

# KUMPULAN GUTHRIE BERHAD

(Company No.: 4001P)

(Incorporated in Malaysia)

## INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2006

### I. Unaudited Condensed Consolidated Income Statements

	Note	Current Quarter Three Months Ended		Cumulative Quarter Six Months Ended	
		30.6.2006 RM'000	30.6.2005 RM'000	30.6.2006 RM'000	30.6.2005 RM'000
<u>Continuing Operations</u>					
Revenue	10	661,907	561,087	1,084,102	967,977
Cost of sales		(417,353)	(334,056)	(685,182)	(607,220)
Gross profit		244,554	227,031	398,920	360,757
Distribution costs		(4,080)	(5,101)	(9,094)	(9,413)
Administration expenses		(34,490)	(32,274)	(62,523)	(60,348)
Other expenses		(53,177)	(52,875)	(101,603)	(101,658)
Other income		2,556	12,364	12,387	18,426
Gain on disposal of discontinued operations		-	4,494	-	4,494
Net unrealised exchange gain/(loss)		(12,496)	(19,372)	87,378	(38,764)
		142,867	134,267	325,465	173,494
Finance expense		(41,349)	(40,247)	(84,534)	(77,528)
Finance income		8,665	7,592	21,439	14,874
Investment income		264	802	2,298	1,246
Share of results of associates		(294)	(83)	427	641
<b>Profit before tax</b>	10	110,153	102,331	265,095	112,727
Income tax expense	20	(36,992)	(38,328)	(76,909)	(57,260)
Profit for the period from continuing operations		73,161	64,003	188,186	55,467
<u>Discontinued Operations</u>					
Loss for the period from discontinued operations		-	(5,590)	-	(8,555)
<b>Profit for the period</b>		73,161	58,413	188,186	46,912
Profit for the period attributable to:					
Equity holders of the parent		32,901	28,142	129,967	4,744
Minority interests		40,260	30,271	58,219	42,168
		73,161	58,413	188,186	46,912
<b>Earnings per share, attributable to equity holders of the parent (sen):</b>					
Basic:					
Profit from continuing operations	29	3.28	3.36	12.95	1.33
Loss from discontinued operations		-	(0.56)	-	(0.85)
		3.28	2.81	12.95	0.47
Diluted:					
Profit from continuing operations		3.24	3.34	12.81	1.32
Loss from discontinued operations		-	(0.55)	-	(0.85)
		3.24	2.78	12.81	0.47

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

# KUMPULAN GUTHRIE BERHAD

(Company No.: 4001P)  
(Incorporated in Malaysia)

## II. Condensed Consolidated Balance Sheets

	Note	Unaudited as at 30.6.2006 RM'000	Audited as at 31.12.2005 RM'000
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	5,057,888	5,043,192
Land held for property development		389,696	399,074
Investment in associated companies		14,153	13,795
Concession asset		584,232	585,742
Other investments		2,550	2,550
Long-term trade receivables		34,854	-
Advances for plasma and KKPA projects		26,150	41,423
Prepaid lease payments		317,815	320,433
Deferred tax assets		178,188	195,777
Goodwill on consolidation		254,872	261,510
		6,860,398	6,863,496
<b>Current assets</b>			
Property development costs		400,801	392,092
Inventories		234,828	191,066
Trade and other receivables		456,807	522,235
Short-term investments		31,598	22,866
Deposits, bank balances and cash		783,510	709,067
		1,907,544	1,837,326
Assets of disposal group held for sale		22,495	-
		1,930,039	1,837,326
<b>Total assets</b>		<b>8,790,437</b>	<b>8,700,822</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		1,008,779	1,006,939
Share premium		10,253	8,178
Revaluation reserve		682,955	699,257
Capital reserve		58,761	53,860
Exchange reserve		23,425	(4,881)
Share option reserve		373	-
Held for sale		8,270	-
Revenue reserve		1,185,199	1,095,680
		2,978,015	2,859,033
<b>Minority interests</b>		1,548,052	1,536,534
<b>Total equity</b>		4,526,067	4,395,567
<b>Non-current liabilities</b>			
Borrowings		2,576,832	2,620,673
Deferred income		1,537	1,785
Deferred tax liabilities		712,545	708,170
Retirement benefits		16,776	15,384
		3,307,690	3,346,012
<b>Current liabilities</b>			
Trade and other payables		555,826	498,708
Bank borrowings		315,072	426,570
Taxation		42,203	25,635
Deferred income		-	8,330
Dividend payable		43,579	-
		956,680	959,243
<b>Total liabilities</b>		4,264,370	4,305,255
<b>Total equity and liabilities</b>		<b>8,790,437</b>	<b>8,700,822</b>

