IOI Corporation Berhad 9027-W Incorporated In Malaysia

Annual Report 2006

IOI GROUP

IOI Corporation Berhad 9027-W annual report 2006

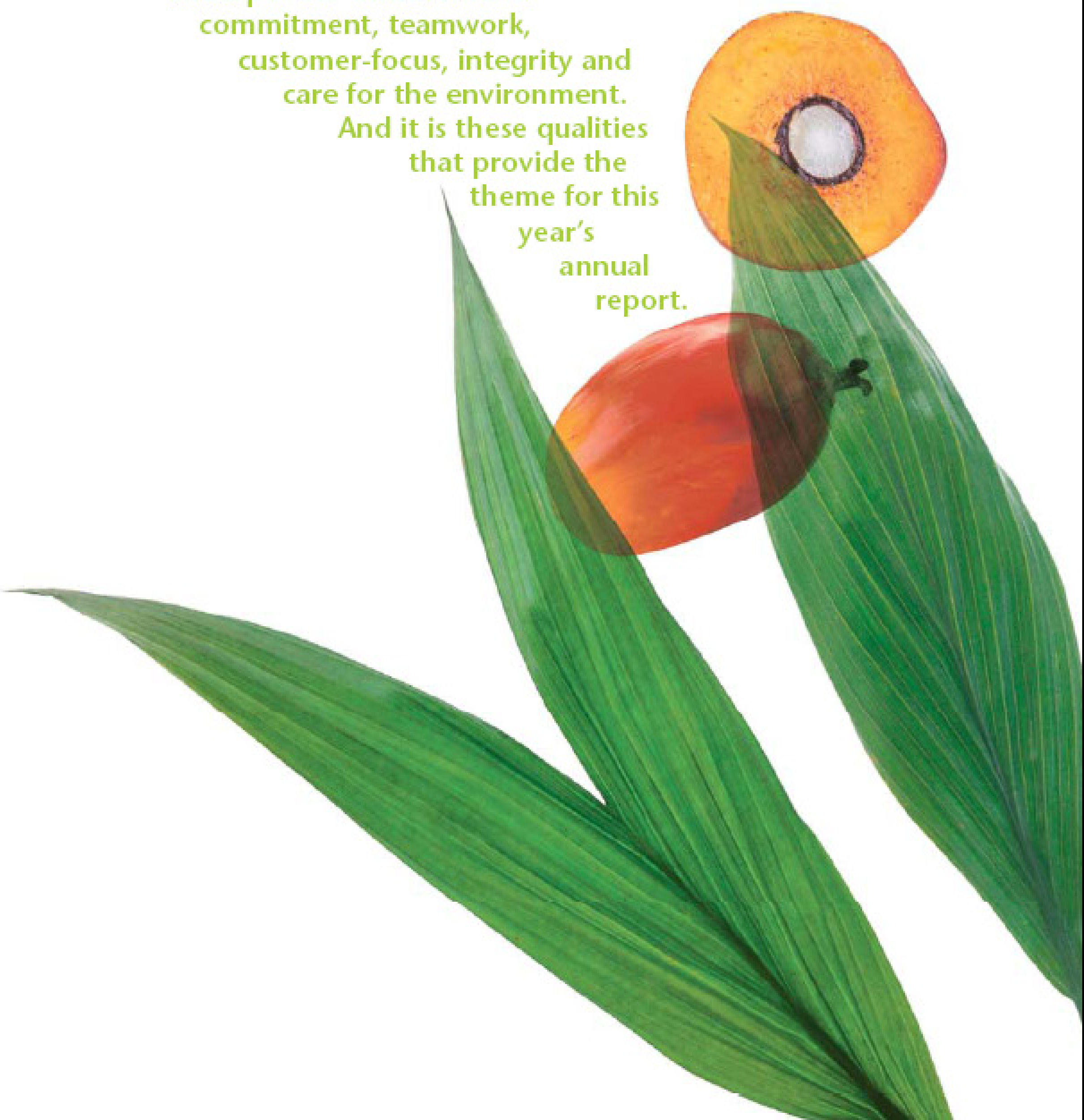
ACHIEVEMENT

In any
well-run
business, vision
is the blueprint for
achievement.

ACHIEVEMENT

IOI has built its business on an absolute commitment to stakeholder value. Today, we continue to implement strategies that combine prudence with a determination to deliver operational efficiency, sustainable growth, and strong financial and business performance.

To ensure that we succeed, we focus constantly on the qualities that underpin our achievement: commitment, teamwork, customer-focus, integrity and care for the environment. And it is these qualities that provide the theme for this year's annual report.



www.ioigroup.com

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CHAIRMAN'S STATEMENT

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 2006.

HIGHLIGHTS

FY2006 was not an outstanding year by our standards. However, we did manage to minimise the impact of lower palm oil prices on overall results, the key highlights of which are as follows:

- **Group revenue was stable at RM6.11 billion vs. RM6.07 billion for FY2005**
- **Group pre-tax profit decreased marginally by 3% to RM1.18 billion**
- **Net earnings decreased by 6% to RM843.8 million**

OPERATING BACKGROUND

On the global front, persistently higher crude oil prices and continued inflationary pressure coupled with increasing interest rates, led to further easing of economic growth during the period of our fiscal year. Although our domestic economy held up well to achieve a GDP growth rate of 5.3% for 2005, market sentiments were generally more subdued and this was reflected in a softer Malaysian housing market. Meanwhile, CPO prices continued to ease as anticipated, as it moved into the end phase of the current down cycle.

FY2006 was therefore a year when we had to "sail against the wind" and hence, even though we did not manage to sustain our usual growth trend, the overall results achieved under these challenging conditions, were nevertheless satisfactory.

REVIEW OF RESULTS

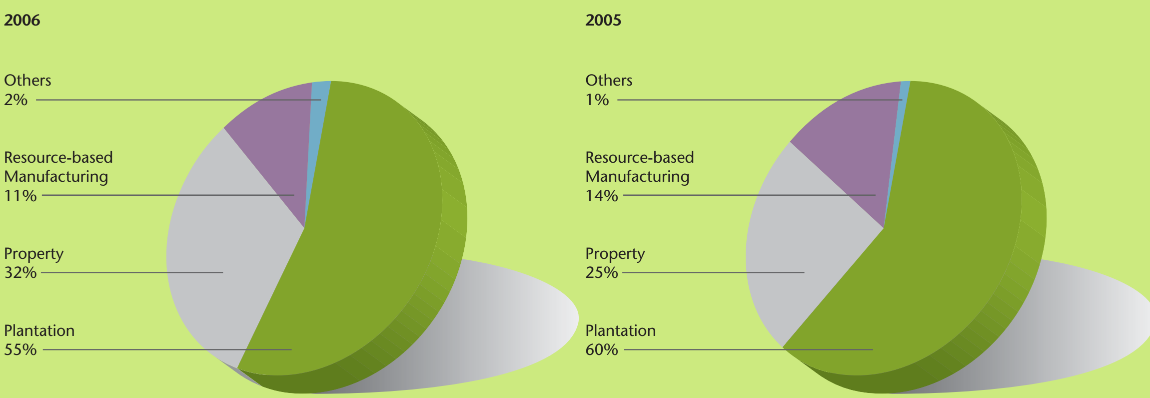
Group operating profit ("EBIT"), inclusive of associate, was maintained at previous year's level of RM1.3 billion despite lower contributions from palm oil, our core business. This was in part made possible by taking appropriate hedging positions against anticipated weakening of the USD and also the CPO price down cycle over the past 2 years. Translational gains on USD denominated borrowings of approximately RM92.3 million and commodity swap gains of about RM33.4 million together with a strong showing from the property business, helped to off-set the reduced contribution from the palm oil business.

The lower plantation earnings from FY2006 was due to a combination of factors. FFB production increased only very marginally, from 3.66 million MT to 3.67 million MT. This was below trend-line because it was an industry-wide "biological stress-year" for the palms. Also, compared to the previous year, more of the production was being held back as inventory in anticipation of improving prices and also because of the extension in the internal supply chain to support our newly completed refinery in Rotterdam. On the price and cost front, CPO prices decreased on average by 5% and this coupled with higher fertiliser input costs and higher Sabah sales tax, all contributed to the overall drop in plantation EBIT from RM777.9 million for FY2005 to RM641.2 million for FY2006.

The downstream manufacturing segment of the palm oil business also did not report a good year. Operating results (excluding one-off items) of RM194.7 million was 7% lower than FY2005. Performance of this segment was below expectation due largely to loss of contributions arising from an accident at an associate company which is also a major customer of our oleochemical business as well as inventory loss suffered on supplies originating from Africa for the specialty fats sub-segment.

In contrast, our property business did exceptionally well to perform above expectations against a softer property market backdrop. It balked industry trend to achieve yet another record year, with operating profit of RM368.3 million, compared to the previous year's level of RM319.9 million, a 15% improvement. This improvement was achieved through higher sales of commercial properties, namely shop offices at our flagship project in Bandar Puteri, Puchong and also through higher contributions from our property investment portfolio from improvements in both rental as well as occupancy rates.

Segmental Contribution to Operating Profit



CHAIRMAN'S STATEMENT cont'd

REVIEW OF RESULTS cont'd

At net earnings level, the Group posted a net earnings of RM843.8 million for FY2006, which was 6% lower than FY2005 of RM902.2 million. Higher interest and tax expenses recorded for FY2006 were the main contributing factors for the reduction at net earnings level but these negative effects were partly offset by a lower minority charge as a result of privatising of IOI Oleochemical Industries Berhad in the third quarter of FY2006.

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

DIVIDENDS

For FY2006, even with the lower net earnings achieved, the Group continued to increase its dividend pay-out in line with its dividend policy and financial objectives. Total dividend declared for FY2006 totalled 87% gross on par value, a 24% increase as compared to the previous financial year.

The first interim dividend for the current financial year of 60% (FY2005 - 40%) less tax was paid to shareholders on 15 March 2006 whilst the second interim dividend of 27% tax exempt (FY2005 - 30% less tax) was declared by the Board on 16 August 2006 and is payable to entitled shareholders on 28 September 2006. The two interim dividends will result in a total dividend pay-out of RM408.6 million for FY2006, up 24% from RM328.3 million for the previous year and represent a pay out ratio of about 48% of net earnings for the financial 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:

Your Company announced in August 2005, that it intended to take its then 65% owned IOI Oleochemical Industries Berhad private by way of a scheme of arrangement. This was successfully completed on 15 March 2006 and the anticipated positive effects are already being realised.

On the construction of the 700,000 MT per annum palm oil refinery in Rotterdam, I am pleased to report that construction was completed in October 2005 and since then production has been running ahead of expectation.

On 5 May 2006, the Group has entered into a conditional sale and purchase agreement with Guthrie Ropel Berhad to acquire 925 hectares of freehold land located in the State of Melaka for a proposed total purchase consideration of RM91.3 million. Also in May 2006, another Group subsidiary entered into a conditional sale and purchase agreement with Malaysian Construction Services Sdn Bhd to acquire 102 hectares of freehold land located in Tebrau, State of Johor for a total consideration of RM87 million. Both proposed acquisitions, the former still pending relevant approval while the latter is still pending completion, are to enable the Group to add on to its property development land bank in areas identified as having good potential.

On 15 August 2006, your Company has proposed to undertake a special issue of 1,800,000 new ordinary shares of RM0.50 each in the Company to Bumiputera investors at an issue price to be determined later. The Proposed Special Issue is undertaken to comply with one of the conditions imposed by the Equity Compliance Unit of the Securities Commission in approving the proposed issuance of new IOI Shares by the Company following the exchange of the Exchangeable Bonds. The said condition requires the Company to increase its Bumiputera equity by 0.14% (equivalent to 1,800,000 IOI Shares) of its enlarged issued and paid-up share capital after the full exchange of the Exchangeable Bonds within 2 years of the implementation of the said Exchangeable Bonds. The Proposed Special Issue which impact is insignificant, has recently obtained approvals from the relevant authorities and the duration for implementing the proposed issue has also been extended to 17 January 2007.

On 1 September 2006, your Company has acquired a 70% stake in Rinwood Pelita Plantation Sdn Bhd, which operates an oil palm plantation in the state of Sarawak, for RM21.3 million. Rinwood Pelita has a total titled area of 9,040 hectares located in the Dulit and Tinjar Land Districts in Baram, Sarawak, of which approximately 3,167 hectares is planted with oil palm trees with ages ranging from 3 - 10 years. This acquisition, apart from enabling the Group to further expand its plantation holding, also marks our maiden venture into the State of Sarawak and thus marks another important milestone for the Group.

HUMAN RESOURCES

The Group needs to ensure that it continues to develop its human resource capabilities to take on new needs and new challenges as the Group expands. It is important that our people at the front-line are well equipped to detect potential risks as well as opportunities and to appropriately respond on a timely basis. Our consistently superior performances in the industries we operate in, are a result of a united team of dedicated employees who are committed to the Company's vision and to giving their best. Our priority is to ensure that this culture permeates across the whole organisation, especially as we expand. Towards this end, greater efforts are being made to enhance teamwork, communication and to further incentivise performances. Greater focus will also be given to accelerate development of skills and talents of our people to take on new challenges and responsibilities. We believe that it is more fruitful to develop talents of committed employees than to recruit talented but uncommitted people. Emphasis will nevertheless also be given to recruit outstanding young recruits to build up a reservoir of talent in the cadet pool.

CHAIRMAN'S STATEMENT cont'd

CORPORATE SOCIAL RESPONSIBILITIES

The Group's Corporate Social Responsibility policy is encoded in our "Vision IOI" whereby the emphasis is on achieving commercial success in a balanced, responsible manner by addressing the interests of all stakeholders. We remain guided by this principle and various on-going initiatives in the areas of sustainability in our businesses, environmental care, staff welfare, community and charitable activities, are separately reported in the relevant segments of this Annual Report.

Nevertheless, I am pleased to reaffirm our commitment to achieve tangible improvements in this dimension and some of the immediate emphasise will be on:

- further enhancing sustainability practices in our agriculture practices
- manufacturing units that are not already on ISO 14001 to commence programmes to achieve this
- contributing towards provision of educational facilities in the communities our business operates and providing direct support to the educational needs of needy children, especially in the estates
- enhancing the environment in our townships and helping to foster a better community care

The vehicle for most the Group's charitable contributions are via the trust foundation, Yayasan Tan Sri Dato' Lee Shin Cheng.

PROSPECTS

The Malaysian Economy is expected to gradually pick-up steam with the recent launch of the 9th Malaysian Plan. This should help to revitalise the construction sector which activity slowed considerably over the past few years. New mega growth corridors, such as Southern Johor, being planned, will also provide the impetus for a stronger property market in these highlighted areas. With our substantial land bank in Southern Johor, the Group is well positioned to build on its position as a significant developer to further enhance the attractiveness of its townships in Senai-Kulai and Tampoi, Johor in the coming years. We therefore expect our property business to continue to be a stable profit contributor even though the overall housing market is expected to remain lacklustre over the short term.

PROSPECTS cont'd

On the palm oil front, the push by governments across the globe for the development of alternative sources of renewable energy, is being translated into legislated or mandatory use of bio-fuel. Based on the respective bio-fuel usage targets set worldwide, the incremental use of vegetable oils for energy is expected to be the dominant factor in setting new price levels for demand-supply equilibrium. We therefore expect palm oil prices to be the major booster to Group earnings over the next few years as the actual physical drawdown for palm oil to be converted to bio-diesel takes-off when all these substantial bio-diesel production capacity currently under construction commence operations from 2007 onwards.

Barring unforeseen circumstances, the next few years should be very favourable for the palm oil industry. However, we shall only be able to get the maximum benefit out of favourable market conditions because our people have already prepared and worked hard for it. I am confident that we will be able to sustain our competitiveness if we continue to build and leverage on our existing investments and resources to further improve our efficiencies. We are of course also well positioned to take on good new opportunities in our industries and will continue to invest sensibly to sustain our positions in both the palm oil and property industries over the longer term.

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 unstinting commitment, dedication and loyalty without which our continuous growth and outstanding performance over the years will not be possible.

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

I would also like to extend my sincere gratitude to the relevant government authorities for their assistance and support and likewise, to my fellow Board members for their invaluable contributions 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

COMMITMENT

"It is commitment to an unrelenting pursuit of your goal that will enable you to attain the success you seek."

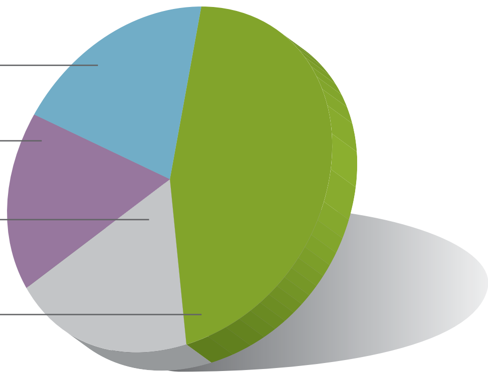
Mario Andretti

Our philosophy is to encourage our people to be committed to the work they do rather just be involved in it. Passion and determination are what transform the ordinary, into the extraordinary.

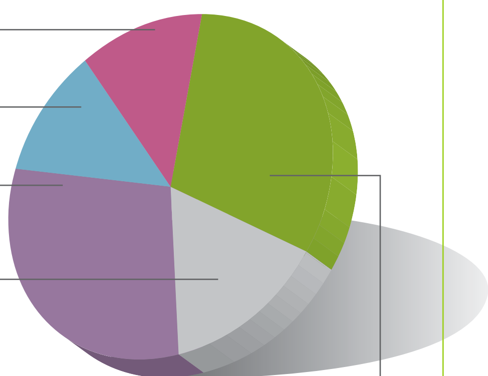
GROUP FINANCIAL OVERVIEW

Balance Sheet as at 30 June 2005 RM million

Assets



Shareholders' Equity and Liabilities

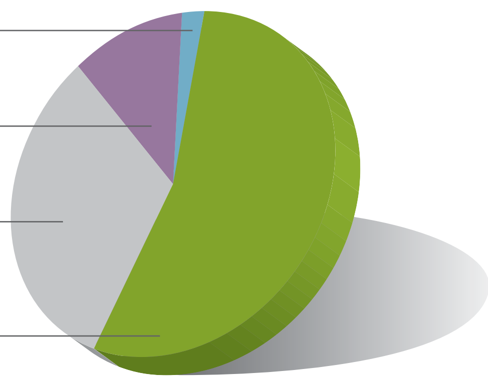


Net borrowings = (b) - (a) = RM1,253 million
Net gearing = 26%

Cash Flow for The Financial Year Ended 30 June 2006 RM million

Net operating cash flow	802
Capital expenditure, net of disposal	(320)
Free cash flow from operation	482
Proceeds from disposal of investments, net of payments for other investments	56
Payment for the privatisation of a subsidiary	(421)
Dividend payments	
- Shareholders of the Company	(414)
- Shareholders of subsidiaries	(54)
Interest and interest rate swaps payments	(114)
Share repurchases	
- Company	(92)
- Subsidiary	(35)
Investment in development land bank	(69)
Acquisition of additional share in subsidiaries	(16)
Net cash outflow	(677)
Conversion of Exchangeable Bonds	608
Accretion of Exchangeable Bonds	(33)
Accretion of Guaranteed Notes	(1)
Net decrease in net borrowings	(103)
Net borrowings as at 30.06.05	(1,253)
Translation difference	88
Net borrowings as at 30.06.06	(1,268)

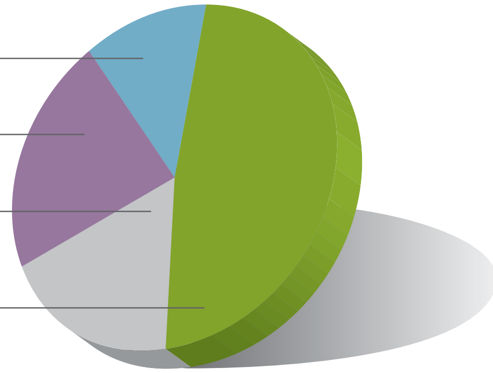
Segmental Contribution to Operating Profit
RM Million



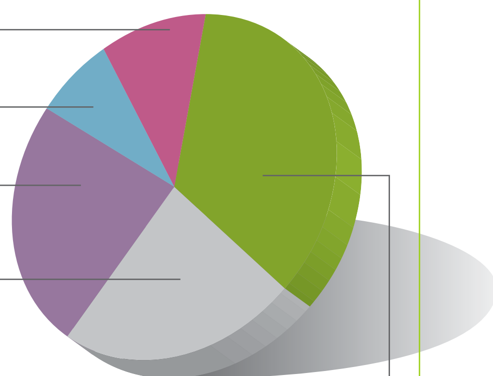
Segmental result - RM1,152 million

Balance Sheet as at 30 June 2006 RM million

Assets



Shareholders' Equity and Liabilities



Net borrowings = (b) - (a) = RM1,268 million
Net gearing = 21%

Retained Profit for The Financial Year Ended 30 June 2006 RM million

Segment results	1,152
Unallocated corporate expenses	83
Operating profit	1,235
Net interest expenses	(110)
Share of profit of associates	58
Profit before taxation	1,183
Taxation	(211)
Profit after taxation	972
Minority interest	(128)
Net profit for the financial year	844
Dividend paid	(246)
Privatisation of a subsidiary	(284)
Conversion of Exchangeable Bonds	10
Retained profits for the financial year	324
Retained profits as at 30 June 05	3,283
Retained profits as at 30 June 06	3,607

GROUP PERFORMANCE HIGHLIGHTS

	2006 RM'000	2005 RM'000	% +/(-)
FINANCIAL PERFORMANCE			
Revenue	**6,109,668**	6,072,507	1
Profit before interest and taxation	**1,235,394**	1,234,905	–
Profit before taxation	**1,183,085**	1,220,854	(3)
Net operating profit after taxation ("NOPAT")	**1,101,743**	1,199,783	(8)
Net profit attributable to shareholders	**843,788**	902,220	(6)
Average shareholders' equity	**5,448,126**	4,640,240	17
Average capital employed	**9,790,574**	8,998,939	9
Operating margin (%)	**20.22**	20.34	(1)
Return on average equity (%)	**15.49**	19.44	(20)
NOPAT/Average capital employed (%)	**11.25**	13.33	(16)
Basic earnings per share (sen)	**73.86**	80.61	(8)
Dividend per share - gross (sen)	**43.5**	35.0	24
Net assets per share (sen)	**502**	435	15
Dividend cover (number of times)	**2.07**	2.75	(25)
Interest cover (number of times)	**10.10**	12.11	(17)
PLANTATION PERFORMANCE			
FFB production (MT)	**3,674,483**	3,657,776	–
Yield per mature hectare (MT)	**26.93**	27.57	(2)
Mill production (MT)			
Crude palm oil	**805,627**	815,790	(1)
Palm kernel	**188,235**	192,446	(2)
Oil extraction rate (%)			
Crude palm oil	**21.38**	21.59	(1)
Palm kernel	**5.00**	5.09	(2)
Average selling price (RM/MT)			
Crude palm oil	**1,386**	1,453	(5)
Palm kernel	**928**	1,005	(8)
Operating profit (RM/mature hectare)	**4,560**	5,783	(21)
PROPERTY PERFORMANCE			
Sales value	**533,124**	493,378	8
Sales (unit)	**1,266**	1,588	(20)
Average selling price per unit	**421**	311	35
Revenue	**623,778**	587,848	6
Operating profit	**331,350**	295,249	12
Progress billings	**560,202**	533,933	5
OLEOCHEMICAL PERFORMANCE			
Plant utilisation (%)	**99**	99	–
Sales (MT)	**364,393**	366,040	–

GROUP QUARTERLY RESULTS

	1st Quarter RM'000	%	2nd Quarter RM'000	%	3rd Quarter RM'000	%	4th Quarter RM'000	%	FY2006 RM'000	%
Revenue	1,339,835	22	1,668,550	27	1,452,193	24	1,649,090	27	6,109,668	100
Operating profit	270,953	22	348,776	28	306,625	25	309,040	25	1,235,394	100
Interest income	5,226	26	6,978	35	5,614	28	2,194	11	20,012	100
Finance cost	(31,724)	24	(34,949)	27	(32,197)	25	(31,115)	24	(129,985)	100
Share of results of associates	15,443	27	20,485	35	12,544	22	9,192	16	57,664	100
Profit before taxation	259,898	22	341,290	29	292,586	25	289,311	24	1,183,085	100
Taxation	(46,896)	22	(66,175)	31	(46,057)	22	(52,113)	25	(211,241)	100
Profit after taxation	213,002	22	275,115	28	246,529	25	237,198	25	971,844	100
Minority interests	(39,578)	31	(46,274)	36	(24,307)	19	(17,897)	14	(128,056)	100
Net profit attributable to shareholders	173,424	21	228,841	27	222,222	26	219,301	26	843,788	100
Earnings per share (sen)										
Basic	15.53		20.35		19.38		18.54		73.86	
Diluted	14.78		19.31		16.96		17.54		68.11	
Operating profit on segmental basis										
Plantations	152,456	24	221,127	35	127,019	20	135,686	21	636,288	100
Property development	65,485	20	76,474	23	83,114	25	106,277	32	331,350	100
Property investment	8,396	23	9,010	24	9,555	26	9,998	27	36,959	100
Manufacturing	28,051	22	47,854	37	7,805	6	44,566	35	128,276	100
Others	4,492	23	7,881	40	3,625	18	3,813	19	19,811	100
Segment results	258,880	23	362,346	31	231,118	20	300,340	26	1,152,684	100
Unallocated corporate expenses	12,073	15	(13,570)	(16)	75,507	91	8,700	10	82,710	100
Operating profit	270,953	22	348,776	28	306,625	25	309,040	25	1,235,394	100

FINANCIAL CALENDAR

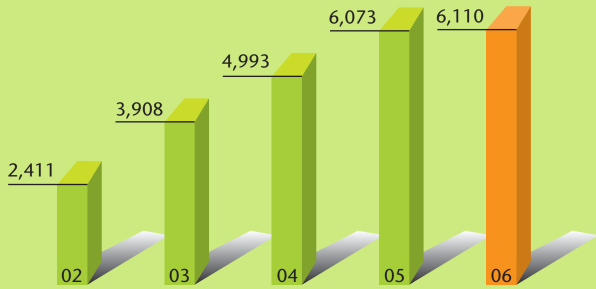
Financial Year End	30 June 2006
Announcement of Results	
1st Quarter	16 November 2005
2nd Quarter	16 February 2006
3rd Quarter	16 May 2006
4th Quarter	16 August 2006
Notice of Annual General Meeting	28 September 2006
Annual General Meeting	30 October 2006

Payment of Dividends	
First Interim	
• Declaration	27 January 2006
• Book Closure	3 March 2006
• Payment	15 March 2006
Second Interim	
• Declaration	16 August 2006
• Book Closure	15 September 2006
• Payment	28 September 2006

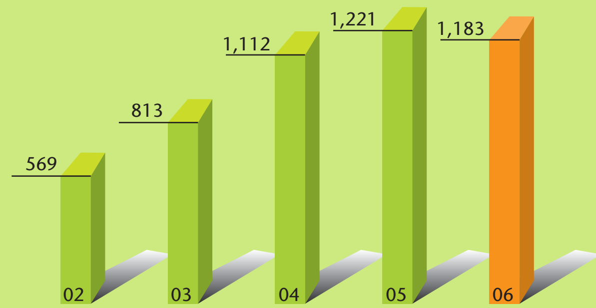
FIVE-YEAR FINANCIAL HIGHLIGHTS

	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000
Results					
Revenue	**6,109,668**	6,072,507	4,993,454	3,907,871	2,410,500
Profit before taxation	**1,183,085**	1,220,854	1,112,045	812,626	569,311
Taxation	**(211,241)**	(134,341)	(220,429)	(161,093)	(115,537)
Profit after taxation	**971,844**	1,086,513	891,616	651,533	453,774
Minority interests	**(128,056)**	(184,293)	(190,066)	(149,481)	(107,273)
Net profit attributable to shareholders	**843,788**	902,220	701,550	502,052	346,501
Group Assets					
Property, plant and equipment	**4,927,550**	4,770,375	4,567,360	3,817,976	2,665,410
Associated companies	**247,385**	249,441	222,636	231,379	258,463
Investment properties	**512,976**	508,176	580,677	534,243	522,456
Other long term investments	**30,376**	30,699	32,043	31,363	18,191
Land held for development	**628,327**	637,393	652,517	650,029	660,074
Other assets	**511,219**	566,277	491,772	450,783	208,939
Current assets	**3,453,853**	3,742,698	2,298,945	1,863,950	1,265,735
Total assets	**10,311,686**	10,505,059	8,845,950	7,579,723	5,599,268
Current liabilities	**(709,840)**	(813,857)	(1,441,071)	(896,442)	(1,133,531)
	9,601,846	9,691,202	7,404,879	6,683,281	4,465,737
Financed by					
Share capital	**605,267**	559,241	582,618	540,400	447,988
Reserves	**5,428,656**	4,303,087	3,835,534	2,989,792	2,443,931
Shareholders' equity	**6,033,923**	4,862,328	4,418,152	3,530,192	2,891,919
Minority interests	**746,984**	1,175,183	1,205,239	1,195,425	928,336
Long term liabilities	**2,390,054**	3,163,482	1,348,373	1,627,783	433,251
Deferred taxation	**430,885**	490,209	433,115	329,881	212,231
	9,601,846	9,691,202	7,404,879	6,683,281	4,465,737
Net operating profit after tax ("NOPAT")	**1,101,743**	1,199,783	953,635	721,885	496,153
Average shareholders' equity	**5,448,126**	4,640,240	3,974,172	3,211,056	2,693,447
Average capital employed [1]	**9,790,574**	8,998,939	7,601,306	6,098,118	4,766,606
Financial Statistics					
Basic earnings per share (sen)	**73.86**	80.61	64.23	53.24	40.69
Gross dividend per share (sen)	**43.5**	35.0	25.0	20.0	15.0
Net assets per share (sen)	**502**	435	393	338	328
Return on average equity (%)	**15.49**	19.44	17.65	15.64	12.86
NOPAT/Average capital employed	**11.25**	13.33	12.55	11.84	10.41
Net debt/Equity (%) [2]	**21.01**	25.76	30.66	39.47	22.13

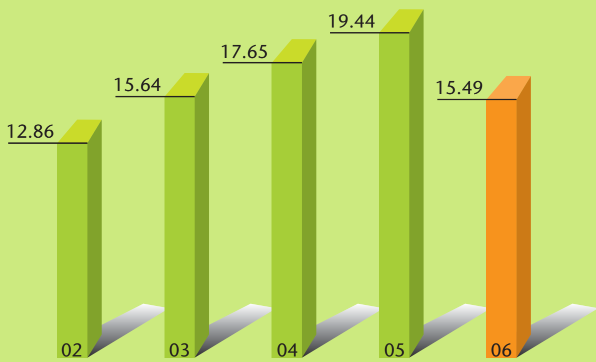
1 Average capital employed comprises shareholders' equity, minority interests, long term liabilities, short term borrowings and deferred taxation.
2 Net debt represents total bank borrowings less short term funds, deposits with financial institutions and cash and bank balances.



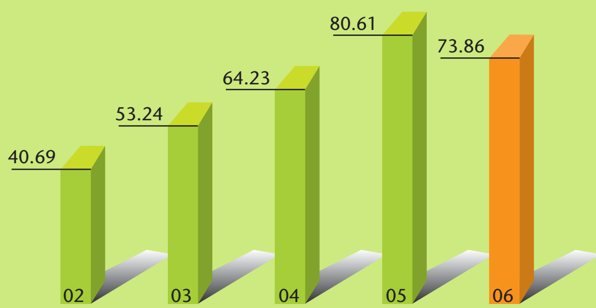
Revenue (RM million)



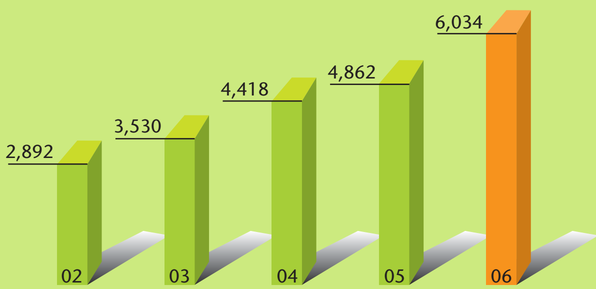
Profit before taxation (RM million)



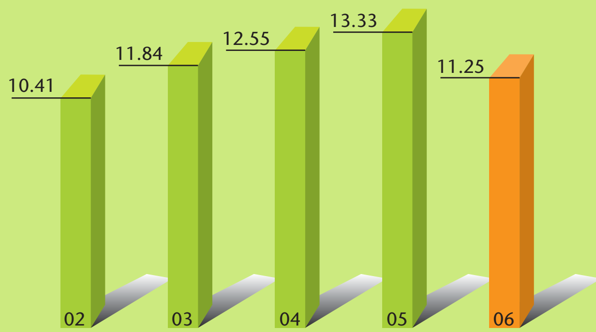
Return on average equity (%)



Basic earnings per share (sen)



Shareholders' equity (RM million)



NOPAT/Average capital employed (%)

TEAMWORK

"A successful team is a group of many hands but of one mind."

