	(94,273)	(357,889)	—	(228,792)
Total secured term loan	162,856	1,213,859	—	862,167
Unsecured				
Term loans	—	116,000	—	116,000
Less: portion due within 12 months included under short term borrowings (Note 28)	—	(56,000)	—	(56,000)
Total unsecured term loan	—	60,000	—	60,000
USD310 million Zero Coupon Guaranteed Exchangeable Bonds due 2009 (Note 31.2)	1,043,135	—	—	—
USD500 million 5.25% Guaranteed Notes due 2015 (Note 31.3)	1,886,892	—	—	—
	2,930,027	—	—	—
	3,092,883	1,273,859	—	922,167

31.1 Term loans

The secured term loans of the Group and of the Company include:

- i RM350 million term loan that is secured by a fixed charge over shares in Unipamol Sdn Bhd and Pamol Plantations Sdn Bhd. The outstanding amount as at end of the financial year is RM218,750,000 (2004 - RM306,250,000). This term loan bears interest at 4.5% per annum and is repayable by equal quarterly instalments of RM21.875 million commencing January 2004.

31 LONG TERM BORROWINGS cont'd

31.1 Term loans cont'd

- ii SGD20 million term loan pertaining to a foreign incorporated subsidiary that is secured by a first legal charge over the subsidiary's investment property. The outstanding amount as at end of the financial year is SGD17 million (2004 – SGD19 million). This term loan bears interest at rates ranging from 1.42% to 2.92% (2004 - 1.39% to 1.73%) per annum and is repayable by annual instalments of varying amounts over 5 years commencing June 2004.
- iii EUR230 million term loan for the previous financial year that was secured by fixed charges over shares in IOI Corporation N.V., Loders Croklaan Group B. V. and its subsidiaries. The EUR230 million term loan bore interest at rates ranging from 2.96% to 3.04% (2004 - 2.93% to 3.04%) per annum and was repayable by 6 equal semi-annual instalments of EUR23 million and 2 equal semi-annual instalments of EUR46 million commencing December 2004. During the current financial year, this term loan was fully repaid and refinanced by the issuance of USD500 million 5.25% Guaranteed Notes due 2015.

The other outstanding secured term loans of the Group and of the Company as at end of previous financial year were secured by fixed charges over certain freehold and leasehold plantations of the Group. Additionally, certain term loans of the subsidiaries were secured by fixed and floating charges over their other assets. These term loans bore interest at rates ranging from 3.50% to 7.65% per annum.

The term loans are repayable by instalments of varying amounts over the following periods:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Within 2 years	181,773	787,479	–	533,084
Between 2 to 5 years	75,356	866,465	–	673,875
After 5 years	–	33,804	–	–
	257,129	1,687,748	–	1,206,959

31.2 USD310 Million Zero Coupon Guaranteed Exchangeable Bonds due 2009

On 17 September 2004, the Company's wholly owned subsidiary, IOI Investment (L) Berhad ("IOIL" or the "Issuer"), a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, issued USD310 million Zero Coupon Guaranteed Exchangeable Bonds due 2009 (the "Bonds"). The Bonds were issued at 100% of the principal amount and listed on the Singapore Exchange Securities Trading Limited and the Labuan International Financial Exchange and will mature on 18 September 2009. The Bonds are unconditionally and irrevocably guaranteed by the Company.

The salient features of the Bonds are as follows:

- i The Bonds are exchangeable at any time on and after 28 October 2004 and prior to 8 September 2009 by holders of the Bonds (the "Bondholders") into newly issued ordinary shares of par value RM0.50 per share of the Company (the "Shares"), at an initial exchange price of RM11.06 per Share at a fixed exchange rate USD1.00 = RM3.80 (the "Exchange Price"). The Exchange Price is subject to adjustment in certain circumstances.

31 LONG TERM BORROWINGS cont'd

31.2 USD310 Million Zero Coupon Guaranteed Exchangeable Bonds due 2009 cont'd

- ii The Issuer or the Company may, at its option, satisfy its obligation to deliver Shares pursuant to the exercise of the right of exchange by a Bondholder, in whole or in part, by paying to the relevant Bondholder an amount of cash in US Dollar equal to the product of the number of Shares otherwise deliverable and the volume weighted average of the closing price of the Shares for each day during the 10 trading days immediately before the exchange date.
- iii Unless the Bonds have been previously redeemed, repurchased and cancelled or exchanged, each Bondholder has the right, at such Bondholder's option, to require the Issuer to repurchase all or any part of its Bonds at the Accreted Principal Amount of 101.76% on 8 August 2006.
- iv The Bonds are redeemable in whole or in part, at the option of the Issuer at the issue price plus accrual yield of 0.875% compounded semi annually ("Accreted Principal Amount"):
 - a on or after 1 October 2007, if:
 - the closing price of the Shares translated into US Dollar at the prevailing screen rate, is at least 130% of the Accreted Principal Amount divided by the exchange ratio for a period of any 20 consecutive trading days in the period of 30 consecutive trading days immediately preceding the date of the notice of redemption; and
 - the closing price of the Shares is at least 130% of the Accreted Principal Amount divided by the exchange ratio for a period of any 20 consecutive trading days in the period of 30 consecutive trading days immediately preceding the date of the notice of redemption; or
 - b at any time, if less than USD10 million in aggregate principal amount of the Bonds remain outstanding.
- v Unless previously redeemed, repurchased and cancelled or exchanged, the Bonds will be redeemed at their Accreted Principal Amount of 104.46% on 18 September 2009.

The Bonds are recognised in the balance sheet as follows:

	Group 2005 RM'000
Face value	1,178,000
Equity component (Note 30.1)	(119,928)
Deferred tax liability (Note 33)	(46,638)
Liability component on initial recognition	1,011,434
Interest expense	31,701
Liability component as at end of financial year	1,043,135

31 LONG TERM BORROWINGS cont'd

31.3 USD500 Million 5.25% Guaranteed Notes due 2015

On 16 March 2005, the Company's wholly owned subsidiary, IOI Ventures (L) Berhad, a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, issued 10-year USD500 million Guaranteed Notes at an issue price of 99.294% (the "Notes"). The Notes are listed on the Singapore Exchange Securities Trading Limited and the Labuan International Financial Exchange. The Notes carry an interest rate of 5.25% per annum payable semi-annually in arrears on 16 March and 16 September commencing 16 September 2005 and will mature on 16 September 2015. The Notes are unconditionally and irrevocably guaranteed by the Company.

The Notes are recognised in the balance sheet as follows:

	Group 2005 RM'000
Principal amount	1,900,000
Discount on issue price	(13,414)
Net proceeds received	1,886,586
Interest expense	306
As at end of financial year	1,886,892

32 OTHER LONG TERM LIABILITIES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Retirement benefits (Note 32.1)	55,439	59,399	1,042	561
Club membership deposits	15,160	15,115	—	—
	70,599	74,514	1,042	561

32.1 Retirement benefits

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Present value of funded obligations	258,306	193,906	—	—
Fair value of plan assets	(174,754)	(152,470)	—	—
	83,552	41,436	—	—
Present value of unfunded obligations	10,830	9,825	1,111	1,034
Present value of net obligations	94,382	51,261	1,111	1,034
Unrecognised actuarial (losses)/gains	(38,943)	8,840	(69)	(17)
Unrecognised transitional liability	—	(702)	—	(456)
Recognised liability for defined benefit obligations	55,439	59,399	1,042	561

32 OTHER LONG TERM LIABILITIES cont'd

32.1 Retirement benefits cont'd

The Company and certain subsidiaries of the Group operate defined benefit plans. The plans of the Company and subsidiaries in Malaysia are operated on an unfunded basis whilst certain foreign subsidiaries are operating funded defined benefit plans. The benefits payable on retirement are generally based on the length of service and last drawn salary of the eligible employees.

The last actuarial valuations for the unfunded and funded plans were carried out on 30 June 2003 and 30 June 2005 respectively.

Movement in the net liability recognised in the balance sheet:

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Net liability at beginning of financial year	59,399	58,802	561	—
Adjustments subsequent to acquisition #	—	10,214	—	—
Contributions to funded plans	(21,004)	(34,211)	—	—
Benefits paid for unfunded plans	(913)	(689)	(137)	(51)
Expense recognised in the income statement	17,358	20,932	618	612
Reversal of overprovision in prior year	(1,092)	—	—	—
Addition through subsidiaries acquired	1,507	—	—	—
Translation differences	184	4,351	—	—
Net liability at end of financial year	55,439	59,399	1,042	561

Adjustments to fair value of identifiable assets and liabilities of Lodders Crokiaan Group B. V. and its subsidiaries subsequent to acquisition in accordance with the provisions of Financial Reporting Standard 122, Business Combinations.

Expense recognised in the income statement:

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Current service cost				
Current year	14,816	16,888	105	103
Prior year	(554)	—	—	—
Interest cost				
Current year	11,051	10,445	57	53
Prior year	(538)	—	—	—
Expected return on plan assets	(9,179)	(7,103)	—	—
Net actuarial gain	(32)	—	—	—
Amortisation of transitional liability	702	702	456	456
	16,266	20,932	618	612

32 OTHER LONG TERM LIABILITIES cont'd

32.1 Retirement benefits cont'd

The expense is recognised in the following line items in the income statement:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cost of sales	8,488	10,958	618	612
Distribution expenses	1,140	6,407	—	—
Administrative expenses	6,638	3,567	—	—
	16,266	20,932	618	612
Actual return on plan assets	14,608	7,206	—	—

Liability for defined benefit obligations

Principal actuarial assumptions used at the balance sheet date (expressed as weighted averages):

	Group and Company	
	2005 RM'000	2004 RM'000
Discount rate	4.55%	5.46%
Expected return on plan assets	5.55%	6.13%
Future salary increases	3.27%	2.52%

33 DEFERRED TAXATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At beginning of financial year	370,776	294,663	6,020	5,720
Recognised in the income statement (Note 9)				
- Current year	(52,766)	(11,949)	—	(100)
- Prior years	2,687	(5,932)	—	400
Addition through issuance of Bonds (Note 31.2)	46,638	—	—	—
Addition through subsidiary acquired	4,056	2,892	—	—
Exchange differences	26	11,740	—	—
Fair value adjustment on acquisitions	—	39,925	—	—
Tax effect of adjustments subsequent to acquisition #	—	39,437	—	—
At end of financial year	371,417	370,776	6,020	6,020

Adjustments to fair value of identifiable assets and liabilities of Loders Croklaan Group B. V. and its subsidiaries subsequent to acquisition in accordance with the provisions of Financial Reporting Standard 122, Business Combinations.

33 DEFERRED TAXATION cont'd

Presented after appropriate offsetting as follows:

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities	490,209	433,115	6,020	6,020
Deferred tax assets	(118,792)	(62,339)	—	—
	371,417	370,776	6,020	6,020

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

Deferred tax liabilities

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
At beginning of financial year	448,614	337,648	6,020	5,720
Recognised in the income statement				
Temporary differences on accelerated capital allowances	5,661	17,498	—	300
Temporary differences on prepaid lease rental	(2,752)	(252)	—	—
Temporary differences on recognition of project expenses	(680)	(3,291)	—	—
Temporary differences on amortisation of fair value adjustments	(1,681)	(7,249)	—	—
Temporary differences on Bonds	(8,876)	—	—	—
Other temporary differences	6,794	(1,996)	—	—
	(1,534)	4,710	—	300
Addition through issuance of Bonds (Note 31.2)	46,638	—	—	—
Addition through subsidiary acquired	13,435	10,062	—	—
Exchange differences	—	13,308	—	—
Tax effect of fair value adjustment on acquisition	—	39,925	—	—
Tax effect of adjustments subsequent to acquisition	—	42,961	—	—
At end of financial year	507,153	448,614	6,020	6,020

33 DEFERRED TAXATION cont'd

Deferred tax assets

	Group	
	2005 RM'000	2004 RM'000
At beginning of financial year	77,838	42,985
Recognised in the income statement		
Temporary differences on unabsorbed tax losses	29,848	12,880
Temporary differences on unutilised capital allowances	7,006	7,013
Other deductible temporary differences	11,691	2,698
	48,545	22,591
Addition through subsidiaries acquired	9,379	7,170
Exchange differences	(26)	1,568
Tax effect of adjustments subsequent to acquisition	—	3,524
At end of financial year	135,736	77,838

The components of deferred tax liabilities and assets at the end of the financial year comprise tax effects of:

Deferred tax liabilities

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Temporary differences on accelerated capital allowances	190,843	193,072	6,020	6,020
Temporary differences on prepaid lease rental	8,108	10,860	—	—
Temporary differences on recognition of project expenses	4,235	4,896	—	—
Temporary differences on Bonds	37,762	—	—	—
Other taxable temporary differences	6,012	3,188	—	—
Fair value adjustments on acquisitions	140,179	140,876	—	—
Revaluation of assets	103,070	80,223	—	—
	490,209	433,115	6,020	6,020

Deferred tax assets

	Group	
	2005 RM'000	2004 RM'000
Unabsorbed tax losses	70,979	33,863
Unutilised capital allowances	10,920	4,843
Retirement benefit obligations	18,235	17,794
Other deductible temporary differences	18,658	5,839
	118,792	62,339

33 DEFERRED TAXATION cont'd

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

	Group	
	2005	2004
	RM'000	RM'000
Unabsorbed tax losses	90,054	82,995
Unutilised capital allowances	8,449	9,233
Other deductible temporary differences	2,123	2,518
	100,626	94,746

34 DISPOSAL OF SUBSIDIARY AND BUSINESS SUB-UNIT

34.1 Disposal of a subsidiary

2005

Amoda Sdn Bhd

On 24 February 2005, the Company disposed of its 1,200,000 ordinary share of RM1.00 each and 6,000,000 preference shares of RM1.00 each representing 60% of the issued and paid-up share capital of Amoda Sdn Bhd ("Amoda") to Malayapine Sdn Bhd and Amoy Canning Corporation (Malaya) Bhd for a total disposal consideration of RM41,195,000.