The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

**KUMPULAN GUTHRIE BERHAD**

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(Incorporated in Malaysia)

**III. Condensed Consolidated Statement of Changes in Equity for the Six Months Ended 30 June 2006**

	-----Equity Attributable to Equity Holders of the Parent-----										
	<u>Share Capital</u>	<u>Share Premium</u>	<u>Revaluation Reserve</u>	<u>Capital Reserve</u>	<u>Exchange Reserve</u>	<u>Share Option Reserve</u>	<u>Held for Sale</u>	<u>Revenue Reserve</u>	<u>Total</u>	<u>Minority Interests</u>	<u>Total Equity</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Six Months Ended 30 June 2005</b>											
At 1 January 2005	1,005,419	6,472	715,555	54,305	72,476	-	-	1,095,322	2,949,549	1,541,987	4,491,536
Foreign currency translation	-	-	-	-	(57,321)	-	-	-	(57,321)	(18,635)	(75,956)
Transfers (from)/to reserves	-	-	(7,741)	-	-	-	-	7,741	-	-	-
Net income/(expense) recognised directly in equity	-	-	(7,741)	-	(57,321)	-	-	7,741	(57,321)	(18,635)	(75,956)
Profit for the period	-	-	-	-	-	-	-	4,744	4,744	42,168	46,912
Total recognised income/(expense) for the period	-	-	(7,741)	-	(57,321)	-	-	12,485	(52,577)	23,533	(29,044)
Issue of shares pursuant to the Second Employees' Share Option Scheme (ESOS)	1,068	1,204	-	-	-	-	-	-	2,272	-	2,272
Dividend payable	-	-	-	-	-	-	-	(36,234)	(36,234)	-	(36,234)
At 30 June 2005	1,006,487	7,676	707,814	54,305	15,155	-	-	1,071,573	2,863,010	1,565,520	4,428,530
<b>Six Months Ended 30 June 2006</b>											
At 1 January 2006	1,006,939	8,178	699,257	53,860	(4,881)	-	-	1,095,680	2,859,033	1,536,534	4,395,567
Foreign currency translation	-	-	-	-	28,306	-	-	-	28,306	4,365	32,671
Transfers (from)/to reserves	-	-	(8,032)	4,901	-	-	-	3,131	-	-	-
Amount recognised directly in equity relating to assets classified as held for sale	-	-	(8,270)	-	-	-	8,270	-	-	-	-
Net income/(expense) recognised directly in equity	-	-	(16,302)	4,901	28,306	-	8,270	3,131	28,306	4,365	32,671
Profit for the period	-	-	-	-	-	-	-	129,967	129,967	58,219	188,186
Total recognised income/(expense) for the period	-	-	(16,302)	4,901	28,306	-	8,270	133,098	158,273	62,584	220,857
Issue of shares pursuant to the Second Employees' Share Option Scheme (ESOS)	1,840	2,075	-	-	-	-	-	-	3,915	-	3,915
Share-based payment under ESOS	-	-	-	-	-	373	-	-	373	-	373
Dividend payable	-	-	-	-	-	-	-	(43,579)	(43,579)	(51,066)	(94,645)
At 30 June 2006	1,008,779	10,253	682,955	58,761	23,425	373	8,270	1,185,199	2,978,015	1,548,052	4,526,067

