IOI Corporation Berhad 9027-W

IOI GROUP

GIVING BACK

annual report

2008

GIVING BACK

Ever since formulating Vision IOI back in 1995, Corporate Social Responsibility ("CSR") has been part and parcel of the way we do business. Fundamental to our corporate vision is a determination to care for the communities and environments in which we operate. We constantly seek to align business, social and environmental best practice, maximising the benefits to all our stakeholders.

We are wholeheartedly committed to giving back to the land on which our prosperity is based by nurturing our nation's human and natural resources and making them the foundation on which to build a better future.

Education therefore forms an integral part of our CSR initiatives, and via Yayasan Tan Sri Lee Shin Cheng, we have become a major benefactor to many schools and underprivileged students nationwide. We have also dedicated considerable resources to community and employee welfare.

Similarly, wherever we operate, we are resolute in meeting regulatory requirements on environmental impact. We strive to achieve a sustainable long-term balance between meeting business goals and ensuring environmental protection. Our policy is to safeguard the environment, and to encourage the same standards of environmental care from our suppliers and business partners.

OUR VISION

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

We shall strive to achieve responsible commercial success by satisfying our customers' needs, giving superior performance to our shareholders, providing rewarding careers to our people, cultivating mutually beneficial relationship with our business associates, caring for the society and the environment in which we operate and contributing towards the progress of our nation.

OUR KEY STRATEGIES

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

KEY INDICATORS		**2008**	2007	2006	2005	2004
FINANCIAL						
Profit before taxation	RM'000	**3,095,197**	1,991,073	1,152,873	1,208,423	1,107,075
Net profit attributable to shareholders	RM'000	**2,231,632**	1,482,104	829,002	902,220	701,550
Shareholders' equity	RM'000	**8,391,361**	7,739,258	6,033,923	4,862,328	4,418,152
Return on average equity	%	**27.67**	21.52	15.22	19.44	17.65
Basic earnings per share	sen	**36.85**	24.13	14.51	16.12	12.85
Gross dividend per share	%	**170.0**	70.0	87.0	70.0	50.0
PLANTATION						
FFB production	MT	**3,957,281**	3,694,535	3,674,483	3,657,776	2,927,194
Total oil palm area	Ha	**149,445**	148,871	144,055	143,696	145,060
PROPERTY						
Sales value	RM'000	**696,743**	683,471	570,842	549,213	713,677
Sales	unit	**1,934**	1,529	1,524	1,822	3,010
MANUFACTURING						
Oleochemical						
Plant utilisation	%	**92**	95	99	99	92
Sales	MT	**668,808**	509,965	364,393	366,040	327,510
Refinery						
Plant utilisation	%	**91**	85	87	97	97
Sales	MT	**2,996,439**	2,287,190	1,283,647	1,200,214	1,055,902
Specialty oils and fats						
Plant utilisation	%	**100**	95	91	72	66
Sales	MT	**521,719**	502,695	482,876	283,570	266,205

OUR RESULTS

37%
MARKET CAPITALISATION

2008
RM44.6
BILLION

2007
RM32.5
BILLION

56%
PROFIT BEFORE TAXATION

2008
RM3.10
BILLION

2007
RM1.99
BILLION

43%
SHARE PRICE

2008
RM7.45

2007
RM5.20

64%
REVENUE

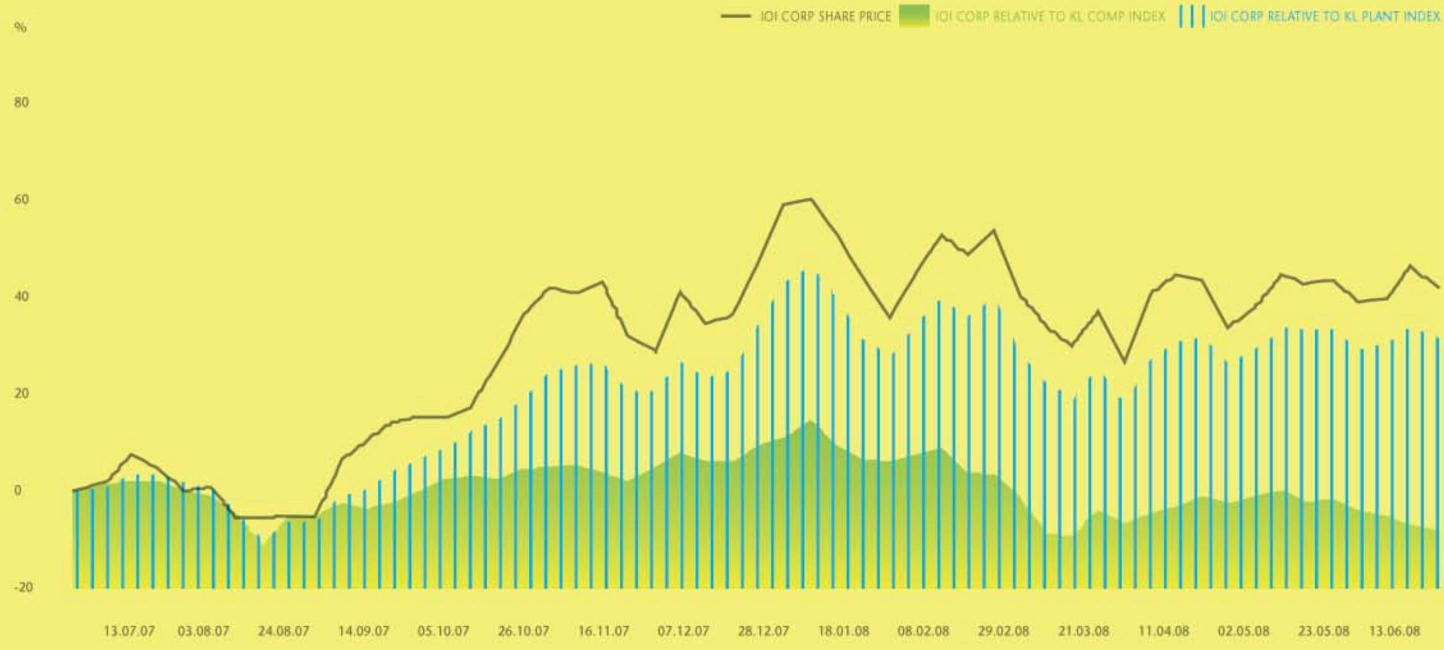
2008
RM14.67
BILLION

2007
RM8.95
BILLION

53%
BASIC EARNINGS PER SHARE

2008
36.85
SEN

2007
24.13
SEN



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CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of IOI Corporation Berhad, it gives me great pleasure to present to you the Annual Report and Financial Statements of your Company and the Group for the financial year ended 30 June 2008.

HIGHLIGHTS

Last financial year, I had reported to you that the Group had achieved new highs in our financial results. As such, I am very pleased to report to you this year that the Group has managed to surpass that with yet another set of record results, incorporating the following key highlights:

- **Group revenue increased by 64% from RM8.95 billion to RM14.67 billion**
- **Operating profit registered RM3.17 billion, a 54% increase over the RM2.06 billion achieved the previous year**
- **Pre-tax profit grew by 55% from RM1.99 billion to RM3.10 billion for FY2008**
- **Net earnings increased by 51% from RM1.48 billion to RM2.23 billion**
- **Return on average equity for the year, ROE, improved from 21.5% to 27.7% for FY2008**

OPERATING BACKGROUND

On the global front, year 2007 global economy was generally less buoyant than in year 2006. The effects of persistent high crude oil prices at record levels coupled with the sluggish US economy due to the burgeoning banking credit crisis and housing market deterioration has weighed down on global economic growth. On another dimension, the surging tide of food prices, such as corn, wheat and palm oil, continues to add to the already worsening global inflationary pressure.

At the local front, Malaysian economy was somewhat resilient in facing the global slowdown in 2007, achieving a GDP growth rate of 6.3% compared to 5.3% achieved last year. Plantation sector continued to be buoyant on the back of high commodity prices. Meanwhile, in the property sector, various positive initiatives announced by the Malaysian government as well as the increase in foreign buying interest had helped to stimulate the domestic housing and commercial property market and for the first time since 2002, overhang units has registered a reduction by 5% over 2006.

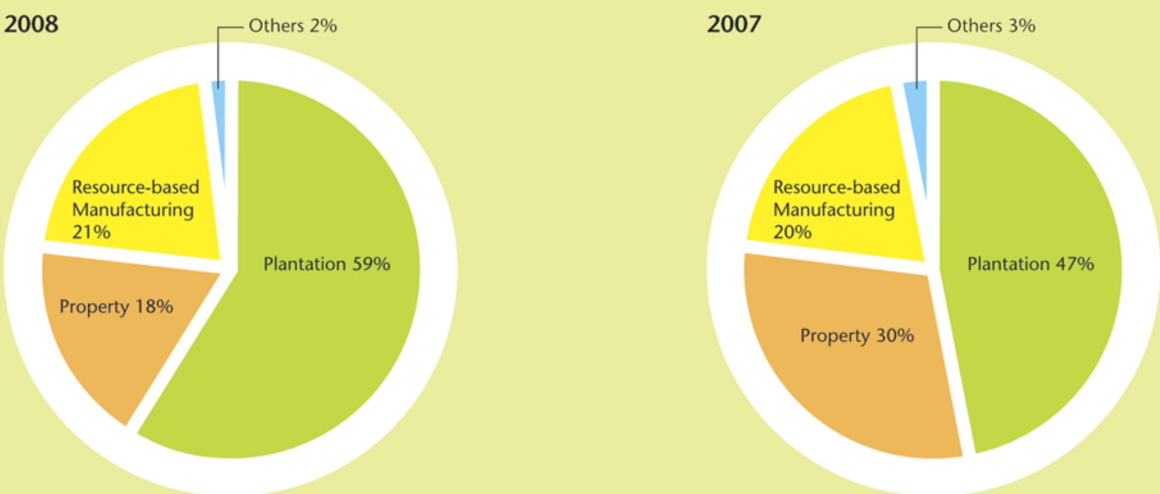
REVIEW OF RESULTS

For the financial year under review, Group revenue grew by 64% to RM14.7 billion as a result of rising palm oil prices as well as volume growth in the integrated palm oil business, with increase in production outputs both at the plantation and the downstream manufacturing divisions.

At Group operating profit level ("EBIT"), the Group registered another solid results with a 54% improvement over previous year's EBIT of RM2.06 billion to RM3.17 billion, backed by strong performance from both plantation and resource-based manufacturing business.

Plantation earnings increased by 98% from RM927 million to RM1.84 billion benefiting from the continued surge of CPO prices where the Group's average selling price was RM2,865 per MT versus RM1,759 per MT the previous financial year. Another contributing factor towards the increase in plantation earnings was the increase of our crop production, from 3.69 million MT FFB for FY 2007 to 3.96 million MT FFB, a 7% increase over the previous year. This improvement is largely due to the recovery of the palm trees from the "biological tree-stress" phenomenon experienced by the industry over the last couple of years as well as the increasing yields from the younger but better planting materials planted by us earlier.

Segmental Contribution To Operating Profit



CHAIRMAN'S STATEMENT CONT'D

The downstream resource-based manufacturing division, comprising refining, oleochemicals and specialty fats, had another outstanding year, with strong growth in operating profit from RM405 million to RM658 million in FY2008 despite operating under challenging environment of surging feedstock prices and higher operating costs. Robust demand in target market segments, improvement in operating efficiencies coupled with good price risk management and supply chain management all contributed to the excellent performance.

As for the property segment, after excluding investment properties revaluation gain of RM130 million for FY2008 and RM161 million for FY2007, the underlying operating profit eased by about 4% to RM422 million against previous year's RM438 million. Escalating cost in building materials such as steel and concrete is a key challenge facing the industry and we were not able to pass all the cost increase to our property buyers. On the whole, compared to other players in the industry, our performance is still considered satisfactory.

Overall, the Group posted a pre-tax profit of RM3.10 billion for FY2008, which was 55% higher than FY2007 of RM1.99 billion whilst net earnings rose by 51% to RM2.23 billion. The percentage increase of the Group's net earnings level is slightly lower than the percentage increase of the Group's pre-tax level due mainly to higher tax expense as a result of the expiry of certain tax incentives granted by the tax authority at the end of FY2007. The strong operating performance from the Palm Oil business, which comprise of our upstream and downstream business, has further improved our Return On average Equity ("ROE") from 21.5% in FY2007 to 27.7% in FY2008, a level which is way above our average ROE target of 20%.

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 & CAPITAL REPAYMENT

For FY2008, the Group is back again to its normal dividend policy of paying two rounds of dividends as compared to last year's of one round of dividend payout. The FY2008 dividend payout represents a 170% on par value or representing a total payout of approximately RM913 million, which is by far the highest dividend declaration made by your Board ever since the inception of the Company. The high dividend payout is not only in tandem with the solid results achieved; it is also to reward the shareholders for their continued support and confidence in the Group.

Apart from the aforementioned direct cash returns to shareholders, during the financial year, your Company also spent a total of about RM1.1 billion on share buy-back, which shares will be cancelled in due course.

Your Board remains committed to consistently give satisfactory cash returns and increase overall value for shareholders. In this regard, capital management tools will continue to be applied to achieve ROE targets, sustain appropriate net gearing levels and to provide funds for growth opportunities.

CORPORATE DEVELOPMENTS AND GROWTH PLANS

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

With reference to last year's announcement on our acquisition of a stake in Indonesia plantation companies for oil palm cultivation in Indonesia which essentially involves IOI acquiring:

i a 33% stake in a group of companies having plantation land of approximately 100,000 hectares, of which 35,000 hectares was planted, together with three palm oil mills; and

ii a 67% stake in a group of companies which will have plantation land of about 66,000 hectares for planting in due course.

I am pleased to report that the acquisition of the shares in the aforesaid Indonesian plantation companies was completed during the second quarter of FY2008. Since then, another 13,000 hectares have been planted with oil palm and a new 40 metric tones/hour mill has started construction as at the end of FY2008.

In our downstream manufacturing business, Loders Croklaan has started the expansion of its refinery in Rotterdam and also a specialised plant to produce margarine ingredients for the growing palm oil market in Europe. In Malaysia, Loders Croklaan has also embarked on the expansion of its specialty fats plant in Johor together with a new plant to produce ingredients for its nutritional food business at the same location.

On the property front, the Group has made another significant acquisition in Singapore during the year. Through a joint venture between IOI Properties Berhad and their Singapore partner, Ho Bee Investment Limited in a ratio of 65:35 respectively, the Group has successfully tendered for a parcel of land measuring 5.3 acres in Sentosa Cove at a sum of approximately SGD1.1 billion. The site is the last piece of land approved for condominium development on the world-renowned resort island and the joint venture company plans to launch the development towards the second half of year 2009 when the integrated resort on the island is nearing completion.

A notable achievement for the Group was the successful launch of our USD600 million exchangeable bonds ("3rd EB"). The 3rd EB received an overwhelming response from investors globally and it was oversubscribed by five times within the first one and a half hours of book-building exercise. The proceeds from the bond serves as a cash reserve for the Group's future expansion plans including potential acquisition opportunities whilst the borrowing in USD serves as a natural hedge against the Group's revenue from palm oil, which are traded globally in USD.

CHAIRMAN'S STATEMENT CONT'D

CORPORATE RESPONSIBILITY

A significant undertaking by the Group during FY2008 is the completion of a Chinese-medium primary school entirely from the funds of IOI Group. This school project has attracted national prominence as it is the first Chinese-medium primary school built entirely from the funds of a private corporation and was completed within a period of 10 months from the date of its approval. The school was handed over to the Ministry of Education in a ceremony officiated by the Prime Minister of Malaysia on 29 November 2007.

In association with Yayasan Tan Sri Lee Shin Cheng, an approved charitable foundation funded entirely by companies within IOI Group, the Group has promoted a number of projects in the areas of education, medical care and community development which are consistent with its past endeavour. One notable project is the Yayasan Tan Sri Lee Student Adoption Project in which nearly 300 primary and secondary school students from poor families and spread across 28 schools have been selected to receive annual disbursements for their tuition fees, uniform costs and food expenses until they finish their studies in the schools.

PROSPECTS

With soaring inflationary pressure continuing in the new financial year and consequently affecting market demand and sentiment, growth in the Malaysian economy is projected to slow down during FY2009.

On the plantation front, after more than two years of continuous record-breaking hikes in the palm oil prices, there has been a reversal of this upward trend during the past one month and palm oil prices and market outlook have softened considerably during this period. The Group has always been cognisant of the cyclical nature of palm oil prices and has forward-sold a significant amount of FY2009 palm oil production prior to this market softening. Nevertheless, the Group believes that there are positive fundamentals such as strong palm oil consumption growth in several regions such as China, Africa and USA, relatively low world vegetable oil stock to usage ratio and biofuel price buffer that will prevent any sharp drop in palm oil prices.

Further to that, the Group has acquired interests in significant young oil palm planting through its investment in several Indonesian associate companies in the middle of FY2008. The production from these young plantings are expected to grow rapidly in this FY2009 and the following few years. Also, the softening market sentiment will give a financially strong company like the Group opportunities to acquire more plantations which the Group has been able to do in the past.

As for our downstream manufacturing business, there is a general expectation that if the upstream palm oil prices soften, the margins for the downstream business should improve. That is generally true but in this FY2009, there is a widespread cost increase in utilities and other materials due to the withdrawal of Malaysian government's assistance on natural gas and fuel. This cost increase may offset the gains that are expected from lower palm oil input prices but given the Group's good market reputation, we will be able to pass on some of this utilities cost increase to our customers. All in, the Group still expects reasonably good performance from our manufacturing business in FY2009.

In line with the dampening Malaysian economy outlook, we are expecting a generally subdued property market in FY2009. Despite the bearish property market, we are cautiously optimistic that we will be able to perform better than many of our peers in the industry due to the good location of our townships, our ability to manage our product mix to suit the prevailing market demand and the value-adding opportunities arising from our mature townships namely in the commercial property segment.

Barring unforeseen circumstances, the Group is therefore confident of achieving another set of commendable results in FY2009 which will be underpinned by solid plantation earnings from the relatively high palm oil prices already secured for the Group and the strong market position of our downstream businesses.

As we look beyond the current financial year, we must be prepared to face the rapidly changing landscape in the palm oil industry where both new opportunities as well as new challenges surface. On our part, we have continued to invest heavily in future growth. More importantly, we have been able to do this in a focused and disciplined manner that allows us to ride along with positive trends shaping the industry without taking on excessive risks. We have also been fortunate to have the opportunity to add on parts that will create substantial value to the whole business. We have businesses that are in leading positions in their respective segments and these businesses when combined together, give us an integrated business model that provides us unique value proposition, added competitive edge and strategic capabilities. On a daily basis, we continue to maintain our hallmark trait of excellence in execution, focusing relentlessly on efficiency, productivity, innovation and improving customer service. Last but certainly not the least, we have a team of experienced and committed people who still aspire to reach greater heights. All of these give me the confidence that we are well positioned for the future.

ACKNOWLEDGEMENT

The sterling results by the Group would certainly not be possible without the untiring dedication and commitment of our people at all levels. My sincere appreciation to the management team and to everyone in the IOI Group for their contribution. This year, I wish to specifically mention Dato' Yeo How who left the Group on 30 June 2008 after twenty-five years of distinguished service. We wish him the best in his future undertakings.

On behalf of the Group, I wish to also express our gratitude for the continued strong support of our customers, business partners, bankers and government authorities and my personal thanks to my fellow Board members for their invaluable advice and support.

Last but not least, once again, dear shareholders, thank you for the continued trust in us 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

PRACTISING SUSTAINABLE CULTIVATION

In March 2008, our Ulu Estate in Pamol, Sabah garnered the Malaysian Palm Oil Board Best Estate CR Award (2nd place). Comprising 1,835 hectares, the estate stands as a symbol of our environmental and social commitment. For the clearing of land for new planting or replanting, we practise zero burning and recycle all oil palm biomass to increase organic matter in the soil. To minimise environmental impact, we employ integrated pest management, weed management and waste water treatment techniques, as well as using buffaloes instead of tractors to reduce energy consumption, and terracing to reduce soil erosion. The estate also has excellent amenities as well as good living and working conditions for its 235 workers. 251 children from 6 to 12 years old attend the IOI-sponsored Humana kindergarten. There are schools, nurseries, clinics, places of worship, sundry shops, a police station, a 9-hole golf course, a swimming pool, a football field, a flood relief centre and other facilities.

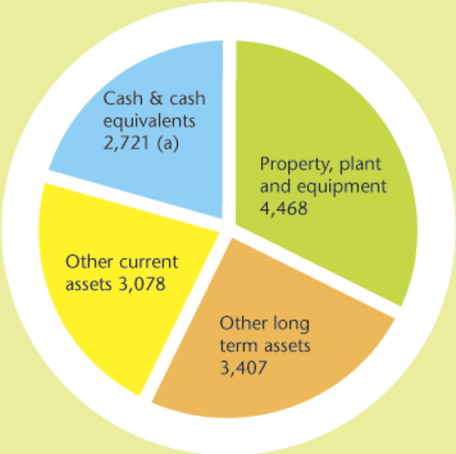
GROUP FINANCIAL OVERVIEW

CASH FLOW FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008 RM million

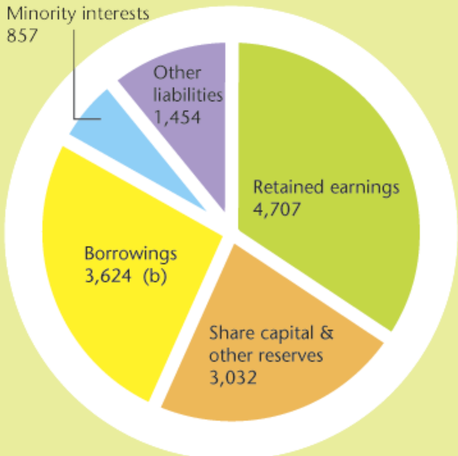
Net operating cash flow	1,419
Capital expenditure, net of disposal	(230)
Free cash flow from operation	1,189
Proceeds from disposal of investments, net of payments for other investments	155
Proceeds from issuance of shares	61
Payments made to jointly controlled entities	(1,316)
Capital repayments	(1,314)
Share repurchases	
- Company	(1,080)
- Subsidiaries	(8)
Dividend payments	
- Shareholders of the Company	(315)
- Shareholders of subsidiaries	(74)
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	(248)
Investment in development land bank	(188)
Interest paid	(114)
Acquisitions of additional interest in subsidiaries	(9)
Cash outflow in net borrowings	(3,261)
Conversion of 2nd Exchangeable Bonds	721
Recognition of equity component of exchangeable bonds upon issuance	278
Accretion of exchangeable bonds	(66)
Accretion of guaranteed notes	(1)
Net decrease in net borrowings	(2,329)
Net borrowings as at 30.06.07	(903)
Translation difference	157
Net borrowings as at 30.06.08	(3,075)

BALANCE SHEET AS AT 30 JUNE 2007 RM million

Assets



Shareholders' Equity and Liabilities

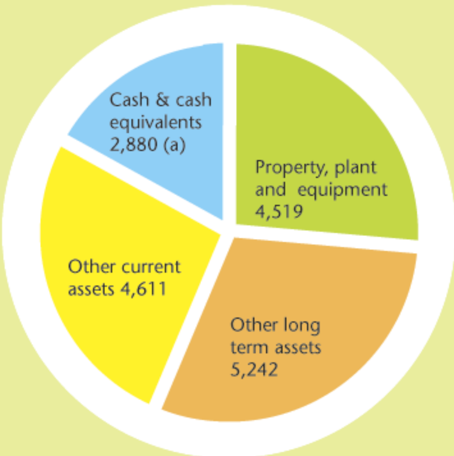


Net Borrowings = (b) - (a) = RM903 million

Net gearing = 12%

BALANCE SHEET AS AT 30 JUNE 2008 RM million

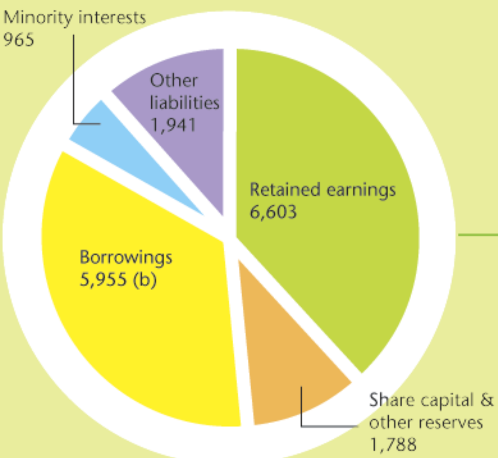
Assets



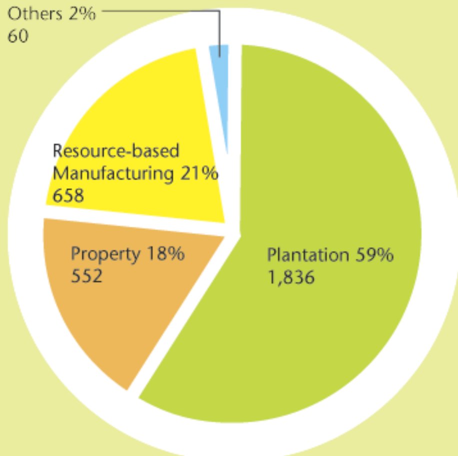
RETAINED EARNINGS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008 RM million

Segment results	3,106
Unallocated corporate expenses	66
Operating profit	3,172
Net interest expenses	(123)
Share of profit of associates	46
Profit before taxation	3,095
Taxation	(683)
Profit for the financial year	2,412
Less: Attributable to minority interests	(180)
Profit for the financial year attributable to equity holders of the Company	2,232
Dividend paid	(315)
Conversion of exchangeable bonds	(21)
Retained earnings for the financial year	1,896
Retained earnings as at 30.06.07	4,707
Retained earnings as at 30.06.08	6,603

Shareholders' Equity and Liabilities



Segmental Contribution to Operating Profit RM million



Net Borrowings = (b) - (a) = RM3,075 million
Net gearing = 37%

Segment Results = RM3,106 million

GROUP PERFORMANCE HIGHLIGHTS

	2008 RM'000	2007 RM'000	% +/(-)
FINANCIAL PERFORMANCE			
Revenue	**14,665,369**	8,952,727	64
Profit before interest and taxation	**3,171,995**	2,058,231	54
Profit before taxation	**3,095,197**	1,991,073	55
Net operating profit after taxation ("NOPAT")	**2,553,500**	1,756,196	45
Net profit attributable to shareholders	**2,231,632**	1,482,104	51
Average shareholders' equity	**8,065,310**	6,886,591	17
Average capital employed	**14,366,209**	11,273,774	27
Operating margin (%)	**21.63**	22.99	(6)
Return on average equity (%)	**27.67**	21.52	29
NOPAT/Average capital employed (%)	**17.79**	15.58	14
Basic earnings per share (sen)	**36.85**	24.13	53
Dividend per share - gross (sen)	**17.0**	7.0	143
Net assets per share (sen)	**140**	124	13
Dividend cover (number of times)	**2.44**	4.68	(48)
Interest cover (number of times)	**17.21**	14.81	16
PLANTATION PERFORMANCE			
FFB production (MT)	**3,957,281**	3,694,535	7
Yield per mature hectare (MT)	**28.54**	26.72	7
Mill production (MT)			
Crude palm oil	**848,119**	793,452	7
Palm kernel	**199,347**	185,418	8
Oil extraction rate (%)			
Crude palm oil	**21.38**	21.33	–
Palm kernel	**5.02**	4.98	–
Average selling price (RM / MT)			
Crude palm oil	**2,865**	1,759	63
Palm kernel	**1,706**	958	78
Operating profit (RM/mature hectare)	**13,347**	6,728	98
PROPERTY PERFORMANCE			
Sales value	**696,743**	683,471	2
Sales (unit)	**1,934**	1,529	26
Average selling price	**360**	447	(19)
Revenue	**755,066**	706,858	7
Operating profit	**369,673**	397,171	(7)
Progress billings	**699,967**	703,014	–
MANUFACTURING PERFORMANCE			
Oleochemical			
Plant utilisation (%)	**92**	95	(3)
Sales (MT)	**668,808**	509,965	31
Refinery			
Plant utilisation (%)	**91**	85	7
Sales (MT)	**2,996,439**	2,287,190	31
Specialty Oils and Fats			
Plant utilisation (%)	**100**	95	5
Sales (MT)	**521,719**	502,695	4

GROUP QUARTERLY RESULTS

	1st Quarter RM'000	%	2nd Quarter RM'000	%	3rd Quarter RM'000	%	4th Quarter RM'000	%	FY 2008 RM'000	%
Revenue	3,122,741	21	3,457,141	24	3,525,422	24	4,560,065	31	14,665,369	100
Operating profit	651,372	21	804,860	25	823,817	26	891,946	28	3,171,995	100
Interest income	8,636	13	12,734	19	25,571	37	21,094	31	68,035	100
Finance cost	(44,703)	23	(38,987)	20	(46,952)	25	(60,322)	32	(190,964)	100
Share of results of associates	12,962	28	11,884	26	17,949	39	3,409	7	46,204	100
Share of results of jointly controlled entity	(16)	22	(4)	5	(26)	36	(27)	37	(73)	100
Profit before taxation	628,251	20	790,487	26	820,359	26	856,100	28	3,095,197	100
Taxation	(137,213)	20	(162,880)	24	(182,782)	27	(200,135)	29	(683,010)	100
Profit for the financial year	491,038	20	627,607	26	637,577	27	655,965	27	2,412,187	100
Attributable to:										
Equity holders of the Company	451,518	20	581,191	26	601,639	27	597,284	27	2,231,632	100
Minority interests	39,520	22	46,416	26	35,938	20	58,681	32	180,555	100
	491,038	20	627,607	26	637,577	27	655,965	27	2,412,187	100
Earnings per share (sen)										
Basic	7.37		9.71		9.89		9.91		36.85	
Diluted	6.99		8.96		8.78		9.80		35.17	
Operating profit on segmental basis										
Plantations	397,537	22	481,257	26	434,779	24	522,278	28	1,835,851	100
Property development	98,929	27	87,161	23	95,496	26	88,087	24	369,673	100
Property investment	10,801	6	13,314	7	10,429	6	147,731	81	182,275	100
Manufacturing	122,761	19	159,079	24	175,561	27	200,772	30	658,173	100
Others	15,516	26	9,865	17	11,023	18	23,642	39	60,046	100
Segment results	645,544	21	750,676	24	727,288	23	982,510	32	3,106,018	100
Unallocated corporate expenses	5,828	9	54,184	82	96,529	146	(90,564)	(137)	65,977	100
Operating profit	651,372	21	804,860	25	823,817	26	891,946	28	3,171,995	100

FINANCIAL CALENDAR

Financial Year End	30 June 2008
Announcement of Results	
1st Quarter	15 November 2007
2nd Quarter	14 February 2008
3rd Quarter	15 May 2008
4th Quarter	18 August 2008
Notice of Annual General Meeting	22 September 2008
Annual General Meeting	22 October 2008

Payment of Dividends

Interim	
Declaration	14 February 2008
Book Closure	17 March 2008
Payment	28 March 2008
Interim	
Declaration	18 August 2008
Book Closure	17 September 2008
Payment	26 September 2008

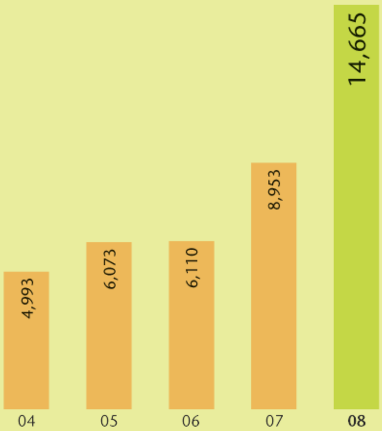
FIVE-YEAR FINANCIAL HIGHLIGHTS

	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000
Results					
Revenue	**14,665,369**	8,952,727	6,109,668	6,072,507	4,993,454
Profit before taxation	**3,095,197**	1,991,073	1,152,873	1,208,423	1,107,075
Taxation	**(683,010)**	(340,109)	(196,158)	(121,910)	(215,459)
Profit for the financial year	**2,412,187**	1,650,964	956,715	1,086,513	891,616
Attributable to:					
Equity holders of the Company	**2,231,632**	1,482,104	829,002	902,220	701,550
Minority interest	**180,555**	168,860	127,713	184,293	190,066
Assets					
Property, plant and equipment	**4,519,274**	4,467,810	4,164,394	3,998,661	3,806,869
Prepaid lease payments	**822,328**	826,258	790,509	800,673	799,279
Land held for property development	**927,263**	821,744	628,327	637,393	652,517
Investment properties	**838,639**	699,469	512,976	508,176	580,677
Other long term investments	**26,198**	27,699	30,376	30,699	32,043
Associates	**542,071**	280,924	247,385	249,441	222,636
Jointly controlled entities	**1,515,878**	161,479	–	–	–
Other assets	**569,755**	589,654	511,219	566,277	491,772
	9,761,406	7,875,037	6,885,186	6,791,320	6,585,793
Current assets	**7,499,818**	5,792,615	3,426,500	3,713,739	2,260,157
Non-current assets held for sale	**–**	13,190	–	–	–
	17,261,224	13,680,842	10,311,686	10,505,059	8,845,950
Equity and Liabilities					
Share capital	**613,788**	625,881	605,267	559,241	582,618
Reserves	**7,777,573**	7,113,377	5,428,656	4,303,087	3,835,534
	8,391,361	7,739,258	6,033,923	4,862,328	4,418,152
Minority interests	**965,117**	856,954	746,984	1,175,183	1,205,239
Total equity	**9,356,478**	8,596,212	6,780,907	6,037,511	5,623,391
Non-current liabilities	**5,494,836**	3,938,242	2,820,939	3,653,691	1,781,488
Current liabilities	**2,409,910**	1,146,388	709,840	813,857	1,441,071
Total liabilities	**7,904,746**	5,084,630	3,530,779	4,467,548	3,222,559
	17,261,224	13,680,842	10,311,686	10,505,059	8,845,950
Net operating profit after tax ("NOPAT")	**2,553,500**	1,756,196	1,086,614	1,199,783	953,635
Average shareholders' equity	**8,065,310**	6,886,591	5,448,126	4,640,240	3,974,172
Average capital employed [1]	**14,366,209**	11,273,774	9,790,574	8,998,939	7,601,306
Financial Statistics					
Basic earnings per share (sen)	**36.85**	24.13	14.51	16.12	12.85
Gross dividend per share (sen)	**17.0**	7.0	8.7	7.0	5.0
Net assets per share (sen)	**140**	124	100	87	79
Return on average equity (%)	**27.67**	21.52	15.22	19.44	17.65
NOPAT/Average capital employed	**17.77**	15.58	11.10	13.33	12.55
Net debt/Equity (%) [2]	**36.65**	11.67	21.01	25.76	30.66

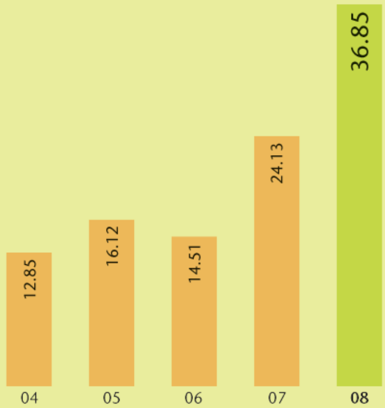
1 Average capital employed comprises shareholders' equity, minority interests, long term liabilities, short term borrowings and deferred taxation.

2 Net debt represents total bank borrowings less short term funds, deposits with financial institutions and cash and bank balances.

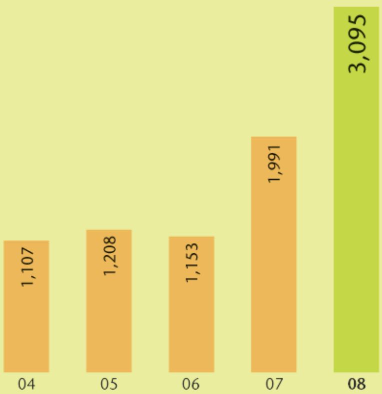
Revenue RM Million



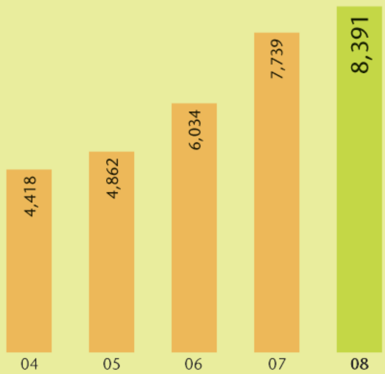
Earnings per share Sen



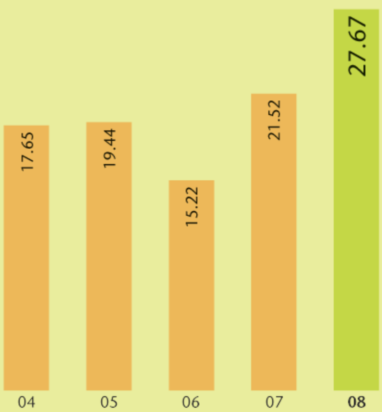
Profit before taxation RM Million



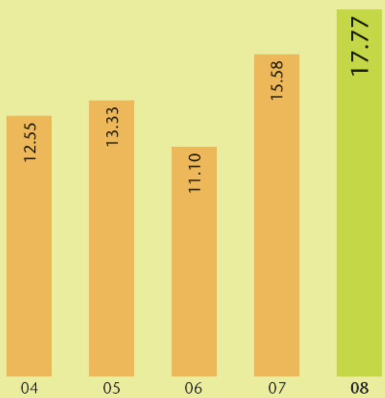
Shareholders' equity RM Million

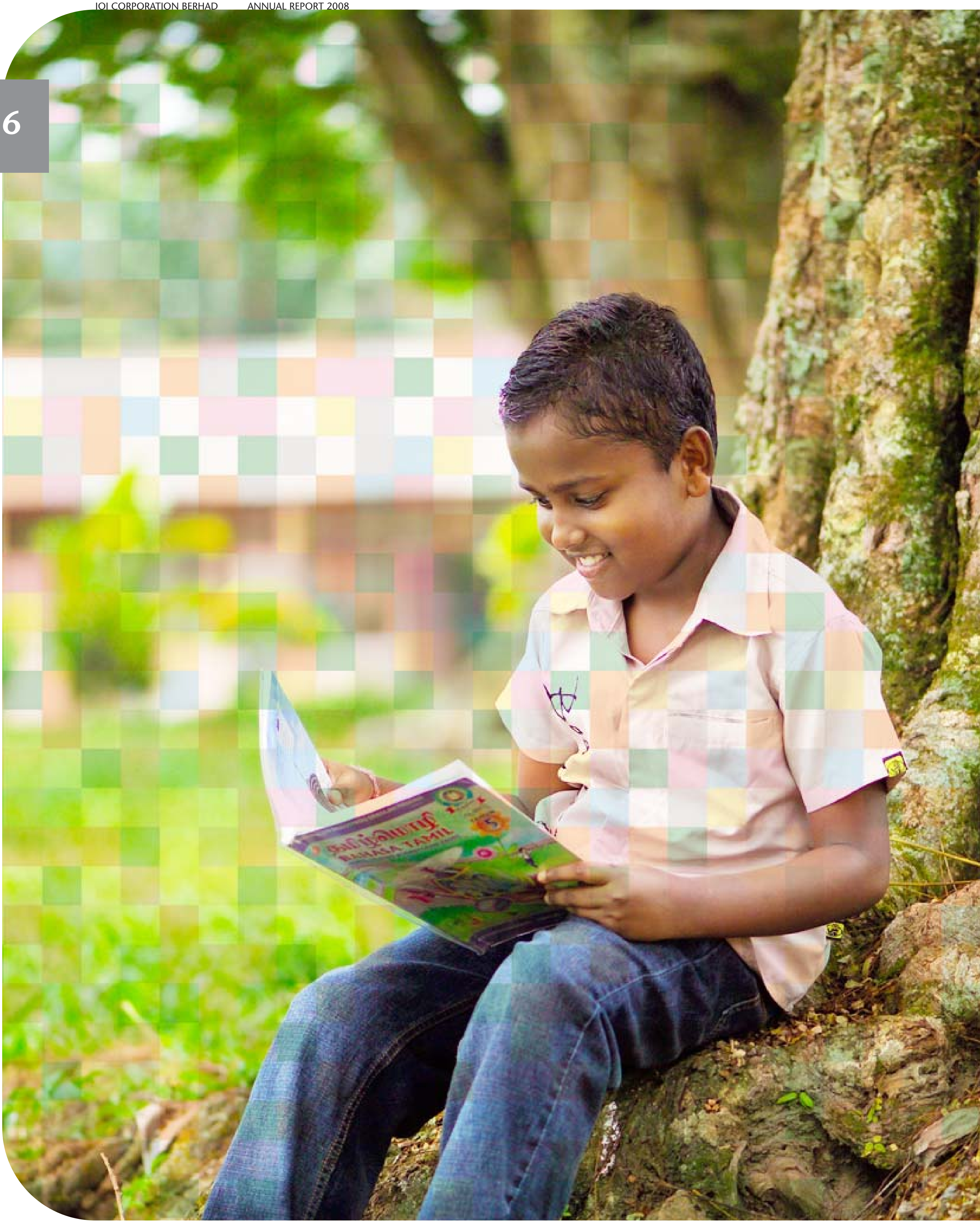


Return on average equity %



NOPAT/Average capital employed %



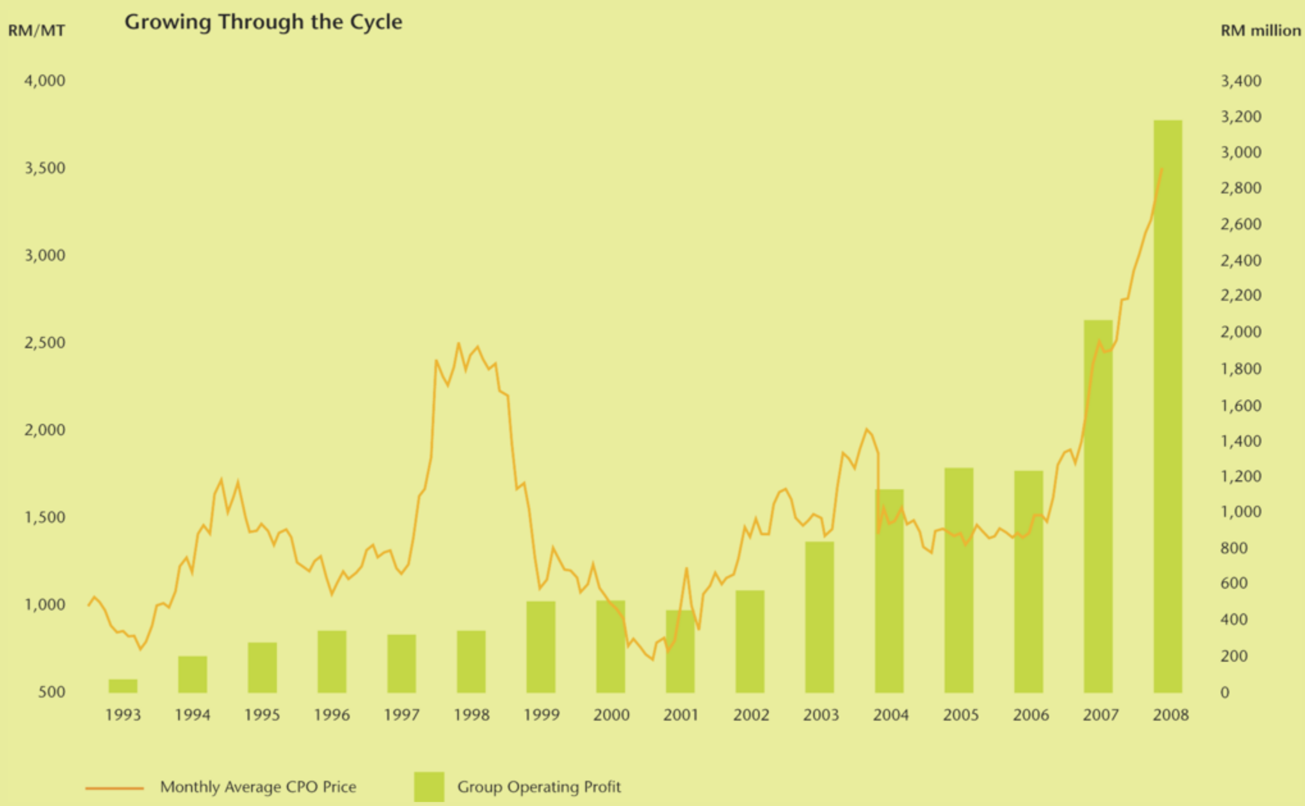


SUPPORTING EXCELLENCE

Launched in April 2008, IOI's Student Adoption Programme provides financial support to meet the educational needs of underprivileged children and spur them to excel in their studies. Some 262 students from 58 primary and 20 secondary schools in Peninsular Malaysia and Sabah have so far been adopted to receive RM800 and a school bag every year until they complete their primary or secondary school education. 1,789 children from HUMANA kindergartens also receive school bags and stationery. Meanwhile, five secondary schools in or near our oil palm estates in Sabah have been adopted under our School Adoption Programme, and now receive financial assistance to upgrade their facilities in order to provide a more conducive study environment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW



INTRODUCTION

The purpose of this review is to highlight and provide brief insights on key financial and operating information at Group level. A more detail commentary on operating performance is covered under the respective business segment reports.

KEY FINANCIAL INDICATORS

	FY2008	FY2007	Change %
Earnings before interest and taxation ("EBIT") (RM million)	**3,172.0**	2,058.2	54
Pre-tax earnings (RM million)	**3,095.2**	1,991.1	55
Net earnings (RM million)	**2,231.6**	1,482.1	51
Return on average equity ("ROE") (%)	**27.7**	21.5	29
Return on average capital employed ("ROCE") (%)	**17.8**	15.6	14
Net operating profit after taxation ("NOPAT") (RM million)	**2,553.5**	1,756.2	45
Economic profit (RM million)	**955.8**	842.7	13
Total return to shareholders			
- Change in share price (RM) (per RM0.10 share)	**2.25**	2.34	(4)
- Gross dividend (sen) (per RM0.10 share)	**17.0**	7.0	143
Net cash flow generated from operation (RM million)	**1,418.6**	1,317.5	8
Net Gearing (%)	**37**	12	208

FINANCIAL HIGHLIGHTS & INSIGHTS

- At Group level, the results for FY2008 versus FY2007 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**, contributions from the segments are as follows:

	FY2008 RM million	Mix %	FY2007 RM million	Mix %	Change %
Plantation	**1,835.9**	**58**	926.9	45	98
Downstream Manufacturing	**658.2**	**21**	405.4	20	62
Palm Oil – Total	**2,494.1**	**79**	1,332.3	65	87
Property	**551.9**	**17**	598.3	29	(8)
Others (unallocated)	**126.0**	**4**	127.6	6	(1)
EBIT	**3,172.0**	**100**	2,058.2	100	54

- The palm oil business stream contributed 79% towards Group EBIT for FY2008, an increase over previous year contribution at 65%. In absolute terms, EBIT for the palm oil business increased by 87% to RM2,494.1 million, with both the plantations and the down-stream segments increasing by 98% and 62% respectively.