Details of fair value of the net assets disposed and cash inflow on disposal of subsidiary are as follows:

	RM'000
Property, plant & equipment	764
Other long term assets	78,049
Net current liabilities	(358)
Reserve on consolidation	(1,636)
Other long term liabilities	(11,441)
Minority interest	(26,805)
Share of net assets disposed	38,573
Less: Net proceeds from disposal	40,451
Gain on disposal of a subsidiary	1,878
Cash consideration for the disposal	41,195
Less: expenses incurred for the disposal	(744)
Net proceeds from disposal	40,451
Less: cash and cash equivalents of subsidiary disposed	(610)
Cash inflow on disposal of a subsidiary	39,841

34 DISPOSAL OF SUBSIDIARY AND BUSINESS SUB-UNIT cont'd

34.1 Disposal of a subsidiary cont'd

The effect of the above disposal on the financial results of the Group for the current financial year is as follows:

	Group	
	2005*	2004
	RM'000	RM'000
Operating profit	820	2,591
Net interest expense	(115)	(684)
Profit before taxation	705	1,907
Taxation	(212)	(753)
Profit before taxation	493	1,154
Gain on disposal of a subsidiary	1,878	—
Increase in Group's net profit	2,371	1,154

* Financial results up to date of disposal

34.2 Disposal of a business sub-unit

2005

On 29 June 2005, the Group disposed of its Encapsulates business unit in the United States of America for a total cash consideration of RM43,259,000.

Details of fair value of the net assets disposed and cash inflow on disposal of the business sub-unit are as follows:

	RM'000
Property, plant & equipment	2,348
Net current assets	5,825
Net assets disposed	8,173
Less: Net proceeds from disposal	39,071
Gain on disposal of a business sub-unit	30,898
Cash consideration for the disposal	43,259
Less: expenses incurred for the disposal	(4,188)
Net proceeds from disposal	39,071

35 ACQUISITION OF SUBSIDIARIES

2005

During the financial year, the Group acquired the following subsidiaries:

	Note	Cash inflow/(outflow), net of cash and cash equivalents acquired RM'000	Acquired By
i IOI Loders Croklaan Oils Sdn Bhd	35.1	13,414	Loders Croklaan Group B. V.
ii Legend Advance Sdn Bhd	35.2	(16,438)	Dynamic Management Sdn Bhd
		(3,024)	

35.1 IOI Loders Croklaan Oils Sdn Bhd (Formerly known as Soctek Sdn Bhd)

On 8 September 2004, Loders Croklaan Group B. V., a subsidiary of the Company acquired 15,600,000 shares of RM1.00 each representing 100% of the issued and paid-up share capital of IOI Loders Croklaan Oils Sdn Bhd for a total cash consideration of RM1,455,766.

Details of fair value of the net assets acquired and cash inflow on acquisition of subsidiary are as follows:

	RM'000
Property, plant & equipment	55,436
Other long term assets	9,379
Net current liabilities	(45,192)
Other long term liabilities	(16,242)
Net assets acquired	3,381
Reserve on consolidation	(1,925)
	1,456
Purchase consideration discharged by cash	1,456
Less: cash and cash equivalents of subsidiary acquired	(14,870)
Cash inflow on acquisition of subsidiary	(13,414)

The effect of the above acquisition on the financial results of the Group during the financial year is as follows:

	RM'000
Operating profit	15,388
Net interest expense	(3,022)
Profit before taxation	12,366
Taxation	12,920
Increase in Group's net profit	25,286

35 ACQUISITION OF SUBSIDIARIES cont'd

35.1 IOI Loders Croklaan Oils Sdn Bhd (Formerly known as Soctek Sdn Bhd) cont'd

The effect of the above acquisition on the financial position of the Group as at 30 June 2005 is as follows:

	RM'000
Property, plant & equipment	65,659
Other long term assets	21,045
Net current liabilities	(44,425)
Other long term liabilities	(13,700)
Reserve on consolidation	(1,837)
Increase in Group's net assets	26,742

35.2 Legend Advance Sdn Bhd

On 31 May 2005, Dynamic Management Sdn Bhd, a subsidiary of IOI Properties Berhad acquired 3,500,000 ordinary shares of RM1.00 each and 700,000 irredeemable preference shares of RM1.00 each representing 70% of the issued and paid-up share capital of Legend Advance Sdn Bhd for a total purchase consideration of RM16,536,272.

Details of fair value of the net assets acquired and cash outflow on acquisition of subsidiary are as follows:

	RM'000
Other long term assets	29,402
Net current liabilities	(5,779)
Minority interest	(7,087)
Net assets acquired	16,536
Purchase consideration discharged by cash	16,536
Less: cash and cash equivalents of subsidiary acquired	(98)
Cash outflow on acquisition of subsidiary	16,438

The effect of the above acquisition has no material effect on the financial results of the Group for the financial year ended 30 June 2005 as the subsidiary has not commenced business.

The effect of the above acquisition on the financial position of the Group as at 30 June 2005 is as follows:

	RM'000
Other long term assets	29,533
Net current liabilities	(5,860)
Minority interest	(7,102)
Increase in Group's net assets	16,571

35 ACQUISITION OF SUBSIDIARIES cont'd

2004

35.3 Plantation companies in Sabah

On 7 November 2003, the Company acquired the entire equity interest in the following companies for a total consideration of RM592.9 million:

- i B. A. Plantations Sdn Bhd
- ii Mayvin (Sabah) Sdn Bhd
- iii Pine Capital Sdn Bhd
- iv Right Purpose Sdn Bhd
- v Mayvin Incorporated Sdn Bhd

Details of fair value of the net assets acquired and cash outflow on acquisition of subsidiaries were as follows:

	RM'000
Property, plant & equipment	649,351
Other long term assets	23,385
Net current assets	1,904
Other long term liabilities	(137,864)
Net assets acquired	536,776
Goodwill on consolidation	56,155
	592,931
Purchase consideration satisfied by:	
Cash	217,983
Issuance of 72,105,305 new ordinary shares of RM0.50 each at RM5.20 per share	374,948
	592,931
Purchase consideration discharged by cash	217,983
Less: deposits paid during the previous financial year	(30,387)
Less: cash and cash equivalents of subsidiaries acquired	(5,879)
Cash outflow on acquisition of subsidiaries	181,717

The effect of the above acquisition on the financial results of the Group during the previous financial year was as follows:

	RM'000
Operating profit	67,916
Net interest expense	(2,112)
Profit before taxation	65,804
Taxation	(14,855)
Increase in Group's net profit	50,949

35 ACQUISITION OF SUBSIDIARIES cont'd

35.3 Plantation companies in Sabah cont'd

The effect of the above acquisition on the financial position of the Group as at 30 June 2004 was as follows:

	RM'000
Property, plant and equipment	650,300
Other long term assets	20,220
Net current assets	42,763
Other long term liabilities	(125,558)
Goodwill on consolidation	54,274
Increase in Group's net assets	641,999

36 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at end of financial year comprise:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Short term funds	1,023,739	21,254	941,375	—
Deposits with financial institutions	590,446	339,565	244,118	7,143
Cash and bank balances	352,525	333,575	1,309	363
Bank overdrafts	(8,569)	(15,809)	—	(6,516)
	1,958,141	678,585	1,186,802	990
Less: Deposits with financial institutions (pledged)	—	(1,000)	—	(1,000)
Cash and cash equivalents	1,958,141	677,585	1,186,802	(10)

The Group has undrawn borrowing facilities of RM809,878,000 (2004 - RM505,730,000) at end of the financial year.

37 SIGNIFICANT RELATED PARTY DISCLOSURES

Identity of related parties

- a The Company has a controlling related party relationship with its direct and indirect subsidiaries as disclosed in the financial statements.
- b The Group has a controlling related party relationship with the following Directors who are also substantial shareholders:

Tan Sri Dato' Lee Shin Cheng
Dato' Lee Yeow Chor

Significant related party transactions

		Group	
		2005	2004
		RM'000	RM'000
i	Sales of palm products		
	Mayvin Incorporated Sdn Bhd *	—	10,503
ii	Sales of oleochemical products and palm kernel oil		
	Fatty Chemical (Malaysia) Sdn Bhd	465,488	399,695
iii	Purchases of palm products		
	Continental Estates Sdn Bhd	23,111	21,421
	B. A. Plantations Sdn Bhd *	—	9,531
	Pine Capital Sdn Bhd *	—	12,484
	Right Purpose Sdn Bhd *	—	8,014
	Mayvin Incorporated Sdn Bhd *	—	38,535
iv	Purchases of oleochemical products		
	Fatty Chemical (Malaysia) Sdn Bhd	13,669	14,205
v	Agency fees income		
	Continental Estates Sdn Bhd	383	346
vi	Property project management services		
	Malayapine Estates Sdn Bhd	2,325	3,434
vii	Rental income on storage tank		
	Fatty Chemical (Malaysia) Sdn Bhd	4,724	5,987

* These were affiliated companies in which Tan Sri Dato' Lee Shin Cheng and Dato' Lee Yeow Chor had substantial shareholdings prior to these companies became subsidiaries of the Company with effect from 7 November 2003.

Fatty Chemical (Malaysia) Sdn Bhd and Continental Estates are associates of the Group.

Malayapine Estates Sdn Bhd is a company in which Tan Sri Dato' Lee Shin Cheng and Dato' Lee Yeow Chor have substantial shareholdings interest.

The related party transactions described above were carried out on term and conditions not materially different from those obtainable in transactions with unrelated parties.

38 CONTINGENT LIABILITIES - UNSECURED

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Litigations involving claims for damages and compensation	2,382	2,314	—	—
Guarantees for credit facilities of subsidiaries	—	—	—	33,620
Guarantees issued to third parties	7,798	10,205	777	3,055
Counter indemnities to banks for bank guarantees issued	12,849	14,614	7,998	4,198
	23,029	27,133	8,775	40,873

Material Litigations - Subsidiaries

The Directors are of the opinion that the possibility of any outflow in settlement arising from the following litigations are remote based on legal opinion obtained. Nevertheless, disclosures are made in view of their materiality.

- i Unipamol Malaysia Sdn Bhd (“Unipamol”), a subsidiary of IOI Oleochemical Industries Berhad (“IOI Oleo”), has obtained summary judgement against Unitangkob (Malaysia) Berhad (“Unitangkob”) in 2001 for the principal sum of approximately RM5 million. Unitangkob’s appeal against the summary judgement was dismissed with costs and it has filed further appeal to the Court of Appeal. Meanwhile Unipamol has commenced winding-up proceedings against Unitangkob to recover the amount due under the summary judgement. Other applications pending disposal in court are Unitangkob’s application to stay the execution of summary judgement and an application to amend their Defence and include a Counter-claim against Unipamol for a sum of RM208 million for special and general damages.
- ii Legal suit instituted by the shareholders of Unitangkob against Unipamol, Pamol Plantations Sdn Bhd (“PPSB”), Unilever plc and its subsidiary Pamol (Sabah) Ltd in which the Plaintiffs claimed for inter-alia special damages of RM43.47 million, general damages of RM136.85 million or such amount as may be assessed by the court. Unipamol and PPSB have filed a Defence to the claim as well as Counter-claim against the Plaintiffs.

The relevant subsidiaries have obtained favourable legal opinions on the merits of their respective cases which existed prior to them becoming IOI Oleo’s subsidiaries.

39 FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group’s activities expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, market risk, credit risk, liquidity and cashflow risk. The Group’s overall financial risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential adverse effects on its financial performance and positions. The Group operates within established risk management framework and clearly defined guidelines that are approved by the Board.

39 FINANCIAL INSTRUMENTS cont'd

Foreign currency risk

The Group operates internationally and is exposed to various currencies, mainly US Dollar, Euro, Canadian Dollar, Japanese Yen and Singapore Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from committed purchases and sales give rise to foreign exchange exposures.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged with derivative financial instruments such as forward foreign exchange contracts and options. Sale contracts and purchase contracts are in respect of sales proceeds receivables and commitments payable in foreign currencies respectively.

As at balance sheet date, the Group has entered into forward foreign exchange contracts with the following notional amounts and maturities:

Group

	Maturities			Total
	Within 1 year RM'000	1 - 5 years RM'000	5 years or more RM'000	Notional Amount RM'000
2005				
Sale contracts	235,109	8,320	—	243,429
Purchase contracts	133,953	47,914	—	181,867
2004				
Sale contracts	1,265,339	—	—	1,265,339
Purchase contracts	72,749	—	—	72,749

The net unrecognised (loss)/gain as at 30 June 2005 on forward foreign exchange sale and purchase contracts are deferred until the occurrence of the related future transactions in the following manner:

Group

	Maturities			Total
	Within 1 year RM'000	1 - 5 years RM'000	5 years or more RM'000	Notional Amount RM'000
2005				
Sale contracts	(1,329)	(374)	—	(1,703)
Purchase contracts	6,871	3,416	—	10,287
2004				
Sale contracts	4,164	—	—	4,164
Purchase contracts	15	—	—	15

39 FINANCIAL INSTRUMENTS cont'd

Foreign currency risk cont'd

As at the balance sheet date, the Group and the Company have also entered into the following currency swap and option contracts:

Group and Company

2005

- i Cross currency swaps to swap fixed rate USD liability of USD209.6 million to fixed rate EUR liability of EUR161.0 million. The contracts effectively swapped part of the Group's fixed rate USD500 million 5.25% Guaranteed Notes into fixed rate EUR liability. This was done to maintain the appropriate amount of liability in EUR as a natural hedge against existing EUR denominated investment in subsidiaries.
- ii EUR/USD currency option and forward contracts for a total of EUR14.4 million over the period from June 2005 to February 2007 to cover the Company's interest payment commitment under the cross currency swaps as mentioned in note i above.
- iii EUR/USD coupon swap of EUR500,000 for every 6 month, over a period of 2 years to cover part of the Company's EUR loan interest payment commitment. The first settlement of the coupon swap was on 28 June 2004.
- iv EUR/USD currency options of EUR32.5 million, effective from November 2004 for a period of 1 year to cover the Group's EUR denominated capital commitments.