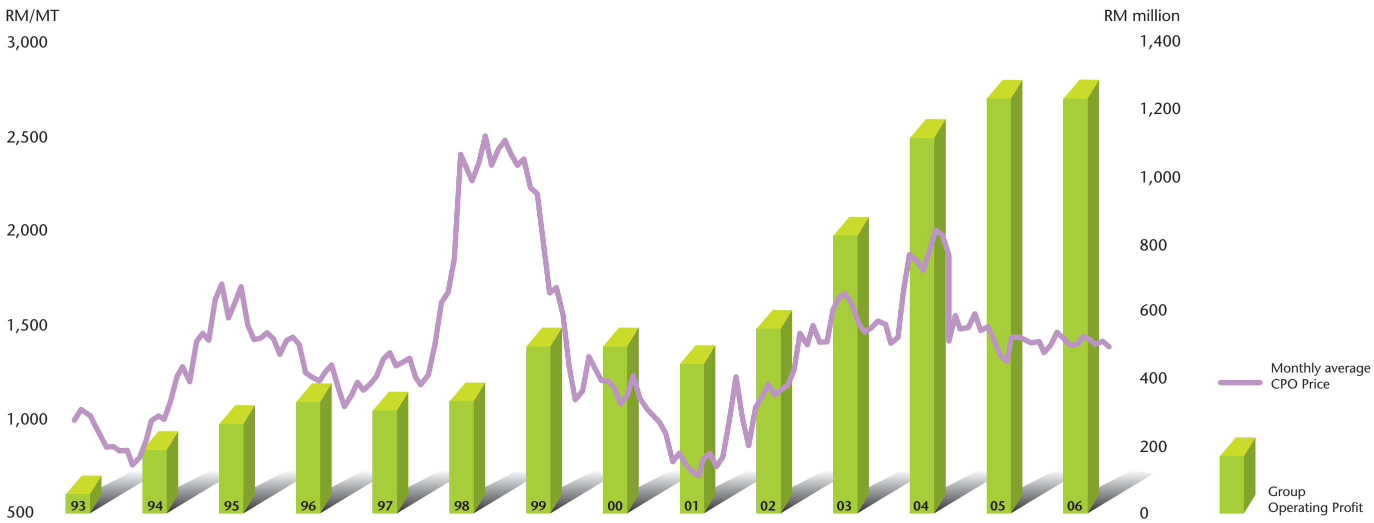
Bill Bethel

A good team unites a multitude of skills behind a common vision. But a great team is inspired by a passion to excel and a fervour to get the job done and the goals achieved.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW

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 2006.

KEY FINANCIAL INDICATORS

	FY2006	FY2005	% CHANGE
Earnings before interest and taxation, including associate ("EBIT") (RM million)	**1,293.1**	1,298.7	(1)
Pre-tax (RM million)	**1,183.0**	1,220.9	(3)
Net earnings (RM million)	**843.8**	902.2	(6)
Return on shareholders equity ("ROE") (%)	**15.5**	19.4	(20)
Return on average capital employed (%)	**11.3**	13.3	(15)
Net operating profit after taxation ("NOPAT") (RM million)	**1,101.7**	1,199.8	(8)
Economic profit (RM million)	**350.8**	581.2	(40)
Total return to shareholders			
- Change in share price (RM)	**3.80**	2.25	69
- Gross dividend (sen)	**43.5**	35.0	24
Net cash flow generated from operation (RM million)	**802.2**	1,058.8	(24)
Net Gearing (%)	**21**	26	(19)

FINANCIAL HIGHLIGHTS & INSIGHTS

- The results for FY2006 versus FY2005 is best compared and explained at three levels, mainly, EBIT, Pre-tax and Net Earnings, as different factors affected the changes between the two fiscal years at the respective levels.

- Looking at EBIT (inclusive of associates), contributions from the segments are as follows:

	EBIT				
	FY2006 RM'000	**%**	**FY2005 RM'000**	**%**	**Change %**
Plantations	**641.2**	**50**	777.9	60	(18)
Downstream Manufacturing	**180.8**	**14**	226.5	17	(20)
Palm Oil - Total*	**822.0**	**64**	1,004.4	77	(18)
Property	**368.3**	**28**	319.9	25	15
Others (unallocated)*	**102.8**	**8**	(25.6)	(2)	>100
	1,293.1	**100**	1,298.7	100	–

* Includes share of results of associates

- The palm oil business stream contributed 64% towards Group EBIT for FY2006, down from its share of contribution from 77% in FY2005. In absolute terms, EBIT for the palm oil business declined by 18% to RM822.0 million, with both the plantations and the down-stream segments declined by 18% and 20% respectively.

- Plantation segment's EBIT has decreased by 18% to RM641.2 million, on the back of a 3% decrease in oil yields and a 5% decline in CPO prices, higher fertiliser costs and higher Sabah State sales tax.

- The downstream manufacturing declined by 20% mainly because of unforeseeable circumstances rather than market conditions. Details are elaborated under the operations review section.

- The property segment's 15% against market trend growth to a EBIT of RM368.3 million for FY2006 was primarily due to our ability to capitalise on better demand in the commercial sub-sector, both in respect of sales and rental revenue, whilst the housing market segment further slackened.

MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

GROUP FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS & INSIGHTS cont'd

- Besides the improved contribution from the property business, the "unallocated segment" helped made up the deficit from our palm oil business. The RM102.8 million profit listed under this segment of Group EBIT comprise primarily the gain on forex translation on USD denominated borrowings. This was in part an anticipatory hedge for our USD income stream.

- Pre-tax earnings was 3% lower because of higher interest expense. Although net borrowings did not increase, interest expense charged out increased because of accounting amortisation for the USD Exchangeable Bonds and some negative carry on the USD 500 million straight-bond.

- At the Net Earnings level, profit attributable to shareholders decreased by 6% to RM843.8 million. Apart from explanation above at operating level, net earnings for the year were lowered by higher taxes in FY2006 as compared to FY2005 which had the benefit of a reversal of tax provision of approximately RM83 million pertaining to incentives granted for the acquisition of Loders Croklaan in 2003 that was taken up in FY2005. However, the decrease was mitigated by lower minority interest recorded in FY2006 largely due to the privatisation of IOI Oleochemical Industries Berhad.

- As some of the subsidiaries are not wholly-owned, the segmental contribution on a net earnings level are as follows:

	FY2006	FY2005
Plantation	**68%**	81%
Downstream Manufacturing	**1%**	8%
Palm Oil Business	**69%**	89%
Property Business	**23%**	18%
Others (unallocated)	**8%**	(7%)
	100%	100%

FINANCIAL HIGHLIGHTS & INSIGHTS cont'd

- For FY2006, the Group recorded a Return on Equity ("ROE") of 15.5% based on an average shareholders' equity of RM5.45 billion (FY2005 - RM4.64 billion), down from 19.4% for the previous financial year.

- Similarly, the Return on Average Capital Employed ("ROCE") declined to 11.3% for FY2006, down from 13.3 % for FY2005. This was due to lower net earnings as well as increase in equity from new shares totalling about RM1.01 billion in allotment value.

- 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 increasing dividend pay-outs, a share buy-back (and cancellation) program and a continuous review and adjustment of the Group's debt gearing ratio. Having the appropriate reserve and the timing right for acquisition opportunities is of course not easy. In the absence of major acquisition opportunities, it is consequentially likely that ROE will be managed by capital structure adjustment.

- Despite the lower results achieved, total gross dividend for the financial year ended 30 June 2006 was increased further from 70% (40% taxable and 30% tax exempt) for FY2005 to 87% (60% taxable and 27% tax exempt). Total net cash dividend in respect of FY2006 totalled RM408.6 million, an increase of 25% over FY2005's totalled RM328.3 million.

- In respect of share buy-back, the Company spent a total of RM92.3 million (FY2005 RM128.3 million) in FY2006 to buy back 7,541,000 (FY2005 - 14,014,300) of its own shares from the open market at an average price of RM12.24 per share.

- The amount paid for share buy back, together with the net dividend in respect of FY2006 totalled RM500.9 million, representing 59% (FY2005 - 51%) "payout" of the Group's net earnings for FY2006.

- The Group generated an operating cash flow of RM802.3 million for FY2006 against RM1,058.8 million for the previous financial year. Free cash flow for the financial year just ended was reduced from RM740.7million for FY2005 to RM482.2 million due mainly to lower operating cash flow contribution from our plantation segment.

MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

GROUP FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS & INSIGHTS cont'd

- For FY2006, the Group spent a total of RM326.1 million (FY2005 - RM332.5 million) for capital expenditure ("Capex"). The notable increase mainly attributable to the capex on the Group's new refinery in Rotterdam, which was completed in October 2005, as well as upgrade of facilities.

- The Group's shareholders' equity as at 30 June 2006 stood at RM6.03 billion, an increase of RM1.17 billion or 24% over the previous financial year. The increase was mainly due to net earnings for the financial year of RM843.8 million and issue of new shares arose from the exchange of Exchangeable Bonds and privatisation of IOI Oleochemical Industries Berhad which totalled RM951.0 million. However, the increase was off-set with a net of share buy-back totalled RM92.3 million, dividend payment for FY2006 of RM246.4 million, as well as a charge from differences between share of net assets acquired and consideration paid arising from the privatisation of IOI Oleo amounting to RM283.7 million during the financial year under review.

- As at 30 June 2006, the Group's net borrowings stood at RM1.27 billion. Based on shareholders' equity of RM6.03 billion as at 30 June 2006, the net gearing ratio of the Group was 21% as compared to 26% as at the end of the previous financial year.

- The Group's net interest cover was 10.1 times but after adjusting differences between accounting and cash interest payment, the net interest cover was 13.6 times for FY2006.

- 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 RM350.8 million for FY2006, down 40% from FY2005's RM581.2 million. The significant decrease is attributable to a lower NOPAT of RM1,101.7 million (FY2005 - RM1,199.8 million) as well as a higher Weighted Average Cost of Capital ("WACC") of 7.67% for financial year 2006 (FY2005 - 6.87%).

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

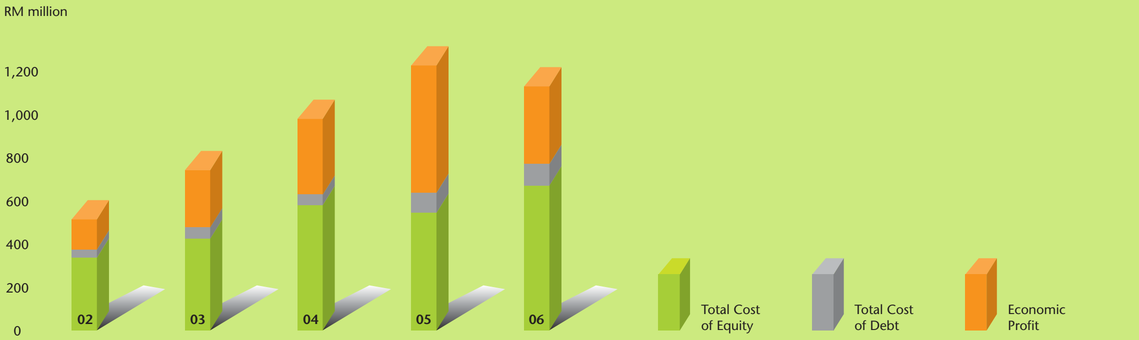
FIVE-YEAR ECONOMIC PROFIT TREND

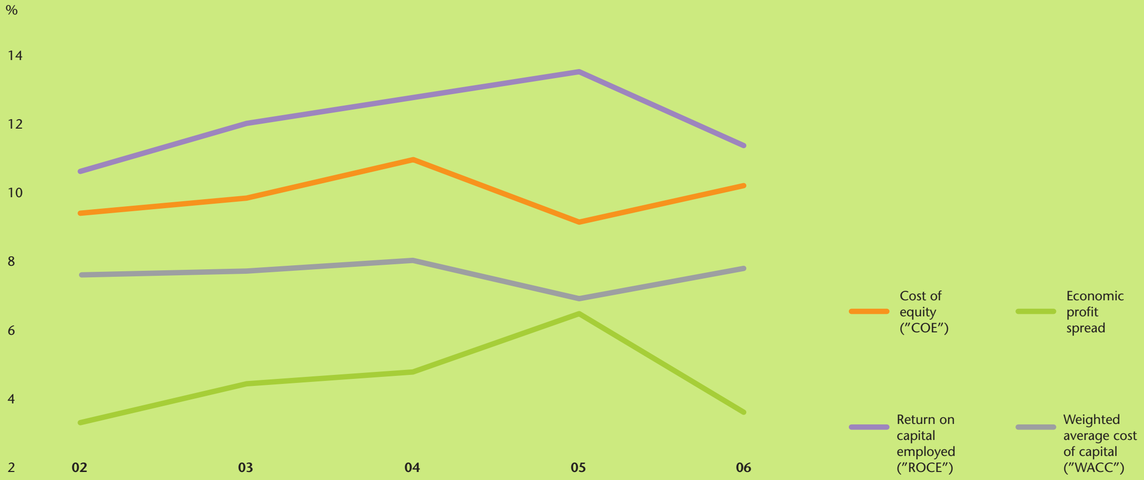
An analysis on the distribution of the Group's NOPAT between cost of debt, cost of equity and economic profit.

	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000
Economic Profit	136,612	260,126	343,416	581,241	**350,822**
Cost of Debt	34,797	51,984	43,093	87,971	**102,950**
Cost of Equity	324,744	409,775	567,126	530,571	**647,971**
NOPAT	496,153	721,885	953,635	1,199,783	**1,101,743**

FIVE-YEAR ECONOMIC PROFIT TREND cont'd

Distribution of NOPAT



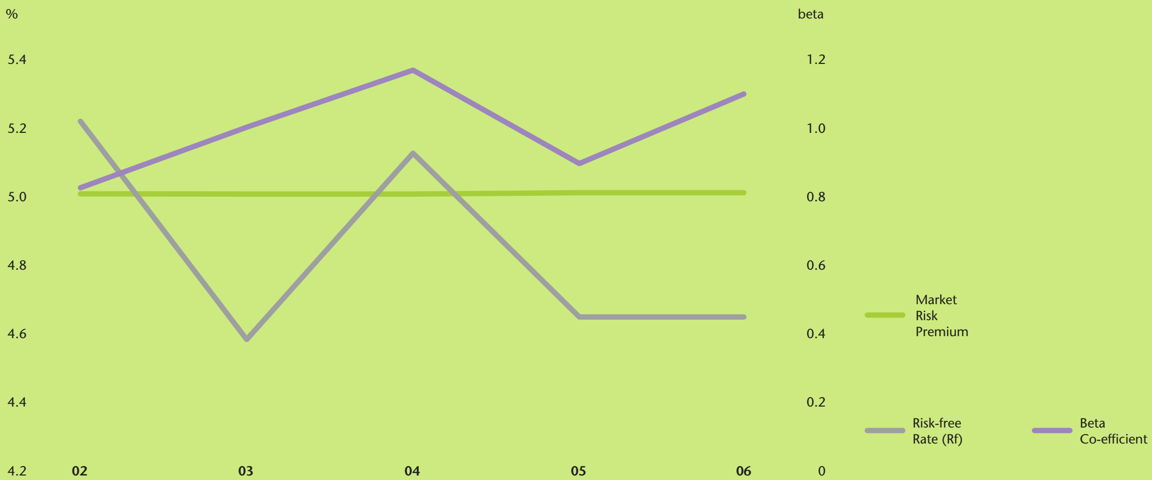


MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

GROUP FINANCIAL REVIEW

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 oleochemical and specialty fats products price risk, changes in the property market and other operational risks. Our risk management philosophy 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 ensuring always a worthwhile risk-reward ratio. Risks that could not otherwise be managed to a satisfactory level on a proactive basis are strategically mitigated.

RISK MANAGEMENT cont'd

Operating Risk Management cont'd

- In the case of palm oil, for instance, normal price fluctuations are manageable risks whilst unduly sharp fluctuations and cyclical trends are strategically mitigated 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 proactive 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

GROUP FINANCIAL REVIEW

RISK MANAGEMENT cont'd

Financial Risk Management cont'd

- 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.

The economic intent and impact of some of these risk management strategies may not be apparent from the accounts as the manner and timing in which these transactions are recognised and reflected in the accounts are in accordance with the requirements of approved accounting standards. In such instances, the Group takes the view that the underlying economic reality and objective should take precedent over reported accounting impact, when deciding if a hedge transaction is to be taken i.e. economic substance is more important than accounting form for risk management decision making.

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

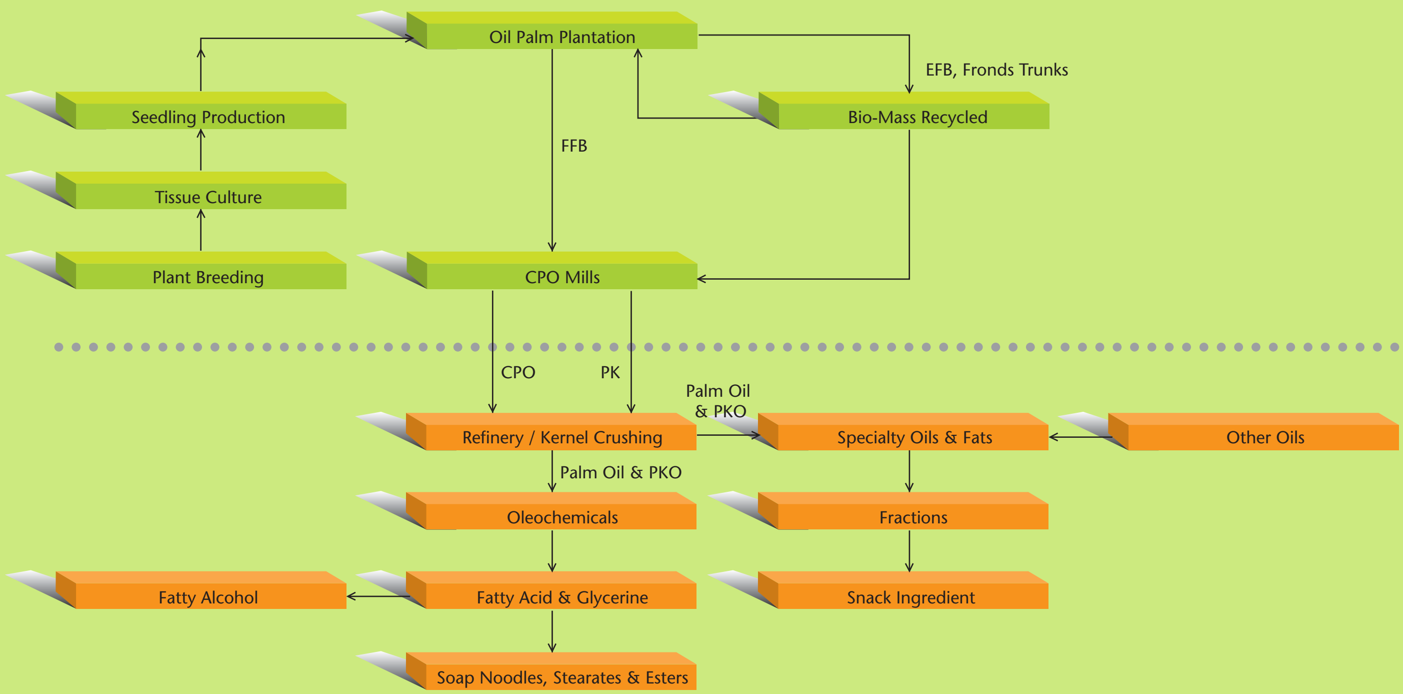
MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

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 2006, approximately 70% (FY2005 - 67%) of our plantation revenue of RM1,239.0 million comprises sales to our manufacturing division. With the commissioning of our newly constructed refinery in Rotterdam during the financial year, the inter-segment volume between the two business segments was further increased. To supplement downstream requirement, purchase of CPO and PKO are also made from pre-qualified suppliers.

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

Plantation Segment



Resource-based Manufacturing Segment

PLANTATION

MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

GROUP BUSINESS REVIEW

INTRODUCTION

As at 30 June 2006, the Group's total titled plantation area (all of which are in Malaysia) stood at 158,649 hectares with 99% of the estates' planted area being planted with oil palm. With the latest acquisition in Sarawak completed in September 2006, total holding now stands at 167,689 hectares.

The Group has 77 estates, reduced from last financial year of 79 estates, as a result of consolidation of 2 smaller estates with larger estates. The total oil palm planted area as at the end of the financial year under review stood at 144,055 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 ("FFB").

The Group's plantation business strong growth in a short span of 23 years 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. Our achievement on productivity is the result of years of concerted effort and commitment to good 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 optimum sustainability 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, proactive attitude and attention to detail have contributed to higher 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

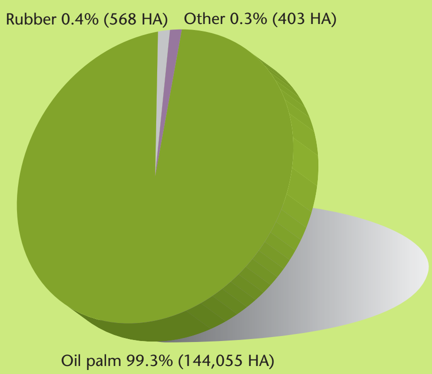
GROUP BUSINESS REVIEW

PLANTATION STATISTICS

CROP STATEMENT

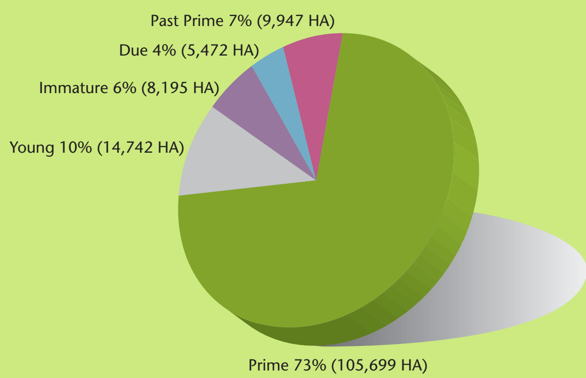
	2006	2005	2004	2003	2002
Oil Palm					
Mature area harvested (hectare)	**136,455**	132,679	122,401	95,450	83,825
FFB production (tonne)	**3,674,483**	3,657,776	2,927,194	2,396,231	1,920,692
Yield per mature hectare (tonne)	**26.93**	27.57	23.91	25.10	22.91
Mill production (tonne)					
Crude palm oil	**805,627**	815,790	677,319	597,515	477,794
Palm kernel	**188,235**	192,446	157,243	143,307	118,209
Oil extraction rate (%)					
Crude palm oil	**21.38**	21.59	21.54	21.82	21.28
Palm kernel	**5.00**	5.09	5.00	5.23	5.26
Average selling price (RM/tonne)					
Crude palm oil	**1,386**	1,453	1,575	1,461	1,075
Palm kernel	**928**	1,005	794	711	522
Operating profit (RM/mature hectare)	**4,560**	5,783	5,300	5,576	2,834
Rubber					
Mature area tapped (hectare)	**619**	1,054	1,249	1,605	1,808
Rubber production ('000 kg)	**1,234**	1,730	2,329	3,615	3,607
Yield per mature hectare (kg)	**1,993**	1,641	1,865	2,252	1,995
Average selling price (RM/kg)	**5.23**	4.88	5.27	4.15	3.30
Operating profit (RM/mature hectare)	**7,583**	4,356	4,380	3,850	1,486

Crop Mix



Total planted area = 145,026 HA

Oil palm Hectarage… By Age



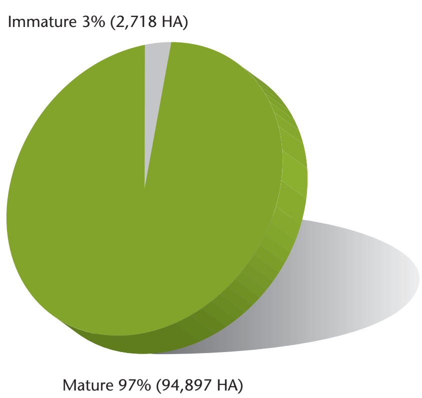
Total oil palm area = 144,055 HA

PLANTATION STATISTICS cont'd

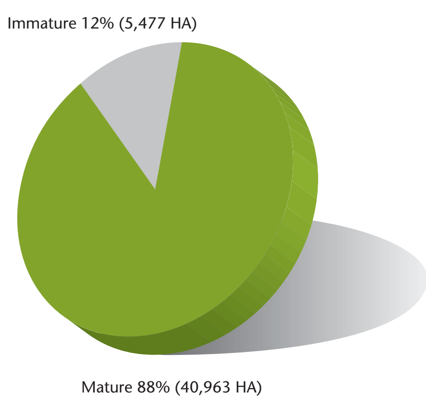
AREA STATEMENT (In Hectares)

	2006	2005	2004	2003	2002
Oil Palm					
Mature	**135,860**	135,291	131,333	107,108	85,035
Immature	**8,195**	8,405	13,727	17,095	13,829
	144,055	143,696	145,060	124,203	98,864
Rubber					
Mature	**568**	1,035	1,172	1,397	1,776
Other	**403**	433	495	590	314
Total planted area	**145,026**	145,164	146,727	126,190	100,954
Nursery	**75**	76	67	142	167
Estate under development	**–**	682	461	805	2,538
Housing project	**1,201**	1,150	1,158	1,162	1,187
Labour lines, buildings sites and infrastructure	**12,347**	11,442	10,089	8,034	5,250
Total area	**158,649**	158,514	158,502	136,333	110,096

Oil palm Hectarage…
By Region



Sabah - 68% (97,615 HA)



Peninsular - 32% (46,440 HA)

MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

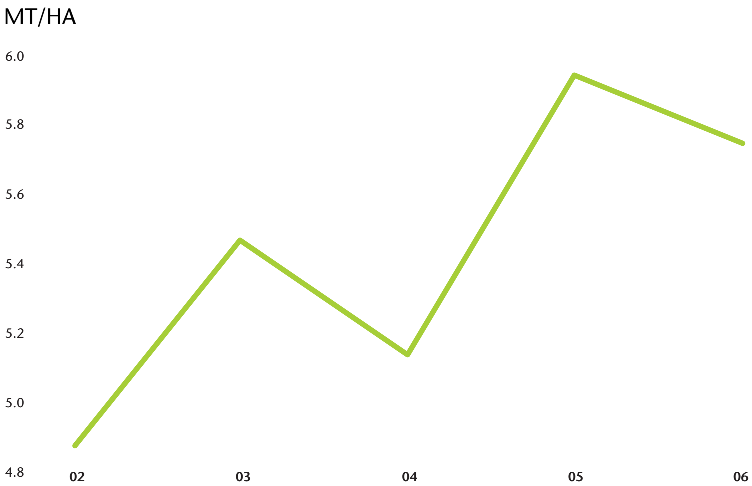
GROUP BUSINESS REVIEW

OPERATIONS REVIEW

For the financial year under review, the Group's estates produced a total of 3.67 million MT of FFB, almost the same level as the previous year.

The average FFB yield per hectare for FY2006 was slightly lower compared to previous year. This yield decline due to "biological tree-stress" is an industry phenomenon. After experiencing above average productivity for the past couple of years and together with the effect of less rainfall recorded for the whole of 2005, the trees have been significantly stressed, thus contributing to the decline in yields. With the lower FFB yield for FY2006 at 26.93 MT (FY2005 - 27.57 MT) per mature hectare and coupled with a slightly lower oil extraction rate of 21.38% (FY2005 - 21.59%) the average CPO yield declined to 5.76 MT per mature hectare as compared to a yield of 5.95 MT per mature hectare for FY2005. Nevertheless, the CPO yield achieved by our Group is still approximately 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:

OIL YIELD PER MATURE HECTARE



The best performing estate which is Sungai Sapi Estate, achieved a yield of 7.74 MT of CPO per hectare for FY2006.

OPERATIONS REVIEW cont'd

In line with the overall decrease in Group CPO yield, the number of estates that managed to achieve oil yields of more than 6 MT per mature hectare has decreased marginally from 41 estates in FY2005 to 38 estates for the financial year under review, the reasons were as explained in the foregoing paragraphs. The trend over the last five years are as follows:

Estates that achieved >6 MT of CPO per hectare

FY2006	38 estates	72,436 hectares
FY2005	41 estates	73,859 hectares
FY2004	12 estates	22,410 hectares
FY2003	16 estates	32,089 hectares
FY2002	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 FY2006.

	CPO MT/HA
Sg. Sapi	7.74
Meliau	7.50
Laukin Estate	7.50
Mayvin 1	7.37
Syarimo 1	7.34
Syarimo 2	7.10
Syarimo 3	7.09
Luangmanis	7.07
Sakilan Estate	7.05
Moynod	7.01

MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

GROUP BUSINESS REVIEW

OPERATIONS REVIEW cont'd

For FY2006, the Group's plantation business, inclusive of associates, recorded an operating profit of RM641.2 million, a decrease of 18% over FY2005's RM777.9 million. The reduction is largely due to the effects of lower palm prices, higher inventory levels, higher fertiliser input cost, as well as facing the full year impact of the increase in Sabah sales tax on palm oil sales in the reporting financial year. The Sabah State government implemented the increase from 5% to 7.5% beginning from third quarter of FY2005.

The cess and tax for the year are as follows:

	FY2006 RM'000	FY2005 RM'000
MPOB cess	12,085	12,237
Rubber	125	82
	12,210	12,319
Sabah sales tax	61,132	51,188
	73,342	63,507

At net operating profit after tax ("NOPAT) level, the division made a total RM599.1 million for FY2006, down 23% from previous year, giving a ROCE 17.1% (2005 - 22.5%) based on an average capital employed of RM3,497.4 million (2005 - RM3,447.1 million).

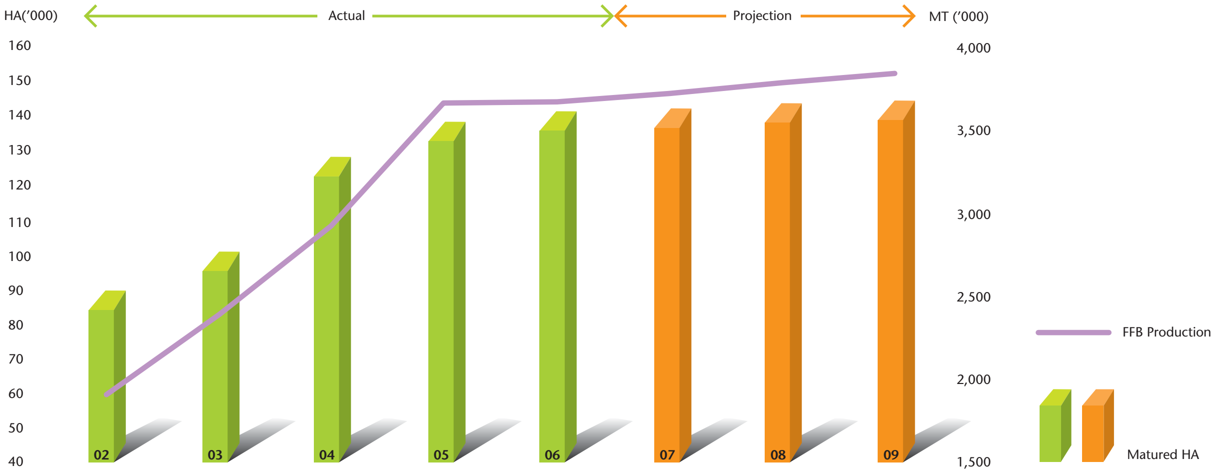
Higher crude oil prices and a weak USD resulted in a substantial increase in fertiliser costs which had increased from RM764 per hectare in FY2004 to RM977 per hectare in FY2005 and further increased to RM1,099 per hectare in FY2006.

Given the abovementioned challenging circumstances, operating profit per mature hectare for oil palm decreased by 21% to RM4,560 per hectare for the financial year under review as compared to RM5,783 per hectare for the previous financial year. This underscores the significant impact on the yields and profitability.

For capital expenditure, the Division spent a total of RM59.3 million for FY2006 as compared to RM93.9 million for the previous financial year. The capital expenditure is primarily 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, RM12.4 million was charged out in the financial year just ended compared to RM8.8 million for the previous financial year.

OPERATIONS REVIEW cont'd

Mature Oil Palm Area / FFB Production



OUTLOOK & PROSPECTS

The current buzz word is bio-fuel. However leaving this aside, consumption for vegetable oil in general and palm oil in particular remains strong. Palm oil has been the leading globally traded oil over the past decade. However, for the first time in history, palm oil has overtaken soy oil to be the leading oil by production and consumption in 2005. Its consistent and gradual ascend to the top spot on the edible market over the past 30 years is largely due to the fact that it is the most cost competitive, because of its high oil yield per hectare, and also because of its functional diversity and superiority in application.

Non-fuel related demand for palm oil remains robust, emanating from strong consumption growth in places like China, substitution for animal fats in both food and non-food applications as well as substitution for "soft oils" to avoid trans-fat for certain food application.

New demand for energy application comes on top of the existing non-fuel related demand and is expected to dominate incremental demand in coming years. This presents a structural change that will push floor and average vegetable oil prices much higher. The push by various governments for development and use of bio-fuel is gradually moving from a subsidised scenario to a legislated or mandatory scenario. The important consequences of this is that it will not be a burden for the government to carry and, as its mandatory, demand is there regardless of the relative pricing between crude oil and vegetable oil. The scene is therefore set for demand growth to outpace supply growth over the next 3 to 5 years, even without the potential disruptive impact of adverse weather, especially when bio-diesel plants currently under construction start up by 2007/2008.

ENVIRONMENTAL & SOCIAL RESPONSIBILITY

MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

GROUP BUSINESS REVIEW

SUSTAINABILE BEST PRACTICES, CORPORATE SOCIAL RESPONSIBILITY AND ENVIRONMENTAL CARE

- As Applied To Our Core Business

The increasing demand for food, fuel, goods and services in the 21st century means that it is more important than ever to protect the world's natural resources. The goal of sustainability is to enable the present generation to get what they need from the environment in such a way that future generations will be able to do so as well. This is a goal that IOI Group strives to meet each and every day through efficient and effective use of resources.

Sustainability is particularly important when it comes to the production of food, renewable fuel and other commodities that are widely used by the global markets. Palm oil is rapidly establishing itself as the fastest-growing bulk oil in use in the world today for all of these uses, thanks to its all-natural properties and suitability for a wide variety of applications. As a world leader in palm oil production, IOI Group takes our role in the sustainable production of palm oil to satisfy these needs very seriously.

IOI is in fact one of the ten founding members of the Roundtable on Sustainable Palm Oil ("RSPO"), a global multi-stakeholder initiative established to promote the sustainable production of palm oil. Via the RSPO, IOI has helped to define the criteria for sustainable palm oil production. The membership has given the Group a chance to enhance the practice of sustainability in the fields of agriculture, environment and social issues. Since after the adoption of RSPO's 8 principles and 39 criteria in November 2005, IOI Group had committed to test it in 2 estates, 1 in Peninsular and 1 in Sabah.