- Plantation segment's EBIT has increased by 98% to RM1,835.9 million, on the back of 63% increase in average CPO price.

- The downstream manufacturing strong performance over last financial year is due mainly to higher sales volume and favourable margins registered by all three manufacturing sub-segments i.e. refinery, oleochemicals and specialty fats segments.

- The property segment registered a drop of 8% in EBIT to RM551.9 million which can be partly explained due to the reduction in investment properties fair valuation gain from RM160.7 million in FY2007 to RM130.0 million in current financial year. By excluding this gain on fair valuation, overall property segment recorded a slight dip in EBIT by 4%, which is mainly due to escalating building material costs as well as higher sales mix of lower end landed residential in Johor which traditionally has lower margin.

- The "unallocated segment" in respect of both financial years comprised primarily the gain on forex translation on USD denominated borrowings with gains of RM135 million and RM112 million registered in FY 2008 and FY2007 respectively. This was in part an anticipatory hedge for our USD income stream.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D

GROUP FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS & INSIGHTS CONT'D

- **Pre-tax Earnings** increased by 55% over last financial year. Net interest expense, has increased about 18% over previous financial year which is in tandem with the increase in Group gross borrowings by 64% due to the issuance of USD600 million Exchangeable Bonds, a 30-year JPY6 billion term loan and SGD256 million term loan.

- At the **Net Earnings** level, profit attributable to shareholders increased by 51% to RM2,231.6 million.

- For FY2008, the Group recorded a **Return on Equity ("ROE")** of 27.7% based on an average shareholders' equity of RM8.07 billion (FY2007 – RM6.89 billion), up from 21.5% for the previous financial year. The average over cycle ROE target is 20%.

- Similarly, the **Return on Average Capital Employed ("ROCE")** increased to 17.8% for FY2008, up from 15.6% for FY2007. This was due to higher net earnings although the denominator has also increased significantly because of the substantial working capital requirement for the downstream operation.

- 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, share buy-back (and cancellation) program and a continuous review and adjustment of the Group's debt gearing ratio having regard to maintaining stable credit ratings.

  Equity reduction for purpose of capital management included the following:

	FY2008 RM million	**FY2007 RM million**
Total dividend	**913.3**	319.0
Share buy-back	**1,079.9**	105.1
	1,993.2	424.1
Capital repayment	–	1,314.4
Total equity repayments	**1,993.2**	1,738.5
% to Net Earnings for the financial year	**89%**	117%

  The Company targets an average equity payout of not less than 50% of net earnings.

FINANCIAL HIGHLIGHTS & INSIGHTS CONT'D

- The Group generated an **Operating Cash Flow** of RM1,418.6 million for FY2008 against RM1,317.5 million for the previous financial year. **Free Cash Flow** registered a marginal increase from RM1,164.2 million to RM1,188.4 million.

- **Working Capital** requirement for FY2008 increased by RM1.11 billion, notably, to fund increases in inventories and trade receivables by RM1.03 billion and RM512.8 million respectively, which is in line with increase in volume of business and higher palm oil prices.

- For FY2008, the Group spent a total of RM234.1 million (FY2007 – RM185.3 million) for **Capital Expenditure ("Capex")**. Cash outlay on acquisitions in FY2008 was however much higher at RM1,591.7 million (FY2007 – RM673.4 million) mainly for the funding of the Singapore Sentosa Development joint venture project which account for RM1.32 billion and the RM248.4 million for the acquisition of interests in plantation companies in Indonesia.

- The Group's **Shareholders' Equity** as at 30 June 2008 stood at RM8.39 billion, an increase of RM652.1 million or 8% over the previous financial year. The increase was mainly due to net earnings for the financial year of RM2.23 billion and issue of new shares arose from the exchange of Exchangeable Bonds which totalled RM731.3 million. However, the increase was off-set by share buy-back totalling RM1.08 billion, capital repayment totalling RM1.31 billion and dividend payment in respect of FY2008 amounting to RM314.7 million.

- The Group's **Net Interest Cover** was 17.2 times (FY2007 – 14.8 times) but after adjusting differences between accounting and cash interest payment, the net interest cover was 26.4 times for FY2008 (FY2007 – 20.1 times).

- 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 RM955.8 million for FY2008, up 13% from FY2007's RM842.7 million. The significant increase is attributable to a higher NOPAT of RM2,553.5 million (FY2007 – RM1,756.2 million). The average WACC for FY2008 registered an increase over last financial year at 11.1% (FY2007 – 8.1%).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D

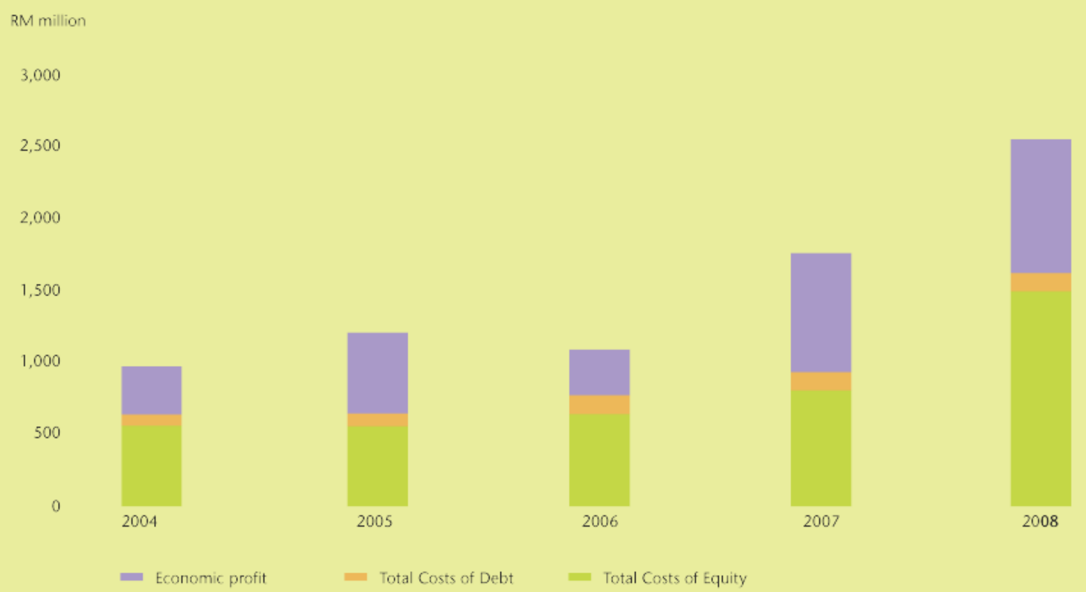
GROUP FINANCIAL REVIEW

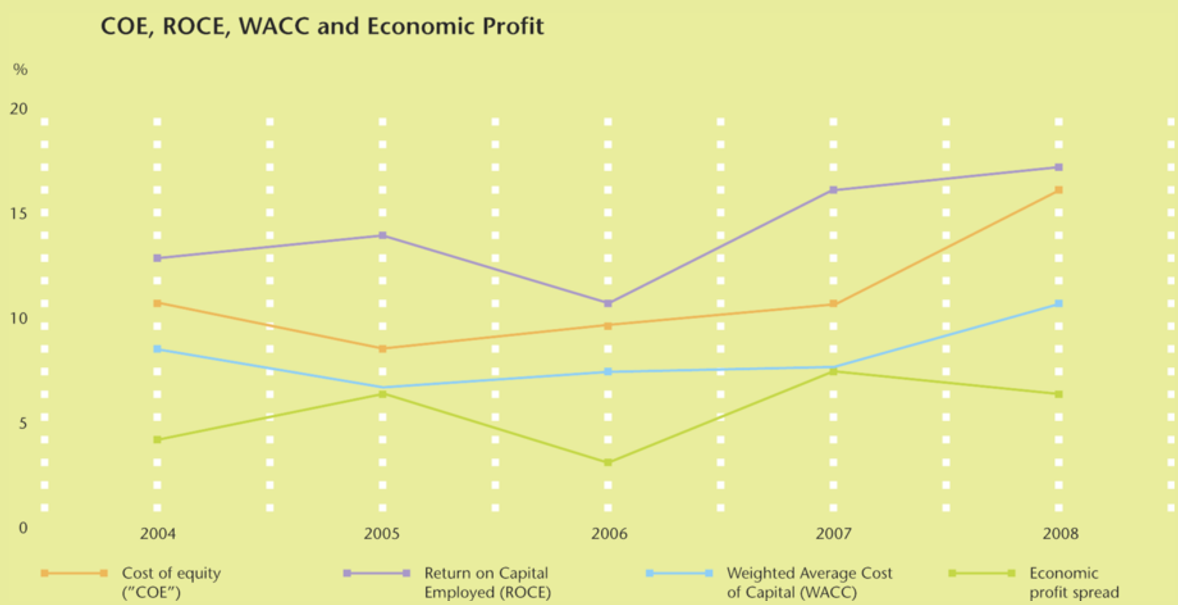
FIVE-YEAR ECONOMIC PROFIT TREND

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

	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000
Economic Profit	343,416	581,241	335,693	842,743	**955,845**
Cost of Debt	43,093	87,971	102,950	105,232	**141,313**
Cost of Equity	567,126	530,571	647,971	808,221	**1,456,342**
NOPAT	953,635	1,199,783	1,086,614	1,756,196	**2,553,500**

Distribution of NOPAT





FIVE-YEAR ECONOMIC PROFIT TREND CONT'D

The computations of COE, ROCE and Economic Profit were derived 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 margin 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.

- 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D

GROUP FINANCIAL REVIEW

RISK MANAGEMENT CONT'D

Financial/Market Risk Management

- The Group's operations which have expanded substantially in recent years expose it to a variety of financial risks, including foreign currency 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. Main consideration is on potential impact on risks to cash flows.

- The Group addresses the various financial risks exposure by taking pro-active measures within our established risk management framework and clearly defined guidelines that are approved by the Board. In this respect, the Group enters into forward contracts and exchange-traded agricultural commodity futures as well as commodity swap to hedge our inventories, sale and purchase commitments. The effectiveness of hedges are periodically reviewed and limits for mandatory "cut loss" are set to limit commodity price exposures for all relevant operations.

- Besides, the Group also enters into interest rate derivative instruments with the objective of minimising overall cost of borrowings over the tenure of the underlying borrowings. An appropriate mix of fixed and floating rates are taken after giving due consideration to current fixed rates level, forward scenario analysis and potential net cash flow fluctuation.

- Whenever possible, the Group favours taking a "natural hedge" approach as for instance, to have the same currency base in the risk management of its foreign currency denominated assets and liabilities and in respect of its income and expenditure, 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 44 of the financial statements included in this Annual Report.

Sensitivity Analysis

The main market risks impacting the profitability of the Group are commodity price risks and foreign currency risks. The approximate impact that movements in palm oil prices, downstream product margins and currency exposures could have on its operating profit for FY2008, based on its operating conditions, but excluding the impact of hedge transactions are as tabulated below:

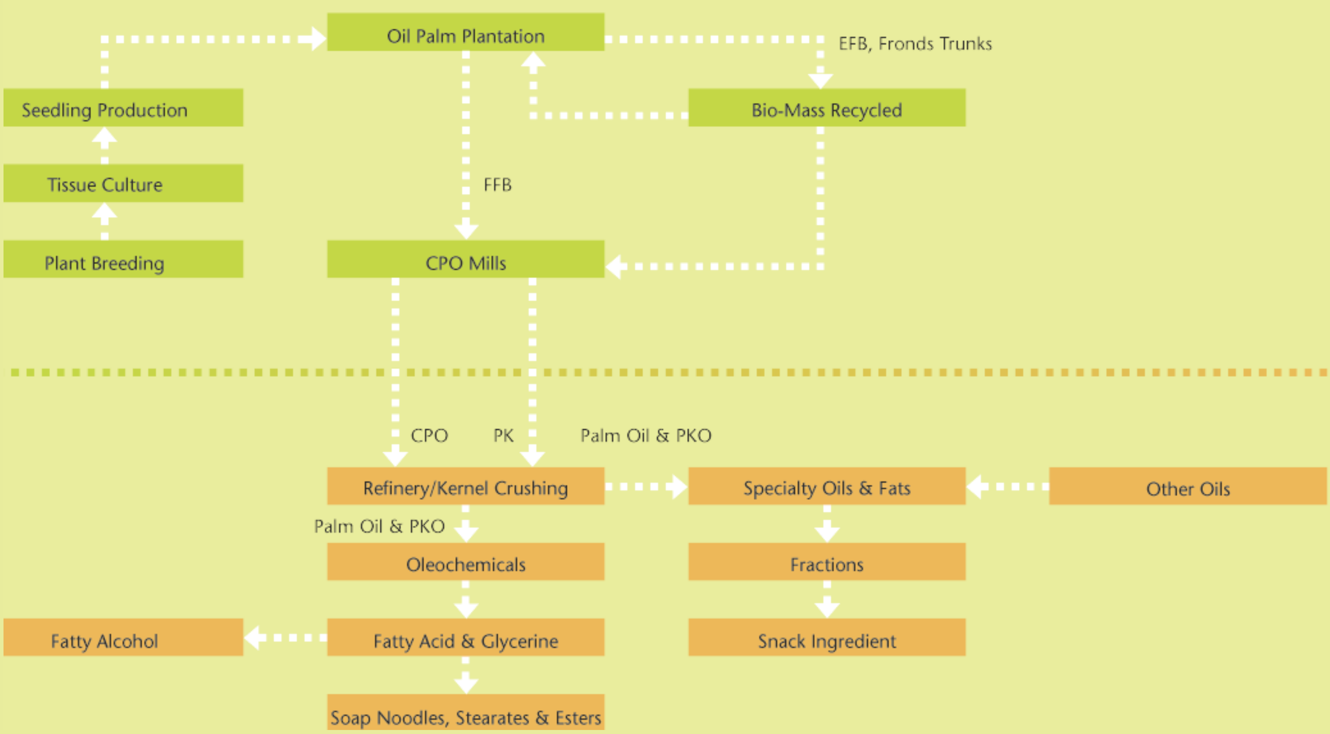
	Impact (If unhedged) million
Change of RM100 per MT in CPO price	± RM70
Change of 10% in product margin over FY2008 for refining, oleochemicals, speciality fats	± RM120
10% change in the USD/RM exchange rate	± RM130
10% change in the Euro/RM exchange rate	± RM70

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 2008, approximately 91% (FY2007 - 74%) of our plantation revenue of RM2,778.3 million comprises sales to our manufacturing division. With most of our refineries running full steam, 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

INTRODUCTION

As at 30 June 2008, the Group's total titled plantation area, stood at 169,369 hectares (FY2007:169,450 hectares) with approximately 99% of the estates' planted area is being planted with oil palm. As for the Indonesian plantation land of approximately 66,000 hectares, the transfer of land titles to our Indonesian subsidiaries is still in progress.

The Group has 80 estates, about the same number from last financial year. The total oil palm planted area as at the end of the financial year under review stood at 149,445 hectares, an increase of 574 hectares from the previous financial year end. Approximately 68% of the Group's plantation holdings are in the state of Sabah and Sarawak 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 4,000,000 tonnes of fresh fruit bunches ("FFB").

The Group's plantation business strong growth in a short span of 25 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 FFB 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 and etc to ensure that best practices for sustainable agriculture are practised by the Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D

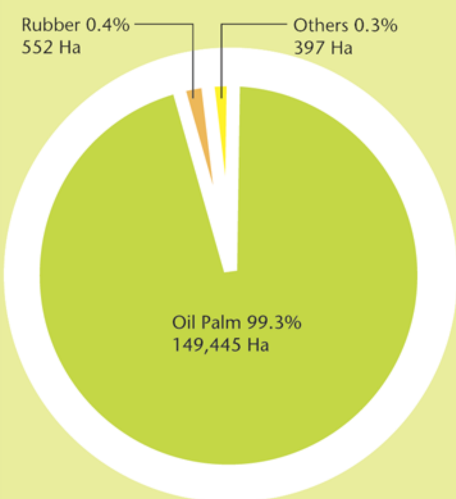
GROUP BUSINESS REVIEW

PLANTATION STATISTICS

CROP STATEMENT

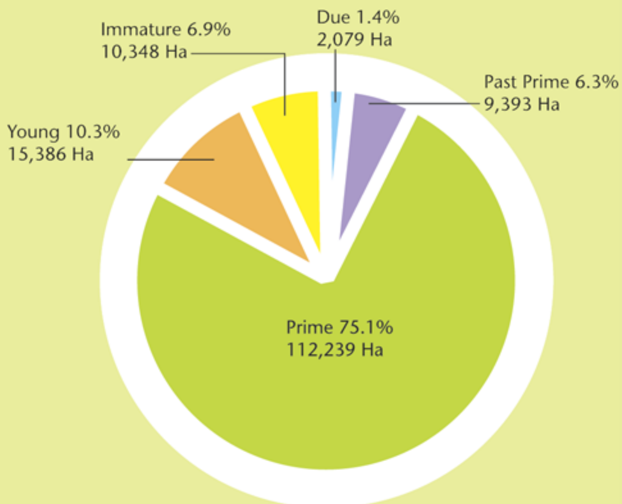
	2008	2007	2006	2005	2004
OIL PALM					
Average mature area harvested (hectare)	**138,647**	138,282	136,455	132,679	122,401
FFB production (tonne)	**3,957,281**	3,694,535	3,674,483	3,657,776	2,927,194
Yield per mature hectare (tonne)	**28.54**	26.72	26.93	27.57	23.91
Mill production (tonne)					
Crude palm oil	**848,119**	793,452	805,627	815,790	677,319
Palm kernel	**199,347**	185,418	188,235	192,446	157,243
Oil extraction rate (%)					
Crude palm oil	**21.38**	21.33	21.38	21.59	21.54
Palm kernel	**5.02**	4.98	5.00	5.09	5.00
Average selling price (RM/tonne)					
Crude palm oil	**2,865**	1,759	1,386	1,453	1,575
Palm kernel	**1,706**	958	928	1,005	794
Operating profit (RM/mature hectare)	**13,347**	6,728	4,560	5,783	5,300
RUBBER					
Mature area tapped (hectare)	**430**	568	619	1,054	1,249
Rubber production ('000 kg)	**1,243**	1,723	1,234	1,730	2,329
Yield per mature hectare (kg)	**2,890**	3,034	1,993	1,641	1,865
Average selling price (RM/kg)	**3.71**	3.24	5.23	4.88	5.27
Operating profit (RM/mature hectare)	**11,000**	10,144	7,583	4,356	4,380

Crop Mix



Total planted area = **150,394 Ha**

Oil palm Hectarage... By Age



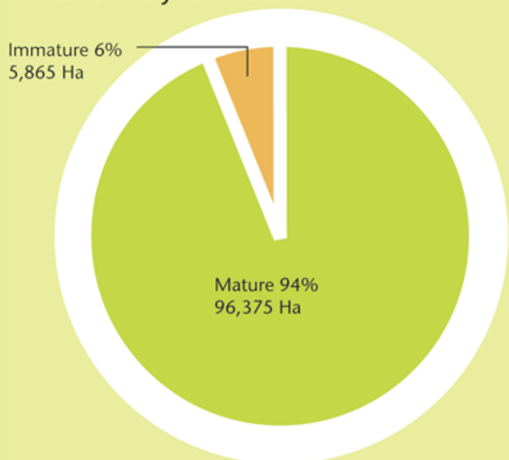
Total oil palm area = **149,445 Ha**

AREA STATEMENT (In Hectares)

	2008	2007	2006	2005	2004
OIL PALM					
Mature	**139,097**	139,798	135,860	135,291	131,333
Immature	**10,348**	9,073	8,195	8,405	13,727
	149,445	148,871	144,055	143,696	145,060
RUBBER					
Mature	**274**	568	568	1,035	1,172
Immature	**278**	–	–	–	–
	552	568	568	1,035	1,172
OTHERS	**397**	386	403	433	495
Total planted area	**150,394**	149,825	145,026	145,164	146,727
NURSERY	**108**	98	75	76	67
ESTATE UNDER DEVELOPMENT	**1,118**	1,650	–	682	461
HOUSING PROJECT	**1,260**	1,202	1,201	1,150	1,158
LABOUR LINES, BUILDINGS SITES AND INFRASTRUCTURE	**16,489**	16,675	12,347	11,442	10,089
Total area	**169,369**	169,450	158,649	158,514	158,502

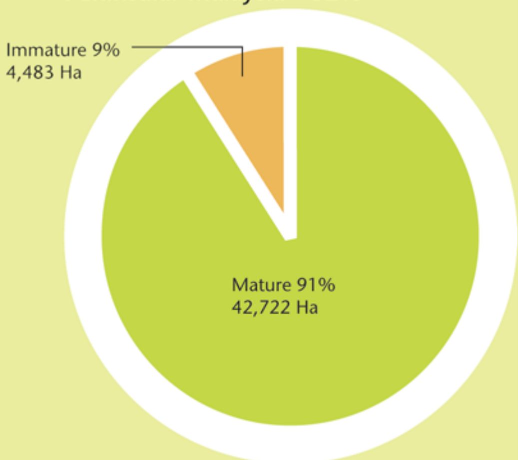
Oil Palm Hectarage... By Region

East Malaysia – 68%



Total oil palm area = **102,240 Ha**

Peninsular Malaysia – 32%



Total oil palm area = **47,205 Ha**

MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D

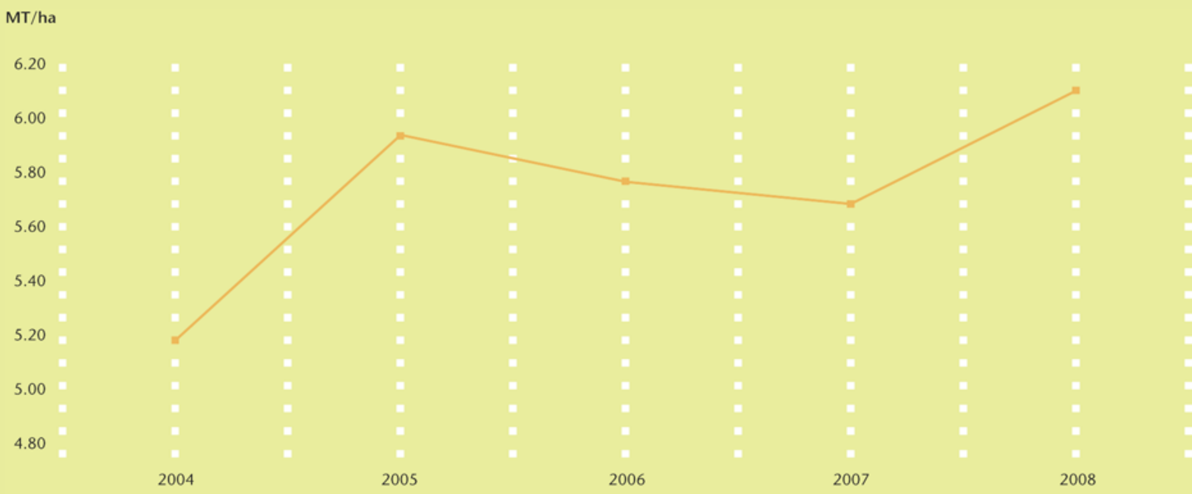
GROUP BUSINESS REVIEW

OPERATIONS REVIEW

For the financial year under review, the Group's estates produced a total of 3.96 million MT of FFB, about 7% increase from previous year.

The average FFB yield per matured hectare for FY2008 was approximately 7% higher compared to previous financial year. This improvement is largely due to the recovery of the palm trees from the "biological tree-stress" phenomenon experienced by the industry. After experiencing below average productivity for the past couple of years, the trees now begin to recover, thus contributing to the improvement in yields. With the higher FFB yield for FY2008 at 28.54 MT (FY2007 - 26.72 MT) per mature hectare and coupled with a slightly higher oil extraction rate of 21.38% (FY2007 - 21.33%) the average CPO yield increase to 6.10 MT per mature hectare as compared to a yield of 5.70 MT per mature hectare for FY2007. 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 is Meliau Estate in Sabah which achieved a yield of 7.77 MT of CPO per hectare for FY2008.

OPERATIONS REVIEW CONT'D

In line with the increase in Group CPO yield, the number of estates that managed to achieve oil yields of more than 6 MT per mature hectare has increased from 37 estates in FY2007 to 47 estates for the financial year under review, the reasons were as explained in the foregoing paragraph. The trend over the last five years are as follows:

Estates that achieved >6 MT of CPO per hectare

	No. of Estates	Area (hectares)
FY2008	47	89,021
FY2007	37	69,407
FY2006	38	72,436
FY2005	41	73,859
FY2004	12	22,410

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 FY2008.

	MT/hectare
Meliau	7.77
Sakilan Estate	7.69
Baturong 3	7.54
Baturong 2	7.51
Laukin Estate	7.46
Syarimo 3	7.46
Sg. Sapi	7.44
Mayvin 1	7.36
Tangkulap	7.33
Permodalan 2	7.32
Syarimo 1	7.30
Syarimo 2	7.25
Syarimo 6	7.23
Luangmanis	7.21
Mayvin 2	7.19
Sagil	7.17
Jasin Lalang	7.10
Moynod	7.07
Permodalan 4	7.06

MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D

GROUP BUSINESS REVIEW

OPERATIONS REVIEW CONT'D

For FY2008, the Group's plantation business recorded an operating profit of RM1,835.9 million, an increase of 98% over FY2007's RM926.9 million. The increase in profit is largely due to the effects of higher palm prices as well as higher yields which more than offset the negative impact from the newly imposed cooking oil cess on palm oil sales beginning 1 June 2007.

The cess and tax for the financial year are as follows:

	FY2008 RM'000	FY2007 RM'000
MPOB cess	**12,721**	11,901
Rubber	–	–
Cooking oil cess	**125,355**	6,244
	138,076	18,145
Sabah sales tax	**137,235**	80,704
	275,311	98,849

Operating profit per mature hectare for oil palm increased by 98% to RM13,347 per hectare for the financial year under review as compared to RM6,728 per hectare for the previous financial year.

For capital expenditure, the Division spent a total of RM64.0 million for FY2008 as compared to RM62.1 million for the previous financial year. The capital expenditure is primarily incurred on new planting, staff quarters, road and bridges and agricultural equipment. As for replanting expenditure, RM20.9 million was charged out to the income statement for the financial year just ended compared to RM18.6 million for the previous financial year.

OPERATIONS REVIEW CONT'D

Mature Oil Palm Area/FFB Production

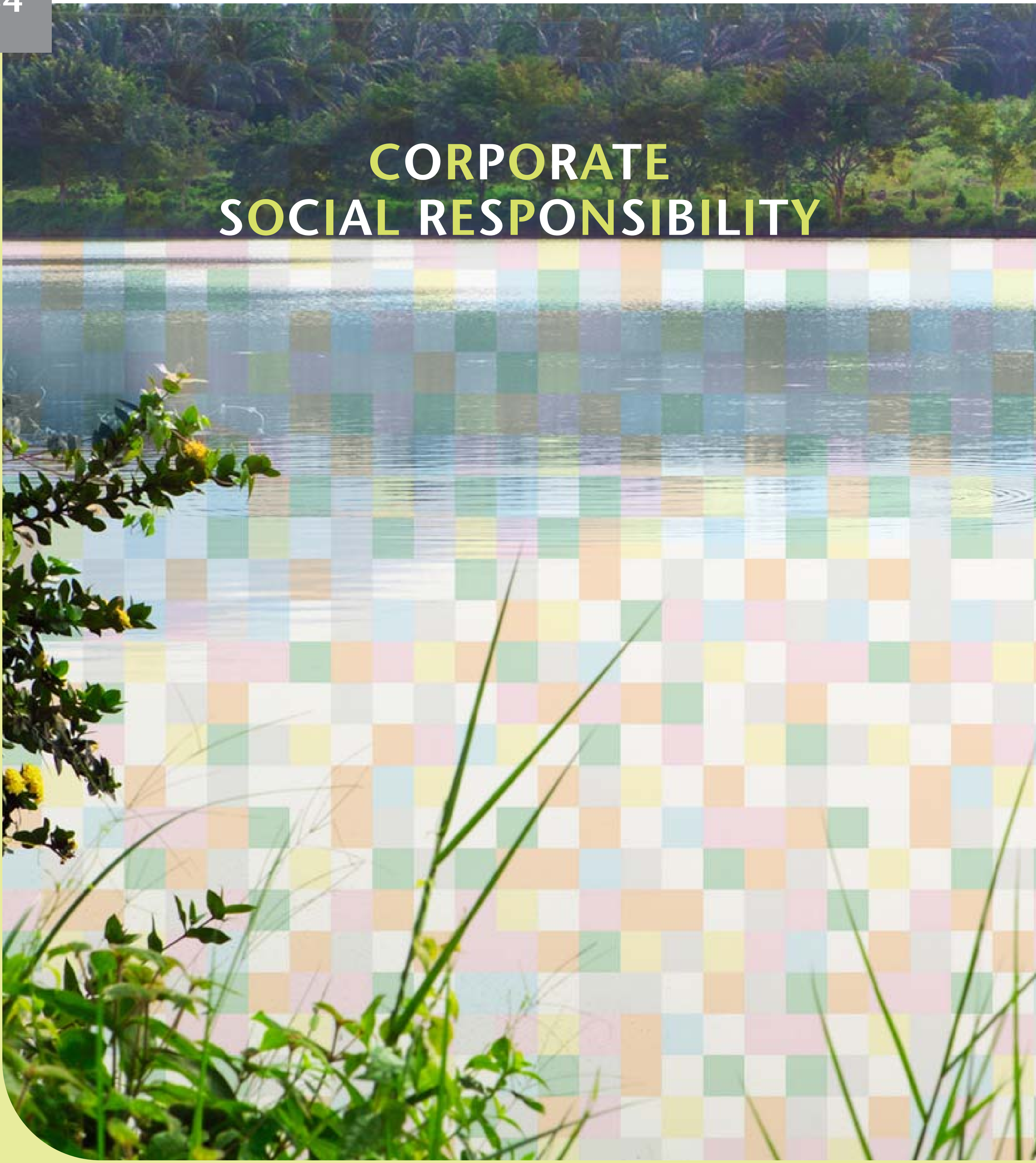
OUTLOOK & PROSPECTS

Prices of edible oils are generally expected to soften in 2008/2009 in line with the global decline in commodity prices. Production of oilseeds and palm oil are set to recover next year boosted by better inputs and higher plantings. Notwithstanding this, palm oil prices are still expected to remain relatively attractive, especially for an efficient producer.

Meanwhile, overall market will continue to be underpinned by high crude oil prices whilst higher mandates for biodiesel will tighten the world supply and demand balances. The recent sharp decline in palm oil prices and the present big discount to soyoil will certainly stimulate global consumption of palm oil in both the food and energy markets.

In any case, the Group is well-positioned to increase its plantation earnings in FY2009 as it has taken advantage of the bullish palm oil market during the second half of FY2008 to forward-sell a substantial portion of its FY2009 production at very good prices.

CORPORATE SOCIAL RESPONSIBILITY



CORPORATE SOCIAL RESPONSIBILITY

The IOI Group's Corporate Social Responsibility ("CSR") principle 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.

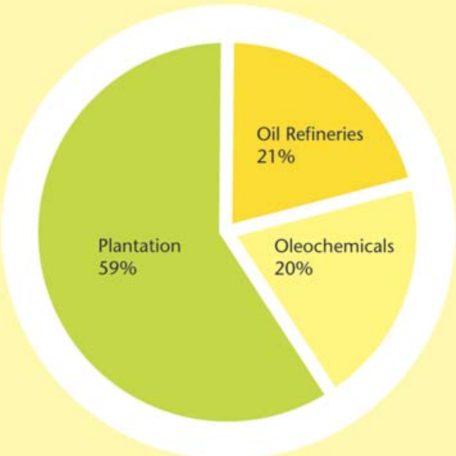
Last year in our annual report, IOI commented on the actions taken at several of our operating units and their efforts to improve the environmental "footprint" of these factories through the reduction in the use of gas, water, and electricity. This year we have widened our program and will begin reporting on a number of our key environmental initiatives on consolidated basis for all of our operating groups. In addition, we will provide an update on our initiatives to enhance the social aspects of our operation. We will also provide an update on our activities supporting the Roundtable on Sustainable Palm Oil ("RSPO") and the start of certification under this important global initiative.

ENVIRONMENT

Care for the environment is a global concern and it is also certainly a key concern for IOI. After all, the very foundation of our business is based upon proper treatment of the land as well as the people and nature that falls under our care. We take this responsibility very seriously.

We have chosen to report on our environmental impact in 3 important areas: CO_2 emissions, water consumption, and electricity consumption. These are the 3 areas where we feel IOI can have the biggest impact as we implement our improvement programs. In addition, we will highlight other initiatives that we believe are important to environmentally sustainable development.

CO_2 Emissions



CO_2 emissions for IOI totalled to around 526,000 MT annually. As reflected in the CO_2 Emissions chart, the majority of these emissions come from the operation of our milling operations within the plantation group.

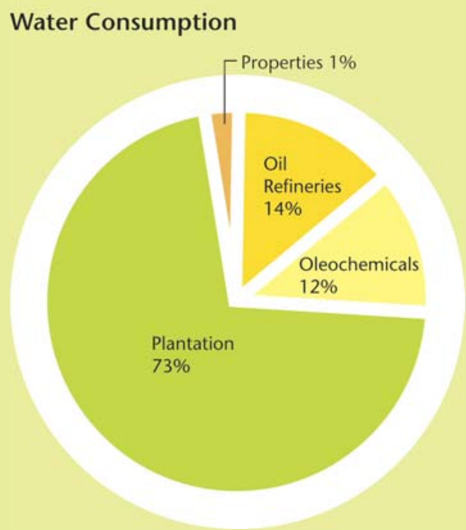
Nearly 50% of IOI's total CO_2 emissions originate from the use of renewable biomass at our mills to generate steam for oil extraction from the palm fruit. This biomass originates from the fiber and shells of the oil palm grown in our own estates. Nearly 98% of our fuel consumption for steam generation at our mills now comes from these renewable resources. This initiative has contributed towards a significant reduction in fossil fuel consumption.

IOI is also actively investigating various methods to reduce methane emissions from our waste water ponds. We have initiated a pilot plant project with the most promising of these methods and expect to have results from this trial in the coming year.

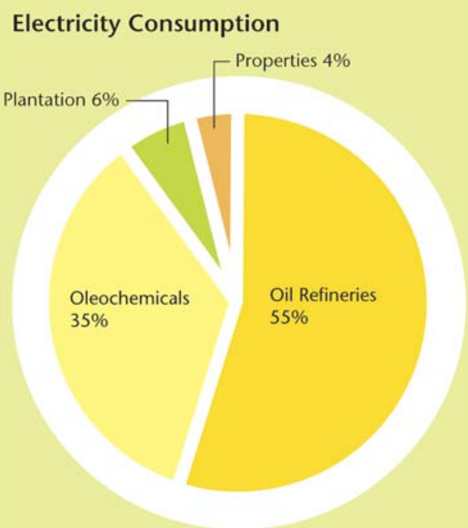
MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D

GROUP BUSINESS REVIEW

ENVIRONMENT CONT'D



Water usage totalled to around 12,600,000 m^3 annually for all IOI businesses. The majority of the water used by IOI is consumed in our plantation group. Water used by this group is principally for the process of extracting oil from the palm fruit as well as for general purposes necessary to run the estates. It is notable that 81% of IOI's water use originates from non potable sources. Our oil refineries utilise water principally to cool processes for the production of the wide variety of products produced for the food industry. After proper treatment and full compliance with all environmental regulations the water can then be returned to the waterways.



Electricity consumption for IOI totalled to around 150,000,000 KwH annually. Electricity consumption by our palm oil refineries represents the major portion of the company's requirements. These factories require relatively large amounts of electricity for technical process equipment as well as for oil movements throughout the factories. Active reduction programs are already in place and are delivering impressive results for the environment and the bottom line as illustrated in the 2007 Annual Report.

ENVIRONMENT CONT'D

Environmental Initiatives

- **Roundtable on Sustainable Palm Oil (RSPO)**

  This global initiative, conceived by World Wildlife Fund ("WWF"), operates on a multi-stakeholder format and is committed to the certification of oil palm growers who meet the strict RSPO principles and criteria covering the social and environmental development requirements for the production and use of sustainable palm oil.

  IOI is a founding member of the RSPO and is an active contributor through our current position on the Executive Board representing the processors. In November 2007, IOI chaired the session on supply chain development at the RSPO Global Meeting.

  The preparation and training for RSPO certification program has already been carried out within most of our 80 IOI estates. IOI is among the first 3 companies to begin certification process under the RSPO program. IOI has committed to 100% certification of all holdings with a planned timetable of 3 years.

  We take our responsibility as an industry leader seriously and will encourage others in our industry to promote sustainable practices. We have commenced scoping audits of external IOI supply base against RSPO principles and criteria. As we grow our business, we are committed to only developing new holdings under RSPO principles and criteria with the intent to certify as soon as practical. Where IOI Group has invested in other plantation groups and does not have direct control of operations, we will utilise our investor position to assist our partners in development under the RSPO principles and criteria. Where concerns are raised concerning our operations, we will continue to take prompt action on our own initiative as well as following guidance given by the RSPO principles and criteria as appropriate.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D

GROUP BUSINESS REVIEW

ENVIRONMENT CONT'D

- **ISO Certification**

  - Loders Croklaan Wormerveer and Rotterdam facilities have been both ISO 14001 certified.
  - IOI Oleochemical Industries Berhad has been ISO 14001and OHSAS 18001 certified.

- **Other IOI Environmental Initiatives**

  - IOI Oleochemical Industries Berhad has also received a "Responsible Care" code of practice award (Responsible Care Program under Chemical Industries Council of Malaysia).
  - Yield performance of IOI plantations is 50% more productive than the industry average. When applied to our developed estates this represents a reduction in the land area needed to supply our markets by more than 70,000 hectares.
  - Working cooperatively with WWF, IOI has restored an important riparian area in Sabah planting native species purchased from local growers.

Social Initiatives

At IOI, we place a very high value on education and human capital development for the nation, especially our employees and their children.

For example, IOI continues to support important works conducted by the Borneo Child Aid Society, Sabah (HUMANA) and their creation of 51 schools for the children of plantation workers in Sabah. We are the main contributor which sponsors 22 of these HUMANA schools and is very proud of our association with this worthy organisation.

Under the Yayasan Tan Sri Lee Shin Cheng ("Yayasan"), a charitable foundation fully sponsored by IOI Group of Companies, various scholarships and bursaries have been provided to outstanding students pursuing degree courses in recognised local institutions of higher learning in disciplines related to Agriculture and the Oil Palm Manufacturing industry. Career opportunities within IOI Group are given to these students after they graduate from their studies.

ENVIRONMENT CONT'D

Yayasan also initiated the **Young Achievers' Award** with the aim to invigorate and motivate young students from rural areas to strive for excellence in their studies. These awards, totalling RM582,000 in 2007, are given out annually to outstanding students who excel in both academic studies and extra-curriculum activities and may become our country's leaders of tomorrow.

The **Student Adoption Programme** was launched in 2008 with the aim to provide financial assistance to underprivileged students in order to sustain their educational needs and spur them to excel in their studies. Under this project, IOI has "adopted" 262 students from 78 schools from both Peninsular Malaysia and Sabah. Each of the students will receive RM800 plus a new school bag every year.

In our support to the local community, IOI has adopted five schools located in or near our oil palm estates in Sabah under the **School Adoption Programme**. Financial assistance was given to these schools to assist them in upgrading their infrastructures so as to provide a more conducive study environment for their students.

IOI also undertook the construction of a new Chinese school in Bandar Puchong Jaya, Selangor at its sole cost of RM7 million. The school was officially handed over to the Minister of Education during an official opening by the Prime Minister of Malaysia in November 2007.

In our effort to help native groups, we have embarked on an educational development programme in Sarawak, called the **Lawas Project** with the World Vision Malaysia. IOI is funding the curriculum and supporting the infrastructure development of the ethnic Lunbawang and Tagal community in Sarawak.

At IOI Group, we are proud of our efforts to better the environment and the lives of those in and around our company. We will endeavor to continue to improve on our performance each and every year and to build on our platform toward excellence in environmental and social development.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D

GROUP BUSINESS REVIEW

MANUFACTURING

INTRODUCTION

The Group's resource-based manufacturing business is essentially the segment of our palm oil business that follows after the plantation segment and comprises mainly refining of palm oil, processing of refined 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 food, personal care, households, pharmaceutical, cosmetics and chemical industries.

REFINING

As at 30 June 2008, the Group has four refineries with total refining capacity of 3,350,000 MT, i.e. one in Sabah with a refining capacity of 1.2 million MT and kernel crushing capacity of 300,000 MT per annum, two refineries in Johor, with a combined annual refining capacity of 1.3 million MT and the fourth is located in Rotterdam, Netherlands, with a refining capacity of approximately 850,000 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.

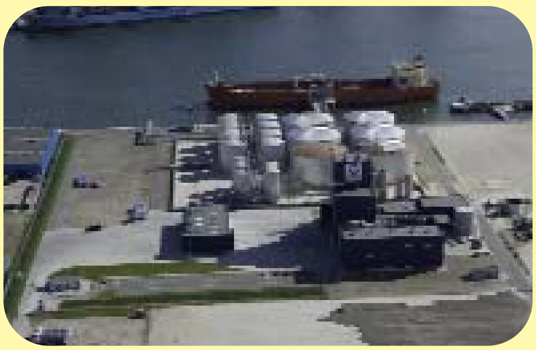
As for the three Malaysian based refineries, they cover the rapidly growing Asian market as well as supporting the needs of Loders Croklaan, USA.

OLEOCHEMICALS MANUFACTURING

The principal products of the IOI Oleochemical Division ("Oleo Division") include fatty acids, glycerine, soap noodles and fatty esters. These versatile products are used in a wide variety of applications, including manufacturing of detergents, surfactants, shampoo, soaps, cosmetics, pharmaceutical products, food additives and plastics. The products are exported to more than 60 countries worldwide, particularly to Europe, Japan and China. Its customers include some of the world's largest multi-national corporations.

The oleochemicals manufacturing activities are undertaken through the Oleo Division comprising our 100% owned subsidiaries namely the IOI Oleochemical Industries Berhad and the newly acquired Pan-Century group of companies. With a combined total capacity of 710,000 MT, the IOI Oleochemical Division is now the leading vegetable-based oleochemical producer in the world. The manufacturing sites of Oleo Division are strategically located in Penang and Johor with direct access to key ports in Butterworth and Pasir Gudang.

During the period under review, the Oleo Division has successfully integrated the overall supply chain and streamlined its product branding. Apart from attaining greater economies of scale, the division is able to meet and satisfy various customer needs to a higher degree. All these certainly augur well for our business philosophy to strategically develop our customers into long term partnership.



MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D

GROUP BUSINESS REVIEW

OLEOCHEMICALS MANUFACTURING CONT'D

Being a world class player, our manufacturing facilities are the recipient of numerous awards and recognitions at national and international levels. The Oleo Division prides itself with highly renowned certifications and accreditations in various areas of quality and international standards compliance. These achievements reinforce our commitment to quality, environmental protection, occupational health and safety in line with best practices.

A significant portion of Oleo Division's production is sold to multi-national customers under long term supply contracts. To better serve its wide geographical distribution of customers, this division is represented by an extensive network of distributors and agents all over the world. It also has bulk storage facilities in Europe, Japan and the United States to ensure availability of supply.

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 85 countries worldwide. It has one of the most developed specialty oils and fats technology base in the industry with a corporate history tracing back to 1891, and is a global market leader in its field.

At Loders Croklaan, we continuously strive to be at the forefront of technical developments and innovations in the field of oils and fats. This involves developing innovative products, improving processes, researching new areas and increasing expertise in order to create added value for our customers.

On the operating structure, Loders Croklaan is organised into two main divisions, namely Specialty Oils and Fats and Lipid Nutrition. A brief summary of these two divisions are as follows:

Specialty Oils and Fats

The Specialty Oils and Fats unit 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 (CBE), cocoa butter replacers (CBR) and cocoa butter substitutes (CBS). Loders Croklaan's other markets include Eastern Europe, the US, Canada, Central and Latin America, Egypt, the Middle East countries, China, Japan, Korea, India and South East Asia. Loders Croklaan Asia, provides the much needed competitive cost base, for entry into the rapidly expanding Asian specialty fats market.

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.

SPECIALTY OILS AND FATS MANUFACTURING CONT'D

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 Specialty Oils and Fats 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. Lipid Nutrition 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 gamma linoleic acid which is marketed under the name "Gammonal". In addition, Lipid Nutrition also produces infant formulae products marketed under the name Betapol.

OPERATIONS REVIEW

The oleochemicals sub-segment, the business, contributed a total of RM231.3 million to Group operating profit for FY2008, about doubled over last financial year results of RM128.4 million. This was achieved through volume growth as well as improvement in margins.

The refinery and specialty fats combined contributions increased from RM277.0 million in FY2007 to RM426.9 million in FY2008. The refinery and specialty fats business contributed higher profits in FY2008 because of higher refining margins as well as volume growth, benefiting from increased demand for food processing needs, non "trans fats" application and higher CBE/CBS demand.