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

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## IV. Condensed Consolidated Cash Flow Statements

	Six Months Ended	
	30.6.2006	30.6.2005
	RM'000	RM'000
Net cash from operating activities	350,667	254,405
Net cash used in investing activities	(126,622)	(114,595)
Net cash used in financing activities	<u>(141,242)</u>	<u>(49,071)</u>
Net increase in cash and cash equivalents	82,803	90,739
Cash and cash equivalents at beginning of financial period	697,621	795,426
Effects of changes in exchange rates	<u>3,086</u>	<u>(3,984)</u>
Cash and cash equivalents at end of financial period	<u><u>783,510</u></u>	<u><u>882,181</u></u>

Cash and cash equivalents at the end of the financial period comprise the following:

	As at	As at
	30.6.2006	30.6.2005
	RM'000	RM'000
Deposits, bank balances and cash	783,510	902,855
Less:		
Fixed deposits with licensed banks, pledged for banking facilities	<u>-</u>	<u>(20,674)</u>
	<u><u>783,510</u></u>	<u><u>882,181</u></u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

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## PART A - EXPLANATORY NOTES PURSUANT TO FRS 134

### 1. Basis of Preparation

The interim financial statements are unaudited and are prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005. These explanatory notes, attached to the interim financial statements, provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2005.

### 2. Accounting Policies

The significant accounting policies adopted by the Group for the interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006:

- FRS 2 Share-based Payment
- FRS 3 Business Combinations
- FRS 5 Non-Current Assets Held for Sale and Discontinued Operations
- FRS 101 Presentation of Financial Statements
- FRS 102 Inventories
- FRS 108 Accounting Policies, Changes in Estimates and Errors
- FRS 110 Events after the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 121 The Effects of Changes in Foreign Exchange Rates
- FRS 127 Consolidated and Separate Financial Statements
- FRS 128 Investments in Associates
- FRS 131 Interest in Joint Ventures
- FRS 132 Financial Instruments: Disclosure and Presentation
- FRS 133 Earnings per Share
- FRS 136 Impairment of Assets
- FRS 138 Intangible Assets
- FRS 140 Investment Property

In addition to the above, the Group has also opted for early adoption of the following new/revised FRS for the financial period beginning 1 January 2006:

- FRS 117 Leases
- FRS 124 Related Party Transactions

The adoption of the FRS listed above, other than those stated below, does not have any financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the new/revised FRSs are as follows:

(a) FRS 2: Share-based Payment

FRS 2 requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company operates an equity-settled, share-based compensation plan for the eligible employees of the Group, the Kumpulan Guthrie Berhad Second Employees' Share Option Scheme ("Second ESOS"). Prior to 1 January 2006, no compensation expense was recognised in the income statement for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised 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 option is computed using Black Scholes model.

Under the transitional provision of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet vested on 1 January 2006. In respect of the Second ESOS of the Company, all share options granted after 31 December 2004 are already vested on 1 January 2006, and as such there is no retrospective application and restatement of comparative amounts as at 31 December 2005. The financial impact to the Group arising from this change in accounting policy on the share options granted and vested for the financial period ended 30 June 2006, is a charge to the income statement amounting to RM372,967 and is accounted for as follows:

	<b>Six months ended 30.6.2006 RM'000</b>	<b>Six months ended 30.6.2005 RM'000</b>
Decrease in profit for the period	(373)	-
Increase in share option reserve	373	-
	<hr/>	<hr/>

(b) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The adoption of the new FRS 3 and the consequential changes of FRS 136 and FRS 138 have resulted in a change in the accounting policy relating to goodwill acquired in business combinations.

The adoption of these new and revised FRSs has resulted in the Group ceasing annual amortisation of goodwill. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in the income statement and subsequent reversal is not allowed.

Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 20 years. This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. However, in accordance with the transitional provisions of FRS 3, the Group is required to eliminate at 1 January 2006 the carrying amount of the accumulated amortisation of RM85,887,000 against the carrying amount of goodwill. The carrying amount of goodwill as at 1 January 2006 of RM261,525,000 has ceased to be amortised. The effect of this has reduced amortisation charges by RM9,419,000 for the six months ended 30 June 2006.

(c) FRS 5: Non-Current Assets Held for Sale and Discontinued Operations

The Group has applied FRS 5 prospectively in accordance with its transitional provisions, which has resulted in a change in the accounting policy on the recognition of assets held for sale.

An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The assets and liabilities of assets classified as held for sale are measured in accordance with FRS 5. Immediately before classification as held for sale, the carrying amounts of all the assets and liabilities is measured in accordance with applicable FRSs. On initial classification as held for sale, the asset is recognised at the lower of carrying amount and fair value less costs to sell.

Arising from the Sale and Purchase Agreements entered into on 5 May 2006 by certain subsidiary companies of the Group for the sale of 2,285.5 acres of Ladang Bertam, the assets amounting to RM22,495,000 have been reclassified to "non-current assets held for sale" and the revaluation reserve attributable to the assets amounting to RM8,270,000 has been reclassified to equity attributable to non-current assets held for sale.

(d) FRS 101: Presentation of Financial Statements

The adoption of FRS 101 has affected the presentation of minority interests in the consolidated balance sheet, share of results of associates, net of tax and minority interests and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority holders.

The presentation of the Group's financial statements for the current period is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

(e) FRS 117: Leases

FRS 117 requires the leasehold land for own use to be accounted for as being held under operating lease. Leasehold land will no longer be revalued. As allowed by the transitional provisions of FRS 117, where the leasehold land had been previously revalued, the unamortised revalued amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments. Such prepaid lease payments are amortised on a straight line basis over the remaining lease term of the land.

Prior to 1 January 2006, leasehold land was classified under property, plant and equipment and was stated at valuation less accumulated depreciation and impairment losses. The leasehold land was last revalued in 2003.

With the adoption FRS 117, the unamortised revalued amount of leasehold land has been reclassified from property, plant and equipment to prepaid lease payments. There is no financial impact to the Group on the adoption of FRS 117 but certain comparative figures have been restated to conform with the current period's presentation.

### 3. Comparatives

The following comparative amounts have been restated due to the adoption of new and revised FRS:

	Previously <u>Stated</u> RM'000	<u>Reclassified</u> RM'000	<u>Restated</u> RM'000
<b>Quarter ended 30 June 2005</b>			
<u>FRS 101</u>			
<u>Continuing Operations</u>			
Share of results of associates	(83)	-	(83)
Profit before tax	96,741	5,590	102,331
Taxation	(38,328)	-	(38,328)
 <u>Discontinued Operations</u>			
Loss from discontinued operations	-	(5,590)	(5,590)
 <b>Cumulative Quarter ended 30 June 2005</b>			
<u>FRS 101</u>			
<u>Continuing Operations</u>			
Share of results of associates	625	16	641
Profit before tax	104,156	8,571	112,727
Taxation	(57,244)	(16)	(57,260)
 <u>Discontinued Operations</u>			
Loss from discontinued operations	-	(8,555)	(8,555)
 <b>At 31 December 2005</b>			
<u>FRS 117</u>			
Property, plant and equipment	5,363,625	(320,433)	5,043,192
Prepaid lease payments	-	320,433	320,433

#### **4. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 December 2005 was not qualified.

#### **5. Comments About Seasonal or Cyclical Factors**

The businesses of the Group is affected by the seasonal production of fresh fruit bunches.

#### **6. Material Items that Affect the Financial Statements**

There were no material items that affect the financial statements for the financial period ended 30 June 2006.