Our goal is to show that efficient and successful production of palm oil and social and environmental responsibility can indeed go hand in hand. For years we have been following a number of the criteria that are now codified by the RSPO. Today, the oil palms on IOI plantations have a yield that is almost 50% higher than the industry average. Such an outstanding yield makes it possible to produce an increasing amount of palm oil using less land, which correspondingly reduces the amount of fertilisers and pesticides needed for production.

MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

GROUP BUSINESS REVIEW

Our efforts toward environmental and social responsibility are of course an ongoing process. We are always alert for ways in which we can improve our practices. The IOI Group remains committed to doing whatever we can to safeguard and enhance the quality of the environment, and to ensure that we will be able to provide the world with a truly sustainable supply of palm oil for many years to come.

The IOI Group works on improving the sustainability of palm oil production from the very beginning, starting with the palm plants that we use. Every year a percentage of all IOI oil palm trees are replaced with ones that are even more productive. This makes it possible for us to produce an increasing amount of palm oil per hectare of land. The quality of the seedlings coupled with good operational management also reduce the amount of fertiliser and pesticides we need to produce a given amount of oil. The result is more efficient palm oil production that requires fewer natural and non-renewable resources, including fossil fuels with their undesirable CO_2 emissions. That is good for the earth - and good for our company!

IOI Group also takes special care in the expansion of existing plantations or the development of new ones. To ensure this is carried out in a sustainable way, we begin by paying close attention to the ways and places in which plantations are established. To keep soil erosion to a minimum, planting on marginal or fragile soils and steep terrain is avoided. We also actively encourage and maintain the growth of ground-cover vegetation throughout our plantations. This not only anchors the soil to prevent erosion, it also encourages insect and animal biodiversity, enhances soil fertility and suppresses noxious weeds, which in turn reduces the amounts of fertilisers and pesticides required. In order to maintain the biological balance within the plantations, wherever practical, we link riparian and other reserve areas within the estate and surrounding neighbourhoods to form corridors and refuges for wildlife.

Soil is a living environment that can be depleted or damaged by cultivation. We have adopted best practices and working methods that help maintain the soil's health, structure and fertility, and increase the efficiency of water and nutrient use. Organic materials, such as palm biomass, mill effluent and surplus shell and fiber, are recycled and returned to the fields, and empty fruit bunches are left to decompose naturally under trees. This wealth of organic matter helps maintain the soil's equilibrium and fertilises the fields - again reducing the need for fossil-fuel derived fertilisers.

To ensure efficient, successful and sustainable cultivation, it is absolutely necessary to control weeds, pests, rodents and plant disease. Our primary means of doing so is by following an Integrated Pest Management policy. This entails adopting cultural, biological, mechanical, physical or other strategies whenever possible to minimise the use of chemicals to control pests.

MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

GROUP BUSINESS REVIEW

The way we operate our palm oil mills also reduces the need for fossil fuel consumption. These mills run on renewable energy generated by recycled pressed palm fibers and kernel hulls. Buffaloes are also used wherever practical instead of mechanical machines to transport fresh fruit bunches from infields. By using as little fossil fuel as possible, we actively reduce the amount of undesirable emissions, greenhouse gases and pollution that we produce. This effort to reduce emissions is further supported by the IOI Group's zero-burning policy in connection with land clearing and waste management. Taken together, the conservation procedures we follow ensure that we make careful use of natural resources, operate with maximum energy efficiency, and keep the air as clean as possible.

Another important aspect of sustainability is taking responsibility for the quality of life of human resources. After all, large companies not only impact the environment, but also the social systems within which they operate. At IOI Group, we aim to do so in a positive way by due regards to labor practices, human rights, employee health and safety, and broader social issues affecting community relations.

We believe that our success is closely tied to the success of those who work for and with our company everywhere in the world. This is especially important to those communities surrounding our plantations. Therefore, we have a policy to source as many of our goods and services locally as possible. We also establish housing, places of worship, and recreational, educational and medical facilities for our employees and their families. These efforts contribute to overall social stability and give the local population greater self-sufficiency in meeting their own essential needs.

Education is a key to a successful future for our employees and for our company. We encourage learning among children and young people by offering incentives for academic achievement as well as scholarships for higher education. Special IOI training events that we hold for local smallholders encourage them to share experiences of good agricultural practices that can end up benefiting the entire community. By improving the structural, educational and spiritual circumstances of the local people, we help ensure that our business enhances the quality of their daily lives and future prospects as well as their income.

We continue to look for new and effective ways in which to improve the sustainable performance of our business. Social and environmental responsibility are very important, but they must go hand in hand with the efficient and successful production of palm oil to make for profitable, sustainable business.

The IOI Group has a robust and fully integrated global supply chain. This makes our business model highly transparent, as well as more safe and secure. Since we have control over every aspect of our palm oil's production, the responsibility for maximising sustainability at every stage of the process - from cultivation to processing and transportation - is clearly ours, and ours alone. Accomplishing this in a highly efficient and effective way conserves natural resources and minimises the impact on the environment while delivering in a responsible way a top-quality product to our clients.

Care for the planet and society is a key aspect of operating in a sustainable way, but there are others as well. Factors such as transparency, reliability and accountability also contribute to a sustainable business. We work to integrate all of these factors into every area of our operations to give our clients the confidence that they can count on IOI to deliver what it promises.

Doing what is good for our business as well as what is right for the environment and society is a very big challenge, but it is one we strive to meet every day.

MANUFACTURING

MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

GROUP BUSINESS REVIEW

INTRODUCTION

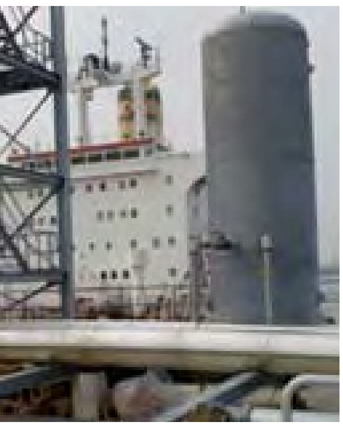
The Group's resource-based manufacturing business is essentially the other segment of our palm oil business that follows after plantation segment and comprises mainly manufacturing and related activities ranging from primary production such as refinery to downstream processing of palm oil into oleochemicals 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 2006, the Group has three refineries with total refining capacity of 1,700,000 MT, i.e. one in Sabah with a refining capacity of 700,000 MT and kernel crushing capacity of 300,000 MT per annum, the second refinery in Johor, with a annual refining capacity of 300,000 MT and the third refinery is a newly constructed refinery located in Rotterdam, Netherlands, with a refining capacity of approximately 700,000 MT per annum.

The Rotterdam refinery, which started operating in Oct 2005 provides Loders Croklaan Europe with fresh palm oil for its downstream operations, and also enables the Group to channel its crude palm oil to the European market, for value added sales, utilising Loders Croklaan's established distribution network and market standing.

As for the two Malaysian based refineries, they cover the rapidly growing Asian market as well as occasional shipments to support the needs of Loders Croklaan, USA.



OLEOCHEMICALS MANUFACTURING

The oleochemicals manufacturing activities are undertaken through our 100% owned subsidiary, IOI Oleochemical Industries Berhad ("IOI Oleo"), which we have taken private on 15 March 2006. 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 one of 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.

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.

Through IOI Oleo's subsidiaries, namely Acidchem, Derichem and Stabilchem, the Group has achieved highly renowned certifications on various areas. Among others, are ISO 9001 certification on quality of products, ISO14001 certification on environmental management system, OHSAS 18001 certification on occupational health and safety management system, as well as Hazard Analysis Critical Control Point/Good Manufacturing Practices (HACCP/GMP) certification on food safety. These certifications reinforce the Group's commitment to quality, environmental protection, occupational health and safety in line with best practices.

MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

GROUP BUSINESS REVIEW

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.

At Loders Croklaan, we could not place more emphasis on the importance of constant quality control that is carried out to the same consistently high standards at every step of the supply chain. Quality checks are continuously carried out according to rigorous international guidelines. Standards such as GMP, HACCP, ISO 9001 and ISO 14001 are carefully followed and implemented all along the way. Also, the highest standards apply to serve the needs of Kashruth and Islamic laws.

On the operating structure, 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. The acquisition of Soctek Group in FY2005 and now renamed, Loders Croklaan Asia, provides the much needed competitive cost base, for entry into the rapidly expanding Asian specialty fats market.

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. 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 solution into the non-trans fatty acid applications market in USA.

Lipid Nutrition

Lipid Nutrition is the other 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 name "Marinol" and

SPECIALTY OILS AND FATS MANUFACTURING cont'd

Lipid Nutrition cont'd

gamma linoleic acid which is marketed under the name "Gammonal". 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, the business, including associate Fatty Chemical (Malaysia) Sdn Bhd (FCM) contributed a total of RM121.7 million to Group operating profit for FY2006, down 7% from RM131.3 million for the previous financial year. Profitability should have been better if not for the interruption of operations arising from the tank explosion in February 2006 at FCM, which is also a major customer of our oleochemicals business. As a result of this unfortunate accident, loss of profit contribution at both levels was inevitable.

The refinery and specialty fats combined contributions dropped from RM77.4 million in FY2005 (excluding one-off item) to RM73.0 million in FY2006.

The refinery business contributed lower profits in FY2006 because of poor refining margins in Malaysia and start up cost of the new Rotterdam refinery.

The specialty fats business had an encouraging year on the market front, especially in USA, with the launch of our "Sans Trans" range of products. Likewise, demand for CBE and CBS in other parts of the world is firming up. The reported results for this division however showed a much poorer performance and reflect a trend contrary to market situation because of accounting provisions for goodwill impairment on operations to be discontinued and loss of inventory in its African raw material supply chain.

OUTLOOK & PROSPECTS

Despite anticipated higher palm oil prices, the downstream manufacturing sector as a whole is still expected to enjoy growth. The respective synopsis on prospects are as follows:

- Refinery is a margin business. For the Malaysian operations, unit margin tend to expand during CPO price up-cycle. For the Rotterdam refinery, margins are better than in Malaysia and contributions should improve significantly with higher capacity utilization.

- Demand for specialty fats is on the uptrend again and performance should be better.

- Oleochemical industry faces challenging times with over-capacity and higher feed stock prices. We should however outperform the industry because of the competitive advantages we enjoy.

PROPERTIES

MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

GROUP BUSINESS REVIEW

INTRODUCTION

The Group's property business are principally carried out by the Company's 70% owned listed property arm, IOI Properties Berhad. The main stream of the property business is the development activities that contributed approximately 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 been reputed as a successful township developer with our mainstay being the Puchong growth corridor and southern Johor. As at 30 June 2006, 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	RM8 billion
Taman Lagenda Putra, Kulai	2006	91	On-going	RM0.5 billion
Dengkil Land	–	223	New township expected to be launched in FY2007	RM2 billion

MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

GROUP BUSINESS REVIEW

INTRODUCTION cont'd

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

	FINANCIAL YEAR				
	2006	**2005**	**2004**	**2003**	**2002**
Units of property sold	**1,266**	1,588	2,880	1,963	2,090
Total sales (RM'000)	**533,124**	493,378	669,426	428,897	483,522
Revenue (RM'000)	**623,778**	587,848	685,189	509,857	538,809
EBIT (RM'000)	**331,350**	295,249	315,487	241,907	231,642
EBIT margin (%)	**53.12**	50.23	46.04	47.45	42.99

OPERATIONS REVIEW

Despite the resilient showing by the Malaysian economy, property market activities had dropped by 5.3% in value and 5.7% in number of transactions respectively in Year 2005. In line with the slowdown in property market activities the construction sector experienced a negative growth of 1.6% in year 2005 (2004 - 1.9%).

The Malaysian housing market operates under a challenging environment amidst higher energy prices and increasing interest rates, which cuts affordability and slows demand, whilst on the supply-side, there is over-supply. This has inevitably lead to slower take-up rates and higher stock overhang situation as evidenced from the Property Market Report 2005.

However, we were able to adjust our product mix by focusing on the commercial sector, namely shop-houses, to counter the slack in housing demand. The Puchong district, with its very rapidly growing population catchment, makes it an attractive new commercial hub for us to cater to.

OPERATIONS REVIEW cont'd

For the financial year under review, the Group sold a total of 1,266 units of properties for a total sales value of RM533.1 million against the previous year's 1,588 units at a total sales value of RM493.4 million.

Property sales for the various projects are summarised as follows:

	Units		Sales Value (RM million)	
PROJECTS	**FY2006**	**FY2005**	**FY2006**	**FY2005**
Bandar Puchong Jaya	**20**	71	**18.7**	18.8
Bandar Puteri, Puchong	**682**	771	**414.6**	356.3
Bandar Putra, Kulai	**410**	530	**75.2**	92.0
Taman Legenda Putra, Johor	**22**	3	**7.8**	1.8
Others	**132**	213	**16.8**	24.5
Total	**1,266**	1,588	**533.1**	493.4

The Group sold a wide range of products during the financial year, with higher sales mix recorded for unit prices above RM350,000, which made up of 82% of total sales value for FY2006 (FY2005 - 72%). As a result, the average price per unit has increased by 35% from RM311,000 to RM421,000. The increase in average unit price is mostly due to higher end landed residential and commercial properties launches in Bandar Puteri, Puchong.

The property sales mix by price range are as follows:

	FY2006		FY2005	
	RM'Million	**%**	**RM'Million**	**%**
Below RM100,000	**2.8**	**1**	10.2	2
Between RM100,000 to RM150,000	**42.8**	**8**	50.1	10
Between RM150,000 to RM250,000	**36.5**	**7**	68.8	14
Between RM250,000 to RM350,000	**12.3**	**2**	9.7	2
Between RM350,000 to RM500,000	**160.6**	**30**	209.4	43
Above RM500,000	**278.1**	**52**	145.2	29
Total	**533.1**	**100**	493.4	100

The Group's property investment portfolio comprises mainly of retail and office space totalling approximately 1.6 million sq ft of net lettable space (FY2005 - 1.6 million sq ft), of which about 100,000 sq ft is located in Singapore.

MANAGEMENT'S DISCUSSION AND ANALYSIS cont'd

GROUP BUSINESS REVIEW

OPERATIONS REVIEW cont'd

The overall occupancy and rental rate for our investment properties, especially the retail complexes, have also improved during the financial year. The higher occupancy and rental rates have increased the property investment's contribution to Group EBIT by 50%, from RM24.6 million for the previous financial year to RM37.0 million for the financial year under review.

The combined operating profit of the property development and investment activities totalled RM368.3 million for FY2006, against RM319.9 million for the previous financial year.

Overall NOPAT for FY2006 was RM263.4 million as compared to RM244.0 million for FY2005. Based on an average capital employed of RM2,113.4 million, the ROCE for the Group's property segment is 12.5% (FY2005 - 12.3%).

OUTLOOK & PROSPECTS

In line with the positive outlook in the Malaysian Economy, the housing market should continue to remain positive, albeit challenging. Operating performance is expected to be stable in view of our ability to modify product mix to meet changing demands and changing market environment.

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.


Kepong
KLCC
Kuala Lumpur
KL Sentral
Petaling Jaya
Ampang
New Pantai Expressway
Federal Highway
Subang Jaya
Shah Alam Expressway
Tasik Selatan
Kinrara
Puchong – Sg. Besi Bypass
IOI Mall
Bandar Puchong Jaya
Sungai Besi
Damansara–Puchong Expressway
Bandar Puteri
Puchong
Kajang
Shah Alam Expressway
Lush Development
IOI Resort
South Klang Valley Expressway
PM's Complex
Putrajaya Link
Putrajaya
North-South Highway
Cyberjaya
Putrajaya
Multimedia University
Flagship Zone
Nilai
North South Expressway Central Link
Salak Tinggi
Kuala Lumpur International Airport (KLIA)
Taman Lagenda Putra
Bandar Putra, Kulai
Sultan Ismail Airport
To Kuala Lumpur
Kulai
Palm Villa
Palm Resort
North-South Highway
Senai
Pandan
Plentong
UTM
Skudai
Pasir Gudang Highway
Johor Bahru
Tampoi
Senai Highway
Straits of Johor
2nd Link Expressway
Singapore

CUSTOMER FOCUS

"A satisfied customer is the best business strategy of all."

Michael LeBoeuf

The only way we can win customers for life is by constantly exceeding their expectations. And that means surrounding an affordable and compelling range of high quality products with top calibre service.

CORPORATE INFORMATION

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

BOARD OF DIRECTORS

TAN SRI DATO' LEE SHIN CHENG
Executive Chairman

DATO' LEE YEOW CHOR
Executive Director

DATO' YEO HOW
Executive Director

LEE CHENG LEANG
Executive Director

DATUK HJ MOHD KHALIL B DATO' HJ MOHD NOOR
Independent
Non-Executive Director

DATUK KHALID B HJ HUSIN
Independent
Non-Executive Director

CHAN FONG ANN
Independent
Non-Executive Director

PROFILE OF DIRECTORS

TAN SRI DATO' LEE SHIN CHENG

Executive Chairman, Malaysian, age 67

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.

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 a revenue or trading 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 six out of the seven Board Meetings held during the financial year ended 30 June 2006.

DATO' LEE YEOW CHOR

Executive Director, Malaysian, age 40

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), a National Executive Council Member in the Malaysian Palm Oil Association (MPOA) and a Board of Trustees member in the Malaysian Palm Oil Council (MPOC).

He is also an Executive Director of IOI Properties 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 a revenue or trading 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 seven Board Meetings held during the financial year ended 30 June 2006.

PROFILE OF DIRECTORS cont'd

DATO' YEO HOW

Executive Director, Malaysian, age 50

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 23 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.

He attended six out of the seven Board Meetings held during the financial year ended 30 June 2006.

LEE CHENG LEANG

Executive Director, Malaysian, age 58

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 seven Board Meetings held during the financial year ended 30 June 2006.

DATUK HJ MOHD KHALIL B DATO' HJ MOHD NOOR

Independent Non-Executive Director, Malaysian, age 65

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). During his 36 years of distinguished service in the public sector, among the many appointments he also held were those of Secretary of the Foreign Investment Committee, Under-Secretary Finance Division in the Ministry of Finance, 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 seven Board Meetings held during the financial year ended 30 June 2006.

DATUK KHALID B HJ HUSIN

Independent Non-Executive Director, Malaysian, age 60

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. He has also served as Secretary General, United Cities and Local Governments World Organisation (UCLG), Regional Section for Asia and Pacific, based in Jakarta, Indonesia from 2001-2006.

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

He attended six out of the seven Board Meetings held during the financial year ended 30 June 2006.

CHAN FONG ANN

Independent Non-Executive Director, Malaysian, age 76

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 seven Board Meetings held during the financial year ended 30 June 2006.

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.

INTEGRITY

" What lies behind us and what lies ahead of us are tiny matters compared to what lives within us."

Ralph Waldo Emerson

Everyone at IOI is personally responsible for contributing to the conduct, transparency and governance of the Group. Each of us must always remember that Integrity begins with an 'I'.

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 an Audit 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 Audit 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.

TERMS OF REFERENCE cont'd

2 Objectives cont'd

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.

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 Audit 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.

AUDIT COMMITTEE REPORT cont'd

TERMS OF REFERENCE cont'd

4 Duties and Responsibilities cont'd

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 functions 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.

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
- review for indication of impairment in carrying values of assets
- 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.

xiv To review the allocation of options during the year under the Company's Executive Share Option Scheme ("ESOS") to ensure that this was in compliance with the allocation criteria determined by the Option Committee and in accordance with the Bye-Laws of the Company's ESOS.

TERMS OF REFERENCE cont'd

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. However, at least once a year the Committee shall meet with the external auditors without executive board members present. The Committee may also invite other directors and employees to attend any of its meeting to assist in resolving and clarifying matters raised.

Quorum

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

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 Audit 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.

AUDIT COMMITTEE REPORT cont'd

ACTIVITIES cont'd

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.

Statement on Executive Share Option Scheme by the Committee

The Audit Committee confirms that the allocation of options offered by the Company to eligible executives of the Group complies with the Bye-Laws of the Company's ESOS.

ACTIVITIES cont'd

Number of Meetings and Details of Attendance

7 Audit Committee meetings were held during the financial year ended 30 June 2006. 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	6	6

2 Audit Committee 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.

82 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 Audit 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 Audit Committee quarterly.

CORPORATE GOVERNANCE

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 shareholders' 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 Company Award in Malaysia and ranked second in the Best Managed Company Award in Asia at the recent Euromoney 2005 Best Managed Company Awards, and was also polled the Best Managed Company Award in Malaysia at the Asiamoney's Best Managed Companies Awards 2005.

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 a capable 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 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 56 to 59 of the Annual Report.

In his capacity as Executive Chairman, Tan Sri Dato' Lee Shin Cheng essentially functions both as Chief Executive Officer and Chairman of the Board. The Board is mindful that convergence of the two roles is not in compliance with best practice, 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 Malaysia Securities Berhad and with independent advisors/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 to exercise 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.

CORPORATE GOVERNANCE cont'd

THE BOARD OF DIRECTORS cont'd

Board Meetings

The Board has at least five 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.

Seven Board meetings were held during the financial year ended 30 June 2006. 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	7	6
Dato' Lee Yeow Chor	7	7
Dato' Yeo How	7	6
Lee Cheng Leang	7	7
Non-Executive Directors		
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor	7	7
Chan Fong Ann	7	7
Datuk Khalid b Hj Husin	7	6

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 OF DIRECTORS cont'd

Supply of Information cont'd

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.

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

Training and Development of Directors

All the Directors have completed the Mandatory Accreditation Programme and attended various training programmes under the Continuing Education Programme ("CEP") for Directors (with the exception of two (2) executive Directors) pursuant to the requirements of Bursa Securities (the CEP requirements have been repealed with effect from 1 January 2005). They were unable to fulfil the CEP requirements due to their heavy work commitments.

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

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

Relevant Training Programmes, Seminars and Briefings attended by Directors during the financial year ended 30 June 2006 (not including those attended by Directors to fulfil CEP requirements)

On Risk Management and Financial Reporting

- Seminar on Revolution, Renewal & Resilience by Professor Gary Hamel, organised by Malaysian Institute of Management
- The Malaysian Institute of Certified Public Accountants ("MICPA") Business Forum
- National Accountants Conference organised by Malaysian Institute of Accountants
- BDO Binder's briefing on New Financial Reporting Standards
- Seminars on various Financial Reporting Standards

CORPORATE GOVERNANCE cont'd

THE BOARD OF DIRECTORS cont'd

Relevant Training Programmes, Seminars and Briefings attended by Directors during the financial year ended 30 June 2006 (not including those attended by Directors to fulfil CEP requirements) cont'd

On Other Areas

- Making Bio-fuel from Palm Oil: Issues, Challenges and Opportunities by Tan Sri Augustine Ong
- "Winning Competitive Strategies" by Michael E. Porter, organised by Leading Minds
- PIPOC 2005 - Malaysian Palm Oil Board International Palm Oil Congress
- Annual Palm & Lauric Oils Conference and Exhibition - Price Outlook 2006 organised by Bursa Securities
- Taipan Seminar and Workshop organised by Young Presidents Organisation Malaysia
- World Chinese Entrepreneurs Convention
- Talk on Understanding China's Present Economic Transformation by Prof. Wang Gungwu
- Seminar on Sabah The Ultimate Investment Destination by Encik Ismail Abdullah

Appointment to the Board

The Nominating Committee of the Company comprises the independent directors. The 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.

Lee Cheng Leang and Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor 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 BOARD OF DIRECTORS cont'd

Directors' Remuneration cont'd

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 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 2006 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	472	4,137	14,208	223	2,789	627	22,456
Non-Executive Directors	150	–	–	17	–	178	345

CORPORATE GOVERNANCE cont'd

THE BOARD OF DIRECTORS cont'd

Directors' Remuneration cont'd

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

	Number of Directors	
Range of Remuneration	**Executive**	**Non-executive**
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 RM1,600,000	–	–
RM1,600,001 to RM1,650,000	2	–
RM1,650,001 to RM18,850,000	–	–
RM18,850,001 to RM18,900,000	1	–

On 12 January 2006, the executive directors were offered a total of 6.04 million share options under the ESOS Scheme. As at 30 June 2006, none of the options given were exercised by the executive directors.

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.

SHAREHOLDERS cont'd

Dialogue between the Company and Investors cont'd

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 5 roadshows and investor conferences and had approximately 80 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.

CORPORATE GOVERNANCE cont'd

ACCOUNTABILITY AND AUDIT cont'd

Directors' Responsibility for Preparing the Annual Audited Financial Statements cont'd

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 Malaysia Securities Berhad 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 Malaysia Securities Berhad, 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. However, at least once a year the Committee meets with the external auditors without executive Board members present.

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.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

This statement is in line with the Listing Requirements of Bursa Malaysia Securities Berhad on 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 Board is pleased to present hereinafter the annual update on the Group's state of internal controls plus work done for the period under review.

ACKNOWLEDGEMENT OF RESPONSIBILITIES

The Board of Directors affirms that it is ultimately responsible for the Group's systems on internal controls - including the assurance of its adequacy and integrity, and its alignment with our business objectives. However, it should be noted that these control systems are designed to manage rather than to totally eliminate associated risks; and as such, can only provide reasonable but not absolute assurance against material loss or failure.

INTERNAL CONTROLS & RISK MANAGEMENT BEST PRACTICES

In the past statements we have provided detailed description of our integrated systems of internal controls, and how these are continuously shaped through our Enterprise Risk Management Framework that interweave the Group's Vision, and business objectives. We have explained the Group's oversight structure that ensures the integrity of adopted frameworks in engaging every business unit and hierarchical level to proactively embrace uncertainties and managed associated risks. We have also highlighted the Group's expanded view on "uncertainties" - that it gives rise to not only *risks and controls* but also *opportunities and strategic responds.* Hence, the Group's risk management program drives a continuous cycle of control activities and strategic respond tasks. With the aforementioned deeply entrenched, the Group continues to drive progress particularly in the following areas:

Global Convergence in Corporate Governance

Different interpretation and statutory rules on corporate governance by major trading nations may have ramification on business relation with global suppliers and investment relationship with investors of another sovereign state. As a Group with global operations and market presence, we increasingly seek conformance beyond domestic requirements on corporate governance and internal controls - with de-facto global standards and framework on the same.

Best Practices in Processes and Controls

As the market leader in our core businesses, most of our processes and controls are amongst the best and being benchmarked in the industry. To stay ahead of the curve we constantly scan for performance leap opportunities through process innovation, system transformation, and generic benchmark beyond our sectors and industries.

STATEMENT ON INTERNAL CONTROL cont'd

WORK DONE UNDER PERIOD REVIEWED & SUCCESS STORY

For the period under review, each business unit - via its risk management committee and workgroups comprising of personnel at all levels - carried out the following areas of work:

- Conducted review and update of risk profile including emerging risks, and re-rated principal risks
- Evaluated the adequacy of key processes, systems, and internal controls related to the rated principal risks, and established actionable programs and tasks to manage the aforementioned and/or eliminate performance gap
- Ensured internal audit programs covered identified principal risks. Audit findings throughout the financial period served as key feedback mechanism to validate effectiveness of risk management activities and embedded internal controls
- Reviewed implementation progress of previously outlined actionable programs, and evaluated post-implementation effectiveness
- Reviewed the adequacy of all business resumption and contingency plans, and their readiness for rapid deployment

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. In that regard, we are pleased to report that our Risk Management Program has contributed significantly towards the aforementioned. We highlight below a few typical cases of managed risks during the period under review.

- Minimised commodity price risks, foreign exchange risks, and interest rate risks with our extensive hedge operations - which itself is closely controlled
- Mitigated impact of rising fossil fuel prices with higher reliance on biomass derived energy as well as LNG at our plants
- Mitigated risks of labour shortages in plantations arising from stiff regulatory enforcement on illegal immigrant workers
- Mitigated credit and collection risks from customers in countries affected by emerging risks
- Tightening controls over supply chain sourcing of shea nuts from Africa

WORK DONE UNDER PERIOD REVIEWED & SUCCESS STORY cont'd

- Optimised competitive position with timely rollout of processes, systems, and controls that enable product traceability throughout our global supply chain

BOARD'S CONCLUSION

The Board is pleased to disclose that the state of the Group's Internal Control System is generally adequate, effective, and in line with global best practices. The Board is also of the opinion that the adopted Enterprise Risk Management Framework provides an adequate systemic mechanism for continuous principal risks identification, assessment, monitoring, and control. For the financial year under review, there were no material control failures or weaknesses that have resulted in any material loss that requires disclosure herein - apart from a fire incident in Fatty Chemical (Malaysia) Sdn Bhd, an associate operation where we do not exercise management control. 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

- Review of work done and on the representations by the respective Risk Management Committees, and work groups

- Our assessment on the general state of affairs and performance of the Group

STATEMENT OF DIRECTORS' INTERESTS

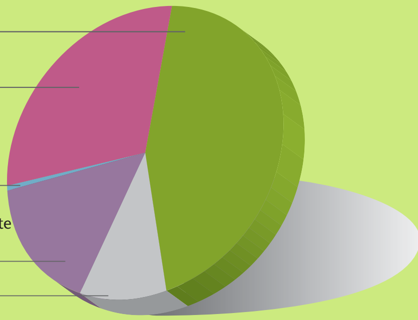
in the company and related corporations as at 30 August 2006

Name of Director	Direct	%	Indirect	%
THE COMPANY				
No. of ordinary shares of RM0.50 each				
Tan Sri Dato' Lee Shin Cheng	9,688,983	0.79	462,852,529	37.92
Dato' Lee Yeow Chor	908,000	0.07	461,799,529	37.83
Dato' Yeo How	80,000	0.01	–	–
Lee Cheng Leang	–	–	–	–
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor	65,000	0.01	–	–
Chan Fong Ann	1,347,500	0.11	33,360,020	2.73
Datuk Khalid b Hj Husin	–	–	–	–
SUBSIDIARIES				
IOI Properties Berhad				
No. of ordinary shares of RM1.00 each				
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				
No. of ordinary shares of RM1,000 each				
Tan Sri Dato' Lee Shin Cheng	100	27.03	–	–
Property Skyline Sdn Bhd				
No. of ordinary shares of RM1.00 each				
Tan Sri Dato' Lee Shin Cheng	–	–	1,111,111	10.00
Property Village Berhad				
No. of ordinary shares of RM1.00 each				
Tan Sri Dato' Lee Shin Cheng	–	–	1,000,000	10.00

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.