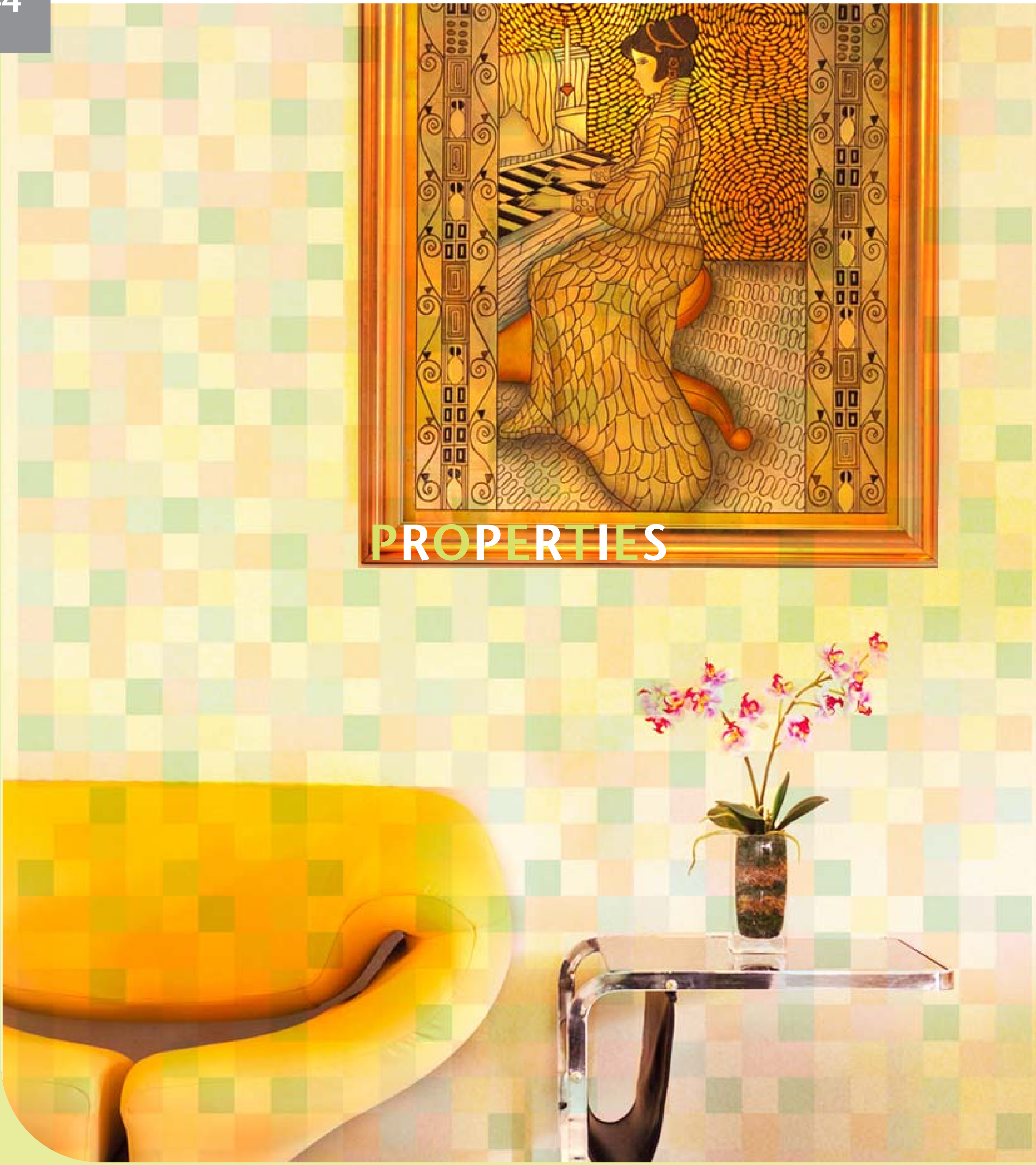
On the whole, the downstream business have benefited from an efficient supply chain management, superior price risk management and the value of traceability that we can offer to customers.

OUTLOOK & PROSPECTS

The downstream operation is expected to face challenging times ahead due to the increase in utilities and other input costs. Nevertheless, given the aforesaid competitive advantage that we enjoy, we expect to see good performance from our manufacturing business in FY2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D

GROUP BUSINESS REVIEW



PROPERTIES

INTRODUCTION

The Group's property business is principally carried out by the Company's 76% owned listed property arm, IOI Properties Berhad. The main stream of the property business is the development activities that contributed approximately 88% of the overall property business's operating profit (excluding fair value gains on investment properties). 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 2008, our main ongoing property development projects and the status of their development are as follows:

Projects	Year Of Development Commencements	Original land size (Hectares)	Status	Estimated Gross Development Value
Bandar Puchong Jaya	1990	374	Approaching completion	RM3.0 billion
Bandar Puteri Puchong	2000	374	Ongoing	RM4.0 billion
IOI Resort	1995	37	Ongoing	RM0.5 billion
Bandar Putra Kulai	1995	2,299	Ongoing	RM8.0 billion
Tmn Lagenda Putra, Kulai	2006	91	Ongoing	RM0.5 billion
Dengkil Land	2008	217	Expected lauching in FY2009/10	RM2.0 billion

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

	2008	2007	2006	2005	2004
Units of property sold	**1,934**	1,529	1,524	1,822	3,010
Total sales (RM'000)	**696,743**	683,471	570,842	549,213	713,677
Revenue (RM'000)	**755,066**	706,858	623,778	587,848	685,189
EBIT (RM'000)	**369,673**	397,171	331,350	295,249	315,487
EBIT margin (%)	**48.96**	56.19	53.12	50.23	46.04

MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D

GROUP BUSINESS REVIEW

OPERATIONS REVIEW

In tandem with strong GDP from 5.9% in year 2006 to 6.3% in 2007, the Malaysia Property Market improved despite having to operate under challenging environment amidst rising cost. The property market activities registered favourable increase in volume and value of transaction. The volume of transaction increased by 9% to 309,455 transactions and value of transaction increased by 25% to RM77.10 billion from 283,897 transactions and RM61.6 billion recorded in 2006 respectively. In term of residential property overhang, the sector recorded its first reduction in overhang since 2002, by 1,465 units or 6% to 23,866 units (2006: 25,331 units). The turnaround can partly attributed to Malaysian Government's initiative to enhance the robustness of the property market by introducing various favourable policies measures, such as RPGT exemption, 50% stamp duty rebate for transactions of low and medium cost properties and withdrawal from EPF for monthly housing loans repayment.

In line with the overall Malaysia Property Market improvement, for the financial year under review, the Group sold a total of 1,934 units of properties for a total sales value of RM696.7 million, an increase over previous year's 1,529 units at a total sales value of RM683.5 million.

Property sales for the various projects are summarised as follows:

	Units		Sales Value (RM million)	
Projects	**FY2008**	**FY2007**	**FY2008**	**FY2007**
Bandar Puchong Jaya	**315**	76	**150.8**	49.2
Bandar Puteri, Puchong	**496**	589	**310.7**	463.7
Bandar Putra, Kulai	**625**	486	**109.2**	75.6
Taman Lagenda, Putra Johor	**152**	39	**22.2**	8.5
Putri Palma, IOI Resort	**66**	22	**35.9**	10.1
Taman Putra Segamat	**225**	124	**31.2**	18.0
Others	**55**	193	**36.7**	58.4
Total	**1,934**	1,529	**696.7**	683.5

OPERATIONS REVIEW CONT'D

The Group sold a wide range of products during the financial year. Sales mix recorded for unit prices above RM350,000 was lower at 68% of total sales value as compared to previous year of 76%. As a result, the average price per unit has decreased by 19% from RM447,000 to RM360,000. The decrease in average unit price is mostly due to higher proportion sales of landed residential properties by Johor projects, which traditionally has a lower sales value per unit compared to Klang Valley.

The property sales mix by price range are as follows:

	FY2008		FY2007	
Projects	**RM million**	**%**	**RM million**	**%**
Below RM100,000	**16.7**	**2**	11.7	2
Between RM100,000 to RM150,000	**39.9**	**6**	32.1	5
Between RM150,000 to RM250,000	**95.7**	**14**	54.6	8
Between RM250,000 to RM350,000	**72.5**	**10**	63.3	9
Between RM350,000 to RM500,000	**99.7**	**14**	111.6	16
Above RM500,000	**372.2**	**54**	410.2	60
Total	**696.7**	**100**	683.5	100

Even though property development revenue registered an increase of 7%, however, at EBIT level, the property development segment decreased by RM27.5 million or down 7%, from RM397.2 million to RM369.7 million. The reason for the decrease can be explained as a result of escalating building materials cost as well as higher sales of lower end landed residential in Johor which traditionally has lower margin.

The Group's property investment portfolio comprises mainly of retail and office space totalling approximately 1.6 million sq ft of net lettable space (FY2007 - 1.6 million sq ft), of which about 100,000 sq ft is located in Singapore.

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 29%, from RM40.5 million for the previous financial year to RM52.3 million, both after excluding a investment properties fair value gain of RM160.7 million and RM130 million respectively.

The combined operating profit of the property development and investment activities, inclusive of the fair value gain on investment properties, totalled RM551.9 million for FY2008, against RM598.4 million for the previous financial year.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D

OPERATIONS REVIEW CONT'D

OUTLOOK & PROSPECTS

While it is reassuring that 2007 was a good year for property sector as indicated by the Key Property indicators, they do not necessary reflect future trends. Previously, the market was bullish due to the various policies and measures indicated in the foregoing paragraph, but sentiments has took a turn due to combination factors such a global uncertainties of rising inflation and costs, political changes and sustainability of demand. As such, the Malaysia property market is expected to experience a challenging time next year. It is imperative for property companies to continuously meet buyers demand for good locations, quality design and innovative products.

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
Kuala Lumpur City Centre
Kuala Lumpur
KL Sentral
North Klang Valley Expressway
Petaling Jaya
Ampang
Shah Alam
Federal Highway
New Pantai Expressway
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
North-South Highway
PM's Complex
Putrajaya Link
Putrajaya
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
To Kuala Lumpur
Sultan Ismail Airport
Kulai
Palm Villa
Palm Resort
North-South Highway
Senai
Taman Kempas Utama
Pandan
Plentong
UTM
Skudai
Pasir Gudang Highway
Johor Bahru
Tampoi
Senai Highway
Straits of Johor
2nd Link Expressway
Singapore


I eat
eats
brush
dress
walk
sail
laugh
happen
wait
climb

EMPOWERING THE NATION'S YOUTH

We believe whole-heartedly in the power of Malaysia's youth. To inspire and motivate youngsters from rural areas to achieve their potential, we bestow Young Achievers' Awards on outstanding pupils from primary to upper secondary levels who excel in both academic studies and extra-curricular activities. Later on in their life journey, we award scholarships and bursaries to these gifted students to pursue degree courses in institutions of higher learning and offer them a promising career in our organisation after their graduation.

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI DATO' LEE SHIN CHENG
PSM, DPMS, JP
Executive Chairman

DATO' LEE YEOW CHOR
DSAP
Executive Director

LEE YEOW SENG
Executive Director

LEE CHENG LEANG
Executive Director

DATUK HJ MOHD KHALIL B DATO' HJ MOHD NOOR
PJN, DSPN, JSM
Independent Non-Executive Director

CHAN FONG ANN
Independent Non-Executive Director

QUAH POH KEAT
Independent Non-Executive Director

AUDIT COMMITTEE

DATUK HJ MOHD KHALIL B DATO' HJ MOHD NOOR*
PJN, DSPN, JSM
Chairman

CHAN FONG ANN*

QUAH POH KEAT*
(MIA 2022)

** Independent Non-Executive Directors*

SECRETARIES

LEE AI LENG
(LS 0009328)

YAP CHON YOKE
(MAICSA 0867308)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel • (03) 2264 3883
Fax • (03) 2282 1886

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.ioiproperties.com.my
www.myioi.com
www.ioioi.com.my
www.croklaan.com

EMAIL ADDRESS

corp@ioigroup.com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06
05
02
03
04
07

PROFILE OF DIRECTORS

01

TAN SRI DATO' LEE SHIN CHENG

EXECUTIVE CHAIRMAN • MALAYSIAN, AGE 69

Tan Sri Dato' Lee Shin Cheng was first appointed to the Board on 21 July 1981. As Executive Chairman and Chief Executive Officer, 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 and the Adviser to the KL & Selangor Chinese Chamber of Commerce and Industry.

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

Tan Sri is the father of Dato' Lee Yeow Chor and Lee Yeow Seng, and the brother of Lee Cheng Leang, all 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 seven out of the eight Board Meetings held during the financial year ended 30 June 2008.

02

DATO' LEE YEOW CHOR

EXECUTIVE DIRECTOR • MALAYSIAN, AGE 42

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 a National Council Member of the Malaysian Real Estate & Housing Developers Association (REHDA), a National Executive Council Member and Chairman of Marketing and Promotion Main Committee 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 is the eldest son of Tan Sri Dato' Lee Shin Cheng and brother of Lee Yeow Seng.

Dato' Lee 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 seven out of the eight Board Meetings held during the financial year ended 30 June 2008.

03

LEE YEOW SENG

EXECUTIVE DIRECTOR • MALAYSIAN, AGE 30

Lee Yeow Seng was first appointed to the Board on 3 June 2008. Since joining the IOI Group, he is actively involved in corporate affairs and general management within the IOI Group.

Lee Yeow Seng holds a LLB (Honours) from King's College London and was admitted to the Bar of England & Wales by Inner Temple.

Lee Yeow Seng is the youngest son of Tan Sri Dato' Lee Shin Cheng and the brother of Dato' Lee Yeow Chor.

Lee Yeow Seng 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 Mr 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 one Board Meeting held after his appointment during the financial year ended 30 June 2008.

PROFILE OF DIRECTORS CONT'D

04

LEE CHENG LEANG

EXECUTIVE DIRECTOR • MALAYSIAN, AGE 60

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

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

He attended all the eight Board Meetings held during the financial year ended 30 June 2008.

05

DATUK HJ MOHD KHALIL B DATO' HJ MOHD NOOR

INDEPENDENT NON-EXECUTIVE DIRECTOR • MALAYSIAN, AGE 67

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 Auditor General of Malaysia (1994-2000). During his 36 years of distinguished service in the public sector, among the many appointments he 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 Nomination Committee of the Company. He is also the Chairman of TIME Engineering Berhad and a Director of MNRB Holdings Berhad, Malaysian Re-insurance Berhad and MNRB Retakaful Berhad as well as Bank Kerjasama Rakyat Malaysia Berhad, Rakyat Holdings Sdn Bhd and Rakyat Hartanah Sdn Bhd.

He attended all the eight Board Meetings held during the financial year ended 30 June 2008.

06

CHAN FONG ANN

INDEPENDENT NON-EXECUTIVE DIRECTOR • MALAYSIAN, AGE 78

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 from 1991-15 April 2007), 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 Nomination Committee of the Company.

He attended all the eight Board Meetings held during the financial year ended 30 June 2008.

07

QUAH POH KEAT

INDEPENDENT NON-EXECUTIVE DIRECTOR • MALAYSIAN, AGE 56

Quah Poh Keat was first appointed to the Board on 2 January 2008. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants, Chartered Institute of Management Accountants, and Fellow of the Malaysian Institute of Taxation and Association of Chartered Certified Accountants. He served as a past Vice-President of the Malaysian Institute of Taxation and is currently a Member of the Federation of Malaysian Manufacturers Economic Policies Committee.

Quah Poh Keat had been a partner of KPMG since 1 October 1982 and was the Senior Partner of the Firm responsible for the daily operations of KPMG Malaysia from 1 October 2000 until 30 September 2007. Prior to taking up the position of Senior Partner (also known as Managing Partner in other practices), he was in charge of the Tax Practice and the Japanese Practice in KPMG Malaysia. He was also a member of the KPMG Japanese Practice Council, the governing body within KPMG International, which looks after the Japanese Practices in the KPMG world. He was a Board Member of KPMG Asia Pacific that oversees KPMG operations in Asia Pacific and a Member of KPMG International Council that oversees KPMG's global operations.

Quah Poh Keat had experience in Audition, Taxation, and Insolvency Practices and worked in both the Malaysian Firm and two years with the UK Firm. He retired from KPMG Malaysia on 31 December 2007.

Quah Poh Keat is also a member of the Audit Committee of the Company. He is also a director of On-Going Holdings Sdn Bhd, PLUS Expressways Berhad, Telekom Malaysia Berhad, Public Bank Berhad, Public Investment Bank Berhad, Public Finance Ltd, Public Financial Holdings Ltd, Public Bank (Hong Kong) Ltd and IOI Properties Berhad.

He attended all four Board Meetings held after his appointment during the financial year ended 30 June 2008.

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.

FOSTERING COMMUNITIES

In collaboration with World Vision Malaysia, we provide holistic health care and early education to under-privileged children in Sarawak. Under a programme sponsored by IOI, professionally trained childhood educators and caregivers contribute significantly to the well-being of the Lunbawang and other impoverished native communities.

AUDIT COMMITTEE REPORT

A MEMBERS

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

Chan Fong Ann
Member / Independent Non-Executive Director

Quah Poh Keat, *CPA (M), CA (M), FCCA, ACMA, MIT (Malaysia)*
Member / Independent Non-Executive Director
(Appointed on 2 January 2008)

Dato' Yeo How, *CPA (M), CA (M)*
Member / Executive Director
(Resigned on 2 January 2008)

B COMPOSITION AND TERMS OF REFERENCE

1 Membership

The Audit Committee ("the Committee") shall be appointed by the Board from amongst the Directors and shall consist of no fewer than three (3) members. All the Committee members must be Non-Executive Directors with a majority of them being Independent Non-Executive Directors.

The Committee shall include at least one (1) Director who is a member of the Malaysian Institute of Accountants or alternatively a person who must have at least three (3) years working experience and have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967 or is a member of one (1) of the associations specified in Part II of the said Schedule or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

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

In the event that a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced 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.

The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three (3) years.

2 Objectives

The primary objectives of the Committee are to:

i Provide assistance to the Board in fulfilling its fiduciary responsibilities, particularly in the areas relating to the Company and its subsidiary companies' accounting and management controls, financial reporting and business ethics policies.

B COMPOSITION AND 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:

i Investigate any matter within its terms of reference and have full and unrestricted access to any information pertaining to the Company and the Group.

ii Have direct communication channels with both the external auditors and internal auditors.

iii Full access to any employee or member of the management.

iv Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees, whenever deemed necessary.

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

4 Duties and Responsibilities

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

i To review with management on a periodic basis, the Company's general policies, procedures and controls especially in relation to management accounting, financial reporting, risk management and business ethics.

ii To consider the appointment of the external auditors, the terms of reference of their appointment, the audit fee and any questions of resignation or dismissal.

iii To review with the external auditors their audit plan, scope and nature of the audit for the Company and the Group.

iv To review the external auditors' management letter and management's response.

v To review with the external auditors with regard to problems and reservations arising from their interim and final audits.

vi To review with the external auditors the audit report and their evaluation of the system of internal controls.

vii To review the assistance given by employees of the Company or Group to the external auditors.

AUDIT COMMITTEE REPORT CONT'D

B COMPOSITION AND TERMS OF REFERENCE CONT'D

4 Duties and Responsibilities cont'd

viii To do the following, in relation to the internal audit function:

- review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
- review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- review any appraisal or assessment of the performance of members of the internal audit function.
- approve any appointment or termination of senior staff members of the internal audit function.
- take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit their reasons for resigning.

ix To review the Company and the Group's quarterly financial statements and annual financial statements before submission to the Board.

The review shall focus on:

- any changes in or implementation of major accounting policies and practices.
- significant and unusual events.
- significant adjustments and issues arising from the audit.
- the going concern assumption.
- compliance with the applicable approved accounting standards and any other legal requirements.

x To review any related party transaction and conflict of interest situations that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

xi To undertake such other responsibilities as may be agreed to by the Committee and the Board.

xii To consider the report, major findings and management's response of any internal investigations carried out by the internal auditors.

5 Conduct of Meetings

Number of Meetings

The Committee shall meet at least five (5) times a year. 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, the Committee shall meet with the external auditors without executive board members present at least twice a year. The Committee may also invite other directors and employees to attend any of its meeting to assist in resolving and clarifying matters raised.

B COMPOSITION AND TERMS OF REFERENCE CONT'D

5 Conduct of Meetings cont'd

Quorum

A quorum shall consist of a majority of Independent Non-Executive Directors and shall not be less than two (2).

6 Secretary to the 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.

C ACTIVITIES

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

The main activities undertaken by the Committee were as follows:

i Review of the external auditors' scope of work and their audit plan and discuss results of their examinations and recommendations.

ii Review with the external auditors the results of their audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of their audit.

iii Review the audited financial statements before recommending them for the Board's 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 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.

AUDIT COMMITTEE REPORT CONT'D

C ACTIVITIES CONT'D

Number of Meetings and Details of Attendance

Eight (8) meetings were held during the financial year ended 30 June 2008. 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	8	8
Chan Fong Ann	8	8
Quah Poh Keat (Appointed on 2 January 2008)	4	4
Dato' Yeo How (Resigned on 2 January 2008)	3	3

Three (3) meetings were held subsequent to the financial year end to the date of Directors' Report and were attended by the following members:

Audit Committee Members	Total Number of Meetings	Number of Meetings Attended
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor	3	2
Chan Fong Ann	3	3
Quah Poh Keat (Appointed on 2 January 2008)	3	2

D 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 in enhancing shareholders' value.

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

CORPORATE GOVERNANCE

The Board 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 continuous and sustainable growth for the interests of all its stakeholders.

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 the sole Malaysian company to emerge in the Forbes Asia Fabulous 50 List for three (3) consecutive years. Forbes Asia's Fabulous 50 companies were chosen on the basis of long-term profitability, sales revenue, earnings growth, forecasted earnings and stock price. IOI was the Merit Winner of the inaugural Malaysia Business-CIMA Enterprise Governance Award 2008 and was ranked sixth (6th) in the ASEAN Top 100 Companies based on market capitalisation by US-based financial consultancy firm Stern Stewart & Co's Wealth Added Index (WAI). It also led the pack as it topped the list in the prestigious Top 100 Malaysian Companies. Besides that, IOI has once again bagged the Finance Asia's annual regional Best Managed Companies Award, for five (5) consecutive years and also won sixth (6th) placing under the categories of "Best Corporate Governance" and fifth (5th) placing for "Most Committed to A Strong Dividend Policy".

Apart from this, IOI's estates namely Ulu Estate, Pamol Sabah won the Malaysian Palm Oil Board's inaugural Best Estate CR award (2nd placing) for its best practices in corporate responsibility initiatives such as good business practices and sustainable cultivation, foster education of the young ones through partnership with HUMANA, excellent amenities and welfare for its owners and neighbouring communities, etc.

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 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.

CORPORATE GOVERNANCE CONT'D

THE BOARD OF DIRECTORS 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 (7) members, of whom four (4) are executive directors and three (3) 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 54 to 57 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 (2) roles is not in compliance with best practice, but took into consideration the fact that as Tan Sri is also the controlling shareholder (with approximately 41% stake), there is the advantage of shareholder leadership and natural alignment of interest. In respect of potential conflict of interest, the Board is comfortable that there is no undue risk involved as all related party transactions are strictly dealt with in accordance with the Listing Requirements of Bursa Securities and with independent 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. During the year, the Board appointed an additional independent director, Mr Quah Poh Keat to further strengthen the Board composition.

Other than the three (3) independent directors, the Board is not comprised of representative from shareholders other than a significant shareholder (i.e. Progressive Holdings Sdn Bhd) as the other major shareholders are mainly institutional funds (with the exception of Employees Provident Fund Board), that individually hold less than 10% shareholding in the Company.

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

THE BOARD OF DIRECTORS CONT'D

Board Meetings

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

Eight (8) Board meetings were held during the financial year ended 30 June 2008. The attendance record of each Director since the last financial year is as follows:

	Total Number of Meetings	Number of Meetings Attended
Executive Directors		
Tan Sri Dato' Lee Shin Cheng	8	7
Dato' Lee Yeow Chor	8	7
Lee Yeow Seng *(Appointed on 3 June 2008)*	1	1
Lee Cheng Leang	8	8
Dato' Yeo How *(Resigned on 30 June 2008)*	8	7
Non-executive Directors		
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor	8	8
Chan Fong Ann	8	8
Quah Poh Keat *(Appointed on 2 January 2008)*	4	4

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.

CORPORATE GOVERNANCE CONT'D

THE BOARD OF DIRECTORS CONT'D

The Board has the services of two (2) 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 committees are entitled to obtain professional opinions or advice from external consultants such as merchant bankers, valuers, human resource consultant, etc.

Training and Development of Directors

All newly appointed Directors have completed the Mandatory Accreditation Programme pursuant to the Listing Requirements of Bursa Securities.

Training needs as deemed appropriate by individual Board members are provided. 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.

Training Programmes, Seminars and Briefings Attended by Directors

On Risk Management and Financial Reporting
- Forum on Income Tax Reform Towards Enhancing the Nation's Economic Competitiveness
- National Tax Conference 2007
- The Malaysian Institute of Certified Public Accountants ("MICPA") – Business Forum 2007
- National Accountants Conference 2007
- Seminars on various Financial Reporting Standards

Other Areas
- PIPOC International Palm Oil Congress
- Palm & Lauric Oils Conference
- 5th RSPO Roundtable Meeting on Sustainable Palm Oil
- International Sustainability Conference
- 7th Annual Forbes Global CEO Conference
- 11th Asian Investment Conference 2008
- Citi Asia Pacific Fixed Income Investor Conference 2008
- MIM – 24th Tunku Abdul Rahman Dinner & Lecture – Leading a Global Enterprise
- UBS Lunch Presentation on "Global Economic Outlook – Views 2008"
- Malaysia Economic Association – The Mid Term Review of the 9th Malaysia Plan
- Malaysian Directors Academy in respect of the Current and Future Prospects of Islamic Banking
- Bursa Invest Malaysia 2008
- Bursa Talk – Advance Consolidated Principles

THE BOARD OF DIRECTORS CONT'D

Appointment to the Board

The Nomination Committee of the Company comprises the independent directors. The Nomination Committee is responsible for making recommendations for any appointments to the Board. In making these recommendations, the Nomination Committee considers the required mix of skills and experience and other qualities, including core competencies which the Directors should bring to the Board. Any new nomination received is put to the full Board for assessment and endorsement.

Having reviewed the composition of the Board with the need to further re-align to best practices, the Nomination Committee proposed the appointment of Mr Quah Poh Keat, a Chartered Accountant, as an independent Non-Executive Director and as a member of the Audit Committee.

Dato' Yeo How, who has been with the Group for the past 25 years and has served on the Board since 1996, resigned at the end of the financial year to pursue a career overseas. Mr Lee Yeow Seng was nominated as the new Executive Director.

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 ($^1/_3$) 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 (3) years but shall be eligible for re-election.

Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor shall retire by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

Mr Quah Poh Keat and Mr Lee Yeow Seng shall retire by casual vacancy at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Directors' Remuneration

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

The Remuneration Committee of the Company comprises the following Directors:-

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

The Remuneration 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.

CORPORATE GOVERNANCE CONT'D

THE BOARD OF DIRECTORS CONT'D

Directors' Remuneration cont'd

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 2008 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	400	6,057	32,111	281	5,771	172	44,792
Non-executive Directors	195	–	–	29	–	149	373

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

	Number of Directors	
Range of Remuneration	Executive	Non-executive
Below RM50,000	1	1
RM50,001 to RM100,000	–	–
RM100,001 to RM150,000	–	1
RM150,001 to RM200,000	–	1
RM200,001 to RM350,000	–	–
RM350,001 to RM400,000	1	–
RM450,001 to RM1,600,000	–	–
RM1,600,001 to RM1,650,000	1	–
RM1,650,001 to RM1,700,000	1	–
RM1,700,001 to RM41,100,000	–	–
RM41,100,001 to RM41,150,000	1	–

For financial year ended 30 June 2008, none of the directors was offered share options under the Company's ESOS.

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.

SHAREHOLDERS CONT'D

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

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

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

During the financial year, the Group had participated in approximately 10 roadshows and investor conferences and had approximately 123 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 applicable approved Financial Reporting Standards in Malaysia and the provisions of the Act.

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

CORPORATE GOVERNANCE CONT'D

ACCOUNTABILITY AND AUDIT CONT'D

Financial Reporting

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

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

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

Internal Control

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

Internal Audit Function

The Group's internal audit function is carried out by the Internal Audit Department, which reports directly to the Audit Committee on its activities based on the approved annual Internal Audit Plan.

Relationship with External Auditors

The Board maintains a transparent and professional relationship with the Group's external auditors.

Audit Committee

The Company has an Audit Committee whose composition meets the Listing Requirements of Bursa Securities, i.e. Non-Executive Directors forming the Audit Committee of which the majority of them are Independent Non-Executive Directors 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 twice a year, the Audit 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 non-statutory audit fees incurred for services rendered to IOI Group and the Company for the financial year ended 30 June 2008 by BDO Malaysia and its affiliated firms were RM922,000 and RM4,000 respectively.

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 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.

RISK MANAGEMENT FRAMEWORK

Controls of the Group are shaped in respond to risk factors that could impede the achievement of the Group's business objectives aligned to its VISION. The Group also views risks as uncertainties that could give rise to opportunities which may warrant strategic response. The Group adopts a uniform Enterprise wide Risk Management (ERM) Framework throughout its global operations – ensuring holistic approach coupled with consistent standards in its decentralised operations' risk management performance. IOI's ERM framework formalised since 2002 fulfils the guidelines issued by the Task Force on Internal Controls of the Institute of Internal Auditors Malaysia, and is benchmarked against US based COSO's ERM framework. The Group adopts a continual adaptation policy, and hence new development such as the ISO's international risk management standard (ISO 31000) would also be reviewed when completed. Consistent with the aforementioned, the Board conducts annual review on the adequacy and maintenance of the Group's adopted ERM framework and policy – particularly in relation to the mechanism for continuous principal risks identification, assessment, response & control, communication and monitoring.

REVIEW FOR THE PERIOD

For the period under review, each business unit cutting across all geographic areas - via its respective 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 in relation to the rated principal risks, and established strategic response, 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.

STATEMENT ON INTERNAL CONTROL CONT'D

REVIEW FOR THE PERIOD CONT'D

For the period reviewed, internal risk factors and corresponding operational controls are generally stable. However, the external environment generally has been more volatile where we saw crude palm oil prices moved from low of RM2,314/MT in August 2007 to reach historic high of RM4,486/MT in March 2008 before tapering downwards to RM3,033/MT in April 2008 and bouncing back to close at RM3,540/MT on 30 June 2008. We also witnessed the fallout of the US subprime mortgage crisis and its impact on the global financial sector and the ensuing credit crunch. The record high crude oil prices further added pressure on the global economy, and heighten the fuel-food debacle. We are pleased to report that our risk management program has served us well in responding to the aforementioned uncertainties and advancing the achievement of the Group's business objectives. We highlight below major cases of managed risks at enterprise level during the period under review:

- Mitigated commodity price risks, foreign exchange risks, and interest rate risks with our hedge operations – which itself is closely controlled.
- Tightened controls over working capital and credit management on group-wide basis.
- Raised new tranche of USD600 million exchangeable bonds just before the fallout of global credit crunch.
- Tightened quality and physical controls of commodity feedstock and value-added down-stream produces moving through our global supply chain - in the face of enlarged volume throughput and all time high prices.
- Reduced impact of rising energy prices with higher reliance on renewable energy (such as biomass for fuel) coupled with the launch of our group-wide "energy consumption reduction initiative" since the last financial year.

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 ERM Framework provides an adequate systemic mechanism for continuous principal risks identification, assessment, response & control, communication and monitoring. For the financial year under review, there were no material control failures or adverse compliance events that have resulted in any material loss to the Group that requires disclosure herein. The Board's conclusion is reached based on its review as mentioned above, and also on the following:

- Regular internal audit reports and periodic discussion with the Audit Committee.
- Bi-annual risk review report compiled by the respective units.
- Bi-annual risk review presentation and discussion attended by the Audit Committee, the Board, internal auditors, and statutory auditors.
- Operating units' Chief Executive Officer/Chief Financial Officer's Internal Control Certification & Assessment disclosure.
- Periodic management report on the state of the company's affairs which also covers the state of internal controls.
- 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 29 AUGUST 2008

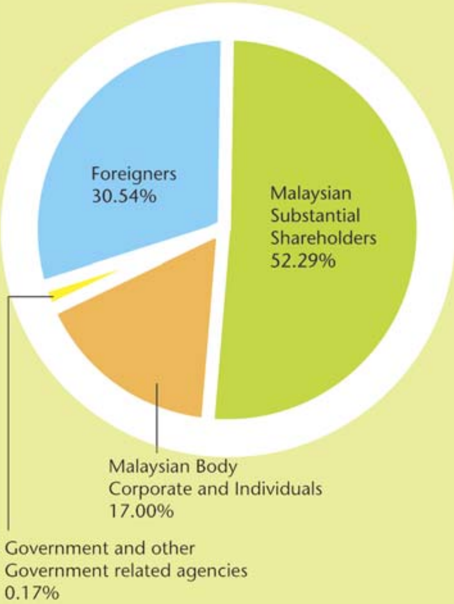
Name of Directors	Direct	%	Indirect	%
The Company				
No. of ordinary shares of RM0.10 each				
Tan Sri Dato' Lee Shin Cheng	46,022,670	0.78	2,415,868,568	40.79
Dato' Lee Yeow Chor	6,713,000	0.11	2,407,062,843	40.64
Lee Yeow Seng	1,185,400	0.02	2,407,062,843	40.64
Lee Cheng Leang	850,000	0.01	–	–
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor	308,750	–	–	–
Chan Fong Ann	6,400,625	0.11	158,740,321	2.68
Quah Poh Keat	–	–	–	–
Subsidiaries				
IOI Properties Berhad				
*No. of ordinary shares of RM0.50 each**				
Tan Sri Dato' Lee Shin Cheng	2,025,500	0.25	5,074,500	0.62
Dato' Lee Yeow Chor	30,000	–	5,024,500	0.62
Lee Yeow Seng	–	–	5,024,500	0.62
Chan Fong Ann	22,400	–	–	–
Kapar Realty And Development Sdn Berhad				
No. of ordinary shares of RM1,000.00 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 ordinary shares of the Company, Tan Sri Dato' Lee Shin Cheng, Dato' Lee Yeow Chor and Mr Lee Yeow Seng are also deemed to be interested in the ordinary shares of all the subsidiaries of the Company to the extent that the Company has an interest.

** Adjusted pursuant to the share split of IOI Properties Berhad on 23 June 2008.*

OTHER INFORMATION

Composition of Shareholders as at 29 August 2008



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 2008 or entered into since the end of the previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

Recurrent related party transactions of a revenue nature of IOI Corporation Berhad ("IOI") Group conducted pursuant to shareholders' mandate for the financial year ended 30 June 2008 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 (4) • Puan Sri Datin Hoong May Kuan (5) • Dato' Lee Yeow Chor (6) • Dato' Yeo How (7) • Progressive Holdings Sdn Bhd (8) • Lee Yeow Seng (9)	1,387
Nice Frontier Sdn Bhd (1)	Purchase of estate produce by Pamol Plantations Sdn Bhd	• Tan Sri Dato' Lee Shin Cheng (4) • Puan Sri Datin Hoong May Kuan (5) • Dato' Lee Yeow Chor (6) • Dato' Yeo How (7) • Progressive Holdings Sdn Bhd (8) • Lee Yeow Seng (9)	17,389

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE 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 (4) • Puan Sri Datin Hoong May Kuan (5) • Dato' Lee Yeow Chor (6) • Dato' Yeo How (7) • Progressive Holdings Sdn Bhd (8) • Lee Yeow Seng (9)	44,715
Malayapine Estates Sdn Bhd (15)	Property project management services by Pilihan Megah Sdn Bhd (1)	• Progressive Holdings Sdn Bhd (10) • Tan Sri Dato' Lee Shin Cheng (11) • Puan Sri Datin Hoong May Kuan (12) • Dato' Lee Yeow Chor (13) • Lee Yeow Seng (14)	1,805
Flora Development Sdn Bhd (1)	Rental of properties from Resort Villa Development Sdn Bhd (16)	• Tan Sri Dato' Lee Shin Cheng (4) • Puan Sri Datin Hoong May Kuan (5) • Dato' Lee Yeow Chor (6) • Dato' Yeo How (7) • Progressive Holdings Sdn Bhd (8) • Lee Yeow Seng (9)	3,809
Dynamic Management Sdn Bhd (1)	Provision of management and back-up services to IOI Corporation Berhad	• Tan Sri Dato' Lee Shin Cheng (4) • Puan Sri Datin Hoong May Kuan (5) • Dato' Lee Yeow Chor (6) • Dato' Yeo How (7) • Progressive Holdings Sdn Bhd (8) • Lee Yeow Seng (9)	8,000

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. *Tan Sri Dato' Lee Shin Cheng is the Executive Chairman and deemed Major Shareholder of IOI and IOIP. He has an interest (direct and indirect) of 234,365,600 shares representing 72.06% equity interest in IOIP*
5. *Puan Sri Datin Hoong May Kuan is a Director of IOIP and a deemed Major Shareholder of IOI and IOIP and person connected to Tan Sri Dato' Lee Shin Cheng, Dato' Lee Yeow Chor and Lee Yeow Seng. She has an indirect interest of 234,365,600 shares representing 72.06% equity interest in IOIP*
6. *Dato' Lee Yeow Chor is an Executive Director and a deemed Major Shareholder of IOI and IOIP 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 233,555,400 shares representing 71.80% equity interest in IOIP*

OTHER INFORMATION CONT'D

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE CONT'D

7 Dato' Yeo How was an Executive Director of IOI and IOIP who has resigned on 30 June 2008. He held 4,000 shares representing less than 0.01% equity interest in IOIP

8 Progressive Holdings Sdn Bhd ("PHSB") is a Major Shareholder of IOI, deemed Major Shareholder of IOIP and person connected to Tan Sri Dato' Lee Shin Cheng. PHSB has an interest (direct and indirect) of 233,540,400 shares representing 71.81% equity interest in IOIP

9 Lee Yeow Seng is a deemed Major Shareholder of IOI and IOIP 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 233,540,400 shares representing 71.80% equity interest in IOIP

10 PHSB is a Major Shareholder of IOI and deemed Major Shareholder of IOIP and Malayapine Estates Sdn Bhd ("Malayapine")

11 Tan Sri Dato' Lee Shin Cheng is the Executive Chairman/Director and deemed Major Shareholder of IOI and Malayapine

12 Puan Sri Datin Hoong is a deemed Major Shareholder of IOI and Malayapine and person connected to Tan Sri Dato' Lee Shin Cheng

13 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

14 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

15 Malayapine is a subsidiary company of PHSB and a company connected to Tan Sri Dato' Lee Shin Cheng

16 The rental of property relates to a space in an office block located at Two IOI Square, IOI Resort, 62502 Putrajaya with a built-up area of 85,791 sq ft at a monthly rental of RM317,426.70

- Notwithstanding the related party disclosure already presented in the financial statements in accordance with Financial Reporting Standards No. 124 ("FRS 124"), the above disclosures are made in order to comply with Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") with regard to the value of related party transactions of a revenue nature conducted pursuant to shareholders' mandate during the financial year, as the scope of related party relationships and disclosure contemplated by the Listing Requirements are, to certain extent, different from those of FRS 124.

- The shareholdings of the respective interested Directors / Major shareholders as shown above are based on information disclosed in the circulars to shareholders in relation to the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature dated 28 September 2007.

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
Syarikat Pukin Ladang Kelapa Sawit Sdn Bhd ("SPLKSSB")	SPLKSSB was fined for RM2,000 for an offence under Regulation 14 of the Environmental Quality Act 1978	SPLKSSB's Pukin Oil Mill was found by Department of Environment ("DOE") of Pahang for allowing the emission of smoke exceeding the permissible limit. A new boiler is to be installed in December 2008 to prevent the recurrence of this problem.
Morisem Palm Oil Mill Sdn Bhd ("MPOMSB")	MPOMSB was fined RM2,000 by Jabatan Alam Sekitar Negeri Sabah, under Section 10(2) of Environment Quality 1974 and Environment Quality Regulations (Discharge Table) 2005.	MPOMSB's Leepang Palm Oil Mill was found by the DOE of Sabah to have failed to label the used oil tank as required. Remedial action has been taken to order label/sticker to label the used oil tank accordingly.
Syarimo Sdn Bhd ("SSB")	SSB was fined RM25,000 by Sandakan Session Court for an offence under Section 25(1) of Environment Quality Act 1974 ("EQA").	SSB's Syarimo Palm Oil Mill was found by DOE of Sabah to have discharged effluent that exceeded the limits for parameters of effluent stipulated under the EQA. Remedial action has been implemented and now awaiting for approval from DOE for a new anaerobic pond.

UTILISATION OF PROCEEDS

The status of utilisation of proceeds raised from the 3rd Exchangeable Bonds as at 30 June 2008 is as follows:

Purpose	Proposed Utilisation (USD million)	Actual Utilisation (USD million)	Intended Timeframe for Utilisation	Deviation	
				Amount	%
Capital expenditure, investments/acquisitions and working capital	600	117	by January 2011	–	–
Total	600	117		–	–

SENIOR MANAGEMENT TEAM

GROUP CHIEF EXECUTIVE OFFICER
Tan Sri Dato' Lee Shin Cheng

GROUP EXECUTIVE DIRECTORS
Dato' Lee Yeow Chor
Lee Yeow Seng
Lee Cheng Leang

PLANTATION

Group Plantation Director
Dato' Foong Lai Choong

Group Commodity Marketing Director
Yong Chin Fatt

Executive Director, Sabah
Lai Poh Lin

General Manager (Finance)
Lim Eik Hoy

General Manager, Lahad Datu
Tee Ke Hoi

General Manager, Sandakan
Lee Foo Wah

General Manager, Indonesia
Goh Hock Sin

General Manager, Marketing
James Goh Ju Tong

REFINERY

General Manager
Sudhakaran A/L Nottath Bhaskar

OLEOCHEMICALS

Chief Operating Officers
Lee Sing Hin *(Pan-Century)*
Tan Kean Hua *(IOI Oleo)*

Chief Financial Officer
Khoo Tian Cheng

SPECIALTY OILS AND FATS

Senior General Manager
Group Engineering
Wong Chee Kuan

Chief Operating Officers
Michael-van Sallandt *(Europe)*
Julian Veitch *(North America)*
UR, Sahasranaman *(Asia)*

PROPERTY

Property Director
Dato' David Tan Thean Thye

Senior General Manager
Simon Heng Kwang Hock

General Managers
Lee Thian Yew
Lim Beng Yeang

Acting General Managers
Daniel Liew Yee Pin
Teh Chin Guan

HOTEL

General Managers
Yeow Hock Siew
Simon Yong

GOLF CLUB

General Manager
Lim Hock Seng

CORPORATE

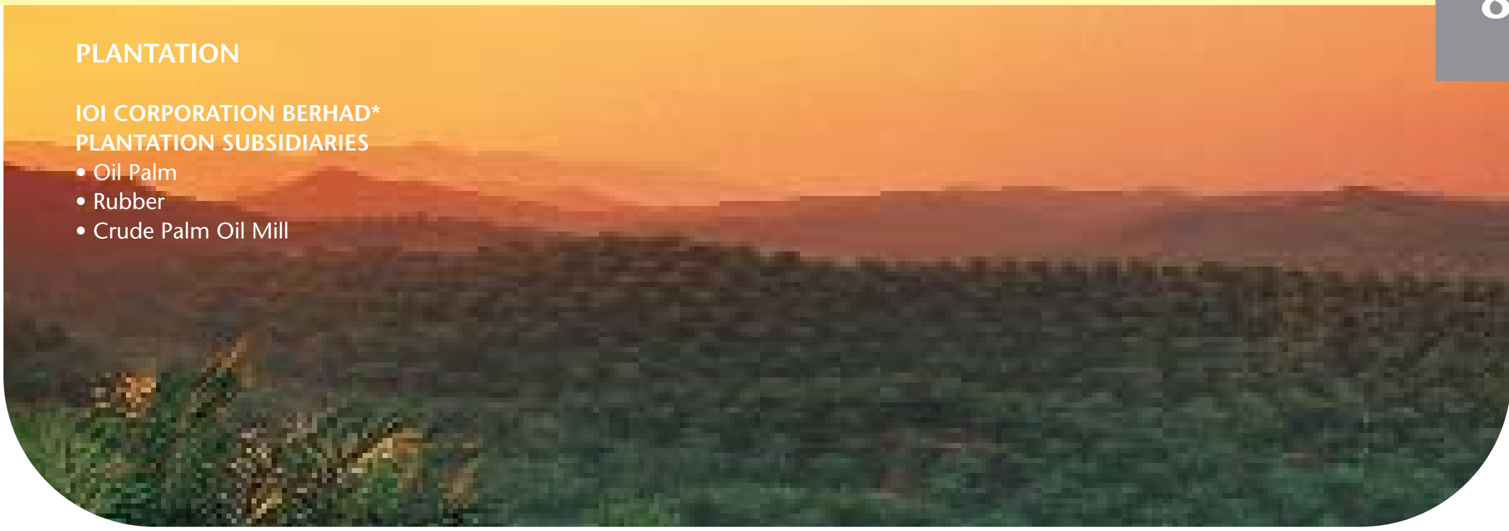
Group Legal Adviser/
Company Secretary
Lee Ai Leng

Group Financial Controller
Kong Chee Khoon

General Manager
Legal/Group Operations
Lee Yoke Har

Global Sustainability Director
Donald C Grubba

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

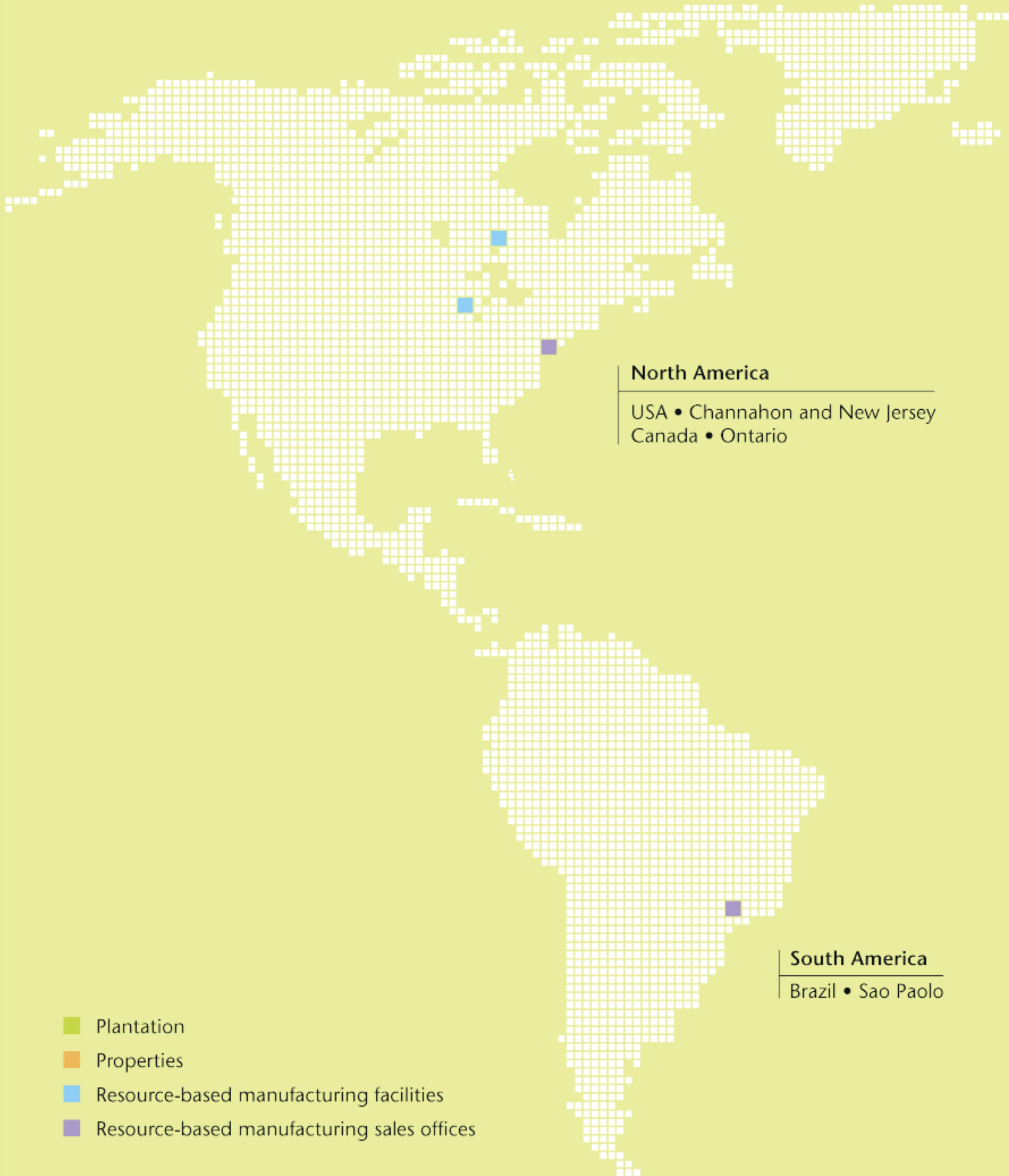
PAN-CENTURY GROUP
• Oleochemicals
• Refinery

PROPERTY DEVELOPMENT & INVESTMENT

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

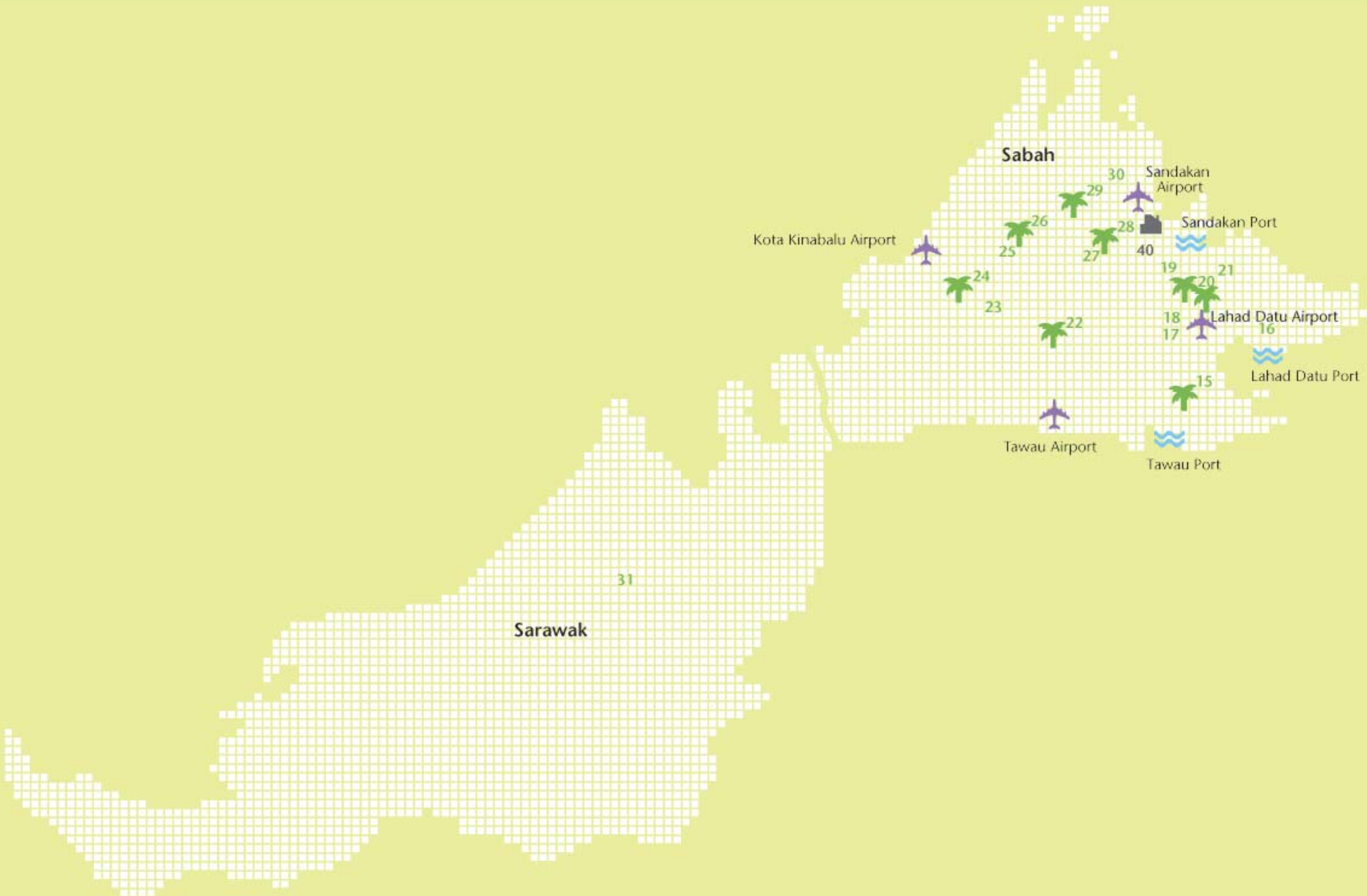
* Listed on the Main Board of Bursa Malaysia Securities Berhad

GLOBAL PRESENCE




Europe
Netherlands • Wormerveer & Zwijndrecht
Italy • Milan
Poland • Warsaw
Russia • Moscow
England • Essex
Middle East
Egypt • Cairo
Asia Pacific
China • Shanghai
Malaysia
Singapore
Indonesia
Africa
South Africa • Durban

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 and Taman Lagenda Putra
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
42 Pan-Century Oleochemical and refinery Operations

CORPORATE CALENDAR

SEPTEMBER 2007

- IOI Corporation Berhad ("IOI") was the sole Malaysian company to emerge in the Forbes Asia Fabulous 50 list for second consecutive year.

