

KUMPULAN GUTHRIE BERHAD (COMPANY NO: 4001-P)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2006

Company No: 4001-P

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and it also provides research, agricultural and advisory services. The principal activities of its subsidiary and associated companies are respectively described in Notes 7 and 26 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year other than as disclosed in Note 15 to the financial statements.

RESULTS

	<u>GROUP</u> RM'000	<u>COMPANY</u> RM'000
Profit after tax from continuing operations	446,618	272,955
Loss for the year from discontinued operations	(12,908)	(24,575)
Profit for the year	<u>433,710</u>	<u>248,380</u>
Attributable to:		
Equity holders of the Company	284,194	248,380
Minority interests	<u>149,516</u>	<u>-</u>
	<u>433,710</u>	<u>248,380</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the following:

- (a) The effects arising from the changes in accounting policies due to the adoption of the new and revised Financial Reporting Standards ("FRS") which have resulted in a decrease in the Group's and the Company's profit for the year by RM9,858,000 and RM1,245,000 respectively, as disclosed in Note 4(i)(ii) to the financial statements;
- (b) The disposal of Ladang Bertam by Guthrie Ropel Berhad ("Ropel"), a subsidiary of the Company and Guthrie Ropel Development Sdn. Berhad, a wholly-owned subsidiary of Ropel resulting in a gain on disposal of RM68,515,000 to the Group as disclosed in Note 11 to the financial statements;
- (c) The disposal of Integrated Brickworks Sdn. Berhad, a wholly-owned subsidiary of the Group resulting in a loss on disposal of RM23,008,000 and RM24,575,000 to the Group and the Company respectively as disclosed in Notes 15(e) and 15(f) to the financial statements; and

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- (d) The surplus on liquidation of subsidiary companies resulting in an increase in the Company's profit for the year by RM17,756,000 as disclosed in Note 11 to the financial statements.

DIVIDENDS

During the financial year, the following dividends were paid by the Company:

- (a) A final dividend of 6 sen per share, less 28% tax, amounting to RM43,579,000, in respect of the previous financial year as proposed in the Directors' Report of that year; and
- (b) An interim dividend of 6 sen per share, less 28% tax, amounting to RM43,892,000, in respect of the current financial year.

The directors have proposed a final tax-exempt dividend of 6 sen per share, and a gross dividend of 4 sen per share, less 27% tax, amounting to RM91,113,000 which, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company, will be paid on 21 June 2007. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity as an appropriation of revenue reserve in the financial year ending 31 December 2007.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Dr. Wan Mohd. Zahid Mohd. Noordin	(Appointed Chairman on 18 July 2006)
Dato' Abd Wahab Maskan	
Raja Tan Sri Muhammad Alias Raja Muhammad Ali	
Datuk Nik Mohamed Affandi Nik Yusoff	
Datuk Mohamed Adnan Ali	
Datuk Alladin Mohd. Hashim	
Datuk Khoo Eng Choo	
Dato' Muhammad Nawawi Haji Mohd. Arshad	
Tun Musa Hitam	(Resigned on 22 June 2006)
Sreesanthan s/o Eliathamby	(Resigned on 23 November 2006)

In accordance with Article 102 of the Company's Articles of Association, YBhg. Datuk Mohamed Adnan Ali and YBhg. Dato' Muhammad Nawawi Haji Mohd. Arshad retire from the Board of Directors by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In compliance with Section 129(2) of the Companies Act, 1965, YM. Raja Tan Sri Muhammad Alias Raja Muhammad Ali, being over the age of seventy, retires from the Board of Directors. The Board recommends that he be reappointed as director pursuant to Section 129(6) of the Companies Act, 1965.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 13(b) to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest required to be disclosed by Section 169(8) of the Companies Act, 1965, except as disclosed in Note 48 to the financial statements.

DIRECTORS' INTERESTS

The following directors who held office at the end of the financial year had, according to the register of directors' shareholdings required to be kept under Section 134 of the Companies Act, 1965, interests in shares of the Company and its subsidiary companies, as stated below:

<u>Name of director of this Company</u>	<u>Name of company in which interest is held</u>	<u>Number of Ordinary Shares</u>			
		<u>As at 1.1.2006</u>	<u>Bought During the year</u>	<u>Sold</u>	<u>As at 31.12.2006</u>
Direct Interest:					
Datuk Khoo Eng Choo	Kumpulan Guthrie Berhad	2,000	-	2,000	-
Datuk Nik Mohamed Affandi Nik Yusoff	Malaysia Land Development Company Berhad	1,000	-	-	1,000*
Dato' Muhammad Nawawi Haji Mohd. Arshad	Malaysia Land Development Company Berhad	1,000	-	-	1,000*

* *Held in trust for the Company*

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, 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 following the issue of 14,510,100 ordinary shares of RM1 each pursuant to the Second Employees' Share Option Scheme ("Second ESOS") of the Company. These new ordinary shares were issued and credited as fully paid and rank pari passu in all respects with the existing ordinary shares of the Company. The share premium arising from this issue amounted to RM18,019,000.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

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SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 53 to the financial statements.

SUBSEQUENT EVENT

Details of the subsequent event are disclosed in Note 54 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 March 2007.



TAN SRI DATO' DR WAN MOHD. ZAHID MOHD. NOORDIN
Chairman



DATO' ABD WAHAB MASKAN
Director

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KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		<u>2006</u> RM'000	<u>2005</u> RM'000 (restated)	<u>2006</u> RM'000	<u>2005</u> RM'000 (restated)
<u>Continuing Operations</u>					
Revenue	9	2,406,513	1,980,769	478,858	280,352
Cost of sales	10	(1,583,312)	(1,260,470)	-	-
Gross profit		823,201	720,299	478,858	280,352
Other income	11	328,822	88,384	173,761	50,077
Distribution costs		(8,319)	(7,081)	-	-
Administration expenses		(122,193)	(120,707)	(50,358)	(48,531)
Other expenses		(255,371)	(261,415)	(105,143)	(44,004)
Operating profit		766,140	419,480	497,118	237,894
Finance expense	12	(163,387)	(157,347)	(149,130)	(137,730)
Share of results after tax of associated companies		2,748	875	-	-
Share of results after tax of a jointly controlled entity		(38)	-	-	-
Profit before taxation	13	605,463	263,008	347,988	100,164
Taxation	14	(158,845)	(110,556)	(75,033)	(31,353)
Profit for the year from continuing operations		446,618	152,452	272,955	68,811
<u>Discontinued Operations</u>					
Loss for the year from discontinued operations	15	(12,908)	(10,053)	(24,575)	(1,817)
Profit for the year		433,710	142,399	248,380	66,994
Attributable to:					
Equity holders of the Company		284,194	48,844	248,380	66,994
Minority interests		149,516	93,555	-	-
		433,710	142,399	248,380	66,994

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KUMPULAN GUTHRIE BERHAD
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INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTD.)

		<u>GROUP</u>	
	Note	<u>2006</u>	<u>2005</u> (restated)
Basic earnings per share attributable to equity holders of the Company (sen):	16		
Profit from continuing operations		29.38	5.85
Loss from discontinued operations		(1.28)	(1.00)
Profit for the year		<u>28.10</u>	<u>4.85</u>
Diluted earnings per share attributable to equity holders of the Company (sen):	16		
Profit from continuing operations		29.27	5.80
Loss from discontinued operations		(1.27)	(0.99)
Profit for the year		<u>28.00</u>	<u>4.81</u>

The accompanying notes form an integral part of the financial statements.