OTHER INFORMATION

COMPOSITION OF SHAREHOLDERS



MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiary companies which involved Directors' and major shareholders' interests either still subsisting at the end of the financial year ended 30 June 2006 or entered into since the end of the previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Recurrent related party transactions of a revenue or trading nature of the Group conducted during the financial year ended 30 June 2006 pursuant to shareholders' mandate are as follows:

Related Parties	Type of Recurrent Related Party Transactions	Interested Directors/ Major Shareholders and Persons Connected	Value of Transactions RM'000
Pilihan Megah Sdn Bhd, Dynamic Management Sdn Bhd, Flora Development Sdn Bhd and Lush Development Sdn Bhd[(1)&(2)]	Sale of plants and provision of landscaping services by IOI Landscape Services Sdn Bhd	• Tan Sri Dato' Lee Shin Cheng[(5)] • Puan Sri Datin Hoong May Kuan[(6)] • Dato' Lee Yeow Chor[(7)] • Dato' Yeo How[(8)] • Progressive Holdings Sdn Bhd[(9)] • Lee Yeow Seng[(10)]	1,191
Nice Frontier Sdn Bhd[(1)]	Purchase of estate produce by Pamol Plantations Sdn Bhd[(4)]	• Tan Sri Dato' Lee Shin Cheng[(5)] • Puan Sri Datin Hoong May Kuan[(6)] • Dato' Lee Yeow Chor[(7)] • Dato' Yeo How[(8)] • Progressive Holdings Sdn Bhd[(9)] • Lee Yeow Seng[(10)] • YM Raja Said Abidin b Raja Shahrome[(11)]	8,916

OTHER INFORMATION cont'd

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE cont'd

Related Parties	Type of Recurrent Related Party Transactions	Interested Directors/ Major Shareholders and Persons Connected	Value of Transactions RM'000
Continental Estates Sdn Bhd[3]	Purchase of estate produce by Dynamic Plantations Berhad	• Tan Sri Dato' Lee Shin Cheng[5] • Puan Sri Datin Hoong May Kuan[6] • Dato' Lee Yeow Chor[7] • Dato' Yeo How[8] • Progressive Holdings Sdn Bhd[9] • Lee Yeow Seng[10]	18,782
Permodalan Plantations Sdn Bhd	Purchase of estate produce and palm oil products by Morisem Palm Oil Mill Sdn Bhd	• Tan Sri Dato' Lee Shin Cheng[5] • Puan Sri Datin Hoong May Kuan[6] • Dato' Lee Yeow Chor[7] • Dato' Yeo How[8] • Progressive Holdings Sdn Bhd[9] • Lee Yeow Seng[10] • Lai Ming Chun @ Lai Poh Lin[12]	61,119
Palmco Plantations (Sabah) Sdn Bhd[4]	Purchase of estate produce by Ladang Sabah Sdn Bhd and Mayvin Incorporated Sdn Bhd	• Tan Sri Dato' Lee Shin Cheng[5] • Puan Sri Datin Hoong May Kuan[6] • Dato' Lee Yeow Chor[7] • Dato' Yeo How[8] • Progressive Holdings Sdn Bhd[9] • Lee Yeow Seng[10] • Lai Ming Chun @ Lai Poh Lin[12]	26,128
Pamol Plantations Sdn Bhd[4]	Sale of estate produce by Perusahaan Mekassar (M) Sdn Bhd	• Tan Sri Dato' Lee Shin Cheng[5] • Puan Sri Datin Hoong May Kuan[6] • Dato' Lee Yeow Chor[7] • Dato' Yeo How[8] • Progressive Holdings Sdn Bhd[9] • Lee Yeow Seng[10]	5,306
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	• Tan Sri Dato' Lee Shin Cheng[5] • Puan Sri Datin Hoong May Kuan[6] • Dato' Lee Yeow Chor[7] • Dato' Yeo How[8] • Progressive Holdings Sdn Bhd[9] • Lee Yeow Seng[10]	7,319
Palmco Oil Mill Sdn Bhd, Acidchem International Sdn Bhd and Fatty Chemical (M) Sdn Bhd[4]	Sale of palm oil products by IOI Edible Oils Sdn Bhd and IOI Speciality Fats Sdn Bhd	• Tan Sri Dato' Lee Shin Cheng[5] • Puan Sri Datin Hoong May Kuan[6] • Dato' Lee Yeow Chor[7] • Dato' Yeo How[8] • Progressive Holdings Sdn Bhd[9] • Lee Yeow Seng[10]	148,762

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE cont'd

Related Parties	Type of Recurrent Related Party Transactions	Interested Directors/ Major Shareholders and Persons Connected	Value of Transactions RM'000
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	• Tan Sri Dato' Lee Shin Cheng[(5)] • Puan Sri Datin Hoong May Kuan[(6)] • Dato' Lee Yeow Chor[(7)] • Dato' Yeo How[(8)] • Progressive Holdings Sdn Bhd[(9)] • Lee Yeow Seng[(10)]	232,964
Palmco Oil Mill Sdn Bhd[(4)]	Sale of palm oil products by IOI Commodity Trading Sdn Bhd	• Tan Sri Dato' Lee Shin Cheng[(5)] • Puan Sri Datin Hoong May Kuan[(6)] • Dato' Lee Yeow Chor[(7)] • Dato' Yeo How[(8)] • Progressive Holdings Sdn Bhd[(9)] • Lee Yeow Seng[(10)]	827
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	• Tan Sri Dato' Lee Shin Cheng[(5)] • Puan Sri Datin Hoong May Kuan[(6)] • Dato' Lee Yeow Chor[(7)] • Dato' Yeo How[(8)] • Progressive Holdings Sdn Bhd[(9)] • Lee Yeow Seng[(10)] • Lai Ming Chun @ Lai Poh Lin[(12)]	7,520
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 and Syarimo Sdn Bhd	• Datuk Koh Kin Chee[(13)]	6,727
Malayapine Estates Sdn Bhd	Property project management services by Pilihan Megah Sdn Bhd[(1)]	• Progressive Holdings Sdn Bhd[(14)] • Tan Sri Dato' Lee Shin Cheng[(15)] • Puan Sri Datin Hoong May Kuan[(16)] • Dato' Lee Yeow Chor[(17)] • Lee Yeow Seng[(18)]	1,805
Flora Development Sdn Bhd[(1)]	Rental of properties from Resort Villa Development Sdn Bhd	• Tan Sri Dato' Lee Shin Cheng[(5)] • Puan Sri Datin Hoong May Kuan[(6)] • Dato' Lee Yeow Chor[(7)] • Dato' Yeo How[(8)] • Progressive Holdings Sdn Bhd[(9)] • Lee Yeow Seng[(10)]	3,603

OTHER INFORMATION cont'd

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE cont'd

Note

1 Subsidiaries of IOI Properties Berhad ("IOIP").
2 Subsidiaries of IOIP, which undertake property development activities of the IOIP Group.
3 An associated company of IOIP.
4 Subsidiaries of IOI Oleochemical Industries Berhad ("IOI Oleo").
5 Tan Sri Dato' Lee Shin Cheng is the Executive Chairman and deemed Major Shareholder of IOI, IOIP and IOI Oleo. He has an interest (direct and indirect) of 229,522,700 shares and 134,637,183 shares representing 69.65% and 66.66% stake in IOIP and IOI Oleo respectively.
6 Puan Sri Datin Hoong May Kuan is a Director of IOIP and a deemed Major Shareholder of IOI, IOIP and IOI Oleo and person connected to both Tan Sri Dato' Lee Shin Cheng and Dato' Lee Yeow Chor. She has an indirect interest of 229,522,700 shares and 134,637,183 shares representing 69.90% and 66.66% stake in IOIP and IOI Oleo respectively.
7 Dato' Lee Yeow Chor is an Executive Director and a deemed Major Shareholder of IOI, IOIP and IOI Oleo and person connected to Tan Sri Dato' Lee Shin Cheng as he is the son of both Tan Sri Dato' Lee Shin Cheng and Puan Sri Datin Hoong May Kuan. He has an interest (direct and indirect) of 228,704,500 shares and 134,637,183 shares representing 69.65% and 66.66% stake in IOIP and IOI Oleo respectively.
8 Dato' Yeo How is an Executive Director of IOI, IOIP and IOI Oleo and he holds 250,000 shares and 4,000 shares representing 0.02% and less than 0.01% stake in IOI and IOIP respectively.
9 Progressive Holdings Sdn Bhd ("PHSB") is a Major Shareholder of IOI, deemed Major Shareholder of IOIP and IOI Oleo and person connected to Tan Sri Dato' Lee Shin Cheng. PHSB has an interest (direct and indirect) of 228,689,500 shares and 134,637,183 shares representing 69.65% and 66.66% stake in IOIP and IOI Oleo respectively.
10 Lee Yeow Seng is a deemed Major Shareholder of IOI, IOIP and IOI Oleo and person connected to Tan Sri Dato' Lee Shin Cheng as he is the son of both Tan Sri Dato' Lee Shin Cheng and Puan Sri Datin Hoong May Kuan and the brother of Dato' Lee Yeow Chor. He has an interest (direct and indirect) of 228,697,500 shares and 134,637,183 shares representing 69.65% and 66.66% stake in IOIP and IOI Oleo respectively.
11 YM Raja Said Abidin b Raja Shahrome is a Director of IOIP and IOI Oleo. He holds 5,000 shares representing less than 0.01% stake in IOIP and IOI Oleo respectively.
12 Madam Lai Ming Chun @ Lai Poh Lin is a Director of Palmco Plantations Sdn Bhd, Permodalan Plantations Sdn Bhd, Ladang Sabah Sdn Bhd, Mayvin Incorporated Sdn Bhd and Halusah Ladang Sdn Bhd and she holds 10,908,000 shares representing 0.98% stake in IOI.
13 Datuk Koh Kin Chee is a Director of certain subsidiaries of IOI namely, IOI Edible Oils Sdn Bhd, IOI Bio-Energy Sdn Bhd, IOI Jeti Sdn Bhd, IOI Speciality Fats Sdn Bhd, and he is also a Director and Major Shareholder of Affinity Future Sdn Bhd. He has an indirect interest of 16,000,000 shares representing 1.43% stake in IOI.
14 PHSB is a Major Shareholder of IOI and deemed Major Shareholder of IOIP and Malayapine Estates Sdn Bhd ("Malayapine").
15 Tan Sri Dato' Lee Shin Cheng is the Executive Chairman/Director and deemed Major Shareholder of IOI and Malayapine.
16 Puan Sri Datin Hoong May Kuan is a deemed Major Shareholder of IOI and Malayapine and person connected to Tan Sri Dato' Lee Shin Cheng.
17 Dato' Lee Yeow Chor is an Executive Director/Director and deemed Major Shareholder of IOI and Malayapine and person connected to Tan Sri Dato' Lee Shin Cheng as he is the son of both Tan Sri Dato' Lee Shin Cheng and Puan Sri Datin Hoong May Kuan.
18 Lee Yeow Seng is a Director of Malayapine and a deemed Major Shareholder of IOI and Malayapine and person connected to Tan Sri Dato' Lee Shin Cheng as he is the son of both Tan Sri Dato' Lee Shin Cheng and Puan Sri Datin Hoong May Kuan and the brother of Dato' Lee Yeow Chor.

- 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 recurrent related party transactions of a revenue or trading 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 information as shown above, including shareholdings of the respective interested Directors / Major shareholders are based on information disclosed in the Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature dated 27 September 2005.

PENALTIES

The particulars of penalties imposed on the Group by the relevant regulatory bodies during the financial year under review are follows:

Name of Company	Penalty imposed by the regulatory bodies	Remarks
Halusah Ladang Sdn Bhd ("HLSB")	HLSB paid a fine of RM8,000 to the Sandakan Session Court for an offence under Section 16(1) of the Environmental Quality Act 1974 ("EQA").	HLSB's Sakilan Oil Mill was found by the Department of Environment ("DOE") of Sabah to have failed to operate control equipment in the proper manner, effluent overflow into the drain and sludge was found in the pond. The management has taken necessary corrective measures to prevent the recurrence of these problems.
Ladang Sabah Sdn Bhd ("LSSB")	LSSB paid a fine of RM13,000 to the Sandakan Session Court for an offence under Section 16(1) of the EQA.	LSSB's Ladang Sabah Palm Oil Mill was found by the DOE of Sabah to have processed fresh fruit bunches which exceeded the approved capacity from July 2004 to June 2005. LSSB has applied to DOE for the increase in approved capacity and the same is pending approval.
Mayvin Incorporated Sdn Bhd ("MISB")	MISB paid a fine of RM20,000 to the Sandakan Session Court for an offence under Section 25(1) of the EQA.	MISB's Mayvin Palm Oil Mill was found by the DOE of 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.
	MISB paid a compound of RM2,000 to the DOE of Sabah for an offence under Regulation 36 of Environmental Quality (Clean Air) Regulations 1978 ("EQ(CA)R").	MISB's Mayvin Palm Oil Mill was found by the DOE of Sabah to have built and installed a generator without the prior approval of the Director General of DOE. Strict instructions have been given to the mill to ensure compliance with DOE's regulations.

OTHER INFORMATION cont'd

PENALTIES cont'd

Name of Company	Penalty imposed by the regulatory bodies	Remarks
Pamol Plantations Sdn Bhd ("PPSB")	PPSB paid a fine of RM2,000 each to the Magistrate Court of Kluang, for 3 offences under Section 5(1), 9(1) and 20(1) of the Occupational Safety & Health (Utilisation & Exposure of Chemicals Hazardous To Health) Regulations 2000.	PPSB's Unijaya Estate was found by the Department of Occupational Safety and Health ("DOSH") of Johor to have failed to maintain a register of chemicals hazardous to health in the work place, handling hazardous chemicals without analysing the risk in writing and failed to ensure the labels of the hazardous chemicals are not dismantled and modified. The management has taken the necessary corrective measures and DOSH was satisfied with the measures taken through the observations during their visit.
	PPSB paid a compound of RM2,000 to the DOE of Johor for an offence under the Environmental Quality Act/(Scheduled Waste) Regulations 2005.	PPSB's Palm Oil Mill was found by the DOE of Kluang to have failed to properly store the Scheduled Waste. The management has taken the necessary corrective measures to ensure proper recording and storage of Scheduled Wastes.
Syarikat Pukin Ladang Kelapa Sawit Sdn Bhd ("SPLKSSB")	SPLKSSB paid a compound of RM1,000 to the DOE of Pahang for an offence under Regulation 14 (2) of the EQ(CA)R.	SPLKSSB's Pukin Mill was found by the DOE of Pahang to have failed to operate control equipment in the proper manner, for allowing the emission of smoke exceeding the permissible limit. Remedial action has been taken by the management to ensure proper function of the control equipment.

PENALTIES cont'd

Name of Company	Penalty imposed by the regulatory bodies	Remarks
Syarimo Sdn Bhd ("SSB")	SSB paid a fine of RM20,000 to the Session Court of Sandakan, Sabah for an offence under Section 25(1) of the EQA.	SSB's Syarimo Palm Oil Mill was found by the DOE of 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.
	SSB paid a compound of RM2,000 to the DOE of Sabah for an offence under Regulation 40 of the EQ(CA)R.	SSB's Syarimo Palm Oil Mill was found by the DOE of Sabah to have failed to operate control equipment in the proper manner, for allowing the emission of smoke exceeding the permissible limit. Remedial action has been taken by the management to ensure proper functioning of control equipment.

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

Group Commodity Marketing Director
Yong Chin Fatt

Senior General Manager, Lahad Datu
Tan Peng Chan

General Manager (Finance)
Lim Eik Hoy

General Manager, Lahad Datu
Tee Ke Hoi

General Manager, Sandakan
Lee Foo Wah

Assistant General Manager, Peninsular
Tay Ching An

Plantation Controllers
Goh Pey Seng
Lim Chan Khoon
Ragupathy A/L Selvaraj
Toh Beng Lim

Head (Mills & Engineering)
Ong See Boon

Controller (Biotechnology)
Dr Lim Loon Lui

Refinery
General Manager
Sudhakaran A/L Nottath Bhaskar

Property
Property Director
Dato' David Tan Thean Thye

Senior General Manager
Simon Heng Kwang Hock

General Managers
Lim Jee Kong
Lim Beng Yeang
Lee Thian Yew

Assistant General Manager
Teh Chin Guan

Assistant General Manager, Complex
Ronnie Aurther Francis

Chief Accountant
Michael Chai Chee Loong

Oleochemicals
Chief Operating Officer
Tan Kean Hua

General Manager, Corporate Affairs
Khoo Tiang Cheng

General Manager, Production &
Engineering
Lai Choon Wah

Specialty Oils and Fats
Senior General Manager (CEO's Office)
Wong Chee Kuan

Chief Financial Officer
Lee Hock Keat

Head of Europe
Michael-van Sallandt

Head of North America
Julian Veitch

Hotel
General Managers
Yeow Hock Siew
Muhamad Ariff Ng

Golf Club
General Manager
Lim Hock Seng

Corporate
Special PA to Group CEO
Lee Yeow Seng

Group Legal Adviser/
Company Secretary
Lee Ai Leng

General Manager,
Legal/Group Operations
Lee Yoke Har

Assistant Financial Controller
Kong Chee Khoon

Senior Manager, Corporate Planning
Choo Kah Yean

Senior Manager, Corporate Finance
Mah Siew Khoon

Group Accounting Manager
Kong Kian Beng

Senior Manager, Corporate Affairs
Joyce Lee Lai Kheng

Company Secretary
Yap Chon Yoke

Internal Audit
Senior Internal Audit Managers
Bulvant Singh
Prithipal Singh

GROUP BUSINESS STRUCTURE

PLANTATION

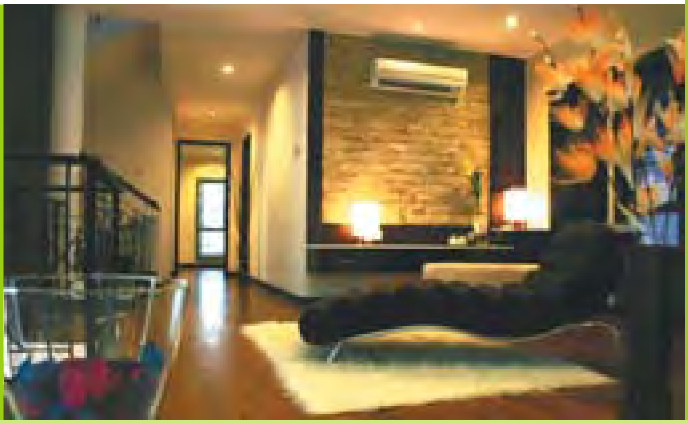
IOI CORPORATION BERHAD*
PLANTATION SUBSIDIARIES
- Oil Palm
- Rubber
- Crude Palm Oil Mill

RESOURCE-BASED MANUFACTURING

IOI OLEOCHEMICAL INDUSTRIES BERHAD GROUP
- Oleochemicals

IOI EDIBLE OILS SDN BHD
IOI SPECIALITY FATS SDN BHD
- Palm Oil Refinery
- Palm Kernel Crushing

LODERS CROKLAAN GROUP
- Specialty Oils and Fats
- Palm Oil Refinery and Fractionation

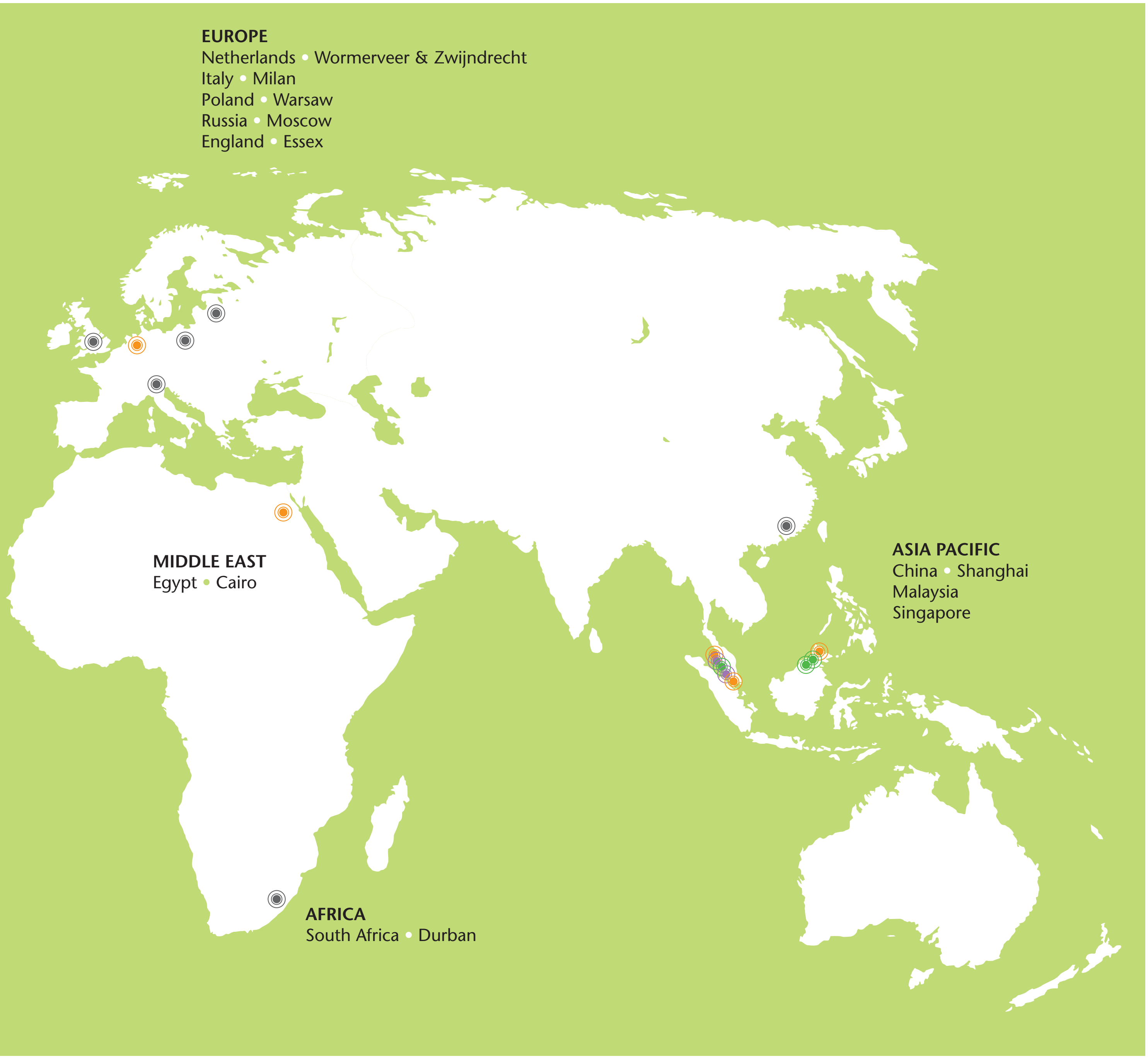


PROPERTY DEVELOPMENT & INVESTMENT

IOI PROPERTIES BERHAD GROUP*
PROPERTY SUBSIDIARIES
- Township Development
- Shopping Mall
- Office Complex
- Hotel
- Resorts

* Listed on Bursa Malaysia Securities Berhad

GLOBAL PRESENCE


EUROPE
Netherlands • Wormerveer & Zwijndrecht
Italy • Milan
Poland • Warsaw
Russia • Moscow
England • Essex
MIDDLE EAST
Egypt • Cairo
AFRICA
South Africa • Durban
ASIA PACIFIC
China • Shanghai
Malaysia
Singapore

LOCATION OF OPERATIONS IN MALAYSIA

Plantation

1 Bukit Dinding Estate
2 Detas Estate
3 Bukit Leelau Estate
4 Mekassar Estate, Merchong Estate, Leepang A Estate and Laukin A Estate
5 Pukin Estate and Shahzan IOI Estate
6 Bahau Estate and Kuala Jelei Estate
7 IOI Research Centre
8 Regent Estate
9 Gomali Estate, Paya Lang Estate and Tambang Estate
10 Bukit Serampang Estate and Sagil Estate
11 Segamat Estate
12 Kahang Estate
13 Pamol Kluang Estate
14 Swee Lam Estate
15 Baturong Estate
16 Cantawan Estate
17 Halusah Estate
18 Tas Estate
19 Morisem Estate
20 Leepang Estate
21 Permodalan Estate
22 Syarimo Estate
23 Tangkulap Estate and Bimbingan Estate
24 Mayvin Estate
25 Laukin Estate
26 Ladang Sabah Estate, IOI Lab and Sandakan Regional Office
27 Linbar Estate
28 Sakilan Estate
29 Pamol Sabah Estate
30 Sugut Estate
31 Sejap Estate and Tegai Estate

Property Development

32 Bandar Puchong Jaya and Bandar Puteri Puchong
33 Bandar Putra Kulai
34 Bandar Putra Segamat
35 Taman Regent
36 Sagil Resort
37 Desaria Sungai Ara

Resort

38 IOI Resort, Putrajaya (Putrajaya Marriott Hotel, Palm Garden Hotel and Palm Garden Golf Club)

Resource-based Manufacturing

39 IOI Oleochemical Operations
40 IOI Palm Oil Refinery/Kernel Crusing Plant
41 IOI-Loders Croklan Refinery/Specialty Fats Operations

CARE

"Provision for others is a fundamental responsibility of human life."

Woodrow Wilson

We recognise that it is our profound responsibility to nurture our people, care for our community, and protect our environment. Because, ultimately, life itself is our only resource.

CORPORATE CALENDAR

OCT 2005

Loders Croklaan marked its first commercial shipping from Europe's largest single-site palm oil refinery in Rotterdam, the Netherland, when the first 25 tons of fully refined palm oil have been delivered from the new refinery.

NOV 2005

IOI Corporation Berhad and IOI Properties Berhad respectively established an Executive Share Option Scheme for the benefit of the executives and full time executive directors of the Group.

NOV 2005

Loders Croklaan Oils Sdn Bhd launched its newly expanded warehouse in Pasir Gudang. The old warehouse had 1,200 tons capacity while the new warehouse's capacity has been upgraded to almost 7,000 tons when combining with the capacity of the cold room.

NOV 2005

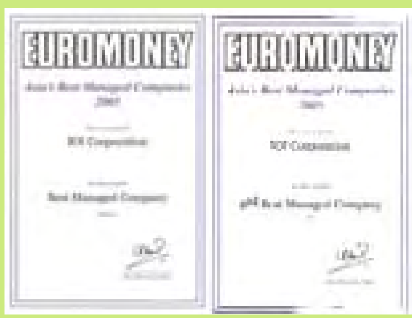
IOI Properties Berhad organized its first ever "IOI COMMUNITY RUN 2005" at Town Park, Bandar Puteri Puchong. The main objective of the event was to promote a healthy activity and to foster closer ties among the Puchong residents. Proceeds from the run were channeled to 2 welfare homes and 5 schools located in Puchong area.

DEC 2005

Loders Croklaan Lipid Nutrition has been awarded the Frost & Sullivan Excellence in Technology Award 2005 in the category of nutraceuticals and nutritional lipids. The award is granted to the company that has pioneered the development and introduction of an innovative technology into the market that is expected to contribute significantly to the industry.

FEB 2006

IOI Corporation Berhad bagged two prominent awards, the Best Managed Company Award in Malaysia and the Best Managed Company Award in Asia (2nd place) in the annual Euromoney's Best Managed Company Awards 2005.



FEB 2006

IOI Corporation Berhad won the "Best Managed Company Award in Malaysia" under the category of large capitalized companies at the Asiamoney's Best Managed Companies Awards 2005. Its award was based on its sound management and good corporate vision.

MAR 2006

The privatisation of IOI Oleochemical Industries Berhad ("IOI Oleo") was completed and IOI Oleo became a wholly owned subsidiary of IOI Corporation Berhad.

MAR 2006

Derichem (M) Sdn Bhd, a wholly owned subsidiary of IOI Oleochemical Industries Sdn Bhd, won the Special Award for Product Excellence (Innovative Product) for its Saturated Soap Noodles, Palmsabun®. It was awarded by the Ministry of International Trade and Industry.

MAY 2006

Flora Horizon Sdn Bhd, Hartawan Development Sdn Bhd, Pilihan Teraju Sdn Bhd and Paduwan Development Sdn Bhd, wholly-owned subsidiaries of IOI Properties Berhad had respectively entered into conditional sale and purchase agreements to acquire freehold land located in the State of Melaka with a combined area of approximately 925 hectares for a total cash consideration of RM91 million.

JUN 2006

IOI Group Executive Chairman, Tan Sri Dato' Lee Shin Cheng was conferred the Fellowship of the Incorporated Society of Planters in recognition of his commendable contributions to the Malaysian palm oil industry.

JUL 2006

IOI Properties Berhad emerged as the Edge Top Ten Property Developers for four years running. The Edge Top Property Developers Awards, started in year 2003, identify the country's best property players from the consumer's perspective. All companies in the property sector listed on the Main and Second Boards of Bursa Malaysia were scrutinized on their quantitative and qualitative attributes.

JUL 2006

IOI Corporation Berhad was rated A- by Fitch Ratings. The rating by Fitch was attributed to the Group's robust profit growth and cash flow generation ability.

CORPORATE CALENDAR cont'd

AUG 2006

IOI Corporation Berhad announced that it proposed to undertake a special issue of 1,800,000 new ordinary shares of RM0.50 each in the IOI ("IOI Shares") to Bumiputera investors at an issue price to be determined later ("Proposed Special Issue"). The Proposed Special Issue is undertaken to comply with one of the conditions imposed by the Equity Compliance Unit of the Securities Commission in approving the proposed issuance of new IOI Shares following the exchange of the Exchangeable Bonds

AUG 2006

IOI Corporation Berhad once again emerged as the winner of the Best Managed Companies Award 2006 and Dato' Yeo How as the Best CFO (1st Runner Up) in a poll conducted by FinanceAsia magazine. The ranking was done by over 253 regional and local fund managers and equity analysts.

SEP 2006

IOI Corporation Berhad acquired 70% interest respectively in Rinwood Pelita Plantation Sdn Bhd and Rinwood Quarry Sdn Bhd for a cash consideration of RM21 million. Rinwood Pelita is principally engaged in the cultivation of oil palm and is the owner of lands with a total titled area of 9,040 hectares located in the Dulit and Tinjar Land Districts in Baram, Sarawak, of which approximately 3,167 hectares is planted with oil palm trees with ages ranging from 3 to 10 years. Rinwood Quarry is the holder of a licence to quarry and remove stone issued by the Land and Survey Department.

SEP 2006

IOI Oleochemical Industries Berhad ("IOI Oleo") disposed of its 100% equity interest in Palmco Hotels Sdn Bhd ("PHSB") for a cash consideration of RM24 million. PHSB is the owner of "Casuarina Beach Resort" in Batu Ferringhi, Penang.

SOCIAL CONTRIBUTIONS

SEP 2005

Yayasan Tan Sri Dato' Lee Shin Cheng ("Yayasan") made a donation to Alzheimer's Disease Foundation Malaysia for its humane project that helps the increasing numbers of people that are afflicted with Alzheimer's Disease and other forms of dementia, and also to help dementia patients and their families in Malaysia.

OCT 2005

Yayasan made a contribution to Biro Kebajikan Pendidikan Khas Bermasaalah Pembelajaran to fund the cost of building a multi purpose centre for the children with learning disability.

Palm Garden Hotel held a charity berbuka puasa function for special children of SMK Putrajaya Presint 1 and orphans from Maahad Talifiz Anak Yatim Darul Fuqaha and Pertubuhan Anak Yatim/Miskin.

NOV 2005

Yayasan made a sponsorship of RM10,000 to the National Unity Forum Initiative with the theme of "Forging National Identity, My Malaysia". National Unity remains the most important goal and priority for Malaysia

Yayasan made a donation to the Society For The Severely Mentally Handicapped to help to finance the expansion and improvement of facilities at its centre. The Society has been a source of hope for the severely handicapped children who are not eligible for care in any other homes for over 20 years.

Yayasan donated RM50,000 to SJK (C) Chung Wah Building Fund to help to finance the construction and extention of classrooms to accommodate the increasing number of enrolments in the school, in line with Yayasan's objective to improve the standard of education.

Palm Garden Hotel hosted its Annual Hari Raya Open House in conjunction with Hari Raya celebration, underprivileged children from various orphanages were invited.

DEC 2005

Palm Garden Hotel held its annual blood donation drive and the event saw 54 donors from the Palm Garden Golf Club, Putrajaya Marriott Hotel and IOI staff as well as some outsiders, came for the blood donation drive.

Yayasan's Young Achievers' Awards ceremony was held at IOI Research Centre whereby outstanding scholastic achievers in the UPSR, PMR, SPM and STPM category were given awards in the categories of gold, silver, bronze and commendation.

SOCIAL CONTRIBUTIONS cont'd

DEC 2005

Yayasan awarded scholarships to six outstanding students who are currently pursing plantation related courses in local universities. The scholarships covered their course fees and living expenses.

DEC 2005

Putrajaya Marriott Hotel organised a charity Christmas party for 200 children from Riding for the Disabled Association and House of Joy. The event was graced by the wife of Minister of Tourism, Datin Matilda Toyad and the Crown Princess of Perak, YAM Raja Dato' Seri Azureen.

MAR 2006

Yayasan made a contribution to Universiti Putra Malaysia, Kampus Bintulu to sponsor 26 selected UPM students for the cross cultural exchange program trip to Indonesia to promote Malaysian culture especially the Sarawak culture through the cultural performance exchange at three universities in Indonesia.

Yayasan donated RM500,000 to Sekolah SJK (T) Castlefield, Puchong, Selangor for their school's rebuilding fund.

MAY 2006

Yayasan donated RM20,000 to SJK (C) Kong Hoe Building Fund for construction of a new building consists of multi-purpose hall, administration offices and 28 classrooms.

Yayasan made a donation to the "Tabung Anak-Anak Yatim/Miskin Darul Hikmah" for The Singing Shop's charity night performance themed "YOU'VE GOT A FRIEND III". Proceeds from charity night were channeled to four orphanages.

Palm Garden Hotel organized a charity event themed "Hands of Hope" in conjunction with the Labour Day. Orphans and old folks from the Shepherd Centre Foundation based in Semenyih were invited to the hotel for this event. A total of RM2,400 was raised and the hotel contributed 2 computers, 3 washing machines, bed linens, detergents and other contributions to the centre.

JUN 2006

Yayasan donated RM200,000 to Klang's Hin Hua High School Rebuilding Fund for its new building and upgrading of the school facilities, with aim to provide a conducive study environment which help to nurture the new generation of students.

JUL 2006

Yayasan provided financial assistance to the "Perbadanan Perpustakaan Awam Pulau Pinang" for its fund-raising project themed "One Baby One Book". The book consists of a lot of useful knowledge for the parents, teaching them how to educate and nurture their children when they are young.

IOI Properties Berhad together with IOI Mall Johor Bahru organised its 2nd Putra Charity Run. The Charity Run was aimed to develop closer relationship among Kulai and Senai's communities through charity and to raise funds for the needy. A total amount of RM14,000 was raised and donated to Kulai Old Folks Home and Elijah Mission Home.

AUG 2006

Yayasan contributed to the Tabung Thalassaemia Malaysia whereby its main objective is to help patients who are suffering from HBE Beta Thalassaemia to have access to the necessary equipment and treatment needed for the blood transfusion required.

Kelab Keluarga IOI, a sports and recreation club formed by the employees of IOI Group made a social visit to Rumah Shalom and House of Joy located in Puchong. They also donated lots of household provisions and food products to both the Old Folks and Orphanage homes.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

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 2006.

PRINCIPAL ACTIVITIES

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

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 2006 are as follows:

	Group RM'000	Company RM'000
Profit before taxation	**1,183,085**	**770,735**
Taxation	(211,241)	(100,650)
Profit after taxation	**971,844**	**670,085**
Minority interests	(128,056)	–
Net profit attributable to shareholders	**843,788**	**670,085**

DIVIDENDS

On 27 January 2006, the Directors declared an interim dividend of 60% less income tax which amounted to RM246,411,334 in respect of the financial year ended 30 June 2006. The dividend was paid on 15 March 2006, to shareholders whose names appear in the Record of Depositors at the close of business on 3 March 2006.

On 16 August 2006, the Directors declared a second interim tax-exempt dividend of 27% in respect of the financial year ended 30 June 2006. The dividend is payable on 28 September 2006, to shareholders whose names appear in the Record of Depositors at the close of business on 15 September 2006. Based on the outstanding issued and paid-up ordinary shares of the Company as at 30 June 2006 of 1,201,234,085, the second interim dividend amounts to RM162,166,601.

No final dividend is recommended for the financial year ended 30 June 2006.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued:

i 30,120,634 new ordinary shares of RM0.50 each at RM10.82 per share arising from the privatisation of IOI Oleochemical Industries Berhad.

ii 61,931,661 new ordinary shares of RM0.50 each at RM11.06 per share arising from the exchange of USD180,254,000 Zero Coupon Guaranteed Exchangeable Bonds due 2009.

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

During the financial year, the Company repurchased 7,541,000 of its issued share capital from the open market. The average price paid for the shares repurchased was RM12.24 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. None of the treasury shares has been resold or distributed as share dividends during the financial year.

USD310 MILLION ZERO COUPON GUARANTEED EXCHANGEABLE BONDS DUE 2009 ("EXCHANGEABLE BONDS")

On 17 September 2004, the Company's wholly-owned subsidiary, IOI Investment (L) Berhad, 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 ("Exchangeable Bonds"). The Exchangeable 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 Exchangeable Bonds are unconditionally and irrevocably guaranteed by the Company.