#### **7. Changes in Accounting Estimates**

There were no changes in estimates of amounts reported in prior interim periods of the current financial period or in prior financial years that have a material effect in the current quarter.

#### **8. Debt and Equity Securities**

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations or shares held as treasury shares and resale of treasury shares for the financial period ended 30 June 2006, except for the issuance of new ordinary shares under the Second Employees' Share Option Scheme ("Second ESOS").

During the period, the Company issued 1,840,100 new ordinary shares of RM1 each pursuant to the Second ESOS at option prices between RM1.94 and RM2.41 per share. The total cash proceeds arising from the exercise of options under the Second ESOS amounted to RM3,915,000. The issued and paid-up share capital of the Company was increased from 1,006,939,300 ordinary shares of RM1 each to 1,008,779,400 ordinary shares of RM1 each. Share premium arising from the issue amounted to RM2,075,000.

#### **9. Dividend Paid**

No dividend was paid during the financial period ended 30 June 2006.

## 10. Segment Information

Segment information is presented in respect of the Group's business segments.

	Current Quarter		Cumulative Quarter	
	Three Months Ended	Three Months Ended	Six Months Ended	Six Months Ended
	30.6.2006	30.6.2005	30.6.2006	30.6.2005
	RM'000	RM'000	RM'000	RM'000
<b>Revenue:</b>				
Plantation				
- Malaysia	205,577	202,126	330,668	358,184
- Indonesia	258,959	220,078	456,651	373,949
	<u>464,536</u>	<u>422,204</u>	<u>787,319</u>	<u>732,133</u>
Agricultural services	5,283	5,562	10,663	10,617
Property development	158,996	100,082	222,497	159,650
Manufacturing	21,665	28,678	41,126	54,142
General trading	-	12	-	1,045
Investment & Others	11,427	4,549	22,497	10,390
	<u>661,907</u>	<u>561,087</u>	<u>1,084,102</u>	<u>967,977</u>
<b>Profit before tax:</b>				
Plantation Malaysia	54,959	52,743	76,237	80,403
Plantation Indonesia	50,841	46,201	98,721	64,234
	<u>105,800</u>	<u>98,944</u>	<u>174,958</u>	<u>144,637</u>
Agricultural services	2,654	4,432	5,649	7,969
Property development	52,845	56,078	66,568	71,706
Manufacturing	(766)	(5,124)	(2,821)	(4,161)
General trading	138	(366)	117	(1,302)
Investment & Others	(5,308)	(325)	(6,384)	(6,591)
	<u>155,363</u>	<u>153,639</u>	<u>238,087</u>	<u>212,258</u>
Unrealised exchange gain/(loss)	(12,496)	(19,372)	87,378	(38,764)
Finance expense	(41,349)	(40,247)	(84,534)	(77,528)
Finance income	8,665	7,592	21,439	14,874
Investment income	264	802	2,298	1,246
Share of results of associates	(294)	(83)	427	641
	<u>110,153</u>	<u>102,331</u>	<u>265,095</u>	<u>112,727</u>

## 11. Carrying Amount of Revalued Assets

The valuation of property, plant and equipment in the financial statements have been brought forward without amendment from the financial statements for the year ended 31 December 2005.

## 12. Material Events Subsequent to the End of the Financial Period

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the period.

### 13. Changes in the Composition of the Group

There were no changes in the composition of the Group for the financial period ended 30 June 2006.

### 14. Changes in Contingent Assets and Contingent Liabilities

As at the date of this announcement, there were no material changes in contingent assets and contingent liabilities since the last annual balance sheet date, as at 31 December 2005.