2004

- i EUR/USD coupon swap of EUR500,000 for every 6 month, over a period of 2 years to cover part of the Company's EUR loan interest payment commitment. The first settlement of the coupon swap was on 28 June 2004.
- ii EUR/USD currency options of EUR22 million for every 6 months, over a period of 3 years, commencing 30 December 2004 to cover the Company's semi-annual EUR denominated loan principal repayment commitment.

Interest rate risk

The Group's interest rate risk relates primarily to the Group's debt obligations.

The Group actively reviews its debt portfolio, taking into account the nature and requirements of its businesses as well as the current business and economic environment. This strategy allows it to achieve an optimum cost of capital whilst locking in long term funding rates for long term investments.

39 FINANCIAL INSTRUMENTS cont'd

Interest rate risk cont'd

The information on effective interest rates and repricing analysis of financial assets and liabilities are as follows:

Group

	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	After 5 years RM'000
2005					
Financial assets					
Short term funds	2.80	1,023,739	1,023,739	—	—
Deposits with financial institutions	2.68	590,446	590,446	—	—
Cash held in Housing Development Accounts	2.00	209,741	209,741	—	—
Financial liabilities					
Unsecured overdraft *	11.60	8,569	8,569	—	—
Secured revolving credits	1.99	23,705	23,705	—	—
Secured term loans	4.31	257,129	125,879	131,250	—
USD310 million Zero Coupon Guaranteed Exchangeable Bonds due 2009	4.00	1,043,135	—	1,043,135	—
USD500 million 5.25% Guaranteed Notes due 2015	5.34	1,886,892	—	—	1,886,892
2004					
Financial assets					
Short term funds	2.70	21,254	21,254	—	—
Deposits with financial institutions	2.75	339,565	339,565	—	—
Cash held in Housing Development Accounts	2.00	240,744	240,744	—	—
Financial liabilities					
Secured overdraft	3.80	3,364	3,364	—	—
Unsecured overdraft	6.00	12,445	12,445	—	—
Secured revolving credits	1.48	30,032	30,032	—	—
Unsecured revolving credits	3.25	53,000	53,000	—	—
Unsecured short term loans	2.97	232,000	232,000	—	—
Secured trade financing	2.12	30,520	30,520	—	—
Secured term loans	3.30	1,571,748	1,352,998	218,750	—
Unsecured term loans	3.61	116,000	116,000	—	—

* Unsecured overdraft of an indirect subsidiary in Egypt

39 FINANCIAL INSTRUMENTS cont'd

Interest rate risk cont'd

Company

	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	After 5 years RM'000
2005					
Financial assets					
Short term funds	2.80	941,375	941,375	—	—
Deposits with financial institutions	2.68	244,118	244,118	—	—
2004					
Financial assets					
Deposits with financial institutions	2.12	7,143	7,143	—	—
Financial liabilities					
Unsecured overdraft	6.19	6,516	6,516	—	—
Unsecured revolving credits	3.25	53,000	53,000	—	—
Unsecured short term loans	2.97	232,000	232,000	—	—
Secured term loans	3.00	1,090,959	1,090,959	—	—
Unsecured term loans	3.61	116,000	116,000	—	—

As at balance sheet date, the Group and the Company have the following interest rate swap contracts to optimise interest cost over the respective loan tenure:

Interest Rate Swap	Notional Amount	Effective Period
2005		
Group		
Fixed rate to USD LIBOR (Settlement in Ringgit)	RM350 million, to be fully amortised over a period of four years, commencing 15 April 2004	15 January 2004 to 15 January 2008
Group and Company		
EURIBOR to USD LIBOR (Settlement in EUR)	EUR230 million, half yearly amortisation of EUR23 million, commencing 30 November 2004	27 June 2003 to 30 November 2006

In April 2005, the Company has entered into a reverse transaction for the above EURIBOR to USD LIBOR interest rate swap upon settlement of the Company's EUR230 million term loan. Consequently, RM28.2 million marked to market loss was recognised in the current financial year to account for the effect of the reverse transaction.

39 FINANCIAL INSTRUMENTS cont'd

Interest rate risk cont'd

Interest Rate Swap	Notional Amount	Effective Period
2004		
Group		
Fixed rate to USD LIBOR (Settlement in Ringgit)	RM350 million, to be fully amortised over a period of four years, commencing 15 April 2004	15 January 2004 to 15 January 2008
Group and Company		
EURIBOR to USD LIBOR (Settlement in EUR)	EUR230 million, half yearly amortisation of EUR23 million, commencing 30 November 2004	27 June 2003 to 30 November 2006

Price fluctuation risk

The Group's plantation and downstream manufacturing segments are inversely exposed to price fluctuation risk on sales and purchases of vegetable oil commodities. These two business segments enter into commodity future contracts with the objective of managing and hedging their respective exposures to price volatility in the commodity markets.

As at balance sheet date, the Group has entered into the following commodity future and swap contracts:

i Commodity future

Group

	Total	Net unrecognised gain/(loss) as at end of the financial year
	RM'000	RM'000
2005		
Sale contracts	43,359	(2,872)
Purchase contracts	42,508	127
2004		
Sale contracts	46,034	1,381
Purchase contracts	38,152	(2,711)

The above commodity future contracts have maturities of less than 1 year.

ii Commodity swap

During the previous financial year, the Company entered into a commodity swap contract to swap the CPO reference price from Bursa Malaysia Derivative ("BMD") CPO future contract price to a predetermined fixed price. The contract involved a total of 200,000 MT of CPO or 8,333 MT per month over a period of 24 months from April 2005 to March 2007. The mark-to-market value of this contract as at 30 June 2005 was a gain of RM37,261,000 (2004 - RM21,830,000).

39 FINANCIAL INSTRUMENTS cont'd

Price fluctuation risk cont'd

The unrecognised gain/(loss) on the commodity future and swap contracts have been deferred until the related future transactions occur, at which time they will be included in the measurement of the transactions.

The Group is also exposed to price fluctuation risk arising from changes in the market prices of its quoted investments. The Group does not use derivative instruments to manage this risk as these quoted investments are mainly held as long term investments.

Credit risk

Credit risk or risk of financial loss from the failure of customers or counter parties to discharge their financial and contractual obligations, is managed through the application of credit approvals, credit limits, insurance programme and monitoring procedures on an ongoing basis. If necessary, the Group may obtain collaterals from counter parties as a mean of mitigating losses in the event of default.

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

The maximum exposure to credit risk for the Group and for the Company were represented by the carrying amount of each financial assets; and in addition, in respect of derivatives, the notional amount as disclosed in the respective notes to financial statements.

Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure all operating, investing and financing needs are met. To mitigate liquidity risk, management measures and forecasts its cash commitments, monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operation and investment activities. In addition, the Group strives to maintain available banking facilities at a reasonable level against its overall debt position.

39 FINANCIAL INSTRUMENTS cont'd

Fair values

The carrying amounts of financial instruments of the Group and of the Company at the balance sheet date approximated their fair value except as set out below:

	Group		Company	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
2005				
Financial assets				
Quoted other long term investments	29,029	31,624	9,034	6,261
Quoted short term investments	2,052	3,873	—	—
Financial liabilities				
USD310 million Zero Coupon Guaranteed Exchangeable Bond due 2009	1,043,135	1,027,242	—	—
USD500 million 5.25% Guaranteed Notes due 2015	1,886,892	1,932,496	—	—
Term loans	218,750	224,044	—	—
Derivative financial instruments				
Forward foreign exchange contracts				
Sale contracts	—	(1,703)	—	—
Purchase contracts	—	10,287	—	—
Currency swap, option and future contract	—	44,363	—	44,363
Commodity future contracts				
Sale contracts	—	(2,872)	—	—
Purchase contracts	—	127	—	—
Commodity swap contract	—	37,261	—	37,261
Interest rate swap contract	—	(4,875)	—	—
2004				
Financial assets				
Quoted other long term investments	30,373	39,046	9,991	7,470
Quoted short term investments	3,508	4,835	—	—
Financial liabilities				
Term loans	306,250	316,696	—	—
Derivative financial instruments				
Forward foreign exchange contracts				
Sale contracts	—	1,339	—	—
Purchase contracts	—	45	—	—
Currency swap and option contracts	—	48	—	48
Commodity future contracts				
Sale contracts	—	1,381	—	—
Purchase contracts	—	(2,711)	—	—
Commodity swap contracts	—	21,830	—	21,830
Interest rate swap contracts	—	(23,355)	—	(17,494)

39 FINANCIAL INSTRUMENTS cont'd

Fair values cont'd

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

- i The carrying amounts of financial assets and liabilities maturing within 12 months approximate fair values due to the relatively short term maturity of these financial instruments.
- ii The fair values of quoted securities are their quoted market prices at the balance sheet date.
- iii The fair values of the Group's borrowings are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending and borrowing arrangements and of the same remaining maturities.
- iv The fair values of derivative financial instruments are the estimated amounts that the Group would expect to pay or receive on the termination of the outstanding positions arising from such contracts.
- v It is not practical to estimate the fair value of the Group's long term unquoted investments because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable value.
- vi It is also not practical to estimate the fair values of amounts due to/from subsidiaries and associates, due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Group and the Company do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

40. COMMITMENTS

40.1 Capital Commitments

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Authorised capital expenditure not provided for in the financial statements				
- Contracted				
Purchase of property, plant and equipment	16,799	20,302	436	—
Construction in progress	90,055	163,791	—	—
- Not Contracted				
Purchase of property, plant and equipment	62,923	61,876	5,904	4,546
New planting	6,739	11,381	4,267	289

40 COMMITMENTS cont'd

40.2 Operating Lease Commitments

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

	Group	
	2005	2004
	RM'000	RM'000
Not later than 1 year	4,137	2,937
Later than 1 year and not later than 5 years	10,368	12,205
Later than 5 years	116,914	119,214
	131,419	134,356

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

41.1 Acquisition of Shares in Soctek Sdn Bhd

On 21 July 2004, Loders Croklaan Group B. V., a subsidiary of the Company, entered into a conditional share sale agreement with Ugreat Holdings Pte Ltd to acquire 15,600,000 shares of RM1.00 each representing 100% of the issued and paid-up share capital of Soctek Sdn Bhd ("Soctek") for a total cash consideration of RM2,049,323 and to settle the shareholder's loan and advance of RM87,138,363, i.e. the amount owed by Soctek and its wholly owned subsidiary, Soctek Edible Oils Sdn Bhd ("SEO") to the vendor and the vendor's related persons.

Soctek is principally engaged in the refining and trading of crude palm oil, other refined products and tolling services whilst SEO is principally engaged in processing and sale of palm oil and palm kernel oil derived specialty fats and related downstream products.

The acquisition was completed on 8 September 2004 with a revision of cash consideration to RM1,455,766 and shareholder's loan and advance to RM87,698,886.

Subsequent to the acquisition, Soctek and SEO have changed names to IOI Loders Croklaan Oils Sdn Bhd and Loders Croklaan (Asia) Sdn Bhd respectively.

41.2 Issuance of USD310 Million Zero Coupon Guaranteed Exchangeable Bonds due 2009

On 17 September 2004, the Company's wholly owned subsidiary, IOI Investment (L) Berhad ("IOIL" or the "Issuer"), a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, issued USD310 million Zero Coupon Guaranteed Exchangeable Bonds due 2009 (the "Bonds"). The Bonds were issued at 100% of the principal amount and listed on the Singapore Exchange Securities Trading Limited and the Labuan International Financial Exchange and will mature on 18 September 2009. The Bonds are unconditionally and irrevocably guaranteed by the Company.

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR cont'd

41.3 Acquisition of 2,000,000 ordinary shares in Nice Skyline Sdn Bhd

On 20 August 2004, IOI Properties Berhad, a subsidiary of the Company, entered into a sale and purchase agreement with Upright Properties Sdn Bhd for the purchase of 2,000,000 ordinary share of RM1.00 each representing 40% of the issued and paid-up share capital in Nice Skyline Sdn Bhd for a total cash consideration of RM15 million.

The acquisition was completed on 20 October 2004.

41.4 Disposal of 60% shareholdings in Amoda Sdn Bhd

On 10 January 2005, the Company entered into a conditional share sale and purchase agreement to dispose of its 1,200,000 ordinary share of RM1.00 each and 6,000,000 preference shares of RM1.00 each representing 60% of the issued and paid-up share capital of Amoda Sdn Bhd ("Amoda") to Malayapine Sdn Bhd and Amoy Canning Corporation (Malaya) Bhd for a total disposal consideration of RM41,195,000.

The disposal was completed on 24 February 2005. The gain on disposal of RM1.9 million to the Group was recognised in the income statement.