The salient features of the Exchangeable Bonds are disclosed in Note 31.2 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia ("CCM") 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 Exchangeable Bonds into the Company's shares.

During the financial year, USD180,254,000 of the Exchangeable Bonds were exchanged into 61,931,661 new ordinary shares of the Company.

DIRECTORS' REPORT cont'd

USD500 MILLION 5.25% GUARANTEED NOTES DUE 2015 ("GUARANTEED NOTES")

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% ("Guaranteed Notes"). The Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited and the Labuan International Financial Exchange. The Guaranteed 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 Guaranteed Notes are unconditionally and irrevocably guaranteed by the Company.

EXECUTIVE SHARE OPTION SCHEME

An Executive Share Option Scheme ("ESOS") was established on 23 November 2005 for the benefit of the executives and full time executive directors of the Group.

The salient features of the ESOS are as follows:

a Maximum number of shares available under the ESOS

The total number of new ordinary shares of RM0.50 each in the Company ("IOI Shares") which may be made available under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company at the time an offer of options is made in writing by a committee appointed by the Board to administer the ESOS ("Option Committee") to any executive or executive Director of the Group ("Offer") who meets the criteria of eligibility for participation in the ESOS as set out in the rules, terms and conditions of the ESOS ("Bye-Laws").

b Eligibility

Save for executives who are employed by the foreign subsidiaries of the Company (including the Malaysian subsidiaries of such foreign subsidiaries), and executives who are employed by subsidiaries of the Company, of which the Company holds less than 75% of the issued and paid-up share capital, any executive (including Executive Director) of the Group shall be eligible to participate in the ESOS if, as at the date of the Offer ("Offer Date"), the executive:

i has attained the age of 18 years;

ii is in the full time employment and payroll of a company within the Group (other than a company which is dormant) for at least 3 years; and

iii falls within such other categories and criteria that the Option Committee may from time to time at its absolute discretion determine.

(The eligible employees above are hereinafter referred to as "Eligible Executive(s)")

No executive of the Group shall participate at any time in more than one ESOS implemented by any company within the Group.

EXECUTIVE SHARE OPTION SCHEME cont'd

c Maximum allowable allotment and basis of allocation

i The aggregate maximum number of new IOI Shares that may be offered and allotted to any of the Eligible Executives of the Group shall not exceed the maximum allowable allotment set out in the Bye-Laws and subject to the following:

- the number of new IOI Shares allocated, in aggregate, to the Executive Directors and senior management of the Group shall not exceed 50% of the total new IOI Shares that are available to be issued under the ESOS; and
- the number of new IOI Shares allocated to any individual Eligible Executive, who either singularly or collectively through persons connected with him/her (as defined under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")) holds 20% or more in the issued and paid-up capital of the Company, shall not exceed 10% of the total new IOI Shares that are available to be issued under the ESOS.

ii The number of new IOI Shares that may be offered and allotted to any of the Eligible Executive shall, subject to the maximum allowable allotment, be at the sole and absolute discretion of the Option Committee after taking into consideration the length of service and the performance of the Eligible Executive in the Group as provided in the Bye-Laws or such other matters which the Option Committee may in its sole and absolute discretion deem fit.

d Subscription price

The subscription price shall be higher of the following:

i the weighted average market price of the IOI Shares for the 5 market days immediately preceding the Offer Date; or

ii the par value of the IOI Shares;

and subject to adjustments stipulated in the Bye-Laws, where applicable.

e Duration and termination of the ESOS

i The ESOS came into force on 23 November 2005 and shall be for a duration of 10 years.

ii The ESOS may be terminated by the Company prior to the expiry of its duration or tenure provided that the following conditions have been satisfied:

- the consent from the Company's shareholders by ordinary resolution at a general meeting have been obtained; and
- the written consent from all Grantees who have yet to exercise their Option, either in part or in whole, has been obtained.

DIRECTORS' REPORT cont'd

EXECUTIVE SHARE OPTION SCHEME cont'd

f Exercise of option

i Options are exercisable only upon the expiry of the first anniversary of the Offer Date.

ii Options which are subject of the same Offer shall be exercisable only in 4 tranches over 4 years with a maximum of 25% of such options exercisable in any year.

iii Where the maximum of 25% within a particular year has not been exercised by the Grantee, the percentage unexercised shall be carried forward to subsequent years and shall not be subject to the maximum percentage for the following year provided that such unexercised options shall not be carried forward beyond the option period.

iv The Grantee shall be entitled to exercise all remaining options after the 9th anniversary of the ESOS.

g Rights attaching to the IOI Shares

The new IOI Shares to be allotted upon any exercise of the option shall, upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of the Company save and except that the new IOI Shares will not be entitled to participate in any dividends, rights, allotments and/or other distributions that may be declared, where the record date precedes the date of allotment of the said shares. The option shall not carry any right to vote at a general meeting of the Company.

On 12 January 2006, 23,286,000 options with the subscription price of RM12.50 have been offered and accepted by the Eligible Executives of the Group. None of the options were exercisable yet as at end of the current financial year.

The Company has been granted exemption by the CCM 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.

Option holders who have been granted options to subscribe for 500,000 shares and above during the financial year are as follows:

Name of option holders	Option price	No. of options
Tan Sri Dato' Lee Shin Cheng	RM12.50	3,000,000
Dato' Yeo How	RM12.50	1,200,000
Dato' Lee Yeow Chor	RM12.50	1,200,000
Dato' Foong Hong Meng @ Foong Lai Choong	RM12.50	800,000
Lee Cheng Leang	RM12.50	640,000
Yong Chin Fatt	RM12.50	500,000

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, Lee Cheng Leang and Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor 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' REPORT cont'd

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 2005	Acquired	Disposed	As at 30 June 2006
The Company				
No. of ordinary shares of RM0.50 each				
Tan Sri Dato' Lee Shin Cheng	9,688,983	–	–	**9,688,983**
Dato' Lee Yeow Chor	1,128,000	–	220,000	**908,000**
Dato' Yeo How	250,000	–	170,000	**80,000**
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				
No. of ordinary shares of RM1.00 each				
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				
No. of ordinary shares of RM1,000 each				
Tan Sri Dato' Lee Shin Cheng	100	–	–	**100**

DIRECTORS' INTERESTS cont'd

Indirect Interests	As at 1 July 2005	Acquired	Disposed	As at 30 June 2006
The Company				
No. of ordinary shares of RM0.50 each				
Tan Sri Dato' Lee Shin Cheng	448,455,629	10,529,500	250,000	**458,735,129**
Dato' Lee Yeow Chor	407,482,320	50,219,809	–	**457,702,129**
Chan Fong Ann	33,295,000	13,020	–	**33,308,020**
Subsidiaries				
IOI Properties Berhad				
No. of ordinary shares of RM1.00 each				
Tan Sri Dato' Lee Shin Cheng	2,009,800	–	–	**2,009,800**
Dato' Lee Yeow Chor	2,009,800	–	–	**2,009,800**
Property Skyline Sdn Bhd				
No. of ordinary shares of RM1.00 each				
Tan Sri Dato' Lee Shin Cheng	1,111,111	–	–	**1,111,111**
Property Village Berhad				
No. of ordinary shares of RM1.00 each				
Tan Sri Dato' Lee Shin Cheng	1,000,000	–	–	**1,000,000**

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.

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

		No. of share options			
Director	Option Price	As at 1 July 2005	Offered and Accepted	Exercised	As at 30 June 2006
Tan Sri Dato' Lee Shin Cheng	RM12.50	–	3,000,000	–	**3,000,000**
Dato' Lee Yeow Chor	RM12.50	–	1,200,000	–	**1,200,000**
Dato' Yeo How	RM12.50	–	1,200,000	–	**1,200,000**
Lee Cheng Leang	RM12.50	–	640,000	–	**640,000**

DIRECTORS' REPORT cont'd

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 ESOS.

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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS cont'd

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; 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 SUBSIDIARIES

Due to local requirements, two indirect subsidiaries of the Company, Loders Croklaan (Shanghai) Trading Co. Ltd and Tianjin Palmco Oil and Fats Co. Ltd are adopting 31 December financial year end which do not coincide with that of the Company. The Directors of the Company have been granted approvals under Section 168(3) of the Companies Act, 1965 by the CCM for the aforementioned subsidiaries to have different financial year end from that of the Company for the financial year ended 30 June 2006.

DIRECTORS' REPORT cont'd

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

i 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 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 ("Privatisation").

As at date of the announcement, the Company and its subsidiary, IOI Properties Berhad held 123,268,183 and 11,369,000 ordinary shares of RM1.00 each in IOI Oleo ("IOI Oleo Shares"), representing 61.03% and 5.63% respectively of IOI Oleo's then issued and paid-up share capital of 201,977,941 IOI Oleo Shares.

The Privatisation was completed on 15 March 2006 and IOI Oleo became a wholly owned subsidiary of the Company. Accordingly, the entire issued and paid-up share capital of IOI Oleo was delisted from the Official List of Bursa Malaysia Securities Berhad on 6 April 2006.

ii Proposed acquisition of 925 hectares of land in Melaka

On 5 May 2006, IOI Properties Berhad ("IOIPB"), a subsidiary of the Company, announced that its wholly-owned subsidiaries, Flora Horizon Sdn Bhd, Hartawan Development Sdn Bhd, Pilihan Teraju Sdn Bhd and Paduwan Development Sdn Bhd, had respectively entered into conditional sale and purchase agreements with Guthrie Ropel Berhad and its wholly-owned subsidiary, Guthrie Ropel Development Sdn Bhd to acquire freehold land located in the State of Melaka with a combined area of approximately 925 hectares for a total purchase consideration of RM91,347,849 ("Proposed Acquisition"). The Proposed Acquisition is pending the approval of the Estate Land Board for the transfer of ownership of the said land to IOIPB's subsidiaries.

SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

i Proposed special issue of 1,800,000 new ordinary shares in the Company

On 15 August 2006, the Company announced that it proposed to undertake a special issue of 1,800,000 new ordinary shares of RM0.50 each in the Company ("IOI Shares") to Bumiputera investors at an issue price to be determined later ("Proposed Special Issue"). The Proposed Special Issue is undertaken to comply with one of the conditions imposed by the Equity Compliance Unit of the Securities Commission in approving the proposed issuance of new IOI Shares by the Company following the exchange of the Exchangeable Bonds. The said condition requires the Company to increase its Bumiputera equity by 0.14% (equivalent to 1,800,000 IOI Shares) of its enlarged issued and paid-up share capital after the full exchange of the Exchangeable Bonds within 2 years of the implementation of the said Exchangeable Bonds. The Proposed Special Issue is still pending approvals from the relevant authorities.

SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR cont'd

ii Acquisition of 70% equity interest in Rinwood Pelita Plantation Sdn Bhd and Rinwood Pelita Quarry Sdn Bhd

On 1 September 2006, the Company acquired from Rinwood Oil Palm Plantation Sdn Bhd ("Vendor") the followings:

a 9,100,000 ordinary shares of RM1.00 each representing 70% of the issued and paid-up share capital of Rinwood Pelita Plantation Sdn Bhd ("Rinwood Pelita") for a cash consideration of RM21,304,639; and

b 2,100,000 ordinary shares of RM1.00 each representing 70% of the issued share capital in Rinwood Pelita Quarry Sdn Bhd ("Rinwood Quarry") for a cash consideration of RM10.

Rinwood Pelita is principally engaged in the cultivation of oil palm and is the beneficial and/or registered proprietor of lands with a total titled area of 9,040 hectares located in the Dulit and Tinjar Land Districts in Baram, Sarawak, of which approximately 3,167 hectares is planted with oil palm trees with ages ranging from 3 - 10 years. Rinwood Quarry is the holder of a licence to quarry and remove stone issued by the Land and Survey Department.

In addition to the above, the Company also paid to the Vendor on behalf of Rinwood Pelita, the debt owing by Rinwood Pelita to the Vendor and its associates ("Debt") as at 31 July 2006, amounting to RM29,273,510. The final purchase consideration shall be adjusted for the differences in the net current liability and the long term liabilities of Rinwood Pelita and the net current liability of Rinwood Quarry, between 31 December 2005 and the completion date of 1 September 2006. Similarly, the payment of the Debt to the Vendor on behalf of Rinwood Pelita shall also be adjusted for differences in the Debt between 31 July 2006 and completion date. Both adjustments are currently being computed. However, the said adjustments are not expected to be material.

The acquisition of shares in Rinwood Pelita enables the Group to expand its plantation business to the State of Sarawak which the Group does not have any presence before the acquisition.

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 No. 4368)

DIRECTORS' REPORT cont'd

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)
Datuk Khalid b. Hj Husin
Chan Fong Ann

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
5 September 2006

INCOME STATEMENTS

for the financial year ended 30 June 2006

		Group		Company	
		2006	2005	2006	2005
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	4	**6,109,668**	6,072,507	**787,467**	1,197,279
Cost of sales		**(4,237,176)**	(4,219,439)	**(91,788)**	(90,383)
Gross profit		**1,872,492**	1,853,068	**695,679**	1,106,896
Other operating income	5	**172,726**	96,321	**146,233**	30,629
Marketing and selling expenses		**(301,719)**	(246,485)	**(128)**	(241)
Administration expenses		**(190,429)**	(173,792)	**(20,292)**	(16,881)
Other operating expenses		**(317,676)**	(294,207)	**(36,028)**	(43,216)
Operating profit	6	**1,235,394**	1,234,905	**785,464**	1,077,187
Interest income	7	**20,012**	31,976	**85,631**	62,319
Finance costs	8	**(129,985)**	(109,854)	**(100,360)**	(80,100)
Share of profits of associates		**57,664**	63,827	**–**	–
Profit before taxation		**1,183,085**	1,220,854	**770,735**	1,059,406
Taxation	9				
- Company and subsidiaries		**(196,158)**	(121,910)	**(100,650)**	(131,060)
- Share of taxation of associates		**(15,083)**	(12,431)	**–**	–
		(211,241)	(134,341)	**(100,650)**	(131,060)
Profit after taxation		**971,844**	1,086,513	**670,085**	928,346
Minority interests		**(128,056)**	(184,293)	**–**	–
Net profit attributable to shareholders		**843,788**	902,220	**670,085**	928,346
Earnings per share (sen)	10				
Basic		**73.86**	80.61		
Diluted		**68.11**	80.54		
Gross dividend per share (sen)	11				
First interim dividend		**30.0**	20.0	**30.0**	20.0
Second interim dividend		**13.5**	15.0	**13.5**	15.0
Total		**43.5**	35.0	**43.5**	35.0

The notes on pages 126 to 224 form an integral part of the financial statements

BALANCE SHEETS

as at 30 June 2006

		Group		Company	
		2006	2005	2006	2005
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS EMPLOYED					
Property, plant and equipment	12	**4,927,550**	4,770,375	**382,851**	387,379
Subsidiaries	13	**–**	–	**4,724,118**	3,834,398
Associates	14	**247,385**	249,441	**29,300**	29,300
Investment properties	15	**512,976**	508,176	**–**	–
Other long term investments	16	**30,376**	30,699	**9,825**	9,894
Land held for property development	17	**628,327**	637,393	**–**	–
Deferred tax assets	33	**95,389**	118,792	**–**	–
Goodwill on consolidation	18	**415,830**	447,485	**–**	–
Current assets					
Property development costs	19	**356,207**	236,695	**–**	–
Inventories	20	**907,895**	719,430	**6,025**	4,598
Trade and other receivables	21	**815,180**	696,951	**14,036**	17,155
Amount due from subsidiaries	13	**–**	–	**2,072,184**	1,736,900
Tax recoverable		**144,201**	120,855	**122,095**	106,223
Short term investments	22	**2,032**	2,057	**–**	–
Short term funds	23	**460,633**	1,023,739	**196,701**	941,375
Deposits with financial institutions	24	**418,595**	590,446	**76,148**	244,118
Cash and bank balances	25	**349,110**	352,525	**15,670**	1,309
		3,453,853	3,742,698	**2,502,859**	3,051,678
Current liabilities					
Trade and other payables	26	**522,673**	489,132	**27,384**	39,462
Bank overdrafts	27	**7,897**	8,569	**–**	–
Short term borrowings	28	**153,656**	117,978	**–**	–
Amount due to subsidiaries	13	**–**	–	**1,187,378**	1,258,946
Amount due to an associate	14	**2,739**	2,739	**2,739**	2,739
Taxation		**22,875**	27,931	**–**	–
Dividend payable		**–**	167,508	**–**	167,508
		709,840	813,857	**1,217,501**	1,468,655
Net current assets		**2,744,013**	2,928,841	**1,285,358**	1,583,023
		9,601,846	9,691,202	**6,431,452**	5,843,994
FINANCED BY					
Share capital	29	**605,267**	559,241	**605,267**	559,241
Reserves	30	**5,428,656**	4,303,087	**3,521,736**	2,212,810
Shareholders' equity		**6,033,923**	4,862,328	**4,127,003**	2,772,051
Minority interests		**746,984**	1,175,183	**–**	–
Long term borrowings	31	**2,334,231**	3,092,883	**–**	–
Amount due to subsidiaries	13	**–**	–	**2,302,671**	3,064,881
Other long term liabilities	32	**55,823**	70,599	**1,108**	1,042
Deferred tax liabilities	33	**430,885**	490,209	**670**	6,020
		9,601,846	9,691,202	**6,431,452**	5,843,994

The notes on pages 126 to 224 form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2006

	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 2005	**559,241**	**890,919**	**82,310**	**156,422**	**(101,357)**	**7,263**	**(15,869)**	**3,283,399**	**4,862,328**
Transfer of revaluation surplus to retained profits upon disposal of investment properties	–	–	(20)	–	–	–	–	20	–
Currency translation differences	–	–	–	–	39	–	–	–	39
Net (loss)/gain not recognised in the income statement	–	–	(20)	–	39	–	–	20	39
Net profit for the financial year	–	–	–	–	–	–	–	843,788	843,788
Amortisation of reserve on consolidation	–	–	–	–	–	(751)	–	–	(751)
First interim dividend paid	–	–	–	–	–	–	–	(246,411)	(246,411)
Issue of shares arising from the exchange of Exchangeable Bonds	30,966	654,001	–	(69,734)	–	–	–	9,844	625,077
Issue of shares arising from the privatisation of a subsidiary	15,060	310,845	–	–	–	–	–	–	325,905
Difference between share of net assets acquired and consideration paid arising from the privatisation of a subsidiary (Note 13.2)	–	–	–	–	–	–	–	(283,733)	(283,733)
Repurchase of shares	–	–	–	–	–	–	(92,319)	–	(92,319)
As at 30 June 2006	**605,267**	**1,855,765**	**82,290**	**86,688**	**(101,318)**	**6,512**	**(108,188)**	**3,606,907**	**6,033,923**

The notes on pages 126 to 224 form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY cont'd

for the financial year ended 30 June 2006

	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 Exchangeable Bonds	–	–	–	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

	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	Total RM'000
	Non Distributable					Distributable	
Company							
As at 1 July 2005	**559,241**	**890,919**	**27,164**	**(44,384)**	**(15,869)**	**1,354,980**	**2,772,051**
Currency translation differences	–	–	–	**12,725**	–	–	**12,725**
Net gain not recognised in the income statement	–	–	–	**12,725**	–	–	**12,725**
Net profit for the financial year	–	–	–	–	–	**670,085**	**670,085**
First interim dividend paid	–	–	–	–	–	**(246,411)**	**(246,411)**
Issue of shares arising from the exchange of the Exchangeable Bonds	**30,966**	**654,001**	–	–	–	–	**684,967**
Issue of shares arising from the privatisation of a subsidiary	**15,060**	**310,845**	–	–	–	–	**325,905**
Repurchase of shares	–	–	–	–	**(92,319)**	–	**(92,319)**
As at 30 June 2006	**605,267**	**1,855,765**	**27,164**	**(31,659)**	**(108,188)**	**1,778,654**	**4,127,003**
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

The notes on pages 126 to 224 form an integral part of the financial statements

CASH FLOW STATEMENTS

for the financial year ended 30 June 2006

	Note	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Cash Flows From Operating Activities					
Profit before taxation		**1,183,085**	1,220,854	**770,735**	1,059,406
Adjustments for:					
Depreciation of property, plant and equipment		**166,136**	157,638	**5,481**	5,687
Interest expenses		**129,985**	109,854	**100,360**	80,100
Amortisation of goodwill on consolidation		**29,908**	28,264	–	–
Loss on impairment of goodwill		**13,886**	–	–	–
Property, plant and equipment written off		**12,017**	22,927	**7,571**	3,358
Inventories write down		**11,856**	3,095	–	–
Expenses for retirement benefits		**6,966**	16,266	**162**	618
Unrealised foreign exchange loss		**954**	71	–	71
Allowance for doubtful debts		**244**	562	–	–
Gain on disposal of short term investment		**(28)**	–	–	–
Gain on disposal of investment properties		**(58)**	(533)	–	–
Impairment loss on other long term investments written back		**(285)**	–	–	–
Allowance for doubtful debts written back		**(332)**	(1,155)	–	–
Dividend income from other investments		**(340)**	(488)	**(113)**	(125)
Gain on disposal of other long term investments		**(482)**	(474)	**(43)**	(474)
Amortisation of reserve on consolidation		**(751)**	(758)	–	–
Amortisation of discount on acquisition of associates		**(2,208)**	(2,207)	–	–
Gain on disposal of property, plant and equipment		**(4,704)**	(7,320)	**(251)**	(4,333)
Dividend income from short term funds		**(5,833)**	(1,338)	**(5,833)**	(1,338)
Gain on disposal of short term funds		**(11,638)**	(1,380)	**(11,108)**	(1,380)
Realised foreign exchange (gain)/loss on borrowings		**(16,179)**	28,774	–	28,774
Interest income		**(20,012)**	(31,976)	**(85,631)**	(62,319)
Share of profits of associates		**(57,664)**	(63,827)	–	–
Unrealised foreign exchange gain on borrowings		**(76,092)**	–	**(78,160)**	–
Marked to market loss on interest rate swaps		–	28,237	–	28,237
Impairment loss on short term investments		–	1,456	–	–
Impairment loss on other long term investments		–	387	–	–
Gain on disposal of a subsidiary		–	(1,878)	–	(13,870)
Gain on disposal of a business sub-unit		–	(30,898)	–	–
Dividend income from associates		–	–	**(6,696)**	(5,760)
Dividend income from subsidiaries		–	–	**(580,504)**	(976,292)
Operating profit before working capital changes		**1,358,431**	1,474,153	**115,970**	140,360

	Note	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Cash Flows From Operating Activities cont'd					
Operating profit before working capital changes		**1,358,431**	1,474,153	**115,970**	140,360
(Increase)/decrease in property development costs		**(72,991)**	50,428	**–**	–
(Increase)/decrease in inventories		**(163,146)**	(68,863)	**(1,427)**	1,083
(Increase)/decrease in trade receivables		**(84,742)**	29,209	**259**	320
(Increase)/decrease in other receivables, deposits and prepayments		**(16,890)**	(10,418)	**2,860**	(8,970)
Decrease/(increase) in amount due from customers on contracts		**465**	(110)	**–**	–
Increase/(decrease) in trade payables		**29,669**	(18,035)	**(262)**	(1,101)
Increase/(decrease) in other payables and accruals		**17,151**	(72,376)	**1,856**	(4,300)
Cash generated from operations		**1,067,947**	1,383,988	**119,256**	127,392
Club membership deposits (refunded)/received		**(256)**	45	**–**	–
Retirement benefits paid		**(746)**	(913)	**(96)**	(137)
Retirement benefits contributed		**(21,290)**	(21,004)	**–**	–
Tax paid		**(264,547)**	(303,286)	**–**	(8,721)
Tax refund		**21,145**	–	**19,900**	–
Net cash generated from operating activities		**802,253**	1,058,830	**139,060**	118,534

The notes on pages 126 to 224 form an integral part of the financial statements

CASH FLOW STATEMENTS cont'd

for the financial year ended 30 June 2006

		Group		Company	
		2006	2005	2006	2005
	Note	RM'000	RM'000	RM'000	RM'000
Cash Flows From Investing Activities					
Dividends received from associates		**46,845**	26,798	**4,821**	4,147
Interest received		**19,995**	31,745	**2,834**	14,307
Proceeds from the disposal of short term funds		**11,638**	1,380	**11,108**	1,380
Proceeds from disposal of property, plant and equipment		**6,059**	14,582	**437**	5,865
Dividends received from short term funds		**5,833**	1,338	**5,833**	1,338
Proceeds from the disposal of other long term investments		**1,090**	1,560	**112**	1,560
Proceeds from the disposal of investment properties		**319**	2,727	**–**	–
Dividends received from other investments		**295**	148	**83**	92
Proceeds from the disposal of short term investments		**53**	–	**–**	–
Payments received from associates		**12**	347	**–**	–
Additions to investment properties		**(2,997)**	(2,670)	**–**	–
Acquisition of additional interest in subsidiaries		**(16,430)**	(136,540)	**(16,430)**	(121,495)
Deposit paid for property development land		**(26,970)**	–	**–**	–
Additions to land held for property development		**(69,241)**	(75,562)	**–**	–
Additions to property, plant and equipment		**(326,142)**	(332,463)	**(8,710)**	(10,985)
Payments made for the privatisation of a subsidiary	13.2	**(421,416)**	–	**(547,385)**	–
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	**–**	–
Decrease in deposits pledged		**–**	1,000	**–**	1,000
Purchase of other long term investments		**–**	(129)	**–**	(129)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	35	**–**	(3,024)	**–**	–
Settlement of debts of subsidiaries acquired		**–**	(107,301)	**–**	–
Payments (to)/from subsidiaries		**–**	–	**(311,442)**	2,353,738
Dividends received from subsidiaries		**–**	–	**440,637**	748,731
Net cash (used in)/generated from investing activities		**(771,057)**	(497,152)	**(418,102)**	3,040,000

The notes on pages 126 to 224 form an integral part of the financial statements

	Note	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Cash Flows From Financing Activities					
Proceeds from short term borrowings		**34,906**	–	–	–
Proceeds from shares issued to minority shareholders		**182**	63	–	–
Payment on interest rate swaps		**(13,672)**	(9,750)	**(13,672)**	(9,750)
Repurchase of shares by a subsidiary		**(35,055)**	(25,363)	–	–
Dividend paid to minority shareholders		**(54,428)**	(78,702)	–	–
Repurchase of shares		**(92,319)**	(128,255)	**(92,319)**	(128,255)
Repayment of term loans		**(94,444)**	(1,508,326)	–	(1,295,235)
Interest paid		**(100,766)**	(55,783)	**(99,331)**	(36,133)
Dividend paid		**(413,919)**	(265,859)	**(413,919)**	(265,859)
Proceeds from issuance of Guaranteed Notes		–	1,886,586	–	–
Proceeds from issuance of Exchangeable Bonds		–	1,178,000	–	–
Proceeds from issuance of shares		–	48,510	–	48,510
Repayment of short term borrowings		–	(322,262)	–	(285,000)
Net cash (used in)/generated from financing activities		**(769,515)**	718,859	**(619,241)**	(1,971,722)
Net (decrease)/increase in cash and cash equivalents		**(738,319)**	1,280,537	**(898,283)**	1,186,812
Cash and cash equivalents as previously reported		**1,958,141**	677,585	**1,186,802**	(10)
Effect of exchange rate changes		**619**	19	–	–
Cash and cash equivalents at beginning of financial year as restated		**1,958,760**	677,604	**1,186,802**	(10)
Cash and cash equivalents at end of financial year	36	**1,220,441**	1,958,141	**288,519**	1,186,802

The notes on pages 126 to 224 form an integral part of the financial statements

NOTES TO FINANCIAL STATEMENTS

1 PRINCIPAL ACTIVITIES

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

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

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

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

However, the changes of the Group's interest in a subsidiary that does not satisfy the conditions of cash and fair value as described in the preceding paragraph are treated as equity transactions. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid is adjusted to or against group reserves.

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 proceeds 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.

NOTES TO FINANCIAL STATEMENTS cont'd

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

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 interest and where the Group and the Company are 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.

3.4 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.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.4 Revenue Recognition cont'd

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 shall be recognised only to the extent of contract costs incurred that is probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable 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.

Club membership licence fee

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

NOTES TO FINANCIAL STATEMENTS cont'd

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

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 on 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	:	SGD0.43 (2005 - SGD0.44)
RM1.00	:	USD0.27 (2005 - USD0.26)
RM1.00	:	EUR0.21 (2005 - EUR0.22)
RM1.00	:	YEN31.29 (2005 - YEN33.33)
RM1.00	:	HKD2.11(2005 - HKD2.04)
RM1.00	:	CAD0.30 (2005 - CAD0.33)
RM1.00	:	EGP1.58 (2005 - EGP1.53)

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% - 33%

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.

NOTES TO FINANCIAL STATEMENTS cont'd

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.8 Leases cont'd

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.

3.9 Investment Properties

Investment properties consist of investments in land and buildings that are not substantially occupied for, used by, or in the operations of the Group and are held for their investment potential and rental income.

Investment properties are stated at cost upon completion of the construction or acquisition. 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. These properties are therefore not subject to depreciation.

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 SIGNIFICANT ACCOUNTING POLICIES cont'd

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 purchasers 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.

3.13 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.

NOTES TO FINANCIAL STATEMENTS cont'd

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

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.

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 employee 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.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.15 Employee Benefits cont'd

ii Defined benefit plans cont'd

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.

3.16 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.

NOTES TO FINANCIAL STATEMENTS cont'd

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

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 investments 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES cont'd

3.20 Financial Instruments cont'd

i Other long term investments

Other long term investments are stated at cost less impairment losses, if any.

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.

NOTES TO FINANCIAL STATEMENTS cont'd

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.

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.

NOTES TO FINANCIAL STATEMENTS cont'd

4 REVENUE

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Sales of plantation produce and related products	**373,911**	456,170	**194,321**	213,764
Sales of development properties	**623,641**	586,311	–	–
Sales of specialty oils and fats and related products	**2,176,918**	1,898,084	–	–
Sales of oleochemicals and related products	**1,217,631**	1,299,054	–	–
Sales of refined palm oil and related products	**1,572,463**	1,705,458	–	–
Rental income from investment properties	**60,291**	44,886	–	–
Rendering of services	**78,503**	79,181	–	–
Construction contract	**137**	1,537	–	–
Dividend income	**6,173**	1,826	**593,146**	983,515
	6,109,668	6,072,507	**787,467**	1,197,279

5 OTHER OPERATING INCOME

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Unrealised foreign exchange gain	**76,092**	–	**78,160**	–
Gain on commodity swap	**33,413**	7,209	**33,413**	7,209
Gain on disposal of short term funds	**11,638**	1,380	**11,108**	1,380
Gain on disposal of property, plant and equipment	**4,704**	7,320	**251**	4,333
Gain on disposal of other long term investments	**482**	474	**43**	474
Gain on disposal of short term investments	**28**	–	–	–
Gain on disposal of a business sub-unit	–	30,898	–	–
Gain on disposal of a subsidiary	–	1,878	–	13,870
Management fees	–	–	**18,521**	–
Others	**46,369**	47,162	**4,737**	3,363
	172,726	96,321	**146,233**	30,629

6 OPERATING PROFIT

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
a Operating profit has been arrived at after charging:				
Impairment loss in other long term investments	–	387	–	–
Impairment loss in short term investments	–	1,456	–	–
Allowance for doubtful debts	**244**	562	–	–
Inventories write down	**11,856**	3,095	–	–
Amortisation of goodwill on consolidation	**29,908**	28,264	–	–
Auditors' remuneration	**2,120**	1,827	**77**	70
Depreciation of property, plant and equipment	**166,136**	157,638	**5,481**	5,687
Expenses for retirement benefits	**6,966**	16,266	**162**	618
Foreign exchange loss				
- realised	**10,625**	28,774	**1,157**	28,774
- unrealised	**954**	71	–	71
Hire of plant and machinery	**9,082**	9,817	–	–
Lease rentals	**2,606**	2,417	–	–
Loss on impairment of goodwill	**13,886**	–	–	–
Property, plant and equipment written off	**12,017**	22,927	**7,571**	3,358
Remuneration of Directors of the Company				
- fees	**622**	607	**350**	350
- other emoluments	**21,939**	18,285	**11,803**	9,289
Rental of premises	**959**	1,196	**922**	999
Replanting expenditure	**12,412**	8,771	**1,375**	2,366
Research and development expenditure	**18,327**	20,046	**8,293**	7,052

NOTES TO FINANCIAL STATEMENTS cont'd

6 OPERATING PROFIT cont'd

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
and crediting:				
Impairment loss on other long term investments				
written back	**285**	–	–	–
Allowance for doubtful debts written back	**332**	1,155	–	–
Amortisation of reserve on consolidation	**751**	758	–	–
Amortisation of discount on acquisition of associates	**2,208**	2,207	–	–
Gain on disposal of investment properties	**58**	533	–	–
Gross dividend received from				
- short term funds quoted in Malaysia	**5,833**	1,338	**5,833**	1,338
- other quoted investments in Malaysia	**303**	451	**113**	125
- other unquoted investments in Malaysia	**37**	37	–	–
- subsidiaries quoted in Malaysia	–	–	**136,455**	166,578
- unquoted subsidiaries	–	–	**444,049**	809,714
- unquoted associates	–	–	**6,696**	5,760
Realised foreign exchange gain	**20,196**	15,258	–	14,763
Rental income from plant and machinery	**6,135**	6,299	–	–
Rental income	**63,603**	49,132	–	74

Contract cost of the Group recognised as an expense during the financial year amounted to RM21,000 (2005 - RM1,241,000). Cost of inventories of the Group and of the Company recognised as an expense during the financial year amounted to RM3,274,128,000 (2005 - RM3,039,222,000) and RM14,040,000 (2005 - RM16,303,000) 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 RM240,000 (2005 - RM194,000) and RM70,000 (2005 - RM60,000) respectively.

b Employee information

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Employee costs	**518,110**	482,311	**51,805**	49,359

6 OPERATING PROFIT cont'd

b Employee information cont'd

Employee costs include:

i contributions of the Group and of the Company to the Employees' Provident Fund of RM18,344,000 (2005 - RM16,014,000) and RM3,876,000 (2005 - RM3,664,000) respectively.

ii expenses for retirement benefits of the Group and of the Company of RM6,966,000 (2005 - RM16,266,000) and RM162,000 (2005 - RM618,000) respectively.

