

KUMPULAN GUTHRIE BERHAD

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

INTERIM REPORT ON CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

I. Audited Condensed Consolidated Income Statements

	Note	Current Quarter		Cumulative Quarter	
		Three Months Ended		Twelve Months Ended	
		31.12.2006	31.12.2005	31.12.2006	31.12.2005
		RM'000	RM'000	RM'000	RM'000
<u>Continuing Operations</u>					
Revenue	10	710,395	462,278	2,406,513	1,980,769
Cost of sales		(522,050)	(274,989)	(1,583,312)	(1,260,470)
Gross profit		188,345	187,289	823,201	720,299
Other income		189,870	34,394	328,822	89,560
Distribution costs		4,570	7,983	(8,319)	(7,081)
Administration expenses		(29,296)	(27,784)	(122,193)	(120,707)
Other expenses		(101,830)	(50,453)	(255,371)	(262,591)
(Loss)/Gain on disposal of subsidiaries		(23,008)	(251)	(23,008)	4,243
		228,651	151,178	743,132	423,723
Finance expense		(37,475)	(41,923)	(163,387)	(157,347)
Share of results of associates		308	378	2,748	875
Share of results of jointly controlled entity		(38)	-	(38)	-
Profit before tax	10	191,446	109,633	582,455	267,251
Income tax expense	20	(49,586)	(27,690)	(158,845)	(110,556)
Profit for the period from continuing operations		141,860	81,943	423,610	156,695
<u>Discontinued Operations</u>					
Profit/(Loss) for the year from discontinued operations		10,100	(5,741)	10,100	(14,296)
Profit for the year		151,960	76,202	433,710	142,399
Profit for the period attributable to:					
Equity holders of the parent		94,307	42,508	284,194	48,844
Minority interests		57,653	33,694	149,516	93,555
		151,960	76,202	433,710	142,399
Earnings per share, attributable to equity holders of the parent (sen):					
Basic:					
Profit from continuing operations	29	8.33	4.79	27.11	6.27
Loss from discontinued operations		1.00	(0.57)	1.00	(1.42)
		9.33	4.22	28.10	4.85
Diluted:					
Profit from continuing operations		8.30	4.75	27.01	6.22
Loss from discontinued operations		1.00	(0.57)	1.00	(1.41)
		9.29	4.19	28.00	4.81

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	Audited as at 31.12.2006 RM'000	Audited as at 31.12.2005 RM'000
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment	11	2,530,776	2,535,812
Plantation development expenditure		2,434,846	2,480,611
Prepaid lease payments		342,357	347,202
Land held for property development		266,200	399,074
Concession asset		-	585,742
Goodwill on consolidation		254,558	261,510
Investments in associated companies		16,700	13,795
Investment in jointly controlled entity		1,962	-
Other investments		1,773	2,550
Long-term trade receivables		68,347	-
Advances for plasma plantation projects		18,018	17,550
Advances for KKPA plantations projects		15,106	23,873
Deferred tax assets		152,050	195,777
		6,102,693	6,863,496
Current assets			
Property development costs		413,444	392,092
Inventories		189,265	191,066
Trade and other receivables		514,862	522,235
Short-term investments		37,403	22,866
Deposits, bank balances and cash		809,936	709,067
		1,964,910	1,837,326
Assets of disposal group held for sale		678,900	-
		2,643,810	1,837,326
Total assets		8,746,503	8,700,822
<u>EQUITY AND LIABILITIES</u>			
Equity attributable to equity holders of the Company			
Share capital		1,021,449	1,006,939
Share premium		28,584	8,178
Revaluation reserve		691,403	699,257
Capital reserve		58,725	53,860
Exchange reserve		17,805	(4,881)
Share option reserve		1,101	-
Revenue reserve		1,308,479	1,095,680
		3,127,546	2,859,033
Minority interests		1,568,042	1,536,534
Total equity		4,695,588	4,395,567
Non-current liabilities			
Borrowings		2,450,435	2,620,673
Deferred income		8,123	1,785
Deferred tax liabilities		675,435	708,170
Retirement benefits		24,946	15,384
		3,158,939	3,346,012
Current liabilities			
Trade and other payables		527,240	498,708
Bank borrowings		298,170	426,570
Taxation		55,180	25,635
Deferred income		2,280	8,330
		882,870	959,243
Liabilities directly associated with assets of disposal group classified as held for sale		9,106	-
		891,976	959,243
Total liabilities		4,050,915	4,305,255
Total equity and liabilities		8,746,503	8,700,822

