

KUMPULAN GUTHRIE BERHAD

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

INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006

I. Unaudited Condensed Consolidated Income Statements

	Note	Current Quarter Three Months Ended		Cumulative Quarter Nine Months Ended	
		30.9.2006 RM'000	30.9.2005 RM'000	30.9.2006 RM'000	30.9.2005 RM'000
<u>Continuing Operations</u>					
Revenue	10	612,016	550,514	1,696,118	1,518,491
Cost of sales		(376,080)	(378,261)	(1,061,262)	(985,481)
Gross profit		235,936	172,253	634,856	533,010
Distribution costs		(3,795)	(5,651)	(12,889)	(15,064)
Administration expenses		(30,374)	(32,575)	(92,897)	(92,923)
Other expenses		(51,938)	(45,222)	(153,541)	(146,880)
Other income		5,448	11,199	17,835	29,625
Gain on disposal of discontinued operations		-	-	-	4,494
Net unrealised exchange gain/(loss)		1,648	(26,494)	89,026	(65,258)
		156,925	73,510	482,390	247,004
Finance expense		(41,378)	(37,896)	(125,912)	(115,424)
Finance income		8,243	9,344	29,682	24,218
Investment income		111	77	2,409	1,323
Share of results of associates		2,013	(144)	2,440	497
Profit before tax	10	125,914	44,891	391,009	157,618
Income tax expense	20	(32,350)	(25,606)	(109,259)	(82,866)
Profit for the period from continuing operations		93,564	19,285	281,750	74,752
<u>Discontinued Operations</u>					
Loss for the period from discontinued operations		-	-	-	(8,555)
Profit for the period		93,564	19,285	281,750	66,197
Profit for the period attributable to:					
Equity holders of the parent		59,920	1,592	189,887	6,336
Minority interests		33,644	17,693	91,863	59,861
		93,564	19,285	281,750	66,197
Earnings per share, attributable to equity holders of the parent (sen):					
Basic:					
Profit from continuing operations	27	5.94	0.16	18.82	1.48
Loss from discontinued operations		-	-	-	(0.85)
		5.94	0.16	18.82	0.63
Diluted:					
Profit from continuing operations		5.93	0.16	18.78	1.47
Loss from discontinued operations		-	-	-	(0.84)
		5.93	0.16	18.78	0.63

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.

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II. Condensed Consolidated Balance Sheets

	Note	Unaudited as at 30.9.2006 RM'000	Audited as at 31.12.2005 RM'000
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment	11	2,578,763	2,535,812
Plantation development expenditure		2,492,774	2,480,611
Prepaid lease payments		344,255	347,202
Land held for property development		326,282	399,074
Investment in associated companies		16,464	13,795
Concession asset		583,107	585,742
Other investments		2,550	2,550
Advances for plasma and KKPA projects		25,122	41,423
Deferred tax assets		173,869	195,777
Goodwill on consolidation		260,757	261,510
		<u>6,803,943</u>	<u>6,863,496</u>
Current assets			
Property development costs		466,088	392,092
Inventories		262,125	191,066
Trade and other receivables		430,408	522,235
Short-term investments		35,149	22,866
Deposits, bank balances and cash		791,495	709,067
		<u>1,985,265</u>	<u>1,837,326</u>
Assets of disposal group held for sale		41,130	-
		<u>2,026,395</u>	<u>1,837,326</u>
Total assets		<u>8,830,338</u>	<u>8,700,822</u>
<u>EQUITY AND LIABILITIES</u>			
Equity attributable to equity holders of the parent			
Share capital		1,016,116	1,006,939
Share premium		18,821	8,178
Revaluation reserve		683,411	699,257
Capital reserve		53,860	53,860
Exchange reserve		33,773	(4,881)
Share option reserve		2,579	-
Held for sale		8,270	-
Revenue reserve		1,205,672	1,095,680
		<u>3,022,502</u>	<u>2,859,033</u>
Minority interests		1,514,896	1,536,534
Total equity		<u>4,537,398</u>	<u>4,395,567</u>
Non-current liabilities			
Borrowings		2,568,006	2,620,673
Deferred income		1,527	1,785
Deferred tax liabilities		710,005	708,170
Retirement benefits		17,704	15,384
		<u>3,297,242</u>	<u>3,346,012</u>
Current liabilities			
Trade and other payables		553,752	498,708
Bank borrowings		339,556	426,570
Taxation		57,071	25,635
Deferred income		-	8,330
Dividend payable		43,892	-
		<u>994,271</u>	<u>959,243</u>
Liabilities of disposal group classified as held for sale		1,427	-
		<u>995,698</u>	<u>959,243</u>
Total liabilities		<u>4,292,940</u>	<u>4,305,255</u>
Total equity and liabilities		<u>8,830,338</u>	<u>8,700,822</u>

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.