### 15. Capital Commitments

Capital commitments not provided for in the financial statements are as follows:

	<b>RM'000</b>
Property, plant and equipment:	
Approved and contracted for	24,124
Approved but not contracted for	216,095
Concession asset	209
	<u>240,428</u>

## **PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

### **16. Review of Performance**

The Group recorded a pre-tax profit of RM265.1 million for the six months ended 30 June 2006, an increase of RM152.4 million (135.2%) as compared to that for 2005 of RM112.7 million. The higher performance of the Group for the current period is attributable to a large extent on the strengthening of Ringgit and Rupiah against US Dollar which resulted in an unrealised exchange gain of RM87.4 million as compared to an unrealised exchange loss of RM38.8 million in 2005. Excluding the effect of foreign exchange, the pre-tax profit of the Group at RM177.7 million increased by RM26.2 million or 17.3% from that of the previous period.

The profit after tax of the Group for the period under review increased by RM141.3 million as compared to that for 2005 of RM46.9 million, reflecting earnings per share of 12.9 sen as against 0.5 sen for 2005.

Contributions from Plantation Indonesia increased by RM34.5 million or 53.7%, from that of the previous period attributable to higher fresh fruit bunches production and higher average realised palm oil price. FFB production increased by 292,853 tonnes or 26.7%, at 1,390,557 tonnes as compared to 1,097,704 tonnes for the corresponding period of 2005. Average realised palm oil price was also higher at RM1,297 per tonne compared to RM1,287 per tonne in 2005.

Contributions from Plantation Malaysia declined by RM4.2 million or 5.2% mainly due to lower sales volume of palm oil and palm kernel by 11.3% and 12.9% respectively. Prices realised for palm oil was higher at RM1,401 per tonne as compared to RM1,372 per tonne in 2005.

Property development registered a drop in contribution to the Group by RM5.1 million as compared to the corresponding period for 2005 as a result of lower sales for the period.

### **17. Comment on Material Changes in Profit before Taxation for the Current Quarter as Compared with the Immediate Preceding Quarter**

For the financial quarter ended 30 June 2006, the Group registered a pre-tax profit of RM110.2 million, as compared to RM155 million for the immediate preceding quarter ended 31 March 2006.

The lower profit recorded for the current quarter by RM44.8 million was largely attributable to the unrealised exchange loss of RM112.4 million and higher loss recorded from Investment & Others by RM4.2 million, but recovered by higher contribution from plantation and property by RM36.6 million and RM39.1 million, respectively.

## 18. Current Year Prospects

The performance of the Group for 2006 is expected to be better than that of 2005 in view of the projected higher production of fresh fruit bunches and the higher palm oil prices. Earnings from property development is also expected to be sustained.

## 19. Profit Forecast or Profit Guarantee

Not applicable as no profit forecast was published.

## 20. Income Tax Expense

Income tax expense comprises the following:

	<b>Current Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>30.6.2006</b>	<b>30.6.2005</b>	<b>30.6.2006</b>	<b>30.6.2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian taxation:				
Group Companies				
Current period provision	10,863	27,713	31,081	39,515
Under/(Over) provision in prior years	4,633	(268)	4,400	706
Deferred tax liabilities	(619)	(638)	(4,892)	(2,046)
Deferred tax assets	6,717	3,011	8,608	3,659
	<u>21,594</u>	<u>29,818</u>	<u>39,197</u>	<u>41,834</u>
Overseas taxation:				
Group Companies				
Current period provision	18,438	9,321	40,151	16,757
Under/ (Over) provision in prior years	-	8,555	(3,003)	7,500
Deferred tax liabilities	(3,966)	(3,927)	(7,951)	(7,960)
Deferred tax assets	926	(5,439)	8,515	(871)
	<u>15,398</u>	<u>8,510</u>	<u>37,712</u>	<u>15,426</u>
<b>TOTAL</b>	<u><u>36,992</u></u>	<u><u>38,328</u></u>	<u><u>76,909</u></u>	<u><u>57,260</u></u>

The effective tax rate of the Group is higher than the statutory tax rate applicable in Malaysia due to underprovision for deferred tax liabilities in prior years.

## 21. Sale of Unquoted Investments and Properties

There were no sale of unquoted investments and/or properties outside the ordinary course of business of the Group for the financial period ended 30 June 2006.