The total number of employees of the Group and of the Company (including Executive Directors) as at end of the financial year was 27,329 (2005 - 28,719) and 2,992 (2005 - 3,184) respectively.

7 INTEREST INCOME

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short term deposits	**15,261**	26,543	**2,229**	14,097
Subsidiaries	**–**	–	**82,797**	48,073
Associates	**339**	347	**–**	–
Others	**4,412**	5,086	**605**	149
	20,012	31,976	**85,631**	62,319

8 FINANCE COSTS

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expenses				
Bank overdrafts	**775**	878	**2**	8
Revolving credits	**850**	1,317	**–**	704
Short term loans	**2,135**	2,602	**1,056**	2,346
Subsidiaries	**–**	–	**99,302**	44,162
Term loans	**13,751**	47,435	**–**	32,880
Exchangeable Bonds	**33,431**	31,701	**–**	–
Guaranteed Notes	**85,557**	29,548	**–**	–
Others	**16**	1,015	**–**	–
	136,515	114,496	**100,360**	80,100
Less: Interest capitalised	**(6,530)**	(4,642)	**–**	–
	129,985	109,854	**100,360**	80,100

NOTES TO FINANCIAL STATEMENTS cont'd

9 TAXATION

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Company and subsidiaries				
Current year				
Malaysian income taxation	**215,393**	254,147	**106,000**	213,200
Foreign taxation	**472**	1,063	**–**	–
Deferred taxation (Note 33)	**(22,132)**	(52,766)	**(5,350)**	–
	193,733	202,444	**100,650**	213,200
Prior years				
Malaysian income taxation	**(643)**	(82,766)	**–**	(82,140)
Foreign taxation	**(42)**	(455)	**–**	–
Deferred taxation (Note 33)	**3,110**	2,687	**–**	–
	2,425	(80,534)	**–**	(82,140)
	196,158	121,910	**100,650**	131,060
Share of taxation of associates				
Current year				
Malaysian income taxation	**15,083**	12,431	**–**	–
	211,241	134,341	**100,650**	131,060

During the previous 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 previous financial year due to the retrospective effect of the aforesaid tax incentive.

9 TAXATION cont'd

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

	Group		Company	
	2006	**2005**	**2006**	**2005**
	%	**%**	**%**	**%**
Applicable tax rate	**28.00**	28.00	**28.00**	28.00
Tax effect in respect of:				
Non allowable expenses	**3.19**	0.97	**1.02**	2.16
Non taxable income	**(4.88)**	(0.36)	**(4.38)**	(0.52)
Revenue expenses capitalised	**(0.03)**	(0.21)	**(0.03)**	(0.02)
Tax exempt income	**(0.35)**	(0.04)	**(4.90)**	(4.95)
Tax incentives and allowances	**(5.26)**	(7.01)	**(6.17)**	(4.49)
Utilisation of previously unrecognised tax losses and capital allowances	**(1.19)**	(0.83)	**–**	–
Double deduction	**(0.15)**	(0.36)	**(0.11)**	(0.06)
Deferred tax assets recognised	**(1.25)**	(2.33)	**(0.44)**	–
Different tax rates in foreign jurisdiction	**0.01**	(0.01)	**–**	–
Other items	**(0.43)**	(0.22)	**0.07**	–
Average effective tax rate	**17.66**	17.60	**13.06**	20.12
Under/(over) provision in prior years	**0.20**	(6.60)	**–**	(7.75)
	17.86	11.00	**13.06**	12.37

The amount of tax savings arising from the utilisation of previously unrecognised brought forward unabsorbed tax losses for the Group amounted to approximately RM11,187,000 (2005 - RM9,092,000).

Subject to agreement with the tax authorities, certain subsidiaries of the Group have unabsorbed tax losses of approximately RM153,254,000 (2005 - RM225,386,000), 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.

NOTES TO FINANCIAL STATEMENTS cont'd

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	
	2006	**2005**
Net profit attributable to shareholders (RM'000)	**843,788**	902,220
Weighted average number of ordinary shares in issue ('000)	**1,142,476**	1,119,181
Basic earnings per share (sen)	**73.86**	80.61

Diluted earnings per share

The diluted earnings per share of the Group are calculated based on the adjusted net profit attributable to shareholders divided by the adjusted weighted average number of ordinary shares after taking into consideration of all dilutive potential ordinary shares.

	Group	
	2006	**2005**
	RM'000	**RM'000**
Net profit attributable to shareholders	**843,788**	902,220
Assumed exchange of the Exchangeable Bonds at beginning of the period *		
Net interest savings	**24,070**	–
Net foreign exchange differences taken up	**(30,186)**	–
	(6,116)	–
Adjusted net profit attributable to shareholders	**837,672**	902,220

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	
	2006	**2005**
	'000	**'000**
Weighted average number of ordinary shares in issue	**1,142,476**	1,119,181
Assumed exchange of the Exchangeable Bonds at beginning of the period *	**86,283**	–
Assumed exercise of ESOS at inception date	**1,080**	–
Assumed exercise of old ESOS at beginning of the financial year	–	992
Weighted average number of ordinary shares for diluted earnings per share	**1,229,839**	1,120,173
Diluted earnings per share (sen)	**68.11**	80.54

* No dilutive effect in relation to the exchange of Exchangeable Bonds for the previous financial year as the average market value of IOI Share was lower than the Exchange Price for the outstanding Exchangeable Bonds.

11 DIVIDENDS

	Group and Company	
	2006	**2005**
	RM'000	**RM'000**
First interim dividend declared and paid of 30.0 sen (2005 - 20.0 sen) per share less income tax	**246,411**	160,797
Second interim dividend declared of 13.5 sen per share less income tax* (2005 - 15.0 sen per share tax exempt)	**162,167**	167,508
Adjustments in interim dividends paid in respect of previous financial year	–	(66)
	408,578	328,239

* The second interim dividend of 13.5 sen per share less income tax for the current 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 2006. It will be accounted for as appropriation of retained profits in the subsequent financial year end.

NOTES TO FINANCIAL STATEMENTS cont'd

12 PROPERTY, PLANT AND EQUIPMENT

Group
2006

At Cost	At beginning of financial year RM'000	Additions RM'000	Disposals RM'000	Foreign exchange differences RM'000	Write-offs RM'000	Reclassi-fication/ transfer* RM'000	At end of financial year RM'000
Freehold plantations							
- Land	424,183	390	(83)	–	–	75	424,565
- Plantation development expenditure	281,519	5,112	(67)	–	(7,329)	–	279,235
Long term leasehold plantations							
- Land	836,531	–	–	–	–	–	836,531
- Plantation development expenditure	1,351,743	14,806	–	–	(1,013)	2,765	1,368,301
Freehold land	124,308	98	(276)	111	–	–	124,241
Long term leasehold land	10,796	–	–	–	–	–	10,796
Short term leasehold land	44,759	–	–	–	–	–	44,759
Freehold golf course	44,016	–	–	–	–	–	44,016
Buildings and improvements	983,598	163,135	(1,601)	857	(2,454)	74,434	1,217,969
Plant and machinery	1,669,379	60,028	(2,109)	5,221	(5,782)	146,282	1,873,019
Motor vehicles	71,130	7,166	(7,313)	(44)	(151)	(137)	70,651
Furniture, fittings and equipment	132,500	6,324	(2,504)	(65)	(2,367)	709	134,597
Construction in progress	215,864	75,189	–	1,544	(41)	(222,129)	70,427
	6,190,326	332,248	(13,953)	7,624	(19,137)	1,999	6,499,107

12 PROPERTY, PLANT AND EQUIPMENT cont'd

Group
2006

Accumulated Depreciation	At beginning of financial year RM'000	Current year depreciation charge 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	107,884	7,530	–	–	–	–	115,414
Long term leasehold land	4,133	118	–	–	–	–	4,251
Short term leasehold land	8,355	910	–	–	–	–	9,265
Buildings and improvements	277,283	32,863	(1,013)	876	(1,306)	3,505	312,208
Plant and machinery	892,693	105,774	(2,352)	4,354	(3,468)	(3,533)	993,468
Motor vehicles	50,645	6,744	(6,916)	(18)	(144)	(154)	50,157
Furniture, fittings and equipment	78,958	12,197	(2,317)	(24)	(2,202)	182	86,794
	1,419,951	166,136	(12,598)	5,188	(7,120)	–	1,571,557

* Buildings and improvements amounted to RM1,999,000 (2005 - nil) has been transferred from investment properties as it no longer meets the definition of investment properties as defined in the Significant Accounting Policies Note 3.9.

NOTES TO FINANCIAL STATEMENTS cont'd

12 PROPERTY, PLANT AND EQUIPMENT cont'd

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

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

NOTES TO FINANCIAL STATEMENTS cont'd

12 PROPERTY, PLANT AND EQUIPMENT cont'd

Company
2006

At Cost	At beginning of financial year RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassification RM'000	At end of financial year RM'000
Freehold plantations						
- Land	172,021	–	(83)	–	–	171,938
- Plantation development expenditure	127,253	4,383	(67)	(7,329)	–	124,240
Long term leasehold plantations						
- Land	9,695	–	–	–	–	9,695
- Plantation development expenditure	44,219	–	–	–	–	44,219
Freehold land	2,115	–	–	–	–	2,115
Buildings and improvements	29,072	931	–	(246)	590	30,347
Plant and machinery	31,557	1,593	(17)	(640)	–	32,493
Motor vehicles	7,042	647	(232)	(51)	–	7,406
Furniture, fittings and equipment	11,673	818	(30)	(164)	–	12,297
Construction in progress	618	338	–	–	(590)	366
	435,265	8,710	(429)	(8,430)	–	435,116

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	1,454	105	–	–	1,559
Buildings and improvements	9,810	1,274	–	(179)	10,905
Plant and machinery	24,049	2,375	(14)	(475)	25,935
Motor vehicles	4,960	777	(213)	(51)	5,473
Furniture, fittings and equipment	7,613	950	(16)	(154)	8,393
	47,886	5,481	(243)	(859)	52,265

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

NOTES TO FINANCIAL STATEMENTS cont'd

12 PROPERTY, PLANT AND EQUIPMENT cont'd

	Group		Company	
	2006	2005	2006	2005
Net Book Value	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Freehold plantations				
- Land	**424,565**	424,183	**171,938**	172,021
- Plantation development expenditure	**279,235**	281,519	**124,240**	127,253
Long term leasehold plantations				
- Land	**721,117**	728,647	**8,136**	8,241
- Plantation development expenditure	**1,368,301**	1,351,743	**44,219**	44,219
Freehold land	**124,241**	124,308	**2,115**	2,115
Long term leasehold land	**6,545**	6,663	**–**	–
Short term leasehold land	**35,494**	36,404	**–**	–
Freehold golf course	**44,016**	44,016	**–**	–
Buildings and improvements	**905,761**	706,315	**19,442**	19,262
Plant and machinery	**879,551**	776,686	**6,558**	7,508
Motor vehicles	**20,494**	20,485	**1,933**	2,082
Furniture, fittings and equipment	**47,803**	53,542	**3,904**	4,060
Construction in progress	**70,427**	215,864	**366**	618
	4,927,550	4,770,375	**382,851**	387,379

Included in long term leasehold plantations and construction in progress is an amount of interest expense capitalised during the financial year amounted to RM6,106,000 (2005 - RM3,936,000) for the Group.

13 SUBSIDIARIES

13.1 Investment in subsidiaries

	Company 2006 RM'000	Company 2005 RM'000
At cost		
Shares quoted in Malaysia	**588,932**	1,208,470
Unquoted shares in Malaysia	**3,608,181**	2,098,923
Unquoted shares outside Malaysia	**532,729**	532,729
	4,729,842	3,840,122
Less: impairment losses	**(5,724)**	(5,724)
	4,724,118	3,834,398
At market value		
Shares quoted in Malaysia	**1,825,737**	2,874,786

Details of the subsidiaries are set out in Note 45.

13.2 Privatisation of IOI Oleochemical Industries Berhad

During the current financial year, the Company acquired 39% interest in IOI Oleochemical Industries Berhad ("IOI Oleo") pursuant to a privatisation exercise and thereafter, IOI Oleo became a wholly owned subsidiary of the Company. The summary of the shares acquired is as follows:

Acquired from	No. of IOI Oleo shares acquired	Mode of Settlement *	Cash Payment RM'000	New IOI Shares issued
IOI Properties Berhad	**11,369,000**	Cash Option	**125,969**	–
Other minority shareholders	**7,156,403**	Cash Option	**79,293**	–
Other minority shareholders	**60,241,355**	Share + Cash Option	**341,568**	**30,120,634**
Total	**78,766,758**		**546,830**	**30,120,634**

* Mode of Settlement

Cash Option	-	Cash payment of RM11.08 for each share in IOI Oleo
Share + Cash Option	-	Issuance of one IOI Share at an issue price of RM10.82 and a cash payment of RM11.34 for every two IOI Oleo Shares

NOTES TO FINANCIAL STATEMENTS cont'd

13 SUBSIDIARIES cont'd

13.2 Privatisation of IOI Oleochemical Industries Berhad cont'd

Cash outflow on the privatisation

	Group RM'000	Company RM'000
Amount paid for the acquisition of IOI Oleo Shares		
- IOI Properties Berhad	–	125,969
- Other minority shareholders	420,861	420,861
	420,861	546,830
Add: incidental expenses	555	555
	421,416	547,385

Analysis of share of net assets acquired and consideration

	Group RM'000
Cash outflow on the privatisation	421,416
30,120,634 IOI Share issued at RM10.82 per share	325,905
Total consideration paid	747,321
Less: share of net assets acquired	(463,588)
Difference between share of net assets acquired and consideration paid	283,733

The privatisation of IOI Oleo was treated as equity transaction between the Group and the minority shareholders as explained in the Group's Significant Accounting Policy Note 3.2. The difference between the Group's share of net assets acquired and total consideration paid was adjusted against retained profits.

13.3 Amounts due from and to subsidiaries

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 7.8% (2005 - 0% to 7.0%) 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	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At cost				
Unquoted shares	**100,987**	100,987	**29,300**	29,300
Share of post acquisition results and reserves of associates	**130,013**	134,277	**–**	–
Discount on acquisition amortised	**16,385**	14,177	**–**	–
	146,398	148,454	**–**	–
Interest in associates (Note 14.1)	**247,385**	249,441	**29,300**	29,300

Details of the associates are set out in Note 45.

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	
	2006	**2005**
	RM'000	**RM'000**
Share of net tangible assets	**275,146**	279,410
Discount on acquisition of associates (Note 14.2)	**(27,761)**	(29,969)
	247,385	249,441

14.2 Discount on acquisition of associates

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

	Group	
	2006	**2005**
	RM'000	**RM'000**
Balance at beginning of financial year	**(29,969)**	(32,176)
Amortisation for the financial year	**2,208**	2,207
Balance at end of financial year	**(27,761)**	(29,969)

NOTES TO FINANCIAL STATEMENTS cont'd

15 INVESTMENT PROPERTIES

	Group 2006 RM'000	Group 2005 RM'000
At cost		
Freehold land and buildings	**49,857**	44,412
Leasehold land and buildings *	**–**	1,999
	49,857	46,411
At valuation		
Freehold land and buildings	**298,767**	301,476
Leasehold land and buildings	**164,352**	160,289
	463,119	461,765
	512,976	508,176

* Leasehold land and buildings stated at cost amounted to RM1,999,000 has been transferred to property, plant and equipment as it no longer meets the definition of investment properties as defined in the Significant Accounting Policies Note 3.9.

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	58,992 sq m
IOI Business Park Bandar Puchong Jaya Puchong Selangor Darul Ehsan	37 units of commercial lot	Freehold	5,336 sq m
Mayang Plaza Jalan SS 26/2, Taman Mayang Jaya Petaling Jaya Selangor Darul Ehsan	4 storey commercial complex	Freehold	12,575 sq m

15 INVESTMENT PROPERTIES cont'd

Name of building/location	Description	Tenure of land	Net lettable area
IOI Resort Putrajaya	33 units of residential bungalow	Freehold	22,082 sq m
One IOI Square IOI Resort Putrajaya	12 storey office building	Freehold	18,092 sq m
IOI Mall Bandar Putra, Kulai Johor Bahru Johor Darul Takzim	3 storey shopping mall	Freehold	22,398 sq m
IOI Plaza 210 Middle Road Singapore	12 storey office building	Leasehold	8,740 sq m

Certain investment property with carrying amount of RM164,352,000 (2005 - RM160,289,000) has been pledged to banks for credit facilities granted to a foreign incorporated subsidiary.

NOTES TO FINANCIAL STATEMENTS cont'd

16 OTHER LONG TERM INVESTMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At cost				
In Malaysia				
- Quoted shares	**33,457**	35,161	**13,128**	13,128
- Unquoted shares	**1,783**	1,783	**860**	860
- Quoted Warrants	**1,711**	2,185	**1,711**	2,185
	36,951	39,129	**15,699**	16,173
Outside Malaysia				
- Quoted shares	**5**	5	**5**	5
	36,956	39,134	**15,704**	16,178
Less: impairment losses	**(6,580)**	(8,435)	**(5,879)**	(6,284)
	30,376	30,699	**9,825**	9,894
At market value				
- Shares quoted in Malaysia	**40,588**	31,511	**6,280**	6,148
- Warrants quoted in Malaysia	**26**	113	**26**	113

17 LAND HELD FOR PROPERTY DEVELOPMENT

Group	Freehold land RM'000	Long term leasehold land RM'000	Development costs RM'000	Total RM'000
2006				
At cost				
At beginning of financial year	**362,351**	**274**	**274,768**	**637,393**
Costs incurred	**869**	**–**	**69,146**	**70,015**
Reclassification	**(1,864)**	**–**	**1,864**	**–**
Transfer to property development costs (Note 19)	**(28,843)**	**–**	**(49,888)**	**(78,731)**
Transfer to investment properties	**–**	**–**	**(350)**	**(350)**
At end of financial year	**332,513**	**274**	**295,540**	**628,327**

17 LAND HELD FOR PROPERTY DEVELOPMENT cont'd

Group	Freehold land RM'000	Long term leasehold land RM'000	Development costs RM'000	Total RM'000
2005				
At cost				
At beginning of financial year	365,162	274	287,081	652,517
Costs 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

Included in development costs is interest expense incurred during the financial year amounted to RM424,000 (2005 - RM357,000).

18 GOODWILL ON CONSOLIDATION

At Net Book Value	Group 2006 RM'000	Group 2005 RM'000
At beginning of financial year	**447,485**	429,433
Arising from acquisition of additional shares in subsidiaries	**4,401**	40,467
Arising from purchase of own shares by subsidiaries	**7,738**	5,851
Impairment loss in a foreign subsidiary	**(13,886)**	–
Arising from disposal of a subsidiary	–	(2)
	445,738	475,749
Amortisation for the financial year	**(29,908)**	(28,264)
At end of financial year	**415,830**	447,485

NOTES TO FINANCIAL STATEMENTS cont'd

19 PROPERTY DEVELOPMENT COSTS

Group	Freehold land RM'000	Development costs RM'000	Accumulated cost charged to income statement RM'000	Total RM'000
2006				
At cost				
At beginning of financial year	**174,299**	**2,083,618**	**(2,021,222)**	**236,695**
Costs incurred	**–**	**358,096**	**–**	**358,096**
Transfer from land held for property development (Note 17)	**28,843**	**49,888**	**–**	**78,731**
Transfer to inventories	**(1,074)**	**(31,136)**	**–**	**(32,210)**
Recognised as expense in the income statement	**–**	**–**	**(285,105)**	**(285,105)**
At end of financial year	**202,068**	**2,460,466**	**(2,306,327)**	**356,207**
2005				
At cost				
At beginning of financial year	146,172	1,792,152	(1,754,920)	183,404
Costs 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

Interest expense of RM349,000 was included in development costs incurred in the previous financial year.

20 INVENTORIES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At cost				
Plantation produce	**27,339**	20,836	**2,625**	1,353
Raw materials and consumables	**427,299**	400,637	**2,376**	2,403
Completed development properties	**73,738**	47,214	**–**	–
Nursery inventories	**3,882**	2,764	**1,024**	842
Trading inventories	**96**	94	**–**	–
Finished goods	**366,349**	239,340	**–**	–
Others	**7,525**	7,725	**–**	–
	906,228	718,610	**6,025**	4,598
At net realisable value				
Completed development properties	**1,667**	820	**–**	–
	907,895	719,430	**6,025**	4,598

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables (Note 21.1)	**571,384**	477,354	**11**	270
Other receivables, deposits and prepayments (Note 21.2)	**147,556**	115,405	**14,025**	16,885
Accrued billings	**96,185**	103,672	**–**	–
Amount due from customers on contracts (Note 21.3)	**55**	520	**–**	–
	815,180	696,951	**14,036**	17,155

NOTES TO FINANCIAL STATEMENTS cont'd

21 TRADE AND OTHER RECEIVABLES cont'd

21.1 Trade receivables

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables	**580,115**	486,070	**11**	270
Allowance for doubtful debts	**(8,731)**	(8,716)	**–**	–
	571,384	477,354	**11**	270

Included in trade receivables of the Group is the retention of progress billings for contract works amounting to RM166,000 (2005 - RM166,000).

Credit terms of trade receivables range from 7 to 120 days from date of invoice and progress billing.

Bad debts written off in the previous financial year was RM956,000.

21.2 Other receivables, deposits and prepayments

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Prepaid lease rental (Note 21.2.1)	**27,353**	28,959	**–**	–
Other receivables	**62,028**	57,551	**3,821**	5,688
Other deposits	**38,761**	7,953	**649**	794
Prepayments	**20,541**	22,129	**9,555**	10,403
Allowance for doubtful debts on other receivables	**(1,127)**	(1,187)	**–**	–
	147,556	115,405	**14,025**	16,885

21.2.1 Prepaid lease rental

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

i Advance lease rental amounted to RM13,171,000 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.

21 TRADE AND OTHER RECEIVABLES cont'd

21.2 Other receivables, deposits and prepayments cont'd

21.2.1 Prepaid lease rental cont'd

ii Advance lease rental amounted to RM14,182,000 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.

21.3 Amount due from customers on contracts

	Group	
	2006	**2005**
	RM'000	**RM'000**
Aggregate cost incurred to date	**23,371**	22,749
Recognised profit	**5,240**	4,800
	28,611	27,549
Progress billings	**(28,556)**	(27,029)
Amount due from customers on contracts	**55**	520

22 SHORT TERM INVESTMENTS

	Group	
	2006	**2005**
	RM'000	**RM'000**
At cost		
In Malaysia		
- Quoted shares	**413**	452
- Loan stocks	**–**	11
Outside Malaysia		
- Quoted shares	**16,189**	16,189
- Unquoted shares	**5**	5
	16,607	16,657
Less: impairment loss	**(14,575)**	(14,600)
	2,032	2,057

NOTES TO FINANCIAL STATEMENTS cont'd

22 SHORT TERM INVESTMENTS cont'd

	Group 2006 RM'000	Group 2005 RM'000
At market value		
In Malaysia		
- Quoted shares	**18**	30
- Loan stocks	**–**	12
Outside Malaysia		
- Quoted shares	**3,829**	3,831
- Quoted warrants *	**323**	–

* Bonus issue, no cost incurred

23 SHORT TERM FUNDS

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
At cost				
Investment in fixed income trust funds in Malaysia	**460,633**	1,023,739	**196,701**	941,375

24 DEPOSITS WITH FINANCIAL INSTITUTIONS

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Deposits with licensed banks	**302,498**	497,221	**19,089**	203,418
Deposits with discount houses	**116,097**	93,225	**57,059**	40,700
	418,595	590,446	**76,148**	244,118

25 CASH AND BANK BALANCES

Included in the Group's cash and bank balances is an amount of RM132,156,000 (2005 - RM209,741,000) 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	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Trade payables (Note 26.1)	**243,674**	205,786	**1,564**	1,826
Other payables and accruals (Note 26.2)	**272,266**	268,754	**25,820**	37,636
Progress billings	**6,733**	14,592	**–**	–
	522,673	489,132	**27,384**	39,462

26.1 Trade payables

Included in trade payables of the Group are retention monies of RM48,287,000 (2005 - RM42,296,000).

Credit terms of trade payables vary from 14 to 60 days from date of invoice and progress claim. The retention monies are repayable upon expiry of the defect liability period of 12 to 18 months.

26.2 Other payables and accruals

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Land premium payable	**26,671**	26,671	**–**	–
Advances from minority shareholders	**12,849**	13,637	**–**	–
Other payables	**98,056**	77,925	**18,863**	25,961
Customer and other deposits	**27,413**	20,290	**1,956**	541
Accruals	**107,277**	130,231	**5,001**	11,134
	272,266	268,754	**25,820**	37,636

NOTES TO FINANCIAL STATEMENTS cont'd

27 BANK OVERDRAFTS

	Group 2006 RM'000	2005 RM'000
Unsecured	**7,897**	8,569

The bank overdrafts bear interest at rates ranging from 3.75% to 12.20% (2005 - 3.73% to 11.60%) per annum. The significantly higher interest rate of 12.20% (2005 - 11.60%) incurred is in respect of an indirect subsidiary in Egypt.

28 SHORT TERM BORROWINGS

	Group 2006 RM'000	2005 RM'000
Secured		
Term loans - portion due within 12 months (Note 31)	**94,444**	94,273
Revolving credits (Note 28.1)	**28,935**	23,705
Trade financing (Note 28.2)	**30,277**	–
	153,656	117,978

28.1 Revolving credits

The secured revolving credits are secured by way of fixed charges over certain leasehold landed property of the Group. The revolving credits bear interest at rates ranging from 2.79% to 4.48% (2005 - 1.61% to 3.50%) per annum.

28.2 Trade financing

Trade financing utilised during the financial year subject to interest at rates ranging from 3.00% to 4.00% (2005 - 2.27% to 2.71%) 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 1 to 12 months and/or Medium Term Notes ("MTNs") with maturity of 1 to 7 years based on the Syariah Principle of Al-Murabahah.

28 SHORT TERM BORROWINGS cont'd

28.3 Short term loans cont'd

The CPs issued by the Company during the financial year bear yield to maturity ranging from 3.30% to 3.46% (2005 - 2.72% to 2.87%) per annum. The Company has not issued any MTNs during the financial year.

No CP was outstanding as at end of the financial year.

29 SHARE CAPITAL

	Group and Company			
	2006		2005	
	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	**1,118,481,490**	**559,241**	1,165,234,990	582,618
Issue of shares arising from the exchange of the Exchangeable Bonds	**61,931,661**	**30,966**	–	–
Issue of shares arising from the privatisation of a subsidiary	**30,120,634**	**15,060**	–	–
Issue of shares arising from exercise of old ESOS				
At RM2.13 per share	–	–	41,000	20
At RM2.37 per share	–	–	2,000	1
At RM2.61 per share	–	–	62,000	31
At RM2.71 per share	–	–	20,000	10
At RM3.58 per share	–	–	68,000	34
At RM3.77 per share	–	–	94,000	47
At RM5.20 per share	–	–	2,767,000	1,384
At RM6.90 per share	–	–	1,140,000	570
At RM7.50 per share	–	–	3,380,000	1,690
	–	–	7,574,000	3,787
Transfer to capital reserve arising from cancellation of treasury shares (Note 30.1)	–	–	(54,327,500)	(27,164)
At end of financial year	**1,210,533,785**	**605,267**	1,118,481,490	559,241

Of the total 1,210,533,785 (2005 - 1,118,481,490) issued and fully paid-up ordinary shares, 9,299,700 (2005 - 1,758,700) 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 2006 after deducting treasury shares held is 1,201,234,085 (2005 - 1,116,722,790) ordinary shares of RM0.50 each.

NOTES TO FINANCIAL STATEMENTS cont'd

29 SHARE CAPITAL cont'd

29.1 Executive Share Option Scheme

An Executive Share Option Scheme ("ESOS") was established on 23 November 2005 for the benefit of the executives and full time executive directors of the Group.

The salient features of the ESOS are as follows:

a Maximum number of shares available under the ESOS

The total number of new ordinary shares of RM0.50 each in the Company ("IOI Shares") which may be made available under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company at the time an offer of options is made in writing by a committee appointed by the Board to administer the ESOS ("Option Committee") to any executive or executive Director of the Group ("Offer") who meets the criteria of eligibility for participation in the ESOS as set out in the rules, terms and conditions of the ESOS ("Bye-Laws").

b Eligibility

Save for executives who are employed by the foreign subsidiaries of the Company (including the Malaysian subsidiaries of such foreign subsidiaries), and executives who are employed by subsidiaries of the Company, of which the Company holds less than 75% of the issued and paid-up share capital, any executive (including Executive Director) of the Group shall be eligible to participate in the ESOS if, as at the date of the Offer ("Offer Date"), the executive:

i has attained the age of 18 years;

ii is in the full time employment and payroll of a company within the Group (other than a company which is dormant) for at least 3 years; and

iii falls within such other categories and criteria that the Option Committee may from time to time at its absolute discretion determine.

(The eligible employees above are hereinafter referred to as "Eligible Executive(s)")

No executive of the Group shall participate at any time in more than one ESOS implemented by any company within the Group.

c Maximum allowable allotment and basis of allocation

i The aggregate maximum number of new IOI Shares that may be offered and allotted to any of the Eligible Executives of the Group shall not exceed the maximum allowable allotment set out in the Bye-Laws and subject to the following:

29 SHARE CAPITAL cont'd

29.1 Executive Share Option Scheme cont'd

c Maximum allowable allotment and basis of allocation cont'd

- the number of new IOI Shares allocated, in aggregate, to the Executive Directors and senior management of the Group shall not exceed 50% of the total new IOI Shares that are available to be issued under the ESOS; and

- the number of new IOI Shares allocated to any individual Eligible Executive, who either singularly or collectively through persons connected with him/her (as defined under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")) holds 20% or more in the issued and paid-up capital of the Company, shall not exceed 10% of the total new IOI Shares that are available to be issued under the ESOS.

ii The number of new IOI Shares that may be offered and allotted to any of the Eligible Executive shall, subject to the maximum allowable allotment, be at the sole and absolute discretion of the Option Committee after taking into consideration the length of service and the performance of the Eligible Executive in the Group as provided in the Bye-Laws or such other matters which the Option Committee may in its sole and absolute discretion deem fit.

d Subscription price

The subscription price shall be higher of the following:

i the weighted average market price of the IOI Shares for the 5 market days immediately preceding the Offer Date; or

ii the par value of the IOI Shares;

and subject to adjustments stipulated in the Bye-Laws, where applicable.

e Duration and termination of the ESOS

i The ESOS came into force on 23 November 2005 and shall be for a duration of 10 years.

ii The ESOS may be terminated by the Company prior to the expiry of its duration or tenure provided that the following conditions have been satisfied:

- the consent from the Company's shareholders by ordinary resolution at a general meeting have been obtained; and

- the written consent from all Grantees who have yet to exercise their Option, either in part or in whole, have been obtained.

f Exercise of option

i Options are exercisable only upon the expiry of the first anniversary of the Offer Date.

NOTES TO FINANCIAL STATEMENTS cont'd

29 SHARE CAPITAL cont'd

29.1 Executive Share Option Scheme cont'd

f Exercise of option cont'd

ii Options which are subject of the same Offer shall be exercisable only in 4 tranches over 4 years with a maximum of 25% of such options exercisable in any year.

iii Where the maximum of 25% within a particular year has not been exercised by the Grantee, the percentage unexercised shall be carried forward to subsequent years and shall not be subject to the maximum percentage for the following year provided that such unexercised options shall not be carried forward beyond the option period.

iv The Grantee shall be entitled to exercise all remaining options after the 9th anniversary of the ESOS.

g Rights attaching to the IOI Shares

The new IOI Shares to be allotted upon any exercise of the option shall, upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of the Company save and except that the new IOI Shares will not be entitled to participate in any dividends, rights, allotments and/or other distributions that may be declared, where the record date precedes the date of allotment of the said shares. The option shall not carry any right to vote at a general meeting of the Company.

On 12 January 2006, 23,286,000 options with the subscription price of RM12.50 have been offered and accepted by the Eligible Executives of the Group. None of the options was exercisable yet as at end of the current financial year.

The previous ESOS which was established on 5 April 1995 ("old ESOS") expired on 4 April 2005.

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

		No. of share options				
2005 Option price	Date of offer	As at beginning of the financial year	Offered and accepted	Exercised	Lapsed	As at end of the financial year
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	–
		4,453,000	3,642,000	7,574,000	521,000	–

29 SHARE CAPITAL cont'd

29.1 Executive Share Option Scheme cont'd

The aggregate proceeds and fair value of shares issued arising from the exercise of the old ESOS during the previous financial year were as follows:

	2005 RM'000
Ordinary share capital	3,787
Share premium	44,723
Aggregate proceeds received on shares issued	48,510
Fair value of shares issued at date of issued	68,148

30 RESERVES

	Group		Company	
	2006 RM'000	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**
Share premium	**1,855,765**	890,919	**1,855,765**	890,919
Revaluation surplus	**82,290**	82,310	**–**	–
Capital reserve (Note 30.1)	**86,688**	156,422	**27,164**	27,164
Foreign exchange fluctuation reserve	**(101,318)**	(101,357)	**(31,659)**	(44,384)
Reserve on consolidation	**6,512**	7,263	**–**	–
Treasury shares, at cost (Note 30.2)	**(108,188)**	(15,869)	**(108,188)**	(15,869)
Retained profits (Note 30.3)	**3,606,907**	3,283,399	**1,778,654**	1,354,980
	5,428,656	4,303,087	**3,521,736**	2,212,810

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

NOTES TO FINANCIAL STATEMENTS cont'd

30 RESERVES cont'd

30.1 Capital reserve

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 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 Exchangeable Bonds (Note 31.2)	**50,194**	119,928	–	–
Capital redemption reserve arising from the cancellation of treasury shares (Note 29)	**27,164**	27,164	**27,164**	27,164
	86,688	156,422	**27,164**	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 subsequent Annual General Meetings of the Company including the last meeting held on 28 October 2005.