41.5 Issuance of USD500 Million 5.25% Guaranteed Notes due 2015

On 16 March 2005, the Company's wholly owned subsidiary, IOI Ventures (L) Berhad, a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, issued 10-year USD500 million Guaranteed Notes at an issue price of 99.294% (the "Notes"). The Notes are listed on the Singapore Exchange Securities Trading Limited and the Labuan International Financial Exchange. The Notes carry an interest rate of 5.25% per annum payable semi-annually in arrears on 16 March and 16 September commencing 16 September 2005 and will mature on 16 September 2015. The Notes are unconditionally and irrevocably guaranteed by the Company.

41.6 Proposed Disposal of Resort Villa Golf Course Development Sdn Bhd and Resort Villa Development Sdn Bhd

As reported in previous years' Directors' Report, the Company had on 24 May 2004, entered into a conditional share sale agreement with its subsidiary, IOI Properties Berhad ("IOIPB"), for the disposal of:

- i 1,000,000 ordinary shares of RM1.00 each and 320,000 redeemable preference shares of RM0.50 each representing the entire issued and paid-up share capital of Resort Villa Golf Course Development Sdn Bhd ("RVGCD") for a consideration of RM44,264,000; and
- ii 3,000,000 ordinary shares of RM1.00 each and 2,100,000 redeemable preference shares of RM0.50 each representing the entire issued and paid-up share capital of Resort Villa Development Sdn Bhd ("RVD") for a consideration of RM338,495,000.

The total consideration of RM382,759,000 was to be satisfied by the issuance of 30,000,000 new ordinary shares of RM1.00 each in IOIPB ("IOIPB Shares") at a proposed price of RM7.70 per share and RM151,759,000 by cash.

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR cont'd

41.6 Proposed Disposal of Resort Villa Golf Course Development Sdn Bhd and Resort Villa Development Sdn Bhd cont'd

On 27 April 2005, the Company announced that the Securities Commission's has approved the above proposal with the following revised terms:

- i consideration of the disposal of RVGCD to be revised to RM40,227,000 as opposed to RM44,264,000;
- ii consideration of the disposal of RVD to be revised to RM296,457,000 as opposed to RM338,495,000; and
- iii the total revised consideration of RM336,684,000 to be satisfied by the issuance of 30,000,000 new IOIPB Shares at a proposed price of RM7.70 per share and RM105,684,000 in cash.

The Board has on 27 April 2005 deliberated on the above revised terms and has resolved not to accept the said terms. In view of that, both the Company and IOIPB have mutually agreed not to proceed with the proposed disposals.

41.7 Acquisition of Legend Advance Sdn Bhd by Dynamic Management Sdn Bhd

On 28 April 2005, Dynamic Management Sdn Bhd, a subsidiary of IOI Properties Berhad, entered into a conditional share sale agreement with several vendors to acquire 3,500,000 ordinary shares of RM1.00 each and 700,000 irredeemable preference shares of RM1.00 each representing 70% of the issued and paid-up share capital of Legend Advance Sdn Bhd ("Legend Advance") for a total purchase consideration of RM16,588,980.

Legend Advance is principally engaged in property development and investment. It owns 24 pieces of contiguous vacant land measuring approximately 225 acres located in Mukim Senai Kulai, Daerah Johor Bahru, Johor Darul Takzim.

The acquisition was completed on 31 May 2005 with a revised purchase consideration of RM16,536,272.

42 SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

42.1 Proposed Privatisation of IOI Oleochemical Industries Berhad

On 2 August 2005, the Company announced that it proposed to consolidate and streamline its palm oil business via the proposed privatisation of IOI Oleochemical Industries Berhad ("IOI Oleo") by way of an IOI Oleo members' scheme of arrangement under Section 176 of the Companies Act, 1965 (the "Act") between the Company, IOI Oleo and the shareholders of IOI Oleo other than the Company ("IOI Oleo MP") ("Proposed Privatisation").

As at date of the announcement, the Company and IOI Properties Berhad ("IOIPB") hold 123,268,183 and 11,369,000 ordinary shares of RM1.00 each ("Shares") in IOI Oleo, representing 61.03% and 5.63% respectively of IOI Oleo's issued and paid-up share capital of 201,977,941 Shares. Upon completion of the Proposed Privatisation, IOI Oleo will become a wholly owned subsidiary of the Company.

42 SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR cont'd

42.1 Proposed Privatisation of IOI Oleochemical Industries Berhad cont'd

The Proposed Privatisation entails the cancellation of:

- i the remaining 78,709,758 Shares in IOI Oleo not held by the Company which also include the 11,369,000 Shares held by IOIPB; and
- ii up to 58,000 new Shares in IOI Oleo that may be allotted and issued by IOI Oleo pursuant to the exercise of outstanding options under IOI Oleo's employee share option scheme ("IOI Oleo ESOS"),

at a consideration of RM11.08 per IOI Oleo Share.

The up to 78,767,758 IOI Oleo Shares under items i and ii above represent up to 38.99% of the enlarged issued and paid-up share capital of IOI Oleo of 202,035,941 Shares (after taking into account the 58,000 new Shares in IOI Oleo that may be allotted and issued).

The Proposed Privatisation involves the following :

- i Pursuant to a capital reduction exercise under Section 64 of the Act, IOI Oleo's issued and paid-up share capital shall be reduced to RM123,268,183, comprising 123,268,183 Shares pursuant to the cancellation of up to 78,767,758 IOI Oleo Shares held by the IOI Oleo MI ("IOI Oleo MI Shares");
- ii In consideration for the cancellation of the IOI Oleo MI Shares, the IOI Oleo MI may, by notice in writing ("Election Notice") addressed to and served on IOI Oleo, within the election period to be determined later ("Election Period"), elect to accept either:
 - a A cash sum of RM11.08 to be paid by the Company for each IOI Oleo Share held ("Cash Option"); or
 - b One (1) new ordinary share of RM0.50 each in the Company ("IOI Corp Share") at an issue price of RM10.82 per IOI Corp Share credited as fully paid-up and a cash sum of RM11.34 for every two (2) IOI Oleo Shares held ("Share + Cash Option").

Any IOI Oleo MI who fails to send the Election Notice upon the expiry of the Election Period shall be deemed to have elected for the Cash Option.

Pursuant to the Proposed Privatisation, the 11,369,000 IOI Oleo Shares currently held by IOIPB will also be surrendered for cancellation. IOIPB will elect the Cash Option as settlement for the said cancellation since IOIPB cannot hold shares in its holding company pursuant to the Act.

The maximum number of IOI Corp Shares to be issued pursuant to the Proposed Privatisation is 33,699,379. Fractional entitlements to the IOI Corp Shares shall be dealt with in such manner as the Board in its absolute discretion think expedient and in the interest of the Company.

- iii IOI Oleo shall thereafter be de-listed from the Main Board of the Bursa Malaysia Securities Berhad ("BMSB") pursuant to the Listing Requirements of the BMSB.

The Proposed Privatisation is still pending approvals from the shareholders of the company, shareholders of IOI Oleo and the relevant authorities.

43 SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment transactions were carried out on terms and conditions not materially different from those obtainable in transactions with independent third parties.

Business Segments

The Group comprises the following main business segments:

Plantation	Cultivation of oil palm and rubber and processing of palm oil and rubber
Property development	Development of residential and commercial properties
Property investment	Investment in shopping mall, office complex and other properties
Resource-based manufacturing	Manufacturing of oleochemicals, specialty oils and fats, palm oil refinery and palm kernel crushing
Other operations	Management and operation of hotels and resorts, landscape services and other operations which are not sizable to be reported separately

Geographical Segments

The Group's major businesses operate in the following principal geographical areas:

Malaysia	Cultivation of oil palm and rubber and processing of palm oil and rubber Development of residential and commercial properties Investment in shopping mall, office complex and other properties Manufacturing of oleochemicals, palm oil refinery and palm kernel crushing Management and operation of hotels and resorts, landscape services and other operations
Europe	Manufacturing and supply of specialty oils and fats
North America	Manufacturing and supply of specialty oils and fats
Asia	Supply of oleochemicals, refined and specialty oils and fats
Others	Investment in office complex and various sale offices for specialty oils and fats around the world which are not sizable to be reported separately

43 SEGMENTAL INFORMATION cont'd

Business Segments

	Plantation RM'000	Property development RM'000	Property investment RM'000	Resource- based manufac- turing RM'000	Other operations RM'000	Eliminations RM'000	Consolidated RM'000
2005							
Revenue							
External sales	456,170	587,848	44,886	4,902,596	81,007	—	6,072,507
Inter-segment sales	916,339	—	—	6,994	—	(923,333)	—
Total revenue	1,372,509	587,848	44,886	4,909,590	81,007	(923,333)	6,072,507
Result							
Operating result	767,472	295,249	24,647	155,644	14,581	—	1,257,593
Gain on disposal of a business sub-unit (Note 34.2)	—	—	—	30,898	—	—	30,898
Property, plant and equipment written off	—	—	—	(13,087)	—	—	(13,087)
Segment results	767,472	295,249	24,647	173,455	14,581	—	1,275,404
Unallocated corporate expenses							(40,499)
Operating profit							1,234,905
Interest income							31,976
Finance costs							(109,854)
Share of profits of associates	10,453	—	—	53,036	338	—	63,827
Profit before taxation							1,220,854
Taxation							(134,341)
Profit after taxation							1,086,513
Minority interests							(184,293)
Net profit attributable to shareholders							902,220
Assets							
Segment assets	3,608,479	1,404,987	525,459	2,661,391	414,138	—	8,614,454
Investment in associates	84,075	—	—	158,683	3,960	—	246,718
Unallocated corporate assets							1,643,887
Consolidated total assets							10,505,059
Liabilities							
Segment liabilities	135,194	165,085	24,257	178,428	68,075	—	571,039
Unallocated corporate liabilities							3,896,509
Consolidated total liabilities							4,467,548
Other Information							
Capital expenditure	93,096	5,060	2,785	239,106	3,052	—	343,099
Depreciation and amortisation	64,987	5,813	3,505	97,078	11,554	—	182,937
Non-cash items other than depreciation and amortisation	8,789	1,587	(1,212)	30,363	2,219	—	41,746

43 SEGMENTAL INFORMATION cont'd

Business Segments cont'd

	Plantation RM'000	Property development RM'000	Property investment RM'000	Resource- based manufac- turing RM'000	Other operations RM'000	Eliminations RM'000	Consolidated RM'000
2004							
Revenue							
External sales	524,520	685,189	45,943	3,658,301	79,501	–	4,993,454
Inter-segment sales	706,381	–	–	–	–	(706,381)	–
Total revenue	1,230,901	685,189	45,943	3,658,301	79,501	(706,381)	4,993,454
Result							
Segment result	631,086	315,487	21,336	149,944	22,887	–	1,140,740
Over-provision of depreciation charge and goodwill amortisation for previous year	–	–	–	6,417	–	–	6,417
Segment result	631,086	315,487	21,336	156,361	22,887	–	1,147,157
Unallocated corporate expenses							(28,342)
Operating profit							1,118,815
Interest income							15,502
Finance costs							(59,851)
Share of profits of associates	7,661	–	–	29,801	117	–	37,579
Profit before taxation							1,112,045
Taxation							(220,429)
Profit after taxation							891,616
Minority interests							(190,066)
Net profit attributable to shareholders							701,550
Assets							
Segment assets	3,530,544	1,417,941	599,856	2,347,528	451,754	–	8,347,623
Investment in associates	81,090	–	–	135,133	3,674	–	219,897
Unallocated corporate assets							278,430
Consolidated total assets							8,845,950
Liabilities							
Segment liabilities	126,615	202,521	25,189	310,824	42,524	–	707,673
Unallocated corporate liabilities							2,514,886
Consolidated total liabilities							3,222,559
Other Information							
Capital expenditure	74,167	5,469	2,235	46,891	17,297	–	146,059
Depreciation and amortisation	58,360	5,019	3,143	87,407	11,373	–	165,302
Non-cash items other than depreciation and amortisation	1,657	1,100	1,044	26,027	18,355	–	48,183

43 SEGMENTAL INFORMATION cont'd

Geographical Segments

	Malaysia RM'000	Europe RM'000	North America RM'000	Asia RM'000	Others RM'000	Consolidated RM'000
2005						
Revenue from external customers by location of customers	2,689,807	1,112,771	559,728	1,572,989	127,212	6,072,507
Segment assets by location of assets	6,969,562	1,221,827	257,635	163,059	2,371	8,614,454
Capital expenditure by location of assets	165,674	152,833	24,343	—	249	343,099
2004						
Revenue from external customers by location of customers	2,060,743	930,243	515,222	1,265,395	221,851	4,993,454
Segment assets by location of assets	7,002,638	800,984	349,694	161,116	33,191	8,347,623
Capital expenditure by location of assets	126,407	11,826	7,541	—	285	146,059

44 ANALYSIS OF LIABILITIES PAYABLE AND DEBTS RECEIVABLE

The liabilities payable and debts receivable by the Group, estimated by the Directors are as follows:

	Group	
	2005 RM'000	2004 RM'000
Liabilities Payable		
Amount due to associates	2,739	2,739
Trade payables	205,786	268,158
Other payables and accruals	268,754	301,597
Progress billings	14,592	44,856
Bank overdrafts	8,569	15,809
Short term borrowings ¹	23,705	345,552
Taxation	27,931	48,471
Term loans	257,129	1,687,748
Bonds	1,043,135	—
Guarantee Notes	1,886,892	—
Club membership deposits	15,160	15,115
	3,754,392	2,730,045
Less:		
Short term funds	1,023,739	21,254
Deposits with financial institutions	590,446	339,565
Cash and bank balances	352,525	333,575
	1,787,682	2,035,651
(Receivable)/Payable as follows:		
Within 2 years ²	(1,256,566)	774,715
Between 2 to 5 years	1,142,196	1,212,017
After 5 years	1,902,052	48,919
	1,787,682	2,035,651
Debts Receivable		
Trade receivables	477,354	553,811
Other receivables, deposits and prepayments	115,405	116,007
Accrued billings	103,672	133,361
Amount due from customers on contracts	520	410
Tax recoverable	120,855	9,767
	817,806	813,356
Receivable as follows:		
Within 2 years	817,806	813,356
	817,806	813,356