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III. Condensed Consolidated Statement of Changes in Equity for the Nine Months Ended 30 September 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
Nine Months Ended 30 September 2005											
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	-	-	-	-	(87,899)	-	-	-	(87,899)	(41,928)	(129,827)
Transfers (from)/to reserves	-	-	(13,001)	(445)	-	-	-	13,446	-	-	-
Net income/(expense) recognised directly in equity	-	-	(13,001)	(445)	(87,899)	-	-	13,446	(87,899)	(41,928)	(129,827)
Profit for the period	-	-	-	-	-	-	-	6,336	6,336	59,861	66,197
Total recognised income/(expense) for the period	-	-	(13,001)	(445)	(87,899)	-	-	19,782	(81,563)	17,933	(63,630)
Issue of shares pursuant to the Second Employees' Share Option Scheme (ESOS)	1,383	1,553	-	-	-	-	-	-	2,936	-	2,936
Dividend payable	-	-	-	-	-	-	-	(65,229)	(65,229)	(29,740)	(94,969)
At 30 September 2005	1,006,802	8,025	702,554	53,860	(15,423)	-	-	1,049,875	2,805,693	1,530,180	4,335,873
Nine Months Ended 30 September 2006											
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	-	-	-	-	38,654	-	-	-	38,654	6,254	44,908
Transfers (from)/to reserves	-	-	(7,576)	-	-	-	-	7,576	-	-	-
Amount recognised directly in equity relating to assets classified as held for sale	-	-	(8,270)	-	-	-	8,270	-	-	-	-
Net income/(expense) recognised directly in equity	-	-	(15,846)	-	38,654	-	8,270	7,576	38,654	6,254	44,908
Profit for the period	-	-	-	-	-	-	-	189,887	189,887	91,863	281,750
Total recognised income/(expense) for the period	-	-	(15,846)	-	38,654	-	8,270	197,463	228,541	98,117	326,658
Issue of shares pursuant to the Second Employees' Share Option Scheme (ESOS)	9,177	10,643	-	-	-	-	-	-	19,820	-	19,820
Share-based payment under ESOS	-	-	-	-	-	2,579	-	-	2,579	-	2,579
Dividend payable	-	-	-	-	-	-	-	(87,471)	(87,471)	(119,755)	(207,226)
At 30 September 2006	1,016,116	18,821	683,411	53,860	33,773	2,579	8,270	1,205,672	3,022,502	1,514,896	4,537,398

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

	Nine Months Ended	
	30.9.2006	30.9.2005
	RM'000	RM'000
Net cash from operating activities	589,945	308,872
Net cash used in investing activities	(264,984)	(144,261)
Net cash used in financing activities	<u>(234,964)</u>	<u>(195,814)</u>
Net increase in cash and cash equivalents	89,997	(31,203)
Cash and cash equivalents at beginning of financial period	697,621	795,426
Effects of changes in exchange rates	<u>3,877</u>	<u>(10,073)</u>
Cash and cash equivalents at end of financial period	<u><u>791,495</u></u>	<u><u>754,150</u></u>

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

	As at	As at
	30.9.2006	30.9.2005
	RM'000	RM'000
Deposits, bank balances and cash	791,495	765,355
Less:		
Fixed deposits with licensed banks, pledged for banking facilities	<u>-</u>	<u>(11,205)</u>
	<u><u>791,495</u></u>	<u><u>754,150</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.

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 September 2006, is a charge to the income statement amounting to RM2,579,397 and is accounted for as follows:

	Nine months ended 30.9.2006 RM'000	Nine months ended 30.9.2005 RM'000
Decrease in profit for the period	(2,579)	-
Increase in share option reserve	2,579	-
	<u>2,579</u>	<u>-</u>

(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 net unamortised goodwill as at 1 January 2006 amounting to RM261,525,000 has ceased to be amortised. The effect of this is a reduction in amortisation charges by RM12,874,000 for the nine months ended 30 September 2006.