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.

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

			Purchase Price Per Share		
	No. of Shares	Cost RM	Highest RM	Lowest RM	Average RM
2006					
At beginning of financial year	**1,758,700**	**15,869,462**	**8.68**	**9.03**	**9.02**
Purchases during the financial year					
November 2005	**3,029,700**	**36,856,129**	**12.54**	**11.94**	**12.16**
December 2006	**3,157,000**	**38,705,561**	**12.34**	**12.24**	**12.26**
January 2006	**1,354,300**	**16,756,964**	**12.44**	**12.34**	**12.37**
	7,541,000	**92,318,654**	**12.54**	**11.94**	**12.24**
At end of financial year	**9,299,700**	**108,188,116**	**12.54**	**9.03**	**11.63**

30 RESERVES cont'd

30.2 Treasury shares cont'd

	No. of Shares	Cost RM	Purchase Price Per Share Highest RM	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

The transactions of Share Buy Back were financed by internally generated funds. The shares of the Company bought back which were not cancelled are being held as treasury shares in accordance with the provision of Section 67A of the Companies Act, 1965.

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 RM335,776,000 (2005 - RM310,590,000) of its retained profits as dividends; and

ii the Company has approximately RM265,643,000 (2005 - RM136,366,000) in its tax exempt accounts available for distribution of tax exempt dividends.

The extent of the retained profits not covered as at 30 June 2006 amounted to RM1,177,235,000 (2005 - RM908,024,000).

NOTES TO FINANCIAL STATEMENTS cont'd

31 LONG TERM BORROWINGS

	Group	
	2006 RM'000	2005 RM'000
Secured		
Term loans	**163,658**	257,129
Less: portion due within 12 months included under short term borrowings (Note 28)	**(94,444)**	(94,273)
	69,214	162,856
Unsecured		
Exchangeable Bonds (Note 31.2)	**439,163**	1,043,135
Guaranteed Notes (Note 31.3)	**1,825,854**	1,886,892
	2,265,017	2,930,027
	2,334,231	3,092,883

31.1 Term loans

The secured term loans of the Group include:

i RM350 million term loan that is secured by a fixed charge over shares in subsidiaries of IOI Oleo, Unipamol Sdn Bhd and Pamol Plantations Sdn Bhd. The outstanding amount as at end of the financial year is RM131.25 million (2005 - RM218.75 million). This term loan bears interest at 4.5% per annum and is repayable by equal quarterly instalments of RM21.875 million commencing January 2004.

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 SGD14 million (2005 - SGD17 million). This term loan bears interest at rates ranging from 2.79% to 4.48% (2005 - 1.42% to 2.92%) per annum and is repayable by annual instalments of varying amounts over 5 years commencing June 2004.

31 LONG TERM BORROWINGS cont'd

31.1 Term loans cont'd

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

	Group	
	2006	**2005**
	RM'000	**RM'000**
Not later than 1 year	**94,444**	94,273
Later than 1 year and not later than 5 years	**69,214**	162,856
	163,658	257,129

31.2 USD310 Million Zero Coupon Guaranteed Exchangeable Bonds due 2009 ("Exchangeable Bonds")

On 17 September 2004, the Company's wholly owned subsidiary, IOI Investment (L) Berhad (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 ("Exchangeable Bonds"). The Exchangeable 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 Exchangeable Bonds are unconditionally and irrevocably guaranteed by the Company.

The salient features of the Exchangeable Bonds are as follows:

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

ii The Issuer or the Company may, at its option, satisfy its obligation to deliver IOI 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 IOI Shares otherwise deliverable and the volume weighted average of the closing price of the IOI Shares for each day during the 10 trading days immediately before the exchange date.

NOTES TO FINANCIAL STATEMENTS cont'd

31 LONG TERM BORROWINGS cont'd

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

iii The Exchangeable 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 IOI 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 IOI 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 Exchangeable Bonds remain outstanding.

iv Unless the Exchangeable 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 Exchangeable Bonds at the Accreted Principal Amount of 101.76% on 8 August 2006.

v Unless previously redeemed, repurchased and cancelled or exchanged, the Exchangeable Bonds will be redeemed at their Accreted Principal Amount of 104.46% on 18 September 2009.

At initial recognition, the Exchangeable Bonds were recognised in the Group balance sheet as follows:

	Group 2005 RM'000
Face value	1,178,000
Equity component (Note 30.1)	(119,928)
Deferred tax liability	(46,638)
Liability component on initial recognition	1,011,434

31 LONG TERM BORROWINGS cont'd

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

During the current financial year, USD180,254,000 nominal value of the Exchangeable Bonds were exchanged into 61,931,661 new ordinary shares of RM0.50 each at RM11.06 per share.

The movement of the Exchangeable Bonds during the financial year is as follows:

	Group		
	Liability Component RM'000	Equity Component RM'000	Deferred Tax RM'000
2006			
At beginning of financial year	**1,043,135**	**119,928**	**37,762**
Exchange of USD180,254,000 nominal value of the Exchangeable Bonds	**(608,077)**	**(69,734)**	**(16,999)**
Interest expense	**33,431**	**–**	**(9,361)**
Currency translation difference	**(29,326)**	**–**	**(860)**
At end of financial year	**439,163**	**50,194**	**10,542**
2005			
At initial recognition	1,011,434	119,928	46,638
Interest expense	31,701	–	(8,876)
At end of financial year	1,043,135	119,928	37,762

31.3 USD500 Million 5.25% Guaranteed Notes due 2015 ("Guaranteed Notes")

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 "Guaranteed Notes"). The Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited and the Labuan International Financial Exchange. The Guaranteed 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.

NOTES TO FINANCIAL STATEMENTS cont'd

31 LONG TERM BORROWINGS cont'd

31.3 USD500 Million 5.25% Guaranteed Notes due 2015 ("Guaranteed Notes") cont'd

At initial recognition, the Guaranteed Notes were recognised in the Group 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

The movement of the Guaranteed Notes during the financial year is as follows:

	Group	
	2006 RM'000	**2005 RM'000**
At beginning of financial year/At initial recognition	**1,886,892**	1,886,586
Currency translation difference	**(62,086)**	–
Interest expense	**1,048**	306
As at end of financial year	**1,825,854**	1,886,892

32 OTHER LONG TERM LIABILITIES

	Group		Company	
	2006 RM'000	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**
Retirement benefits (Note 32.1)	**40,919**	55,439	**1,108**	1,042
Club membership deposits	**14,904**	15,160	**–**	–
	55,823	70,599	**1,108**	1,042

32 OTHER LONG TERM LIABILITIES cont'd

32.1 Retirement benefits

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Present value of funded obligations	**257,497**	258,306	–	–
Fair value of plan assets	**(199,802)**	(174,754)	–	–
	57,695	83,552	–	–
Present value of unfunded obligations	**12,658**	10,830	**1,108**	1,111
Present value of net obligations	**70,353**	94,382	**1,108**	1,111
Unrecognised actuarial losses	**(30,526)**	(38,943)	–	(69)
Unrecognised past service cost	**1,092**	–	–	–
Recognised liability for defined benefit obligations	**40,919**	55,439	**1,108**	1,042

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 average salary of the eligible employees.

The last actuarial valuations for the unfunded and funded plans were carried out on 30 June 2006.

Movement in the net liability recognised in the balance sheet:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Net liability at beginning of financial year	**55,439**	59,399	**1,042**	561
Contributions to funded plans	**(21,290)**	(21,004)	–	–
Benefits paid for unfunded plans	**(746)**	(913)	**(96)**	(137)
Expense recognised in the income statement	**5,874**	17,358	**162**	618
Reversal of provision in prior year	**1,092**	(1,092)	–	–
Addition through subsidiaries acquired	–	1,507	–	–
Translation differences	**550**	184	–	–
Net liability at end of financial year	**40,919**	55,439	**1,108**	1,042

NOTES TO FINANCIAL STATEMENTS cont'd

32 OTHER LONG TERM LIABILITIES cont'd

32.1 Retirement benefits cont'd

Expense recognised in the income statement:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current service cost				
Current year	**18,899**	14,816	**103**	105
Prior year	**554**	(554)	**–**	–
Interest cost				
Current year	**12,275**	11,051	**59**	57
Prior year	**538**	(538)	**–**	–
Expected return on plan assets	**(10,077)**	(9,179)	**–**	–
Net actuarial gain/(loss)	**870**	(32)	**–**	–
Plan change	**(15,917)**	–	**–**	–
Past service cost	**(176)**	–	**–**	–
Amortisation of transitional liability	**–**	702	**–**	456
	6,966	16,266	**162**	618

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

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cost of sales	**2,486**	8,488	**162**	618
Distribution expenses	**2,500**	1,140	**–**	–
Administrative expenses	**1,980**	6,638	**–**	–
	6,966	16,266	**162**	618
Actual return on plan assets	**4,043**	14,608	**–**	–

32 OTHER LONG TERM LIABILITIES cont'd

32.1 Retirement benefits cont'd

Liability for defined benefit obligations

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

	Group and Company	
	2006	**2005**
Discount rate	**4.91%**	4.55%
Expected return on plan assets	**5.80%**	5.55%
Future salary increases	**3.00%**	3.27%

33 DEFERRED TAXATION

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of financial year	**371,417**	370,776	**6,020**	6,020
Recognised in the income statement				
- Current year	**(22,132)**	(52,766)	**(5,350)**	–
- Prior years	**3,110**	2,687	**–**	–
	(19,022)	(50,079)	**(5,350)**	–
Addition through issuance of Exchangeable Bonds (Note 31.2)	**–**	46,638	**–**	–
Addition through subsidiary acquired	**–**	4,056	**–**	–
Reduction through exchange of Exchangeable Bonds (Note 31.2)	**(16,999)**	–	**–**	–
Exchange differences	**100**	26	**–**	–
At end of financial year	**335,496**	371,417	**670**	6,020

NOTES TO FINANCIAL STATEMENTS cont'd

33 DEFERRED TAXATION cont'd

Presented after appropriate offsetting as follows:

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities	**430,885**	490,209	**670**	6,020
Deferred tax assets	**(95,389)**	(118,792)	**–**	–
	335,496	371,417	**670**	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	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
At beginning of financial year	**507,153**	448,614	**6,020**	6,020
Recognised in the income statement				
Temporary differences on accelerated capital allowances	**(18,149)**	5,661	**(5,350)**	–
Temporary differences on prepaid lease rental	**(449)**	(2,752)	**–**	–
Temporary differences on recognition of project expenses	**(1,995)**	(680)	**–**	–
Temporary differences on amortisation of fair value adjustments	**(1,917)**	(1,681)	**–**	–
Temporary differences on Exchangeable Bonds	**(9,361)**	(8,876)	**–**	–
Other temporary differences	**(11,167)**	6,794	**–**	–
	(43,038)	(1,534)	**(5,350)**	–
Reduction through exchange of Exchangeable Bonds	**(16,999)**	–	**–**	–
Addition through issuance of Exchangeable Bonds	**–**	46,638	**–**	–
Addition through subsidiary acquired	**–**	13,435	**–**	–
Exchange differences	**713**	–	**–**	–
At end of financial year	**447,829**	507,153	**670**	6,020

33 DEFERRED TAXATION cont'd

Deferred tax assets

	Group	
	2006	**2005**
	RM'000	**RM'000**
At beginning of financial year	**135,736**	77,838
Recognised in the income statement		
Temporary differences on unabsorbed tax losses	**(6,686)**	29,848
Temporary differences on unutilised capital allowances	**(1,732)**	7,006
Other deductible temporary differences	**(15,598)**	11,691
	(24,016)	48,545
Addition through subsidiaries acquired	**–**	9,379
Exchange differences	**613**	(26)
At end of financial year	**112,333**	135,736

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

Deferred tax liabilities

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Temporary differences on accelerated capital allowances	**230,211**	247,308	**670**	6,020
Temporary differences on prepaid lease rental	**7,659**	8,108	**–**	–
Temporary differences on recognition of project expenses	**2,240**	4,235	**–**	–
Temporary differences on Exchangeable Bonds	**10,542**	37,762	**–**	–
Other taxable temporary differences	**120**	6,012	**–**	–
Fair value adjustments on acquisitions	**138,011**	140,179	**–**	–
Revaluation of assets	**42,102**	46,605	**–**	–
	430,885	490,209	**670**	6,020

NOTES TO FINANCIAL STATEMENTS cont'd

33 DEFERRED TAXATION cont'd

Deferred tax assets

	Group	
	2006	**2005**
	RM'000	**RM'000**
Unabsorbed tax losses	**64,544**	70,979
Unutilised capital allowances	**9,188**	10,920
Retirement benefit obligations	**3,198**	18,235
Other deductible temporary differences	**18,459**	18,658
	95,389	118,792

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

	Group	
	2006	**2005**
	RM'000	**RM'000**
Unabsorbed tax losses	**42,911**	63,108
Unutilised capital allowances	**6,196**	8,449
Other deductible temporary differences	**776**	2,123
	49,883	73,680

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 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 and Amoy Canning Corporation (Malaya) Bhd for a total disposal consideration of RM41,195,000.

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

34.1 Disposal of a subsidiary cont'd

Details of fair value of the net assets disposed and cash inflow on disposal of subsidiary were 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

The effect of the above disposal on the financial results of the Group for the previous financial year was as follows:

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

* Financial results up to date of disposal

NOTES TO FINANCIAL STATEMENTS cont'd

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

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 were 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 previous 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 ACQUISITION OF SUBSIDIARIES cont'd

35.1 IOI Loders Croklaan Oils 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 were 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 for the previous financial year was 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

The effect of the above acquisition on the financial position of the Group as at 30 June 2005 was 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

NOTES TO FINANCIAL STATEMENTS cont'd

35 ACQUISITION OF SUBSIDIARIES cont'd

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 were 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 previous financial year as the subsidiary has not commenced business yet.

The effect of the above acquisition on the financial position of the Group as at 30 June 2005 was 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

36 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at end of financial year comprise:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Short term funds	**460,633**	1,023,739	**196,701**	941,375
Deposits with financial institutions	**418,595**	590,446	**76,148**	244,118
Cash and bank balances	**349,110**	352,525	**15,670**	1,309
Bank overdrafts	**(7,897)**	(8,569)	**–**	–
	1,220,441	1,958,141	**288,519**	1,186,802

The Group has undrawn borrowing facilities of RM688,719,000 (2005 - RM809,878,000) 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	
	2006 RM'000	2005 RM'000
i Sales of oleochemical products and palm kernel oil		
Fatty Chemical (Malaysia) Sdn Bhd	**400,869**	465,488
ii Purchases of palm products		
Continental Estates Sdn Bhd	**18,782**	23,111

NOTES TO FINANCIAL STATEMENTS cont'd

37 SIGNIFICANT RELATED PARTY DISCLOSURES cont'd

Significant related party transactions cont'd

	Group 2006 RM'000	Group 2005 RM'000
iii Purchases of oleochemical products		
Fatty Chemical (Malaysia) Sdn Bhd	**15,347**	13,669
iv Agency fees income		
Continental Estates Sdn Bhd	**407**	383
v Property project management services		
Malayapine Estates Sdn Bhd	**1,805**	2,325
vi Rental income on storage tank		
Fatty Chemical (Malaysia) Sdn Bhd	**6,105**	4,724

Fatty Chemical (Malaysia) Sdn Bhd and Continental Estates Sdn Bhd 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 terms and conditions not materially different from those obtainable in transactions with unrelated parties.

38 CONTINGENT LIABILITIES - UNSECURED

	Group 2006 RM'000	Group 2005 RM'000	Company 2006 RM'000	Company 2005 RM'000
Litigations involving claims for damages and compensation	**2,345**	2,382	**–**	–
Guarantees issued to third parties	**8,442**	7,798	**971**	777
Counter indemnities to banks for bank guarantees issued	**10,391**	12,849	**4,025**	7,998
	21,178	23,029	**4,996**	8,775

38 CONTINGENT LIABILITIES - UNSECURED cont'd

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. This case has been fixed for case management on 12 October 2006.

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.

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.

NOTES TO FINANCIAL STATEMENTS cont'd

39 FINANCIAL INSTRUMENTS cont'd

Foreign currency risk cont'd

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 receivable 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:

	Maturities			
Group	**Within 1 year RM'000**	**1 - 5 years RM'000**	**Later than 5 years RM'000**	**Total Notional Amount RM'000**
2006				
Sale contracts	**1,768,103**	**307,050**	**–**	**2,075,153**
Purchase contracts	**138,234**	**31,473**	**–**	**169,707**
2005				
Sale contracts	235,109	8,320	–	243,429
Purchase contracts	133,953	47,914	–	181,867

39 FINANCIAL INSTRUMENTS cont'd

Foreign currency risk cont'd

The net unrecognised (loss)/gain as at 30 June 2006 on forward foreign exchange sale and purchase contracts used are deferred until the occurrence of the related future transactions in the following manner:

	Maturities			
Group	Within 1 year RM'000	1 - 5 years RM'000	Later than 5 years RM'000	Total Notional Amount RM'000
2006				
Sale contracts	**(12,298)**	**(1,315)**	**–**	**(13,613)**
Purchase contracts	**(3,705)**	**(1,049)**	**–**	**(4,754)**
2005				
Sale contracts	(1,329)	(374)	–	(1,703)
Purchase contracts	6,871	3,416	–	10,287

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
2006

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 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 EUR7.2 million over the period from June 2005 to August 2007 to cover the Company's interest payment commitment under the cross currency swaps as mentioned in note i above.

iii EUR/USD currency options of EUR515,000, effective from May 2005 to November 2006 to cover the Company's committed payables denominated in EUR.

NOTES TO FINANCIAL STATEMENTS cont'd

39 FINANCIAL INSTRUMENTS cont'd

Foreign currency risk cont'd

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 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 months, 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.

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	Later than 5 years RM'000
2006					
Financial assets					
Short term funds	**3.00**	**460,633**	**460,633**	**–**	**–**
Deposits with financial institutions	**3.09**	**418,595**	**418,595**	**–**	**–**
Cash held in Housing Development Accounts	**2.10**	**132,156**	**132,156**	**–**	**–**
Financial liabilities					
Unsecured overdraft *	**12.20**	**7,897**	**7,897**	**–**	**–**
Secured revolving credits	**3.65**	**28,935**	**28,935**	**–**	**–**
Unsecured trade financing	**4.93**	**30,277**	**30,277**	**–**	**–**
Secured term loans	**6.52**	**163,658**	**119,908**	**43,750**	**–**
Exchangeable Bonds	**4.00**	**439,163**	**–**	**439,163**	**–**
Guaranteed Notes	**5.34**	**1,825,548**	**–**	**–**	**1,825,548**
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	–
Exchangeable Bonds	4.00	1,043,135	–	1,043,135	–
Guaranteed Notes	5.34	1,886,892	–	–	1,886,892

* Unsecured overdraft of an indirect subsidiary in Egypt

NOTES TO FINANCIAL STATEMENTS cont'd

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	Later than 5 years RM'000
2006					
Financial assets					
Short term funds	**3.00**	**196,701**	**196,701**	**–**	**–**
Deposits with financial institutions	**3.25**	**76,148**	**76,148**	**–**	**–**
2005					
Financial assets					
Short term funds	2.80	941,375	941,375	–	–
Deposits with financial institutions	2.68	244,118	244,118	–	–

39 FINANCIAL INSTRUMENTS cont'd

Interest rate risk cont'd

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 and also to enhance the return of amount held under the Housing Development Account:

Interest Rate Swap	Notional Amount	Effective Period
2006		
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
CMS Spread Range Accrual Swap	RM100 million, over a period of 5 years, commencing 11 May 2006	11 May 2006 to 11 May 2011
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
CMS Spread Range Accrual Swap	USD100 million, over a period of 5 years, commencing 12 October 2005	12 October 2005 to 12 October 2010
CMS Spread Range Accrual Swap	USD50 million, over a period of 5 years, commencing 13 October 2005	13 October 2005 to 13 October 2010
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 previous financial year to account for the effect of the reverse transaction.

NOTES TO FINANCIAL STATEMENTS cont'd

39 FINANCIAL INSTRUMENTS cont'd

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 RM'000	Net unrecognised gain/(loss) as at end of the financial year RM'000
2006		
Sale contracts	**22,712**	**(302)**
Purchase contracts	**92,023**	**2,552**
2005		
Sale contracts	43,359	(2,872)
Purchase contracts	42,508	127

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

39 FINANCIAL INSTRUMENTS cont'd

Price fluctuation risk cont'd

ii Commodity swap

	Contract Amount	Effective Period	Net unrecognised gain as at end of the financial year RM'000
2006			
Group			
To pay fixed CPO price and to receive floating CPO prices from counter party	2,084 MT per month	May 2006 to March 2007	2,660
2005			
Group and Company			
To pay floating CPO prices and to receive fixed CPO price from counter party	8,333 MT per month	April 2005 to March 2007	37,261

The unrecognised gain 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.

NOTES TO FINANCIAL STATEMENTS cont'd

39 FINANCIAL INSTRUMENTS cont'd

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 to 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 RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2006				
Financial assets				
Quoted other long term investments	28,706	40,588	8,960	6,306
Quoted short term investments	2,027	4,170	–	–
Financial liabilities				
Exchangeable Bonds	439,163	398,199	–	–
Guaranteed Notes	1,825,548	1,708,687	–	–
Term loans	131,250	133,144	–	–
Amount due to subsidiaries	–	–	2,302,671	2,106,886
Derivative financial instruments				
Forward foreign exchange contracts				
Sale contracts	–	13,613	–	–
Purchase contracts	–	(4,754)	–	–
Currency swap, option and future contract	–	(13,230)	–	(13,230)
Commodity future contracts				
Sale contracts	–	(302)	–	–
Purchase contracts	–	2,553	–	–
Commodity swap contract	–	2,660	–	–
Interest rate swap contracts	–	(24,205)	–	(16,439)

NOTES TO FINANCIAL STATEMENTS cont'd

39 FINANCIAL INSTRUMENTS cont'd

Fair values cont'd

	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value 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				
Exchangeable Bonds	1,043,135	1,027,242	–	–
Guaranteed Notes	1,886,892	1,932,496	–	–
Term loans	218,750	224,044	–	–
Amount due to subsidiaries	–	–	3,064,881	2,959,738
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 contracts	–	(4,875)	–	–

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.

NOTES TO FINANCIAL STATEMENTS cont'd

40 COMMITMENTS

40.1 Capital Commitments

	Group		Company	
	2006	2005	2006	2005
	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	**33,057**	16,799	**1,090**	436
Purchase of land for property development	**151,378**	–	–	–
Construction in progress	**669**	90,055	–	–
- Not Contracted				
Purchase of property, plant and equipment	**80,824**	62,923	**11,233**	5,904
New planting	**5,163**	6,739	**2,875**	4,267

40.2 Operating Lease Commitments

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

	Group	
	2006	2005
	RM'000	RM'000
Not later than 1 year	**4,117**	4,137
Later than 1 year and not later than 5 years	**14,290**	10,368
Later than 5 years	**114,614**	116,914
	133,021	131,419

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

41.1 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 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 ("Privatisation").

As at date of the announcement, the Company and its subsidiary, IOI Properties Berhad held 123,268,183 and 11,369,000 ordinary shares of RM1.00 each in IOI Oleo ("IOI Oleo Shares"), representing 61.03% and 5.63% respectively of IOI Oleo's then issued and paid-up share capital of 201,977,941 IOI Oleo Shares.

The Privatisation was completed on 15 March 2006 and IOI Oleo became a wholly owned subsidiary of the Company. Accordingly, the entire issued and paid-up share capital of IOI Oleo was delisted from the Official List of Bursa Malaysia Securities Berhad on 6 April 2006.

41.2 Proposed Acquisition of 925 Hectares of Land in Melaka

On 5 May 2006, IOI Properties Berhad ("IOIPB"), a subsidiary of the Company, announced that its wholly-owned subsidiaries, Flora Horizon Sdn Bhd, Hartawan Development Sdn Bhd, Pilihan Teraju Sdn Bhd and Paduwan Development Sdn Bhd, had respectively entered into conditional sale and purchase agreements with Guthrie Ropel Berhad and its wholly-owned subsidiary, Guthrie Ropel Development Sdn Bhd to acquire freehold land located in the State of Melaka with a combined area of approximately 925 hectares for a total purchase consideration of RM91,347,849 ("Proposed Acquisition"). The Proposed Acquisition is pending for the approval of the Estate Land Board for the transfer of ownership of the said land to IOIPB's subsidiaries.

42 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

42.1 Proposed Special Issue of 1,800,000 New Ordinary Shares in the Company

On 15 August 2006, the Company announced that it proposed to undertake a special issue of 1,800,000 new ordinary shares of RM0.50 each in the Company ("IOI Shares") to Bumiputera investors at an issue price to be determined later ("Proposed Special Issue"). The Proposed Special Issue is undertaken to comply with one of the conditions imposed by the Equity Compliance Unit of the Securities Commission in approving the proposed issuance of new IOI Shares by the Company following the exchange of the Exchangeable Bonds. The said condition requires the Company to increase its Bumiputera equity by 0.14% (equivalent to 1,800,000 IOI Shares) of its enlarged issued and paid-up share capital after the full exchange of the Exchangeable Bonds within 2 years of the implementation of the said Exchangeable Bonds. The Proposed Special Issue is still pending approvals from the relevant authorities.

NOTES TO FINANCIAL STATEMENTS cont'd

42 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR cont'd

42.2 Acquisition of 70% equity interest in Rinwood Pelita Plantation Sdn Bhd and Rinwood Pelita Quarry Sdn Bhd

On 1 September 2006, the Company acquired from Rinwood Oil Palm Plantation Sdn Bhd ("Vendor") the followings:

i 9,100,000 ordinary shares of RM1.00 each representing 70% of the issued and paid-up share capital of Rinwood Pelita Plantation Sdn Bhd ("Rinwood Pelita") for a cash consideration of RM21,304,639; and

ii 2,100,000 ordinary shares of RM1.00 each representing 70% of the issued share capital in Rinwood Pelita Quarry Sdn Bhd ("Rinwood Quarry") for a cash consideration of RM10.

Rinwood Pelita is principally engaged in the cultivation of oil palm and is the beneficial and/or registered proprietor of lands with a total titled area of 9,040 hectares located in the Dulit and Tinjar Land Districts in Baram, Sarawak, of which approximately 3,167 hectares is planted with oil palm trees with ages ranging from 3 - 10 years. Rinwood Quarry is the holder of a licence to quarry and remove stone issued by the Land and Survey Department.

In addition to the above, the Company also paid to the Vendor on behalf of Rinwood Pelita, the debt owing by Rinwood Pelita to the Vendor and its associates ("Debt") as at 31 July 2006, amounting to RM29,273,510. The final purchase consideration shall be adjusted for the differences in the net current liability and the long term liabilities of Rinwood Pelita and the net current liability of Rinwood Quarry, between 31 December 2005 and the completion date of 1 September 2006. Similarly, the payment of the Debt to the Vendor on behalf of Rinwood Pelita shall also be adjusted for differences in the Debt between 31 July 2006 and completion date. Both adjustments are currently being computed. However, the said adjustments are not expected to be material.

The acquisition of shares in Rinwood Pelita enables the Group to expand its plantation business to the State of Sarawak which the Group does not have any presence before the acquisition.

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
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 processing of palm oil 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 Manufacturing and supply of specialty oils and fats Management and operation of hotels and resorts, landscape services
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

NOTES TO FINANCIAL STATEMENTS cont'd

43 SEGMENTAL INFORMATION cont'd

Business Segments

	Plantation RM'000	Property development RM'000	Property investment RM'000	Resource-based manufacturing RM'000	Other operations RM'000	Eliminations RM'000	Consolidated RM'000
2006							
Revenue							
External sales	373,911	623,778	60,291	4,967,012	84,676	–	6,109,668
Inter-segment sales	865,039	–	–	–	–	(865,039)	–
Total revenue	1,238,950	623,778	60,291	4,967,012	84,676	(865,039)	6,109,668
Result							
Operating result	636,288	331,350	36,959	142,162	19,811	–	1,166,570
Loss on impairment of goodwill	–	–	–	(13,886)	–	–	(13,886)
Segment results	636,288	331,350	36,959	128,276	19,811	–	1,152,684
Translation gain on USD denominated borrowings							92,271
Other unallocated corporate expenses							(9,561)
Operating profit							1,235,394
Interest income							20,012
Finance costs							(129,985)
Share of profits of associates	4,934	–	–	52,499	231	–	57,664
Profit before taxation							1,183,085
Taxation							(211,241)
Profit after taxation							971,844
Minority interests							(128,056)
Net profit attributable to shareholders							843,788
Assets							
Segment assets	3,655,391	1,468,927	527,120	3,095,918	403,687	–	9,151,043
Investment in associates	84,901	–	–	155,675	4,091	–	244,667
Unallocated corporate assets							915,976
Consolidated total assets							10,311,686
Liabilities							
Segment liabilities	119,762	179,818	24,257	193,393	71,902	–	589,132
Unallocated corporate liabilities							2,941,647
Consolidated total liabilities							3,530,779
Other Information							
Capital expenditure	62,087	2,119	1,245	257,930	3,630	–	327,011
Depreciation and amortisation	64,241	6,808	3,379	106,831	11,450	–	192,709
Non-cash items other than depreciation and amortisation	12,581	608	(241)	23,374	269	–	36,591

43 SEGMENTAL INFORMATION cont'd

Business Segments cont'd

	Plantation RM'000	Property development RM'000	Property investment RM'000	Resource-based manufacturing 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

NOTES TO FINANCIAL STATEMENTS cont'd

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
2006						
Revenue from external customers						
by location of customers	**2,305,813**	**1,631,651**	**817,544**	**1,270,094**	**84,566**	**6,109,668**
Segment assets						
by location of assets	**7,186,020**	**1,284,306**	**481,460**	**170,300**	**28,957**	**9,151,043**
Capital expenditure						
by location of assets	**176,811**	**134,118**	**16,082**	**–**	**–**	**327,011**
2005						
Revenue from external customers						
by location of customers	2,689,807	1,122,771	559,728	1,572,989	127,212	6,072,507
Segment assets						
by location of assets	6,969,562	1,004,001	451,273	165,104	24,514	8,614,454
Capital expenditure						
by location of assets	165,674	152,833	24,343	–	249	343,099

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	
	2006	**2005**
	RM'000	**RM'000**
Liabilities Payable		
Amount due to associates	**2,739**	2,739
Trade payables	**243,674**	205,786
Other payables and accruals	**272,266**	268,754
Progress billings	**6,733**	14,592
Bank overdrafts	**7,897**	8,569
Short term borrowings[1]	**59,212**	23,705
Taxation	**22,875**	27,931
Term loans	**163,658**	257,129
Exchangeable Bonds	**439,163**	1,043,135
Guaranteed Notes	**1,825,548**	1,886,892
Club membership deposits	**14,904**	15,160
	3,058,669	3,754,392
Less:		
Short term funds	**460,633**	1,023,739
Deposits with financial institutions	**418,595**	590,446
Cash and bank balances	**349,110**	352,525
	1,830,331	1,787,682
(Receivable)/Payable as follows:		
Not later than 1 year[2]	**(518,498)**	(1,256,566)
Later than 1 year and not later than 5 years	**508,377**	1,142,196
Later than 5 years	**1,840,452**	1,902,052
	1,830,331	1,787,682
Debts Receivable		
Trade receivables	**571,384**	477,354
Other receivables, deposits and prepayments	**147,556**	115,405
Accrued billings	**96,185**	103,672
Amount due from customers on contracts	**55**	520
Tax recoverable	**144,201**	120,855
	959,381	817,806
Receivable as follows:		
Not later than 1 year	**959,381**	817,806
	959,381	817,806

Notes:

1 Included in short term borrowings of RM59,212,000 (2005 - RM23,705,000) are revolving credit facilities of RM28,935,000 (2005 - RM23,705,000) and trade financing of RM30,277,000 (2005 - nil). Even though these facilities have been classified as payable not later than 1 year 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.

2 The liabilities payable not later than 1 year is net of short term funds, deposits with financial institutions and cash and bank balances.