Notes:

- Included in short term borrowings of RM23,705,000 (2004 - RM345,552,000) are revolving credit facilities of RM23,705,000 (2004 - RM83,032,000) and Commercial Papers of nil (2004 - RM232,000,000). Even though these facilities have been classified as payable within 2 years based on accounting requirements, the Directors are however of the view that the facilities form part of the basic financing tools of the Group and therefore significant portion of these facilities will continue to be available in the foreseeable future.*
- The liabilities payable within 2 years is net of short term funds, deposits with financial institutions and cash and bank balances.*

45 LIST OF SUBSIDIARIES AND ASSOCIATES

The subsidiaries and associates, incorporated in Malaysia except otherwise stated, are as follows:

Name of Company	Effective Group Interest		Principal Activity
	2005	2004	
Direct Subsidiaries			
Plantation			
B. A. Plantations Sdn Bhd	100%	100%	Cultivation of oil palm and investment holding
Cantawan Oil Palms Sdn Bhd	100%	100%	Cultivation of oil palm
Fruitful Plantations Sdn Bhd	100%	100%	Cultivation of oil palm
Hill Land Sdn Bhd	100%	100%	Cultivation of oil palm
Ladang Asas Sdn Bhd	100%	100%	Cultivation of oil palm
Ladang Cantawan (Sabah) Sdn Berhad	100%	100%	Cultivation of oil palm
Mayvin (Sabah) Sdn Bhd *	100%	100%	Cultivation of oil palm and investment holding
Meriteam Sdn Bhd *	100%	100%	Cultivation of oil palm
Morisem Plantations Sdn Bhd *	100%	100%	Cultivation of oil palm
Morisem (Sabah) Sdn Bhd *	100%	100%	Cultivation of oil palm
Permodalan Plantations Sdn Bhd	70%	70%	Cultivation of oil palm
Pine Capital Sdn Bhd *	100%	100%	Cultivation of oil palm and investment holding
PR Enterprise Sdn Bhd	100%	100%	Cultivation of oil palm
Priceland Sdn Bhd	100%	100%	Cultivation of oil palm
Right Purpose Sdn Bhd *	100%	100%	Cultivation of oil palm
Safima Plantations Sdn Bhd	100%	100%	Cultivation of oil palm
Sakilan Desa Sdn Bhd	90%	90%	Cultivation of oil palm
Sri Cantawan Sdn Bhd	100%	100%	Cultivation of oil palm
Terusan Baru Sdn Bhd	100%	100%	Cultivation of oil palm
Dynamic Plantations Berhad	100%	100%	Cultivation of oil palm and processing of palm oil
Halusah Ladang Sdn Bhd	100%	100%	Cultivation of oil palm and processing of palm oil
Ladang Sabah Sdn Bhd	100%	100%	Cultivation of oil palm and processing of palm oil
Mayvin Incorporated Sdn Bhd *	100%	100%	Cultivation of oil palm, processing of palm oil and investment holding
Morisem Palm Oil Mill Sdn Bhd *	100%	100%	Cultivation of oil palm and processing of palm oil
Perusahaan Mekassar (M) Sdn Bhd	100%	100%	Cultivation of oil palm and processing of palm oil
Syarikat Pukin Ladang Kelapa Sawit Sdn Berhad	100%	100%	Cultivation of oil palm and processing of palm oil
Syarimo Sdn Bhd	100%	100%	Cultivation of oil palm, processing of palm oil and investment holding
IOI Commodity Trading Sdn Bhd	100%	100%	Trading in commodities
Future Growth Sdn Bhd	100%	100%	Inactive
Ladang Sabah Holdings Sdn Bhd	100%	100%	Inactive
Morisem Consolidated Sdn Bhd *	100%	100%	Inactive
Morisem Sdn Bhd *	100%	100%	Inactive

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest		Principal Activity
	2005	2004	
Direct Subsidiaries cont'd			
Property Development and Investment			
Bukit Kelang Development Sdn Bhd	100%	100%	Property development
Nice Skyline Sdn Bhd	87%	60%	Property development and investment holding
Rapat Jaya Sendirian Berhad	100%	100%	Property development
Eng Hup Industries Sdn Berhad	100%	100%	Property development and management
IOI Properties Berhad	69%	67%	Property development, property investment and investment holding
Amoda Sdn Bhd	—	60%	Property investment and investment holding
Kean Ko Sdn Berhad	100%	100%	Investment holding
Projects IOI (Mauritius) Ltd *	55%	55%	Investment holding
(Incorporated in Mauritius)			
Resource-based Manufacturing			
IOI Bio-Energy Sdn Bhd *	100%	100%	Produce and supply palm-based renewable energy generation using biomass
IOI Edible Oils Sdn Bhd *	100%	100%	Commodities trading, palm oil refinery/kernel crushing plant
IOI Speciality Fats Sdn Bhd *	100%	100%	Commodities trading and palm oil refinery
IOI Oleochemical Industries Berhad *	65%	60%	Investment holding
Loders Croklaan Group B. V. *	100%	100%	Investment holding
(Incorporated in The Netherlands)			
Non-Segment			
IOI Construction Sdn Bhd	70%	70%	Building, engineering and construction services
IOI Landscape Services Sdn Bhd	100%	100%	Landscape services, sale of ornamental plants and turfing grass
IOI Palm Products Sdn Bhd	100%	100%	Manufacturing and trading of oil palm related by-products
Resort Villa Development Sdn Bhd	100%	100%	Hotel and resort development
Resort Villa Golf Course Berhad	100%	100%	Golf and recreational club services
Resort Villa Golf Course Development Sdn Bhd	100%	100%	Hotel and hospitality services
IOI Investment (L) Berhad	100%	—	Issuance of bonds
(Incorporated in the Federal Territory of Labuan)			
IOI Ventures (L) Berhad	100%	—	Issuance of bonds
(Incorporated in Federal Territory of Labuan)			
IOI Corporation N. V. *	100%	100%	Investment holding
(Incorporated in The Netherlands Antilles)			

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest		Principal Activity
	2005	2004	
Direct Subsidiaries <small>cont'd</small>			
Non-Segment <small>cont'd</small>			
Swee Lam Estates (Malaya) Sdn Berhad	100%	100%	Investment holding
Jasasinar Multimedia Sdn Bhd	94%	94%	Inactive
Affinity Communications Sdn Bhd	100%	100%	Pre-operating
IOI Pulp & Papers Sdn Bhd	100%	100%	Pre-operating
<i>(Formerly known as Focus Media Sdn Bhd)</i>			
IOI Management Sdn Bhd	100%	100%	Pre-operating
Kayangan Heights Sdn Bhd	60%	60%	Pre-operating
Perfect Format Sdn Bhd	100%	100%	Pre-operating
Tampoi Development Sdn Bhd	100%	100%	Pre-operating
Vibrant Field Sdn Bhd *	100%	—	Pre-operating
Indirect Subsidiaries			
Plantation			
Subsidiary of B. A. Plantations Sdn Bhd			
Kesan Jadi Sdn Bhd	100%	100%	Cultivation of oil palm
Subsidiaries of Mayvin (Sabah) Sdn Bhd			
Deramakot Plantations Sdn Bhd *	100%	100%	Cultivation of oil palm
Ladang Mayvin Sdn Bhd *	100%	100%	Cultivation of oil palm
Mowtas Plantations Sdn Bhd *	100%	100%	Cultivation of oil palm
Sri Mayvin Plantation Sdn Bhd *	100%	100%	Cultivation of oil palm
Subsidiaries of Pine Capital Sdn Bhd			
Ladang Tebu Batu Putih Sdn Bhd *	100%	100%	Cultivation of oil palm
Luminous Aspect Sdn Bhd *	100%	100%	Cultivation of oil palm
Priceland Plantation Sdn Bhd *	100%	100%	Cultivation of oil palm
Sayang Sagama Sdn Bhd *	100%	100%	Cultivation of oil palm
Sri Vagas Sdn Bhd *	100%	100%	Cultivation of oil palm
Sri Yongdankong Sdn Bhd *	100%	100%	Cultivation of oil palm
Subsidiaries of Mayvin Incorporated Sdn Bhd			
Gamore Corporation Sdn Bhd *	100%	100%	Cultivation of oil palm
Vantage Wealth Sdn Bhd *	100%	100%	Cultivation of oil palm

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest		Principal Activity
	2005	2004	
Indirect Subsidiaries cont'd			
Plantation cont'd			
Subsidiaries of Syarimo Sdn Bhd			
Agroplex (Sabah) Sdn Bhd	100%	100%	Cultivation of oil palm
Bilprice Development Sdn Bhd	100%	100%	Cultivation of oil palm
Erat Manis Sdn Bhd	100%	100%	Cultivation of oil palm
Hidayat Rakyat Sdn Bhd	100%	100%	Cultivation of oil palm
Hidayat Ria Sdn Bhd	100%	100%	Cultivation of oil palm
Kunimas Sdn Bhd	100%	100%	Cultivation of oil palm
Lokoh Sdn Bhd	100%	100%	Cultivation of oil palm
Maxgrand Sdn Bhd	100%	100%	Cultivation of oil palm
Mewahandal Sdn Bhd	100%	100%	Cultivation of oil palm
Muara Julang Sdn Bhd	100%	100%	Cultivation of oil palm
Pricescore Enterprise Sdn Bhd	100%	100%	Cultivation of oil palm
Pujian Harum Sdn Bhd	100%	100%	Cultivation of oil palm
Syarikat Best Cocoa Sdn Bhd	100%	100%	Cultivation of oil palm
Unikhas Corporation Sdn Bhd	100%	100%	Cultivation of oil palm
Very Good Estate Sdn Bhd	100%	100%	Cultivation of oil palm
Fastscope Development Sdn Bhd	100%	100%	Cultivation of soft wood timber
Subsidiaries of IOI Oleochemical Industries Berhad			
Palmco Plantations (Sabah) Sdn Bhd *	65%	60%	Cultivation of oil palm
Pamol Plantations Sdn Bhd *	65%	60%	Cultivation of oil palm and processing of palm oil
Unipamol Malaysia Sdn Bhd *	65%	60%	Investment holding
Pamol Bintang Sdn Bhd *	65%	60%	Dormant
Subsidiary of Pamol Plantations Sdn Bhd			
Pamol Estates (Sabah) Sdn Bhd *	45%	42%	Cultivation of oil palm and processing of palm oil
Subsidiary of Pamol Estates (Sabah) Sdn Bhd			
Milik Berganda Sdn Bhd *	45%	42%	Cultivation of oil palm
Property Development and Investment Subsidiary of Nice Skyline Sdn Bhd			
Jurang Teguh Sdn Bhd	87%	60%	Building, engineering and construction services
Subsidiary of Projects IOI (Mauritius) Ltd			
A. P. Gems & Jewellery Park Pvt Ltd (India) *	49%	49%	Property investment
(Incorporated in India)			

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest		Principal Activity
	2005	2004	
Indirect Subsidiaries <small>cont'd</small>			
Subsidiaries of IOI Properties Berhad			
Cahaya Kota Development Sdn Bhd	69%	67%	Property development, property investment and investment holding
Flora Development Sdn Bhd	69%	67%	Property development
Kapar Realty And Development Sdn Berhad	47%	45%	Property development
Kumpulan Mayang Sdn Bhd	69%	67%	Property development
Pine Properties Sdn Bhd	69%	67%	Property development and property investment
Dynamic Management Sdn Bhd	69%	67%	Property development and investment holding
Commercial Wings Sdn Bhd	69%	67%	Property investment
Property Skyline Sdn Bhd *	62%	60%	Provision of management services and investment holding
Flora Horizon Sdn Bhd	69%	67%	Pre-operating
Pilihan Teraju Sdn Bhd	69%	67%	Pre-operating
Hartawan Development Sdn Bhd	69%	67%	Inactive
Jutawan Development Sdn Bhd	69%	67%	Inactive
Paduwan Development Sdn Bhd	69%	67%	Inactive
Paska Development Sdn Bhd	69%	67%	Inactive
IOI Land Singapore Pte Ltd * <i>(Incorporated in Singapore)</i>	69%	—	Inactive
Subsidiaries of Cahaya Kota Development Sdn Bhd			
IOI Building Services Sdn Bhd	69%	67%	Building maintenance services
Lush Development Sdn Bhd	69%	67%	Inactive
Riang Takzim Sdn Bhd	69%	67%	Inactive
Tanda Bestari Development Sdn Bhd	69%	67%	Inactive
Subsidiaries of Dynamic Management Sdn Bhd			
Paksi Teguh Sdn Bhd	69%	67%	General contractors
Pilihan Megah Sdn Bhd	69%	67%	Property development, property investment and investment holding
Legend Advance Sdn Bhd *	48%	—	Property development
Subsidiary of Pilihan Megah Sdn Bhd			
Future Link Properties Pte Ltd * <i>(Incorporated in Singapore)</i>	42%	41%	Property investment
Subsidiaries of Property Skyline Sdn Bhd			
Nice Frontier Sdn Bhd *	64%	62%	Property development, property investment and cultivation of oil palm
Property Village Berhad *	56%	54%	Property development, golf club and recreational services and investment holding