## 22. Quoted Securities

(a) Total purchases and sales of quoted securities are as follows:

	Current Quarter		Cumulative Quarter	
	Three Months Ended	Three Months Ended	Six Months Ended	Six Months Ended
	30.6.2006	30.6.2005	30.6.2006	30.6.2005
	RM'000	RM'000	RM'000	RM'000
Purchase consideration	839	888	2,644	2,329
Sale proceeds	633	565	2,065	1,977
Gain/ (Loss) on disposals	21	-	(581)	198

(b) Investments in quoted securities, other than securities in existing subsidiaries, as at 30 June 2006 are as follows:

	At Cost	At Book	At Market
	RM'000	Value	Value
	RM'000	RM'000	RM'000
Investments in quoted securities in Malaysia	21,432	14,092	15,194

## 23. Status of Corporate Proposals

There are no outstanding corporate proposals at the date of this report.

## 24. Group Borrowings and Debt Securities

The Group's borrowings as at 30 June 2006 are as follows:

	RM'000
<b><u>Short-term borrowings</u></b>	
- Unsecured (denominated in Ringgit Malaysia)	248,529
Current portion of long-term loans denominated in Ringgit Malaysia	
- Unsecured	48,375
Current portion of long-term loans denominated in foreign currencies	
- Secured	18,168
	<u>315,072</u>
<b><u>Long-term borrowings</u></b>	
- Secured (denominated in foreign currencies)	522,996
- Unsecured (denominated in Ringgit Malaysia)	670,625
- Unsecured (denominated in foreign currencies)	1,396,310
	<u>2,589,931</u>

Borrowings denominated in foreign currencies, in Ringgit Malaysia equivalent, are as follows:

	<b>RM'000</b>
- US Dollar	1,907,316
- Indonesian Rupiah	30,158
	1,937,474

## 25. Off Balance Sheet Financial Instruments

### (a) Interest Rate Option Contracts

As at 23 August 2006, (being a date not earlier than 7 days from the date of issue of the quarterly report), the Group has entered into the following interest rate swap ("IRS") agreements:

Interest Rate Swap	Derivative Product	Notional Amount	Effective Period	Weighted Average Rate Per Annum
Floating rate liabilities to fixed rate liabilities	Plain Vanilla	USD210 million	28/02/06 to 28/02/08	4.8% - 5.15%
	CMS Spread Range Accrual Swap		28/02/08 to 29/08/12	4.98% - 5.15%
Floating rate liabilities to fixed rate liabilities	Plain Vanilla	USD150 million	28/02/06 to 28/02/09	4.795% - 5.00%
Participation in floating rate	LIBOR Range Accrual Swap		28/02/09 to 29/08/12	Floating but capped at 6.0% provided the 6M LIBOR is within the specified ranges
Floating rate liabilities to fixed rate liabilities	Plain Vanilla	USD9.8 million	27/07/06 to 26/07/10	5.60% - 6.425%
	CMS Spread Range Accrual Swap		27/07/07 to 26/07/10	5.60%
Fixed rate liabilities to floating rate liabilities	Plain Vanilla	RM40 million	19/03/04 to 18/03/11	6M KLIBOR + 1.8%

Any differential to be paid or received on the IRS agreements is recognised as a component of interest expense over the period of the contracts. Gains or losses on early termination of the IRS contracts or on repayment of the borrowings are taken to the income statement.

All the above instruments were executed with creditworthy financial institutions and the directors are of the view that the possibility of non-performance by these financial institutions is unlikely on the basis of their financial strength.

## (b) Foreign Currency Contracts

As at 23 August 2006, the Group has entered into forward sale of foreign currency for USD1,400,000 at RM5,101,000 for value between 29 August 2006 to 26 December 2006. These contracts were entered into as hedges for committed sales denominated in foreign currencies and to limit the exposure to potential changes in foreign exchange rates.

The related accounting policies for the off balance sheet financial instruments are as disclosed in the financial statements for the year ended 31 December 2005.