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KUMPULAN GUTHRIE BERHAD

(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2006

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		<u>2006</u> RM'000	<u>2005</u> RM'000 (restated)	<u>2006</u> RM'000	<u>2005</u> RM'000 (restated)
ASSETS					
Non-Current Assets					
Property, plant and equipment	1 ⁹	2,530,776	2,535,812	17,193	18,507
Plantation development expenditure	19	2,434,846	2,480,611	-	-
Prepaid lease payments	20	342,357	347,202	615	645
Land held for property development	21	266,200	399,074	-	-
Investment property	22	-	-	-	21,524
Concession asset	23	-	585,742	-	-
Goodwill on consolidation	24	254,558	261,510	-	-
Investments in subsidiary companies	25	-	-	2,636,526	2,823,585
Investments in associated companies	26	16,700	13,795	-	-
Investment in a jointly controlled entity	27	1,962	-	2,000	-
Other investments	28	1,773	2,550	459	959
Loans to subsidiary companies	29	-	-	379,548	390,472
Long-term trade receivables	30	68,347	-	-	-
Advances for Plasma PIR-Trans projects	31	18,018	17,550	-	-
Advances for KKPA projects	32	15,106	23,873	-	-
Deferred tax assets	33	152,050	195,777	-	346
		<u>6,102,693</u>	<u>6,863,496</u>	<u>3,036,341</u>	<u>3,256,038</u>
Current Assets					
Property development costs	34	413,444	392,092	-	-
Inventories	35	189,265	191,066	-	-
Amounts due from customers on contracts	36	-	7,640	-	-
Trade receivables	30	280,087	287,720	-	-
Other receivables	37	137,261	107,678	28,183	31,799
Income tax recoverable		97,514	119,197	74,779	103,927
Amounts due from subsidiary companies	38	-	-	795,636	1,025,828
Marketable securities	39	37,403	22,866	-	-
Deposits, bank balances and cash	40	809,936	709,067	29,030	56,394
		<u>1,964,910</u>	<u>1,837,326</u>	<u>927,628</u>	<u>1,217,948</u>
Assets of disposal groups classified as held for sale	41	678,900	-	104,800	-
		<u>2,643,810</u>	<u>1,837,326</u>	<u>1,032,428</u>	<u>1,217,948</u>
TOTAL ASSETS		<u>8,746,503</u>	<u>8,700,822</u>	<u>4,068,769</u>	<u>4,473,986</u>

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KUMPULAN GUTHRIE BERHAD
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BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTD.)

		<u>GROUP</u>		<u>COMPANY</u>	
	Note	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
		RM'000	RM'000	RM'000	RM'000
			(restated)		(restated)
EQUITY AND LIABILITIES					
Equity Attributable to					
Equity Holders of the Company					
Share capital	42	1,021,449	1,006,939	1,021,449	1,006,939
Share premium	43	28,584	8,178	28,584	8,178
Revaluation reserve	43	691,403	699,257	10,122	10,136
Capital reserve	43	58,725	53,860	-	-
Exchange reserve	43	17,805	(4,881)	-	-
Share option reserve	43	1,101	-	1,101	-
Revenue reserve	43	1,308,479	1,095,680	261,829	100,898
		<hr/>	<hr/>	<hr/>	<hr/>
		3,127,546	2,859,033	1,323,085	1,126,151
Minority interests		1,568,042	1,536,534	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Total Equity		4,695,588	4,395,567	1,323,085	1,126,151
		<hr/>	<hr/>	<hr/>	<hr/>
Non-Current Liabilities					
Borrowings	44	2,450,435	2,620,673	239,657	679,633
Loans from subsidiary companies	29	-	-	1,664,395	1,522,640
Deferred income	45	8,123	1,785	-	-
Deferred tax liabilities	33	675,435	708,170	1,394	-
Retirement benefits	46	24,946	15,384	73	63
		<hr/>	<hr/>	<hr/>	<hr/>
		3,158,939	3,346,012	1,905,519	2,202,336
		<hr/>	<hr/>	<hr/>	<hr/>

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KUMPULAN GUTHRIE BERHAD

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BALANCE SHEETS AS AT 31 DECEMBER 2006 (CONTD.)

		<u>GROUP</u>		<u>COMPANY</u>	
	Note	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
		RM'000	RM'000	RM'000	RM'000
			(restated)		(restated)
Current Liabilities					
Trade payables		326,919	301,213	9,426	4,600
Other payables	47	200,321	197,495	25,482	17,347
Deferred income	45	2,280	8,330	-	-
Amounts due to subsidiary companies	38	-	-	503,297	800,751
Borrowings	44	298,170	426,570	279,437	322,801
Taxation		55,180	25,635	-	-
		<u>882,870</u>	<u>959,243</u>	<u>817,642</u>	<u>1,145,499</u>
Liabilities directly associated with assets of disposal groups classified as held for sale	41	9,106	-	22,523	-
		<u>891,976</u>	<u>959,243</u>	<u>840,165</u>	<u>1,145,499</u>
Total Liabilities		<u>4,050,915</u>	<u>4,305,255</u>	<u>2,745,684</u>	<u>3,347,835</u>
TOTAL EQUITY AND LIABILITIES		<u>8,746,503</u>	<u>8,700,822</u>	<u>4,068,769</u>	<u>4,473,986</u>

The accompanying notes form an integral part of the financial statements.

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KUMPULAN GUTHRIE BERHAD
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STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

GROUP	-----Attributable to Equity Holders of the Company----->									
	<u>Share Capital</u> RM'000	<u>Share Premium</u> RM'000	<u>Revaluation Reserve</u> RM'000	<u>Capital Reserve</u> RM'000	<u>Exchange Reserve</u> RM'000	<u>Share Option Reserve</u> RM'000	<u>Revenue Reserve</u> RM'000	<u>Total</u> RM'000	<u>Minority Interests</u> RM'000	<u>Total Equity</u> RM'000
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										
Group	-	-	-	-	23,088	-	-	23,088	1,508	24,596
Associated company	-	-	-	-	810	-	-	810	-	810
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 and 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 Second ESOS	14,510	18,019	-	-	-	-	-	32,529	-	32,529
Cost of share options granted under Second ESOS	-	-	-	-	-	3,488	-	3,488	-	3,488
Dividends paid (Note 17)	-	-	-	-	-	-	(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
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										
Group	-	-	-	-	(76,507)	-	-	(76,507)	(11,142)	(87,649)
Associated company	-	-	-	-	(850)	-	-	(850)	-	(850)
Transfers (from)/to reserves	-	-	(16,298)	(445)	-	-	16,743	-	-	-
Net (expense)/income 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 and expense for the year	-	-	(16,298)	(445)	(77,357)	-	65,587	(28,513)	82,413	53,900
Issue of shares pursuant to Second ESOS	1,520	1,706	-	-	-	-	-	3,226	-	3,226
Dividends paid (Note 17)	-	-	-	-	-	-	(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

The accompanying notes form an integral part of the financial statements.

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTD.)

<u>COMPANY</u>	<u>Share Capital</u> RM'000	<u>Share Premium</u> RM'000	<u>Revaluation Reserve</u> RM'000	<u>Share Option Reserve</u> RM'000	<u>Revenue Reserve</u> RM'000	<u>Total</u> RM'000
At 1 January 2006						
As previously stated	1,006,939	8,178	165,626	-	100,898	1,281,641
Effects of adopting FRS 127 [Note 4(g)]	-	-	(155,490)	-	-	(155,490)
As restated	1,006,939	8,178	10,136	-	100,898	1,126,151
Transfer to/(from) reserves	-	2,387	(22)	(2,387)	22	-
Effects of changes in tax rates	-	-	8	-	-	8
Net income/(expense) recognised directly in equity	-	2,387	(14)	(2,387)	22	8
Profit for the year	-	-	-	-	248,380	248,380
Total recognised income and expense for the year	-	2,387	(14)	(2,387)	248,402	248,388
Issue of shares pursuant to Second ESOS	14,510	18,019	-	-	-	32,529
Cost of share options granted under Second ESOS	-	-	-	3,488	-	3,488
Dividends paid (Note 17)	-	-	-	-	(87,471)	(87,471)
At 31 December 2006	1,021,449	28,584	10,122	1,101	261,829	1,323,085
At 1 January 2005						
As previously stated	1,005,419	6,472	165,645	-	99,114	1,276,650
Effects of adopting FRS 127 [Note 4(g)]	-	-	(155,490)	-	-	(155,490)
As restated	1,005,419	6,472	10,155	-	99,114	1,121,160
Transfer (from)/to reserves, representing net (expense)/ income recognised directly in equity	-	-	(19)	-	19	-
Profit for the year	-	-	-	-	66,994	66,994
Total recognised income and expense for the year	-	-	(19)	-	67,013	66,994
Issue of shares pursuant to Second ESOS	1,520	1,706	-	-	-	3,226
Dividends paid (Note 17)	-	-	-	-	(65,229)	(65,229)
At 31 December 2005	1,006,939	8,178	10,136	-	100,898	1,126,151

The accompanying notes form an integral part of the financial statements.