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest		Principal Activity
	2005	2004	
Indirect Subsidiaries ^{cont'd}			
Property Development and Investment ^{cont'd}			
Subsidiary of Property Village Berhad			
Baycrest Sdn Bhd *	56%	54%	General contractors
Subsidiaries of Amoda Sdn Bhd			
Amoda Management Sdn Bhd	—	60%	Property management services
Amoda Properties Sdn Bhd	—	60%	Pre-operating
Subsidiary of Kean Ko Sdn Berhad			
Seremban Enterprise Corporation Berhad	58%	58%	Property development
(Formerly known as Seremban Enterprise Corporation Sdn Berhad)			
Subsidiaries of IOI Oleochemical Industries Berhad			
Palmex Industries Sdn Berhad *	65%	60%	Property development and investment holding
Palmco Properties Sdn Bhd *	65%	60%	Property investment
PMX Bina Sdn Bhd *	65%	60%	General contractor
Resource-based Manufacturing Subsidiaries of IOI Edible Oils Sdn Bhd			
IOI Jeti Sdn Bhd *	100%	100%	Inactive
Subsidiaries of IOI Oleochemical Industries Berhad			
Acidchem International Sdn Bhd *	65%	60%	Manufacturing of fatty acids and glycerine
Derichem (M) Sdn Bhd *	65%	60%	Manufacturing of soap noodles
Esterchem (M) Sdn Bhd *	65%	60%	Trading in esters
Stabilchem (M) Sdn Bhd *	65%	60%	Manufacturing of metallic stearates
Palmco Oil Mill Sendirian Berhad *	65%	60%	Trading in commodities
Subsidiaries of Loders Croklaan Group B. V.			
Loders Croklaan B. V. *	100%	100%	Manufacturing of specialty oils and fats
(Incorporated in The Netherlands)			
Loders Croklaan Canada Inc. *	100%	100%	Manufacturing of specialty oils and fats
(Incorporated in Canada)			
Loders Croklaan USA B. V. *	100%	100%	Investment holding
(Incorporated in The Netherlands)			
Loders Croklaan For Oils S.A.E. Egypt *	100%	100%	Production of emulsified raw materials and semi finished goods on oils and fats
(Incorporated in Egypt)			

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest		Principal Activity
	2005	2004	
Indirect Subsidiaries <small>cont'd</small>			
Resource-based Manufacturing <small>cont'd</small>			
Subsidiaries of Loders Croklaan			
Group B. V. <small>cont'd</small>			
IOI Loders Croklaan Oils B.V.* <i>(Incorporated in The Netherlands)</i>	100%	—	Palm oil refinery
Loders Croklaan (Shanghai) Trading Co., Ltd.* <i>(Incorporated in the People's Republic of China)</i>	100%	—	Trading of specialty oils and fats products
IOI Loders Croklaan Oils Sdn Bhd * <i>(Formerly known as Soctek Sdn Bhd)</i>	100%	—	Refining and trading of crude palm oil, other refined products and tolling services
Loders Croklaan (Asia) Sdn Bhd * <i>(Formerly known as Soctek Edible Oils Sdn Bhd)</i>	100%	—	Processing and sale of palm oil and palm kernel oil derived specialty fats and related products
Loders Croklaan Malaysia Sdn Bhd	100%	100%	Inactive
Subsidiary of Loders Croklaan			
USA B. V.			
Loders Croklaan USA LLC* <i>(Incorporated in United States of America)</i>	100%	100%	Manufacturing of specialty oils and fats
Subsidiary of Loders Croklaan For			
Oils S. A. E. Egypt			
Loders Croklaan Trading & Distribution LLC Egypt * <i>(Incorporated in Egypt)</i>	100%	100%	Trading and marketing of food-based products
Non-Segment			
Subsidiaries of IOI Oleochemical Industries Berhad			
Palmco Jaya Sendirian Berhad *	65%	60%	Bulk cargo warehousing
Palmco Hotels Sdn Bhd *	65%	60%	Hotel and related activities
Palmco Management Services Sdn Bhd *	65%	60%	Management services and rental of storage tanks
Care Security Services Sdn Bhd *	65%	60%	Management of collection of service charges
Performance Chemicals (M) Sdn Bhd *	65%	60%	Dormant
Palmina Sendirian Berhad *	65%	60%	Dormant
Palmco Plantations Sendirian Berhad *	65%	60%	Dormant
Palmco Cocoa Sendirian Berhad *	65%	60%	Dormant
Direct Consolidated Sdn Bhd *	65%	60%	Dormant
Quantum Green Sdn Bhd *	65%	60%	Dormant
Acidchem (Sabah) Sdn Bhd *	65%	60%	Dormant

45 LIST OF SUBSIDIARIES AND ASSOCIATES ^{cont'd}

Name of Company	Effective Group Interest		Principal Activity
	2005	2004	
Indirect Subsidiaries cont'd			
Non-Segment cont'd			
Subsidiary of Acidchem International Sdn Bhd			
Acidchem (USA) Inc *	65%	60%	Trading in fatty acids and glycerine
(Incorporated in United States of America)			
Subsidiary of Palmex Industries Sdn Berhad			
Palmco International (HK) Limited *	65%	60%	Investment holding
(Incorporated in Hong Kong)			
Subsidiaries of Palmco International (HK) Limited			
Palmco Engineering Limited *			
(Incorporated in Hong Kong)			
Acidchem (Singapore) Pte Ltd *	65%	60%	Investment holding
(Incorporated in Singapore)			
Subsidiary of Palmco Engineering Limited			
Tianjin Palmco Oil & Fats Co Ltd *	65%	60%	Dormant
(Incorporated in People's Republic of China)			
Subsidiary of IOI Construction Sdn Bhd			
IOI Concrete Sdn Bhd	70%	70%	Inactive
Subsidiary of Kayangan Heights Sdn Bhd			
Common Portfolio Sdn Bhd	60%	60%	Pre-operating
Subsidiaries of Swee Lam Estates (Malaya) Sdn Bhd			
Swee Lam Development Sdn Bhd	100%	100%	Pre-operating
Swee Lam Properties Sdn Bhd	100%	100%	Pre-operating

* Subsidiaries not audited by BDO Binder

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest		Principal Activity
	2005	2004	
Associates			
Perumahan Abadi Sdn Bhd	25%	25%	Inactive
Reka Halus Sdn Bhd	30%	30%	Cultivation of oil palm and processing of palm oil
Associate of IOI Properties Berhad			
Continental Estates Sdn Bhd	17%	16%	Property development and cultivation of oil palm
Associates of IOI Oleochemical Industries Berhad			
Fatty Chemical (Malaysia) Sdn Bhd	19%	18%	Manufacturing of fatty alcohol and methyl esters
Kao Plasticizer (Malaysia) Sdn Bhd	19%	18%	Manufacturing of plasticizer and other chemical products
Associate of Palmex Industries Sdn Berhad			
Malaysia Pakistan Venture Sdn Bhd	16%	15%	Investment holding

46 CHANGE IN ACCOUNTING POLICY

During the financial year, the Group adopted Financial Reporting Standard (“FRS”) 201, Property Development Activities. The adoption of FRS201 does not have any material impact on the results of the Group for the current financial year. The comparative figures in respect of property development costs, however, have been restated in accordance with the requirements of FRS201 as follows:

	Group		
	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Balance Sheet			
Property development costs	271,909	(88,505)	183,404
Trade and other receivables	670,228	133,361	803,589
Trade and other payables	569,755	44,856	614,611

47 AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 30 June 2005 were authorised for issue by the Board of Directors on 1 September 2005.

statement by directors

In the opinion of the Directors, the financial statements set out on pages 101 to 191 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2005 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the Directors:

Tan Sri Dato' Lee Shin Cheng
Executive Chairman

Dato' Yeo How
Executive Director

Putrajaya
1 September 2005

statutory declaration

I, Dato' Yeo How, being the Director primarily responsible for the financial management of IOI Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 101 to 191 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)	
at Puchong, Selangor Darul Ehsan)	Dato' Yeo How
this 1 September 2005)	

Before me

S. Nirmala Devi
Commissioner for Oaths
No. B076

We have audited the financial statements set out on pages 101 to 191.

These financial statements are the responsibility of the Company's Directors.

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

We conducted our audit in accordance with approved standards on auditing in Malaysia. These 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a the financial statements have been properly drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:
 - i the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - ii the state of affairs of the Group and of the Company as at 30 June 2005 and of their results and cash flows for the financial year then ended;

and

- b the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 45 to the financial statements, being financial statements that are included in the consolidated financial statements.

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

BDO Binder
AF : 0206
Chartered Accountants

Tan Kim Leong, JP
235/06/07 (J/PH)
Partner

Kuala Lumpur
1 September 2005

PLANTATION ESTATES

Location	Tenure	Area (Hectare)	Crop Planted	Factory/ Mill	Net Book Value as at 30 June 2005 RM'000	Year of Acquisition/ Revaluation
Pahang Darul Makmur						
Bukit Dinding Estate Bentong	Freehold	1,661	OP	—	20,174	1983
Pukin Estate Pekan Rompin	Leasehold expiring 2071, 2074, 2077	2,281	OP	M	41,774	1985
Mekassar Estate Pekan Rompin	Leasehold expiring 2075	1,216	OP	—	19,842	1985
Detas Estate Pekan	Leasehold expiring 2081	2,301	OP	—	26,680	1989
Bukit Leelau Estate Pekan	Leasehold expiring 2088	2,096	OP	M	24,437	1989
Merchong Estate Pekan	Leasehold expiring 2075	1,828	OP	—	29,325	1990
Leepang A Estate Rompin	Leasehold expiring 2065	2,404	OP	—	20,345	2000
Laukin A Estate Rompin	Leasehold expiring 2065	1,620	OP	—	10,957	2000
Shahzan IOI Estate Rompin	Leasehold expiring 2061	3,243	OP	—	22,886	2002
Negeri Sembilan Darul Khusus						
Regent Estate Tampin	Freehold	2,303	OP R	—	41,812	1990
Bahau Estate Kuala Pilah	Freehold	3,020	OP R	—	52,772	1990
Kuala Jelei Estate Kuala Pilah	Freehold	678	OP	—	12,724	1990
Johor Darul Takzim						
Gomali Estate Segamat	Freehold	3,602	OP	M	81,638	1990
Paya Lang Estate Segamat	Freehold	1,469	OP	—	25,932	1990
Tambang Estate Segamat	Freehold	2,020	OP	—	39,113	1990
Bukit Serampang Estate Tangkak	Freehold	2,721	OP	—	47,411	1990
Kahang Estate Kluang	Leasehold expiring 2082	2,420	OP	—	36,637	1990
Sagil Estate Tangkak	Freehold	2,521	OP R	—	46,172	1990
Segamat Estate Segamat	Freehold	1,917	OP R	—	37,557	1990

PLANTATION ESTATES cont'd

Location	Tenure	Area (Hectare)	Crop Planted	Factory/ Mill	Net Book Value as at 30 June 2005 RM'000	Year of Acquisition/ Revaluation
Johor Darul Takzim <small>cont'd</small>						
Pamol Plantations Estate, Kluang	Freehold	8,110	OP	M	276,793	2003
Sabah						
Morisem 1 Estate Kinabatangan	Leasehold expiring 2080	2,032	OP	—	27,214	1993
Morisem 2 Estate Kinabatangan	Leasehold expiring 2087	2,023	OP	—	27,430	1993
Morisem 3 Estate Kinabatangan	Leasehold expiring 2087, 2088	2,014	OP	M	50,506	1993
Morisem 4 Estate Kinabatangan	Leasehold expiring 2089	2,023	OP	—	25,438	1993
Morisem 5 Estate Kinabatangan	Leasehold expiring 2078	1,878	OP	M	34,912	1993
Baturong 1-3 Estates, Kunak	Leasehold expiring 2081	7,485	OP	M	66,675	1991
Halusah Estate Lahad Datu	Leasehold expiring 2076,2078	813	OP	—	142	1991
Syarimo 1-9 Estates Kinabatangan	Leasehold expiring 2077-2990	18,367	OP	M	234,566	1985 - 2000
Permodalan Estate Kinabatangan	Leasehold expiring 2078	8,093	OP	—	109,771	1995
Laukin Estate Sugut	Leasehold expiring 2077	2,128	OP	—	29,965	1996
Sakilan Estate Sandakan	Leasehold expiring 2887	2,296	OP	M	49,206	1996
Ladang Sabah Labuk-Sugut	Leasehold expiring 2082, 2087, 2089	11,592	OP	M	243,790	1998
Cantawan Estate Lahad Datu	Leasehold expiring 2061, 2066, 2078-2080	1,452	OP	—	32,010	1998
Tas Estate Kinabatangan	Leasehold expiring 2077	1,209	OP	—	28,808	1998
Tangkulap Estate Labuk-Sugut	Leasehold expiring 2080-2086	2,277	OP	—	59,988	2001
Bimbingan Estate Labuk-Sugut	Leasehold expiring 2083	3,893	OP	—	76,004	2001
Pamol Plantations Estate, Labuk-Sugut	Leasehold expiring 2081, 2097	1,442	OP	—	16,517	2003

PLANTATION ESTATES cont'd

Location	Tenure	Area (Hectare)	Crop Planted	Factory/ Mill	Net Book Value as at 30 June 2005 RM'000	Year of Acquisition/ Revaluation
Sabah <small>cont'd</small>						
Pamol Estate, Labuk-Sugut	Leasehold expiring 2888	8,186	OP	M	202,588	2003
Milik Berganda Estate, Labuk-Sugut	Leasehold expiring 2090	5,269	OP	—	106,917	2003
Linbar 1 & 2 Estate Kinabatangan	Leasehold expiring 2081	4,840	OP	—	119,589	2003
Mayvin 1-3 Estate Labuk-Sugut	Leasehold expiring 2079-2081, 2090, 2092	3,423	OP	M	126,043	2003
Mayvin 4-6 Estate Kinabatangan	Leasehold expiring 2077, 2082	4,238	OP	—	118,001	2003
Leepang 1-5 Estate Kinabatangan	Leasehold expiring 2080-2094, 2974-2995	9,241	OP	—	268,969	2003