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 Twelve Months Ended 31 December 2006

	-----Equity Attributable to Equity Holders of the Parent-----									
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Capital Reserve RM'000	Exchange Reserve RM'000	Share Option Reserve RM'000	Revenue Reserve RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Twelve Months Ended 31 December 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	-	-	-	-	(77,357)	-	-	(77,357)	(11,142)	(88,499)
Transfers (from)/to reserves	-	-	(16,298)	(445)	-	-	16,743	-	-	-
Net income/(expense) recognised directly in equity	-	-	(16,298)	(445)	(77,357)	-	16,743	(77,357)	(11,142)	(88,499)
Profit for the year	-	-	-	-	-	-	48,844	48,844	93,555	142,399
Total recognised income/(expense) for the year	-	-	(16,298)	(445)	(77,357)	-	65,587	(28,513)	82,413	53,900
Issue of shares pursuant to the Second Employees' Share Option Scheme (ESOS)	1,520	1,706	-	-	-	-	-	3,226	-	3,226
Dividend paid	-	-	-	-	-	-	(65,229)	(65,229)	(87,866)	(153,095)
At 31 December 2005	1,006,939	8,178	699,257	53,860	(4,881)	-	1,095,680	2,859,033	1,536,534	4,395,567
Twelve Months Ended 31 December 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	-	-	-	-	23,898	-	-	23,898	1,508	25,406
Transfers (from)/to reserves	-	2,387	(14,675)	4,865	(1,212)	(2,387)	16,076	5,054	-	5,054
Effects of changes in tax rates	-	-	6,821	-	-	-	-	6,821	-	6,821
Net income/(expense) recognised directly in equity	-	2,387	(7,854)	4,865	22,686	(2,387)	16,076	35,773	1,508	37,281
Profit for the year	-	-	-	-	-	-	284,194	284,194	149,516	433,710
Total recognised income/(expense) for the year	-	2,387	(7,854)	4,865	22,686	(2,387)	300,270	319,967	151,024	470,991
Issue of shares pursuant to the Second Employees' Share Option Scheme (ESOS)	14,510	18,019	-	-	-	-	-	32,529	-	32,529
Cost of share options granted under ESOS	-	-	-	-	-	3,488	-	3,488	-	3,488
Dividend payable	-	-	-	-	-	-	(87,471)	(87,471)	(119,516)	(206,987)
At 31 December 2006	1,021,449	28,584	691,403	58,725	17,805	1,101	1,308,479	3,127,546	1,568,042	4,695,588

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

	Twelve Months Ended	
	31.12.2006	31.12.2005
	RM'000	RM'000
Net cash from operating activities	796,699	573,461
Net cash used in investing activities	(350,549)	(297,014)
Net cash used in financing activities	<u>(335,631)</u>	<u>(367,088)</u>
Net increase in cash and cash equivalents	110,519	(90,641)
Cash and cash equivalents at beginning of financial year	697,621	795,426
Effects of changes in exchange rates	<u>1,796</u>	<u>(7,164)</u>
Cash and cash equivalents at end of financial year	<u><u>809,936</u></u>	<u><u>697,621</u></u>

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

	As at	As at
	31.12.2006	31.12.2005
	RM'000	RM'000
Deposits, bank balances and cash	809,936	709,067
Less:		
Fixed deposits with licensed banks, pledged for banking facilities	<u>-</u>	<u>(11,446)</u>
	<u><u>809,936</u></u>	<u><u>697,621</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 new/revised Financial Reporting Standards ("FRS") which are mandatory for financial periods beginning on or after 1 January 2006 and in addition have early adopted the following new/revised FRS for the financial period beginning 1 January 2006:

FRS 117 Leases

FRS 124 Related Party Transactions

The Group has not early adopted the deferred FRS 139 - Financial Instruments: Recognition and Measurement and the following FRS and amendment that are mandatory for the financial periods beginning on or after 1 January 2007 as they are not applicable to the Group's operations:

(i) FRS 6: Exploration for and Evaluation of Mineral Resources

(ii) Amendment to FRS 119 (2004): Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

Other than FRS 2, 3, 5, 101, 116, 117, 136 and 138 the adoption of the new/revised FRS does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the FRS are as follows:

(a) FRS 2: Share-based Payment

The Company operates an equity-settled, share-based compensation plan for the employees of the Group, the 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. The Group and the Company recognised an increase in share capital and share premium when the options were exercised. Upon the adoption of FRS 2, as the options vest on grant date, the total fair value of share options granted to employees is recognised immediately in the income statement as employee costs with a corresponding increase in the share option reserve within equity.

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 year ended 31 December 2006, is a charge to the income statement amounting to RM3,488,000 and is accounted for as follows:

	31.12.2006	31.12.2005
	RM'000	RM'000
Decrease in profit for the year	3,488	-
Increase in share option reserve	3,488	-

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

Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 20 years. The adoption of FRS 3 and the consequential changes of FRS 136 and FRS 138 have resulted in the Group ceasing annual amortisation of goodwill. Goodwill is carried at cost less accumulated impairment losses and is 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.

In accordance with the transitional provisions of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 January 2006. The transitional provisions of FRS 3 has required the Group to eliminate the carrying amount of the accumulated amortisation at 1 January 2006 amounting to RM85,887,000 against the carrying amount of goodwill. The net carrying amount of RM261,510,000 ceased to be amortised thereafter. The effect is a reduction in amortisation charges by RM17,163,000 for the year ended 31 December 2006.

Consequent to the adoption of FRS 136, impairment losses of RM14,688,000 and RM10,667,000 were charged to the income statement for the year ended 31 December 2006 on goodwill and carrying amount of assets respectively.

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

Prior to 1 January 2006, non-current assets (or disposal groups) held for sale were neither classified nor presented as current assets or liabilities. There were no differences in the measurement of non-current assets (or disposal groups) held for sale and those for continuing use. Upon the adoption of FRS 5, 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) and are stated at the lower of carrying amount and fair value less costs to sell.

The Group has applied FRS 5 prospectively in accordance with the transitional provisions. However, as required by FRS 5, certain comparatives of the Group have been re-presented due to the current financial year's discontinued operation.

As at 31 December 2006, the Group had classified the following assets as "Assets of Disposal Group Classified as Held for Sale".

- (i) 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:
 - (a) the disposal of the entire equity interest in GCEsb comprising 5,000,000 ordinary shares for a disposal consideration of RM5 million; and
 - (b) 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.

The proposed disposal is subject to the approval of the shareholders of the Company and regulatory authorities.

(ii) Proposed Disposal of Guthrie MDF Sdn. Berhad

The Board of Directors have on 21 December 2006 agreed to the proposed disposal of Guthrie MDF Sdn. Berhad which is in line with the Group's strategic objective to focus on its two core businesses of plantation and property.

Accordingly the assets and liabilities of GCEsb and GMDF as at 31 December 2006 are classified as "Assets of Disposal Group Classified as Held for Sale".

(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 revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group had revised the estimated useful lives of certain buildings from 25 years to 50 years with effect from 1 January 2006. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges for the Group for the current financial year have been reduced by RM1,822,000.

The adoption of FRS 116 requires the presentation of plantation development expenditure and prepaid lease payments as separate line items on the face of the balance sheet. The comparatives have been restated to conform with current year presentation as disclosed in Note 5 to the financial statements.

(f) FRS 117: Leases

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

The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the reclassification of leases of land and buildings. Leasehold land for own use is now classified as operating lease. Leasehold land will no longer be revalued.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2006, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. Such prepaid lease payments are amortised on a straight line basis over the remaining lease term of the land.

The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and certain comparatives have been restated. The adoption of FRS 117 has no impact on the income statement of the Group and of the Company for the year ended 31 December 2006.