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KUMPULAN GUTHRIE BERHAD
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
Cash Flows from Operating Activities				
Cash receipts from customers	2,580,521	2,303,451	51,426	53,259
Cash paid to suppliers and employees	(1,758,978)	(1,615,208)	(54,160)	(68,164)
Cash from/(used in) operations	821,543	688,243	(2,734)	(14,905)
Tax paid	(150,647)	(171,413)	-	-
Tax refunded	64,618	55,896	60,515	37,027
Interest paid	(78,207)	(83,509)	(80,169)	(80,955)
Proceeds from compulsory land acquisitions	9,480	18,001	-	-
Proceeds from disposal of land held for property development	61,968	61,968	-	-
Proceeds from disposal of land	83,698	4,275	-	-
Net cash from/(used in) operating activities	812,453	573,461	(22,388)	(58,833)
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(209,115)	(86,381)	(974)	(3,250)
Prepayment of land lease	(1,405)	(1,909)	-	-
Replanting expenditure	(65,181)	(59,142)	-	-
Property development activities	(20,812)	(93,211)	-	-
Construction of concession asset	(14,224)	(56,205)	-	-
Purchase of other investments	(39,496)	(16,334)	-	-
Subscription of shares in a jointly controlled entity	(2,000)	-	(2,000)	-
Purchase of shares from minority shareholders	(7,721)	(3,047)	-	-
Proceeds from disposal of property, plant and equipment	1,176	4,985	164	677
Proceeds from disposal of subsidiary companies (Note 15)	1,308	9,951	545	15,040
Proceeds from disposal of other investments	27,793	26,706	-	-
Proceeds from disposal of investment property	-	-	10,000	-
Net dividends received from subsidiary companies	-	-	323,400	161,634
Net dividends received from investments	3,495	1,192	1,682	407
Interest received	38,215	25,991	26,975	37,926
Interest paid	(64,883)	(49,610)	(64,883)	(49,610)
Distribution in specie from subsidiary companies	-	-	18,782	-
Loans to subsidiary companies	-	-	(15,362)	(77,799)
Loans from subsidiary companies	-	-	323,407	1,435,640
Net change in amounts due from subsidiary companies	-	-	157,030	(34,312)
Net change in amounts due to subsidiary companies	-	-	(268,536)	23,569
Net cash (used in)/from investing activities	(352,850)	(297,014)	510,230	1,509,922

Company No: 4001-P

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTD.)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM'000	RM'000	RM'000	RM'000
Cash Flows from Financing Activities				
Drawdown of borrowings	358,066	1,776,415	-	167,913
Repayment of borrowings	(184,778)	(2,014,484)	(106,831)	(1,622,756)
Repayment of Islamic Lease SUKUK	(353,433)	-	(353,433)	-
Net repayment of hire purchase and lease financing	-	(1,000)	-	-
Release of fixed deposits pledged	11,446	21,850	-	-
Dividends paid to shareholders of the Company	(87,471)	(65,229)	(87,471)	(65,229)
Dividends paid to minority shareholders of subsidiary companies	(119,516)	(87,866)	-	-
Proceeds from issuance of ordinary shares of the Company pursuant to the Second ESOS	32,529	3,226	32,529	3,226
Net cash used in financing activities	(343,157)	(367,088)	(515,206)	(1,516,846)
Net change in cash and cash equivalents	116,446	(90,641)	(27,364)	(65,757)
Cash and cash equivalents at 1 January	697,621	795,426	56,394	122,151
Effects of changes in foreign exchange rates	(1,259)	(7,164)	-	-
Cash and cash equivalents at 31 December	812,808	697,621	29,030	56,394
Cash and cash equivalents at 31 December comprise:				
Deposits, bank balances and cash (Note 40)	809,936	709,067	29,030	56,394
Cash and bank balances classified as held for sale (Note 41)	2,872	-	-	-
Less:				
Fixed deposits with licensed banks pledged for banking facilities (Note 40)	-	(11,446)	-	-
	812,808	697,621	29,030	56,394

The accompanying notes form an integral part of the financial statements.

Company No: 4001-P

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities. The registered office of the Company is located at Wisma Guthrie, 21 Jalan Gelenggang, Damansara Heights, 50490 Kuala Lumpur.

The principal activities of the Company are investment holding and the provision of research, agricultural and advisory services.

The principal activities of the subsidiary and associated companies, which are also described in Notes 7 and 26, are as follows:

- cultivation, processing and sale of palm oil, palm kernel and fresh fruit bunches;
- property development;
- road concession operation;
- manufacture and sale of medium-density fibreboard and concrete blocks and bricks; and
- hotel and resort management.

There have been no significant changes in the nature of these activities during the financial year except as disclosed in Note 15.

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

2. BASIS OF PREPARATION

The financial statements comply with the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965. As at 1 January 2006, the Group and the Company had adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2006 as disclosed in Note 4. The financial statements of the Group and of the Company have been prepared under the historical cost convention except for the following, which are stated at valuation:

- (a) Landed properties comprising freehold land and buildings, as disclosed in Note 3(e);
- (b) Plantation development expenditure, as disclosed in Note 3(f); and
- (c) Land held for property development, as disclosed in Note 3(i).

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiary Companies

Subsidiary companies are those enterprises in which the Group has a long-term equity interest and which are controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Investments in subsidiary companies in the financial statements of the Company are stated at cost less impairment losses.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets together with any balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

The policy for the recognition and measurement of impairment losses is in accordance with Note 3(n).

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiary companies, after the elimination of all material intercompany transactions and unrealised gains and losses. The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control effectively commences until the date such control effectively ceases.

The financial statements of subsidiary companies are prepared for the same reporting period as the Company. In the preparation of the consolidated financial statements, the financial statements of subsidiary companies are adjusted for the effects of any material dissimilar accounting policies.

Subsidiary companies are consolidated using the acquisition method of accounting. This method involves allocating the cost of acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the acquisition. The difference between the cost of acquisition of subsidiary companies and the Group's interest in the fair value ascribed to the net assets of these acquired subsidiary companies at dates of acquisition represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and minorities' share of change in the subsidiaries' equity since then.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Associated Companies

Associated companies are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The Group equity accounts for its share of post-acquisition results and reserves of associated companies based on the latest audited financial statements. The Group's share of results and reserves of the associated companies are included in the consolidated financial statements from the date the Group obtains significant influence until the date the Group cease to have significant influence over the associate. Where there has been a change recognised directly in equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

The financial statements of the associated companies are prepared for the same reporting period as the Group. Investments in associated companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(n). On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in the income statement.

(d) Jointly Controlled Entity

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in a jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 3(c).

In the Company's financial statements, investment in a jointly controlled entity is stated at cost less impairment losses.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Property, Plant and Equipment

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

Subsequent to recognition, property, plant and equipment except for freehold land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(n).

The Group has adopted the policy to state its landed properties comprising freehold land and buildings, at valuation less accumulated depreciation and impairment losses. These assets are revalued by independent professionally qualified valuers once every five years based on open market value basis. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. The treatment of surplus or deficit from revaluation is as described in Note 3(q).

Freehold land has an unlimited useful life and is therefore not depreciated. Capital work-in-progress is not depreciated as these assets are not available for use.

Golf course development expenditure are amortised over the period of the lease. All other property, plant and equipment are depreciated to their residual values over their estimated economic useful lives based upon the original cost or subsequent valuation.

The principal annual rates of depreciation used are:

Golf course development expenditure	58 years
Buildings	2 - 5 %
Machinery, equipment and vehicles	10 - 33 1/3%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statement and the outstanding portion of the revaluation surplus on that item is taken directly to revenue reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Plantation Development Expenditure

Plantation development expenditure, consisting of land clearing and upkeep of trees to maturity, are initially recorded at cost and upon maturity of the crops, the plantation development expenditure is amortised over 20 to 24 years, representing the economic useful lives of the crops

Subsequent to recognition, the Group has adopted the policy to state the plantation development expenditure at valuation less accumulated amortisation and any accumulated impairment losses. These assets are revalued by independent professionally qualified valuers once every five years based on open market value basis. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. The treatment of surplus or deficit from revaluation is as described in Note 3(q).

(g) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Finance Leases

Asset acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 3(e).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Leases (contd.)

(iii) Operating Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. In the case of the lease of lands, the minimum lease payments or the up-front payments representing the prepaid lease payments are amortised on a straight-line basis over the lease term

The Group and the Company had previously revalued its leasehold land and have retained the unamortised revalued amount as the surrogate cost of prepaid lease payments in accordance with the transitional provisions in FRS 117.