OP Oil palm

R Rubber

M Oil palm mill

DEVELOPMENT PROPERTIES

Location	Tenure	Initial Gross Land Area	Balance of Net Land Area for Development	Usage	Net Book Value as at 30 June 2005 RM'000	Year of Acquisition/ Revaluation
Bandar Puchong Jaya - Parcel A Various sub-divided lots in Puchong, Petaling Selangor Darul Ehsan	Freehold	164 hectares	4 hectares	On-going mix development project	3,576	1989
Bandar Puchong Jaya - Parcel B Various sub-divided lots in Puchong, Petaling Selangor Darul Ehsan	Freehold	210 hectares	31 hectares	On-going mix development project	56,428	1990
Bandar Puteri Lots 12, 356, 5452-5473, 5475-5490 Puchong, Petaling Selangor Darul Ehsan	Freehold	374 hectares	126 hectares	On-going mix development project	258,119	1994
IOI Resort Lot 3991 (part) Dengkil, Sepang Selangor Darul Ehsan	Freehold	37 hectares	16 hectares	Condominium and bungalow development	20,796	1990
Bandar Putra Lot 5418 (part) Senai-Kulai, Johor Bahru Johor Darul Takzim	Freehold	332 hectares	92 hectares	On-going mix development project	62,238	1988
Bandar Putra Lots 3787, 5418, 26737, 3783, 3785 Senai-Kulai, Johor Bahru Johor Darul Takzim	Freehold	1,967 hectares	905 hectares	On-going mix development project Labour lines, staff quarters, estate bungalows, stores	231,410 373	1988
Lot 5585-5596, 7021 7024-7032 MG No 12-13 Senai-Kulai, Johor Bahru Johor Darul Takzim	Freehold	91 hectares	91 hectares	Future development land	29,533	2005
Bandar Putra PTD 5746, 5747 & 5748, Segamat Johor Darul Takzim	Freehold	198 hectares	69 hectares	On-going mix development project	36,303	1990
Lot 2882, Grant 7920 Tangkak, Muar Johor Darul Takzim	Freehold	113 hectares	113 hectares	Homestead development	2,243	1990

DEVELOPMENT PROPERTIES ^{cont'd}

Location	Tenure	Initial Gross Land Area	Balance of Net Land Area for Development	Usage	Net Book Value as at 30 June 2005 RM'000	Year of Acquisition/ Revaluation
Taman Bidara Seremban, Negeri Sembilan Darul Khusus	Freehold	—	12,368 sq m	On-going mix development project	626	1985
Lot 1758 (part of CT 2121) Mukim Gemencheh, Tampin, Negeri Sembilan Darul Khusus	Freehold	16 hectares	4 hectares	On-going mix development project	1,405	1990
HSD 20422 PT No 5140 Sg Buloh, Petaling Selangor Darul Ehsan	Freehold	—	3,962 sq m	Residential development	1,685	1980
Taman Klang Utama Various sub-divided lots in Kapar, Klang Selangor Darul Ehsan	Freehold	—	2,525 sq m	Future development land	1,538	1991
Lots 2, 3, 177 & 179 Mukim Rompin, Jempol Negeri Sembilan Darul Khusus	Freehold	196 hectares	196 hectares	Future development land	5,846	1990
Lots 429, 432 & 434 Bukit Sebukor Bukit Baru Melaka Tengah, Melaka	Freehold	19 hectares	19 hectares	Future development land	13,687	1990
Grant 9051 (Part) Tangkak, Muar Johor Darul Takzim	Freehold	20 hectares	20 hectares	On-going mix development project	3,575	1990
Lot 369 (Part), Title 1062 Gemas, Segamat Johor Darul Takzim	Freehold	20 hectares	20 hectares	Future development land	1,308	1990
PTD 2637 Lot 2630 Mukim Gemas, Segamat Johor Darul Takzim	Freehold	20 hectares	20 hectares	Future development land	3,002	2003
Lot 3015 Grant 186 Mukim Sabai, Bentong Pahang Darul Makmur	Freehold	446 hectares	446 hectares	Future development land	13,596	1983
HSD 11323 PT No 12514 Dengkil, Sepang Selangor Darul Ehsan	Leasehold expiring 2091	196 hectares	196 hectares	Future development land	103,126	2001
Lot 3175 Town of Tanjung Tokong Seksyen 1, DTL Penang	Freehold	—	17,617 sq m	Future development land	7,663	2001
HSD 1431 PT No 4471 Dengkil, Sepang Selangor Darul Ehsan	Leasehold expiring 2091	21 hectares	21 hectares	Future development land	10,782	2002

Net book value of the development properties are stated at Group land cost together with the related development expenditure incurred to the remaining unsold properties.

INVESTMENT PROPERTIES

Location	Tenure	Land Area	Net Lettable Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2005 RM'000	Year of Acquisition/Revaluation
IOI Mall Bandar Puchong Jaya Puchong Selangor Darul Ehsan	Freehold	66,521 sq m	58,970 sq m	3 storey shopping mall	9	153,228	2003*
IOI Business Park Bandar Puchong Jaya Puchong Selangor Darul Ehsan	Freehold	38,849 sq m	5,650 sq m	38 units commercial lot	7	24,184	2003*
Mayang Plaza Jalan SS26/2 Taman Mayang Jaya Petaling Jaya Selangor Darul Ehsan	Freehold	11,573 sq m	12,575 sq m	4 storey commercial complex	9	19,733	2003*
IOI Resort Putrajaya	Freehold	63,449 sq m	22,082 sq m	33 units of residential bungalow	1-9	54,830	2003*
One IOI Square IOI Resort Putrajaya	Freehold	18,339 sq m	18,092 sq m	12 storey new office building erected on existing land	2	44,412	1990
IOI Mall Bandar Putra, Kulai Johor Bahru Johor Darul Takzim	Freehold	43,482 sq m	22,398 sq m	3 storey shopping mall	4	49,501	2003*
IOI Plaza 210 Middle Road Singapore	Leasehold expiring 2095	2,600 sq m	8,740 sq m	12 storey office building	7	160,289	2003*
Flat 28 Marathon House 200 Marylebone Road London, NW1 5 PW	Leasehold expiring 2996	—	80 sq m	Residential apartment	7	1,999	1999

* Year of revaluation

INDUSTRIAL PROPERTIES

Location	Tenure	Land Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2005 RM'000	Year of Acquisition/ Revaluation
Taman Klang Utama Lot 723 EMR 2244 Jalan Kapar, Kelang Selangor Darul Ehsan	Freehold	12,040 sq m	Industrial land for rental	—	282	1992
27, Section 13 Jalan Kemajuan Petaling Jaya Selangor Darul Ehsan	Leasehold expiring 2059	8,336 sq m	Industrial premises for rental	—	5,325	1984
Country lease 075365632, 075376279 075469340 & 075376260 Sg Mowtas and Batu Sapi Sandakan, Sabah	Leasehold expiring 2039, 2042, 2044	22 hectares	Palm oil refinery	8	78,589	1995
Plot 57 Mukim 1 Bukit Tengah Industrial Park Prai, Penang	Leasehold expiring 2053	41,224 sq m	Vacant industrial land	—	2,781	2001
Lorong Perusahaan Satu Prai Industrial Complex 13600 Prai Penang	Leasehold expiring between 2035 - 2071	176,169 sq m	Offices and factory sites New factory site erected on existing land	26 4	55,569 9,695	2001
Palmco Jaya Warehouse Bulk Cargo Terminal 13600 Prai, Penang	Leasehold expiring 2025	13,400 sq m	Bulk cargo terminal	31	84	2001
Deep Water Wharves 12100 Butterworth Penang	Leasehold expiring 2015	5,200 sq m	Bulking installation	31	—	2001
HS (D) 160988 PTD 89217 Plentong Pasir Gudang, Johor Bahru Johor Darul Takzim	Leasehold expiring 2041	9 hectares	Factory sites	24	28,141	2005
Plot 1-2-4, A7-6 TEDA 300457 Tianjin People's Republic of China	Leasehold expiring 2024	34,375 sq m	Offices and factory sites	16	—	2001
Loders Croklaan Hogeweg 1, 1520 Wormerveer Netherlands	Freehold	6 hectares	Specialty oils and fats manufacturing facilities	14-35	135,020	2002
Durkee Road 24708 W Channahon Illinois, United States	Freehold	36 hectares	Specialty oils and fats manufacturing	3-35	67,020	2002

OTHER PROPERTIES

Location	Tenure	Land/Built up Land Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2005 RM'000	Year of Acquisition/ Revaluation
Palm Garden Hotel Lot 3991 (part) Dengkil, Sepang Selangor Darul Ehsan	Freehold	12,181 sq m	152-room hotel	9	19,252	1990
IOI Palm Garden Golf Course Lot 3991 (part) Dengkil, Sepang Selangor Darul Ehsan	Freehold	90 hectares	27-hole golf course and clubhouse	12	45,125	1990
Lot 17351-17355 Petaling Selangor Darul Ehsan	Freehold	1,376 sq m	IOI headoffice, 4 units 3.5 storey shopoffices	11	1,109	1994
HS (D) 45891 PT 9428 Mukim Petaling Selangor Darul Ehsan	Freehold	1,699 sq m	Petrol station land	—	9	1991
HS (D) 41529 PT 9411 Mukim Petaling Selangor Darul Ehsan	Freehold	2,690 sq m	Petrol station land	—	313	1993
HS (D) 125263 PT 17727 Mukim Petaling Selangor Darul Ehsan	Freehold	2,601 sq m	Petrol station land	—	112	1995
HS (D) 55058, PT 56477 Mukim of Klang Selangor Darul Ehsan	Freehold	3900 sq m	1.5 storey factory	9	385	1997
IOI Resort Lot 3991 (part) Dengkil, Sepang Selangor Darul Ehsan	Freehold	6 hectares	Hotel and 12 storey new office building erected on existing land	2-3	193,472	1990
HSD 45890 PT 9427 Mukim Petaling Selangor Darul Ehsan	Leasehold expiring 2026	1,803 sq m	Petrol station land	—	10	1992
Lot 40476 & 40480 Daerah Wilayah Persekutuan Kuala Lumpur	Freehold	3,018 sq m	Bungalow plots	—	1,976	1992
No. 1, Lebuhr Putrajaya, Bandar Putrajaya Kuala Lumpur	Freehold	1,041 sq m	Bandar Putrajaya corporate office	8	1,314	1994

OTHER PROPERTIES cont'd

Location	Tenure	Land/Built up Land Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2005 RM'000	Year of Acquisition/ Revaluation
HS (D) 13605 PTD 4911 Mukim Sg Segamat Segamat Johor Darul Takzim	Leasehold expiring 2046	6930 sq m	Vacant industrial land	—	177	1986
Palm Villa Golf & Country Resort Bandar Putra Kulai, Johor Bahru Johor Darul Takzim	Freehold	96 hectares	27-hole golf course	—	18,762	1994
Palm Villa Golf & Country Resort Bandar Putra Kulai, Johor Bahru Johor Darul Takzim	Freehold	7 hectares	Clubhouse	4	7,627	1994
Lot 200-203 Taman Air Biru Mukim Plentong Pasir Gudang, Johor Bahru Johor Darul Takzim	Leasehold expiring 2070	1,807 sq m	4 units double storey semi-detached house	25	195	2005
PT 3865, Pasir Ponyang Port Dickson, Negeri Sembilan Darul Khusus	Freehold	917 sq m	Holiday bungalow	22	105	1990
Lot 8, Jalan Segama Lahad Datu, Sabah	Leasehold expiring 2894	112 sq m	Shoplot	12	—	1993
Lot 15, 16 & 17 Tengah Nipah Road Lahad Datu Sabah	Leasehold expiring 2894	2,280 sq m	Semi- detached house and staff apartments	19	—	1993
Country lease 115310926 Jalan Segama Lahad Datu, Sabah	Leasehold expiring 2932	1 hectare	Regional office	4	708	1993
Country lease 115325534 New Wharf Road Lahad Datu, Sabah	Leasehold expiring 2914	2 hectares	Warehouse	—	1,624	1993
Country lease 115325543, 116179269 New Wharf Road Lahad Datu, Sabah	Leasehold expiring 2057,2914	5 hectares	Warehouse	—	2,900	1993
302-H, Jalan Relau Desaria, Sg Ara Penang	Freehold	167 sq m	Shoplot	10	304	2001
Batu Ferringi 11100 Penang	Freehold	20,700 sq m	180-room hotel	30	47,907	2001
Lot 8165 Mukim 12 Sg Ara Estate Penang	Freehold	1,799 sq m	Vacant commercial land	—	150	2001

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Sixth Annual General Meeting of the Company will be held at Putrajaya Ballroom I (Level III), Putrajaya Marriott Hotel, IOI Resort, 62502 Putrajaya, Malaysia on Friday, 28 October 2005 at 11.15 a.m. for the following purposes:

AGENDA

- 1 To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2005 and the Reports of the Directors and Auditors thereon.
- 2 To re-elect the following Directors retiring by rotation pursuant to Article 101 of the Company's Articles of Association:
 - a Tan Sri Dato' Lee Shin Cheng
 - b Dato' Yeo How
- 3 To consider and if thought fit, to pass the following as an Ordinary Resolution:

"THAT Mr Chan Fong Ann, a Director who retires pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed a Director of the Company and to hold office until the conclusion of the next Annual General Meeting."
- 4 To consider and if thought fit, to pass the following as an Ordinary Resolution:

"THAT the increase in the payment of Directors' fees to RM350,000, to be divided among the Directors in such manner as the Directors may determine, be and is hereby approved."
- 5 To re-appoint BDO Binder, the retiring auditors and to authorise the Directors to fix their remuneration.
- 6 As special business, to consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

6.1 Authority To Directors To Allot And Issue Shares Pursuant To Section 132D Of The Companies Act, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised with full powers to allot and issue shares in the Company from time to time and upon such terms and conditions and for such purposes as they may deem fit subject always to the approval of the relevant authorities being obtained for such issue and provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital for the time being of the Company and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the additional shares so issued."