NOTES TO FINANCIAL STATEMENTS cont'd

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 2006	2005	Principal Activities
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 Bhd	**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

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest 2006	Effective Group Interest 2005	Principal Activities
Direct Subsidiaries cont'd			
Plantation cont'd			
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
Property Development and Investment			
Bukit Kelang Development Sdn Bhd	**100%**	100%	Property development
Kayangan Heights Sdn Bhd	**60%**	60%	Property development
Nice Skyline Sdn Bhd	**88%**	87%	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	**70%**	69%	Property development, property investment and investment holding
Kean Ko Sdn Berhad	**100%**	100%	Investment holding
Projects IOI (Mauritius) Ltd * (Incorporated in Mauritius)	**55%**	55%	Investment holding
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 and palm kernel fractionation
IOI Loders Croklaan Procurement Company Sdn Bhd (Formerly known as Vibrant Field Sdn Bhd)	**100%**	100%	Commodities trading and procurement of palm oil

NOTES TO FINANCIAL STATEMENTS cont'd

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest 2006	2005	Principal Activities
Direct Subsidiaries cont'd			
Resource-based Manufacturing cont'd			
IOI Oleochemical Industries Berhad *	**100%**	60%	Investment holding
Loders Croklaan Group B. V. (Incorporated in The Netherlands)	**100%**	100%	Investment holding
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 (Incorporated in the Federal Territory of Labuan)	**100%**	100%	Issuance of Exchangeable Bonds
IOI Ventures (L) Berhad (Incorporated in the Federal Territory of Labuan)	**100%**	100%	Issuance of Guaranteed Notes
IOI Corporation N. V. * (Incorporated in The Netherlands Antilles)	**100%**	100%	Investment holding
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 Biofuel Sdn Bhd (Formerly known as Perfect Format Sdn Bhd)	**100%**	100%	Pre-operating
IOI Pulp & Paper Sdn Bhd	**100%**	100%	Pre-operating
IOI Management Sdn Bhd	**100%**	100%	Pre-operating
Tampoi Development Sdn Bhd	**100%**	100%	Pre-operating

+ Under Liquidation

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest 2006	Effective Group Interest 2005	Principal Activities
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 Segama 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
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

NOTES TO FINANCIAL STATEMENTS cont'd

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest 2006	Effective Group Interest 2005	Principal Activities
Indirect Subsidiaries cont'd			
Plantation cont'd			
Subsidiaries of Syarimo Sdn Bhd cont'd			
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 *	**100%**	65%	Cultivation of oil palm
Pamol Plantations Sdn Bhd *	**100%**	65%	Cultivation of oil palm and processing of palm oil
Unipamol Malaysia Sdn Bhd *	**100%**	65%	Investment holding
Pamol Bintang Sdn Bhd *	**100%**	65%	Dormant
Subsidiary of Pamol Plantations Sdn Bhd			
Pamol Estates (Sabah) Sdn Bhd *	**70%**	45%	Cultivation of oil palm and processing of palm oil
Subsidiary of Pamol Estates (Sabah) Sdn Bhd			
Milik Berganda Sdn Bhd *	**70%**	45%	Cultivation of oil palm
Property Development and Investment			
Subsidiary of Nice Skyline Sdn Bhd			
Jurang Teguh Sdn Bhd	**88%**	87%	Building, engineering and construction services
Subsidiary of Projects IOI (Mauritius) Ltd	**49%**	49%	Property investment
A. P. Gems & Jewellery Park Pvt Ltd (India) * (Incorporated in India)			

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest 2006	Effective Group Interest 2005	Principal Activities
Indirect Subsidiaries cont'd			
Property Development and Investment cont'd			
Subsidiaries of IOI Properties Berhad			
Cahaya Kota Development Sdn Bhd	**70%**	69%	Property development, property investment and investment holding
Flora Development Sdn Bhd	**70%**	69%	Property development
Kapar Realty And Development Sdn Berhad	**48%**	47%	Property development
Kumpulan Mayang Sdn Bhd	**70%**	69%	Property development
Pine Properties Sdn Bhd	**70%**	69%	Property development and property investment
Dynamic Management Sdn Bhd	**70%**	69%	Property development and investment holding
Commercial Wings Sdn Bhd	**70%**	69%	Property investment
Property Skyline Sdn Bhd *	**63%**	62%	Provision of management services and investment holding
Flora Horizon Sdn Bhd	**70%**	69%	Pre-operating
Pilihan Teraju Sdn Bhd	**70%**	69%	Pre-operating
Hartawan Development Sdn Bhd	**70%**	69%	Inactive
Jutawan Development Sdn Bhd	**70%**	69%	Inactive
Paduwan Development Sdn Bhd	**70%**	69%	Inactive
Paska Development Sdn Bhd	**70%**	69%	Inactive
IOI Land Singapore Pte Ltd * (Incorporated in Singapore)	**70%**	69%	Inactive
Subsidiaries of Cahaya Kota Development Sdn Bhd			
IOI Building Services Sdn Bhd	**70%**	69%	Building maintenance services
Lush Development Sdn Bhd	**70%**	69%	Property development
Riang Takzim Sdn Bhd	**70%**	69%	Inactive
Tanda Bestari Development Sdn Bhd	**70%**	69%	Inactive
Subsidiaries of Dynamic Management Sdn Bhd			
Paksi Teguh Sdn Bhd	**70%**	69%	General contractors
Pilihan Megah Sdn Bhd	**70%**	69%	Property development, property investment and investment holding
Legend Advance Sdn Bhd *	**49%**	48%	Property development

NOTES TO FINANCIAL STATEMENTS cont'd

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest 2006	2005	Principal Activities
Indirect Subsidiaries cont'd			
Property Development and Investment cont'd			
Subsidiary of Pilihan Megah Sdn Bhd			
Future Link Properties Pte Ltd * (Incorporated in Singapore)	**43%**	42%	Property investment
Subsidiaries of Property Skyline Sdn Bhd			
Nice Frontier Sdn Bhd *	**65%**	64%	Property development, property investment and cultivation of oil palm
Property Village Berhad *	**57%**	56%	Property development, golf club and recreational services and investment holding
Subsidiary of Property Village Berhad			
Baycrest Sdn Bhd *	**57%**	56%	General contractors
Subsidiary of Kean Ko Sdn Berhad			
Seremban Enterprise Corporation Berhad	**58%**	58%	Property development
Subsidiaries of IOI Oleochemical Industries Berhad			
Palmex Industries Sdn Berhad *	**100%**	65%	Property development and investment holding
Palmco Properties Sdn Bhd *	**100%**	65%	Property investment
PMX Bina Sdn Bhd *	**100%**	65%	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 *	**100%**	65%	Manufacturing of fatty acids and glycerine
Derichem (M) Sdn Bhd *	**100%**	65%	Manufacturing of soap noodles
Esterchem (M) Sdn Bhd *	**100%**	65%	Trading in esters
Stabilchem (M) Sdn Bhd *	**100%**	65%	Manufacturing of metallic stearates
Palmco Oil Mill Sendirian Berhad *	**100%**	65%	Trading in commodities

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest 2006	2005	Principal Activities
Indirect Subsidiaries cont'd			
Resource-based Manufacturing cont'd			
Subsidiaries of Loders Croklaan Group B. V.			
Loders Croklaan B. V. # (Incorporated in The Netherlands)	**100%**	100%	Manufacturing of specialty oils and fats
Loders Croklaan Canada Inc. # (Incorporated in Canada)	**100%**	100%	Manufacturing of specialty oils and fats
Loders Croklaan USA B. V. # (Incorporated in The Netherlands)	**100%**	100%	Investment holding
Loders Croklaan For Oils S.A.E. Egypt * (Incorporated in Egypt)	**100%**	100%	Production of emulsified raw materials and semi finished goods on oils and fats
IOI-Loders Croklaan Oils B.V. # (Incorporated in The Netherlands)	**100%**	100%	Palm oil refinery
Loders Croklaan (Shanghai) Trading Co., Ltd. # (Incorporated in the People's Republic of China)	**100%**	100%	Trading of specialty oils and fats products
IOI Loders Croklaan Oils Sdn Bhd	**100%**	100%	Refining and trading of crude palm oil, other refined products and tolling services
Loders Croklaan (Asia) Sdn Bhd	**100%**	100%	Processing and sale of palm oil and palm kernel oil derived specialty fats and related products
Loders Croklaan (Ghana) Limited * (Incorporated in Ghana)	**100%**	–	Procurement and development of raw material for specialty fat application
Loders Croklaan Malaysia Sdn Bhd	**100%**	100%	Inactive
Loders Croklaan Latin America Comercio e Industria Ltda * (Incorporated in Brazil)	**100%**	–	Inactive
Subsidiary of Loders Croklaan USA B. V.			
Loders Croklaan USA LLC # (Incorporated in United States of America)	**100%**	100%	Manufacturing of specialty oils and fats

NOTES TO FINANCIAL STATEMENTS cont'd

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest 2006	Effective Group Interest 2005	Principal Activities
Indirect Subsidiaries cont'd			
Resource-based Manufacturing cont'd			
Subsidiary of Loders Croklaan For Oils S. A. E. Egypt			
Loders Croklaan Trading & Distribution LLC Egypt * (Incorporated in Egypt)	**100%**	100%	Trading and marketing of food-based products
Non-Segment			
Subsidiaries of IOI Oleochemical Industries Berhad			
Palmco Jaya Sendirian Berhad *	**100%**	65%	Bulk cargo warehousing
Palmco Hotels Sdn Bhd *	**100%**	65%	Hotel and related activities
Palmco Management Services Sdn Bhd *	**100%**	65%	Management services and rental of storage tanks
Care Security Services Sdn Bhd *	**100%**	65%	Management of collection of service charges
Performance Chemicals (M) Sdn Bhd *	**100%**	65%	Dormant
Palmina Sendirian Berhad *	**100%**	65%	Dormant
Palmco Plantations Sendirian Berhad *	**100%**	65%	Dormant
Palmco Cocoa Sendirian Berhad *	**100%**	65%	Dormant
Direct Consolidated Sdn Bhd *	**100%**	65%	Dormant
Quantum Green Sdn Bhd *	**100%**	65%	Dormant
Acidchem (Sabah) Sdn Bhd *	**100%**	65%	Dormant
Subsidiary of Acidchem International Sdn Bhd			
Acidchem (USA) Inc * (Incorporated in United States of America)	**100%**	65%	Trading in fatty acids and glycerine
Subsidiary of Palmex Industries Sdn Berhad			
Palmco International (HK) Limited * (Incorporated in Hong Kong)	**100%**	65%	Investment holding

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest 2006	2005	Principal Activities
Indirect Subsidiaries cont'd			
Non-Segment cont'd			
Subsidiaries of Palmco International (HK) Limited			
Palmco Engineering Limited * (Incorporated in Hong Kong)	**100%**	65%	Investment holding
Acidchem (Singapore) Pte Ltd * (Incorporated in Singapore)	**100%**	65%	Dormant
Subsidiary of Palmco Engineering Limited			
Tianjin Palmco Oil & Fats Co Ltd * (Incorporated in People's Republic of China)	**100%**	65%	Dormant
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

Subsidiaries audited by BDO member firms

NOTES TO FINANCIAL STATEMENTS cont'd

45 LIST OF SUBSIDIARIES AND ASSOCIATES cont'd

Name of Company	Effective Group Interest 2006	Effective Group Interest 2005	Principal Activities
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	**18%**	17%	Property development and cultivation of oil palm
Associates of IOI Oleochemical Industries Berhad			
Fatty Chemical (Malaysia) Sdn Bhd	**30%**	19%	Manufacturing of fatty alcohol and methyl esters
Kao Plasticizer (Malaysia) Sdn Bhd	**30%**	19%	Manufacturing of plasticizer and other chemical products
Associate of Palmex Industries Sdn Berhad			
Malaysia Pakistan Venture Sdn Bhd	**25%**	16%	Investment holding

46 AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 30 June 2006 were authorised for issue by the Board of Directors on 5 September 2006.

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 117 to 224 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 2006 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:

Dato' Lee Yeow Chor
Executive Director

Dato' Yeo How
Executive Director

Putrajaya
5 September 2006

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 117 to 224 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	)	**Dato' Yeo How**
at Puchong, Selangor Darul Ehsan	)	
this 5 September 2006	)	

Before me

S. Nirmala Devi
Commissioner for Oaths
No. B076

REPORT OF THE AUDITORS

to the members of IOI Corporation Berhad

We have audited the financial statements set out on pages 117 to 224.

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 2006 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

Datuk Tan Kim Leong
235/06/07 (J/PH)
Partner

Kuala Lumpur
5 September 2006

GROUP PROPERTIES

PLANTATION ESTATES

Location	Tenure	Area (Hectare)	Crop Planted	Factory/ Mill	Net Book Value as at 30 June 2006 RM'000	Year of Acquisition
Pahang Darul Makmur						
Bukit Dinding Estate Bentong	Freehold	1,543	OP	–	21,134	1983
Pukin Estate Pekan Rompin	Leasehold expiring 2071, 2074, 2077	2,437	OP	M	41,445	1985
Mekassar Estate Pekan Rompin	Leasehold expiring 2075	1,216	OP	–	19,868	1985
Detas Estate Pekan	Leasehold expiring 2081	2,301	OP	–	26,473	1989
Bukit Leelau Estate Pekan	Leasehold expiring 2088	2,096	OP	M	24,063	1989
Merchong Estate Pekan	Leasehold expiring 2075	1,952	OP	–	29,341	1990
Leepang A Estate Rompin	Leasehold expiring 2065	2,404	OP	–	20,645	2000
Laukin A Estate Rompin	Leasehold expiring 2065	1,620	OP	–	11,055	2000
Shahzan IOI Estate Rompin	Leasehold expiring 2062	3,204	OP	–	25,359	2002
Negeri Sembilan Darul Khusus						
Regent Estate Tampin	Freehold	2,313	OP R	–	39,692	1990
Bahau Estate Kuala Pilah	Freehold	3,028	OP R	–	49,687	1990
Kuala Jelei Estate Kuala Pilah	Freehold	678	OP	–	12,679	1990
Johor Darul Takzim						
Gomali Estate Segamat	Freehold	3,845	OP	M	81,631	1990
Paya Lang Estate Segamat	Freehold	1,470	OP	–	25,906	1990
Tambang Estate Segamat	Freehold	2,020	OP	–	39,263	1990

GROUP PROPERTIES cont'd

PLANTATION ESTATES cont'd

Location	Tenure	Area (Hectare)	Crop Planted	Factory/ Mill	Net Book Value as at 30 June 2006 RM'000	Year of Acquisition
Johor Darul Takzim cont'd						
Bukit Serampang Estate Tangkak	Freehold	2,725	OP	–	47,467	1990
Kahang Estate Kluang	Leasehold expiring 2082	2,420	OP	–	36,224	1990
Sagil Estate Tangkak	Freehold	2,518	OP R	–	47,091	1990
Segamat Estate Segamat	Freehold	1,946	OP R	–	38,678	1990
Pamol Plantations Estate Kluang	Freehold	8,110	OP	M	279,698	2003
Sabah						
Morisem 1 Estate Kinabatangan	Leasehold expiring 2080	2,032	OP	–	27,034	1993
Morisem 2 Estate Kinabatangan	Leasehold expiring 2087	2,023	OP	–	27,273	1993
Morisem 3 Estate Kinabatangan	Leasehold expiring 2087, 2088	2,014	OP	M	49,653	1993
Morisem 4 Estate Kinabatangan	Leasehold expiring 2089	2,023	OP	–	25,524	1993
Morisem 5 Estate Kinabatangan	Leasehold expiring 2078	1,878	OP	M	34,428	1993
Baturong 1-3 Estates Kunak	Leasehold expiring 2081	7,485	OP	M	66,762	1991
Halusah Estate Lahad Datu	Leasehold expiring 2076, 2078	813	OP	–	186	1991
Syarimo 1-9 Estates Kinabatangan	Leasehold expiring 2077-2990	18,417	OP	M	238,479	1985-2000
Permodalan Estate Kinabatangan	Leasehold expiring 2078	8,093	OP	–	109,254	1995
Laukin Estate Sugut	Leasehold expiring 2077	2,128	OP	–	30,099	1996
Sakilan Estate Sandakan	Leasehold expiring 2887	2,296	OP	M	49,527	1996

PLANTATION ESTATES cont'd

Location	Tenure	Area (Hectare)	Crop Planted	Factory/ Mill	Net Book Value as at 30 June 2006 RM'000	Year of Acquisition
Sabah cont'd						
Ladang Sabah Labuk-Sugut	Leasehold expiring 2077, 2082, 2087, 2089	12,228	OP	M	259,353	1998-2003
Cantawan Estate Lahad Datu	Leasehold expiring 2061, 2066, 2078-2080	1,452	OP	–	31,883	1998
Tas Estate Kinabatangan	Leasehold expiring 2077	1,209	OP	–	28,646	1998
Tangkulap Estate Labuk-Sugut	Leasehold expiring 2080-2086	2,277	OP	–	59,869	2001
Bimbingan Estate Labuk-Sugut	Leasehold expiring 2083	3,893	OP	–	76,705	2001
Pamol Plantations Estate Labuk-Sugut	Leasehold expiring 2081, 2097	1,442	OP	–	22,416	2003
Pamol Estate Labuk-Sugut	Leasehold expiring 2888	8,186	OP	M	202,135	2003
Milik Berganda Estate Labuk-Sugut	Leasehold expiring 2090	5,269	OP	–	107,592	2003
Linbar 1 & 2 Estate Kinabatangan	Leasehold expiring 2081	4,840	OP	–	119,986	2003
Mayvin 1-2 Estate Labuk-Sugut	Leasehold expiring 2079-2081, 2090, 2092	3,423	OP	M	125,345	2003
Mayvin 5-6 Estate Kinabatangan	Leasehold expiring 2082	3,602	OP	–	100,458	2003
Leepang 1-5 Estate Kinabatangan	Leasehold expiring 2080-2094, 2974-2995	9,241	OP	–	269,865	2003

OP Oil palm
R Rubber
M Oil palm mill

GROUP PROPERTIES cont'd

DEVELOPMENT PROPERTIES

Location	Tenure	Initial Gross Land Area	Balance of Net Land Area for Development	Usage	Net Book Value as at 30 June 2006 RM'000	Year of Acquisition
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	975	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	48,979	1990
Bandar Puteri Lots 12, 356, 5452-5473, 5475-5490 Puchong, Petaling Selangor Darul Ehsan	Freehold	374 hectares	119 hectares	On-going mix development project	280,348	1994
IOI Resort Lot 3991 (part), Dengkil, Sepang Selangor Darul Ehsan	Freehold	37 hectares	16 hectares	Condominium and bungalow development	33,012	1990
Bandar Putra Lot 5418 (part) Senai-Kulai, Johor Bahru Johor Darul Takzim	Freehold	332 hectares	88 hectares	On-going mix development project	109,651	1988
Bandar Putra Lots 3787, 5418, 26737, 3783, 3785 Senai-Kulai, Johor Bahru Johor Darul Takzim	Freehold	1,967 hectares	900 hectares	On-going mix development project	243,485	1988
				Labour lines, staff quarters, estate bungalows, stores	285	

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 2006 RM'000	Year of Acquisition
Taman Lagenda Putra Geran No 25031-25040 (Lot No 7021, 7024-7032) Geran No 22-23 (MG No 12-13) Title No 14708-14719 (Lot 5585-5596) Senai-Kulai, Johor Bahru Johor Darul Takzim	Freehold	91 hectares	42 hectares	On-going mix development project	39,690	2005
Bandar Putra PTD 5746, 5747 & 5748 Segamat, Johor Darul Takzim	Freehold	198 hectares	69 hectares	On-going mix development project	43,969	1990
Lot 2882, Grant 7920 Tangkak, Muar Johor Darul Takzim	Freehold	113 hectares	113 hectares	Homestead development	2,242	1990
Taman Bidara Seremban Negeri Sembilan Darul Khusus	Freehold	–	12,368 sq m	On-going mix development project	693	1985
Lot 1758 (part of CT 2121) Mukim Gemencheh, Tampin Negeri Sembilan Darul Khusus	Freehold	16 hectares	4 hectares	On-going mix development project	1,155	1990
HSD 20422 PT No 5140 Sg. Buloh, Petaling Selangor Darul Ehsan	Freehold	–	3,962 sq m	Residential development	2,986	1980
Taman Klang Utama Various sub-divided lots in Kapar Klang, Selangor Darul Ehsan	Freehold	–	2,525 sq m	Future development land	1,548	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	12,430	1990
Grant 9051 (Part) Tangkak, Muar Johor Darul Takzim	Freehold	20 hectares	20 hectares	On-going mix development project	3,006	1990

GROUP PROPERTIES cont'd

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 2006 RM'000	Year of Acquisition
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	13,741	1983
HSD 11323 PT No 12514 Mukim of Dengkil District of Sepang Selangor Darul Ehsan	Leasehold expiring 2091	196 hectares	196 hectares	Future development land	111,297	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 Mukim of Dengkil District of Sepang Selangor Darul Ehsan	Leasehold Expiring 2091	21 hectares	21 hectares	Future development land	10,795	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 2006 RM'000	Year of Acquisition/ Revaluation
IOI Mall Bandar Puchong Jaya Puchong Selangor Darul Ehsan	Freehold	66,521 sq m	58,992 sq m	3 storey shopping mall	10	153,757	2003*
IOI Business Park Bandar Puchong Jaya Puchong Selangor Darul Ehsan	Freehold	38,849 sq m	5,336 sq m	37 units commercial lot	8	23,928	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	10	19,733	2003*
IOI Resort Putrajaya	Freehold	63,449 sq m	22,082 sq m	33 units of residential bungalow	2-10	55,642	2003*
One IOI Square IOI Resort Putrajaya	Freehold	18,744 sq m	18,092 sq m	12 storey new office building erected on existing land	3	46,063	1990
IOI Mall Bandar Putra Kulai Johor Bahru Johor Darul Takzim	Freehold	43,482 sq m	22,398 sq m	3 storey shopping mall	5	49,501	2003*
IOI Plaza 210 Middle Road Singapore	Leasehold expiring 2095	2,600 sq m	8,740 sq m	12 storey office building	8	164,352	2003*

* Year of revaluation

GROUP PROPERTIES cont'd

INDUSTRIAL PROPERTIES

Location	Tenure	Land Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2006 RM'000	Year of Acquisition
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	–	5,324	1984
Country lease 075365632, 075376279, 075376260 & 075469340 Sg. Mowtas and Batu Sapi Sandakan, Sabah	Leasehold expiring 2039, 2042, 2044	22 hectares	Palm oil refinery	9	110,573	1995
Plot 57 Mukim 1 Bukit Tengah Industrial Park Prai, Penang	Leasehold expiring 2053	41,224 sq m	Vacant industrial land	–	2,723	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	27 5	54,326 9,488	2001
Palmco Jaya Warehouse Bulk Cargo Terminal 13600 Prai, Penang	Leasehold expiring 2025	13,400 sq m	Bulk cargo terminal	32	71	2001

INDUSTRIAL PROPERTIES cont'd

Location	Tenure	Land Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2006 RM'000	Year of Acquisition
Deep Water Wharves 12100 Butterworth Penang	Leasehold expiring 2015	5,200 sq m	Bulking installation	32	–	2001
HS (D) 160988 PTD No.89217 Mukim Plentong Pasir Gudang, Johor Bahru Johor Darul Takzim	Leasehold expiring 2041	9 hectares	Factory sites	25	41,663	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	17	–	2001
Loders Croklaan Hogeweg 1, 1520 Wormerveer The Netherlands	Freehold	6 hectares	Specialty oils and fats manufacturing facilities	15-36	134,672	2002
Durkee Road 24708 W Channahon Illinois, United States	Freehold	36 hectares	Specialty oils and fats manufacturing facilities	4-36	65,392	2002
Antarcticaweg 191 Harbour 8228 3199 KA Maasvlakte Rottterdam, The Netherlands	Leasehold	15 hectares	Palm oil refinery	1-5	163,257	2004

GROUP PROPERTIES cont'd

OTHER PROPERTIES

Location	Tenure	Land/ Built Up Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2006 RM'000	Year of Acquisition
Palm Garden Hotel Lot 3991 (part) Dengkil, Sepang Selangor Darul Ehsan	Freehold	12,181 sq m	152- room hotel	10	19,260	1990
IOI Palm Garden Golf Course Lot 3991 (part) Dengkil, Sepang Selangor Darul Ehsan	Freehold	90 hectares	27-hole golf course and clubhouse	13	44,861	1990
Lot 17351–17355 Petaling Selangor Darul Ehsan	Freehold	1,376 sq m	1 unit 3.5 storey shopoffices	12	484	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	3,900 sq m	1.5 storey factory	10	377	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	3-4	190,189	1990

OTHER PROPERTIES cont'd

Location	Tenure	Land/ Built Up Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2006 RM'000	Year of Acquisition
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, Lebuh Putra Utama Bandar Putra Kulai Johor Bahru Johor Darul Takzim	Freehold	1,041 sq m	Bandar Putra corporate office	9	1,284	1994
HS (D) 13605 PTD 4911 Mukim Sg. Segamat Segamat Johor Darul Takzim	Leasehold expiring 2046	6,930 sq m	Vacant industrial land	–	173	1986
Palm Villa Golf & Country Resort Bandar Putra Kulai, Johor Bahru Johor Darul Takzim	Freehold	96 hectares	27-hole golf course	–	18,750	1994
Palm Villa Golf & Country Resort Bandar Putra Kulai Johor Bahru, Johor Darul Takzim	Freehold	7 hectares	Clubhouse	5	7,481	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	26	188	2005

GROUP PROPERTIES cont'd

OTHER PROPERTIES cont'd

Location	Tenure	Land/ Built Up Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2006 RM'000	Year of Acquisition
PT 3865, Pasir Ponyang Port Dickson Negeri Sembilan Darul Khusus	Freehold	917 sq m	Holiday bungalow	23	104	1990
Lot 8, Jalan Segama Lahad Datu, Sabah	Leasehold expiring 2894	112 sq m	Shoplot	13	–	1993
Lot 15, 16 & 17 Tengah Nipah Road Lahad Datu, Sabah	Leasehold expiring 2894	2,280 sq m	Semi-detached house and staff apartments	20	–	1993
Country lease 115310926 Jalan Segama Lahad Datu, Sabah	Leasehold expiring 2932	1 hectare	Regional office	5	708	1993
Country lease 115325534 New Wharf Road Lahad Datu, Sabah	Leasehold expiring 2914	2 hectares	Warehouse	–	1,650	1993
Country lease 115325543, 116179269 New Wharf Road Lahad Datu, Sabah	Leasehold expiring 2057, 2914	5 hectares	Warehouse	–	2,953	1993
302-H, Jalan Relau Desaria, Sg. Ara Penang	Freehold	167 sq m	Shoplot	11	296	2001
Batu Ferringi 11100 Penang	Freehold	20,700 sq m	180-room hotel	31	47,239	2001
Lot 8165 Mukim 12 Sg. Ara Estate Penang	Freehold	1,799 sq m	Vacant commercial land	–	150	2001
Flat 28 Marathon House 200 Marylebone Road London, NW1 5 PW	Leasehold expiring 2996	80 sq m	Residential apartment	8	1,999	1999

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Seventh Annual General Meeting of the Company will be held at Putrajaya Ballroom I (Level III), Putrajaya Marriott Hotel, IOI Resort, 62502 Putrajaya, Malaysia on Monday, 30 October 2006 at 10.15 a.m. for the following purposes:

AGENDA

1 To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2006 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 Mr Lee Cheng Leang
b Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor

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 approve the payment of Directors' fees of RM350,000 for the financial year ended 30 June 2006.

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 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."

NOTICE OF ANNUAL GENERAL MEETING cont'd

AGENDA cont'd

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;

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;

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 in 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 of a Revenue or Trading Nature

"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 interests of Directors, Major Shareholders or persons connected to 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 28 September 2006 subject to the following:

6.3 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature cont'd

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,

THAT authority conferred by this resolution will commence immediately upon the passing of this Ordinary Resolution and shall continue to be in force until:

i the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless renewed by a resolution passed by the shareholders of the Company in a general meeting;

ii the expiration of the period within which the next Annual General Meeting of the Company after that 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 of the Company in a 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
28 September 2006

NOTICE OF ANNUAL GENERAL MEETING cont'd

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 Notes 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 of a Revenue or Trading Nature

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 28 October 2005. 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 to 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 28 September 2006.

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 as follows:

- Mr Lee Cheng Leang
- Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor

b The Director seeking for re-appointment under Section 129(6) 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 58 to 59 of the Annual Report. Their shareholdings in the Company and its related corporations are set out in the section entitled "Statement of Directors' Interests" on page 80 of the Annual Report.

2 **Board Meeting held in the financial year ended 30 June 2006**

A total of seven Board Meetings were held in the financial year ended 30 June 2006. The details of the attendance of Directors at the Board Meeting held in the financial year ended 30 June 2006 were as disclosed on page 70 of the Annual Report.

3 **Date, Time and Venue of the Annual General Meeting**

The Thirty-Seventh Annual General Meeting of the Company will be held as follows:

Date : Monday, 30 October 2006

Time : 10.15 a.m.

Venue : Putrajaya Ballroom I (Level III)
Putrajaya Marriott Hotel
IOI Resort, 62502 Putrajaya
Malaysia

SHAREHOLDERS INFORMATION

as at 30 August 2006

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	:	8,853

ANALYSIS OF SHAREHOLDINGS

Size of holdings	No. of holders	Total holdings	%
1-99	224	6,204	0.00
100-1,000	3,348	2,854,106	0.23
1,001-10,000	3,988	15,635,068	1.28
10,001-100,000	767	24,512,016	2.01
100,001-61,029,224	523	734,629,110	60.19
61,029,225 and above	3	442,948,000	36.29
Total	8,853	1,220,584,504	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	285,800,200	23.42
2	Progressive Holdings Sdn Bhd	86,561,000	7.09
3	Employees Provident Fund Board	70,211,500	5.75
4	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Progressive Holdings Sdn Bhd	46,000,000	3.77
5	HSBC Nominees (Asing) Sdn Bhd Exempt Authorised Nominee for JPMorgan Chase Bank, National Association (U.S.A.)	20,879,500	1.71
6	Annhow Holdings Sdn Bhd	20,036,500	1.64
7	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Progressive Holdings Sdn Bhd	20,000,000	1.64
8	Citigroup Nominees (Asing) Sdn Bhd UBS AG Singapore for Narisa Heights Investments Limited	18,857,196	1.54

LIST OF TOP 30 SHAREHOLDERS cont'd

	Name	No. of shares held	%
9	Citigroup Nominees (Asing) Sdn Bhd UBS AG Singapore for Westmead Holdings Limited	15,800,825	1.30
10	Citigroup Nominees (Asing) Sdn Bhd Royal Bank of Scotland as Depository for First State Asia Pacific Leader Fund (CB LDN)	13,511,200	1.11
11	HSBC Nominees (Asing) Sdn Bhd Exempt Authorised Nominee for JPMorgan Chase Bank, National Association (Saudi Arabia)	13,164,000	1.08
12	HSBC Nominees (Asing) Sdn Bhd Exempt Authorised Nominee for J.P. Morgan Bank Luxembourg S.A.	12,796,600	1.05
13	Nagawan Development Sdn Bhd	12,379,929	1.01
14	Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	11,963,656	0.98
15	Citigroup Nominees (Asing) Sdn Bhd CB LDN for First State Asia Pacific Fund	11,893,000	0.97
16	HSBC Nominees (Asing) Sdn Bhd Exempt Authorised Nominee for JPMorgan Chase Bank, National Association (U.K.)	10,858,100	0.89
17	HSBC Nominees (Asing) Sdn Bhd Exempt Authorised Nominee for JPMorgan Chase Bank, National Association (Netherlands)	10,232,400	0.84
18	Tan Sri Dato' Lee Shin Cheng	9,688,983	0.79
19	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund 1LN0 for The Genesis Group Trust Employee Benefit Plans	9,631,600	0.79
20	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	8,117,900	0.66
21	HSBC Nominees (Asing) Sdn Bhd Exempt Authorised Nominee for JPMorgan Chase Bank, National Association (U.A.E.)	8,115,952	0.66
22	Rickoh Holdings Sdn Bhd	8,070,000	0.66
23	HSBC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Progressive Holdings Sdn Bhd	8,000,000	0.66
24	HSBC Nominees (Asing) Sdn Bhd Happy Palace Investments Limited	7,708,333	0.63
25	Citigroup Nominees (Asing) Sdn Bhd Exempt Authorised Nominee for American International Assurance Company Limited	7,671,600	0.63
26	Citigroup Nominees (Asing) Sdn Bhd Royal Bank of Scotland as Depository for First State Global Emerging Markets Fund	6,730,200	0.55

SHAREHOLDERS INFORMATION cont'd

as at 30 August 2006

LIST OF TOP 30 SHAREHOLDERS cont'd

Name		No. of shares held	%
27	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for The State Teachers Retirement System of Ohio (Stewart Ivory)	6,218,700	0.51
28	HSBC Nominees (Asing) Sdn Bhd Exempt Authorised Nominee for JPMorgan Chase Bank, National Association (Coal Staff)	6,055,900	0.50
29	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Annhow Holdings Sdn Bhd	5,845,000	0.48
30	Citigroup Nominees (Asing) Sdn Bhd Mellon Bank, N.A. for Acadian Emerging Markets Equity Fund	5,752,800	0.47
	Total	778,552,574	63.78

SUBSTANTIAL SHAREHOLDERS AS AT 30 AUGUST 2006

(as per Register of Substantial Shareholders)

	No. of shares held			
Name of shareholders	Direct	%	Indirect	%
Tan Sri Dato' Lee Shin Cheng	9,688,983	0.79	*462,852,529	37.92
Puan Sri Datin Hoong May Kuan	–	–	**472,541,512	38.71
Dato' Lee Yeow Chor	908,000	0.07	***461,799,529	37.83
Lee Yeow Seng	145,000	0.01	***461,799,529	37.83
Progressive Holdings Sdn Bhd	449,419,600	36.82	–	–
First State Investments	–	–	#125,445,000	10.28
Employees Provident Fund Board	70,211,500	5.75	@1,038,300	0.09

* Deemed interested by virtue of his interests in Progressive Holdings 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 interests and the interests of her spouse, Tan Sri Dato' Lee Shin Cheng in Progressive Holdings Sdn Bhd and Nagawan Development Sdn Bhd, the interests of her sons, Dato' Lee Yeow Chor and Lee Yeow Seng in Progressive Holdings Sdn Bhd and Nagawan Development 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 interests in Progressive Holdings Sdn Bhd and Nagawan Development Sdn Bhd.

Shares held by First State Investment Management (UK) Limited, its subsidiary First State Investments International Limited and their associated companies (collectively "First State Investments") on behalf of their clients who have appointed First State Investments as investment manager.

@ Shares managed by Portfolio Managers.

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-Seventh Annual General Meeting of the Company to be held at Putrajaya Ballroom I (Level III), Putrajaya Marriott Hotel, IOI Resort, 62502 Putrajaya, Malaysia on Monday, 30 October 2006 at 10.15 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 2006 and the Reports of the Directors and Auditors thereon		
2	To re-elect Mr Lee Cheng Leang as a Director		
3	To re-elect Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor 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 of a revenue or trading nature		

(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 : ______________ %
Second proxy : ______________ %
100%

Dated this ______________ day of ______________ 2006.

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 Companies Act, 1965 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.

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stamp

The Company Secretary
IOI Corporation Berhad
Two IOI Square
IOI Resort, 62502
Putrajaya, Malaysia

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