Prepaid lease payments on leasehold land are stated at surrogate cost less accumulated amortisation and any impairment loss. The policy for the recognition and measurement of impairment losses are in accordance with Note 3(n).

In respect of the subsidiary companies in Indonesia, prepaid lease payments include deferred land rights which represent the costs associated with the legal transfer or renewal of land titles, including legal fees, area survey and land remeasurement fees, notarial fees, taxes and other expenses. These costs are deferred and amortised using the straight-line method over the legal terms of the related land rights

The principal annual rates of amortisation used are:

Short-term leasehold land	1 - 49 years
Long-term leasehold land	50 - 99 years
Deferred land rights	21 - 35 years

(h) Land Acquisition

Gains arising from the acquisition of land by the Government are recognised in the income statement upon the physical handing over of land, receipt of compensation or notice in Form K under the Land Acquisition Act, 1960, whichever is the earlier.

Interest receivable in respect of any compensation awarded, of 8% per annum as provided under Section 32(1) of the Land Acquisition Act, 1960, is recognised in the income statement upon receipt.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Land Held for Property Development and Property Development Costs

(i) Land Held for Property Development

Land held for property development consists of land where no development activities have been undertaken or where development activities are not expected to be completed within the normal operating cycle.

Such land is classified within non-current assets and is stated at cost to the Group less any accumulated impairment losses, with the exception of the freehold land held for property development which were revalued by the directors in 1989. According to the transitional provisions of FRS 201, the Group has continued to retain the revalued amount of the land (and subsequently, its carrying costs) as its surrogate cost.

Costs include cost of land, professional fees and other direct development expenditure and related overheads. Land held for property development is reclassified as property development costs at the point when development works have been undertaken and where it can be demonstrated that the development activities are expected to be completed within the normal operating cycle. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(n).

(ii) Property Development Costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities. Costs include cost of land, development expenditure and allocation of overhead expense, including interest expense incurred during the period of active development.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Investment Property

Investment property is a property which is held either to earn rental income or for capital appreciation or for both. The Group has adopted a policy to measure its investment property at cost, including transaction costs. The depreciation policy for investment property is in accordance with that for depreciable property, plant and equipment as described in Note 3(e).

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

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property is recognised in income statement in the year in which they arise.

(k) Concession Asset

Concession asset represents development costs incurred to design, construct, manage and maintain the Guthrie Corridor Expressway ("Expressway"), a 25km expressway which links Shah Alam and Kuang, Selangor Darul Ehsan.

Items classified within Concession Asset comprise Expressway Development Expenditure ("EDE") and other Concession Assets

(i) Expressway Development Expenditure ("EDE")

EDE comprises development and upgrading expenditure including interest charges relating to financing of the development incurred in connection with the Expressway. EDE is stated at cost less accumulated amortisation and any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(n).

The cumulative actual EDE incurred up to the completion of the Expressway and any additions incurred thereafter is to be amortised to the income statement over the concession period ("Concession Period") upon completion of construction works of the Expressway and the commencement of toll collection, based on the following formula:

$$\frac{\text{Cumulative Toll Revenue to date}}{\text{Projected Total Toll Revenue for the Concession Period}} \times \text{Cumulative Actual Expressway Development Expenditure}$$

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Concession Asset (contd.)

(i) Expressway Development Expenditure ("EDE") (contd.)

The Concession Period is defined as a period of thirty three (33) years commencing from the Effective Date (being the date of fulfillment of the conditions precedent stipulated in the Concession Agreement), which is 1 August 2001. The Concession Period, by way of letter from the Works Minister dated 23 March 2005, has been extended for a further period of twenty two (22) months expiring 30 June 2036 as remedy to meet any loss and cost of expenses incurred as a consequence of the delay on the part of the Government in handing over third party land.

The projected total toll revenue for the Concession Period is based on the best estimate traffic volumes projected by an independent professional firm of traffic consultants in the projection study commissioned by Guthrie Corridor Expressway Sdn. Berhad, a wholly-owned subsidiary of the Company, taking into account the agreed toll rates stipulated in the Concession Agreement.

(ii) Other Concession Assets

Other Concession Assets comprise toll equipment, video surveillance equipment, telecommunication network, and toll operation computer hardware and software, are stated at cost less accumulated amortisation and any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(n).

The annual amortisation in respect of these assets is computed on a straight line basis over their estimated useful lives at the following rates:

Software and computers	10%
Others	10%

(l) Intangible Assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Research and Development Costs

All research costs are recognised in the income statement as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Intangible Assets (contd.)

(ii) Research and Development Costs (contd.)

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, the ability of the asset to generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

(m) Advances for Plasma PIR-Trans Projects and KKPA Projects

Advances for Plasma PIR-Trans Projects, in respect of the subsidiary companies in Indonesia, represent the accumulated costs (including borrowing costs and indirect overhead costs) to develop plasma plantations. When a plasma plantation project is substantially completed and ready to be transferred or turned-over to the plasma farmers, the corresponding investment credit from the bank is also transferred to the Plasma Farmers. Any gain or loss resulting from the difference between the carrying value of the Plasma PIR-Trans projects and the corresponding investment credit transferred to the plasma farmers is reflected in the income statement.

Advances for KKPA ("Kredit Koperasi Primer untuk Anggotanya") projects represent the accumulated costs to develop plasma plantations which are currently being financed by creditor banks and self-financed by a subsidiary company in Indonesia totalling 16,000 hectares of land. Upon the cooperative obtaining KKPA financing from the creditor bank, the said advances will be recovered from the cooperative.

An estimate is made at each balance sheet date for losses on recovery of Plasma PIR-Trans projects and KKPA projects based on a review of the recoverable development costs, and anticipated losses are provided for in full.

(n) Impairment of Assets

Inventories, assets arising from construction contracts, investment property, deferred tax assets and assets arising from employee benefits are reviewed in accordance with the relevant accounting policies stated. In addition, the carrying amounts of the assets of the Group and the Company are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated to determine the amount of impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Impairment of Assets (contd.)

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

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

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. Reversal of an impairment loss for an asset other than goodwill on consolidation, recognised in prior years is recorded if and only if there is a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying value that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the assets in prior years. A reversal of an impairment loss for an asset other than goodwill is recognised in income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated cost to completion and the estimated costs to be incurred in marketing, selling and distribution.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) Inventories (contd.)

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Produce stocks	- weighted average ex-estate cost and includes manufacturing and transport charges, where applicable.
Raw materials	- purchase cost on a first-in, first-out basis.
Work-in-progress	- cost of direct materials and labour and overheads, where appropriate, determined on a specific identification basis.
Completed houses	- relevant costs of land, development expenditure, overheads and related interest costs allocated based on specific identification basis.
Finished goods	- cost of direct materials and labour and manufacturing overheads, where appropriate, determined on a first-in first-out basis.
Stores	- weighted average cost.

(p) Construction Contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total costs incurred on construction contracts plus recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

(q) Revaluation Reserve

A surplus arising from revaluation is credited to revaluation reserve while a deficit is recognised as an expense in the income statement. However, a deficit relating to previous revaluations is charged directly against revaluation reserve to the extent that the decrease does not exceed the amount held in the revaluation reserve for the same asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Revaluation Reserve (contd.)

Each year an amount equal to the depreciation/amortisation charge for the year on the surplus on revaluation of relevant assets is transferred from revaluation reserve to revenue reserve. Upon the disposal of a revalued asset, the attributable revaluation surplus (net of depreciation/amortisation, where applicable) is transferred from revaluation reserve to revenue reserve

(r) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation, legal or constructive, as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provisions for restructuring costs are recognised when the Group's detailed formal plan for the restructuring has been approved, and the restructuring has either commenced or has been announced publicly. Costs relating to ongoing activities are not provided for.

(s) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(s) Income Tax (contd.)

Where there is a change in the carrying amount of asset arising from revaluation, the tax effects of the asset revaluation are credited or charged to equity. Where an amount equal to depreciation or amortisation of the revalued asset is transferred from revaluation surplus to revenue reserve, the related deferred tax is also transferred. Upon the disposal of the related asset, the attributable portion of the tax effect arising from revaluation is credited or charged to the income statement.

(t) Employee Benefits

(i) Short-Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Benefit Plans

Malaysia

The Group's plantation subsidiary companies in Malaysia operate an unfunded, defined retirement benefit scheme ("the Scheme") for its eligible employees. The Group's obligations under the Scheme are determined based on triennial actuarial valuation where the amount of benefits that employees have earned in return for their service in the current and prior years is estimated. The amount of those benefits is discounted using the Projected Unit Credit Method in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains and losses for the Scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Past service cost are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from the calculation is limited to the net total of any unrecognised actuarial losses and past service cost, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(t) Employee Benefits (contd.)