- IOI Properties Berhad ("IOIP")'s strategically systematic and aggressive efforts to attract long-term investors have earned it a notable place in the 2006 KPMG Shareholder Value list for the first time.

OCTOBER 2007

- IOI-Loders Croklaan's Couva™ 850NH was nominated for the Most Innovative Food Ingredient Fi Europe Award 2007.

NOVEMBER 2007

- IOI made its first foray into the Indonesian plantation sector by acquiring interest in oil palm estates in Kalimantan, Indonesia. The acquisition provides immediate addition to planted hectarage as well as substantial suitable land bank for sustained business growth.

- The SJK (C) Ladang Harcroft Puchong which was fully financed by IOI Group was officially opened by the Prime Minister of Malaysia, Dato' Seri Abdullah Ahmad Badawi on 30 November 2007. It was part of IOI's Corporate Social Reponsibility ("CSR") initiatives to build a Chinese school in its Puchong Jaya township for a good cause of the community.

DECEMBER 2007

- Tuscany at Putrajaya Marriott Hotel bagged four Awards of Excellence at the Malaysia International Gourmet Festival 2007. The excellence awards were for "The Best Value Menu of the Festival", "The Best Malaysia Truly Asia Cuisine Signature Dish", "The Best Chef of the Malaysia Truly Asia Cuisine Showcase" and "The Best Marketed Restaurant".

JANUARY 2008

- IOI Resources (L) Berhad issued USD600 million Zero Coupon Guaranteed Exchangeable Bonds due 2013 ("3rd Exchangeable Bonds"). The 3rd Exchangeable Bonds were issued at 100% of the principal amount and will mature on 15 January 2013.

- IOI Properties (Singapore) Pte Ltd and Ho Bee Investment Ltd, a Singaporean listed company, had successfully tendered for the Pinnacle Collection, a 5.3-acre 99-year leasehold land parcel located at Sentosa Cove, Singapore for a total consideration of SGD1.1 billion. The land is planned for the development of luxury condominiums. The acquisition was completed in April 2008.

MARCH 2008

- Ulu Estate, Pamol Sabah won the Malaysian Palm Oil Board's inaugural Best Estate CR Award (2nd placing) for its best practices in social upkeep and welfare in estate.

CORPORATE CALENDAR CONT'D

MAY 2008

- IOIP's subsidiary Multi Wealth (Singapore) Pte Ltd has acquired 53% interest in Mergui Development Pte Ltd, a joint venture company that will undertake a redevelopment of a condominium project on a parcel of freehold land at Mergui Road, Singapore.

JUNE 2008

- IOI once again bagged the Finance Asia's annual regional Best Managed Companies Award for five consecutive years. IOI also won the 6th placing under the categories of "Best Corporate Governance" and 5th placing for "Most Committed to A Strong Dividend Policy".

- IOI was ranked 6th among the ASEAN Top 100 Companies based on market capitalisation by US-based financial consultancy firm Stern Stewart & Co's Wealth Added Index (WAI). It also led the pack as it topped the list in the Top 100 Malaysian Companies for the same index.

JULY 2008

- IOI was the Merit Winner of the inaugural Malaysia Business-CIMA Enterprise Governance Award 2008.

AUGUST 2008

- IOIP completed the renounceable rights issue with the listing of and quotation for 162,537,250 new ordinary shares of RM0.50 each at an issue price of RM4.85 each on the Main Board of Bursa Malaysia Securities Berhad.

- IOI entered into a conditional joint venture agreement to subscribe for the equity of a joint venture company to be incorporated and named IOI Pelita Kanowit Sdn Bhd for the purpose of acquiring and developing approximately 7,000 hectares of land situated at Block E (Lesih) Kanowit, Sibu, Sarawak into oil palm estates.

- IOI acquired the entire issued and paid-up share capital of Laksana Kemas Sdn Bhd ("LKSB") for a total cash consideration of RM0.75 million. LKSB is the beneficial and legal owner of land with a total land area of 566.54 acres and its principal activity is cultivation of oil palm.

- IOI entered into a conditional sale and purchase agreement to acquire the entire equity interest in Inverfin Sdn Bhd ("ISB") for a total cash consideration of RM586 million. ISB is the owner of Menara Citibank located in Jalan Ampang, Kuala Lumpur.

- IOIP was named in the 2007 KPMG Shareholder Value Award list due to its strong reputation coupled with persistent efforts in property development.

SEPTEMBER 2008

- IOI was the sole Malaysian company to emerge in the Forbes Asia Fabulous 50 List for three consecutive years.

- IOIP once again won The Edge Top Property Developers Awards 2008 for six years running.

- Yayasan Tan Sri Lee Shin Cheng ("Yayasan") had fully funded the building of a Chinese-medium primary school in Bandar Puchong Jaya. This school project has attracted national prominence as it is the first Chinese-medium primary school built entirely from the funds of a private corporation and was completed within a period of 10 months from the date of its approval. The school was handed over to the Ministry of Education in a ceremony officiated by the Prime Minister of Malaysia in November 2007.

- Yayasan presented scholarships amounting to RM582,000 to 17 students during an award presentation ceremony held at Palm Garden Hotel. It was part of IOI's Corporate Social Responsibility ("CSR") initiatives in human capital development.

- Palm Garden Hotel hosted a Hari Raya Charity hi-tea at the Perdana Ballroom for orphans and the needy from the Sepang District. A total of 100 orphans and the needy were treated to a sumptuous lunch together with their clients.

- IOI launched the "Going GREEN, Living CLEAN" campaign, where qualified customers were given an eco-friendly reusable shopping bag while shopping at its various business outlets, namely IOI Mall Puchong, IOI Mall Kulai, Puteri Mart and IOI Mart. The campaign is part of IOI's CSR initiatives to educate the public on conservation by reducing the usage of plastic bags.

- In conjunction with the Christmas celebration, Putrajaya Marriott Hotel held a Christmas Charity Benefit, where more than 175 children from four different orphanages, namely Rumah Shalom, Rumah Charis, Rumah Faith and House of Joy were invited to the lunch. The event was graced by Datuk Joseph Salang, Deputy Minister of Foreign Affairs.

SOCIAL CONTRIBUTION CONT'D

- The Yayasan's Young Achievers' Awards ceremony was held at IOI Research Centre in Malacca whereby 69 outstanding scholastic achievers in the UPSR, PMR, SPM and STPM category were given awards in the categories of gold, silver, bronze and commendation.

- IOI Palm Villa at Kulai organised a Charity Golf Tournament and successfully raised RM15,000 for a little girl who was diagnosed with chronic lung disease and had to depend on an "oxygen concentrator" to help her breathe normally. The fund raised will be used for her medical treatment.

- Under its School Adoption Programme, Yayasan adopted five secondary schools in Sabah. Financial assistance was given to the schools to improve their infrastructure and other educational needs.

- Yayasan donated RM1 million to SJK (C) Shin Min for its school building fund to cater for the increasing number of students.

- Yayasan donated RM250,000 to the Pusat Hemodialisis Mawar as treatment cost to the needy failure patients.

- Yayasan officially launched its Student Adoption Programme on 21 April by the Guest of Honour, Dr Wee Ka Siong, Deputy Minister of Education. For the first year, 262 students from 78 primary and secondary schools benefited from the programme. Each of the adopted students will receive RM800 cash and school bags every year until they finished their studies.

- IOI donated RMB1 million to the Embassy of the People's Republic of China as the relief fund for their earthquake victims.

- In view of the sustainability of the school and safety of the students, Yayasan contributed RM1 million to Kuen Cheng High School for the school redevelopment fund.

- Yayasan organised a "Special Movie Screening of Kungfu Panda" for 116 children from three orphanage homes in Puchong, namely House of Joy, Rumah Shalom and Rumah Charis. They were also treated to a sumptuous meal at Pizza Hut and a delightful carousel ride at IOI Mall.

- As part of our CSR initiatives, Leepang A Estate extended a caring contribution by donating 10kg of rice grain to each family of orang asli from Kampung Inoi who are the closest neighbour and ex-occupants of the jungle fringes of the estate. The donation which took effect in April 2008 will be continuing every month.

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 2008.

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, associates and jointly controlled entities are set out in Note 50 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 2008 are as follows:

	Group RM'000	Company RM'000
Profit before taxation	3,095,197	1,293,102
Taxation	(683,010)	(135,826)
Profit for the financial year	2,412,187	1,157,276
Attributable to:		
Equity holders of the Company	2,231,632	1,157,276
Minority interests	180,555	–
	2,412,187	1,157,276

DIVIDENDS

Dividends declared and paid since the end of the previous financial year were as follows:

	Company RM'000
In respect of the financial year ended 30 June 2008:	
Interim dividend of 7.0 sen per ordinary share, less tax of 26%, paid on 28 March 2008	314,738

The curent year dividends were paid to shareholders whose names appeared in the Record of Depositors at the close of business on 17 March 2008.

The Directors have declared a second interim single tier dividend of 10.0 sen per ordinary share, amounting to RM598,605,823 in respect of the financial year ended 30 June 2008. The dividend is payable on 26 September 2008 to shareholders whose names appear in the Record of Depositors at the close of business on 17 September 2008.

No final dividend has been recommended for the financial year ended 30 June 2008.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued:

i 17,056,800 new ordinary shares of RM0.10 each for cash at RM2.50 per ordinary share arising from the exercise of options granted under the Company's Executive Share Option Scheme;

ii 2,764,200 new ordinary shares of RM0.10 each for cash at RM4.30 per ordinary share arising from the exercise of options granted under the Company's Executive Share Option Scheme; and

iii 172,204,282 new ordinary shares of RM0.10 each at RM4.70 per ordinary share arising from the exchange of USD228,633,000 Zero Coupon Guaranteed Exchangeable Bonds due 2011.

The newly issued shares rank pari passu in all respects with the existing issued shares of the Company.

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

TREASURY SHARES

The shareholders of the Company, by a special resolution passed at 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 ("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 29 October 2007.

The Directors of the Company are committed in 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 repurchased 151,824,700 ordinary shares of RM0.10 each of its issued share capital from the open market. The average price paid for the shares repurchased was RM7.11 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased were held as treasury shares and treated in accordance with the requirement of Section 67A of the Companies Act, 1965.

The Company has the right to cancel, resell these shares and/or distribute these shares as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended. None of the treasury shares repurchased had been sold as at 30 June 2008.

At the balance sheet date, the number of ordinary shares in issue after deducting treasury shares against equity is 5,986,058,231 ordinary shares of RM0.10 each.

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.

The salient features of the Guaranteed Notes are disclosed in Note 34.5 to the financial statements.

DIRECTORS' REPORT CONT'D

USD370 MILLION ZERO COUPON GUARANTEED EXCHANGEABLE BONDS DUE 2011 ("2ND EXCHANGEABLE BONDS")

On 18 December 2006, the Company's wholly-owned subsidiary, IOI Capital (L) Berhad, a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, issued USD370 million Zero Coupon Guaranteed Exchangeable Bonds due 2011 ("2nd Exchangeable Bonds"). The 2nd 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 December 2011. The 2nd Exchangeable Bonds are unconditionally and irrevocably guaranteed by the Company.

The salient features of the 2nd Exchangeable Bonds are disclosed in Note 34.3 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)(a) of the Companies Act, 1965 to disclose the list of 2nd Exchangeable Bondholders who have the options to exchange their 2nd Exchangeable Bonds into the Company's ordinary shares.

During the financial year, USD228,633,000 of the 2nd Exchangeable Bonds were exchanged into 172,204,282 new ordinary shares of RM0.10 each of the Company at RM4.70 per ordinary share.

USD600 MILLION ZERO COUPON GUARANTEED EXCHANGEABLE BONDS DUE 2013 ("3RD EXCHANGEABLE BONDS")

On 15 January 2008, the Company's wholly-owned subsidiary, IOI Resources (L) Berhad, a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, issued USD600 million Zero Coupon Guaranteed Exchangeable Bonds due 2013 ("3rd Exchangeable Bonds"). The 3rd 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 15 January 2013. The 3rd Exchangeable Bonds are unconditionally and irrevocably guaranteed by the Company.

The salient features of the 3rd Exchangeable Bonds are disclosed in Note 34.4 to the financial statements.

The Company has been granted exemption by the CCM from having to comply with Section 169(11)(a) of the Companies Act, 1965 to disclose the list of 3rd Exchangeable Bondholders who have the options to exchange their 3rd Exchangeable Bonds into the Company's ordinary shares.

CAPITAL REPAYMENT EXERCISE

During the financial year, the Company completed a capital repayment of RM1,314,391,432 to its shareholders on the basis of a cash distribution of RM4.20 for each ordinary share cancelled. The capital repayment was implemented via a cancellation of 312,950,341 ordinary shares of RM0.10 each in the Company on the basis of one (1) ordinary share cancelled for every twenty (20) existing ordinary shares held on the entitlement date of 15 August 2007. RM31,295,034 of the total par value of the issued and paid-up share capital of the Company was cancelled and the remaining balance sum for the capital repayment of RM1,283,096,398 was set-off against the share premium account of the Company pursuant to Sections 64 and 60(2) of the Companies Act, 1965.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

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 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:

- the number of new IOI Shares allotted, 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 allotted 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) 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.

DIRECTORS' REPORT CONT'D

EXECUTIVE SHARE OPTION SCHEME ("ESOS") CONT'D

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.

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.

EXECUTIVE SHARE OPTION SCHEME ("ESOS") CONT'D

The movements of the options over the unissued ordinary shares of RM0.10 each in the Company granted under the ESOS during the financial year are as follows:

		No. of options over ordinary shares			
Option price	**Date of offer**	**As at 1 July 2007**	**Exercised**	**Lapsed**	**As at 30 June 2008**
RM2.50	12 January 2006	93,470,600	(17,056,800)	(7,373,000)	69,040,800
RM4.30	2 April 2007	46,071,000	(2,764,200)	(51,300)	43,255,500
Total		139,541,600	(19,821,000)	(7,424,300)	112,296,300

RESERVES AND PROVISIONS

There were no material transfers to and from reserves or provisions during the financial year other than those 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
Lee Cheng Leang
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor
Chan Fong Ann
Quah Poh Keat *(Appointed on 2 January 2008)*
Lee Yeow Seng *(Appointed on 3 June 2008)*
Dato' Yeo How *(Resigned on 30 June 2008)*

In accordance with Article 101 of the Company's Articles of Association, Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

In accordance with Article 102 of the Company's Articles of Association, Mr Quah Poh Keat and Mr Lee Yeow Seng retire by casual vacancy at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Mr 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

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 30 June 2008 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 were as follows:

Direct Interests	As at 1 July 2007/ Date of Appointment	Acquired	Disposed	As at 30 June 2008
The Company				
No. of ordinary shares of RM0.10 each				
Tan Sri Dato' Lee Shin Cheng	48,444,915	–	(2,422,245)	46,022,670
Dato' Lee Yeow Chor	5,540,000	2,150,000	(977,000)	6,713,000
Lee Yeow Seng	1,135,400	–	–	1,135,400
Lee Cheng Leang	480,000	850,000	(480,000)	850,000
Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor	325,000	–	(16,250)	308,750
Chan Fong Ann	6,737,500	–	(336,875)	6,400,625
Subsidiaries				
IOI Properties Berhad				
*No. of ordinary shares of RM0.50 each**				
Tan Sri Dato' Lee Shin Cheng	1,620,400	–	–	1,620,400
Dato' Lee Yeow Chor	30,000	–	–	30,000
Chan Fong Ann	22,400	–	–	22,400
Kapar Realty And Development Sdn Berhad				
No. of ordinary shares of RM1,000.00 each				
Tan Sri Dato' Lee Shin Cheng	100	–	–	100

** Adjusted pursuant to the share split of IOI Properties Berhad on 23 June 2008.*

DIRECTORS' INTERESTS CONT'D

Indirect Interests	**As at 1 July 2007/ Date of Appointment**	**Acquired**	**Disposed**	**As at 30 June 2008**
The Company				
No. of ordinary shares of RM0.10 each				
Tan Sri Dato' Lee Shin Cheng	2,461,075,045	77,965,975	(124,326,152)	2,414,714,868
Dato' Lee Yeow Chor	2,454,806,045	73,997,100	(122,740,302)	2,406,062,843
Lee Yeow Seng	2,403,870,043	2,192,800	–	2,406,062,843
Chan Fong Ann	166,923,785	114,500	(8,347,964)	158,690,321
Subsidiaries				
IOI Properties Berhad				
*No. of ordinary shares of RM0.50 each**				
Tan Sri Dato' Lee Shin Cheng	4,019,600	444,600	(402,600)	4,061,600
Dato' Lee Yeow Chor	4,019,600	–	–	4,019,600
Lee Yeow Seng	4,019,600	–	–	4,019,600
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

** Adjusted pursuant to the share split of IOI Properties Berhad on 23 June 2008.*

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

The other Director, Mr Quah Poh Keat holding office at the end of the financial year did not have any interest in ordinary shares and options over ordinary shares in the Company or ordinary shares, options over ordinary shares and debentures of its related corporations during the financial year.

DIRECTORS' REPORT CONT'D

DIRECTORS' INTERESTS CONT'D

The movements of the options over the unissued ordinary shares of RM0.10 each in the Company granted under the ESOS to the Directors in office at the end of the financial year are as follows:

Director	Option Price	No. of options over ordinary shares As at 1 July 2007/ Date of Appointment	Exercised	As at 30 June 2008
Tan Sri Dato' Lee Shin Cheng	RM2.50	15,000,000	–	15,000,000
Dato' Lee Yeow Chor	RM2.50	5,000,000	(2,000,000)	3,000,000
Lee Yeow Seng	RM2.50	600,000	–	600,000
Lee Yeow Seng	RM4.30	750,000	–	750,000
Lee Cheng Leang	RM2.50	2,400,000	(800,000)	1,600,000

DIRECTORS' BENEFITS

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 42 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which 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 42 to the financial statements.

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, as disclosed in Note 31.1 to the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS OF THE GROUP AND OF THE COMPANY

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

i to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision 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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS OF THE GROUP AND OF THE COMPANY CONT'D

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 provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

ii which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

iii which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

As at the date of this report, there does not exist:

i any charge on the assets of the Group or of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

ii any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations when they fall due.

OTHER STATUTORY INFORMATION

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

In the opinion of the Directors:

i the results of operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for the gain on liquidation of a subsidiary and gain on capital repayments of subsidiaries at the Company level as disclosed in Note 7 to the financial statements; and

ii no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIFFERENT FINANCIAL YEAR END OF SUBSIDIARIES

Due to the local requirements, three indirect subsidiaries of the Company, Loders Croklaan (Shanghai) Trading Co. Ltd, Tianjin Palmco Oil & Fats Co. Ltd and Loders Croklaan Latin America Comercio e Industria Ltda 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 2008.

DIRECTORS' REPORT CONT'D

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

a Capital repayment exercise

On 22 August 2007, the Company completed a capital repayment of RM1,314,391,432 to its shareholders on the basis of a cash distribution of RM4.20 for each ordinary share cancelled. The capital repayment was implemented via a cancellation of 312,950,341 ordinary shares of RM0.10 each in the Company on the basis of one (1) ordinary share cancelled for every twenty (20) existing ordinary shares held on the entitlement date of 15 August 2007. RM31,295,034 of the total par value of the issued and paid-up share capital of the Company was cancelled and the remaining balance sum for the capital repayment of RM1,283,096,398 was set-off against the share premium account of the Company pursuant to Sections 64 and 60(2) of the Companies Act, 1965.

b Acquisitions of interest in oil palm estates in Indonesia

On 19 November 2007, the Company completed the following acquisitions of interest in oil palm estates in Kalimantan, Indonesia:

i acquisition of the entire issued and paid-up share capital of Lynwood Capital Resources Pte Ltd ("Lynwood") and Oakridge Investments Pte Ltd ("Oakridge") for a cash consideration of USD57,797,932, which collectively owned a 33% stake in PT Bumitama Gunajaya Agro group of companies ("BGA"). BGA has a total planted hectarage of 35,340 hectares and unplanted land of approximately 64,000 hectares, together with three palm oil mills. It also oversees a 'plasma' scheme which covers an area of approximately 22,000 hectares. In addition, the Company repaid on behalf of Lynwood and Oakridge, a total sum of USD14,435,292 owed to the vendors; and

ii acquisition of the entire issued and paid-up share capital of Oleander Capital Resources Pte Ltd, which effectively (via two investment holding companies) owned a 67% stake in a group of companies; PT Ketapang Sawit Lestari, PT Bumi Sawit Sejahtera, PT Kalimantan Prima Agro Mandiri, PT Berkat Nabati Sejahtera and PT Sukses Karya Sawit, for a tentative cash purchase consideration of USD20,304,216 based on the estimated Hak Guna Usaha ("HGU") land certificates of 52,704 hectares. The final total consideration is payable progressively in accordance with an agreed schedule linked to the status of progress on the above application of HGU land certificates. A total amount of USD4,369,669 was paid as at 30 June 2008.

The acquisitions are in line with the Group's strategy of growing its core palm oil business under appropriate conditions. It will provide immediate addition to planted hectarage as well as substantial suitable land bank for sustained business growth, hence providing the Group with the opportunity to capitalise on the very favourable outlook for the oil palm industry.

c Acquisition of Pinnacle Collection Land in Sentosa Cove of Sentosa Island, Singapore

On 9 January 2008, IOI Properties (Singapore) Pte Ltd, a foreign subsidiary of the Company and Ho Bee Investment Limited ("HB"), a Singaporean public listed company, had successfully tendered for a 99-year leasehold land in Sentosa Cove of Sentosa Island, Singapore measuring approximately 21,523 square meters or approximately 5.3 acres, for a total cash consideration of SGD1,097,499,999. The acquisition was completed on 7 April 2008.

The land is planned for the development of 280 units of condominiums. This land is one of the two condominium parcels which flanked the entrance of the marina leading into Sentosa Cove and also adjacent to the Seaview Collection site, which was successfully tendered by another foreign subsidiary of the Company together with HB in March 2007.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR CONT'D

d Issuance of USD600 million Zero Coupon Guaranteed Exchangeable Bonds due 2013

On 15 January 2008, the Company's wholly-owned subsidiary, IOI Resources (L) Berhad, a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, issued USD600 million Zero Coupon Guaranteed Exchangeable Bonds due 2013 ("3rd Exchangeable Bonds"). The 3rd 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 15 January 2013. The 3rd Exchangeable Bonds are unconditionally and irrevocably guaranteed by the Company.

e Acquisition of equity interest in Mergui Development Pte Ltd

On 26 May 2008, Multi Wealth (Singapore) Pte Ltd, a foreign subsidiary of the Company acquired 53% equity interest in Mergui Development Pte Ltd ("MDPL"). MDPL is a joint venture company set up for the purpose of undertaking the purchase of freehold parcel at Mergui Land in Singapore measuring approximately 74,355 square feet and with a plot ratio of 2.8 ("Mergui Land") to be redeveloped into high rise residential development. The other joint venture partners are Kim Seng Heng Realty Pte Ltd and LBH Pte Ltd, which hold 35% and 12% equity interest in MDPL respectively. The purchase consideration for the Mergui Land is SGD120 million.

SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

a Renounceable Rights Issue by IOI Properties Berhad

On 4 August 2008, IOI Properties Berhad, a listed subsidiary of the Company, completed the renounceable rights issue with the listing of and quotation for 162,537,250 new ordinary shares of RM0.50 each at an issue price of RM4.85 each on the Main Board of Bursa Malaysia Securities Berhad on even date.

b Proposed joint venture between the Company and Pelita Holdings Sdn Bhd

On 8 August 2008, the Company entered into a conditional joint venture agreement to subscribe for the equity of a joint venture company to be incorporated and named IOI Pelita Kanowit Sdn Bhd ("JV Co") for the purpose of acquiring and developing approximately 7,000 hectares of land situated at Block E (Lesih) Kanowit, Sibu, Sarawak into oil palm estates. The Company will eventually hold an equity interest of 60% in the JV Co. The proposed joint venture will enable the Group to continue expanding its core palm oil business and increase its oil palm plantation holdings in Malaysia.

c Acquisition of Laksana Kemas Sdn Bhd

On 20 August 2008, the Company acquired the entire issued and paid-up share capital of Laksana Kemas Sdn Bhd ("LKSB") for a total cash consideration of RM754,258. LKSB is the beneficial and legal owner of land with a total land area of 566.54 acres and its principal activity is cultivation of oil palm.

d Proposed acquisition of the entire equity interest of Inverfin Sdn Bhd

On 29 August 2008, the Company entered into a conditional sale and purchase agreement with Menara Citi Holding Company Sdn Bhd, CapitaLand Limited and Amsteel Corporation Berhad to acquire the entire equity interest in Inverfin Sdn Bhd ("ISB") for a total cash consideration of RM586,731,176. ISB is established as a special purpose entity and investment company for the sole purpose of owning and operating Menara Citibank, which is located in Jalan Ampang, Kuala Lumpur.

DIRECTORS' REPORT CONT'D

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)
Chan Fong Ann
Quah Poh Keat (MIA No. 2022) *(Appointed on 2 January 2008)*
Dato' Yeo How *(Resigned on 2 January 2008)*

NOMINATION COMMITTEE

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

Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor (Chairman)
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 on behalf of the Board in accordance with a resolution of the Directors:

Tan Sri Dato' Lee Shin Cheng
Executive Chairman

Dato' Lee Yeow Chor
Executive Director

Putrajaya
29 August 2008

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Revenue	6	**14,665,369**	8,952,727	**869,975**	766,385
Cost of sales		**(10,705,206)**	(6,296,932)	**(154,285)**	(95,485)
Gross profit		**3,960,163**	2,655,795	**715,690**	670,900
Other operating income	7	**495,420**	412,830	**803,152**	182,627
Marketing and selling expenses		**(291,288)**	(290,055)	**(135)**	(126)
Administration expenses		**(301,745)**	(257,742)	**(92,496)**	(61,167)
Other operating expenses		**(690,555)**	(462,597)	**(118,123)**	(91,867)
Operating profit	8	**3,171,995**	2,058,231	**1,308,088**	700,367
Interest income	9	**68,035**	39,680	**113,832**	105,164
Finance costs	10	**(190,964)**	(144,154)	**(128,818)**	(111,938)
Share of results of associates		**46,204**	37,323	**–**	–
Share of results of jointly controlled entities		**(73)**	(7)	**–**	–
Profit before taxation		**3,095,197**	1,991,073	**1,293,102**	693,593
Taxation	11	**(683,010)**	(340,109)	**(135,826)**	(102,976)
Profit for the financial year		**2,412,187**	1,650,964	**1,157,276**	590,617
Attributable to:					
Equity holders of the Company		**2,231,632**	1,482,104	**1,157,276**	590,617
Minority interests		**180,555**	168,860	**–**	–
		2,412,187	1,650,964	**1,157,276**	590,617
Earnings per ordinary share attributable to equity holders of the Company (sen)	12				
Basic		**36.85**	24.13		
Diluted		**35.17**	22.84		
Gross dividend per ordinary share of RM0.10 each (sen)	13				
First interim dividend		**7.0**	7.0	**7.0**	7.0
Second interim single tier dividend		**10.0**	–	**10.0**	–
Total		**17.0**	7.0	**17.0**	7.0

The notes on pages 115 to 230 form an integral part of the financial statements.

BALANCE SHEETS
AS AT 30 JUNE 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	**4,519,274**	4,467,810	**377,552**	378,068
Prepaid lease payments	15	**822,328**	826,258	**7,925**	8,030
Land held for property development	16	**927,263**	821,744	**–**	–
Investment properties	17	**838,639**	699,469	**–**	–
Other long term investments	18	**26,198**	27,699	**3,756**	4,823
Goodwill on consolidation	19	**514,136**	510,661	**–**	–
Investments in subsidiaries	20	**–**	–	**5,065,458**	5,363,441
Investments in associates	21	**542,071**	280,924	**22,850**	22,850
Investments in jointly controlled entities	22	**2,552**	1,122	**–**	–
Amounts due from jointly controlled entities	22	**1,513,326**	160,357	**–**	–
Deferred tax assets	36	**55,619**	78,993	**–**	–
		9,761,406	7,875,037	**5,477,541**	5,777,212
Current assets					
Property development costs	23	**412,178**	428,934	**–**	–
Inventories	24	**2,447,941**	1,332,819	**14,007**	4,696
Trade and other receivables	25	**1,693,204**	1,200,261	**38,183**	16,312
Amounts due from subsidiaries	20	**–**	–	**2,711,067**	1,978,398
Amounts due from associates	21	**16,537**	–	**224**	–
Tax recoverable		**34,024**	95,406	**30,335**	78,616
Short term investments	26	**7,129**	7,199	**–**	–
Short term funds	27	**1,592,545**	1,879,345	**1,432,909**	1,650,139
Deposits with financial institutions	28	**871,542**	507,070	**525,064**	242,121
Cash and bank balances	29	**424,718**	341,581	**25,919**	3,559
		7,499,818	5,792,615	**4,777,708**	3,973,841
Non-current assets held for sale	30	**–**	13,190	**–**	–
		7,499,818	5,805,805	**4,777,708**	3,973,841
TOTAL ASSETS		**17,261,224**	13,680,842	**10,255,249**	9,751,053

The notes on pages 115 to 230 form an integral part of the financial statements.

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	31	**613,788**	625,881	**613,788**	625,881
Reserves	32	**1,174,277**	2,405,817	**932,093**	2,414,780
Retained earnings	33	**6,603,296**	4,707,560	**2,685,053**	1,842,515
		8,391,361	7,739,258	**4,230,934**	4,883,176
Minority interests		**965,117**	856,954	**–**	–
Total equity		**9,356,478**	8,596,212	**4,230,934**	4,883,176
Liabilities					
Non-current liabilities					
Borrowings	34	**4,867,178**	3,381,663	**–**	–
Amounts due to subsidiaries	20	**–**	–	**4,503,793**	3,288,834
Other long term liabilities	35	**76,196**	53,722	**978**	1,021
Deferred tax liabilities	36	**551,462**	502,857	**5,790**	390
		5,494,836	3,938,242	**4,510,561**	3,290,245
Current liabilities					
Trade and other payables	37	**1,149,831**	815,952	**53,629**	25,516
Borrowings	34	**1,087,803**	242,681	**–**	–
Bank overdrafts	38	**9,152**	7,013	**–**	–
Amounts due to subsidiaries	20	**–**	–	**1,423,440**	1,550,058
Amount due to an associate	21	**2,191**	2,058	**2,191**	2,058
Taxation		**160,933**	78,684	**34,494**	–
		2,409,910	1,146,388	**1,513,754**	1,577,632
Total liabilities		**7,904,746**	5,084,630	**6,024,315**	4,867,877
TOTAL EQUITY AND LIABILITIES		**17,261,224**	13,680,842	**10,255,249**	9,751,053

The notes on pages 115 to 230 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Attributable to equity holders of the Company								
	Share capital RM'000	Share premium RM'000	Capital reserves RM'000	Foreign currency translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
Group									
As at 1 July 2006	605,267	1,855,765	101,474	(101,318)	(108,188)	3,706,536	6,059,536	749,132	6,808,668
Currency translation differences	–	–	–	(659)	–	–	(659)	(1,405)	(2,064)
Net expense recognised directly in equity	–	–	–	(659)	–	–	(659)	(1,405)	(2,064)
Profit for the financial year	–	–	–	–	–	1,482,104	1,482,104	168,860	1,650,964
Total recognised income and expense for the financial year	–	–	–	(659)	–	1,482,104	1,481,445	167,455	1,648,900
Recognition of share option expenses (Note 8(b))	–	–	25,969	–	–	–	25,969	679	26,648
Issue of 2nd Exchangeable Bonds (Note 34.3)	–	–	92,023	–	–	–	92,023	–	92,023
Exchange of 1st Exchangeable Bonds	22,295	470,740	(50,194)	–	–	1,803	444,644	–	444,644
Exchange of 2nd Exchangeable Bonds	3,192	146,839	(10,541)	–	–	(1,753)	137,737	–	137,737
Special issue of shares to Bumiputera investors	900	43,884	–	–	–	–	44,784	–	44,784
Exercise of share options	1,583	45,649	(7,644)	–	–	–	39,588	–	39,588
Exercise of share options in a subsidiary	–	–	(209)	–	–	–	(209)	–	(209)
Repurchase of shares (Note 32.2)	–	–	–	–	(105,129)	–	(105,129)	–	(105,129)
Cancellation of treasury shares (Note 32.2)	(7,356)	(213,317)	7,356	–	213,317	–	–	–	–
Dividends paid in respect of previous financial year	–	–	–	–	–	(164,779)	(164,779)	–	(164,779)
Dividends paid in respect of current financial year (Note 13)	–	–	–	–	–	(316,351)	(316,351)	–	(316,351)
Acquisitions of subsidiaries	–	–	–	–	–	–	–	8,986	8,986
Changes in equity interest in subsidiaries	–	–	–	–	–	–	–	(20,977)	(20,977)
Dividends paid to minority interests	–	–	–	–	–	–	–	(48,321)	(48,321)
As at 30 June 2007	625,881	2,349,560	158,234	(101,977)	–	4,707,560	7,739,258	856,954	8,596,212

The notes on pages 115 to 230 form an integral part of the financial statements.

	Attributable to equity holders of the Company								
	Share capital RM'000	Share premium RM'000	Capital reserves RM'000	Foreign currency translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
Group									
As at 1 July 2007	**625,881**	**2,349,560**	**158,234**	**(101,977)**	**–**	**4,707,560**	**7,739,258**	**856,954**	**8,596,212**
Currency translation differences	–	–	–	101,760	–	–	101,760	7,910	109,670
Net income recognised directly in equity	–	–	–	101,760	–	–	101,760	7,910	109,670
Profit for the financial year	–	–	–	–	–	2,231,632	2,231,632	180,555	2,412,187
Total recognised income for the financial year	–	–	–	101,760	–	2,231,632	2,333,392	188,465	2,521,857
Recognition of share option expenses (Note 8(b))	–	–	36,816	–	–	–	36,816	442	37,258
Issue of 3rd Exchangeable Bonds (Note 34.4)	–	–	205,712	–	–	–	205,712	–	205,712
Exchange of 2nd Exchangeable Bonds	17,220	792,140	(56,864)	–	–	(21,158)	731,338	–	731,338
Exercise of share options	1,982	64,723	(12,177)	–	–	–	54,528	–	54,528
Exercise of share options in a subsidiary	–	–	(640)	–	–	–	(640)	–	(640)
Repurchase of shares (Note 32.2)	–	–	–	–	(1,079,914)	–	(1,079,914)	–	(1,079,914)
Capital repayment (Note 46.1)	(31,295)	(1,283,096)	–	–	–	–	(1,314,391)	–	(1,314,391)
Dividends paid in respect of current financial year (Note 13)	–	–	–	–	–	(314,738)	(314,738)	–	(314,738)
Changes in equity interest in subsidiaries	–	–	–	–	–	–	–	(6,679)	(6,679)
Dividends paid to minority interests	–	–	–	–	–	–	–	(74,065)	(74,065)
As at 30 June 2008	**613,788**	**1,923,327**	**331,081**	**(217)**	**(1,079,914)**	**6,603,296**	**8,391,361**	**965,117**	**9,356,478**

The notes on pages 115 to 230 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY CONT'D

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Non Distributable				Distributable	
	Share capital RM'000	Share premium RM'000	Capital reserves RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
Company						
As at 1 July 2006	605,267	1,855,765	41,131	(108,188)	1,733,028	4,127,003
Profit for the financial year	–	–	–	–	590,617	590,617
Total recognised income for the financial year	–	–	–	–	590,617	590,617
Recognition of share option expenses (Note 8(b))	–	–	24,377	–	–	24,377
Exchange of 1st Exchangeable Bonds	22,295	470,740	–	–	–	493,035
Exchange of 2nd Exchangeable Bonds	3,192	146,839	–	–	–	150,031
Special issue of shares to Bumiputera investors	900	43,884	–	–	–	44,784
Exercise of share options	1,583	45,649	(7,644)	–	–	39,588
Repurchase of shares (Note 32.2)	–	–	–	(105,129)	–	(105,129)
Cancellation of treasury shares (Note 32.2)	(7,356)	(213,317)	7,356	213,317	–	–
Dividends paid in respect of previous financial year	–	–	–	–	(164,779)	(164,779)
Dividends paid in respect of current financial year (Note 13)	–	–	–	–	(316,351)	(316,351)
As at 30 June 2007	625,881	2,349,560	65,220	–	1,842,515	4,883,176
Company						
As at 1 July 2007	**625,881**	**2,349,560**	**65,220**	**–**	**1,842,515**	**4,883,176**
Profit for the financial year	**–**	**–**	**–**	**–**	**1,157,276**	**1,157,276**
Total recognised income for the financial year	**–**	**–**	**–**	**–**	**1,157,276**	**1,157,276**
Recognition of share option expenses (Note 8(b))	**–**	**–**	**35,637**	**–**	**–**	**35,637**
Exchange of 2nd Exchangeable Bonds	**17,220**	**792,140**	**–**	**–**	**–**	**809,360**
Exercise of share options	**1,982**	**64,723**	**(12,177)**	**–**	**–**	**54,528**
Repurchase of shares (Note 32.2)	**–**	**–**	**–**	**(1,079,914)**	**–**	**(1,079,914)**
Capital repayment (Note 46.1)	**(31,295)**	**(1,283,096)**	**–**	**–**	**–**	**(1,314,391)**
Dividends paid in respect of current financial year (Note 13)	**–**	**–**	**–**	**–**	**(314,738)**	**(314,738)**
As at 30 June 2008	**613,788**	**1,923,327**	**88,680**	**(1,079,914)**	**2,685,053**	**4,230,934**

The notes on pages 115 to 230 form an integral part of the financial statements.

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Cash Flows From Operating Activities					
Profit before taxation		**3,095,197**	1,991,073	**1,293,102**	693,593
Adjustments for:					
Depreciation of property, plant and equipment	14	**210,139**	187,105	**4,779**	4,735
Interest expenses		**190,964**	144,154	**128,818**	111,938
Share option expenses		**37,258**	26,648	**35,637**	24,377
Property, plant and equipment written off		**21,481**	11,738	**5,401**	775
Expenses for retirement benefits	35.1	**20,771**	18,370	**18**	8
Amortisation of prepaid lease payments	15	**12,508**	12,725	**105**	106
Realised foreign currency translation loss/(gain)		**11,253**	(7,184)	**51,036**	20,740
Allowance for doubtful debts		**1,551**	10,221	**–**	–
Impairment loss on other long term investments		**938**	1,120	**938**	976
Loss/(gain) on liquidation of a subsidiary		**464**	–	**(219,614)**	–
Share of results of jointly controlled entities		**73**	7	**–**	–
Impairment loss on short term investments		**70**	–	**–**	–
Gain on disposal of land held for property development		**(450)**	(168)	**–**	–
Gain on disposal of other long term investments		**(564)**	(3,402)	**(212)**	(1,354)
Dividend income from other investments		**(978)**	(912)	**(78)**	(142)
Allowance for doubtful debts written back		**(1,378)**	(318)	**–**	–
Gain on disposal of property, plant and equipment		**(2,081)**	(10,068)	**–**	(625)
Gain on disposal of investment properties		**(7,453)**	–	**–**	–
Inventories written back		**(7,527)**	–	**–**	–
Gain on disposal of short term funds		**(11,205)**	(5,813)	**(9,206)**	(2,854)
Gain on disposal of non-current assets held for sale		**(16,715)**	-	**–**	–
Dividend income from short term funds		**(23,157)**	(10,484)	**(17,738)**	(10,484)
Share of results of associates		**(46,204)**	(37,323)	**–**	–
Interest income		**(68,035)**	(39,680)	**(113,832)**	(105,164)
Fair value gain of investment properties	17	**(129,967)**	(160,650)	**–**	–
Unrealised foreign currency translation gain		**(197,868)**	(163,058)	**(247,699)**	(148,710)
Inventories written down		**–**	23,647	**–**	–
Loss on disposal of a subsidiary		**–**	538	**–**	–
Negative goodwill recognised arising from additional interest acquired in a subsidiary		**–**	(263)	**–**	–
Impairment loss on short term investments written back		**–**	(5,167)	**–**	–
Dividend income from associates		**–**	–	**(14,250)**	(5,040)
Gain on capital repayments of subsidiaries	20.1(ii)	**–**	–	**(283,048)**	–
Dividend income from subsidiaries		**–**	–	**(351,947)**	(515,945)
Operating profit before working capital changes		**3,089,085**	1,982,856	**262,210**	66,930

The notes on pages 115 to 230 form an integral part of the financial statements.

CASH FLOW STATEMENTS CONT'D

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

		Group		Company	
		2008	2007	2008	2007
	Note	RM'000	RM'000	RM'000	RM'000
Cash Flows From Operating Activities cont'd					
Operating profit before working capital changes		**3,089,085**	1,982,856	**262,210**	66,930
Decrease/(increase) in property development costs		**118,389**	(6,085)	**–**	–
(Increase)/decrease in inventories		**(1,033,646)**	(339,195)	**(9,311)**	1,329
(Increase)/decrease in trade receivables		**(512,818)**	(256,050)	**(6,596)**	11
Decrease/(increase) in other receivables, deposits and prepayments		**38,894**	(10,585)	**(294)**	(2,287)
Increase in amounts due from customers on contracts		**(1,964)**	(2,520)	**–**	–
Increase/(decrease) in trade payables		**205,158**	111,285	**2,482**	(38)
Increase/(decrease) in other payables and accruals		**80,412**	82,271	**15,902**	(1,830)
(Decrease)/increase in amounts due to customers on contracts		**(51)**	88	**–**	–
Cash generated from operations		**1,983,459**	1,562,065	**264,393**	64,115
Club membership deposits refunded		**(123)**	(1,303)	**–**	–
Retirement benefits paid	35.1	**(746)**	(633)	**(61)**	(95)
Retirement benefits contributed	35.1	**(25,401)**	(22,971)	**–**	–
Tax paid		**(608,515)**	(295,703)	**(42,460)**	(357)
Tax refunded		**69,980**	76,027	**66,003**	73,915
Net cash generated from operating activities		**1,418,654**	1,317,482	**287,875**	137,578

The notes on pages 115 to 230 form an integral part of the financial statements.