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 year's presentation.

3. Comparatives

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

	Previously <u>Stated</u> RM'000	<u>Reclassified</u> RM'000	<u>Restated</u> RM'000
Cumulative Quarter ended 31 December 2005			
<u>FRS 101/FRS 5</u>			
<u>Continuing Operations</u>			
Share of results of associates	859	16	875
Profit before tax	256,105	11,146	267,251
Taxation	113,706	(3,150)	110,556
<u>Discontinued Operations</u>			
Loss from discontinued operations	-	(14,296)	(14,296)
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 31 December 2006 other than the following:

- a) The disposal of Ladang Bertam by Guthrie Ropel Berhad (Ropel) and Guthrie Ropel Development Sdn. Berhad, a wholly-owned subsidiary of Ropel resulting in a profit before tax of RM68,515,000 to the Group; and
- b) The disposal of Integrated Brickworks Sdn. Berhad, a wholly-owned subsidiary of the Group resulting in a loss of RM23,008,000.

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 year ended 31 December 2006, except for the issuance of new ordinary shares under the Second Employees' Share Option Scheme ("Second ESOS").

During the year, the Company issued 14,510,100 new ordinary shares of RM1 each pursuant to the Second ESOS at option prices between RM1.94 and RM3.33 per share. Total cash proceeds arising from the exercise of options under the Second ESOS amounted to RM32,529,000. The issued and paid-up share capital of the Company was increased from 1,006,939,300 ordinary shares of RM1 each to 1,021,449,400 ordinary shares of RM1 each. Share premium arising from the issues amounted to RM18,019,000.

9. Dividend Paid

The following dividends were paid in the financial year ended 31 December 2006:

- (a) A final dividend of 6 sen per share, less 28% tax, amounting to RM43,579,000 for the financial year ended 31 December 2005 was paid on 14 July 2006; and
- (b) An interim dividend of 6 sen per share, less 28% tax, amounting to RM43,892,000 for the financial year ended 31 December 2006 was paid on 29 September 2006.

10. Segment Information

Segment information in respect of the Group's continuing business segments is as follows:

	Current Quarter		Cumulative Quarter	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Revenue:				
Plantation				
- Malaysia	218,019	141,605	774,253	690,277
- Indonesia	265,437	261,304	1,008,474	852,250
	<u>483,456</u>	<u>402,909</u>	<u>1,782,727</u>	<u>1,542,527</u>
Agricultural services	6,517	6,358	22,821	21,476
Property development	283,583	131,887	567,828	395,132
Manufacturing	(65,883)	(81,494)	-	950
General trading	-	864	-	1,014
Investment & Others	2,722	1,754	33,137	19,670
	<u>710,395</u>	<u>462,278</u>	<u>2,406,513</u>	<u>1,980,769</u>
Profit before tax:				
Plantation Malaysia	129,570	16,007	293,976	154,258
Plantation Indonesia	(14,091)	52,021	169,803	150,766
	<u>115,479</u>	<u>68,028</u>	<u>463,779</u>	<u>305,024</u>
Agricultural services	3,238	3,132	12,104	15,286
Property development	85,842	74,056	168,048	176,198
Manufacturing	1,033	2,145	(1,822)	218
General trading	(652)	(644)	(961)	(3,679)
Investment & Others	(12,838)	(15,429)	(23,591)	(23,956)
Net exchange gain/(loss)	59,557	15,647	148,583	(49,611)
(Loss)/Gain on disposal of subsidiary companies	(23,008)	4,243	(23,008)	4,243
	<u>228,651</u>	<u>151,178</u>	<u>743,132</u>	<u>423,723</u>
Finance expense	(37,475)	(41,923)	(163,387)	(157,347)
Share of results of associates	308	378	2,748	875
Share of results of jointly controlled entity	(38)	-	(38)	-
	<u>191,446</u>	<u>109,633</u>	<u>582,455</u>	<u>267,251</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 financial period.