(ii) Defined Benefit Plans (contd.)

Indonesia

Effective 1 January 2003, the Group's subsidiary companies in Indonesia provide for employee benefit liabilities in accordance with the Labour Law No. 13 Year 2003 ("Law No. 13/2003") which was enacted on 25 March 2003. The arising transitional liability, if higher than the liability that was recognised under the subsidiary companies' previous policy (Ministry of Manpower No. Kep.150/Men/2000 on - The Settlement of Work Dismissal and Determination of Termination, Appreciation and Compensation Payments in Companies) is being recognised as an expense on a straight-line basis over five years starting 2003.

(iii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

The Group's subsidiary companies in Indonesia have established defined contribution retirement plans covering substantially all of the qualified permanent employees. The pension plans' assets are managed by approved pension funds. The retirement plans were approved by the Ministry of Finance of Indonesia in February 1999. Past service costs, which are also being contributed by the subsidiary companies, were computed based on a formula as stated in the Employment Policy already existing before the establishment of the retirement plans. Past service costs are amortised on a systematic basis over the remaining service years of the related employees.

(iv) Share-Based Compensation

The Second ESOS of the Company, an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. As the share options granted to the employees by the Company vests immediately, the total fair value of share options granted to employees is recognised immediately on grant date as an employee cost or charged to related companies with a corresponding increase in the share option reserve within equity. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to revenue reserve.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(t) Employee Benefits (contd.)

(v) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

(u) Deferred Income

Deferred income comprises the following:

- (i) the surplus of sales proceeds over the present value of future receivables arising from the sale of land held for property development, which is deferred and amortised to the income statement over the period of instalment payments at a rate representing a constant return on the balance of capital repayment outstanding; and
- (ii) net time share income, which is deferred and amortised to the income statement on a straight-line basis over the term of the time share agreement.

(v) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(v) Foreign Currencies (contd.)

(ii) Foreign Currency Transactions (contd.)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operations, are recognised in income statement for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in income statement in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at each monthly average exchange rate, which approximate the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(w) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group/Company and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(w) Revenue Recognition (contd.)

(i) Sale of Goods/Services

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of goods have been transferred to the buyer. Revenue for services rendered is recognised upon performance of services. Rental income is recognised on an accrual basis.

(ii) Sale of Properties

Revenue from sale of properties is recognised based on the "stage of completion" method as described in Note 3(i).

(iii) Construction Contracts

Revenue from work done on construction contracts is recognised based on the "stage of completion" method as described in Note 3(p).

(iv) Toll Collection

Toll revenue is accounted for as and when toll is chargeable for the usage of the expressway.

(v) Interest Income

Interest income is recognised as interest accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.

(vi) Investment Income

Investment income is accounted for when the right to receive is established and no significant uncertainty exists as regards receipt.

(x) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(x) Financial Instruments (contd)

(ii) Other Non-Current Investments

Non-current investments, other than investments in subsidiaries and associated companies, and investment in a jointly controlled entity are stated at cost less impairment losses. On disposal of an investment, the difference between the net disposal proceeds and its net carrying amount is recognised in the income statement.

(iii) Marketable Securities

Marketable securities comprise corporate bonds, quoted shares and quoted warrants/loan stocks.

Marketable securities held as current assets are stated at the lower of cost and market value determined on an aggregate basis. Cost is the purchase price of the securities while market value is determined based on quoted market values. Any reduction to market value or any reversal of such reduction is recognised in the income statement. Gains and losses arising from the disposal of these investments are dealt with through the income statement.

(iv) Trade and Other Receivables

Trade and other receivables are recognised and stated at original invoiced amounts and carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(v) Trade and Other Payables

Trade and other payables are stated at cost which approximates the fair value of the consideration to be paid in the future for goods and services rendered.

(vi) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs. After initial recognition, interest bearing bank loans are subsequently measured at amortised cost using the effective interest method.

Borrowing costs directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(x) Financial Instruments (contd.)

(vii) Islamic Lease SUKUK

Islamic Lease SUKUK issued by the Company are stated at net proceeds received on issue. SUKUK issuance expenses which represent the difference between the net proceeds and the total amount of the payment of the SUKUK are allocated to periods over the terms of the SUKUK at a constant rate on the carrying amounts, and charged to the income statement.

(viii) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares will be accounted for as liabilities only when the obligation to pay is established.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided. Costs of issuing equity securities in connection with a business combination are included in the cost of acquisition.

When the issued share capital of the Company is repurchased and is not cancelled, the consideration paid, including any attributable transaction costs are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(ix) Derivative Financial Instruments

The Group uses derivative financial instruments in the form of forward foreign exchange contracts and interest rate swap contracts to hedge its exposure to foreign exchange arising from operating, financing and investing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are not recognised in the financial statements.

Forward Foreign Exchange Contracts

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

Interest Rate Swap Contracts

Net differentials in interest receipts and payments arising from interest rate swap contracts are recognised as interest income or expense over the period of the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(y) Non-Current Assets (or Disposal Groups) Held for Sale and Discontinued Operations

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

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

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

4. CHANGES IN ACCOUNTING POLICIES

On 1 January 2006, the Group and the Company adopted the following new and revised FRS mandatory for financial periods beginning on or after 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 Accounting 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: Interests 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

4. CHANGES IN ACCOUNTING POLICIES (CONTD.)

In addition to the above, the Group has early adopted the following new and revised FRS for the financial period beginning 1 January 2006:

FRS 117: Leases

FRS 124: Related Party Disclosures

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

FRS 6: Exploration for and Evaluation of Mineral Resources

Amendment to FRS 119₂₀₀₄ : Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The Group has also not early adopted the "Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation" that are mandatory for financial periods beginning on or after 1 July 2007. This amendment requires the exchange differences arising from monetary items that forms part of its net investment in a foreign operation to be recognised in equity in the consolidated financial statements and should not be dependent on the currency of the monetary item. Prior to this amendment, exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation are recognised in equity in the consolidated financial statements only when the monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation. The Group will early adopt this amendment for the financial period beginning 1 January 2007.

The adoption of the above FRS does not have financial impact on the Group other than the FRS listed below. The principal effects of the changes in accounting policies resulting from the adoption of FRS are as follows:

(a) FRS 2: Share-based Payment

The Company operates an equity-settled, share-based compensation plan for eligible 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 eligible employees of the Group is recognised immediately in the income statement as employee costs with a corresponding increase in the share option reserve within equity.

For the year ended 31 December 2006, the impact to the Group and to the Company arising from the adoption of this standard is a decrease in profit for the year of RM3,488,000 and RM1,245,000 respectively as disclosed in Notes 4(i)(i) and 4(i)(ii).

4. CHANGES IN ACCOUNTING POLICIES (CONTD.)

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

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138.

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 to 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 also require 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 of this is a reduction in amortisation charge of 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 on goodwill and carrying amount of assets respectively were charged to the income statement for the year ended 31 December 2006, which are set out in Notes 4(i)(i) and 4(i)(ii).

(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.

Prior to 1 January 2006, the Group would have recognised a discontinued operation at the earlier of the date the Group enters into a binding sale agreement and the date the Board of Directors have approved and announced a formal disposal plan. FRS 5 requires a component of an entity to be classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

The Group has applied FRS 5 prospectively in accordance with the transitional provisions. However, as required by FRS 5, certain comparatives have been re-presented due to the current financial year's discontinued operations. The effects on the balance sheets and income statements of the Group and of the Company are set out in Notes 4(i)(i) and 4(i)(ii).

4. CHANGES IN ACCOUNTING POLICIES (CONTD.)

(d) FRS 101: Presentation of Financial Statements

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, 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 year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

Prior to 1 January 2006, the Group's share of taxation of associates and jointly controlled entity accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates and jointly controlled entity accounted for using the equity method are now included in the respective share of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

These changes in presentation have been applied retrospectively and as disclosed in Note 5, certain comparatives have been restated. These changes in presentation have no impact on the financial statements of the Group and of the Company.

(e) FRS 116: Property, Plant and Equipment

Prior to 1 January 2006, plantation development expenditure was included as part of property, plant and equipment. Upon the adoption of the revised FRS 116, plantation development expenditure is now presented in the consolidated balance sheet separately from property, plant and equipment.