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Cash Flows From Investing Activities					
Interest received		**51,571**	39,797	**21,861**	17,833
Proceeds from disposal of investment properties		**35,845**	–	**–**	–
Proceeds from disposal of non-current assets held for sale		**29,905**	–	**–**	–
Dividends received from short term funds		**23,157**	10,484	**17,738**	10,484
Dividends received from associates		**16,710**	26,095	**10,485**	3,679
Proceeds from disposal of short term funds		**11,205**	5,813	**9,206**	2,854
Capital return from associates		**3,960**	7,450	**–**	6,450
Proceeds from disposal of property, plant and equipment		**3,885**	32,098	**3**	916
Proceeds from disposal of other long term investments		**1,127**	9,037	**341**	5,394
Proceeds from disposal of land held for property development		**724**	211	**–**	–
Dividends received from other investments		**538**	491	**58**	104
Additions to investment properties		**(1,185)**	(901)	**–**	–
Investments in jointly controlled entities		**(1,503)**	(1,129)	**–**	–
Additions to prepaid lease payments		**(3,261)**	(3,047)	**–**	–
Acquisitions of additional interest in subsidiaries		**(9,237)**	(29,477)	**(9,237)**	(29,477)
Payments to associates		**(16,410)**	(770)	**(91)**	(681)
Additions to land held for property development		**(188,785)**	(269,165)	**–**	–
Additions to property, plant and equipment		**(230,844)**	(182,310)	**(9,667)**	(9,154)
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	40	**(248,427)**	(480,444)	**(248,703)**	(447,359)
Payments to jointly controlled entities		**(1,316,120)**	(160,357)	**–**	–
Proceeds from disposal of a subsidiary	39	**–**	35,197	**–**	–
Additions to investments in associates		**–**	(2,000)	**–**	–
Additions to other long term investments		**–**	(4,078)	**–**	(14)
Deposits paid for property development land		**–**	(24,500)	**–**	–
Payments from subsidiaries		**–**	–	**1,438,123**	2,027,476
Proceeds from capital repayments of subsidiaries	20.1(ii)	**–**	–	**565,062**	–
Proceeds from liquidation of a subsidiary	20.1(iii)	**–**	–	**375,000**	–
Dividends received from subsidiaries		**–**	–	**284,537**	384,009
Net cash (used in)/from investing activities		**(1,837,145)**	(991,505)	**2,454,716**	1,972,514

The notes on pages 115 to 230 form an integral part of the financial statements.

CASH FLOW STATEMENTS CONT'D

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Cash Flows From Financing Activities					
Proceeds from issuance of 3rd Exchangeable Bonds	34.4	**1,953,900**	–	**–**	–
Proceeds from short term borrowings		**933,710**	–	**–**	–
Drawdown of term loans		**595,193**	616,129	**–**	–
Proceeds from issuance of shares		**54,528**	84,372	**54,528**	84,372
Proceeds from shares issued to minority shareholders		**6,517**	2,202	**–**	–
Repurchase of shares by a subsidiary		**(8,028)**	(481)	**–**	–
Dividends paid to minority shareholders		**(74,065)**	(48,321)	**–**	–
Repayments of term loans		**(76,627)**	(114,354)	**–**	–
Interest paid		**(113,923)**	(92,956)	**(3)**	(905)
Dividend paid		**(314,738)**	(481,130)	**(314,738)**	(481,130)
Repurchase of shares		**(1,079,914)**	(105,129)	**(1,079,914)**	(105,129)
Capital repayments		**(1,314,391)**	–	**(1,314,391)**	–
Proceeds from issuance of 2nd Exchangeable Bonds	34.3	**–**	1,314,980	**–**	–
Repayments of short term borrowings		**–**	(206)	**–**	–
Net cash from/(used in) financing activities		**562,162**	1,175,106	**(2,654,518)**	(502,792)
Net increase in cash and cash equivalents		**143,671**	1,501,083	**88,073**	1,607,300
Cash and cash equivalents at beginning of financial year	41	**2,720,983**	1,220,441	**1,895,819**	288,519
Effect of exchange rate changes		**14,999**	(541)	**–**	–
Cash and cash equivalents at end of financial year	41	**2,879,653**	2,720,983	**1,983,892**	1,895,819

The notes on pages 115 to 230 form an integral part of the 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, associates and jointly controlled entities are set out in Note 50 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

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards ("FRS") in Malaysia and the provisions of the Companies Act, 1965.

2.2 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 4 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

2.3 Presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency and all financial information presented in RM are rounded to the nearest thousand (RM'000), except when otherwise stated.

3 ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRS") AND AMENDMENTS TO FRS

3.1 New FRS and amendments to FRS adopted

i FRS 6 Exploration for and Evaluation of Mineral Resources is mandatory for financial year beginning on 1 July 2007. FRS 6 is not relevant to the Group's operations.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

3 ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRS") AND AMENDMENTS TO FRS CONT'D

3.1 New FRS and amendments to FRS adopted cont'd

ii FRS 119_{2004} Amendment to FRS 119_{2004} Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures is mandatory for financial year beginning on 1 July 2007.

This amendment permits any systematic method that results in recognition of actuarial gains and losses in the period in which they occur provided that the same basis is applied to both gains and losses and the basis is applied consistently from period to period.

As the Group does not intend to change the accounting policy adopted for the recognition of actuarial gains and losses and does not participate in any multi-employer plans, the adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements.

iii Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation is mandatory for financial year beginning on 1 July 2007.

This amendment results in exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation to be recognised in equity irrespective of the currency in which the monetary item is denominated and whether the monetary item results from a transaction with the Company or any of its subsidiaries. Previously, exchange differences arising from such transactions between the Company and its subsidiaries would be accounted for in the income statement or in equity depending on the currency of the monetary item.

The adoption of this amendment does not have any impact on the Group's financial statements.

iv The following FRSs are mandatory for financial year beginning on 1 July 2007:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

These amendments align the MASB's FRS with the equivalent International Accounting Standards ("IAS"), both in terms of form and content. The adoption of these standards will only impact the form and content of disclosures presented in the financial statements.

v IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities is mandatory for financial year beginning on 1 July 2007.

This interpretation addresses the effects of events that changes the measurement of an existing decommissioning, restoration or similar liability, namely a change in the estimated outflow of resources embodying economic benefits required to settle the obligation, a change in the current market-based discount rate as defined in paragraph 48 of FRS 137_{2004} and an increase that reflects the passage of time.

The adoption of this IC Interpretation has no impact on the provisions in the financial statements.

3 ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRS") AND AMENDMENTS TO FRS CONT'D

3.1 New FRS and amendments to FRS adopted cont'd

vi The following IC Interpretations are mandatory for financial year beginning on 1 July 2007:

IC Interpretation 2	Members' Shares in Co-operatives Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies

These IC Interpretations are not relevant to the Group's operations.

vii IC Interpretation 8 Scope of FRS 2 is mandatory for financial year beginning on 1 July 2007.

This IC Interpretation applies to transactions in which goods or services are received, including transactions in which the entity cannot identify specifically some or all of the goods or services received. Where the fair value of the share-based payment is in excess of the identifiable goods or services received, the whole fair value of the share-based payment will be charged to the income statement.

The adoption of this IC Interpretation has no impact on the share-based payment recognition and measurement in the financial statements.

viii Framework for the Preparation and Presentation of Financial Statements ("Framework") is effective for financial year beginning on 1 July 2007.

The Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not a MASB approved accounting standard as defined in paragraph 11 of FRS 101 and hence, does not define standards for any particular measurement or disclosure issue.

3.2 FRS and amendments to FRS not adopted

The Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 which effective date is for financial year beginning 1 July 2010 as announced by the MASB. FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS 108 is not disclosed.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical judgements made in applying accounting policies

The following is the judgement made by the management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS CONT'D

4.1 Critical judgements made in applying accounting policies cont'd

4.1.1 Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held for capital appreciation or to earn rentals or for both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4.2.1 Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the Cash-generating Units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in Note 19 to the financial statements.

4.2.2 Property development

The Group recognises property development revenue and expenses in the income statements by using the "percentage of completion" method. The stage of completion is determined by the proportion of property development costs incurred for work performed up to the balance sheet date over the estimated total property development costs.

Significant judgements are required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgements, the Group evaluates based on past experience and by relying on the work of specialists.

A 10% difference in the estimated total development revenue or costs would result in approximately 0.5% variance in the Group's revenue and 3.1% variance in the Group's cost of sales.

4.2.3 Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the unabsorbed tax losses and the capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5 SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Basis of Consolidation

5.1.1 Subsidiaries

Subsidiaries are entities in which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. Control exists when the Group has the power to govern the financial and operating policies of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing the existence of control.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses, if any. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

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 purchase method of accounting.

Under the purchase method of accounting, the cost of business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus any cost directly attributable to the business combination.

At the acquisition date, the cost of business combination is allocated to identifiable assets acquired, liabilities and contingent liabilities assumed in the business combination which are measured initially at their fair values at the acquisition date. The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. See Note 5.12 on accounting policy for goodwill. If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

i reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination; and

ii recognise immediately in the income statement any remaining after that reassessment.

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interest of the Group is accounted for as a revaluation.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to consolidate until the date that such control ceases.

Intragroup balances, transactions and unrealised gains and losses on intragroup transactions are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstance, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.1 Basis of Consolidation cont'd

5.1.1 Subsidiaries cont'd

The gain or loss on disposal of a subsidiary, which is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the carrying amount of goodwill and the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the consolidated income statement.

Minority interests at the balance sheet date, are the portion of the profit or loss and net assets of subsidiaries attributable to equity interests that are not owned by the Group, whether directly or indirectly through subsidiaries. It is measured at the minority's share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minority's share of changes in the subsidiaries' equity since that date.

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

Minority interests are presented in the consolidated balance sheet and statements of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group is presented in the face of the consolidated income statement as an allocation of the total profit or loss for the financial year between minority interests and the equity holders of the Company.

When the Group purchases a subsidiary's equity from minority interests 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.

5.1.2 Associates

Associates are entities in which the Group and the Company have significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights and that is neither subsidiaries nor interest in jointly controlled entities. Significant influence is the power to participate in the financial and operating policy decisions of the investees but is not control or joint control over those policies.

In the Company's separate financial statements, investments in 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 is included in the income statement.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting based on the latest financial statements of the associates concerned, from the date significant influence commences until the date the Group ceases to have significant influence over the associates. The investment in associates in the consolidated balance sheet is initially recognised at cost and adjusted thereafter for the post acquisition changes in the Group's share of net assets of the investments.

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.1 Basis of Consolidation cont'd

5.1.2 Associates cont'd

The interest in associates is the carrying amount of the investments in associates under the equity method together with any long-term interest that, in substance, form part of the Group's net interest in the associates.

The excess of the cost of investment over the Group's share of the net fair value of net assets of the associates' identifiable assets, liabilities and contingent liabilities at the date of acquisition represent goodwill. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The excess of the Group's share of the net fair value of net assets of the associates' identifiable assets, liabilities and contingent liabilities over the cost of investment at the date of acquisition is recognised in the consolidated income statement.

The Group's share of results of the associates during the financial year is recognised in the consolidated income statement, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commence until the date that significant influence ceases. Distributions received from the associates reduce the carrying amount of the investments. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's equity that have not been recognised in the associate's income statement. Such changes include those arising from the revaluation of property, plant and equipment and from foreign currency translation differences. The Group's share of those changes is recognised directly in equity of the Group.

When the Group's share of losses exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

The most recent available financial statements of the associate are used by the Group in applying the equity method. Where the reporting dates of the financial statements are not coterminous, the share of results is arrived at using the latest financial statements for which the difference in reporting dates is no more than three months. Adjustments are made for the effects of any significant transactions or events that occur between the intervening periods.

5.1.3 Jointly controlled entities

Jointly controlled entities are joint ventures that involve the establishment of corporation, partnership or other entities over which there is contractually agreed sharing of joint control over the economic activities of the entities. Joint control exists when strategic financial and operational decisions relating to the activities require the unanimous consent of all the parties sharing control.

In the Company's separate financial statements, investment in jointly controlled entities are stated at cost less impairment losses, if any.

Jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting. The consolidated financial statements include the Group's share of the income and expenses of the equity accounted jointly controlled entities, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

Upon disposal of such investment, the difference between the net disposal proceeds and its carrying amount is included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.1 Basis of Consolidation cont'd

5.1.4 Transactions eliminated on consolidation

Intragroup transactions and balances and the resulting unrealised gains are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

Unrealised profits arising on transactions between the Group and its associates and jointly controlled entities 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 and jointly controlled entities. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

5.2 Foreign Currency

5.2.1 Functional and presentation currency

The separate financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

5.2.2 Foreign currency transaction and translations

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date, foreign currency monetary items are translated using the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the income statement in the period in which they arise.

Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognised in the income statement of the Company or the separate financial statements of the foreign operation, as appropriate.

In the consolidated financial statements, such exchange differences are recognised in the foreign currency translation reserve irrespective of the currency in which the monetary item is denominated and whether the monetary item results from a transaction with the Company or any of its subsidiaries. On disposal of the foreign operation, the cumulative amount of the exchange differences relating to the foreign operation is recognised in the consolidated income statement when the gain or loss on disposal is recognised.

For consolidation purpose, the assets and liabilities of foreign operations 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 currency translation reserve until the disposal of the net investment.

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.2 Foreign Currency cont'd

5.2.2 Foreign currency transaction and translations cont'd

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are recorded in the functional currency of the foreign operation and translated at closing rate at the balance sheet date.

5.3 Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of parts that are replaced is derecognised. The cost of the day-to-day servicing of property, plant and equipment are charged to the income statement during the financial period in which they are incurred.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and which have different useful lives, are depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land and construction in progress are not depreciated.

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:

Buildings and improvements	2% - 10%
Plant and machinery	4% - 20%
Motor vehicles	10% - 20%
Furniture, fittings and equipment	5% - 33%
Golf Course	2%

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

At each balance sheet date, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. The estimates of the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors. The Group anticipates that the residual values of its property, plant and equipment will be insignificant.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.3 Property, Plant and Equipment and Depreciation cont'd

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is recognised in the income statement.

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

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

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

5.4 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.

5.5 Borrowing Costs

Borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to the income statement. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing cost are recognised in income statements in the period in which they are incurred.

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.6 Leases

5.6.1 Finance leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. Subsequently, the land and buildings elements of a lease are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and the rewards are classified as operating leases other than the following:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

5.6.2 Operating lease - the Group as lessee

Leases of assets under which all the risks and rewards incidental to 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.

5.6.3 Lease of land and building

The minimum lease payments including lump-sum upfront payments made to acquire the interest in the land and building are allocated between land and building elements in proportion to the relative fair values of the leasehold interest in the land element and the building element at the inception of the lease.

The lump-sum upfront lease payments made represent prepaid lease payments and are amortised over the lease term on a straight line basis except for leasehold land that is classified as an investment property or an asset held under property development.

For leases of land and building in which the amount that would initially be recognised for land element is immaterial, the land and building is treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

5.7 Property Development Activities

5.7.1 Land held for property development

Land held for property development consists of land where no significant development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.7 Property Development Activities cont'd

5.7.2 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. They comprise the cost of land under development, construction costs and other related development costs common to the whole project.

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.

5.8 Investment Properties

Investment properties are properties which are held either to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Properties that are occupied by companies in the Group are accounted for as owner-occupied rather than as investment properties in the consolidated financial statements.

Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the financial year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The gain or loss arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in the income statement in the period of the retirement or disposal.

5.9 Construction Contracts

Contract cost comprise cost related directly to the specific contract and those that are attributable to the contract activity in general and can be allocated to the contract and such other cost that are specifically chargeable to the customer under the terms of the contract. Contract cost includes direct materials, expenses, labour and an appropriate proportion of construction overheads.

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.9 Construction Contracts cont'd

The aggregate costs incurred and the profit or 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.

5.10 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 estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

5.11 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 original maturities of three months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

5.12 Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

5.13 Impairment of Non-financial 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, associates and jointly controlled entities) 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 value of the assets with their recoverable amounts.

For goodwill, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.13 Impairment of Non-financial Assets cont'd

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the Cash-generating Unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Recoverable amount is the higher of net selling price and value-in-use, which is measured by reference to discounted future cash flows. In estimating the value-in-use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU 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.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

5.14 Financial Instruments

5.14.1 Financial instruments recognised on the balance sheets

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.14 Financial Instruments cont'd

5.14.1 Financial instruments recognised on the balance sheets cont'd

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in income statement. Distributions to holders of an equity instrument are debited directly to equity, net of any related tax effect. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

5.14.1.1 Other long term investments

Long term investments other than investments in subsidiaries, associates, jointly controlled entities and investment properties are stated at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

5.14.1.2 Short term investments

Short term investments are stated at the lower of cost and market value, determined 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 equivalents are classified as short term investments.

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

5.14.1.3 Receivables

Trade receivables and other receivables, including amounts owing by associates and related parties, are classified as loans and receivables under FRS 132 Financial Instruments: Disclosure and Presentation.

Receivables are carried at anticipated realisable value. Bad debts are written off to the income statement 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.

5.14.1.4 Payables

Liabilities for trade and other amounts payable, including amounts owing to associates and related parties are initially recognised at fair value of the consideration to be paid in the future for goods and services received, and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.14 Financial Instruments cont'd

5.14.1 Financial instruments recognised on the balance sheets cont'd

5.14.1.5 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.

5.14.1.6 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 the income statement together with the effective tax effect and is added to the carrying value of the exchangeable bonds.

5.14.1.7 Equity instruments

Ordinary shares are classified as equity which are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium 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.

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.14 Financial Instruments cont'd

5.14.2 Financial instruments not recognised on the balance sheets

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 currency translation, 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.

5.14.2.1 Foreign currency forward contracts

Foreign currency forward contracts are used to hedge foreign exposures as a result of receipts and payments in foreign currency. Any gains or losses arising from contracts entered into as hedges of anticipated future transactions are deferred until the dates of such transactions at which time they are included in the measurement of such transactions.

5.14.2.2 Interest rate swap and option contracts

Interest rate swap and option contracts are used to hedge the Group's exposures to movements in interest rates. The differential in interest rates to be paid is recognised in the income statement over the life of the contract as part of interest expense.

5.14.2.3 Commodity future and swap contracts

Commodity future and swap contracts are used to hedge the Group's exposures to price fluctuation risk on sale and purchases of vegetable oil commodities. The net 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.

5.15 Provisions

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

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

5.16 Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.16 Contingent Liabilities and Contingent Assets cont'd

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

5.17 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.

5.17.1 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.

5.17.2 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 property development costs incurred for work performed up to the balance sheet date over the estimated total property development 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.

5.17.3 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.

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.17 Revenue Recognition cont'd

5.17.4 Dividend income

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

5.17.5 Rental income

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

5.17.6 Interest income

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

5.17.7 Club membership license fee

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

5.17.8 Management fees

Management fees are recognised when services are rendered.

5.18 Employee Benefits

5.18.1 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.

5.18.2 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.

5.18.2.1 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.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.18 Employee Benefits cont'd

5.18.2 Retirement benefits cont'd

5.18.2.2 Defined benefit plans

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

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

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent or 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.

5.18.3 Equity compensation benefits

The Group operates equity-settled share-based compensation plans, allowing the employees of the Group to acquire ordinary share of the Company or of a listed subsidiary at pre-determined prices. The compensation expense relating to share options is now recognised within staff costs in the income statement over the vesting periods of the grants with a corresponding increase in equity.

The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by the vesting date. The fair value of the share options is computed using a binomial options pricing model performed by an actuary.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in capital reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.19 Income Taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by a foreign subsidiary, associate or jointly controlled entities on distributions to the Group and Company.

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

5.19.1 Current tax

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

Current tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted by the balance sheet date.

5.19.2 Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A 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, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

5.20 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.

5 SIGNIFICANT ACCOUNTING POLICIES CONT'D

5.21 Non-current Assets (or Disposal Groups) Held for Sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefit assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences, if any, are included in the income statement as impairment loss.

Non-current assets (or disposal groups) held for sale are classified as current assets (and current liabilities, in the case of non-current liabilities included within disposal groups) on the face of the balance sheet and are stated at the lower of carrying amount immediately before initial classification and fair value less costs to sell and are not depreciated. Any cumulative income or expense recognised directly in equity relating to the non-current asset (or disposal group) classified as held for sale is presented separately.

If the Group has classified an asset (or disposal group) as held for sale but subsequently the criteria for classification is no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale. The Group shall measures a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

i its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale; and

ii its recoverable amount at the date of the subsequent decision not to sell.

5.22 Segment Reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between Group enterprises within a single segment.

6 REVENUE

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sales of plantation produce and related products	**236,335**	394,276	**485,962**	234,774
Sales of development properties	**751,847**	703,927	**–**	–
Sales of specialty oils and fats and related products	**4,595,480**	2,800,807	**–**	–
Sales of oleochemicals and related products	**2,492,855**	1,429,697	**–**	–
Sales of refined palm oil and related products	**6,390,810**	3,458,223	**–**	–
Rental income from investment properties	**74,302**	67,090	**–**	–
Rendering of services	**96,386**	84,380	**–**	–
Construction contract	**3,219**	2,931	**–**	–
Dividend income	**24,135**	11,396	**384,013**	531,611
	14,665,369	8,952,727	**869,975**	766,385

7 OTHER OPERATING INCOME

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unrealised foreign currency translation gain	**197,868**	163,058	**247,699**	148,710
Fair value gain of investment properties (Note 17)	**129,967**	160,650	**–**	–
Realised foreign currency translation gain	**63,469**	31,806	**–**	–
Gain on disposal of non-current assets held for sale	**16,715**	–	**–**	–
Gain on disposal of property, plant and equipment	**2,081**	10,068	**–**	625
Gain on disposal of land held for property development	**450**	168	**–**	–
Gain on disposal of short term funds	**11,205**	5,813	**9,206**	2,854
Gain on disposal of investment properties	**7,453**	–	**–**	–
Gain on disposal of other long term investments	**564**	3,402	**212**	1,354
Impairment loss on short term investments written back	**–**	5,167	**–**	–
Gain on liquidation of a subsidiary (Note 20.1(iii))	**–**	–	**219,614**	–
Gain on capital repayments of subsidiaries (Note 20.1(ii))	**–**	–	**283,048**	–
Management fees	**–**	–	**32,503**	20,453
Others	**65,648**	32,698	**10,870**	8,631
	495,420	412,830	**803,152**	182,627

NOTES TO THE FINANCIAL STATEMENTS CONT'D

8 OPERATING PROFIT

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
a Operating profit has been arrived at after charging:				
Allowance for doubtful debts	**1,551**	10,221	**–**	–
Amortisation of prepaid lease payments (Note 15)	**12,508**	12,725	**105**	106
Auditors' remuneration				
BDO Binder and affiliates				
Statutory audit	**732**	630	**105**	80
Non-statutory audit				
- tax compliance and advisory services	**279**	320	**4**	–
- others	**116**	85	**–**	74
Member firms of BDO International				
Statutory audit	**1,168**	1,255	**–**	–
Non-statutory audit				
- tax compliance and advisory services	**178**	294	**–**	–
- others	**349**	175	**–**	–
Other auditors				
Statutory audit	**586**	397	**–**	–
Depreciation of property, plant and equipment (Note 14)	**210,139**	187,105	**4,779**	4,735
Direct operating expenses of investment properties	**21,609**	18,643	**–**	–
Expenses for retirement benefits (Note 35.1)	**20,771**	18,370	**18**	8
Hire of plant and machinery	**9,102**	9,322	**–**	–
Impairment loss on other long term investments	**938**	1,120	**938**	976
Impairment loss on short term investments	**70**	–	**–**	–
Inventories written down	**–**	23,647	**–**	–
Loss on disposal of a subsidiary (Note 39)	**–**	538	**–**	–
Loss on liquidation of a subsidiary	**464**	–	**–**	–
Property, plant and equipment written off	**21,481**	11,738	**5,401**	775
Realised foreign currency translation loss	**56,933**	52,260	**67,159**	77,166
Rental of premises	**2,113**	1,276	**975**	957
Replanting expenditure	**20,937**	18,552	**2,811**	3,497
Research and development expenditure	**29,900**	16,553	**9,310**	8,600
Share option expenses (Note 8(b))	**37,258**	26,648	**35,637**	24,377

8 OPERATING PROFIT CONT'D

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
and crediting:				
Allowance for doubtful debts written back	**1,378**	318	**–**	–
Gain on disposal of non-current assets held for sale	**16,715**	–	**–**	–
Gain on disposal of land held for property development	**450**	168	**–**	–
Gain on disposal of investment properties	**7,453**	–	**–**	–
Gain on disposal of property, plant and equipment	**2,081**	10,068	**–**	625
Gain on liquidation of a subsidiary (Note 20.1 (iii))	**–**	–	**219,614**	–
Gain on capital repayments of subsidiaries (Note 20.1 (ii))	**–**	–	**283,048**	–
Gross dividend received from				
- short term funds quoted in Malaysia	**23,157**	10,484	**17,738**	10,484
- other quoted investments in Malaysia	**925**	875	**78**	142
- other unquoted investments in Malaysia	**53**	37	**–**	–
- subsidiary quoted in Malaysia	**–**	–	**206,596**	148,345
- unquoted subsidiaries	**–**	–	**145,351**	367,600
- unquoted associates	**–**	–	**14,250**	5,040
Inventories written back	**7,527**	–	**–**	–
Negative goodwill recognised arising from additional interest acquired in a subsidiary	**–**	263	**–**	–
Rental income from plant and machinery	**6,232**	6,107	**–**	–
Rental income	**85,229**	69,766	**4,789**	5,657
Unrealised foreign currency translation gain	**197,868**	163,058	**247,699**	148,710

Contract cost of the Group recognised as an expense during the financial year amounted to RM2,616,000 (2007 - RM324,000).

Cost of inventories of the Group and of the Company recognised as an expense during the financial year amounted to RM10,374,642,000 (2007 – RM6,082,122,000) and RM154,285,000 (2007 – RM95,485,000) respectively.

b Employee information

The employee benefits costs are as follows:

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Wages, salaries and others	**613,807**	541,592	**69,107**	50,014
Contributions to Employee's Provident Fund	**26,322**	20,961	**6,393**	3,954
Expenses for retirement benefits	**20,771**	18,370	**18**	8
Share option expenses	**37,258**	26,648	**35,637**	24,377
	698,158	607,571	**111,155**	78,353

NOTES TO THE FINANCIAL STATEMENTS CONT'D

9 INTEREST INCOME

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Short term deposits	**37,920**	29,736	**21,341**	17,250
Subsidiaries	**–**	–	**91,971**	87,331
Jointly controlled entities	**22,524**	277	**–**	–
Housing development accounts	**2,181**	2,002	**–**	–
Others	**5,410**	7,665	**520**	583
	68,035	39,680	**113,832**	105,164

10 FINANCE COSTS

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Interest expenses				
Bank overdrafts	**56**	562	**3**	–
Revolving credits	**5,419**	1,235	**–**	–
Short term loans	**8,420**	3,607	**–**	905
Subsidiaries	**–**	–	**128,815**	111,033
Term loans	**39,331**	19,390	**–**	–
1st Exchangeable Bonds (Note 34.2)	**–**	6,392	**–**	–
2nd Exchangeable Bonds (Note 34.3)	**33,023**	31,277	**–**	–
3rd Exchangeable Bonds (Note 34.4)	**33,308**	–	**–**	–
Guaranteed Notes	**71,341**	82,107	**–**	–
Others	**892**	304	**–**	–
	191,790	144,874	**128,818**	111,938
Less: Interest capitalised	**(826)**	(720)	**–**	–
	190,964	144,154	**128,818**	111,938

11 TAXATION

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Current year				
Malaysian income taxation	**632,740**	316,538	**130,000**	103,000
Foreign taxation	**29,075**	546	**–**	–
Deferred taxation (Note 36)	**1,078**	10,107	**4,600**	(1,350)
	662,893	327,191	**134,600**	101,650
Prior years				
Malaysian income taxation	**19,425**	(369)	**426**	256
Foreign taxation	**–**	7,988	**–**	–
Deferred taxation (Note 36)	**692**	5,299	**800**	1,070
	20,117	12,918	**1,226**	1,326
	683,010	340,109	**135,826**	102,976

A numerical reconciliation between average effective tax rate and applicable tax rate of the Group and of the Company is as follows:

	Group 2008 %	Group 2007 %	Company 2008 %	Company 2007 %
Applicable tax rate	**26.00**	27.00	**26.00**	27.00
Tax effects in respect of:				
Non allowable expenses	**2.88**	2.36	**3.39**	4.44
Non taxable income	**(3.90)**	(4.54)	**(15.32)**	(6.62)
Revenue expenses capitalised	**(0.01)**	(0.01)	**(0.01)**	(0.02)
Tax exempt income	**(0.20)**	(0.27)	**(3.16)**	(3.42)
Tax incentives and allowances	**(2.10)**	(4.95)	**(0.45)**	(6.62)
Utilisation of previously unrecognised tax losses and capital allowances	**(0.45)**	(0.39)	**–**	–
Double deduction	**–**	(0.05)	**–**	(0.14)
Deferred tax assets recognised	**(0.02)**	(0.96)	**–**	–
Different tax rates in foreign jurisdiction	**0.08**	(0.13)	**–**	–
Effect of changes in tax rates on deferred tax	**(0.29)**	(1.00)	**(0.02)**	(0.01)
Share of post tax results of associates	**(0.39)**	(0.38)	**–**	–
Other items	**(0.18)**	(0.25)	**(0.02)**	0.05
	21.42	16.43	**10.41**	14.66
Under provision in prior years	**0.65**	0.65	**0.09**	0.19
Average effective tax rate	**22.07**	17.08	**10.50**	14.85

NOTES TO THE FINANCIAL STATEMENTS CONT'D

11 TAXATION CONT'D

The amount of tax savings arising from the utilisation of previously unrecognised brought forward unutilised tax losses of the Group amounted to approximately RM11,434,000 (2007 - RM7,323,000).

Subject to agreement with the tax authorities, certain subsidiaries of the Group have unutilised tax losses of approximately RM79,300,000 (2007 - RM120,615,000), 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.

Malaysian income tax is calculated at the statutory rate of 26% (2007 - 27%) of the estimated assessable profit for the year. The Malaysian corporate tax decreased from 27% to 26% for the year of assessment ("YA") 2008 and will further reduce to 25% for YA2009, as announced in the 2008 Malaysian Budget. The computation of deferred tax as at 30 June 2008 has reflected these changes. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Deferred tax is calculated on temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

12 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

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

	Group	
	2008	**2007**
Profit for the financial year attributable to equity holders of the Company (RM'000)	**2,231,632**	1,482,104
Weighted average number of ordinary shares of RM0.10 each in issue ('000)	**6,055,505**	6,143,103
Basic earnings per ordinary share (sen)	**36.85**	24.13

Diluted earnings per ordinary share

The diluted earnings per ordinary share of the Group are calculated based on the adjusted profit for the financial year attributable to equity holders of the Company divided by the adjusted weighted average number of ordinary shares after taking into consideration of all dilutive potential ordinary shares.

12 EARNINGS PER ORDINARY SHARE CONT'D

	Group 2008 RM'000	Group 2007 RM'000
Profit for the financial year attributable to equity holders of the Company	**2,231,632**	1,482,104
Assumed exchange of the 1st Exchangeable Bonds at beginning of the period		
Net interest savings	**–**	4,666
Net foreign currency translation differences taken up	**–**	(9,728)
	–	(5,062)
Assumed exchange of the 2nd Exchangeable Bonds at beginning of the period		
Net of interest savings	**24,437**	22,832
Net foreign currency translation differences taken up	**(48,122)**	(35,168)
	(23,685)	(12,336)
Assumed exchange of the 3rd Exchangeable Bonds at inception date		
Net interest savings	**24,648**	–
Net foreign currency translation differences taken up	**5,276**	–
	29,924	–
Adjusted profit for the financial year attributable to equity holders of the Company	**2,237,871**	1,464,706

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

	Group 2008 '000	Group 2007 '000
Weighted average number of ordinary shares in issue	**6,055,505**	6,143,103
Assumed exchange of the 1st Exchangeable Bonds at beginning of the period	**–**	82,737
Assumed exchange of the 2nd Exchangeable Bonds at beginning of the period	**156,699**	146,782
Assumed exchange of the 3rd Exchangeable Bonds at inception date	**81,633**	–
Adjustments for share option granted to executives of the Group	**68,272**	41,617
Adjusted weighted average number of ordinary shares for diluted earnings per ordinary share	**6,362,109**	6,414,239
Diluted earnings per ordinary share (sen)	**35.17**	22.84

NOTES TO THE FINANCIAL STATEMENTS CONT'D

13 DIVIDENDS

	Group and Company 2008 RM'000	2007 RM'000
Interim dividend declared and paid of 7.0 sen (2007 - 7.0 sen) per ordinary share, less tax of 26% (2007 - 27%)	**314,738**	316,351
Adjustments in interim dividends paid in respect of previous financial year	**–**	2,612
	314,738	318,963

The Directors have declared a second interim single tier dividend of 10.0 sen per ordinary share, amounting to RM598,605,823 in respect of the financial year ended 30 June 2008. The dividend is payable on 26 September 2008 to shareholders whose names appear in the Record of Depositors at the close of business on 17 September 2008.

No final dividend has been recommended for the financial year ended 30 June 2008.

14 PROPERTY, PLANT AND EQUIPMENT

Group
2008

At Cost	At beginning of financial year RM'000	Additions RM'000	Disposals RM'000	Foreign currency translation differences RM'000	Write-offs RM'000	Reclassi-fications* RM'000	At end of financial year RM'000
Freehold land	**516,673**	**–**	**–**	**5,018**	**–**	**(5,317)**	**516,374**
Plantation development expenditure	**1,717,613**	**11,982**	**–**	**–**	**(19,585)**	**–**	**1,710,010**
Golf course development expenditure	**44,016**	**–**	**–**	**–**	**(14)**	**–**	**44,002**
Buildings and improvements	**1,209,315**	**18,927**	**(150)**	**32,698**	**(6,391)**	**8,229**	**1,262,628**
Plant and machinery	**2,427,390**	**39,341**	**(13,857)**	**62,807**	**(8,418)**	**4,273**	**2,511,536**
Motor vehicles	**77,472**	**9,130**	**(3,801)**	**(5)**	**(447)**	**–**	**82,349**
Furniture, fittings and equipment	**140,538**	**7,787**	**(181)**	**(119)**	**(4,265)**	**617**	**144,377**
Construction in progress	**50,801**	**144,239**	**–**	**2,585**	**–**	**(13,119)**	**184,506**
	6,183,818	**231,406**	**(17,989)**	**102,984**	**(39,120)**	**(5,317)**	**6,455,782**

14 PROPERTY, PLANT AND EQUIPMENT CONT'D

Group
2008

Accumulated Depreciation	At beginning of financial year RM'000	Current year depreciation charge RM'000	Disposals RM'000	Foreign currency translation differences RM'000	Write-offs RM'000	At end of financial year RM'000
Golf course development expenditure	327	317	–	–	–	644
Buildings and improvements	344,112	42,096	(307)	8,940	(5,388)	389,453
Plant and machinery	1,222,447	147,738	(12,144)	35,255	(7,771)	1,385,525
Motor vehicles	53,795	7,643	(3,550)	25	(398)	57,515
Furniture, fittings and equipment	95,327	12,345	(184)	(35)	(4,082)	103,371
	1,716,008	210,139	(16,185)	44,185	(17,639)	1,936,508

* *Freehold land with carrying amount of RM5,317,000 has been reclassified to prepaid lease payments.*

2007

At Cost	At beginning of financial year RM'000	Additions RM'000	Additions through subsidiaries acquired RM'000	Disposals RM'000	Disposals through subsidiary disposed RM'000	Foreign currency translation differences RM'000	Write-offs RM'000	Reclassi-fications/ transfers* RM'000	At end of financial year RM'000
Freehold land	548,806	242	–	(72)	(30,096)	(1,696)	–	(511)	516,673
Plantation development expenditure	1,647,536	16,709	58,618	(98)	–	–	(5,152)	–	1,717,613
Golf course development expenditure	44,016	–	–	–	–	–	–	–	44,016
Buildings and improvements	1,217,969	18,218	53,988	(3,064)	(28,058)	(5,403)	(6,384)	(37,951)	1,209,315
Plant and machinery	1,873,019	76,797	483,580	(59,061)	(3,366)	(12,800)	(5,747)	74,968	2,427,390
Motor vehicles	70,651	11,020	3,211	(6,781)	(219)	(140)	(270)	–	77,472
Furniture, fittings and equipment	134,597	8,637	6,097	(2,965)	(4,220)	(132)	(1,476)	–	140,538
Construction in progress	70,427	50,949	783	–	–	(557)	(457)	(70,344)	50,801
	5,607,021	182,572	606,277	(72,041)	(65,959)	(20,728)	(19,486)	(33,838)	6,183,818

NOTES TO THE FINANCIAL STATEMENTS CONT'D

14 PROPERTY, PLANT AND EQUIPMENT CONT'D

Group
2007

Accumulated Depreciation	At beginning of financial year RM'000	Current year depre-ciation charge RM'000	Additions through subsidiaries acquired RM'000	Disposals RM'000	Disposals through subsidiary disposed RM'000	Foreign currency translation differences RM'000	Write-offs RM'000	Reclassi-fications/ transfers* RM'000	At end of financial year RM'000
Golf course development expenditure	–	327	–	–	–	–	–	–	327
Buildings and improvements	312,208	38,511	14,291	(1,505)	(11,221)	(1,455)	(1,813)	(4,904)	344,112
Plant and machinery	993,468	129,324	149,735	(41,211)	(2,974)	(4,820)	(4,465)	3,390	1,222,447
Motor vehicles	50,157	6,761	2,341	(4,620)	(219)	(287)	(338)	–	53,795
Furniture, fittings and equipment	86,794	12,182	3,843	(2,675)	(3,626)	(59)	(1,132)	–	95,327
	1,442,627	187,105	170,210	(50,011)	(18,040)	(6,621)	(7,748)	(1,514)	1,716,008

* *Freehold land with carrying amount of RM282,000 has been transferred to land held for property development.*
Freehold land and building with carrying amount of RM30,083,000 has been reclassified to investment properties.
Building with carrying amount of RM1,959,000 has been reclassified to non-current assets held for sale.

Company
2008

At Cost	At beginning of financial year RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassi-fications RM'000	At end of financial year RM'000
Freehold land	**173,981**	**–**	**–**	**–**	**–**	**173,981**
Plantation development expenditure	**170,139**	**2,421**	**–**	**(5,355)**	**–**	**167,205**
Buildings and improvements	**32,197**	**919**	**–**	**(46)**	**8**	**33,078**
Plant and machinery	**33,621**	**1,766**	**(6)**	**(264)**	**195**	**35,312**
Motor vehicles	**8,835**	**598**	**(139)**	**(58)**	**–**	**9,236**
Furniture, fittings and equipment	**12,987**	**1,023**	**(12)**	**(176)**	**–**	**13,822**
Construction in progress	**210**	**2,940**	**–**	**–**	**(203)**	**2,947**
	431,970	**9,667**	**(157)**	**(5,899)**	**–**	**435,581**

14 PROPERTY, PLANT AND EQUIPMENT CONT'D

Company
2008

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
Buildings and improvements	**12,205**	**1,319**	**–**	**(29)**	**13,495**
Plant and machinery	**26,519**	**1,548**	**(5)**	**(249)**	**27,813**
Motor vehicles	**6,061**	**1,025**	**(139)**	**(52)**	**6,895**
Furniture, fittings and equipment	**9,117**	**887**	**(10)**	**(168)**	**9,826**
	53,902	**4,779**	**(154)**	**(498)**	**58,029**

2007

At Cost	At beginning of financial year RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassi-fications RM'000	At end of financial year RM'000
Freehold land	174,053	–	(72)	–	–	173,981
Plantation development expenditure	168,459	2,506	(98)	(728)	–	170,139
Buildings and improvements	30,347	1,503	–	(19)	366	32,197
Plant and machinery	32,493	2,329	(11)	(1,190)	–	33,621
Motor vehicles	7,406	1,783	(328)	(26)	–	8,835
Furniture, fittings and equipment	12,297	823	(12)	(121)	–	12,987
Construction in progress	366	210	–	–	(366)	210
	425,421	9,154	(521)	(2,084)	–	431,970

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
Buildings and improvements	10,905	1,309	–	(9)	12,205
Plant and machinery	25,935	1,678	(5)	(1,089)	26,519
Motor vehicles	5,473	903	(213)	(102)	6,061
Furniture, fittings and equipment	8,393	845	(12)	(109)	9,117
	50,706	4,735	(230)	(1,309)	53,902

NOTES TO THE FINANCIAL STATEMENTS CONT'D

14 PROPERTY, PLANT AND EQUIPMENT CONT'D

	Group		Company	
	2008	2007	2008	2007
Net Book Value	RM'000	RM'000	RM'000	RM'000
Freehold land	**516,374**	516,673	**173,981**	173,981
Plantation development expenditure	**1,710,010**	1,717,613	**167,205**	170,139
Golf course development expenditure	**43,358**	43,689	**–**	–
Buildings and improvements	**873,175**	865,203	**19,583**	19,992
Plant and machinery	**1,126,011**	1,204,943	**7,499**	7,102
Motor vehicles	**24,834**	23,677	**2,341**	2,774
Furniture, fittings and equipment	**41,006**	45,211	**3,996**	3,870
Construction in progress	**184,506**	50,801	**2,947**	210
	4,519,274	4,467,810	**377,552**	378,068

Included in the Group's plantation development expenditure and construction in progress is an amount of interest expense capitalised during the financial year amounted to RM562,000 (2007 - RM262,000).

15 PREPAID LEASE PAYMENTS

	Group			Company
	Long term leasehold land	Short term leasehold land	Total	Long term leasehold land
	RM'000	RM'000	RM'000	RM'000
2008				
At cost				
At beginning of financial year	**909,274**	**72,957**	**982,231**	**9,695**
Additions	**2,261**	**1,000**	**3,261**	**–**
Reclassified from property, plant and equipment (Note 14)	**5,317**	**–**	**5,317**	**–**
At end of financial year	**916,852**	**73,957**	**990,809**	**9,695**
Accumulated amortisation				
At beginning of financial year	**142,516**	**13,457**	**155,973**	**1,665**
Current year amortisation	**10,791**	**1,717**	**12,508**	**105**
At end of financial year	**153,307**	**15,174**	**168,481**	**1,770**
Carrying amount				
At end of financial year	**763,545**	**58,783**	**822,328**	**7,925**

15 PREPAID LEASE PAYMENTS CONT'D

	Group			Company
	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000	Long term leasehold land RM'000
2007				
At cost				
At beginning of financial year	886,627	44,759	931,386	9,695
Additions	3,047	–	3,047	–
Additions through subsidiaries acquired	19,600	28,469	48,069	–
Disposal	–	(9)	(9)	–
Transfer to land held for property development (Note 16)	–	(262)	(262)	–
At end of financial year	909,274	72,957	982,231	9,695
Accumulated amortisation				
At beginning of financial year	131,612	9,265	140,877	1,559
Additions through subsidiaries acquired	–	2,469	2,469	–
Disposal	–	(9)	(9)	–
Transfer to land held for property development (Note 16)	–	(89)	(89)	–
Current year amortisation	10,904	1,821	12,725	106
At end of financial year	142,516	13,457	155,973	1,665
Carrying amount				
At end of financial year	766,758	59,500	826,258	8,030

NOTES TO THE FINANCIAL STATEMENTS CONT'D

16 LAND HELD FOR PROPERTY DEVELOPMENT

Group	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Development costs RM'000	Total RM'000
2008					
At cost					
At beginning of financial year	**407,049**	**82,143**	**173**	**332,379**	**821,744**
Costs incurred	**41,915**	**42,069**	**–**	**141,434**	**225,418**
Reclassifications*	**24,500**	**–**	**–**	**5**	**24,505**
Transfer to property development costs (Note 23)	**(25,115)**	**–**	**–**	**(97,686)**	**(122,801)**
Transfer to investment properties (Note 17)	**(2,020)**	**–**	**–**	**(19,309)**	**(21,329)**
Disposal	**–**	**(274)**	**–**	**–**	**(274)**
At end of financial year	**446,329**	**123,938**	**173**	**356,823**	**927,263**
2007					
At cost					
At beginning of financial year	332,513	274	–	295,540	628,327
Costs incurred	184,018	–	–	112,569	296,587
Reclassifications	(72,503)	81,912	–	(9,409)	–
Transfer to property development costs (Note 23)	(26,190)	–	–	(66,161)	(92,351)
Transfer from property, plant and equipment (Note 14)	282	–	–	–	282
Transfer from prepaid lease payments (Note 15)	–	–	173	–	173
Transfer to non-current assets held for sale (Note 30)	(11,071)	–	–	(160)	(11,231)
Disposal	–	(43)	–	–	(43)
At end of financial year	407,049	82,143	173	332,379	821,744

Included in development costs is interest expense capitalised during the financial year amounted to RM264,000 (2007 - RM452,000).

Included in land held for property development of the Group are certain plantation land acquired in the previous financial years, which are intended to be used for property development. Currently, the subsidiaries are harvesting oil palm crops from the said land.

* *Deposits paid for property development land which were included in deposits and other receivables of RM24,500,000 and RM5,000 respectively in the previous financial year had been reclassified to land held for property development during the financial year.*

17 INVESTMENT PROPERTIES

Group	At beginning of financial year RM'000	Transfer from land held for property development RM'000	Fair value adjustments RM'000	Additions RM'000	Foreign currency translation differences RM'000	Disposal RM'000	At end of financial year RM'000
2008							
Freehold land and buildings	**474,000**	**21,329**	**99,898**	**1,185**	**–**	**(28,392)**	**568,020**
Leasehold land and buildings	**225,469**	**–**	**30,069**	**–**	**15,081**	**–**	**270,619**
	699,469	**21,329**	**129,967**	**1,185**	**15,081**	**(28,392)**	**838,639**

	At beginning of financial year RM'000	Transfer from property, plant and equipment RM'000	Fair value adjustments RM'000	Additions RM'000	Foreign currency translation differences RM'000	At end of financial year RM'000
2007						
Freehold land and buildings	348,624	30,083	94,392	901	–	474,000
Leasehold land and buildings	164,352	–	66,258	–	(5,141)	225,469
	512,976	30,083	160,650	901	(5,141)	699,469

NOTES TO THE FINANCIAL STATEMENTS CONT'D

17 INVESTMENT PROPERTIES CONT'D

Investment properties comprise:

Name of building/location	Description	Tenure of land	Net lettable area
IOI Mall Bandar Puchong Jaya Puchong Selangor Darul Ehsan	3 storey shopping mall	Freehold	58,507 sq. m.
IOI Business Park Bandar Puchong Jaya Puchong Selangor Darul Ehsan	32 units of commercial lot and car park	Freehold	34,111 sq. m.
Puteri Mart Bandar Puteri Puchong Selangor Darul Ehsan	1 ½ storey semi-wet market	Freehold	3,566 sq. m.
IOI Resort Putrajaya	37 units of residential bungalow	Freehold	24,718 sq. m.
IOI Mall Bandar Putra, Kulai Johor Bahru Johor Darul Takzim	4 storey shopping mall	Freehold	22,642 sq. m.
IOI Mart Taman Lagenda Putra Senai-Kulai Johor Bahru Johor Darul Takzim	1 storey semi-wet market shopping complex	Freehold	6,319 sq. m.
IOI Plaza 210 Middle Road Singapore	12 storey office building	Leasehold	8,658 sq. m.
IOI Square IOI Resort Putrajaya	2 blocks of 12 storey office building	Freehold	30,969 sq. m.
Shop office Bandar Puchong Jaya Selangor Darul Ehsan	3 ½ storey shop office	Freehold	465 sq. m.