13. Changes in the Composition of the Group

Changes in the composition of the Group during the financial year ended 31 December 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:

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 members' voluntary liquidation. Consequently, these subsidiary companies have been deconsolidated from the Group financial statements:

Guthrie Assets Management Sdn. Berhad
Guthrie Distributors Sdn. Berhad
Guthrie Industries (Indonesia) Sdn. Berhad
Guthrie KD Sdn. Berhad
Guthrie Land Sdn. Berhad
Guthrie Livestock Corporation 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
Guthrie Training Centre Sdn. Berhad
Highlands Asset Management Sdn. Berhad
Highlands Estates Sdn. Berhad
Hock Guan Seng Sdn. Berhad
K & K Plantations Sdn. Berhad
Hatawa Plantation Sdn. Berhad
Syarikat Yew Lian Plantation Sdn. Berhad

- c) The Group completed the disposal of Integrated Brickworks Sdn. Berhad, a wholly-owned subsidiary on 12 October 2006 and the company has since ceased to be a subsidiary of the Group.

Other than as disclosed above, there were no changes in the composition of the Group for the financial year ended 31 December 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	23,381
Approved but not contracted for	480,316
Concession asset	111
	<u>503,808</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 RM582.46 million, excluding RM7.51 million from discontinued operations, for the financial year ended 31 December 2006, an increase of RM315.21 million (117.9%) compared with 2005 of RM267.25 million. Earnings of the Group increased substantially to RM284.19 million from RM48.84 million in 2005, an increase of RM235.35 million. Consequently, earnings per share rose to 28.1 sen compared to 4.85 sen for 2005.

The improved performance of the Group for the year is largely attributable to higher contributions from Plantation and a net exchange gain of RM148.58 million attributable to the strengthening of Ringgit and Rupiah against US Dollar.

Contributions from Plantation Malaysia at RM293.98 million, increased by RM139.72 million or 90.5% from 2005. The significant improvement in performance was due to higher palm oil prices realised, higher production of fresh fruit bunches (ffb) and a gain on sale of Ladang Bertam of RM68.52 million. Palm oil price realised for the year was RM1,460 per tonne as compared to 2005 of RM1,377 per tonne whilst production of fresh fruit bunches (ffb) increased by 325,894 tonnes (21.4%) as a result of higher ffb yield per mature hectare of 20.69 tonnes (2005: 17.35 tonnes).

Contributions from Plantation Indonesia increased by RM19.03 million or 12.6%, from RM150.77 million to RM169.8 million attributable to higher production of fresh fruit bunches and higher average realised palm oil price. FFB production increased by 196,661 tonnes or 8.1%, at 2,633,490 tonnes as compared to 2,436,829 tonnes for 2005. Average realised palm oil price was also higher at RM1,392 per tonne compared to RM1,276 per tonne in 2005.

Property development registered a contribution of RM168.05 million as compared to RM176.2 million for the previous year.

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

For the financial quarter ended 31 December 2006, the Group registered a profit after tax of RM151.96 million, as compared to RM93.56 million for the immediate preceding quarter ended 30 September 2006.

The higher profit recorded for the current quarter by RM58.4 million is primarily attributable to the gain of RM68.52 million realised on the sale of Ladang Bertam, completed on 1 November 2006.

18. Current Year Prospects

The performance of the Group for 2007 is expected to be better than that of 2006 largely on account of expected higher production of fresh fruit bunches and higher palm oil prices. Contributions 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	
	Three Months Ended	Three Months Ended	Twelve Months Ended	Twelve Months Ended
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Malaysian taxation:				
Current period provision	30,764	11,653	75,201	66,758
Under/(Over) provision in prior years	8,913	(13,069)	1,923	(16,969)
Deferred tax liabilities	(18,014)	3,286	(11,858)	8,337
Deferred tax assets	18,715	587	29,933	4,374
	<u>40,378</u>	<u>2,457</u>	<u>95,199</u>	<u>62,500</u>
Overseas taxation:				
Current period provision	18,611	19,967	83,989	52,844
Under/ (Over) provision in prior years	1,834	(2,430)	(9,136)	(1,778)
Deferred tax liabilities	(3,940)	(3,762)	(15,886)	(15,554)
Deferred tax assets	(7,297)	11,458	4,679	12,544
	<u>9,208</u>	<u>25,233</u>	<u>63,646</u>	<u>48,056</u>
	<u>49,586</u>	<u>27,690</u>	<u>158,845</u>	<u>110,556</u>

The effective tax rate of the Group at 27.3% is slightly lower than the statutory tax rate of 28% due to certain income being non-chargeable for tax purposes.