The changes have been applied retrospectively and comparatives have been restated as disclosed in Note 5. There were no effects on the income statements of the Group and of the Company for the year ended 31 December 2006.

Consequent to the adoption of FRS 116, the Group has reviewed the residual value and the remaining useful life of property, plant and equipment and had revised the estimated useful lives of certain buildings from 25 years to a maximum of 50 years. The revisions were accounted for prospectively as a change in accounting estimates resulting in a reduction to the depreciation charge for the Group for the current financial year amounting to RM1,822,000. The effects on the income statement of the Group are set out in Note 4(i)(ii).

(f) FRS 117: Leases

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

4. CHANGES IN ACCOUNTING POLICIES (CONTD.)

(f) FRS 117: Leases (contd.)

The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the reclassification of leases of land. Leasehold land for own use is now classified as operating lease and the upfront payments representing prepaid lease payments are amortised on a straight line basis over the lease term.

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 cost of prepaid lease payments as allowed by the transitional provisions.

The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and certain comparatives have been restated as disclosed in Notes 4(i)(i) and 5. There were no effects on the income statements of the Group and the Company for the year ended 31 December 2006.

(g) FRS 127: Consolidated and Separate Financial Statements

Prior to 1 January 2006, investments in subsidiary companies were stated at cost and at directors' valuation, less any impairment losses. The investments were last revalued in 1982.

The adoption of the revised FRS 127 has resulted in a change in accounting policy relating to investments previously carried at directors' valuation. The Company has applied the change in accounting policy retrospectively and these investments are henceforth restated at cost. Certain comparatives have been restated. There were no effects to the income statement of the Company. The effects on the balance sheet of the Company are disclosed in Note 5. There were no effects to the financial statements of the Group arising from the adoption of FRS 127.

(h) FRS 140: Investment Property

Prior to 1 January 2006, investment property were included within property, plant and equipment. Upon the adoption of FRS 140, investment property are now classified as a separate category on the balance sheet and stated at cost less accumulated depreciation.

The reclassification of land and building as investment property has been accounted for retrospectively and certain comparatives have been restated as disclosed in Note 5.

This change in accounting policy has no impact on the income statements of the Group and of the Company for the year ended 31 December 2006.

4. CHANGES IN ACCOUNTING POLICIES (CONTD.)

(i) Summary of Effects of Adopting New and Revised FRS on the Current Year's Financial Statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 December 2006 is higher or lower than it would have been had the previous policies been applied in the current year.

(i) Effects on balance sheets

	<-----Increase/(Decrease)----->						
	FRS 2	FRS 3	FRS 5	FRS 116	FRS 117	FRS 136	Total
	Note 4(a)	Note 4(b)	Note 4(c)	Note 4(e)	Note 4(f)	Note 4(b)	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>GROUP</u>							
Property, plant and equipment	-	-	(73,871)	(2,434,846)	(342,357)	(5,357)	(2,856,431)
Plantation development expenditure	-	-	-	2,434,846	-	(4,923)	2,429,923
Prepaid lease payments	-	-	-	-	342,357	(387)	341,970
Goodwill on consolidation	-	17,163	-	-	-	(14,688)	2,475
Concession asset	-	-	(582,366)	-	-	-	(582,366)
Deferred tax assets	-	-	(2,589)	-	-	-	(2,589)
Inventories	-	-	(9,664)	-	-	-	(9,664)
Trade receivables	-	-	(6,990)	-	-	-	(6,990)
Other receivables	-	-	(548)	-	-	-	(548)
Deposits, bank balances and cash	-	-	(2,872)	-	-	-	(2,872)
Assets of disposal groups classified as held for sale	-	-	678,900	-	-	-	678,900
Trade payables	-	-	(2,780)	-	-	-	(2,780)
Other payables	-	-	(6,326)	-	-	-	(6,326)
Liabilities directly associated with assets of disposal groups classified as held for sale	-	-	9,106	-	-	-	9,106
Share option reserve	3,488	-	-	-	-	-	3,488
<u>COMPANY</u>							
Property, plant and equipment	-	-	-	-	(615)	-	(615)
Investment in subsidiary companies	-	-	(104,800)	-	-	-	(104,800)
Prepaid lease payments	-	-	-	-	615	-	615
Assets of disposal groups classified as held for sale	-	-	104,800	-	-	-	104,800
Amounts due to subsidiary companies	-	-	(22,523)	-	-	-	(22,523)
Liabilities directly associated with assets of disposal groups classified as held for sale	-	-	22,523	-	-	-	22,523
Share option reserve	3,488	-	-	-	-	-	3,488

4. CHANGES IN ACCOUNTING POLICIES (CONTD.)

(i) Summary of Effects of Adopting New and Revised FRS on the Current Year's Financial Statements (Contd.)

(ii) Effects on income statements

	←-----Increase/(Decrease)-----→						
	FRS 2	FRS 3	FRS 5	FRS 116	FRS 136	FRS 136	Total
	Note 4(a)	Note 4(b)	Note 4(c)	Note 4(e)	Note 4(b)	Note 4(b)	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>GROUP</u>							
Revenue	-	-	(106,860)	-	-	-	(106,860)
Cost of sales	1,139	-	(77,672)	-	-	-	(76,533)
Other income	-	-	(660)	-	-	-	(660)
Distribution costs	-	-	(9,152)	-	-	-	(9,152)
Administration expenses	2,349	-	(5,759)	-	-	-	(3,410)
Other expenses	-	(17,163)	(30,434)	(1,822)	10,667	14,688	(24,064)
Operating profit	(3,488)	17,163	15,497	1,822	(10,667)	(14,688)	5,639
Profit before taxation	(3,488)	17,163	15,497	1,822	(10,667)	(14,688)	5,639
Taxation	-	-	2,589	-	-	-	2,589
Profit for the year from continuing operations	(3,488)	17,163	12,908	1,822	(10,667)	(14,688)	3,050
Loss for the year from discontinued operations	-	-	(12,908)	-	-	-	(12,908)
Profit for the year	(3,488)	17,163	-	1,822	(10,667)	(14,688)	(9,858)
Earning per Share (sen):							
Basic	(0.34)	1.70	-	0.18	(1.05)	(1.45)	(0.97)
Diluted	(0.34)	1.69	-	0.18	(1.05)	(1.45)	(0.97)
<u>COMPANY</u>							
Administration expenses	1,245	-	-	-	-	-	1,245
Other expenses	-	-	24,575	-	-	-	24,575
Operating profit	(1,245)	-	24,575	-	-	-	23,330
Loss for the year from discontinued operations	-	-	(24,575)	-	-	-	(24,575)
Profit for the year	(1,245)	-	-	-	-	-	(1,245)

5. COMPARATIVES

The following comparative amounts have been restated as a result of adopting the new and revised FRS:

(a) Balance Sheets

	Previously	Increase/(Decrease)				Restated
	Stated RM'000	FRS 116 RM'000	FRS 117 RM'000	FRS 127 RM'000	FRS 140 RM'000	
At 1 January 2005						
<u>GROUP</u>						
Property, plant and equipment	5,583,147	(2,679,207)	(356,132)	-	-	2,547,808
Plantation development expenditure	-	2,679,207	-	-	-	2,679,207
Prepaid lease payments	-	-	356,132	-	-	356,132
<u>COMPANY</u>						
Property, plant and equipment	40,251	-	(675)	-	(21,762)	17,814
Prepaid lease payments	-	-	675	-	-	675
Investment property	-	-	-	-	21,762	21,762
Investments in subsidiary companies	2,987,639	-	-	(162,050)	-	2,825,589
Revaluation reserve	165,645	-	-	(155,490)	-	10,155
Deferred tax liabilities	6,951	-	-	(6,560)	-	391
At 31 December 2005						
<u>GROUP</u>						
Property, plant and equipment	5,363,625	(2,480,611)	(347,202)	-	-	2,535,812
Plantation development expenditure	-	2,480,611	-	-	-	2,480,611
Prepaid lease payments	-	-	347,202	-	-	347,202
<u>COMPANY</u>						
Property, plant and equipment	40,676	-	(645)	-	(21,524)	18,507
Prepaid lease payments	-	-	645	-	-	645
Investment property	-	-	-	-	21,524	21,524
Investments in subsidiary companies	2,985,635	-	-	(162,050)	-	2,823,585
Deferred tax assets	-	-	-	346	-	346
Revaluation reserve	165,626	-	-	(155,490)	-	10,136
Deferred tax liabilities	6,214	-	-	(6,214)	-	-