Investment property with carrying amount of Nil (2007 - RM225,469,000) has been pledged to banks for credit facilities granted to a foreign incorporated subsidiary.

18 OTHER LONG TERM INVESTMENTS

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
At cost				
In Malaysia				
- Quoted shares	**31,119**	31,682	**9,343**	9,472
- Unquoted shares	**1,783**	1,783	**860**	860
	32,902	33,465	**10,203**	10,332
Outside Malaysia				
- Quoted shares	**5**	5	**5**	5
	32,907	33,470	**10,208**	10,337
Less: Impairment losses	**(6,709)**	(5,771)	**(6,452)**	(5,514)
	26,198	27,699	**3,756**	4,823
At market value				
- Shares quoted in Malaysia	**95,773**	59,143	**2,906**	4,501

19 GOODWILL ON CONSOLIDATION

	Group 2008 RM'000	Group 2007 RM'000
At beginning of financial year	**510,661**	415,830
Arising from acquisitions of subsidiaries (Note 40)	**306**	88,097
Arising from acquisition of additional shares in a subsidiary	**1,155**	6,618
Arising from purchase of own shares by a subsidiary	**2,014**	116
At end of financial year	**514,136**	510,661

The goodwill recognised on the acquisitions is attributable mainly to the skills and technical talents of the acquired business's work force and the synergies expected to be achieved from integrating the company into the Group's existing business.

For the purpose of impairment testing, goodwill is allocated to the Group's Cash-generating Units ("CGUs") identified according to the business segments as follows:

	Group 2008 RM'000	Group 2007 RM'000
Plantation	**93,331**	93,025
Property development	**83,277**	80,108
Resource-based manufacturing	**337,528**	337,528
	514,136	510,661

NOTES TO THE FINANCIAL STATEMENTS CONT'D

19 GOODWILL ON CONSOLIDATION CONT'D

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount of the CGUs based on value-in-use. Value-in-use is determined by discounting the future cash flows to be generated from the continuing use of the CGUs based on the following assumptions:

i Cash flows are projected based on the management's three-year business plan and extrapolated to a period of ten (10) years for all companies with the exception of plantation companies, where extrapolated projections of twenty-five (25) years are used.

ii Discount rates used for cash flows discounting purpose are the management's estimate of return on capital employed required in the respective segments. The discount rate applied for cash flow projections is 10.04%.

iii Growth rate for the plantation segment are determined based on the management's estimate of commodity prices, palm yields, oil extraction rates and also cost of productions whilst growth rates of other segments are determined based on the industry trends and past performances of the segments.

iv Profit margins are projected based on the industry trends, historical profit margin achieved or pre-determined profit margin for property projects.

The management is not aware of any reasonably possible change in the above key assumptions that would cause the carrying amounts of the CGUs to materially exceed their recoverable amounts.

20 SUBSIDIARIES

20.1 Investments in subsidiaries

	Company	
	2008 RM'000	**2007 RM'000**
At cost		
Shares quoted in Malaysia	**621,811**	612,574
Unquoted shares in Malaysia	**3,559,300**	4,061,375
Unquoted shares outside Malaysia	**890,071**	695,216
	5,071,182	5,369,165
Less: Accumulated impairment losses	**(5,724)**	(5,724)
	5,065,458	5,363,441
At market value		
Shares quoted in Malaysia	**2,167,081**	3,053,023

Details of the subsidiaries are set out in Note 50 to the financial statements.

20 SUBSIDIARIES CONT'D

20.1 Investments in subsidiaries cont'd

During the current financial year, the Company:

i acquired Lynwood Capital Resources Pte Ltd, Oakridge Investments Pte Ltd and Oleander Capital Resources Pte Ltd as disclosed in Note 40.1 to the financial statements.

ii received total amount of RM565,061,800 pursuant to a capital repayment exercise by the following subsidiaries:

Subsidiary	Capital repayments received RM'000	Reduction in investment cost RM'000	Gain on capital repayment RM'000
Ladang Sabah Sdn Bhd	**204,502**	(204,502)	–
Morisem Consolidated Sdn Bhd	**41,725**	(4,776)	36,949
Morisem Sdn Bhd	**61,100**	(15,554)	45,546
Morisem Palm Oil Mills Sdn Bhd	**126,989**	(16,587)	110,402
Swee Lam Estates (Malaya) Sdn Berhad	**97,308**	(40,556)	56,752
Safima Plantations Sdn Bhd	**33,438**	(39)	33,399
	565,062	(282,014)	283,048

iii received a total amount of RM375,000,000 upon liquidation of a subsidiary, Ladang Sabah Holdings Sdn Bhd. The Company redeemed the entire redeemable preference shares of RM0.50 each at RM100 per share amounted to RM154,386,400 and also received a liquidation proceeds of RM220,613,600. Total gain recognised from the liquidation is RM219,613,600.

iv redeemed 100,000 redeemable preference shares of RM0.50 each plus a premium of RM99.50 each in Resort Villa Golf Course Development Sdn Bhd ("RVGCD"). The total redemption amount of RM10,000,000 was settled by issuance of 50,000 new ordinary shares of RM1.00 each in RVGCD and payment of RM9,950,000 by utilising the amount due to RVGCD.

v redeemed 50,000 redeemable preference shares of RM0.50 each plus a premium of RM99.50 each in Resort Villa Golf Course Berhad ("RVGC"). The total redemption amount of RM5,000,000 was settled by issuance of 25,000 new ordinary shares of RM1.00 each in RVGC and payment of RM4,975,000 by utilising the amount due to RVGC.

vi redeemed 500,000 redeemable preference shares of RM0.50 each plus a premium of RM99.50 each in Resort Villa Development Sdn Bhd ("RVD"). The total redemption amount of RM50,000,000 was settled by issuance of 250,000 new ordinary shares of RM1.00 each in RVD and payment of RM49,750,000 by utilising the amount due to RVD.

20.2 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 6.75% (2007 - 0% to 7.75%) per annum. Except for the non-current portion, the amounts due from and to subsidiaries have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

21 ASSOCIATES

21.1 Investments in associates

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Unquoted shares, at cost	**327,190**	95,537	**22,850**	22,850
Share of post acquisition results and reserves	**170,735**	141,241	**–**	–
Negative goodwill recognised	**44,146**	44,146	**–**	–
	214,881	185,387	**–**	–
	542,071	280,924	**22,850**	22,850

Details of the associates are set out in Note 50 to the financial statements.

21.2 Summary of financial information of associates

	2008 RM'000	2007 RM'000
Assets and liabilities		
Total assets	**1,964,347**	1,209,608
Total liabilities	**682,202**	251,294
Results		
Revenue	**1,385,717**	930,632
Profit for the financial year	**185,980**	130,344

21.3 Amounts due from and to associates

Amounts due from and 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.

22 JOINTLY CONTROLLED ENTITIES

22.1 Investments in jointly controlled entities

	Group	
	2008 RM'000	2007 RM'000
Unquoted shares, at cost	**2,632**	1,129
Share of post acquisition results and reserves	**(80)**	(7)
	2,552	1,122

Details of the jointly controlled entities are set out in Note 50 to the financial statements.

22 JOINTLY CONTROLLED ENTITIES CONT'D

22.2 Interests in jointly controlled entities

The Group's share of assets, liabilities, income and expenses of the jointly controlled entities are as follows:

	Group 2008 RM'000	Group 2007 RM'000
Assets and liabilities		
Current assets	**2,409,778**	536,463
Total assets	**2,409,778**	536,463
Current liabilities	**5,838**	187,844
Non-current liabilities	**2,401,388**	347,497
Total liabilities	**2,407,226**	535,341
Results		
Revenue	**–**	–
Expenses, including finance costs and tax expense	**(73)**	(7)

22.3 Amounts due from jointly controlled entities

	Group 2008 RM'000	Group 2007 RM'000
Amounts due from jointly controlled entities	**1,513,326**	160,357

Amounts due from jointly controlled entities represent outstanding amounts arising from subsidiaries' proportionate advances for the acquisition and development of land in Singapore and were related to development expenses and working capital which are unsecured, bear interest at rates ranging from 1.81% to 3.60% (2007 – 3.12%) per annum and are not repayable within the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

23 PROPERTY DEVELOPMENT COSTS

Group	Freehold land RM'000	Development costs RM'000	Accumulated cost charged to income statement RM'000	Total RM'000
2008				
At cost				
At beginning of financial year	**227,586**	**2,805,354**	**(2,604,006)**	**428,934**
Costs incurred	**3,034**	**213,740**	**–**	**216,774**
Transfer from land held for property development (Note 16)	**25,115**	**97,686**	**–**	**122,801**
Transfer to inventories	**(1,229)**	**(19,939)**	**–**	**(21,168)**
Recognised as expense in the income statement	**–**	**–**	**(335,163)**	**(335,163)**
At end of financial year	**254,506**	**3,096,841**	**(2,939,169)**	**412,178**
2007				
At cost				
At beginning of financial year	202,068	2,460,466	(2,306,327)	356,207
Costs incurred	–	303,770	–	303,770
Transfer from land held for property development (Note 16)	26,190	66,161	–	92,351
Transfer to inventories	(672)	(25,043)	–	(25,715)
Recognised as expense in the income statement	–	–	(297,679)	(297,679)
At end of financial year	227,586	2,805,354	(2,604,006)	428,934

In the previous financial year, included in property development costs was interest expense capitalised amounted to RM6,000.

24 INVENTORIES

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
At cost				
Plantation produce	**14,439**	8,357	**4,481**	2,534
Raw materials and consumables	**1,220,350**	839,509	**6,818**	917
Completed development properties	**96,140**	93,817	**–**	–
Nursery inventories	**9,767**	3,514	**2,708**	1,245
Trading inventories	**95**	94	**–**	–
Finished goods	**704,211**	197,839	**–**	–
Others	**26,042**	11,601	**–**	–
	2,071,044	1,154,731	**14,007**	4,696
At valuation				
Raw materials and consumables	**99,078**	55,570	**–**	–
Completed development properties	**1,859**	1,019	**–**	–
Trading inventories	**79,597**	629	**–**	–
Finished goods	**196,363**	120,870	**–**	–
	376,897	178,088	**–**	–
	2,447,941	1,332,819	**14,007**	4,696

25 TRADE AND OTHER RECEIVABLES

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Trade receivables (Note 25.1)	**1,468,818**	935,994	**6,596**	–
Other receivables, deposits and prepayments (Note 25.2)	**106,815**	160,066	**31,587**	16,312
Accrued billings	**113,032**	101,626	**–**	–
Amounts due from customers on contracts (Note 25.3)	**4,539**	2,575	**–**	–
	1,693,204	1,200,261	**38,183**	16,312

25.1 Trade receivables

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Trade receivables	**1,488,398**	955,380	**6,596**	–
Allowance for doubtful debts	**(19,580)**	(19,386)	**–**	–
	1,468,818	935,994	**6,596**	–

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

25 TRADE AND OTHER RECEIVABLES CONT'D

25.2 Other receivables, deposits and prepayments

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Other receivables	**54,270**	104,250	**4,286**	2,329
Allowance for doubtful debts	**(1,129)**	(1,129)	**–**	–
	53,141	103,121	**4,286**	2,329
Other deposits	**25,167**	35,216	**15,969**	739
Prepayments	**28,507**	21,729	**11,332**	13,244
	106,815	160,066	**31,587**	16,312

Included in other receivables of the Group is an amount due from affiliates of RM424,000 (2007 - RM234,000) for property project management services provided by a subsidiary which are unsecured, interest-free and has no fixed terms of repayment.

25.3 Amounts due from customers on contracts

	Group	
	2008 RM'000	2007 RM'000
Aggregate cost incurred to date	**24,494**	22,232
Recognised profit	**5,766**	5,549
	30,260	27,781
Progress billings	**(25,721)**	(25,206)
Amounts due from customers on contracts	**4,539**	2,575

26 SHORT TERM INVESTMENTS

	Group	
	2008 RM'000	2007 RM'000
At cost		
In Malaysia		
- Quoted shares	**413**	413
Outside Malaysia		
- Quoted shares	**16,189**	16,189
- Unquoted shares	**5**	5
	16,607	16,607
Less: Accumulated impairment losses	**(9,478)**	(9,408)
	7,129	7,199
At market value		
- Shares quoted in Malaysia	**17**	22
- Shares quoted outside Malaysia	**7,117**	7,177

27 SHORT TERM FUNDS

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
At cost				
Investment in fixed income trust funds in Malaysia	**1,592,545**	1,879,345	**1,432,909**	1,650,139

28 DEPOSITS WITH FINANCIAL INSTITUTIONS

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Deposits with licensed banks	**704,635**	406,738	**525,064**	242,121
Deposits with discount houses	**166,907**	100,332	**–**	–
	871,542	507,070	**525,064**	242,121

29 CASH AND BANK BALANCES

Included in the Group's cash and bank balances is an amount of RM132,935,000 (2007 - RM112,964,000) 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.

30 NON-CURRENT ASSETS HELD FOR SALE

As at the financial year ended 30 June 2008, the non-current assets held for sale were as follows:

	Group 2008 RM'000	Group 2007 RM'000
Property, plant and equipment (Note 14)	**–**	1,959
Land held for property development (Note 16)	**–**	11,231
	–	13,190

There was no liability directly associated with non-current assets classified as held for sale.

The Group had presented the above non-current assets as held for sale in the previous financial year as the Group had entered into separate agreements to dispose off two parcels of land previously held for property development. These land had a combined acreage of 165.2 hectares. The disposals were completed in the current financial year.

The Group was also committed to dispose off a residential apartment located in London, United Kingdom previously classified as property, plant and equipment. This asset was disposed off in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 SHARE CAPITAL

	Group and Company			
	2008		2007	
	No. of shares	RM'000	No. of shares	RM'000
Authorised				
Ordinary shares of RM0.10 each	**7,500,000,000**	**750,000**	7,500,000,000	750,000

	Group and Company	
	No. of shares	RM'000
Issued and fully paid-up		
2008		
Ordinary shares of RM0.10 each		
At beginning of financial year	**6,258,807,990**	**625,881**
Issue of shares arising from the exercise of ESOS at RM2.50 per ordinary share	**17,056,800**	**1,706**
Issue of shares arising from the exercise of ESOS at RM4.30 per ordinary share	**2,764,200**	**276**
Issue of ordinary shares arising from the exchange of the 2nd Exchangeable Bonds at RM4.70 per share	**172,204,282**	**17,220**
Capital repayment (Note 46.1)	**(312,950,341)**	**(31,295)**
At end of financial year	**6,137,882,931**	**613,788**
2007		
Before Share Split *		
Ordinary shares of RM0.50 each		
At beginning of financial year	1,210,533,785	605,267
Issue of shares arising from the exercise of ESOS at RM12.50 per ordinary share	2,565,000	1,282
Issue of shares arising from the exchange of the 1st Exchangeable Bonds at RM11.06 per ordinary share	42,530,382	21,266
Issue of shares arising from the exchange of the 2nd Exchangeable Bonds at RM23.50 per ordinary share	2,848,111	1,424
Transfer to capital reserve arising from cancellation of treasury shares	(14,712,900)	(7,356)
	1,243,764,378	621,883
After Share Split		
Ordinary shares of RM0.10 each		
Subdivision of ordinary shares of RM0.50 each into RM0.10 each	4,975,057,512	–
Issue of shares arising from the exercise of ESOS at RM2.50 per ordinary share	3,010,400	301
Issue of shares arising from the exchange of the 1st Exchangeable Bonds at RM2.20 per ordinary share	10,294,544	1,029
Issue of shares arising from the exchange of the 2nd Exchangeable Bonds at RM4.70 per ordinary share	17,681,156	1,768
Issue of shares pursuant to a special issue to Bumiputera Investors	9,000,000	900
At end of financial year	6,258,807,990	625,881

* *On 6 June 2007, the Company had subdivided its existing 1,243,764,378 ordinary shares of RM0.50 each into 6,218,821,890 ordinary shares of RM0.10 each ("Share Split"). The Share Split was completed with the listing and quotation of the new shares on the Main Board of Bursa Malaysia Securities Berhad on 7 June 2007.*

31 SHARE CAPITAL CONT'D

i The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

ii Of the total 6,137,882,931 (2007 - 6,258,807,990) issued and fully paid-up ordinary shares of RM0.10 each, 151,824,700 shares (2007 - nil) are held as treasury shares as disclosed in Note 32.2 to the financial statements. Accordingly, the number of ordinary shares in issue and fully paid-up after deducting treasury shares as at end of the financial year is 5,986,058,231 (2007 - 6,258,807,990) ordinary shares of RM0.10 each.

31.1 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 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.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 SHARE CAPITAL CONT'D

31.1 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 allotted, 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 allotted 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) 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.

31 SHARE CAPITAL CONT'D

31.1 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.

The movements of the options over the unissued ordinary shares of RM0.10 each in the Company and the weighted average exercise price during the financial year are as follows:

		No. of options over ordinary shares					
Option price (RM)	Date of offer	Outstanding as at beginning of the financial year	Offered and accepted	Exercised	Lapsed	Outstanding as at end of the financial year	Exercisable as at end of the financial year
2008							
2.50	**12 January 2006**	**93,470,600**	**–**	**(17,056,800)**	**(7,373,000)**	**69,040,800**	**20,308,300**
4.30	**2 April 2007**	**46,071,000**	**–**	**(2,764,200)**	**(51,300)**	**43,255,500**	**8,710,800**
		139,541,600	**–**	**(19,821,000)**	**(7,424,300)**	**112,296,300**	**29,019,100**
Weighted average exercise price		**RM3.09**	**–**	**RM2.75**	**RM2.51**	**RM3.19**	**RM3.04**
2007							
2.50	12 January 2006	116,430,000	–	(15,835,400)	(7,124,000)	93,470,600	11,800,600
4.30	2 April 2007	–	46,071,000	–	–	46,071,000	–
		116,430,000	46,071,000	(15,835,400)	(7,124,000)	139,541,600	11,800,600
Weighted average exercise price		RM2.50	RM4.30	RM2.50	RM2.50	RM3.09	RM2.50

NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 SHARE CAPITAL CONT'D

31.1 Executive Share Option Scheme Cont'd

i Share options outstanding at the end of the financial year

Option price (RM)	No. of share options	Weighted average exercise price (RM)	Exercisable period
2008			
2.50	**69,040,800**	**2.50**	**12 January 2007 - 23 November 2016**
4.30	**43,255,500**	**4.30**	**2 April 2008 - 23 November 2016**
	112,296,300	**3.19**	
2007			
2.50	93,470,600	2.50	12 January 2007 - 23 November 2016
4.30	46,071,000	4.30	2 April 2008 - 23 November 2016
	139,541,600	3.09	

ii Share options exercised during the financial year

Option price (RM)	Date of exercise	No. of share options exercised	Weighted average share price (RM)
2008			
2.50	**July 2007**	**205,500**	**5.34**
2.50	**August 2007**	**286,000**	**5.00**
2.50	**September 2007**	**346,000**	**6.05**
2.50	**November 2007**	**2,733,500**	**6.75**
2.50	**December 2007**	**189,900**	**7.75**
2.50	**January 2008**	**258,300**	**7.10**
2.50	**February 2008**	**4,922,800**	**8.05**
2.50	**March 2008**	**4,313,000**	**7.10**
2.50	**April 2008**	**1,108,300**	**7.30**
2.50	**May 2008**	**730,500**	**7.45**
2.50	**June 2008**	**1,963,000**	**7.45**
4.30	**May 2008**	**1,068,500**	**7.45**
4.30	**June 2008**	**1,695,700**	**7.45**
		19,821,000	**6.91**
2007			
2.50	February 2007	1,296,000	3.94
2.50	March 2007	5,839,500	3.88
2.50	April 2007	2,593,000	4.97
2.50	May 2007	3,096,500	5.39
2.50	June 2007	3,010,400	5.47
		15,835,400	4.66

31 SHARE CAPITAL CONT'D

31.1 Executive Share Option Scheme Cont'd

iii Fair value of share options granted during the financial year

No share options was granted during the current financial year.

The fair value of share options granted during the previous financial year was estimated by an external valuer using the binomial model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date are as follows:

Option Price (RM)	Grant Date	Vesting Date	Fair Value (RM)
2007			
4.30	2 April 2007	2 April 2008	0.890
		2 April 2009	0.989
		2 April 2010	1.058
		2 April 2011	1.105

The fair values of the share options granted during the previous financial year were arrived at based on the following assumptions:

	Granted on 2 April 2007
Weighted average share price (RM)	4.40
Weighted average exercise price (RM)	4.30
Risk free rate (%)	3.4
Expected dividend yield (%)	3.5
Volatility of share return (%)	30.0
Rate of leaving service of eligible executive (%)	
• Prior to the vesting date	0.0
• After the vesting date	6.0

32 RESERVES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Share premium	**1,923,327**	2,349,560	**1,923,327**	2,349,560
Capital reserves (Note 32.1)	**331,081**	158,234	**88,680**	65,220
Treasury shares, at cost (Note 32.2)	**(1,079,914)**	–	**(1,079,914)**	–
Foreign currency translation reserve (Note 32.3)	**(217)**	(101,977)	**–**	–
	1,174,277	2,405,817	**932,093**	2,414,780

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

32 RESERVES CONT'D

32.1 Capital reserves

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 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 2nd Exchangeable Bonds (Note 34.3)	**24,618**	81,482	**–**	–
Equity component of 3rd Exchangeable Bonds (Note 34.4)	**205,712**	–	**–**	–
Capital redemption reserves arising from the cancellation of treasury shares	**34,520**	34,520	**34,520**	34,520
Share option reserves	**56,901**	32,902	**54,160**	30,700
	331,081	158,234	**88,680**	65,220

32.2 Treasury shares

The shareholders of the Company, by a special resolution passed at 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 ("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 29 October 2007.

The Directors of the Company are committed in 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.

32 RESERVES CONT'D

32.2 Treasury shares Cont'd

During the financial year, the Company repurchased its issued ordinary shares of RM0.10 each from the open market as follows:

			Purchase Price Per Share		
	No. of Shares	Cost RM	Highest RM	Lowest RM	Average RM
2008					
At beginning of financial year	–	–	–	–	–
Purchases during the financial year					
January 2008	**25,543,100**	**184,908,969**	**7.59**	**7.07**	**7.24**
February 2008	**5,401,300**	**40,136,875**	**7.63**	**7.27**	**7.43**
March 2008	**57,675,100**	**392,190,706**	**7.62**	**6.55**	**6.93**
April 2008	**19,014,300**	**145,086,288**	**7.65**	**6.62**	**7.21**
May 2008	**17,134,300**	**122,345,170**	**7.48**	**6.97**	**7.14**
June 2008	**27,056,600**	**195,246,492**	**7.56**	**7.01**	**7.22**
At end of financial year	**151,824,700**	**1,079,914,500**	**7.65**	**6.55**	**7.11**
2007					
At beginning of financial year	9,299,700	108,188,116	12.54	9.03	11.63
Purchases during the financial year					
February 2007	3,036,900	60,385,671	20.16	19.52	19.88
March 2007	2,376,300	44,743,714	19.40	17.70	18.83
	5,413,200	105,129,385	20.16	17.70	19.42
Total prior to cancellation	14,712,900	213,317,501	20.16	9.03	14.50
Cancellation	(14,712,900)	(213,317,501)	20.16	9.03	14.50
At end of financial year	–	–	–	–	–

The transactions of Share Buy Back were financed by internally generated funds. The shares of the Company repurchased prior to cancellation in 2007 were held as treasury shares in accordance with the provision of Section 67A of the Companies Act, 1965.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

32 RESERVES CONT'D

32.3 Foreign currency translation reserve

The foreign currency translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

33 RETAINED EARNINGS

Effective 1 January 2008, the Company is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest by 31 December 2013. The Company has opted to move to a single tier system and as a result, there are no longer any restrictions on the Company to frank the payment of dividends out of its entire retained earnings as at the balance sheet date.

34 BORROWINGS

	Group	
	2008 RM'000	**2007 RM'000**
Non-current liabilities		
Secured		
Term loans (Note 34.1)	–	68,552
Less: Portion due within 12 months included under short term borrowings	–	(68,552)
	–	–
Unsecured		
Term loans (Note 34.1)	**1,215,857**	619,951
Less: Portion due within 12 months included under short term borrowings	**(3,173)**	(6,718)
	1,212,684	613,233
2nd Exchangeable Bonds (Note 34.3)	**315,659**	1,051,107
3rd Exchangeable Bonds (Note 34.4)	**1,714,452**	–
Guaranteed Notes (Note 34.5)	**1,624,383**	1,717,323
	4,867,178	3,381,663
	4,867,178	3,381,663

34 BORROWINGS CONT'D

	Group	
	2008	**2007**
	RM'000	**RM'000**
Current liabilities		
Secured		
Term loans - portion due within 12 months	–	68,552
Revolving credits (Note 34.6)	–	30,664
Trade financing (Note 34.8)	–	136,747
	–	235,963
Unsecured		
Revolving credits (Note 34.6)	**587,147**	–
Trade financing (Note 34.8)	**196,795**	–
Short term loan (Note 34.7)	**300,688**	–
Term loans - portion due within 12 months (Note 34.1)	**3,173**	6,718
	1,087,803	6,718
	1,087,803	242,681
Total borrowings	**5,954,981**	3,624,344

34.1 Term loans

The term loans of the Group include:

Secured

i RM350 million term loan that was secured by a fixed charge over shares in subsidiaries of IOI Oleochemical Industries Berhad, Unipamol Sdn Bhd and Pamol Plantations Sdn Bhd. The outstanding amount as at end of the financial year is nil (2007 - RM43.75 million). This term loan bore interest at 4.5% per annum and was repayable by equal quarterly instalments of RM21.875 million commencing January 2004.

ii SGD20 million term loan pertaining to a foreign incorporated subsidiary that was secured by a first legal charge over the subsidiary's investment property. The outstanding amount as at end of the financial year is nil (2007 - SGD11.0 million). This term loan bore interest at rates ranging from 3.17% to 4.54% per annum during the previous financial year and was repayable by annual instalments of varying amount over 5 years commencing June 2004. This term loan was refinanced by an unsecured term loan during the current financial year.

Unsecured

i 30-year JPY15.0 billion fixed-rate loan due 2037 that was drawn down on 22 January 2007 by a wholly-owned subsidiary incorporated in Labuan. The outstanding amount as at end of the financial year is JPY15.0 billion (2007 - JPY15.0 billion). This fixed-rate loan bears interest at 4.325% per annum and is repayable in full on 22 January 2037.

ii SGD75.0 million term loan pertaining to a foreign incorporated subsidiary. The outstanding amount as at end of the financial year is SGD75.0 million (2007 - SGD75.0 million). This term loan bears interest at rates ranging from 1.14% to 3.32% (2007 - 3.05% to 3.32%) per annum and is repayable in 3 years from drawndown date in June 2007.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

34 BORROWINGS CONT'D

34.1 Term loans Cont'd

Unsecured Cont'd

iii USD4.6 million term loan that was drawn down by a subsidiary acquired during the previous financial year. The outstanding amount as at end of the financial year is USD0.46 million (2007 - USD1.4 million). This term loan bears interest at 2.69% to 5.50% (2007 - 5.8%) per annum and is repayable by semi-annual instalments of USD0.46 million commencing February 2004.

iv USD4.6 million term loan that was drawn down by a subsidiary acquired during the previous financial year. The outstanding amount as at end of the financial year is USD0.51 million (2007 - USD1.5 million). This term loan bears interest at 3.21% to 5.45% (2007 - 5.51%) per annum and is repayable by semi-annual instalments of USD0.51 million commencing January 2005.

v SGD15.0 million term loan pertaining to a foreign incorporated subsidiary which was drawn down to refinance the SGD20.0 million secured term loan mentioned above. The outstanding amount as at end of the financial year is SGD15.0 million (2007 - Nil). This term loan bears interest at rates ranging from 1.27% to 3.54% per annum and is repayable 60 months from first drawdown or June 2013 whichever earlier, commencing June 2008.

vi 30-year JPY6.0 billion fixed-rate loan due 2038 that was drawn down on 5 February 2008 by a wholly-owned subsidiary incorporated in Labuan. The outstanding amount as at end of the financial year is JPY6.0 billion. This fixed-rate loan bears interest at 4.50% per annum and is repayable in full on 5 February 2038.

vii SGD166.0 million term loan pertaining to a foreign incorporated subsidiary which was drawn down during the current financial year. The outstanding amount as at end of the financial year is SGD166.0 million. This term loan bears interest at rates ranging from 1.11% to 3.06% per annum and is repayable in 3½ years from drawdown date in September 2007.

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

	Group	
	2008 **RM'000**	**2007** **RM'000**
Less than 1 year	**3,173**	75,270
1 - 2 years	**–**	3,356
2 - 3 years	**579,726**	–
3 - 4 years	**–**	169,102
4 - 5 years	**36,083**	–
More than 5 years	**596,875**	440,775
	1,215,857	688,503

34.2 USD310 Million Zero Coupon Guaranteed Exchangeable Bonds due 2009 ("1st 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 ("1st Exchangeable Bonds"). The 1st 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 1st Exchangeable Bonds are unconditionally and irrevocably guaranteed by the Company.

The salient features of the 1st Exchangeable Bonds are as follows:

i The 1st Exchangeable Bonds are exchangeable at any time on and after 28 October 2004 and prior to 8 September 2009 by holders of the 1st Exchangeable Bonds (the "Bondholders") into newly issued ordinary shares of the Company (the "IOI Shares") only, at an initial exchange price of RM11.06 per ordinary share of RM0.50 each 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.

iii The 1st 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 1st Exchangeable Bonds remain outstanding.

iv Unless the 1st 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 1st Exchangeable Bonds at the Accreted Principal Amount on 8 August 2006.

v Unless previously redeemed, repurchased and cancelled or exchanged, the 1st Exchangeable Bonds will be redeemed at their Accreted Principal Amount of 104.46% on 18 September 2009.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

34 BORROWINGS CONT'D

34.2 USD310 Million Zero Coupon Guaranteed Exchangeable Bonds due 2009 ("1st Exchangeable Bonds") Cont'd

At initial recognition, the 1st Exchangeable Bonds were recognised in the Group balance sheets as follows:

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

The 1st Exchangeable Bonds exchanged during the previous financial year were as follows:

Group	Nominal Value of 1st Exchangeable Bonds (USD)	Exchange price	No. of shares issued	Remarks
2007				
Exchange prior to Share Split	123,786,000	RM11.06	42,530,382	*Ordinary share of RM0.50 each*
Adjustment pursuant to Share Split	–	–	170,121,528	*Ordinary share of RM0.10 each*
	123,786,000	–	212,651,910	*Ordinary share of RM0.10 each*
Exchange after Share Split	5,960,000	RM2.20	10,294,544	*Ordinary share of RM0.10 each*
	129,746,000	–	222,946,454	*Ordinary share of RM0.10 each*

The movements of the 1st Exchangeable Bonds during the previous financial year were as follows:

Group	Liability Component RM'000	Equity Component RM'000	Deferred Tax RM'000
2007			
At beginning of financial year	439,163	50,194	10,542
Exchange of USD129,746,000 nominal value of the 1st Exchangeable Bonds	(436,012)	(50,194)	(8,632)
Interest expense	6,392	–	(1,726)
Foreign currency translation differences	(9,543)	–	(184)
At end of financial year	–	–	–

During the previous financial year, the remaining balance of USD129,746,000 of the 1st Exchangeable Bonds were exchanged into the ordinary shares of the Company.

34 BORROWINGS CONT'D

34.3 USD370 Million Zero Coupon Guaranteed Exchangeable Bonds due 2011 ("2nd Exchangeable Bonds")

On 18 December 2006, the Company's wholly-owned subsidiary, IOI Capital (L) Berhad (the "Issuer"), a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, issued USD370 million Zero Coupon Guaranteed Exchangeable Bonds due 2011 ("2nd Exchangeable Bonds"). The 2nd 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 December 2011. The 2nd Exchangeable Bonds are unconditionally and irrevocably guaranteed by the Company.

The salient features of the 2nd Exchangeable Bonds are as follows:

i The 2nd Exchangeable Bonds are exchangeable at any time on and after 28 January 2007 and prior to 3 December 2011 by holders of the 2nd Exchangeable Bonds (the "Bondholders") into newly issued ordinary shares of the Company (the "IOI Shares") only, at an initial exchange price of RM23.50 per ordinary share of RM0.50 each at a fixed exchange rate of USD1.00 = RM3.54 (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.

iii The 2nd Exchangeable Bonds are redeemable in whole or in part, at the option of the Issuer at the issue price plus accrual yield of 3.0% compounded semi-annually ("Accreted Principal Amount"):

a on or after 18 December 2008, 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 USD40 million in aggregate principal amount of the 2nd Exchangeable Bonds remain outstanding.

iv Unless the 2nd 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 2nd Exchangeable Bonds at the Accreted Principal Amount on 18 December 2009.

v Unless previously redeemed, repurchased and cancelled or exchanged, the 2nd Exchangeable Bonds will be redeemed at their Accreted Principal Amount of 116.05% on 18 December 2011.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

34 BORROWINGS CONT'D

34.3 USD370 Million Zero Coupon Guaranteed Exchangeable Bonds due 2011 ("2nd Exchangeable Bonds") cont'd

At initial recognition, the 2nd Exchangeable Bonds were recognised in the Group balance sheets as follows:

	Group RM'000
Face value	1,314,980
Equity component	(92,023)
Deferred tax liability (Note 36)	(34,036)
Liability component on initial recognition	1,188,921

The 2nd Exchangeable Bonds exchanged during the financial year are as follows:

Group	Nominal Value of 2nd Exchangeable Bonds (USD)	Exchange price	No. of shares issued	Remarks
2008				
Exchange during the financial year	**228,633,000**	**RM4.70**	**172,204,282**	*Ordinary share of RM0.10 each*
2007				
Exchange prior to Share Split	18,907,000	RM23.50	2,848,111	*Ordinary share of RM0.50 each*
Adjustment pursuant to Share Split	–	–	11,392,444	*Ordinary share of RM0.10 each*
	18,907,000	–	14,240,555	*Ordinary share of RM0.10 each*
Exchange after Share Split	23,475,000	RM4.70	17,681,156	*Ordinary share of RM0.10 each*
	42,382,000	–	31,921,711	*Ordinary share of RM0.10 each*

34 BORROWINGS CONT'D

34.3 USD370 Million Zero Coupon Guaranteed Exchangeable Bonds due 2011 ("2nd Exchangeable Bonds") cont'd

The movements of the 2nd Exchangeable Bonds during the financial year are as follows:

Group	Liability Component RM'000	Equity Component RM'000	Deferred Tax RM'000
2008			
At beginning of financial year	**1,051,107**	**81,482**	**21,776**
Exchange of USD228,633,000 nominal value of the 2nd Exchangeable Bonds	**(721,127)**	**(56,864)**	**(10,211)**
Interest expense	**33,023**	**–**	**(8,586)**
Foreign currency translation differences	**(47,344)**	**–**	**(777)**
At end of financial year	**315,659**	**24,618**	**2,202**
2007			
At initial recognition	1,188,921	92,023	34,036
Exchange of USD42,382,000 nominal value of the 2nd Exchangeable Bonds	(134,862)	(10,541)	(2,875)
Interest expense	31,277	–	(8,445)
Foreign currency translation differences	(34,229)	–	(940)
At end of financial year	1,051,107	81,482	21,776

34.4 USD600 Million Zero Coupon Guaranteed Exchangeable Bonds due 2013 ("3rd Exchangeable Bonds")

On 15 January 2008, the Company's wholly-owned subsidiary, IOI Resources (L) Berhad (the "Issuer"), a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, issued USD600 million Zero Coupon Guaranteed Exchangeable Bonds due 2013 ("3rd Exchangeable Bonds"). The 3rd 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 15 January 2013. The 3rd Exchangeable Bonds are unconditionally and irrevocably guaranteed by the Company.

The salient features of the 3rd Exchangeable Bonds are as follows:

i The 3rd Exchangeable Bonds are exchangeable at any time on and after 25 February 2008 and prior to 31 December 2012 by holders of the 3rd Exchangeable Bonds (the "Bondholders") into newly issued ordinary shares of the Company (the "IOI Shares") only, at an initial exchange price of RM11.00 per ordinary share of RM0.10 each at a fixed exchange rate of USD1.00 = RM3.28 (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 THE FINANCIAL STATEMENTS CONT'D

34 BORROWINGS CONT'D

34.4 USD600 Million Zero Coupon Guaranteed Exchangeable Bonds due 2013 ("3rd Exchangeable Bonds") cont'd

iii The 3rd Exchangeable Bonds are redeemable in whole or in part, at the option of the Issuer at the issue price plus accrual yield of 1.25% compounded semi-annually ("Accreted Principal Amount"):

a on or after 15 January 2010, 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 USD60 million in aggregate principal amount of the 3rd Exchangeable Bonds remain outstanding.

iv Unless the 3rd 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 3rd Exchangeable Bonds at the Accreted Principal Amount on 15 January 2011.

v Unless previously redeemed, repurchased and cancelled or exchanged, the 3rd Exchangeable Bonds will be redeemed at their Accreted Principal Amount of 106.43% on 15 January 2013.

At initial recognition, the 3rd Exchangeable Bonds were recognised in the Group balance sheets as follows:

	Group RM'000
Face value	1,953,900
Equity component	(205,712)
Deferred tax liability (Note 36)	(72,277)
Liability component on initial recognition	1,675,911

The movements of the 3rd Exchangeable Bonds during the financial year are as follows:

Group	Liability Component RM'000	Equity Component RM'000	Deferred Tax RM'000
2008			
At initial recognition	1,675,911	205,712	72,277
Interest expense	33,308	–	(8,660)
Foreign currency translation differences	5,233	–	44
At end of financial year	1,714,452	205,712	63,661

34 BORROWINGS CONT'D

34.5 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 Guaranteed Notes are unconditionally and irrevocably guaranteed by the Company.

At initial recognition, the Guaranteed Notes were recognised in the Group balance sheets as follows:

	Group RM'000
Principal amount	1,900,000
Discount on issue price	(13,414)
Net proceeds received	1,886,586

The movements of the Guaranteed Notes during the financial year are as follows:

	Group 2008 RM'000	2007 RM'000
At beginning of financial year	**1,717,323**	1,825,854
Foreign currency translation differences	**(93,985)**	(109,582)
Interest expense	**1,045**	1,051
At end of financial year	**1,624,383**	1,717,323

34.6 Revolving credits

Revolving credits of the Group include:

Secured

i SGD13.6 million revolving credits pertaining to a foreign incorporated subsidiary, which was secured by a first legal charge on the subsidiary's investment property. These revolving credits bore interest rates ranging from 3.17% to 4.54% per annum during the previous financial year. These revolving credits were refinanced by an unsecured revolving credits during the current financial year.

Unsecured

i SGD125.0 million revolving credits drawn down by a foreign incorporated subsidiary during the financial year. These revolving credits bear interest rates ranging from 1.45% to 2.40% per annum.

ii RM260.0 million revolving credits drawn down by a listed subsidiary during the financial year. These revolving credits bear interest rates ranging from 4.16% to 4.19% per annum.

iii SGD11.0 million revolving credits drawn down during the financial year to refinance the SGD13.6 million secured revolving credits mentioned above. These revolving credits bear interest rates ranging from 1.27% to 3.54% per annum.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

34 BORROWINGS CONT'D

34.7 Unsecured short term loan

During the financial year, SGD125 million unsecured short term loan was drawn down by a foreign incorporated subsidiary. This short term loan bears interest rates ranging from 1.18% to 2.21% per annum.

34.8 Trade financing

Trade financing utilised during the financial year is subject to interest at rates ranging from 3.68% to 3.91% (2007 - 3.68% to 5.89%) per annum.

35 OTHER LONG TERM LIABILITIES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Retirement benefits (Note 35.1)	**38,349**	40,121	**978**	1,021
Club membership deposits	**13,478**	13,601	**–**	–
Land cost payable (Note 35.2)	**24,369**	–	**–**	–
	76,196	53,722	**978**	1,021

35.1 Retirement benefits

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Present value of funded obligations	**297,171**	278,221	**–**	–
Fair value of plan assets	**(267,547)**	(234,446)	**–**	–
	29,624	43,775	**–**	–
Present value of unfunded obligations	**19,878**	18,649	**978**	1,021
Present value of net obligations	**49,502**	62,424	**978**	1,021
Unrecognised actuarial losses	**(12,745)**	(23,166)	**–**	–
Unrecognised past service cost	**(532)**	863	**–**	–
Unrecognised assets	**2,124**	–	**–**	–
Recognised liability for defined benefit obligations	**38,349**	40,121	**978**	1,021

The Company and certain subsidiaries operate defined benefit plans. The plans of the Company and Malaysian subsidiaries 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 2008 and 30 June 2007.

35 OTHER LONG TERM LIABILITIES CONT'D

35.1 Retirement benefits cont'd

Movement in the net liability recognised in the balance sheets:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Net liability at beginning of financial year	**40,121**	40,919	**1,021**	1,108
Adjustment for unrecognised assets	**2,124**	–	**–**	–
Contributions to funded plans	**(25,401)**	(22,971)	**–**	–
Benefits paid for unfunded plans	**(746)**	(633)	**(61)**	(95)
Expense recognised in the income statements (Note 8)	**20,771**	18,370	**18**	8
Addition through subsidiaries acquired	**–**	7,354	**–**	–
Reduction through subsidiary disposed	**–**	(1,982)	**–**	–
Foreign currency translation differences	**1,480**	(936)	**–**	–
Net liability at end of financial year	**38,349**	40,121	**978**	1,021

Expense recognised in the income statements:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current service cost	**18,495**	16,824	**44**	44
Interest cost	**16,290**	13,168	**33**	31
Expected return on plan assets	**(14,348)**	(12,049)	**–**	–
Net actuarial loss/(gain)	**196**	595	**(59)**	(67)
Past service cost	**138**	(168)	**–**	–
	20,771	18,370	**18**	8

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cost of sales	**9,553**	8,793	**18**	8
Marketing and selling expenses	**1,597**	1,416	**–**	–
Administration expenses	**9,621**	8,161	**–**	–
	20,771	18,370	**18**	8
Actual (loss)/return on plan assets	**(10,057)**	14,596	**–**	–

NOTES TO THE FINANCIAL STATEMENTS CONT'D

35 OTHER LONG TERM LIABILITIES CONT'D

35.1 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	
	2008	**2007**
Discount rate	**6.2%**	5.4%
Expected return on plan assets	**6.0%**	5.8%
Future salary increases	**3.4%**	3.4%

35.2 Land cost payable

	Group	
	2008	**2007**
	RM'000	**RM'000**
Land cost payable	**36,369**	–
Less: Amount due within 12 months (Note 37.2)	**(12,000)**	–
	24,369	–

The above land cost is payable on instalment basis over a period of three (3) years pursuant to a supplemental agreement entered into by a subsidiary.

36 DEFERRED TAXATION

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
At beginning of financial year	**423,864**	335,496	**390**	670
Recognised in the income statements (Note 11)				
- Current year	**1,078**	10,107	**4,600**	(1,350)
- Prior years	**692**	5,299	**800**	1,070
	1,770	15,406	**5,400**	(280)
Addition through issuance of 2nd Exchangeable Bonds (Note 34.3)	**–**	34,036	**–**	–
Addition through issuance of 3rd Exchangeable Bonds (Note 34.4)	**72,277**	–	**–**	–
Addition through subsidiaries acquired	**–**	54,749	**–**	–
Reduction through subsidiary disposed	**–**	(2,731)	**–**	–
Deferred tax arising from liquidation of a subsidiary	**427**	–	**–**	–
Reduction through exchange of 1st Exchangeable Bonds (Note 34.2)	**–**	(8,632)	**–**	–
Reduction through exchange of 2nd Exchangeable Bonds (Note 34.3)	**(10,211)**	(2,875)	**–**	–
Foreign currency translation differences	**7,716**	(1,585)	**–**	–
At end of financial year	**495,843**	423,864	**5,790**	390

Presented after appropriate offsetting as follows:

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Deferred tax liabilities	**551,462**	502,857	**5,790**	390
Deferred tax assets	**(55,619)**	(78,993)	**–**	–
	495,843	423,864	**5,790**	390

NOTES TO THE FINANCIAL STATEMENTS CONT'D

36 DEFERRED TAXATION CONT'D

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

Deferred tax liabilities

	Group		Company	
	2008 RM'000	**2007 RM'000**	**2008 RM'000**	**2007 RM'000**
At beginning of financial year	**502,857**	430,885	**390**	670
Recognised in the income statements				
Temporary differences on accelerated capital allowances	**266**	12,853	**5,630**	(210)
Temporary differences on prepaid lease rental	**(144)**	(148)	**–**	–
Temporary differences on recognition of project expenses	**(163)**	(248)	**–**	–
Temporary differences on amortisation of fair value adjustments on business combinations	**(16,240)**	(2,718)	**–**	–
Temporary differences on revaluation of assets	**(3,211)**	(547)	**–**	–
Temporary differences on 1st Exchangeable Bonds (Note 34.2)	**–**	(1,726)	**–**	–
Temporary differences on 2nd Exchangeable Bonds (Note 34.3)	**(8,586)**	(8,445)	**–**	–
Temporary differences on 3rd Exchangeable Bonds (Note 34.4)	**(8,660)**	–	**–**	–
Temporary differences on fair value adjustments on investment properties	**26,439**	20,623	**–**	–
Other temporary differences	**(49)**	173	**–**	–
Effect of changes in tax rates on deferred tax	**(11,173)**	(24,567)	**(230)**	(70)
	(21,521)	(4,750)	**5,400**	(280)
Addition through issuance of 2nd Exchangeable Bonds (Note 34.3)	**–**	34,036	**–**	–
Addition through issuance of 3rd Exchangeable Bonds (Note 34.4)	**72,277**	–	**–**	–
Reduction through exchange of 1st Exchangeable Bonds (Note 34.2)	**–**	(8,632)	**–**	–
Reduction through exchange of 2nd Exchangeable Bonds (Note 34.3)	**(10,211)**	(2,875)	**–**	–
Addition through subsidiaries acquired	**–**	58,530	**–**	–
Reduction through subsidiary disposed	**–**	(2,731)	**–**	–
Foreign currency translation differences	**8,060**	(1,606)	**–**	–
At end of financial year	**551,462**	502,857	**5,790**	390

36 DEFERRED TAXATION CONT'D

Deferred tax assets

	Group 2008 RM'000	Group 2007 RM'000
At beginning of financial year	**78,993**	95,389
Recognised in the income statement		
Temporary differences on unutilised tax losses	**(22,906)**	(14,124)
Temporary differences on unabsorbed capital allowances	**(3,602)**	(2,807)
Other deductible temporary differences	**5,409**	321
Effect of changes in tax rates on deferred tax	**(2,192)**	(3,546)
	(23,291)	(20,156)
Addition through subsidiaries acquired	**–**	3,781
Reduction through liquidation of a subsidiary	**(427)**	–
Foreign currency translation differences	**344**	(21)
At end of financial year	**55,619**	78,993

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

Deferred tax liabilities

	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Temporary differences on accelerated capital allowances	**247,872**	242,460	**5,790**	390
Temporary differences on prepaid lease rental	**6,559**	6,965	**–**	–
Temporary differences on recognition of project expenses	**1,616**	1,844	**–**	–
Temporary differences on 2nd Exchangeable Bonds (Note 34.3)	**2,202**	21,776	**–**	–
Temporary differences on 3rd Exchangeable Bonds (Note 34.4)	**63,661**	–	**–**	–
Other taxable temporary differences	**233**	285	**–**	–
Temporary differences on fair value adjustments on investment properties	**51,219**	25,582	**–**	–
Temporary differences on fair value adjustments on business combinations	**178,100**	203,945	**–**	–
	551,462	502,857	**5,790**	390

NOTES TO THE FINANCIAL STATEMENTS CONT'D

36 DEFERRED TAXATION CONT'D

Deferred tax assets

	Group 2008 RM'000	Group 2007 RM'000
Unutilised tax losses	**23,736**	48,007
Unabsorbed capital allowances	**5,660**	9,607
Retirement benefit obligations	**3,590**	3,660
Other deductible temporary differences	**22,633**	17,719
	55,619	78,993

The following deferred tax assets have not been recognised:

	Group 2008 RM'000	Group 2007 RM'000
Unutilised tax losses	**19,825**	31,360
Unabsorbed capital allowances	**3,169**	7,964
Other deductible temporary differences	**398**	74
	23,392	39,398

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profit of the subsidiaries will be available against which the deductible temporary differences can be utilised.