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 year ended 31 December 2006, other than the sale of Ladang Bertam which registered a gain of RM68.52 million.

22. Quoted Securities

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

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Twelve Months Ended	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Purchase consideration	973	2,124	4,814	5,869
Sale proceeds	3,840	1,754	6,325	6,755
Gain/ (Loss) on disposals	842	(139)	307	206

(b) Investments in quoted securities, other than securities in existing subsidiaries, as at 31 December 2006 are as follows:

	At Cost	At Book	At Market
	RM'000	Value RM'000	Value RM'000
Investments in quoted securities in Malaysia	18,729	14,212	14,815

23. Status of Corporate Proposals

The status of outstanding corporate proposals at the date of this report are as follows:

(a) Proposed Disposal of Guthrie Corridor Expressway Sdn. Berhad

Details of the proposed disposal is disclosed in Note 2(c)(i).

(b) Offer by Synergy Drive Sdn. Berhad

The Company had on 27 November 2006, received an offer ("Offer") from Synergy Drive Sdn. Berhad ("Synergy Drive") to acquire the entire business and undertaking of the Company as carried on by the Company as at the date of the Offer, including its assets and liabilities ("Proposed Disposal").

The Board of Directors has on 21 December 2006 accepted the Offer, subject to, amongst others, shareholders' and regulatory approvals. A conditional Sale of Business Agreement ("SBA") was signed on 24 January 2007 between the Company with Synergy Drive in relation to the Proposed Disposal.

The Proposed Disposal involves the following:

- (i) The disposal of the entire business and undertaking carried on by the Company as at 27 November 2006 (being the date of the Offer), including its assets and liabilities, for a total disposal consideration equivalent to RM4.27 per ordinary share of RM1.00 each in the issued and paid-up capital of the Company multiplied by the total outstanding shares as at completion ("Disposal Price"). Based on the number of shares in issue of 1,006.9 million as at 31 December 2005, the Disposal Price is RM4,299.5 million.

As at 31 December 2005, the Company had 10.8 million outstanding share options under its Employees' Share Option Scheme ("ESOS"). Subsequent to 31 December 2005, the Company had granted a further 5.8 million ESOS options. Assuming the full exercise of these ESOS options and assuming no further ESOS options are granted, the maximum possible Disposal Price is approximately RM4.4 billion.

- (ii) The Disposal Price shall be satisfied in full on the date of completion of the SBA by Synergy Drive through the issuance of an equivalent value of Series A redeemable convertible preference shares of Synergy Drive ("RCPS A") at RM5.25 for each RCPS A.

The RCPS A received by the Company are proposed to be distributed to the shareholders of the Company under the Proposed Capital Repayment via a Capital Reduction Exercise. For the avoidance of doubt, the Proposed Disposal is not conditional upon the Proposed Capital Repayment.

Simultaneously with the Proposed Capital Repayment, the Company shall carry out the Proposed Share Issue of 2 new ordinary shares of RM1.00 each to Synergy Drive at a subscription price of RM1.00 each, which will result in the Company becoming a wholly-owned subsidiary of Synergy Drive.

24. Group Borrowings and Debt Securities

The Group's borrowings as at 31 December 2006 are as follows:

	RM'000
<u>Short-term borrowings</u>	
- Unsecured (denominated in Ringgit Malaysia)	215,629
Current portion of long-term loans denominated in Ringgit Malaysia	
- Unsecured	63,808
Current portion of long-term loans denominated in foreign currencies	
- Secured	18,733
	<u>298,170</u>
<u>Long-term borrowings</u>	
- Secured (denominated in foreign currencies)	157,152
- Unsecured (denominated in Ringgit Malaysia)	639,658
- Unsecured (denominated in foreign currencies)	1,664,395
	<u>2,461,205</u>

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

	RM'000
- US Dollar	1,817,442
- Indonesian Rupiah	22,838
	<u>1,840,280</u>

25. Off Balance Sheet Financial Instruments

(a) Interest Rate Option Contracts

As at 22 February 2007, (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%
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	6.425%
Floating rate liabilities to fixed rate liabilities	Plain Vanilla	USD9.8 million	27/07/06 to 27/07/07	5.6%
	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 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 22 February 2007, the Group has no outstanding forward foreign currency contracts.