5. COMPARATIVES (CONTD.)

(b) Income Statements

	Previously Stated RM'000	Increase/(Decrease)		Restated RM'000
		FRS 5 RM'000	FRS 101 RM'000	
For the year ended 31 December 2005				
<u>GROUP</u>				
<u>Continuing Operations</u>				
Revenue	2,132,274	(151,505)	-	1,980,769
Cost of sales	1,374,941	(114,471)	-	1,260,470
Other income	48,674	1,137	38,573	88,384
Distribution costs	31,295	(24,214)	-	7,081
Administration expenses	129,224	(8,517)	-	120,707
Other expenses	214,232	(15,973)	63,156	261,415
Net unrealised exchange loss	54,108	-	(54,108)	-
Gain on disposal of subsidiary companies	4,243	(4,243)	-	-
Finance expense	157,944	(597)	-	157,347
Finance income	30,198	(110)	(30,088)	-
Investment income	1,601	-	(1,601)	-
Share of results after tax of associated companies	859	-	16	875
Taxation	113,706	(3,166)	16	110,556
<u>Discontinued Operations</u>				
Loss for the year from discontinued operations	15,410	(5,357)	-	10,053
<u>COMPANY</u>				
<u>Continuing Operations</u>				
Revenue	53,259	-	227,093	280,352
Other income	1,208	-	48,869	50,077
Other expenses	34,954	-	9,050	44,004
Net unrealised exchange gain/(loss)	1,128	-	(1,128)	-
Loss on disposal of subsidiary companies	1,817	(1,817)	-	-
Finance income	38,225	-	(38,225)	-
Investment income	227,559	-	(227,559)	-
<u>Discontinued Operations</u>				
Loss for the year from discontinued operations	-	1,817	-	1,817

6. ACCOUNTING ESTIMATES

(a) Significant Accounting Estimates

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

(i) Impairment of Goodwill

During the financial year, the Group had recognised impairment losses in respect of goodwill. The Group carries out impairment tests on goodwill annually. This requires an estimation of the value-in-use of the cash generating unit (“CGU”) to which goodwill is allocated. Estimating the value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to select a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill of the Group as at 31 December 2006 were RM254,558,000 (2005: RM261,510,000). Further details of the impairment losses recognised are disclosed in Note 24.

(ii) Amortisation of Concession Asset

The costs of the Concession Asset which represent the costs to design, construct, manage and maintain the Guthrie Corridor Expressway (“Expressway”) is amortised to income statement over the concession period based on the following formula:

$$\frac{\text{Cumulative Toll Revenue to date}}{\text{Projected Total Toll Revenue for the Concession Period}} \times \text{Cumulative Actual Expressway Development Expenditure}$$

The Concession Period is defined as a period of thirty three (33) years, expiring on 30 June 2036.

The projected total toll revenue for the Concession Period is based on the best estimate total traffic volumes projected by independent professional firm of traffic consultants in the projection study commissioned by Guthrie Corridor Expressway Sdn Bhd, taking into account the agreed toll rate stipulated in the Concession Agreement.

The traffic consultants have derived future traffic volume based on the following information and assumptions:

- Anticipated level of development that would occur during the concession period based on published information on large-scale land use and the transportation development in the Klang Valley and Selangor that were collated from the respective District Structure Plans and other relevant studies.

6. ACCOUNTING ESTIMATES (CONTD.)

(a) Significant Accounting Estimates (contd)

(ii) Amortisation of Concession Asset (contd.)

- Future population and economic growth based on government published economic reports, review of Eighth Malaysian Plan, Third Outline Perspective Plan, Population Census 2000 and previous transportation studies
- Socio-economic and demographic trends in Klang Valley to establish new forecast for variables such as growth in population, gross domestic product, employment, car ownership and value of time.
- Qualitative judgments to determine the targeted progress of the land use development and their potential impact on the road network in the Klang Valley.

The carrying amount of the Concession Asset as at 31 December 2006 were RM582,366,000 (2005: RM585,742,000).

(iii) Property Development

The Group recognises property development revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

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

(b) Changes in Accounting Estimates

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 a maximum of 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.

7. GROUP STRUCTURE

The Company's holding company is Permodalan Nasional Berhad, a company incorporated in Malaysia. The Company's ultimate holding company is Yayasan Pelaburan Bumiputra, a company incorporated in Malaysia, limited by guarantee.

The subsidiary companies are as follows:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2006</u>	<u>Principal activities</u>
		<u>2006</u> %	<u>2005</u> %		
<u>PLANTATION</u>					
Kumpulan Jerai Sdn. Bhd.	Malaysia	100	100	RM51,200,000))
Kumpulan Kamuning Sdn. Bhd.	Malaysia	100	100	RM30,383,002))
Kumpulan Linggi Sdn. Bhd.	Malaysia	100	100	RM35,443,002))
Guthrie Ropel Berhad	Malaysia	58	58	RM127,036,071 )	) Production and/or processing of palm oil and palm kernel
Kumpulan Temiang Sdn. Bhd.	Malaysia	58	58	RM29,652,002))
* Highlands & Lowlands Berhad	Malaysia	55	55	RM302,167,829))
* Kumpulan Sua Betong Sdn. Bhd.	Malaysia	55	55	RM36,831,002))
* Kumpulan Tebong Sdn. Bhd.	Malaysia	55	55	RM32,678,002))
* Syarikat Jeleta Bumi Sdn. Bhd.	Malaysia	55	55	RM9,000,000 )	) Production and processing of palm oil and palm kernel and property development

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2006</u>	<u>Principal activities</u>
		<u>2006</u> %	<u>2005</u> %		
<u>PLANTATION (CONTD.)</u>					
** PT Ladangrumpun Suburabadi	Indonesia	100	100	Rp29,435,000,000)
** PT Perkasa Subur Sakti	Indonesia	100	100	Rp14,965,000,000)
** PT Teguh Sempurna	Indonesia	100	100	Rp28,401,000,000)
** PT Kridatama Lancar	Indonesia	100	100	Rp28,192,000,000	) Production and/or processing of palm oil and palm kernel
** PT Sajang Heulang	Indonesia	100	100	Rp28,153,000,000)
** PT Aneka Intipersada	Indonesia	100	100	Rp26,000,000,000)
** PT Langgeng Muaramakmur	Indonesia	100	100	Rp35,901,000,000)
** PT Bhumireksa Nusasejati	Indonesia	100	100	Rp41,366,000,000)
** PT Swadaya Andika	Indonesia	100	100	Rp28,026,000,000)
** PT Bina Sains Cemerlang	Indonesia	100	100	Rp55,263,000,000)
** PT Lahan Tani Sakti	Indonesia	100	100	Rp32,981,000,000	) Oil palm and rubber cultivation

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2006</u>	<u>Principal activities</u>
		<u>2006</u> %	<u>2005</u> %		
<u>PLANTATION (CONTD.)</u>					
** PT Bahari Gembira Ria	Indonesia	99	99	Rp15,000,000,000))
** PT Guthrie Pecconina Indonesia	Indonesia	95	95	USD20,000,000))
** PT Paripurna Swakarsa	Indonesia	93	93	Rp68,897,000,000))
** PT Bersama Sejahtera Sakti	Indonesia	91	91	Rp74,453,000,000 )	) Production
** PT Tamaco Graha Krida	Indonesia	90	90	Rp17,400,000,000 )	) and/or
** PT Laguna Mandiri	Indonesia	89	89	Rp47,727,000,000 )	) processing
** PT Perusahaan Perkebunan Industri dan Niaga Sri Kuala	Indonesia	76	76	Rp500,000,000 )	) of palm oil
** PT Padang Palma Permai	Indonesia	75	75	Rp16,307,000,000 )	) and palm
** PT Tunggal Mitra Plantations	Indonesia	60	60	Rp23,750,000,000 )	) kernel
** PT Indotruba Tengah	Indonesia	50	50	Rp12,400,000,000))
Guthrie Export Sdn. Bhd.	Malaysia	100	100	RM200 )	) Palm oil) storage) installation