6.2 Proposed Renewal Of Existing Share Buy-Back Authority

"THAT, subject to compliance with applicable laws, regulations and the approval of all relevant authorities, approval be and is hereby given to the Company to utilise up to the aggregate of the Company's latest audited retained earnings and share premium account to purchase up to ten percent (10%) of the issued and paid-up ordinary share capital of the Company ("Proposed Purchase") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company;

AGENDA cont'd

6.2 Proposed Renewal Of Existing Share Buy-Back Authority cont'd

AND THAT at the discretion of the Directors of the Company, the shares of the Company to be purchased are to be cancelled and/or retained as treasury shares and distributed as dividends or resold on Bursa Securities;

AND THAT the Directors of the Company be and are hereby empowered generally to do all acts and things to give effect to the Proposed Purchase with full powers to assent to any condition, modification, revaluation, variation and/or amendment (if any) as may be imposed by the relevant authorities and/or do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company;

AND THAT such authority shall commence immediately upon passing of this resolution until:

- i the conclusion of the next Annual General Meeting of the Company at which time the authority shall lapse unless by ordinary resolution passed at a general meeting, the authority is renewed either unconditionally or subject to conditions;
- ii the expiration of the period within which the next Annual General Meeting after that date is required by law to be held; or
- iii revoked or varied by ordinary resolution of the shareholders of the Company at a general meeting,

whichever is the earlier but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Listing Requirements of Bursa Securities or any other relevant authorities.”

6.3 Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions

“THAT approval be and is hereby given for the renewal of Shareholders' Mandate for the Company and its subsidiaries to enter into Recurrent Related Party Transactions of a revenue or trading nature which are necessary for day-to-day operations involving the interest of Directors, Major Shareholders or persons connected with the Directors and/or Major Shareholders of the Company and its subsidiaries (“Related Parties”), as detailed in Part B, Section 5 of the Circular to Shareholders of the Company dated 27 September 2005 subject to the following:

- a the transactions are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- b disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year,

AND THAT authority conferred by this resolution will commence immediately upon the passing of this Ordinary Resolution until:

- i the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

AGENDA cont'd

6.3 Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions cont'd

- ii the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

- iii revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier,

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate."

7 To transact any other business of which due notice shall have been given.

By Order of the Board

Lee Ai Leng
Yap Chon Yoke
Secretaries

Putrajaya
27 September 2005

Notes:

- 1 A member may appoint any person to be his proxy and the provisions of section 149(1)(b) of the Act shall not apply to the Company.
- 2 An instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- 3 If a member appoints two proxies to attend at the same meeting, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.
- 4 An instrument appointing a proxy may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument.
- 5 An instrument appointing a proxy must be deposited at the Company's registered office at Two IOI Square, IOI Resort, 62502 Putrajaya, Malaysia not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

6 Explanatory Statement on Special Business

- i Authority To Directors To Allot And Issue Shares Pursuant To Section 132D Of The Companies Act, 1965

The ordinary resolution proposed under item 6.1 of the Agenda, if passed will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total ten percent (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 of the Company.

- ii Proposed Renewal Of Existing Share Buy-Back Authority

The ordinary resolution proposed under item 6.2 of the Agenda, if passed will empower the Company to purchase up to ten percent (10%) of the issued and paid-up ordinary share capital of the Company through Bursa Securities. This authority unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

- iii Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions

The ordinary resolution proposed under item 6.3 of the Agenda is to renew the Shareholders' Mandate granted by the Shareholders of the Company at the previous Annual General Meeting held on 21 October 2004. The proposed renewal of Shareholders' Mandate will enable the Company and its subsidiaries to enter into any of the Recurrent Related Party Transactions of a revenue or trading nature which are necessary for the day-to-day operations involving the interest of Directors, Major Shareholders or persons connected with the Directors and/or Major Shareholders of the Company and its subsidiaries ("Related Parties"), subject to the transactions being in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company. This authority unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. The details of the proposal are set out in the Circular to Shareholders dated 27 September 2005.

**statement accompanying notice of
annual general meeting** Pursuant to Paragraph 8.28 (2)
of the Listing Requirements of Bursa Malaysia Securities Berhad

1 Directors standing for re-election/re-appointment

a The Directors retiring by rotation and standing for re-election pursuant to Article 101 of the Articles of Association of the Company are:

- Tan Sri Dato' Lee Shin Cheng
- Dato' Yeo How

b The Director standing for re-appointment under Section 129(2) of the Companies Act, 1965 is:

- Mr Chan Fong Ann

The profiles of the above-named Directors are set out in the section entitled "Profile of Directors" on pages 48 to 52. Their shareholdings in the Company and its related corporations are set out in the section entitled "Statement of Directors' Interests" on page 70.

2 Date, Time and Venue of the Annual General Meeting

The Thirty-Sixth Annual General Meeting of the Company will be held as follows:

Date • Friday, 28 October 2005

Time • 11.15 a.m.

Venue • Putrajaya Ballroom I (Level III)
Putrajaya Marriott Hotel
IOI Resort, 62502 Putrajaya
Malaysia

shareholders information

as at 30 August 2005

Type of shares:

Ordinary shares of
RM0.50 each

Voting rights:

One vote per
shareholder on a show
of hands

One vote per ordinary
share on a poll

Number of
shareholders:

9,290

Analysis of Shareholdings

Size of Holdings	No. of Holders	Total Holdings	%
1-99	182	5,633	0.00
100-1,000	3,247	2,913,156	0.26
1,001-10,000	4,357	17,469,224	1.56
10,001-100,000	952	30,908,554	2.77
100,001-55,836,138	550	738,510,203	66.13
55,836,139 and above	2	326,916,020	29.28
Total	9,290	1,116,722,790	100.00

List of Top 30 Shareholders

(without aggregating securities from different securities accounts belonging to the same person)

Name	No. of Shares Held	%
1 Progressive Holdings Sdn Bhd	242,742,420	21.74
2 Progressive Holdings Sdn Bhd	84,173,600	7.54
3 RHB Capital Nominees (Tempatan) Sdn Bhd	50,000,000	4.48
Pledged Securities Account for Progressive Holdings Sdn Bhd		
4 Annhow Holdings Sdn Bhd	20,036,500	1.79
5 Employees Provident Fund Board	19,020,400	1.70
6 HSBC Nominees (Tempatan) Sdn Bhd	17,000,000	1.52
Pledged Securities Account for Progressive Holdings Sdn Bhd		
7 Desa Mayang Sdn Bhd	13,602,380	1.22
8 Mayban Nominees (Tempatan) Sdn Bhd	13,000,000	1.16
Pledged Securities Account for Progressive Holdings Sdn Bhd		
9 Malaysia Nominees (Tempatan) Sendirian Berhad	12,844,930	1.15
Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)		
10 Nagawan Development Sdn Bhd	12,379,929	1.11
11 HSBC Nominees (Asing) Sdn Bhd	12,135,000	1.09
Stichting Pensioenfonds Abp.		
12 Lembaga Tabung Haji	11,478,600	1.03
13 Citicorp Nominees (Asing) Sdn Bhd	10,485,000	0.94
UBS AG Singapore for Narisa Heights Investments Limited		
14 Citicorp Nominees (Asing) Sdn Bhd	10,242,000	0.92
UBS AG Singapore for Westmead Holdings Limited		
15 HSBC Nominees (Asing) Sdn Bhd	10,000,000	0.90
Happy Palace Investments Limited		
16 Mayban Nominees (Tempatan) Sdn Bhd	10,000,000	0.90
Pledged Securities Account for Desa Mayang Sdn Bhd		

List of Top 30 Shareholders cont'd

Name	No. of Shares Held	%
17 Cartaban Nominees (Asing) Sdn Bhd	9,801,500	0.88
SSBT Fund 1LN0 for The Genesis Group Trust		
Employee Benefit Plans		
18 Tan Sri Dato' Lee Shin Cheng	9,688,983	0.87
19 Rickoh Holdings Sdn Bhd	9,500,000	0.85
20 HSBC Nominees (Asing) Sdn Bhd	8,227,352	0.74
Abu Dhabi Investment Authority		
21 Citicorp Nominees (Asing) Sdn Bhd	8,167,000	0.73
CB LDN for First State Asia Pacific Fund		
22 HSBC Nominees (Asing) Sdn Bhd	8,159,000	0.73
Saudi Arabian Monetary Agency		
23 Citicorp Nominees (Asing) Sdn Bhd	7,766,100	0.70
Citigroup Global Markets Limited		
24 Cartaban Nominees (Asing) Sdn Bhd	7,754,300	0.69
Government of Singapore Investment Corporation		
Pte Ltd for Government of Singapore (C)		
25 HSBC Nominees (Asing) Sdn Bhd	7,335,700	0.66
Emerging Markets Growth Fund		
26 HSBC Nominees (Asing) Sdn Bhd	7,305,500	0.65
Crystal Palace Investments Limited		
27 HSBC Nominees (Asing) Sdn Bhd	6,439,400	0.58
HSBC-FS for The Overlook Partners Fund LP		
28 HSBC Nominees (Asing) Sdn Bhd	6,113,482	0.54
TNTC for Government of Singapore Investment Corporation Pte Ltd		
29 HSBC Nominees (Asing) Sdn Bhd	6,100,000	0.54
BBH and Co Boston for Merrill Lynch Global Allocation Fund		
30 Valuecap Sdn Bhd	6,000,000	0.53
Total	657,499,076	58.88

Substantial Shareholders as at 30 August 2005 (as per Register of Substantial Shareholders)

Name of shareholders	No. of Shares Held			
	Direct	%	Indirect	%
1 Tan Sri Dato' Lee Shin Cheng	9,688,983	0.87	450,849,329 *	40.37
2 Puan Sri Datin Hoong May Kuan	—	—	460,538,312 **	41.24
3 Dato' Lee Yeow Chor	1,088,000	0.10	409,916,020 ***	36.71
4 Lee Yeow Seng	118,000	0.01	409,916,020 ***	36.71
5 Progressive Holdings Sdn Bhd	409,916,020	36.71	—	—

* Deemed interested by virtue of his interest in Progressive Holdings Sdn Bhd, Desa Mayang Sdn Bhd and Nagawan Development Sdn Bhd, and shares held by his sons, Dato' Lee Yeow Chor and Lee Yeow Seng.

** Deemed interested by virtue of her interest and the interest of her spouse, Tan Sri Dato' Lee Shin Cheng in Progressive Holdings Sdn Bhd, Desa Mayang Sdn Bhd and Nagawan Development Sdn Bhd, the interest of her sons, Dato' Lee Yeow Chor and Lee Yeow Seng in Progressive Holdings Sdn Bhd and shares held by Tan Sri Dato' Lee Shin Cheng, Dato' Lee Yeow Chor and Lee Yeow Seng.

*** Deemed interested by virtue of his interest in Progressive Holdings Sdn Bhd.

proxy form

IOI Corporation Berhad (Company No.9027-W)
(Incorporated in Malaysia)

I/We _____ (Please use block letters)
of _____

being a member(s) of **IOI Corporation Berhad**, hereby appoint _____
of _____

and/or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty-Sixth Annual General Meeting of the Company to be held at Putrajaya Ballroom I (Level III), Putrajaya Marriott Hotel, IOI Resort, 62502 Putrajaya, Malaysia on Friday, 28 October 2005 at 11.15 a.m. or any adjournment thereof.

My proxy shall vote as follows:

resolutions	for	against
1 To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2005 and the Reports of the Directors and Auditors thereon		
2 To re-elect Tan Sri Dato' Lee Shin Cheng as a Director		
3 To re-elect Dato' Yeo How as a Director		
4 To re-appoint Mr Chan Fong Ann pursuant to Section 129 of the Companies Act, 1965		
5 To approve Directors' Fees		
6 To re-appoint BDO Binder as Auditors and to authorise the Directors to fix their remuneration		
7 To authorise the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
8 To approve the proposed renewal of existing share buy-back authority		
9 To approve the proposed renewal of shareholders' mandate for recurrent related party transactions		

(Please indicate with an "X" or "√" in the space provided as to how you wish your votes to be cast.)

The proportion of my/our holding to be represented by my/our proxy/proxies are as follows:

First proxy	:	%	Dated this _____ day of _____ 2005.
Second proxy	:	%	
		100%	

No. of Shares Held : _____
CDS A/C No. : _____

Signature of Shareholder

Notes

- 1 A member may appoint any person to be his proxy and the provisions of section 149(1)(b) of the Act shall not apply to the Company.
- 2 An instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- 3 If a member appoints two proxies to attend at the same meeting, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.
- 4 An instrument appointing a proxy may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument.
- 5 An instrument appointing a proxy must be deposited at the Company's registered office at Two IOI Square, IOI Resort, 62502 Putrajaya, Malaysia, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

fold here

stamp

The Company Secretary
IOI Corporation Berhad
Two IOI Square
IOI Resort, 62502
Putrajaya, Malaysia

fold here