## 26. Changes in Material Litigation

As at the date of this announcement, other than as disclosed below, there have been no changes to the status of the material litigations as disclosed in the financial statements for the year ended 31 December 2005:

### (a) Damages/alleged losses suffered due to open burning

In 1998, several legal suits were filed against certain subsidiary companies in Indonesia for alleged damages/losses suffered of approximately Rp427 billion (equivalent to RM173 million) due to alleged open burning to clear land by the subsidiary companies which had spread onto the plaintiffs' land. Since 31 December 2005, the Supreme Court had ordered the subsidiary companies to pay the sum of Rp150,000,000 (approximately RM60,000) to the plaintiffs and ordered that the subsidiary companies implement a fire management system and to set up a new fire prevention system.

## 27. Dividend Payable

The Board has declared an interim dividend of 6 sen per share, less tax (2005: 4 sen per share, less tax) absorbing a total of RM43,579,000 (2005: RM28,987,000) payable on 29 September 2006 to shareholders (who are exempted from mandatory deposit) and depositors registered in the Register of Members and Record of Depositors respectively on 18 September 2006.

## 28. Notice of Dividend Entitlement

Duly completed transfers received by the Company's Share Registrar, Symphony Share Registrars Sdn. Bhd., Level 26 Menara Multi-Purpose, Capital Square, No.8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia up to the close of business of the Registrar at 4.30 p.m. on Monday, 18 September 2006 will be registered before entitlements to the above dividend are determined.

A depositor shall qualify for entitlement only in respect of:

- (a) Shares deposited into the Depositors' Securities Account before 12.30 p.m. on 14 September 2006 in respect of shares which are exempted from mandatory deposit;
- (b) Shares transferred into the Depositors' Securities Account before 4 p.m. on 18 September 2006 in respect of transfers; and

- (c) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

## 29. Earnings per Share

	Current Quarter		Cumulative Quarter	
	Three Months Ended 30.6.2006	30.6.2005	Six Months Ended 30.6.2006	30.6.2005
<b>(a) Basic</b>				
Profit attributable to ordinary equity holders of the parent (RM'000):				
Profit from continuing operations	32,901	33,732	129,967	13,299
Loss from discontinued operations	-	(5,590)	-	(8,555)
	<u>32,901</u>	<u>28,142</u>	<u>129,967</u>	<u>4,744</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,003,442</u>	<u>1,002,547</u>	<u>1,003,442</u>	<u>1,002,547</u>
Basic earnings per share (sen) for:				
Profit from continuing operations	3.28	3.36	12.95	1.33
Loss from discontinued operations	-	(0.56)	-	(0.85)
Profit for the period	<u>3.28</u>	<u>2.81</u>	<u>12.95</u>	<u>0.47</u>
<b>(b) Diluted</b>				
Profit attributable to ordinary equity holders of the parent (RM'000):				
Profit from continuing operations	32,901	33,732	129,967	13,299
Loss from discontinued operations	-	(5,590)	-	(8,555)
	<u>32,901</u>	<u>28,142</u>	<u>129,967</u>	<u>4,744</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,003,442</u>	<u>1,002,547</u>	<u>1,003,442</u>	<u>1,002,547</u>
Effects of dilution on share options ('000)	<u>11,157</u>	<u>8,189</u>	<u>11,157</u>	<u>8,189</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>1,014,599</u>	<u>1,010,736</u>	<u>1,014,599</u>	<u>1,010,736</u>
Diluted earnings per share (sen) for:				
Profit from continuing operations	3.24	3.34	12.81	1.32
Loss from discontinued operations	-	(0.55)	-	(0.85)
Profit for the period	<u>3.24</u>	<u>2.78</u>	<u>12.81</u>	<u>0.47</u>

### 30. Authorised for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 August 2006.

29 August 2006  
Kuala Lumpur

By Order of the Board  
Moriame Mohd  
Company Secretary

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