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 external parties, among others, to revoke the right 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. Dividend Payable

(a) The Board of Directors has recommended the following final dividends and is proposed to be paid on 21 June 2007:

(i) A tax exempt dividend of 6 sen per share (2005: Nil); and

(ii) A dividend of 4 sen per share, less 27% tax (2005: 6 sen per share, less 28% tax).

(b) An interim dividend of 6 sen per share, less 28% tax, was paid on 29 September 2006 (2005: 4 sen per share, less 28% tax).

(c) The annual gross dividend per share is 16 sen (2005: 10 sen).

(d) The total annual dividend net of tax is RM135,005,000 (2005: RM72,574,000).

28. Notice of Dividend Entitlement

If approved by members at the forthcoming Annual General Meeting of the Company to be held on 7 June 2007, a final tax exempt dividend of 6 sen per share and a dividend of 4 sen per share, less 27% tax, in respect of the financial year ended 31 December 2006 will be payable on 21 June 2007 to shareholders (who are exempted from mandatory deposit) and depositors registered in the Register of Members and Record of Depositors respectively at the close of business on 14 June 2007.

A depositor shall qualify for dividend entitlement only in respect of:

- (a) Shares deposited into the Depositors' Securities Account before 12.30 p.m. on 12 June 2007 in respect of shares which are exempted from mandatory deposit;
- (b) Shares transferred into the Depositors' Securities Account before 4.00 p.m. on 14 June 2007 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		Twelve Months Ended	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
(a) Basic				
Profit attributable to ordinary equity holders of the parent (RM'000):				
Profit from continuing operations	84,207	48,249	274,094	63,140
Loss from discontinued operations	10,100	(5,741)	10,100	(14,296)
	<u>94,307</u>	<u>42,508</u>	<u>284,194</u>	<u>48,844</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,011,222</u>	<u>1,006,590</u>	<u>1,011,222</u>	<u>1,006,590</u>
Basic earnings per share (sen) for:				
Profit from continuing operations	8.33	4.79	27.11	6.27
Loss from discontinued operations	1.00	(0.57)	1.00	(1.42)
Profit for the period	<u>9.33</u>	<u>4.22</u>	<u>28.10</u>	<u>4.85</u>

	Current Quarter		Cumulative Quarter	
	Three Months Ended 31.12.2006	31.12.2005	Twelve Months Ended 31.12.2006	31.12.2005
(b) Diluted				
Profit attributable to ordinary equity holders of the parent (RM'000):				
Profit from continuing operations	84,207	48,249	274,094	63,140
Loss from discontinued operations	10,100	(5,741)	10,100	(14,296)
	<u>94,307</u>	<u>42,508</u>	<u>284,194</u>	<u>48,844</u>
Weighted average number of ordinary shares in issue ('000)	1,011,222	1,006,590	1,011,222	1,006,590
Effects of dilution on share options ('000)	<u>3,721</u>	<u>8,849</u>	<u>3,721</u>	<u>8,849</u>
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>1,014,943</u>	<u>1,015,439</u>	<u>1,014,943</u>	<u>1,015,439</u>
Diluted earnings per share (sen) for:				
Profit from continuing operations	8.30	4.75	27.01	6.22
Loss from discontinued operations	1.00	(0.57)	1.00	(1.41)
Profit for the period	<u>9.29</u>	<u>4.19</u>	<u>28.00</u>	<u>4.81</u>

30. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 February 2007.

28 February 2007
Kuala Lumpur

By Order of the Board
Moriame Mohd
Company Secretary