Consequent to the adoption of FRS 136, an impairment loss of RM6,652,000 was charged to the income statement for the nine months ended 30 September 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.

For the financial period ended 30 September 2006, the Group had reclassified the following assets as "Assets of Disposal Group Classified as Held for Sale".

- a) The disposal of Ladang Bertam, a 2,285.5 acres of freehold property by Guthrie Ropel Berhad, a subsidiary of the Company and its wholly-owned subsidiary, Guthrie Ropel Development Sdn. Berhad following the Sale and Purchase Agreements entered into on 5 May 2006. The transaction was completed on 1 November 2006.
- b) Integrated Brickworks Sdn. Berhad (IBSB), a wholly-owned subsidiary company of the Group, following the Sale and Purchase Agreements entered into by the Company and Right Class Sdn. Berhad, a wholly-owned subsidiary of the Company on 12 October 2006.

Accordingly, the assets and liabilities are reclassified to "Assets of Disposal Group Classified as Held for Sale" totalling RM41.1 million.

(d) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of the financial statements as follows:

Consolidated Income Statement

- Share of results in associated companies is stated net of tax.
- Minority interests are presented as an allocation of the total profit or loss for the period.

Consolidated Balance Sheet

- Minority interests are now presented within total equity.

Consolidated Statement of Changes in Equity

- Total recognised income and expenses for the period is disclosed, showing separately the amounts attributable to equity holders of the parent and to minority interests.

(e) FRS 116: Property, Plant and Equipment

The adoption of FRS 116 does not have any financial impact to the Group other than the presentation of plantation development expenditure as a separate line item on the face of the balance sheet.

(f) 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 of 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.

The adoption of the new/revised FRS have not given rise to any adjustments to the opening balances of retained profits. However certain comparative figures have been restated to conform to current period's presentation.

3. Comparatives

Arising from the adoption of new and revised FRS, the following comparative figures have been restated to conform to current period's presentation:

	Previously <u>Stated</u> RM'000	<u>Reclassified</u> RM'000	<u>Restated</u> RM'000
Cumulative Quarter ended 30 September 2005			
<u>FRS 101</u>			
<u>Continuing Operations</u>			
Share of results of associates	481	16	497
Profit before tax	149,047	8,571	157,618
Taxation	(82,850)	(16)	(82,866)
 <u>Discontinued Operations</u>			
Loss from discontinued operations	-	(8,555)	(8,555)
 At 31 December 2005			
<u>FRS 116</u>			
Property, plant and equipment	5,363,625	(2,827,813)	2,535,812
Plantation development expenditure	-	2,480,611	2,480,611
 <u>FRS 117</u>			
Prepaid lease payments	-	347,202	347,202

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 September 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 September 2006, except for the issuance of new ordinary shares under the Second Employees' Share Option Scheme ("Second ESOS").

During the period, the Company issued 9,176,700 new ordinary shares of RM1 each pursuant to the Second ESOS at option prices between RM1.94 and RM2.65 per share. Total cash proceeds arising from the exercise of options under the Second ESOS amounted to RM19,820,060. The issued and paid-up share capital of the Company was increased from 1,006,939,300 ordinary shares of RM1 each to 1,016,116,000 ordinary shares of RM1 each. Share premium arising from the issues amounted to RM10,643,360.

9. Dividend Paid

The following dividends were paid in the third financial quarter ended 30 September 2006:

- a) A final dividend of 6 sen per share, less tax in respect of the financial year ended 31 December 2005 amounting to RM43.58 million, approved by the shareholders at the Annual General Meeting on 22 June 2006, was paid on 14 July 2006.
- b) An interim dividend of 6 sen per share, less tax amounting to RM43.89 million was declared on 29 August 2006 and was paid on 29 September 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	Nine Months Ended	Nine Months Ended
	30.9.2006	30.9.2005	30.9.2006	30.9.2005
	RM'000	RM'000	RM'000	RM'000
Revenue:				
Plantation				
- Malaysia	225,566	190,488	556,234	548,672
- Indonesia	286,386	216,997	743,037	590,946
	511,952	407,485	1,299,271	1,139,618
Agricultural services	5,641	4,501	16,304	15,118
Property development	61,748	103,595	284,245	263,245
Manufacturing	24,757	28,302	65,883	82,444
General trading	-	(895)	-	150
Investment & Others	7,918	7,526	30,415	17,916
	612,016	550,514	1,696,118	1,518,491
Profit before tax:				
Plantation Malaysia	74,019	47,669	150,256	128,072
Plantation Indonesia	80,090	31,083	178,811	95,317
	154,109	78,752	329,067	223,389
Agricultural services	3,217	4,185	8,866	12,154
Property development	7,346	23,382	73,914	95,088
Manufacturing	(60)	2,131	(2,881)	(2,030)
General trading	(435)	(1,759)	(318)	(3,061)
Investment & Others	(8,900)	(6,687)	(15,284)	(13,278)
	155,277	100,004	393,364	312,262
Unrealised exchange gain/(loss)	1,648	(26,494)	89,026	(65,258)
Finance expense	(41,378)	(37,896)	(125,912)	(115,424)
Finance income	8,243	9,344	29,682	24,218
Investment income	111	77	2,409	1,323
Share of results of associates	2,013	(144)	2,440	497
	125,914	44,891	391,009	157,618

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

- (a) On 1 November 2006, Guthrie Ropel Berhad, a subsidiary of the Company and its wholly-owned subsidiary, Guthrie Ropel Development Sdn. Berhad, completed the sale of 2,285.5 acres of freehold property, Ladang Bertam for a total cash consideration of RM91,348,000 and a gain of RM65,300,000 was realised on the sale.
- (b) On 27 November 2006, the Company entered into a Sale and Purchase of Shares Agreement with Projek Lintasan Kota Holdings Sdn. Berhad ("Prolintas") for the proposed disposal of the entire equity interest in Guthrie Corridor Expressway Sdn. Berhad ("GCEsb"), a wholly-owned subsidiary of the Company, which involves the following:
- (i) the disposal of the entire equity interest in GCEsb comprising 5,000,000 ordinary shares for a disposal consideration of RM5 million; and
- (ii) the settlement of intercompany balance owing by GCEsb to another wholly-owned subsidiary through cash payment of RM431 million and issuance of RM500 million nominal value of Redeemable Loan Stocks ("RLS") of GCEsb.

In conjunction with the proposed divestment, the Company, Prolintas and GCEsb have also entered into an agreement ("GCE Agreement") to deal with, inter alia, future access roads, utility corridor and landscaping in relation to the GCE Expressway and the agreed landbanks along the GCE Expressway.

13. Changes in the Composition of the Group

Changes in the composition of the Group during the financial period ended 30 September 2006, are as follows:

- a) The following dormant subsidiary companies have been dissolved by way of "strike off" from the Register of the Companies Commission of Malaysia on 4 August 2006:

Beringin Permai Sdn. Berhad
Damar Cahaya Sdn. Berhad
Keruntum Murni Sdn. Berhad
Lagong Indah Sdn. Berhad
Medang Mekar Sdn. Berhad
Serentang Segar Sdn. Berhad
Serinai Teguh Sdn. Berhad
Ampar Tenang Development Sdn. Berhad
Guthrie Nominees Sdn. Berhad
Guthrie Taylor Woodrow Sdn. Berhad
Harvard Country Resort Sdn. Berhad
Layang- Layang Golf & Country Club Sdn Berhad
Resort Exchange Sdn. Berhad

- b) The following subsidiary companies have appointed liquidators to undertake a members' voluntary liquidation. Consequently, these subsidiary companies have been deconsolidated from the Group financial statements:

Highlands Asset Management Sdn. Berhad
Highlands Estates Sdn. Berhad
Guthrie Assets Management Sdn. Berhad
Guthrie Distributors Sdn. Berhad
Guthrie KD Sdn. Berhad
Guthrie Land Sdn. Berhad
Guthrie Medicare Products (Holding) Sdn. Berhad
Guthrie Palm Products Sdn. Berhad
Guthrie Pharmaceuticals Sdn. Berhad
Guthrie Polymer Sdn. Berhad
Guthrie Solutions Sdn. Berhad

Other than as disclosed above, there were no changes in the composition of the Group for the financial period ended 30 September 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:

	RM'000
Property, plant and equipment:	
Approved and contracted for	26,017
Approved but not contracted for	117,337
Concession asset	98
	<u>143,452</u>
	<u><u>143,452</u></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 RM391 million for the nine months ended 30 September 2006, an increase of RM233.4 million (148.1%) as compared to that for 2005 of RM157.6 million. The improved performance of the Group for the current period is largely due to higher contributions from Plantation operations attributable to higher production of fresh fruit bunches and higher palm oil prices realised. The strengthening of Ringgit and Rupiah against US Dollar has resulted in an unrealised exchange gain of RM89 million as compared to an unrealised exchange loss of RM65.3 million in 2005. Excluding the effect of foreign exchange, the pre-tax profit of the Group at RM302 million was higher than that of the previous year by RM79.1 million or 35.5%.

Net earnings of the Group for the period under review increased by RM183.6 million to RM189.9 million from RM6.3 million in the previous year. Consequently, earnings per share rose to 18.8 sen as against 0.6 sen for 2005.

Plantation Indonesia contributed significantly to the improved performance, increasing its contribution by RM83.5 million or 87.6%, from RM95.3 million to RM178.8 million. This was mainly attributable to higher production of fresh fruit bunches and higher average realised palm oil price. FFB production increased by 380,840 tonnes or 22.1%, at 2,107,678 tonnes as compared to 1,726,838 tonnes for the corresponding period of 2005. Average realised palm oil price was also higher at RM1,341 per tonne compared to RM1,283 per tonne in 2005.

Contributions from Plantation Malaysia at RM150.3 million, increased by RM22.2 million or 17.3% from that of the previous period. This was attributable to higher average realised palm oil price at RM1,432 per tonne as compared to RM1,369 per tonne in 2005. FFB production was also higher at 1,430,324 tonnes from 1,207,611 tonnes in 2005, an increase of 18.4 %.

Property development registered lower contribution by RM21.2 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 September 2006, the Group registered a pre-tax profit of RM125.9 million, as compared to RM110.2 million for the immediate preceding quarter ended 30 June 2006.

The higher profit recorded for the current quarter by RM15.7 million was largely attributable to unrealised exchange gain of RM14.1 million and higher profit registered by Plantation operations of RM48.3 million, set-off by lower contribution from Property of RM45.5 million.

18. Current Year Prospects

The performance of the Group for 2006 will be better than that of 2005 attributable to higher production of fresh fruit bunches and higher palm oil prices. Earnings from property development is 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:

	Current Quarter		Cumulative Quarter	
	30.9.2006	30.9.2005	30.9.2006	30.9.2005
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation:				
Current period provision	13,356	15,590	44,437	55,105
Under/(Over) provision in prior years	(11,390)	(4,606)	(6,990)	(3,900)
Deferred tax liabilities	11,048	7,097	6,156	5,051
Deferred tax assets	2,610	128	11,218	3,787
	<u>15,624</u>	<u>18,209</u>	<u>54,821</u>	<u>60,043</u>
Overseas taxation:				
Current period provision	25,227	16,120	65,378	32,877
Under/ (Over) provision in prior years	(7,967)	(6,848)	(10,970)	652
Deferred tax liabilities	(3,995)	(3,832)	(11,946)	(11,792)
Deferred tax assets	3,461	1,957	11,976	1,086
	<u>16,726</u>	<u>7,397</u>	<u>54,438</u>	<u>22,823</u>
TOTAL	<u>32,350</u>	<u>25,606</u>	<u>109,259</u>	<u>82,866</u>

The effective tax rate of the Group is approximately the same as the statutory tax rate of 28%.

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 September 2006.

22. Quoted Securities

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

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Nine Months Ended	
	30.9.2006	30.9.2005	30.9.2006	30.9.2005
	RM'000	RM'000	RM'000	RM'000
Purchase consideration	1,197	1,416	3,841	3,745
Sale proceeds	420	3,024	2,485	5,001
Gain/ (Loss) on disposals	46	147	(535)	345

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

	At Cost	At Book	At Market
	RM'000	Value RM'000	Value RM'000
Investments in quoted securities in Malaysia	22,254	15,299	16,545

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 September 2006 are as follows:

	RM'000
<u>Short-term borrowings</u>	
- Unsecured (denominated in Ringgit Malaysia)	251,422
Current portion of long-term loans denominated in Ringgit Malaysia	
- Unsecured	64,500
Current portion of long-term loans denominated in foreign currencies	
- Secured	23,634
	<u>339,556</u>
<u>Long-term borrowings</u>	
- Secured (denominated in foreign currencies)	168,560
- Unsecured (denominated in Ringgit Malaysia)	654,500
- Unsecured (denominated in foreign currencies)	1,757,094
	<u>2,580,154</u>

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

	RM'000
- US Dollar	1,920,080
- Indonesian Rupiah	29,208
	<u>1,949,288</u>

25. Off Balance Sheet Financial Instruments

(a) Interest Rate Option Contracts

As at 23 November 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	4.98% - 5.15%
	CMS Spread Range Accrual Swap		28/02/08 to 29/08/12	4.98% - 5.15% provided the CMS spread is within range
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 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	5.6% provided the CMS spread is within range
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 are 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 November 2006, the Group has entered into forward sale of foreign currency for USD500,000 at RM1,818,000 for value between 29 September 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. Consequent to this decision, the indemnity by the sellers of the Indonesian subsidiary companies has been withdrawn.

(b) Damages/alleged losses suffered involving land disputes

In 1998, a legal suit was filed against a subsidiary company for damages/losses suffered of approximately Rp13 billion (equivalent to RM5.2 million) allegedly caused by clearing of land occupied by the plaintiffs. Both the District Court and the High Court have decided in favour of the subsidiary company. The plaintiffs have filed an appeal to the Supreme Court. Since 31 December 2005, the Supreme Court had rejected the plaintiff's appeal and decided in favour of the subsidiary company.

(c) Damages/alleged losses suffered involving land disputes

A legal suit was filed against a subsidiary company in Indonesia and three other external parties involving land disputes. The plaintiffs are claiming for the subsidiary to surrender the land or to pay the sum of Rp86 billion (equivalent to RM34 million). The plaintiffs are also claiming for the other three defendants, among others, to revoke the rights to use the land by the subsidiary company. On 16 August 2006, the District Court rejected the plaintiffs' claims. The plaintiffs have appealed to the High Court against the decision of the District Court.

27. Earnings per Share

	Current Quarter		Cumulative Quarter	
	Three Months Ended 30.9.2006	30.9.2005	Nine Months Ended 30.9.2006	30.9.2005
(a) Basic				
Profit attributable to ordinary equity holders of the parent (RM'000):				
Profit from continuing operations	59,920	1,592	189,887	14,891
Loss from discontinued operations	-	-	-	(8,555)
	<u>59,920</u>	<u>1,592</u>	<u>189,887</u>	<u>6,336</u>
Weighted average number of ordinary shares in issue ('000)				
	<u>1,008,712</u>	<u>1,006,495</u>	<u>1,008,712</u>	<u>1,006,495</u>
Basic earnings per share (sen) for:				
Profit from continuing operations	5.94	0.16	18.82	1.48
Loss from discontinued operations	-	-	-	(0.85)
Profit for the period	<u>5.94</u>	<u>0.16</u>	<u>18.82</u>	<u>0.63</u>
(b) Diluted				
Profit attributable to ordinary equity holders of the parent (RM'000):				
Profit from continuing operations	59,920	1,592	189,887	14,891
Loss from discontinued operations	-	-	-	(8,555)
	<u>59,920</u>	<u>1,592</u>	<u>189,887</u>	<u>6,336</u>
Weighted average number of ordinary shares in issue ('000)				
	<u>1,008,712</u>	<u>1,006,495</u>	<u>1,008,712</u>	<u>1,006,495</u>
Effects of dilution on share options ('000)				
	<u>2,382</u>	<u>8,084</u>	<u>2,382</u>	<u>8,084</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)				
	<u>1,011,094</u>	<u>1,014,579</u>	<u>1,011,094</u>	<u>1,014,579</u>
Diluted earnings per share (sen) for:				
Profit from continuing operations	5.93	0.16	18.78	1.47
Loss from discontinued operations	-	-	-	(0.84)
Profit for the period	<u>5.93</u>	<u>0.16</u>	<u>18.78</u>	<u>0.63</u>

28. 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 November 2006.

29 November 2006
Kuala Lumpur

By Order of the Board
Moriama Mohd
Company Secretary