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders of those subsidiaries of more than 50%. If there is such a change, unutilised tax losses carry forward will not be available to the Group.

37 TRADE AND OTHER PAYABLES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade payables (Note 37.1)	**622,609**	393,035	**4,008**	1,526
Other payables and accruals (Note 37.2)	**521,485**	394,626	**49,621**	23,990
Progress billings	**5,700**	28,203	**–**	–
Amounts due to customers on contracts (Note 37.3)	**37**	88	**–**	–
	1,149,831	815,952	**53,629**	25,516

37.1 Trade payables

Included in trade payables of the Group are retention monies of RM57,763,000 (2007 - RM51,284,000).

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.

37 TRADE AND OTHER PAYABLES CONT'D

37.2 Other payables and accruals

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Land premium payable	**25,738**	25,738	**–**	–
Advances from minority shareholders	**8,012**	17,064	**–**	–
Other payables	**273,415**	210,088	**30,427**	14,368
Customer deposits and other deposits	**27,516**	25,304	**2,621**	1,722
Accruals	**186,804**	116,432	**16,573**	7,900
	521,485	394,626	**49,621**	23,990

Included in other payables of the Group is land cost payable of RM12 million (2007 - Nil).

37.3 Amounts due to customers on contracts

	Group	
	2008 RM'000	2007 RM'000
Aggregate cost incurred to date	**3,683**	2,680
Recognised profit	**1,154**	867
	4,837	3,547
Progress billings	**(4,874)**	(3,635)
Amounts due to customers on contracts	**(37)**	(88)

38 BANK OVERDRAFTS

	Group	
	2008 RM'000	2007 RM'000
Unsecured	**9,152**	7,013

The bank overdrafts bear interest at rates ranging from 7.25% to 12.75% (2007 - 7.25% to 10.50%) per annum. The significantly higher interest rate of 12.75% (2007 - 10.50%) per annum incurred is in respect of an indirect subsidiary in Egypt.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

39 DISPOSAL OF A SUBSIDIARY

2007

Palmco Hotels Sdn Bhd

On 1 September 2006, a wholly-owned subsidiary of the Company, IOI Oleochemical Industries Berhad ("IOI Oleo") disposed off its 22,500,002 ordinary shares of RM1.00 each in Palmco Hotels Sdn Bhd ("PHSB"), representing the entire issued and paid-up share capital of PHSB, for a cash consideration of RM24,489,000. In addition, IOI Oleo also received RM18,692,000 for the settlement of debt owing by PHSB to IOI Oleo as at 1 September 2006. The subsidiary was previously reported as part of the hotel operation and management.

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

	RM'000
Property, plant and equipment	47,919
Net current liabilities	(18,179)
Other long term liabilities	(4,713)
Net assets disposed	25,027
Less: Net proceeds from disposal	(24,489)
Loss on disposal of a subsidiary	538
Cash consideration for the disposal	24,489
Settlement of inter-company loan owing by PHSB	18,692
Total proceeds from disposal	43,181
Less: Cash and cash equivalents of subsidiary disposed	(1,055)
Cash inflow on disposal of a subsidiary	42,126
Less: Deposit received in the previous financial year	(4,550)
Less: Retention sum	(2,379)
	35,197

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

	2007 * RM'000
Operating profit	242
Net interest expense	–
Profit before taxation	242
Taxation	–
Profit after taxation	242
Loss on disposal of a subsidiary	(538)
Decrease in Group's net profit	(296)

* *Financial results up to date of disposal.*

40 ACQUISITIONS OF SUBSIDIARIES

40.1 Lynwood Capital Resources Pte Ltd, Oakridge Investments Pte Ltd and Oleander Capital Resources Pte Ltd

2008

On 19 November 2007, the Company acquired the following companies for the oil palm cultivation in Kalimantan, Indonesia:

i the entire issued and paid-up share capital of Lynwood Capital Resources Pte Ltd ("Lynwood") and Oakridge Investments Pte Ltd ("Oakridge") for USD57,797,932, which collectively owned a 33% stake in PT Bumitama Gunajaya Agro group of companies ("BGA"); and

ii the entire issued and paid up share capital of Oleander Capital Resources Pte Ltd ("Oleander"), which effectively (via two investment holding companies) owned a 67% stake in a group of companies; PT Ketapang Sawit Lestari, PT Bumi Sawit Sejahtera, PT Kalimantan Prima Agro Mandiri, PT Berkat Nabati Sejahtera and PT Sukses Karya Sawit, for a tentative purchase consideration of USD20,304,216 based on the estimated Hak Guna Usaha ("HGU") land certificates of 52,704 hectares. The final total consideration is payable progressively in accordance with an agreed schedule linked to the status of progress on the above application of HGU land certificates. A total amount of USD4,369,669 (equivalent to RM14,980,909) was paid as at 30 June 2008.

In addition, the Company also paid a total amount of USD14,435,292 on behalf of Lynwood and Oakridge to the vendors, for the settlement of debt owing by these companies to the vendors.

The acquisitions had the following effects on the Group's assets and liabilities on acquisition date:

	Pre-acquisition carrying amount RM'000	Fair value adjustments RM'000	Recognised values on acquisition RM'000
Investment in associate	242,900	–	242,900
Cash and cash equivalents	276	–	276
Trade and other payables	(48,628)	–	(48,628)
Net identifiable assets and liabilities	194,548	–	194,548
Goodwill on consolidation (Note 19)			306
Purchase consideration discharged by cash			194,854
Add: Settlement of amounts owed to the Vendors			48,596
Add: Progressive payment for land			14,981
Less: Amount retained			(9,728)
Less: Cash and cash equivalents of subsidiaries acquired			(276)
Cash outflow on acquisitions of subsidiaries			248,427

NOTES TO THE FINANCIAL STATEMENTS CONT'D

40 ACQUISITIONS OF SUBSIDIARIES CONT'D

40.1 Lynwood Capital Resources Pte Ltd, Oakridge Investments Pte Ltd and Oleander Capital Resources Pte Ltd cont'd

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

	RM'000
Operating profit	**4,604**
Net interest expense	–
Profit before taxation	**4,604**
Taxation	–
Profit for the financial year	**4,604**
Minority interests	–
Increase in Group's net profit	**4,604**

If the above acquisitions had occurred on 1 July 2007, management estimates that the consolidated revenue and profit for the financial year would have been as follows:

	Revenue RM'000	Profit for the financial year RM'000
As reported	**14,655,369**	**2,231,632**
Acquisitions of Lynwood Capital Resources Pte Ltd, Oakridge Investments Pte Ltd and Oleander Capital Resources Pte Ltd	–	**3,289**
Estimated results if acquisitions had occurred on 1 July 2007	**14,655,369**	**2,234,921**

2007

During the previous financial year, the Company acquired the following subsidiaries:

	Note	Cash outflow, net of cash and cash equivalents acquired RM'000
Rinwood Pelita Plantation Sdn Bhd and Rinwood Pelita Quarry Sdn Bhd	40.2	52,345
Pan-Century Edible Oils Sdn Bhd and Pan-Century Oleochemicals Sdn Bhd	40.3	428,099
		480,444

40 ACQUISITIONS OF SUBSIDIARIES CONT'D

40.2 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 following:

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 RM21,446,000; 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 RM1,547,000.

In addition, the Company also paid RM29,510,000 on behalf of Rinwood Pelita to the Vendor, for the settlement of debt owing by Rinwood Pelita to the Vendor and its associates as at 1 September 2006.

Subsequent to the acquisitions, Rinwood Pelita and Rinwood Quarry had changed names to IOI Pelita Plantation Sdn Bhd and IOI Pelita Quarry Sdn Bhd respectively.

The acquisitions had the following effects on the Group's assets and liabilities on acquisition date:

	Pre-acquisition carrying amount RM'000	Fair value adjustments RM'000	Recognised values on acquisition RM'000
Property, plant and equipment	29,416	30,984	60,400
Prepaid lease payments	9,499	10,101	19,600
Inventories	180	–	180
Trade and other receivables	3,100	–	3,100
Cash and cash equivalents	158	–	158
Trade and other payables	(35,849)	–	(35,849)
Long term borrowings	(14,910)	–	(14,910)
Deferred tax liabilities	–	(2,727)	(2,727)
Net identifiable assets and liabilities	(8,406)	38,358	29,952
Less: Minority interests			(8,986)
Group's share of net assets			20,966
Goodwill on consolidation			2,027
Purchase consideration discharged by cash			22,993
Settlement of inter-company loan owing by Rinwood Pelita to the Vendor			29,510
Less: Cash and cash equivalents of subsidiaries acquired			(158)
Cash outflow on acquisition of subsidiaries			52,345

NOTES TO THE FINANCIAL STATEMENTS CONT'D

40 ACQUISITIONS OF SUBSIDIARIES CONT'D

40.2 Rinwood Pelita Plantation Sdn Bhd and Rinwood Pelita Quarry Sdn Bhd cont'd

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

	RM'000
Operating profit	1,209
Net interest expense	(3,001)
Loss before taxation	(1,792)
Taxation	138
Loss for the financial year	(1,654)
Minority interests	496
Decrease in Group's net profit	(1,158)

40.3 Pan-Century Edible Oils Sdn Bhd and Pan-Century Oleochemicals Sdn Bhd

On 26 January 2007, the Company acquired the following companies from Trapti Trading and Investments Private Limited and others for a total cash consideration of RM424 million:

i 20,250,000 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Pan-Century Edible Oils Sdn Bhd ("PCEO"); and

ii 22,000,000 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Pan-Century Oleochemicals Sdn Bhd ("PCOC").

The acquisitions had the following effects on the Group's assets and liabilities on acquisition date:

	Pre-acquisition carrying amount RM'000	Fair value adjustments RM'000	Recognised values on acquisition RM'000
Property, plant and equipment	222,687	152,980	375,667
Prepaid lease payments	14,596	11,404	26,000
Inventories	86,073	–	86,073
Trade and other receivables	121,080	–	121,080
Cash and cash equivalents	(3,733)	–	(3,733)
Trade and other payables	(82,851)	–	(82,851)
Short term borrowings	(109,156)	–	(109,156)
Long term borrowings	(15,408)	–	(15,408)
Deferred tax liabilities	(9,282)	(42,740)	(52,022)
Long term liabilities	(7,354)	–	(7,354)
Net identifiable assets	216,652	121,644	338,296
Goodwill on consolidation			86,070
Purchase consideration discharged by cash			424,366
Add: Cash and cash equivalents of subsidiaries acquired			3,733
Cash outflow on acquisition of subsidiaries			428,099

40 ACQUISITIONS OF SUBSIDIARIES CONT'D

40.3 Pan-Century Edible Oils Sdn Bhd and Pan-Century Oleochemicals Sdn Bhd cont'd

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

	RM'000
Operating profit	14,875
Net interest expense	(1,953)
Profit before taxation	12,922
Taxation	260
Increase in Group's net profit	13,182

If the above acquisitions had occurred on 1 July 2006, management estimates that the consolidated revenue and profit for the financial year would have been as follows:

	Revenue RM'000	Profit for the financial year RM'000
As reported	8,952,727	1,650,964
Acquisitions of Rinwood Pelita Plantation Sdn Bhd and Rinwood Pelita Quarry Sdn Bhd	2,241	(551)
Acquisitions of Pan-Century Edible Oils Sdn Bhd and Pan-Century Oleochemicals Sdn Bhd	1,046,983	35,220
Estimated results if acquisitions had occurred on 1 July 2006	10,001,951	1,685,633

41 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at end of financial year comprise:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Short term funds (Note 27)	**1,592,545**	1,879,345	**1,432,909**	1,650,139
Deposits with financial institutions (Note 28)	**871,542**	507,070	**525,064**	242,121
Cash and bank balances	**424,718**	341,581	**25,919**	3,559
Bank overdrafts (Note 38)	**(9,152)**	(7,013)	**–**	–
	2,879,653	2,720,983	**1,983,892**	1,895,819

The Group has undrawn borrowing facilities of RM840,000,000 (2007 - RM980,000,000) at end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

42 SIGNIFICANT RELATED PARTY DISCLOSURES

42.1 Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operation decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individual or other entities.

Related parties of the Group include:

i Direct and indirect subsidiaries as disclosed in Note 50 to the financial statements;

ii Progressive Holdings Sdn Bhd, the major corporate shareholder of the Company;

iii Associates and jointly controlled entities as disclosed in Note 50 to the financial statements;

iv Key management personnel which comprises persons (including the Directors of the Company) having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly; and

v Affiliates, companies in which the Directors who are also the substantial shareholders of the Company have substantial shareholdings interest.

42.2 Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	2008 RM'000	2007 RM'000
Group		
Associates		
Sales of oleochemical products and palm kernel oil	**706,513**	398,660
Purchases of oleochemical products	**18,779**	14,916
Purchases of palm products	**44,715**	24,428
Agency fees income	**1,946**	614
Rental income on storage tank	**6,205**	6,091
Affiliates		
Property project management services	**1,805**	1,258
Company		
Subsidiaries		
Sales of palm products	**462,986**	223,875
Purchases of palm products	**42,097**	18,258
Agency fees income	**1,763**	1,215
Interest income	**91,971**	87,331
Interest expense	**128,815**	111,033

42 SIGNIFICANT RELATED PARTY DISCLOSURES CONT'D

42.2 Significant related party transactions cont'd

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

Information regarding outstanding balances arising from related party transactions as at 30 June 2008 are disclosed in Note 20.2, Note 21.3 and Note 22.3 to the financial statements.

42.3 Key management personnel compensation

The remuneration of key management personnel during the financial year is as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors				
Fees	**595**	565	**440**	410
Remuneration	**38,489**	21,456	**24,246**	11,631
Estimated monetary value of benefits-in-kind	**310**	289	**82**	60
Total short term employee benefits	**39,394**	22,310	**24,768**	12,101
Post employment benefits	**5,771**	2,987	**3,617**	1,503
Share option expenses	**3,745**	6,060	**3,745**	6,060
	48,910	31,357	**32,130**	19,664
Other key management personnel				
Short term employee benefits	**2,616**	2,003	**–**	–
Post employment benefits	**365**	281	**–**	–
Share option expenses	**2,303**	1,678	**–**	–
	5,284	3,962	**–**	–

Number of share options granted to the key management personnel during the financial year is as follows:

	Group	
	2008 '000	2007 '000
Executive Share Option Scheme of the Company		
At beginning of financial year	**35,565**	36,700
Granted	**–**	3,040
Addition due to new appointments	**1,350**	–
Exercised	**(6,933)**	(4,175)
Lapsed	**(3,000)**	–
At end of financial year	**26,982**	35,565
Executive Share Option Scheme of a subsidiary		
At beginning of financial year	**1,600**	1,600
Exercised	**(300)**	–
At end of financial year	**1,300**	1,600

The share options were granted on the same terms and conditions as those to other employees of the Group. The number of share options is adjusted pursuant to the share split of IOI Properties Berhad on 23 June 2008.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

43 CONTINGENT LIABILITIES - UNSECURED

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Litigations involving claims for damages and compensation	**58**	1,679	**–**	–
Guarantees issued to third parties	**22,432**	8,750	**4,719**	1,205
Guarantees for credit facilities of jointly controlled entities	**961,599**	395,700	**–**	–
Counter indemnities to banks for bank guarantees issued	**16,960**	13,854	**10,474**	7,501
	1,001,049	419,983	**15,193**	8,706

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. Meanwhile, Unipamol has been advised that Unitangkob was wound up by its other creditors on 21 September 2007 and the Director General of Insolvency has been appointed as the Official Receiver of Unitangkob. Unipamol has filed a Proof of Debt against Unitangkob.

ii Legal suit instituted by the shareholders of Unitangkob against Unipamol, Pamol Plantations Sdn Bhd ("PPSB"), Unilever Plc and its subsidiary Pamol (Sabah) Ltd in which the Plaintiffs claimed for inter-alia special damages of RM43.47 million, general damages of RM136.85 million or such amount as may be assessed by the court. Unipamol and PPSB have filed a Defence to the claim as well as Counter-claim against the Plaintiffs. The case is fixed for full trial from 19 to 21 November 2008.

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.

44 FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including foreign currency risk, interest rate risk, price fluctuation risk, credit risk, liquidity and cash flow 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.

44 FINANCIAL INSTRUMENTS CONT'D

44.1 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 currency exposures.

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

Foreign currency 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 purchase commitments payable in foreign currencies respectively.

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

Group	Maturities Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	Total Notional Amount RM'000
2008				
Sale contracts used to hedge sale proceeds receivable				
USD	**4,458,104**	**2,524**	**–**	**4,460,628**
EUR	**553,694**	**13,102**	**45,037**	**611,833**
Others	**182,635**	**48,322**	**2,995**	**233,952**
	5,194,433	**63,948**	**48,032**	**5,306,413**
Purchase contracts used to hedge purchase commitments payable				
USD	**38,532**	**8,164**	**–**	**46,696**
Others	**11,317**	**23,443**	**1,968**	**36,728**
	49,849	**31,607**	**1,968**	**83,424**

NOTES TO THE FINANCIAL STATEMENTS CONT'D

44 FINANCIAL INSTRUMENTS CONT'D

44.1 Foreign currency risk cont'd

Group	Maturities Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	Total Notional Amount RM'000
2007				
Sale contracts used to hedge sale proceeds receivable				
USD	2,775,925	316,588	24,182	3,116,695
EUR	719,435	40,117	–	759,552
Others	82,204	–	–	82,204
	3,577,564	356,705	24,182	3,958,451
Purchase contracts used to hedge purchase commitments payable				
USD	27,214	6,484	–	33,698
	27,214	6,484	–	33,698

The net unrecognised loss as at the balance sheet date on forward foreign exchange sale and purchase contracts used are deferred until the occurrence of the related future transactions in the following manner:

Group	Maturities Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	Total net unrecognised loss as at end of the financial year RM'000
2008				
Sale contracts	**(59,193)**	**2,256**	**(2,366)**	**(59,303)**
Purchase contracts	**(1,670)**	**(738)**	**(74)**	**(2,482)**
2007				
Sale contracts	(7,734)	(4,566)	(469)	(12,769)
Purchase contracts	(1,534)	(448)	–	(1,982)

44 FINANCIAL INSTRUMENTS CONT'D

44.1 Foreign currency risk cont'd

The net financial assets and financial liabilities of the Group and of the Company that are not denominated in their functional currencies as at the balance sheet date are as follows:

	Net financial assets/(liabilities) held in non-functional currencies			
	USD RM'000	EUR RM'000	Others RM'000	Total RM'000
Functional currency				
Group				
2008				
RM	**(2,589,687)**	**81,953**	**(585,472)**	**(3,093,206)**
USD	**–**	**–**	**2,155**	**2,155**
EUR	**31,427**	**–**	**33,737**	**65,164**
Others	**(1,016)**	**–**	**–**	**(1,016)**
	(2,559,276)	**81,953**	**(549,580)**	**(3,026,903)**
2007				
RM	(2,349,375)	23,564	(434,865)	(2,760,676)
USD	–	14	85,886	85,900
EUR	7,950	–	10,473	18,423
Others	85,600	3,143	7,199	95,942
	(2,255,825)	26,721	(331,307)	(2,560,411)
Company				
2008				
RM	**(3,946,494)**	**741,461**	**–**	**(3,205,033)**
2007				
RM	(3,152,789)	649,666	–	(2,503,123)

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

Group
2008

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. The effective period for these cross currency swaps is from February 2005 to February 2015.

ii Cross currency swaps to swap JPY liability of JPY21.0 billion to USD liability of USD182.7 million. These were entered into as a cashflow hedge for the Group's principal repayment for the loan obtained. The effective period for these cross currency swaps is from January 2007 to February 2038.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

44 FINANCIAL INSTRUMENTS CONT'D

44.1 Foreign currency risk cont'd

Group
2008

iii USD/RM Target Redemption Forward of USD653.0 million over the effective period from March 2008 to April 2009. These were entered into as hedges for the USD deposits from the JPY loan and 3rd Exchangeable Bonds.

iv Structured foreign exchange contracts as hedges for sales and purchases denominated in foreign currencies and to limit the exposure to potential changes in foreign exchange rates with respect to certain subsidiaries' foreign currencies denominated estimated receipts and payments. The summary of the contracts is as follows:

Description	Notional Amount	Effective Period
EUR/USD Target Redemption Forward	**EUR292.5 - EUR612.0 million**	**October 2007 to October 2010**
EUR/USD Strike Lift	**EUR106.0 million**	**January 2008 to July 2010**

2007

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. The effective period for these cross currency swaps is from February 2005 to February 2015.

ii Cross currency swaps to swap JPY liability of JPY15.0 billion to USD liability of USD127.6 million. This was entered into as a cashflow hedge for the Group's principal repayment for the loan obtained. The effective period for these cross currency swaps is from January 2007 to January 2037.

iii EUR/USD currency option and forward contracts for a total of EUR14.2 million over the effective period from June 2007 to February 2009 to cover the Company's interest payment commitment under the cross currency swaps as mentioned in note (i) above.

iv Structured foreign exchange contracts as hedges for sales and purchases denominated in foreign currencies and to limit the exposure to potential changes in foreign exchange rates with respect to subsidiaries' foreign currencies denominated estimated receipts and payments. The summary of the contracts are as follows:

Description	Notional Amount	Effective Period
EUR/USD Target Redemption Forward	EUR168.0 million	June 2007 to August 2009
EUR/USD Strike Lift	EUR54.0 million	May 2007 to April 2010
USD/RM Strike Lift	USD231.85 million	May 2007 to August 2009

44 FINANCIAL INSTRUMENTS CONT'D

44.1 Foreign currency risk cont'd

Company
2008

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. The effective period for these cross currency swaps is from February 2005 to February 2015.

ii USD/RM Target Redemption Forward of USD653.0 million over the effective period from March 2008 to April 2009. These were entered into as hedges for the USD deposits from the proceeds of JPY loan and 3rd Exchangeable Bonds advanced by the certain subsidiaries.

2007

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. The effective period for these cross currency swaps is from February 2005 to February 2015.

ii EUR/USD currency option and forward contracts for a total of EUR14.2 million over the period from June 2007 to February 2009 to cover the Company's interest payment commitment under the cross currency swaps as mentioned in note (i) above.

44.2 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.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

44 FINANCIAL INSTRUMENTS CONT'D

44.2 Interest rate risk cont'd

Effective interest rates and repricing analysis

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

Group	Note	Weighted average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
2008									
Fixed rate instruments									
Term loans	34.1	5.23	(596,875)	–	–	–	–	–	(596,875)
2nd Exchangeable Bonds	34.3	5.12	(315,659)	–	–	–	(315,659)	–	–
3rd Exchangeable Bonds	34.4	4.35	(1,714,452)	–	–	–	–	(1,714,452)	–
Guaranteed Notes	34.5	5.34	(1,624,383)	–	–	–	–	–	(1,624,383)
Floating rate instruments									
Amounts due from jointly controlled entities	22.3	2.99	1,513,326	1,513,326	–	–	–	–	–
Short term funds	27	2.17	1,592,545	1,592,545	–	–	–	–	–
Deposits with financial institutions	28	3.71	871,542	871,542	–	–	–	–	–
Cash held in Housing Development Accounts	29	2.00	132,935	132,935	–	–	–	–	–
Bank overdrafts *	38	12.75	(9,152)	(9,152)	–	–	–	–	–
Revolving credits	34.6	3.62	(587,147)	(587,147)	–	–	–	–	–
Short term loan	34.7	1.78	(300,688)	(300,688)	–	–	–	–	–
Trade financing	34.8	4.22	(196,795)	(196,795)	–	–	–	–	–
Term loans	34.1	2.53	(618,982)	(618,982)	–	–	–	–	–

* *Unsecured bank overdrafts of an indirect subsidiary in Egypt.*

44 FINANCIAL INSTRUMENTS CONT'D

44.2 Interest rate risk cont'd

Group	Note	Weighted average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
2007									
Fixed rate instruments									
Term loans	34.1	5.51	(484,525)	(43,750)	–	–	–	–	(440,775)
2nd Exchangeable Bonds	34.3	5.12	(1,051,107)	–	–	–	–	(1,051,107)	–
Guaranteed Notes	34.5	5.34	(1,717,323)	–	–	–	–	–	(1,717,323)
Floating rate instruments									
Amounts due from jointly controlled entities	22.3	3.12	160,357	160,357	–	–	–	–	–
Short term funds	27	3.00	1,879,345	1,879,345	–	–	–	–	–
Deposits with financial institutions	28	3.41	507,070	507,070	–	–	–	–	–
Cash held in Housing Development Accounts	29	2.10	112,964	112,964	–	–	–	–	–
Bank overdrafts *	38	10.50	(7,013)	(7,013)	–	–	–	–	–
Revolving credits	34.6	3.76	(30,644)	(30,644)	–	–	–	–	–
Trade financing	34.8	5.06	(136,747)	(136,747)	–	–	–	–	–
Term loans	34.1	3.61	(203,978)	(203,978)	–	–	–	–	–

* *Unsecured bank overdrafts of an indirect subsidiary in Egypt.*

NOTES TO THE FINANCIAL STATEMENTS CONT'D

44 FINANCIAL INSTRUMENTS CONT'D

44.2 Interest rate risk cont'd

Company	Note	Weighted average effective interest rate %	Total RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000
2008									
Floating rate instruments									
Short term funds	27	**2.16**	**1,432,909**	**1,432,909**	**–**	**–**	**–**	**–**	**–**
Deposits with financial institutions	28	**3.38**	**525,064**	**525,064**	**–**	**–**	**–**	**–**	**–**
Fixed rate instruments									
Amounts due from subsidiaries		**4.48**	**2,711,067**	**2,711,067**	**–**	**–**	**–**	**–**	**–**
Amounts due to subsidiaries		**4.20**	**(5,927,233)**	**(1,423,440)**	**–**	**–**	**–**	**(2,282,535)**	**(2,221,258)**
2007									
Floating rate instruments									
Short term funds	27	3.00	1,650,139	1,650,139	–	–	–	–	–
Deposits with financial institutions	28	3.41	242,121	242,121	–	–	–	–	–
Fixed rate instruments									
Amounts due from subsidiaries		4.55	1,978,398	1,978,398	–	–	–	–	–
Amounts due to subsidiaries		4.37	(4,838,892)	(1,550,058)	–	–	–	(1,131,756)	(2,157,078)

44 FINANCIAL INSTRUMENTS CONT'D

44.2 Interest rate risk cont'd

As at the 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 Accounts:

Interest Rate Swap	Notional Amount	Effective Period
Group		
2008		
CMS Spread Range Accrual Swap	**USD50 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**
USD Dual Index Hybrid Swap	**USD40 million, over a period of 7 years, commencing 22 July 2007**	**22 July 2007 to 22 July 2014**
2007		
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
CMS Spread Range Accrual Swap	EUR100 million, over a period of 5 years, commencing 28 August 2007	28 August 2007 to 28 August 2012
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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

44 FINANCIAL INSTRUMENTS CONT'D

44.2 Interest rate risk cont'd

Interest Rate Swap	Notional Amount	Effective Period
Company		
2008		
CMS Spread Range Accrual Swap	**USD50 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**
2007		
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	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

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

i Commodity future

	Maturities		Total
Group	Less than 1 year RM'000	1 - 2 years RM'000	Notional Amount RM'000
2008			
Sale contracts	**42,596**	**33,940**	**76,536**
Purchase contracts	**359,392**	**–**	**359,392**
2007			
Sale contracts	184,383	–	184,383
Purchase contracts	307,230	–	307,230

44 FINANCIAL INSTRUMENTS CONT'D

44.3 Price fluctuation risk cont'd

i Commodity future cont'd

The net unrecognised gain/(loss) as at the balance sheet date on commodity futures sale and purchase contracts used are deferred until the occurrence of the related future transactions in the following manner:

Group	Maturities Less than 1 year RM'000	 1 - 2 years RM'000	Net unregconised gain/(loss) as at end of the financial year RM'000
2008			
Sale contracts	**(5,466)**	**325**	**(5,141)**
Purchase contracts	**14,409**	**–**	**14,409**
2007			
Sale contracts	(17,567)	–	(17,567)
Purchase contracts	20,469	–	20,469

ii Commodity swap

Group	Contract Amount	Effective Period	Net unregconised gain as at end of the financial year RM'000
2007			
To pay fixed CPO price and to receive floating CPO prices from counter party	1,000 MT per month	April 2007 to March 2008	4,493

The net 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.

44.4 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 means of mitigating losses in the event of default.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

44 FINANCIAL INSTRUMENTS CONT'D

44.4 Credit risk cont'd

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 asset; and in addition, in respect of derivatives, the notional amount as disclosed in the respective notes to financial statements.

44.5 Liquidity and cash flow 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.

44.6 Fair values

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

		Group		Company	
	Note	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2008					
Recognised					
Quoted other long term investments	18	**24,415**	**95,773**	**2,896**	**2,906**
Quoted short term investments	26	**7,124**	**7,134**	**–**	**–**
2nd Exchangeable Bonds	34.3	**315,659**	**329,780**	**–**	**–**
3rd Exchangeable Bonds	34.4	**1,714,452**	**1,693,869**	**–**	**–**
Guaranteed Notes	34.5	**1,624,383**	**1,584,215**	**–**	**–**
Term loans	34.1	**1,215,857**	**1,179,375**	**–**	**–**
Amounts due to subsidiaries		**–**	**–**	**5,927,233**	**5,628,179**
Amounts due from jointly controlled entities	22.3	**1,513,326**	**1,341,700**	**–**	**–**
Unrecognised					
Forward foreign exchange contracts					
Sale contracts	44.1	**–**	**(59,303)**	**–**	**–**
Purchase contracts	44.1	**–**	**(2,482)**	**–**	**–**
Currency swap and option contracts		**–**	**(673,459)**	**–**	**(131,985)**
Commodity future contracts					
Sale contracts	44.3	**–**	**(5,141)**	**–**	**–**
Purchase contracts	44.3	**–**	**14,409**	**–**	**–**
Interest rate swap contracts		**–**	**(22,971)**	**–**	**2,354**

44 FINANCIAL INSTRUMENTS CONT'D

44.6 Fair values cont'd

The currency swaps were mainly hedging arrangements to convert the initial currencies of the long term borrowings obtained by the Group into currencies that match the Group assets and to provide a natural hedge against the Group's revenue. These swaps have the same maturity dates with the said borrowings. The currency option contracts relate mainly to the hedging arrangements entered by the Group to hedge part of its foreign currency sale proceeds in Europe. The amount committed under these contracts represents approximately 30% of the estimated Group's revenue in Europe over a period of 2.5 years up to October 2010. The fair value of the currency swaps and option contracts stated in the above table is based on the foreign currency exchange rate as at 30 June 2008.

		Group		Company	
	Note	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2007					
Recognised					
Quoted other long term investments	18	25,916	59,143	3,963	4,501
Quoted short term investments	26	7,194	7,199	–	–
2nd Exchangeable Bonds	34.3	1,051,107	1,030,187	–	–
Guaranteed Notes	34.5	1,717,323	1,642,247	–	–
Term loans	34.1	688,503	665,652	–	–
Amounts due to subsidiaries		–	–	4,838,892	4,663,267
Amounts due from jointly controlled entities	22.3	160,357	139,734	–	–
Unrecognised					
Forward foreign exchange contracts					
Sale contracts	44.1	–	(12,769)	–	–
Purchase contracts	44.1	–	(1,982)	–	–
Currency swap and option contracts		–	(49,292)	–	(16,825)
Commodity future contracts					
Sale contracts	44.3	–	(17,567)	–	–
Purchase contracts	44.3	–	20,469	–	–
Commodity swap contract		–	4,493	–	–
Interest rate swap contracts		–	(9,267)	–	(4,807)

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.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

44 FINANCIAL INSTRUMENTS CONT'D

44.6 Fair values cont'd

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 value of amounts due from jointly controlled entities are discounted at weighted average cost of borrowings of the subsidiaries that made the advances.

v 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 as at the balance sheet date arising from such contracts.

vi 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.

45 COMMITMENTS

45.1 Capital commitments

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Authorised capital expenditure not provided for in the financial statements				
- Contracted				
Purchase of property, plant and equipment	**40,199**	16,370	**2,169**	1,160
Purchase of land held for property development	**140,511**	24,500	**–**	–
New planting	**162**	–	**–**	–
Construction in progress	**33,418**	57,666	**1,714**	–
- Not Contracted				
Purchase of property, plant and equipment	**119,747**	102,910	**7,772**	7,901
Purchase of landed properties	**523**	–	**–**	–
New planting	**6,562**	6,379	**3,284**	3,704

45 COMMITMENTS CONT'D

45.2 Operating Lease Commitments

45.2.1 The Group as lessee

The Group has entered into the following non-cancellable operating lease agreements:

i lease of 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;

ii lease of 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;

iii lease of the office space for a lease period of 3 years with a renewal term of 3 years which covers built-up area of 85,791 sq. ft.;

iv lease of storage tanks for a lease period of 2 years with a renewal term of 1 year; and

v lease of 2 pieces of land for a lease period of 50 years which cover a total net area of 22,015 sq. m for bulk cargo terminal and bulking installation.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities are as follows:

	Group	
	2008	**2007**
	RM'000	**RM'000**
Not later than 1 year	**8,385**	9,686
Later than 1 year and not later than 5 years	**13,110**	17,052
Later than 5 years	**120,056**	124,212
	141,551	150,950

45.2.2 The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its investment properties. These leases have remaining non-cancellable lease terms of between 2 - 3 years. The Group also entered into long term property leases on its future property investment land.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as receivables are as follows:

	Group	
	2008	**2007**
	RM'000	**RM'000**
Not later than 1 year	**56,877**	54,179
Later than 1 year and not later than 5 years	**38,821**	42,766
Later than 5 years	**13,486**	13,486
	109,184	110,431

NOTES TO THE FINANCIAL STATEMENTS CONT'D

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

46.1 Capital repayment exercise

On 22 August 2007, the Company completed a capital repayment of RM1,314,391,432 to its shareholders on the basis of a cash distribution of RM4.20 for each ordinary share cancelled. The capital repayment was implemented via a cancellation of 312,950,341 ordinary shares of RM0.10 each in the Company on the basis of one (1) ordinary share cancelled for every twenty (20) existing ordinary shares held on the entitlement date of 15 August 2007. RM31,295,034 of the total par value of the issued and paid-up share capital of the Company was cancelled and the remaining balance sum for the capital repayment of RM1,283,096,398 was set-off against the share premium account of the Company pursuant to Sections 64 and 60(2) of the Companies Act, 1965.

46.2 Acquisitions of interests in oil palm estates in Indonesia

On 19 November 2007, the Company completed the following acquisitions of interests in oil palm estates in Kalimantan, Indonesia:

i acquisition of the entire issued and paid-up share capital of Lynwood Capital Resources Pte Ltd ("Lynwood") and Oakridge Investments Pte Ltd ("Oakridge") for a cash consideration of USD57,797,932, which collectively owned a 33% stake in PT Bumitama Gunajaya Agro group of companies ("BGA"). BGA has a total planted hectarage of 35,340 hectares and unplanted land of approximately 64,000 hectares, together with three palm oil mills. It also oversees a 'plasma' scheme which covers an area of approximately 22,000 hectares. In addition, the Company repaid on behalf of Lynwood and Oakridge, a total sum of USD14,435,292 owed to the vendors; and

ii acquisition of the entire issued and paid up share capital of Oleander Capital Resources Pte Ltd, which effectively (via two investment holding companies) owned a 67% stake in a group of companies; PT Ketapang Sawit Lestari, PT Bumi Sawit Sejahtera, PT Kalimantan Prima Agro Mandiri, PT Berkat Nabati Sejahtera and PT Sukses Karya Sawit, for a tentative cash purchase consideration of USD20,304,216 based on the estimated Hak Guna Usaha ("HGU") land certificates of 52,704 hectares. The final total consideration is payable progressively in accordance with an agreed schedule linked to the status of progress on the above application of HGU land certificates. A total amount of USD4,369,659 was paid as at 30 June 2008.

The acquisitions are in line with the Group's strategy of growing its core palm oil business under appropriate conditions. It will provide immediate addition to planted hectarage as well as substantial suitable land bank for sustained business growth, hence providing the Group with the opportunity to capitalise on the very favourable outlook for the oil palm industry.

46.3 Acquisition of Pinnacle Collection Land in Sentosa Cove of Sentosa Island, Singapore

On 9 January 2008, IOI Properties (Singapore) Pte Ltd, a foreign subsidiary of the Company and Ho Bee Investment Limited ("HB"), a Singaporean public listed company, had successfully tendered for a 99-year leasehold land in Sentosa Cove of Sentosa Island, Singapore measuring approximately 21,523 square meters or approximately 5.3 acres, for a total cash consideration of SGD1,097,499,999. The acquisition was completed on 7 April 2008.

The land is planned for the development of 280 units of condominiums. This land is one of the two condominium parcels which flanked the entrance of the marina leading into Sentosa Cove and also adjacent to the Seaview Collection site, which was successfully tendered by another foreign subsidiary of the Company together with HB in March 2007.

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR CONT'D

46.4 Issuance of USD600 million Zero Coupon Guaranteed Exchangeable Bonds due 2013

On 15 January 2008, the Company's wholly-owned subsidiary, IOI Resources (L) Berhad, a company incorporated in the Federal Territory of Labuan under the Offshore Companies Act, 1990, issued USD600 million Zero Coupon Guaranteed Exchangeable Bonds due 2013 ("3rd Exchangeable Bonds"). The 3rd 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 15 January 2013. The 3rd Exchangeable Bonds are unconditionally and irrevocably guaranteed by the Company.

46.5 Acquisition of equity interest in Mergui Development Pte Ltd

On 26 May 2008, Multi Wealth (Singapore) Pte Ltd, a foreign subsidiary of the Company acquired 53% equity interest in Mergui Development Pte Ltd ("MDPL"). MDPL is a joint venture company set up for the purpose of undertaking the purchase of freehold parcel at Mergui Land in Singapore measuring approximately 74,355 square feet and with a plot ratio of 2.8 ("Mergui Land") to be redeveloped into high rise residential development. The other joint venture partners are Kim Seng Heng Realty Pte Ltd and LBH Pte Ltd, which hold 35% and 12% equity interest in MDPL respectively. The purchase consideration for the Mergui Land is SGD120 million.

47 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

47.1 Renounceable Rights Issue by IOI Properties Berhad

On 4 August 2008, IOI Properties Berhad, a listed subsidiary of the Company, completed the renounceable rights issue with the listing of and quotation for 162,537,250 new ordinary shares of RM0.50 each at an issue price of RM4.85 each on the Main Board of Bursa Malaysia Securities Berhad on even date.

47.2 Proposed joint venture between the Company and Pelita Holdings Sdn Bhd

On 8 August 2008, the Company entered into a conditional joint venture agreement to subscribe for the equity of a joint venture company to be incorporated and named IOI Pelita Kanowit Sdn Bhd ("JV Co") for the purpose of acquiring and developing approximately 7,000 hectares of land situated at Block E (Lesih) Kanowit, Sibu, Sarawak into oil palm estates. The Company will eventually hold an equity interest of 60% in the JV Co. The proposed joint venture will enable the Group to continue expanding its core palm oil business and increase its oil palm plantation holdings in Malaysia.

47.3 Acquisition of Laksana Kemas Sdn Bhd

On 20 August 2008, the Company acquired the entire issued and paid-up share capital of Laksana Kemas Sdn Bhd ("LKSB") for a total cash consideration of RM754,258. LKSB is the beneficial and legal owner of land with a total land area of 566.54 acres and its principal activity is cultivation of oil palm.

47.4 Proposed acquisition of the entire equity interest of Inverfin Sdn Bhd

On 29 August 2008, the Company entered into a conditional sale and purchase agreement with Menara Citi Holding Company Sdn Bhd, CapitaLand Limited and Amsteel Corporation Berhad to acquire the entire equity interest in Inverfin Sdn Bhd ("ISB") for a total cash consideration of RM586,731,176. ISB is established as a special purpose entity and investment company for the sole purpose of owning and operating Menara Citibank, which is located in Jalan Ampang, Kuala Lumpur.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

48 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

48 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
2008							
Revenue							
External sales	236,335	755,066	74,302	13,479,145	120,521	–	14,665,369
Inter-segment sales	2,541,991	–	–	–	–	(2,541,991)	–
Total revenue	2,778,326	755,066	74,302	13,479,145	120,521	(2,541,991)	14,665,369
Result							
Segment operating profit	1,824,630	366,369	42,665	658,173	60,046	–	2,951,883
Fair value gain on investment properties	–	–	129,967	–	–	–	129,967
Gain on disposal of non-current assets held for sale/ investment properties	11,221	3,304	9,643	–	–	–	24,168
Segment results	1,835,851	369,673	182,275	658,173	60,046	–	3,106,018
Translation gain on USD denominated borrowings							134,933
Other unallocated corporate expenses							(68,956)
Operating profit							3,171,995
Interest income							68,035
Finance costs							(190,964)
Share of results of associates	14,548	–	–	31,656	–	–	46,204
Share of results of jointly controlled entities	–	(73)	–	–	–	–	(73)
Profit before taxation							3,095,197
Taxation							(683,010)
Profit for the financial year							2,412,187

NOTES TO THE FINANCIAL STATEMENTS CONT'D

48 SEGMENTAL INFORMATION CONT'D

Business Segments cont'd

	Plantation RM'000	Property development RM'000	Property investment RM'000	Resource-based manufac-turing RM'000	Other operations RM'000	Eliminations RM'000	Consolidated RM'000
2008							
Assets							
Segment assets	4,144,799	1,817,706	900,594	5,760,503	353,750	–	12,977,352
Interest in associates	367,104	–	–	187,663	3,841	–	558,608
Interest in jointly controlled entities	–	1,515,878	–	–	–	–	1,515,878
Unallocated corporate assets							2,209,386
Consolidated total assets							17,261,224
Liabilities							
Segment liabilities	188,926	199,572	26,098	756,193	66,581	–	1,237,370
Unallocated corporate liabilities							6,667,376
Consolidated total liabilities							7,904,746
Other Information							
Capital expenditure	64,123	1,907	34,646	128,705	5,810	–	235,191
Depreciation and amortisation	63,000	2,182	1,423	141,203	14,740	–	222,548
Non-cash expenses other than depreciation and amortisation	24,675	1,758	43	25,516	35,649	–	87,641

48 SEGMENTAL INFORMATION CONT'D

Business Segments cont'd

	Plantation RM'000	Property development RM'000	Property investment RM'000	Resource-based manufac-turing RM'000	Other operations RM'000	Eliminations RM'000	Consolidated RM'000
2007							
Revenue							
External sales	394,276	706,858	67,090	7,688,727	95,776	–	8,952,727
Inter-segment sales	1,290,796	–	–	–	–	(1,290,796)	–
Total revenue	1,685,072	706,858	67,090	7,688,727	95,776	(1,290,796)	8,952,727
Result							
Segment operating profit	926,859	397,171	40,532	405,427	54,679	–	1,824,668
Fair value gain on investment properties	–	–	160,650	–	–	–	160,650
Segment results	926,859	397,171	201,182	405,427	54,679	–	1,985,318
Translation gain on USD denominated borrowings							112,423
Other unallocated corporate expenses							(39,510)
Operating profit							2,058,231
Interest income							39,680
Finance costs							(144,154)
Share of results of associates	10,600	–	–	26,723	–	–	37,323
Share of results of jointly controlled entity	–	(7)	–	–	–	–	(7)
Profit before taxation							1,991,073
Taxation							(340,109)
Profit for the financial year							1,650,964

NOTES TO THE FINANCIAL STATEMENTS CONT'D

48 SEGMENTAL INFORMATION CONT'D

Business Segments cont'd

	Plantation RM'000	Property development RM'000	Property investment RM'000	Resource-based manufac-turing RM'000	Other operations RM'000	Eliminations RM'000	Consolidated RM'000
2007							
Assets							
Segment assets	3,803,413	1,673,625	730,485	4,213,927	522,632	–	10,944,082
Interest in associates	114,851	–	–	162,070	4,003	–	280,924
Interest in jointly controlled entities	–	161,479	–	–	–	–	161,479
Unallocated corporate assets							2,294,357
Consolidated total assets							13,680,842
Liabilities							
Segment liabilities	123,406	188,952	25,589	469,747	71,051	–	878,745
Unallocated corporate liabilities							4,205,885
Consolidated total liabilities							5,084,630
Other Information							
Capital expenditure	62,116	3,352	4,290	113,820	2,680	–	186,258
Depreciation and amortisation	62,521	2,152	1,501	118,668	14,988	–	199,830
Non-cash expenses other than depreciation and amortisation	12,872	2,298	81	51,788	24,705	–	91,744

48 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
2008						
Revenue from external customers by location of customers	**4,115,987**	**4,633,938**	**1,337,766**	**3,628,657**	**949,021**	**14,665,369**
Segment assets by location of assets	**12,655,256**	**2,642,037**	**158,086**	**1,805,649**	**196**	**17,261,224**
Capital expenditure by location of assets	**192,735**	**32,104**	**10,290**	**62**	**–**	**235,191**
2007						
Revenue from external customers by location of customers	2,819,839	3,056,672	839,908	1,836,870	399,438	8,952,727
Segment assets by location of assets	11,324,986	1,535,506	405,827	413,366	1,157	13,680,842
Capital expenditure by location of assets	152,246	25,905	8,078	25	4	186,258

NOTES TO THE FINANCIAL STATEMENTS CONT'D

49 ANALYSIS OF LIABILITIES PAYABLE AND DEBTS RECEIVABLE

The liabilities payable and debts receivable by the Group, estimated by the Directors are as follows:

	Note	Group 2008 RM'000	Group 2007 RM'000
Liabilities Payable			
Amount due to an associate		**2,191**	2,058
Trade payables	37	**622,609**	393,035
Other payables and accruals	37	**521,485**	394,626
Amounts due to customers on contracts	37	**37**	88
Progress billings	37	**5,700**	28,203
Bank overdrafts		**9,152**	7,013
Short term borrowings		**1,084,630**	167,411
Taxation		**160,933**	78,684
Term loans	34.1	**1,215,857**	688,503
2nd Exchangeable Bonds	34.3	**315,659**	1,051,107
3rd Exchangeable Bonds	34.4	**1,714,452**	–
Guaranteed Notes	34.5	**1,624,383**	1,717,323
Land cost payable	35	**24,369**	–
Club membership deposits	35	**13,478**	13,601
		7,314,935	4,541,652
Less:			
Short term funds	27	**1,592,545**	1,879,345
Deposits with financial institutions	28	**871,542**	507,070
Cash and bank balances	29	**424,718**	341,581
		4,426,130	1,813,656
(Receivable)/Payable as follows:			
Not later than 1 year [1]		**(478,895)**	(1,581,608)
Later than 1 year and not later than 5 years		**2,670,289**	1,223,565
Later than 5 years		**2,234,736**	2,171,699
		4,426,130	1,813,656
Debts Receivable			
Trade receivables	25	**1,468,818**	935,994
Other receivables, deposits and prepayments	25	**106,815**	160,066
Accrued billings	25	**113,032**	101,626
Amounts due from customers on contracts	25	**4,539**	2,575
Amounts due from jointly controlled entities	22	**1,513,326**	160,357
Amounts due from associates		**16,537**	–
Tax recoverable		**34,024**	95,406
		3,257,091	1,456,024
Receivable as follows:			
Not later than 1 year		**1,743,765**	1,295,667
Later than 1 year		**1,513,326**	160,357
		3,257,091	1,456,024

Notes:

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

50 LIST OF SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

The subsidiaries, associates and jointly controlled entities, incorporated in Malaysia except otherwise stated, are as follows:

Name of Company	Effective Group Interest 2008	Effective Group Interest 2007	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	**100%**	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
IOI Pelita Plantation Sdn Bhd	**70%**	70%	Cultivation of oil palm
IOI Pelita Quarry Sdn Bhd	**70%**	70%	Dormant
Perusahaan Mekassar (M) Sdn Bhd	**100%**	100%	Cultivation of oil palm and processing of palm oil
Syarikat Pukin Ladang Kelapa Sawit Sdn Berhad	**100%**	100%	Cultivation of oil palm and processing of palm oil
Syarimo Sdn Bhd	**100%**	100%	Cultivation of oil palm, processing of palm oil and investment holding
IOI Commodity Trading Sdn Bhd	**100%**	100%	Trading in commodities
Future Growth Sdn Bhd	**100%**	100%	Dormant
Ladang Sabah Holdings Sdn Bhd *(in liquidation)*	**–**	100%	Dormant
Morisem Consolidated Sdn Bhd	**100%**	100%	Dormant
Morisem Sdn Bhd	**100%**	100%	Dormant
Lynwood Capital Resources Pte Ltd * *(Incorporated in Singapore)*	**100%**	–	Investment holding
Oakridge Investments Pte Ltd * *(Incorporated in Singapore)*	**100%**	–	Investment holding
Oleander Capital Resources Pte Ltd * *(Incorporated in Singapore)*	**100%**	–	Investment holding

NOTES TO THE FINANCIAL STATEMENTS CONT'D

50 LIST OF SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES CONT'D

Name of Company	Effective Group Interest 2008	2007	Principal Activities
Direct Subsidiaries cont'd			
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	**89%**	88%	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	**72%**	71%	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	**100%**	100%	Commodities trading and international procurement of palm oil
IOI Oleochemical Industries Berhad *	**100%**	100%	Investment holding
Loders Croklaan Group B. V. # *(Incorporated in The Netherlands)*	**100%**	100%	Investment holding
Pan-Century Edible Oils Sdn Bhd *	**100%**	100%	Refining and processing of crude palm oil, soap noodles and glycerine
Pan-Century Oleochemicals Sdn Bhd *	**100%**	100%	Manufacture of oleochemical products
IOI Lipid Enzymtec Sdn Bhd	**100%**	–	Pre-operating
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 Capital (L) Berhad *(Incorporated in the Federal Territory of Labuan)*	**100%**	100%	Issuance of Exchangeable Bonds
IOI Investment (L) Berhad *(Incorporated in the Federal Territory of Labuan)*	**100%**	100%	Issuance of Exchangeable Bonds

50 LIST OF SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES CONT'D

Name of Company	Effective Group Interest 2008	2007	Principal Activities
Direct Subsidiaries cont'd			
Non-Segment *cont'd*			
IOI Ventures (L) Berhad *(Incorporated in the Federal territory of Labuan)*	**100%**	100%	Issuance of Guaranteed Notes
IOI Resources (L) Berhad *(Incorporated in the Federal Territory of Labuan)*	**100%**	100%	Issuance of Exchangeable Bonds
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%	Dormant
Affinity Communications Sdn Bhd	**100%**	100%	Dormant
IOI Biofuel Sdn Bhd	**100%**	100%	Dormant
IOI Pulp & Paper Sdn Bhd	**100%**	100%	Dormant
IOI Management Sdn Bhd	**100%**	100%	Dormant
Tampoi Development Sdn Bhd	**100%**	100%	Dormant
IOI Consolidated (Singapore) Pte Ltd * *(formerly known as I.O.I. (S) Pte Ltd)* *(Incorporated in Singapore)*	**100%**	–	Dormant
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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

50 LIST OF SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES CONT'D

Name of Company	Effective Group Interest 2008	2007	Principal Activities
Indirect Subsidiaries cont'd			
Plantation cont'd			
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
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%**	100%	Cultivation of oil palm
Pamol Plantations Sdn Bhd *	**100%**	100%	Cultivation of oil palm and processing of palm oil
Unipamol Malaysia Sdn Bhd *	**100%**	100%	Investment holding
Pamol Bintang Sdn Bhd *	**100%**	100%	Dormant
Subsidiary of Pamol Plantations Sdn Bhd			
Pamol Estates (Sabah) Sdn Bhd *	**70%**	70%	Cultivation of oil palm and processing of palm oil
Subsidiary of Pamol Estates (Sabah) Sdn Bhd			
Milik Berganda Sdn Bhd *	**70%**	70%	Cultivation of oil palm
Subsidiaries of Oleander Capital Resources Pte Ltd			
PT Berkat Agro Sawitindo* *(Incorporated in Republic of Indonesia)*	**67%**	–	Investment holding
PT Sawit Nabatindo Abadi* *(Incorporated in Republic of Indonesia)*	**67%**	–	Investment holding

50 LIST OF SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES CONT'D

Name of Company	Effective Group Interest 2008	2007	Principal Activities
Indirect Subsidiaries cont'd			
Plantation *cont'd*			
Subsidiaries of PT Sawit Nabatindo Abadi			
PT Ketapang Sawit Lestari* *(Incorporated in Republic of Indonesia)*	**67%**	–	Pre-operating
PT Kalimantan Prima Agro Mandiri* *(Incorporated in Republic of Indonesia)*	**67%**	–	Pre-operating
PT Bumi Sawit Sejahtera* *(Incorporated in Republic of Indonesia)*	**67%**	–	Pre-operating
PT Berkat Nabati Sejahtera* *(Incorporated in Republic of Indonesia)*	**67%**	–	Pre-operating
PT Sukses Karya Sawit* *(Incorporated in Republic of Indonesia)*	**67%**	–	Pre-operating
Property Development and Investment			
Subsidiary of Nice Skyline Sdn Bhd			
Jurang Teguh Sdn Bhd	**88%**	88%	Building, engineering and construction services
Subsidiary of Projects IOI (Mauritius) Ltd			
A. P. Gems & Jewellery Park Pvt Ltd (India) * *(Incorporated in India)*	**49%**	49%	Property investment
Subsidiaries of IOI Properties Berhad			
Cahaya Kota Development Sdn Bhd	**72%**	71%	Property development, property investment and investment holding
Flora Development Sdn Bhd	**72%**	71%	Property development and property investment
Kapar Realty And Development Sdn Berhad	**49%**	48%	Property development
Kumpulan Mayang Sdn Bhd	**72%**	71%	Property development
Pine Properties Sdn Bhd	**72%**	71%	Property development and property investment
Dynamic Management Sdn Bhd	**72%**	71%	Property development and investment holding
Commercial Wings Sdn Bhd	**72%**	71%	Property investment
Property Skyline Sdn Bhd *	**65%**	64%	Provision of management services and investment holding
IOI Land Singapore Pte Ltd * *(Incorporated in Singapore)*	**72%**	71%	Investment holding
Flora Horizon Sdn Bhd	**72%**	71%	Property development and cultivation of oil palm
Pilihan Teraju Sdn Bhd	**72%**	71%	Property development and cultivation of oil palm
Hartawan Development Sdn Bhd	**72%**	71%	Property development and cultivation of oil palm
Jutawan Development Sdn Bhd	**72%**	71%	Dormant
Paduwan Development Sdn Bhd	**72%**	71%	Property development and cultivation of oil palm

NOTES TO THE FINANCIAL STATEMENTS CONT'D

50 LIST OF SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES CONT'D

Name of Company	Effective Group Interest 2008	2007	Principal Activities
Indirect Subsidiaries cont'd			
Property Development and Investment cont'd			
Subsidiaries of IOI Properties Berhad cont'd			
Paska Development Sdn Bhd	**72%**	71%	Dormant
Multi Wealth (Singapore) Pte Ltd * *(Incorporated in Singapore)*	**72%**	71%	Investment holding
IOI Properties (Singapore) Pte Ltd * *(Incorporated in Singapore)*	**72%**	–	Investment holding
Subsidiaries of Cahaya Kota Development Sdn Bhd			
IOI Building Services Sdn Bhd	**72%**	71%	Building maintenance services
Lush Development Sdn Bhd	**72%**	71%	Property development
Riang Takzim Sdn Bhd	**72%**	71%	Dormant
Tanda Bestari Development Sdn Bhd	**72%**	71%	Property development
Subsidiaries of Dynamic Management Sdn Bhd			
Paksi Teguh Sdn Bhd	**72%**	71%	General contractors
Pilihan Megah Sdn Bhd	**72%**	71%	Property development, property investment and investment holding
Legend Advance Sdn Bhd *	**50%**	50%	Property development and property investment
Subsidiary of Pilihan Megah Sdn Bhd			
Future Link Properties Pte Ltd * *(Incorporated in Singapore)*	**44%**	43%	Property investment
Subsidiaries of Property Skyline Sdn Bhd			
Nice Frontier Sdn Bhd *	**67%**	66%	Property development, property investment and cultivation of oil palm
Property Village Berhad *	**58%**	58%	Property development, golf club and recreational services and investment holding
Wealthy Growth Sdn Bhd *	**65%**	64%	Property development
Subsidiary of Property Village Berhad			
Baycrest Sdn Bhd *	**58%**	58%	General contractors
Subsidiary of Kean Ko Sdn Berhad			
Seremban Enterprise Corporation Berhad	**58%**	58%	Property development

50 LIST OF SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES CONT'D

Name of Company	Effective Group Interest 2008	2007	Principal Activities
Indirect Subsidiaries cont'd			
***Property Development and Investment** cont'd*			
Subsidiaries of IOI Oleochemical Industries Berhad			
Palmex Industries Sdn Berhad *	**100%**	100%	Property development and investment holding
Palmco Properties Sdn Bhd *	**100%**	100%	Property investment
PMX Bina Sdn Bhd *	**100%**	100%	General contractor
Resource-based Manufacturing			
Subsidiary of IOI Edible Oils Sdn Bhd			
IOI Jeti Sdn Bhd *	**100%**	100%	Dormant
Subsidiaries of IOI Oleochemical Industries Berhad			
Acidchem International Sdn Bhd *	**100%**	100%	Manufacturing of fatty acids and glycerine
Derichem (M) Sdn Bhd *	**100%**	100%	Manufacturing of soap noodles
Esterchem (M) Sdn Bhd *	**100%**	100%	Trading in esters
Stabilchem (M) Sdn Bhd *	**100%**	100%	Manufacturing of metallic stearates
Palmco Oil Mill Sendirian Berhad *	**100%**	100%	Trading in commodities
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 (Ghana) Limited * *(Incorporated in Ghana)*	**100%**	100%	Procurement and development of raw material for specialty fats application
Loders Croklaan Malaysia Sdn Bhd	**100%**	100%	Dormant
Loders Croklaan Latin America Comercio e Industria Ltda * *(Incorporated in Brazil)*	**100%**	100%	Dormant
Lipid Nutrition B.V. * *(Incorporated in the Netherlands)*	**100%**	100%	Develop, produce and commercialise nutritional lipid ingredients to the dietary supplement and food industry
Elesto B.V. * *(Incorporated in the Netherlands)*	**100%**	100%	Dormant

NOTES TO THE FINANCIAL STATEMENTS CONT'D

50 LIST OF SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES CONT'D

Name of Company	Effective Group Interest 2008	2007	Principal Activities
Indirect Subsidiaries cont'd			
Resource-based Manufacturing *cont'd*			
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
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
Subsidiary of IOI Loders Croklaan Oils Sdn Bhd			
Loders Croklaan (Asia) Sdn Bhd	**100%**	100%	Processing and sale of palm oil and palm kernel oil derived specialty fats and related products
Non-Segment			
Subsidiaries of IOI Oleochemical Industries Berhad			
Palmco Jaya Sendirian Berhad *	**100%**	100%	Bulk cargo warehousing
Palmco Management Services Sdn Bhd *	**100%**	100%	Management services and rental of storage tanks
Care Security Services Sdn Bhd *	**100%**	100%	Management of collection of service charges
Performance Chemicals (M) Sdn Bhd *	**100%**	100%	Dormant
Palmina Sendirian Berhad *	**100%**	100%	Dormant
Palmco Plantations Sendirian Berhad *	**100%**	100%	Dormant
Direct Consolidated Sdn Bhd *	**100%**	100%	Dormant
Quantum Green Sdn Bhd *	**100%**	100%	Management services
Acidchem (Sabah) Sdn Bhd *	**100%**	100%	Dormant
Subsidiary of Acidchem International Sdn Bhd			
Acidchem (USA) Inc * *(Incorporated in United States of America)*	**100%**	100%	Trading in fatty acids and glycerine
Subsidiary of Palmex Industries Sdn Berhad			
Palmco International (HK) Limited * *(Incorporated in Hong Kong)*	**100%**	100%	Investment holding
Subsidiaries of Palmco International (HK) Limited			
Palmco Engineering Limited * *(Incorporated in Hong Kong)*	**100%**	100%	Investment holding
Acidchem (Singapore) Pte Ltd * *(Incorporated in Singapore)*	**100%**	100%	Dormant

50 LIST OF SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES CONT'D

Name of Company	Effective Group Interest 2008	2007	Principal Activities
Indirect Subsidiaries cont'd			
Non-Segment *cont'd*			
Subsidiary of Palmco Engineering Limited			
Tianjin Palmco Oil & Fats Co. Ltd * *(Incorporated in the People's Republic of China)*	**100%**	100%	Dormant
Subsidiary of IOI Construction Sdn Bhd			
IOI Concrete Sdn Bhd	**70%**	70%	Dormant
Subsidiary of Kayangan Heights Sdn Bhd			
Common Portfolio Sdn Bhd	**60%**	60%	Dormant
Subsidiaries of Swee Lam Estates (Malaya) Sdn Bhd			
Swee Lam Development Sdn Bhd	**100%**	100%	Dormant
Swee Lam Properties Sdn Bhd	**100%**	100%	Dormant

* *Subsidiaries not audited by BDO Binder.*
\# *Subsidiaries audited by member firms of BDO International.*

Associates			
Perumahan Abadi Sdn Bhd	**25%**	25%	Dormant
Reka Halus Sdn Bhd	**30%**	30%	Cultivation of oil palm and processing of palm oil
Associate of IOI Properties Berhad			
Continental Estates Sdn Bhd	**17%**	18%	Property development and cultivation of oil palm
Associates of IOI Oleochemical Industries Berhad			
Fatty Chemical (Malaysia) Sdn Bhd	**30%**	30%	Manufacturing of fatty alcohol and methyl esters
Kao Plasticizer (Malaysia) Sdn Bhd	**30%**	30%	Manufacturing of plasticizer and other chemical products
Peter Greven Asia Sdn Bhd	**40%**	40%	Manufacturing and sales of metalic stearates
Associate of Palmex Industries Sdn Berhad			
Malaysia Pakistan Venture Sdn Bhd	**25%**	25%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS CONT'D

50 LIST OF SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES CONT'D

Name of Company	Effective Group Interest 2008	2007	Principal Activities
Associate cont'd			
Associate of Lynwood Capital Resources Pte Ltd and Oakridge Investments Pte Ltd			
PT Bumitama Gunajaya Agro *(Incorporated in Republic of Indonesia)*	**33%**	–	Cultivation of oil palm and processing of palm oil
Jointly Controlled Entities			
Jointly controlled entity of IOI Land Singapore Pte Ltd			
Seaview (Sentosa) Pte Ltd *(Incorporated in Singapore)*	**36%**	36%	Property development
Jointly controlled entity of IOI Properties (Singapore) Pte Ltd			
Pinnacle (Sentosa) Pte Ltd *(Incorporated in Singapore)*	**47%**	–	Property development
Jointly controlled entity of Multi Wealth (Singapore) Pte Ltd			
Mergui Development Pte Ltd *(Incorporated in Singapore)*	**38%**	–	Property development

51 AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 30 June 2008 were authorised for issue by the Board of Directors on 29 August 2008.

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 105 to 230 have been drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 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 2008 and of the results of the operations of the Group and of the Company and of the cash flows of the Group and of the Company for the financial year then ended.

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

Tan Sri Dato' Lee Shin Cheng
Executive Chairman

Dato' Lee Yeow Chor
Executive Director

Putrajaya
29 August 2008

STATUTORY DECLARATION

I, Kong Chee Khoon, being the officer primarily responsible for the financial management of IOI Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 105 to 230 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	)	Kong Chee Khoon
at Puchong, Selangor Darul Ehsan	)	
this 29 August 2008	)	

Before me

S. Nirmala Devi
Commissioner for Oaths
No. B076

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF IOI CORPORATION BERHAD

Report on the Financial Statements

We have audited the financial statements of IOI Corporation Berhad, which comprise the balance sheets as at 30 June 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 105 to 230.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965. This responsibility include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 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 2008 and of the results of the operations of the Group and of the Company and of the cash flows of the Group and of the Company for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 50 to the financial statements.

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

d The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO Binder
AF : 0206
Chartered Accountants

Dato' Gan Ah Tee, DNS, JP
1890/03/10 (J/PH)
Partner

Kuala Lumpur
29 August 2008

GROUP PROPERTIES

A PLANTATION ESTATES

Location	Tenure	Area (Hectare)	Crop Planted	Palm Oil Mill	Net Book Value as at 30 June 2008 RM'000	Year of Acquisition
Pahang Darul Makmur						
Bukit Dinding Estate, Bentong	Freehold	1,660	OP	–	21,273	1983
Pukin Estate, Pekan Rompin	Leasehold expiring 2071, 2074, 2077	2,437	OP	1	40,897	1985
Mekassar Estate, Pekan Rompin	Leasehold expiring 2075	1,216	OP	–	19,653	1985
Detas Estate, Pekan	Leasehold expiring 2081	2,301	OP	–	26,323	1989
Bukit Leelau Estate, Pekan	Leasehold expiring 2088	2,096	OP	1	23,660	1989
Merchong Estate, Pekan	Leasehold expiring 2075	1,952	OP	–	28,987	1990
Leepang A Estate, Rompin	Leasehold expiring 2065	2,404	OP	–	20,884	2000
Laukin A Estate, Rompin	Leasehold expiring 2065	1,620	OP	–	12,490	2000
Shahzan IOI Estate, Rompin	Leasehold expiring 2062	3,204	OP	–	29,323	2002
Negeri Sembilan Darul Khusus						
Regent Estate, Tampin	Freehold	2,313	OP R	–	40,676	1990
Bahau Estate, Kuala Pilah	Freehold	3,028	OP R	–	48,997	1990
Kuala Jelei Estate, Kuala Pilah	Freehold	678	OP	–	12,612	1990
Johor Darul Takzim						
Gomali Estate, Segamat	Freehold	3,595	OP R	1	78,793	1990
Paya Lang Estate, Segamat	Freehold	1,476	OP R	–	24,802	1990
Tambang Estate, Segamat	Freehold	2,020	OP	–	39,426	1990
Bukit Serampang Estate, Tangkak	Freehold	2,725	OP	–	47,502	1990
Kahang Estate, Kluang	Leasehold expiring 2082	2,420	OP	–	35,523	1990
Sagil Estate, Tangkak	Freehold	2,518	OP R	–	45,323	1990

A PLANTATION ESTATES CONT'D

Location	Tenure	Area (Hectare)	Crop Planted	Palm Oil Mill	Net Book Value as at 30 June 2008 RM'000	Year of Acquisition
Johor Darul Takzim cont'd						
Segamat Estate, Segamat	Freehold	1,946	OP	–	39,616	1990
Pamol Plantations Estate, Kluang	Freehold	8,110	OP	1	276,095	2003
Sabah						
Morisem 1 Estate, Kinabatangan	Leasehold expiring 2080	2,032	OP	–	26,846	1993
Morisem 2 Estate, Kinabatangan	Leasehold expiring 2087	2,023	OP	–	26,958	1993
Morisem 3 Estate, Kinabatangan	Leasehold expiring 2087, 2088	2,014	OP	–	44,009	1993
Morisem 4 Estate, Kinabatangan	Leasehold expiring 2089	2,023	OP	–	25,181	1993
Morisem 5 Estate, Kinabatangan	Leasehold expiring 2078	1,878	OP	–	33,333	1993
Baturong 1-3 Estates, Kunak	Leasehold expiring 2081	7,485	OP	1	66,505	1991
Halusah Estate, Lahad Datu	Leasehold expiring 2076, 2078	813	OP	–	516	1991
Syarimo 1-9 Estates, Kinabatangan	Leasehold expiring 2077-2990	18,417	OP	1	237,722	1985-2000
Permodalan Estate, Kinabatangan	Leasehold expiring 2078	8,093	OP	–	108,522	1995
Laukin Estate, Sugut	Leasehold expiring 2077	2,128	OP	–	30,829	1996
Sakilan Estate, Sandakan	Leasehold expiring 2887	2,296	OP	1	49,636	1996
Ladang Sabah, Labuk-Sugut	Leasehold expiring 2077, 2082, 2087, 2089	12,228	OP	1	256,850	1998-2003
Cantawan Estate, Lahad Datu	Leasehold expiring 2061, 2066, 2078-2080	1,452	OP	–	32,293	1998

GROUP PROPERTIES CONT'D

A PLANTATION ESTATES CONT'D

Location	Tenure	Area (Hectare)	Crop Planted	Palm Oil Mill	Net Book Value as at 30 June 2008 RM'000	Year of Acquisition
Sabah cont'd						
Tas Estate, Kinabatangan	Leasehold expiring 2077	1,209	OP	–	29,025	1998
Tangkulap Estate, Labuk-Sugut	Leasehold expiring 2080-2086	2,277	OP	–	60,288	2001
Bimbingan Estate, Labuk-Sugut	Leasehold expiring 2083	3,893	OP	–	75,386	2001
Pamol Plantations Estate, Labuk-Sugut	Leasehold expiring 2037, 2081, 2097	1,793	OP	–	30,030	2003-2007
Pamol Estate, Labuk-Sugut	Leasehold expiring 2888	8,186	OP	1	196,629	2003
Milik Berganda Estate, Labuk-Sugut	Leasehold expiring 2090	5,269	OP	–	101,681	2003
Linbar 1 & 2 Estate, Kinabatangan	Leasehold expiring 2081	4,840	OP	–	122,228	2003
Mayvin 1-2 Estate, Labuk-Sugut	Leasehold expiring 2079-2081, 2090, 2092	3,423	OP	1	125,154	2003
Mayvin 5-6 Estate, Kinabatangan	Leasehold expiring 2082	3,602	OP	–	101,984	2003
Leepang 1-5 Estate, Kinabatangan	Leasehold expiring 2080-2094, 2974-2995	9,241	OP	2	270,851	2003
Sarawak						
Sejap Estate, Baram	Leasehold expiring 2058	5,000	OP	–	49,147	2002
Tegai Estate, Baram	Leasehold expiring 2058, 2095	4,040	OP	–	32,592	2002

OP Oil palm
R Rubber

B DEVELOPMENT PROPERTIES

Location	Tenure	Initial Gross Land Area	Balance of Net Land Area for Development	Usage	Net Book Value as at 30 June 2008 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	1,271	1989
Bandar Puchong Jaya - Parcel B Various sub-divided lots in Puchong, Petaling Selangor Darul Ehsan	Freehold	210 hectares	25 hectares	On-going mix development project	117,850	1990
Bandar Puteri Lots 5452, 5454, 5456, 5458-5473, 5476-5477, 5479, 5481, 5483-5484 Puchong, Petaling Selangor Darul Ehsan	Freehold	374 hectares	98 hectares	On-going mix development project	280,072	1994
IOI Resort Various sub-divided lots in Dengkil, Sepang Selangor Darul Ehsan	Freehold	37 hectares	14 hectares	Condominium and bungalow development	48,842	1990
Bandar Putra Various sub-divided lots in Senai-Kulai, Johor Bahru Johor Darul Takzim	Freehold	332 hectares	79 hectares	On-going mix development project	103,885	1988
Bandar Putra Lots 26737, 3783, 3785 & various sub-divided lots in Senai-Kulai, Johor Bahru Johor Darul Takzim	Freehold	1,967 hectares	729 hectares	On-going mix development project	202,223	1988
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	37 hectares	On-going mix development project	89,816	2005
Bandar Putra PTD 5746, 5747 & 5748 Segamat, Johor Darul Takzim	Freehold	198 hectares	54 hectares	On-going mix development project	33,808	1990
Lot 2882, Grant 7920 Tangkak, Muar Johor Darul Takzim	Freehold	113 hectares	113 hectares	Homestead development	2,036	1990

GROUP PROPERTIES CONT'D

B 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 2008 RM'000	Year of Acquisition
Taman Bidara Seremban Negeri Sembilan Darul Khusus	Freehold	–	12,368 sq. m.	On-going mix development project	715	1985
Lot 1758 (part of CT 2121) Mukim Gemencheh, Tampin Negeri Sembilan Darul Khusus	Freehold	16 hectares	4 hectares	On-going mix development project	299	1990
Lot No. 281 PT 7 Seksyen 89A Bandar Kuala Lumpur	Freehold	15,230 sq. m.	15,230 sq. m.	Future development land	50,614	2008
HS (D) 13605 PTD 4911 Sg. Segamat, Segamat Selangor Darul Ehsan	Leasehold expiring 2046	6,930 sq. m.	6,930 sq. m.	Vacant industrial land	173	1986
Taman Klang Utama Various sub-divided lots in Kapar, Klang Selangor Darul Ehsan	Freehold	–	2,084 sq. m.	Future development land	1,406	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	10 hectares	Future development land	10,589	1990
Grant 9051 (Part) Tangkak, Muar Johor Darul Takzim	Freehold	20 hectares	20 hectares	On-going mix development project	881	1990
Lot 369 (Part), Title 1062 Gemas, Segamat Johor Darul Takzim	Freehold	20 hectares	20 hectares	Future development land	1,308	1990
PTD 2637 Lot 2630 Mukim Gemas, Segamat Johor Darul Takzim	Freehold	20 hectares	20 hectares	Future development land	3,002	2003
Lot 3015 Grant 186 Mukim Sabai, Bentong Pahang Darul Makmur	Freehold	446 hectares	446 hectares	Future development land	14,029	1983
HSD 11323 PT No. 12514 Dengkil, Sepang Selangor Darul Ehsan	Leasehold expiring 2091	196 hectares	196 hectares	Future development land	162,873	2001

B 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 2008 RM'000	Year of Acquisition
Lot 3175 Town of Tanjung Tokong Seksyen 1, DTL Penang	Freehold	–	17,617 sq. m.	Residential development	15,334	2001
Desaria Sungai Ara Penang	Freehold	159 hectares	21 hectares	Residential development	4,675	1983
HSD 1431 PT No. 4471 Dengkil, Sepang Selangor Darul Ehsan	Leasehold expiring 2091	21 hectares	21 hectares	Future development land	14,123	2002
Taman Kempas Utama Various sub-divided in Tebrau, Johor Bahru Johor Darul Takzim	Freehold	102 hectares	47 hectares	On-going mix development project	101,400	2006
Lots 3210, 3211, 3220, 3221 & 3421 Durian Tunggal Alor Gajah Melaka	Freehold	435 hectares	435 hectares	Future development land	37,864	2006
Lots 375, 379, 385, 388, 406, 492, 636, 697, 698, 700, 701, 703, 846 & 893 Paya Rumput Melaka Tengah Melaka	Freehold	109 hectares	109 hectares	Future development land	27,165	2006
Lots 186, 216, 726, 1024, 1026, 1029, 1030-1033, 1041, 1081, 1082 & 1774 Krubong Melaka Tengah Melaka	Freehold	217 hectares	217 hectares	Future development land	18,166	2006

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.

GROUP PROPERTIES CONT'D

C INVESTMENT PROPERTIES

Location	Tenure	Land Area	Net Lettable Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2008 RM'000	Year of Revaluation
IOI Mall Bandar Puchong Jaya Puchong Selangor Darul Ehsan	Freehold	66,521 sq. m.	58,507 sq. m.	3 storey shopping mall	12	260,000	2008*
IOI Business Park Bandar Puchong Jaya Puchong Selangor Darul Ehsan	Freehold	–	34,111 sq. m.	32 units commercial lot and car park	10	25,420	2008*
Puteri Mart Bandar Puteri Puchong Selangor Darul Ehsan	Freehold	16,916 sq. m.	3,566 sq. m.	1.5 storey semi-wet market	1	14,300	2008*
IOI Mart Taman Lagenda Putra Senai-Kulai Johor Bahru Johor Darul Takzim	Freehold	25,457 sq. m.	6,319 sq. m.	1 storey semi-wet market shopping complex	1	14,000	2008*
IOI Resort Putrajaya	Freehold	75,878 sq. m.	24,718 sq. m.	37 units of residential bungalow	1-12	75,000	2008*
One IOI Square IOI Resort Putrajaya	Freehold	18,802 sq. m.	18,802 sq. m.	12 storey new office building erected on existing land	5	69,000	2008*
Two IOI Square IOI Resort Putrajaya	Freehold	22,176 sq. m.	12,167 sq. m.	12 storey new office building erected on existing land	5	44,000	2008*
IOI Mall Bandar Putra, Kulai Johor Bahru Johor Darul Takzim	Freehold	47,259 sq. m.	22,642 sq. m.	4 storey shopping mall	7	61,600	2008*
IOI Plaza 210 Middle Road Singapore	Leasehold expiring 2095	2,600 sq. m.	8,658 sq. m.	12 storey office building	10	270,619	2008*
Lot 17355 Petaling Jaya Selangor Darul Ehsan	Freehold	506 sq. m.	465 sq. m.	1 unit 3.5 storey shop office	14	4,700	2008*

* Year of revaluation

D INDUSTRIAL PROPERTIES

Location	Tenure	Land Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2008 RM'000	Year of Acquisition
27, Section 13 Jalan Kemajuan Petaling Jaya Selangor Darul Ehsan	Leasehold expiring 2059	8,336 sq. m.	Industrial premises for rental	–	5,354	1984
Country lease CL 075365632, 075376279, 075376260 & 075469340 Sg Mowtas and Batu Sapi Sandakan, Sabah	Leasehold expiring 2039, 2042, 2044	22 hectares	Palm oil refinery	11	129,599	1995
Plot 57 Mukim 1 Bukit Tengah Industrial Park Prai, Penang	Leasehold expiring 2053	41,224 sq. m.	Vacant industrial land	–	2,605	2001
Lorong Perusahaan Satu Prai Industrial Complex 13600 Prai Penang	Leasehold expiring between 2035-2071	176,169 sq. m.	Offices and factory sites	29	51,249	2001
			New factory site erected on existing land	7	9,074	–
Palmco Jaya Warehouse Bulk Cargo Terminal 13600 Prai, Penang	Leasehold expiring 2025	13,400 sq. m.	Bulk cargo terminal	34	51	2001
Deep Water Wharves 12100 Butterworth Penang	Leasehold expiring 2015	8,615 sq. m.	Bulking installation	34	–	2001
HS (D) 160988 PTD No. 89217 Mukim Plentong Pasir Gudang, Johor Bahru Johor Darul Takzim	Leasehold expiring 2041	9 hectares	Factory sites	27	51,439	2005
PT 110296, 15926 & 15927 Jalan Pekeliling Pasir Gudang, Johor Bahru Johor Darul Takzim	Leasehold expiring 2037, 2052	8 hectares	Factory complex and vacant industrial land	18	19,743	2007
PT 17368, Jalan Pekeliling PT 101373 & PT 80565, Jalan Timah Pasir Gudang, Johor Bahru Johor Darul Takzim	Leasehold expiring 2038, 2047, 2051	8 hectares	Factory complex	22	38,253	2007

GROUP PROPERTIES CONT'D

D INDUSTRIAL PROPERTIES CONT'D

Location	Tenure	Land Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2008 RM'000	Year of Acquisition
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	19	–	2001
Loders Croklaan Hogeweg 1, 1520 Wormerveer Netherlands	Freehold	6 hectares	Specialty oils and fats manufacturing facilities	17-38	142,345	2002
Durkee Road 24708 W Channahon Illinois, United States	Freehold	36 hectares	Specialty oils and fats manufacturing facilities	6-38	54,394	2002
Antarcticaweg 191 Harbour 8228 3199 KA Maasvlakte Rottterdam, The Netherlands	Leasehold	15 hectares	Palm oil refinery	3-7	168,330	2004
195 Belfield Rd. Rexdale Ontario M9W-1G8 Canada	Freehold	1,022 sq. m.	Specialty oils and fats manufacturing facilities	32	1,235	2002

E OTHER PROPERTIES

Location	Tenure	Land/ Built Up Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2008 RM'000	Year of Acquisition
Palm Garden Hotel Lot 3991 (part) Dengkil, Sepang Selangor Darul Ehsan	Freehold	12,181 sq. m.	152-room hotel	12	18,328	1990
IOI Palm Garden Golf Course Lot 3991 (part) Dengkil, Sepang Selangor Darul Ehsan	Freehold	90 hectares	27-hole golf course and clubhouse	15	42,889	1990
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	3,897 sq. m.	1.5 storey factory	11	361	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	5-6	119,021	1990
HSD 45890 PT 9427 Mukim Petaling Selangor Darul Ehsan	Leasehold expiring 2026	1,803 sq. m.	Petrol station land	–	10	1992
Lot 40476 & 40480 Daerah Wilayah Persekutuan Kuala Lumpur	Freehold	3,018 sq. m.	Bungalow plots	–	1,976	1992
Geran 1341, Lot 12040 Mukim of Tangkak Johor Darul Takzim	Freehold	2 hectares	Vacant land	–	129	1998
No. 1, Lebuh Putra Utama Bandar Putra Kulai, Johor Bahru Johor Darul Takzim	Freehold	1,041 sq. m.	Bandar Putra corporate office	11	1,221	1994
Palm Villa Golf & Country Resort Bandar Putra Kulai, Johor Bahru Johor Darul Takzim	Freehold	96 hectares	27-hole golf course	–	18,074	1994

GROUP PROPERTIES CONT'D

E OTHER PROPERTIES CONT'D

Location	Tenure	Land/ Built Up Area	Usage	Age of Building (Year)	Net Book Value as at 30 June 2008 RM'000	Year of Acquisition
Palm Villa Golf & Country Resort Bandar Putra Kulai, Johor Bahru Johor Darul Takzim	Freehold	7 hectares	Clubhouse	7	7,191	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	28	175	2005
PT 3865, Pasir Ponyang Port Dickson Negeri Sembilan Darul Khusus	Freehold	917 sq. m.	Holiday bungalow	25	102	1990
Lot 8, Jalan Segama Lahad Datu Sabah	Leasehold expiring 2894	112 sq. m.	Shoplot	15	–	1993
Lot 15, 16 & 17 Tengah Nipah Road Lahad Datu Sabah	Leasehold expiring 2894	2,280 sq. m.	Semi-detached house and staff apartments	22	–	1993
Country lease 115310926 Jalan Segama Lahad Datu Sabah	Leasehold expiring 2932	1 hectare	Regional office	7	708	1993
Country lease 115325534 New Wharf Road Lahad Datu Sabah	Leasehold expiring 2914	2 hectares	Vacant land	–	1,658	1993
Country lease 115325543, 116179269 New Wharf Road Lahad Datu Sabah	Leasehold expiring 2057, 2914	5 hectares	Vacant land	–	2,962	1993
302-H, Jalan Relau Desaria, Sg Ara Penang	Freehold	167 sq. m.	Shoplot	13	281	2001
Lot 8165 Mukim 12 Sg Ara Estate Penang	Freehold	1,799 sq. m.	Vacant commercial land	–	150	2001
Tissue Culture Laboratory IOI Resort 62502 Putrajaya	Freehold	1 hectare	Research analysis	–	1,119	1990

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Ninth Annual General Meeting of the Company will be held at Putrajaya Ballroom I (Level III), Putrajaya Marriott Hotel, IOI Resort, 62502 Putrajaya, Malaysia on Wednesday, 22 October 2008 at 10.30 a.m. for the following purposes:

AGENDA

1 To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2008 and the Reports of the Directors and Auditors thereon.

2 To re-elect Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor, the Director retiring by rotation pursuant to Article 101 of the Company's Articles of Association.

3 To re-elect the following Directors retiring by casual vacancy pursuant to Article 102 of the Company's Articles of Association:

a Mr Quah Poh Keat
b Mr Lee Yeow Seng

4 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."

5 To consider and if thought fit, to pass the following as an Ordinary Resolution:

"THAT the increase in the payment of Directors' fees to RM440,000/-, to be divided among the Directors in such manner as the Directors may determine, be and is hereby approved."

6 To re-appoint BDO Binder, the retiring auditors and to authorise the Directors to fix their remuneration.

7 As special business, to consider and if thought fit, to pass the following Ordinary Resolutions:

7.1 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

7.2 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 and/or cancelled;

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."

7.3 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 22 September 2008 subject to the following:

a the transactions are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

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

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."

8 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
22 September 2008

NOTICE OF ANNUAL GENERAL MEETING CONT'D

Notes

1 A member may appoint any person to be his proxy and the provision 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 A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. If a member appoints two (2) 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 7.1 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 conclusion of the next Annual General Meeting of the Company.

ii Proposed Renewal of Existing Share Buy-Back Authority

The ordinary resolution proposed under item 7.2 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 7.3 of the Agenda is to renew the Shareholders' Mandate granted by the Shareholders of the Company at the previous Annual General Meeting held on 29 October 2007. 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 22 September 2008.

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 Director retiring by rotation and standing for re-election pursuant to Article 101 of the Articles of Association of the Company is as follows:

- Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor

b The Directors retiring by casual vacancy and standing for re-election pursuant to Article 102 of the Articles of Association of the Company are as follows:

- Mr Quah Poh Keat
- Mr Lee Yeow Seng

c The Director seeking for re-appointment under Section 129(2) of the Companies Act, 1965 is:

- Mr Chan Fong Ann

The profiles of the above-named Directors are set out in the section entitled "Profile of Directors" on pages 55 to 57 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 75 of the Annual Report.

2 Board Meetings held in the financial year ended 30 June 2008

A total of eight (8) Board Meetings were held in the financial year ended 30 June 2008. The details of the attendance of Directors at the Board Meetings held in the financial year ended 30 June 2008 were as disclosed on page 67 of the Annual Report.

3 Date, Time and Venue of the Annual General Meeting

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

Date : Wednesday, 22 October 2008

Time : 10.30 a.m.

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

SHAREHOLDERS INFORMATION
AS AT 29 AUGUST 2008

Type of shares	:	Ordinary shares of RM0.10 each
Voting rights	:	One vote per shareholder on a show of hands One vote per ordinary share on a poll
Number of shareholders	:	26,562

ANALYSIS OF SHAREHOLDINGS

Size of holdings	No. of holders	Total holdings	%
1-99	563	25,352	0.00
100-1,000	7,981	6,871,546	0.12
1,001-10,000	13,328	57,264,787	0.97
10,001-100,000	3,638	111,422,425	1.88
100,001- 296,330,325	1,049	3,124,133,083	52.71
296,330,326 and above	3	2,626,889,338	44.32
Total	26,562	5,926,606,531	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	1,314,222,338	22.17
2	Progressive Holdings Sdn Bhd	705,878,100	11.91
3	Employees Provident Fund Board	606,788,900	10.24
4	HSBC Nominees (Asing) Sdn Bhd Exempt Authorised Nominee for JPMorgan Chase Bank, National Association (U.S.A.)	223,598,615	3.77
5	Citigroup Nominees (Tempatan) Sdn Bhd CPB for Progressive Holdings Sdn Bhd	148,000,000	2.50
6	Annhow Holdings Sdn Bhd	123,107,351	2.08
7	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Progressive Holdings Sdn Bhd	110,000,000	1.86
8	Progressive Holdings Sdn Bhd	85,962,405	1.45
9	Citigroup Nominees (Asing) Sdn Bhd UBS AG Singapore for Narisa Heights Investments Limited	85,469,838	1.44
10	Mayban Nominees (Asing) Sdn Bhd DBS Bank for Crystal Palace Investments Limited	81,352,006	1.37
11	HSBC Nominees (Asing) Sdn Bhd TNTC for Saudi Arabian Monetary Agency	80,490,385	1.36
12	Citigroup Nominees (Asing) Sdn Bhd Royal Bank of Scotland as Depository for First State Asia Pacific Leader Fund (CB LDN)	62,597,900	1.06
13	Citigroup Nominees (Asing) Sdn Bhd UBS AG Singapore for Westmead Holdings Limited	55,018,219	0.93
14	HSBC Nominees (Asing) Sdn Bhd Exempt Authorised Nominee for JPMorgan Chase Bank, National Association (U.K.)	47,682,872	0.80
15	HSBC Nominees (Asing) Sdn Bhd Exempt Authorised Nominee for JPMorgan Chase Bank, National Association (BVI)	47,081,200	0.79
16	Tan Sri Dato' Lee Shin Cheng	46,022,670	0.78

LIST OF TOP 30 SHAREHOLDERS (CONT'D)

	Name	No. of shares held	%
17	HSBC Nominees (Asing) Sdn Bhd Exempt Authorised Nominee for J.P. Morgan Bank Luxembourg S.A.	41,226,702	0.70
18	HSBC Nominees (Asing) Sdn Bhd Exempt Authorised Nominee for JPMorgan Chase Bank, National Association (U.A.E.)	36,834,532	0.62
19	Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	36,568,591	0.62
20	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Market Vectors – Agribusiness ETF	36,345,400	0.61
21	Rickoh Holdings Sdn Bhd	34,800,000	0.59
22	Mayban Nominees (Asing) Sdn Bhd DBS Bank for Happy Palace Investments Limited (280103)	32,292,394	0.54
23	HSBC Nominees (Asing) Sdn Bhd Exempt Authorised Nominee for The Hongkong and Shanghai Banking Corporation Limited (HBFS–I CLT ACCT)	29,845,615	0.50
24	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera Permodalan Nasional Berhad	26,779,000	0.45
25	Valuecap Sdn Bhd	24,285,200	0.41
26	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Ming Chun @ Lai Poh Lin (611004)	24,111,000	0.41
27	Lai Ming Chun @ Lai Poh Lin	23,991,625	0.40
28	Tan Kim Heung	23,940,000	0.40
29	Cartaban Nominees (Asing) Sdn Bhd Investors Bank and Trust Company for Ishares, Inc.	23,426,930	0.40
30	Citigroup Nominees (Tempatan) Sdn Bhd Exempt Authorised Nominee for American International Assurance Berhad	23,198,125	0.39
	Total	4,240,917,913	71.55

SUBSTANTIAL SHAREHOLDERS AS AT 29 AUGUST 2008
(as per Register of Substantial Shareholders)

	No. of shares held			
Name of shareholders	Direct	%^	Indirect	%^
Tan Sri Dato' Lee Shin Cheng	46,022,670	0.78	*2,414,961,243	40.77
Puan Sri Datin Hoong May Kuan	–	–	**2,460,983,913	41.55
Dato' Lee Yeow Chor	6,713,000	0.11	***2,407,062,843	40.64
Lee Yeow Seng	1,185,400	0.02	***2,407,062,843	40.64
Progressive Holdings Sdn Bhd	2,407,062,843	40.64	–	–
Employees Provident Fund Board	607,175,500	10.25	@31,172,475	0.53

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

*** Deemed interested by virtue of his interests in Progressive Holdings Sdn Bhd.

@ Shares managed by Portfolio Managers.

^ Based on the total no. of voting shares as at 29 August 2008 after adjusting for 3,975,700 treasury shares bought back for the period 27 August 2008 to 29 August 2008.

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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-Ninth Annual General Meeting of the Company to be held at Putrajaya Ballroom I (Level III), Putrajaya Marriott Hotel, IOI Resort, 62502 Putrajaya, Malaysia on Wednesday, 22 October 2008 at 10.30 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 2008 and the Reports of the Directors and Auditors thereon		
2	To re-elect Datuk Hj Mohd Khalil b Dato' Hj Mohd Noor as a Director		
3	To re-elect Mr Quah Poh Keat as a Director		
4	To re-elect Mr Lee Yeow Seng as a Director		
5	To re-appoint Mr Chan Fong Ann pursuant to Section 129 of the Companies Act, 1965		
6	To approve Directors' Fees		
7	To re-appoint BDO Binder as Auditors and to authorise the Directors to fix their remuneration		
8	To authorise the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
9	To approve the proposed renewal of existing share buy-back authority		
10	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%

No. of Shares Held : ______________
CDS A/C No. : ______________

Dated this _______day of _______________ 2008.

____
Signature of Shareholder

Notes

1 A member may appoint any person to be his proxy and the provision 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 A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. If a member appoints two (2) proxies to attend at the same meeting, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.
4 An instrument appointing a proxy may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument.
5 An instrument appointing a proxy must be deposited at the Company's registered office at Two IOI Square, IOI Resort, 62502 Putrajaya, Malaysia, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

fold here

stamp

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

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www.ioigroup.com