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2006</u>	<u>Principal activities</u>
		<u>2006</u> %	<u>2005</u> %		
<u>PLANTATION (CONTD.)</u>					
* Guthrie Plantation & Agricultural Services Sdn. Bhd.	Malaysia	100	100	RM2,000,000	) Provision of) plantation) consultancy) services and) production and) sale of oil palm) seeds, seedlings) and rat baits
Chemara Laboratories Sdn Bhd.	Malaysia	100	100	RM2	) Provision of) laboratory) and technical) services
* Guthrie Biotech Laboratory Sdn. Bhd.	Malaysia	100	100	RM200,000	) Research and) cloning of oil) palm for sale
* HRU Sdn Bhd.	Malaysia	55	55	RM205,000	) Production) and sale of) oil palm seeds,) seedlings and) rat baits
<u>PROPERTY</u>					
Guthrie Harta (Damansara) Sdn. Bhd.	Malaysia	100	100	RM2,000,000	) Property) investment)
Harvard Jerai Development Sdn. Bhd.	Malaysia	100	100	RM5,000,000	) Property) development)
* Guthrie Chemara Sdn. Bhd.	Malaysia	100	100	RM2	) Property) development

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2006</u>	<u>Principal activities</u>
		<u>2006</u> %	<u>2005</u> %		
<u>PROPERTY (CONTD.)</u>					
Guthrie Property Development Holding Berhad	Malaysia	79	79	RM243,334,888))
* Syarikat Perumahan Guthrie Sdn. Bhd.	Malaysia	79	79	RM37,423,985 )	) Property development and investment holding
* Syarikat Pembangunan Hartanah Guthrie Sdn. Bhd.	Malaysia	79	79	RM448,560,002))
Guthrie Lukut Development Sdn. Bhd.	Malaysia	79	79	RM9,450,002))
Accord Shipping & Forwarding Sdn Bhd.	Malaysia	79	79	RM27,725,000 )	) Property development
* Augsburg (M) Sdn. Bhd.	Malaysia	79	79	RM210,360,002))
* Paralimni Sdn. Bhd.	Malaysia	79	79	RM2))
Guthrie Property Management Sdn. Bhd.	Malaysia	79	79	RM22,836,589 )	) Real estate and property management

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2006</u>	<u>Principal activities</u>
		<u>2006</u> %	<u>2005</u> %		
<u>PROPERTY (CONTD.)</u>					
Guthrie Ropel Development Sdn. Bhd.	Malaysia	58	58	RM2 )	) Property development and cultivation
* Vicworld (M) Sdn. Bhd.	Malaysia	55	55	RM2 )	) of oil palm
* Malaysia Land Development Company Berhad	Malaysia	51	51	RM9,993,470 )	) Property investment
* Genting View Resort Development Sdn. Bhd.	Malaysia	31	31	RM1,000,000 )	) Property development
<u>MANUFACTURING</u>					
Guthrie MDF Sdn. Bhd.	Malaysia	100	100	RM53,000,000 )	) Manufacture of medium-density fibreboard
** PT Guthrie Abdinusa Industri	Indonesia	70	70	USD500,000 )	) Construction of palm oil mills
# Integrated Brickworks Sdn. Bhd.	Malaysia	-	100	RM14,450,000 )	) Manufacture and trading of concrete blocks and bricks and ready-mix concrete

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2006</u>	<u>Principal activities</u>
		<u>2006</u> %	<u>2005</u> %		
<u>OTHER ACTIVITIES</u>					
The Eden Bungalow Association Sdn. Bhd.	Malaysia	100	100	RM273,470	) Operation of holiday bungalows
The Whittington Hill Bungalow Association	Malaysia	100	100	RM133,050)
Guthrie Landscaping Sdn. Bhd.	Malaysia	100	100	RM2,000,000	) Horticultural supplies, landscape and design consultants and civil works
Guthrie Corridor Expressway Sdn. Bhd.	Malaysia	100	100	RM5,000,000	) Road concession operation
Harvard Hotel (Jerai) Sdn Bhd	Malaysia	100	100	RM7,500,000	) Hotel operation
* Guthrie Technologies Sdn. Bhd.	Malaysia	100	100	RM7,466,667	) Provision of computer services
Harvard Golf Resort (Jerai) Bhd.	Malaysia	99	99	RM5,210,100	) Operation of golf club
* Sanguine (Malaysia) Sdn. Bhd.	Malaysia	55	55	RM2	) Investment dealing
* Genting View Resort Management Sdn. Bhd.	Malaysia	51	51	RM1,000,000	) Resort management

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2006</u>
		<u>2006</u> %	<u>2005</u> %	
<u>INVESTMENT HOLDING</u>				
Kumpulan Jelei Sdn. Bhd.	Malaysia	100	100	RM31,036,072
Right Class Sdn. Bhd.	Malaysia	100	100	RM12,000,000
Guthrie International Investments (L) Limited	Malaysia	100	100	USD1
* Guthrie Siam Sdn. Bhd	Malaysia	100	100	RM2
* Guthrie Tapis Sdn. Bhd.	Malaysia	100	100	RM2
* Guthrie Wood Industry Sdn. Bhd.	Malaysia	100	100	RM18,000,000
* Laverton Holdings Limited	Mauritius	100	100	USD2
* Guthrie Overseas Limited	U.K.	100	100	GBP13,200,000
* Guthrie Symington Overseas Investments Inc.	U.S.A.	100	100	USD2,000,000
* Guthrie Symington Investments (USA) Inc.	U.S.A.	100	100	USD6,000,000
* Mulligan International BV	Netherlands	100	100	Euro18,000
** PT Minamas Gemilang	Indonesia	100	100	Rp391,088,000,000
** PT Anugerah Sumbermakmur	Indonesia	100	100	Rp337,774,000,000
** PT Muda Perkasa Sakti	Indonesia	100	100	Rp100,000,000
** PT Asricipta Indah	Indonesia	90	90	Rp120,000,000
** PT Kartika Inti Perkasa	Indonesia	60	60	Rp23,750,000,000
** PT Sritijaya Abaditama	Indonesia	60	60	Rp120,000,000

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2006</u>
		<u>2006</u> %	<u>2005</u> %	
<u>INACTIVE COMPANIES</u>				
Haron Estate Development Sdn. Bhd.	Malaysia	100	100	RM600,000
* Guthrie Dimensional Stones Sdn. Bhd.	Malaysia	100	100	RM25,000,000
* Guthrie Bina Sdn. Bhd	Malaysia	100	100	RM2
* Kamuning Marble Sdn. Bhd.	Malaysia	100	100	RM2
* Guthrie Wood Products Sdn. Bhd.	Malaysia	100	100	RM30,000,000
Guthrie Industries Malaysia Sdn. Bhd.	Malaysia	100	100	RM5,000,100
Guthrie Furniture Sdn. Bhd.	Malaysia	100	100	RM2,000,000
Guthrie Rubber Processing Sdn Bhd.	Malaysia	86	86	RM5,747,170
Ladang Cenas Sdn. Bhd.	Malaysia	58	58	RM7,512,000
* Sepang Nilai Estate Sdn. Bhd.	Malaysia	55	55	RM10,000,000
* Pekan Plantations Sdn Bhd.	Malaysia	55	55	RM9,400,000
* GVR Construction Sdn. Bhd.	Malaysia	31	31	RM500,000
* Guthrie Plantations Liberia Inc.	Liberia	100	100	L\$4,649,048
* Guthrie Symington Limited	U.K.	100	100	GBP8,350,000
* Guthrie Furniture Products Limited	U.K.	100	100	GBP100,000

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2006</u>
		<u>2006</u> %	<u>2005</u> %	
<u>COMPANIES UNDER MEMBERS' VOLUNTARY LIQUIDATION</u>				
Guthrie Land Sdn. Bhd.	Malaysia	-	100	RM2,200,000
Guthrie Livestock Corporation Sdn. Bhd.	Malaysia	-	100	RM1,000,000
Guthrie Medicare Products (Holdings) Sdn. Bhd.	Malaysia	-	100	RM5,500,000
* Guthrie Industries (Indonesia) Sdn. Bhd.	Malaysia	-	100	RM2
* Guthrie Pharmaceuticals Sdn. Bhd.	Malaysia	-	100	RM2
* Guthrie KD Sdn. Bhd.	Malaysia	-	100	RM3,000,000
* Guthrie Training Centre Sdn. Bhd.	Malaysia	-	100	RM2
* Guthrie Polymer Sdn. Bhd.	Malaysia	-	100	RM2
* Guthrie Solutions Sdn. Bhd.	Malaysia	-	100	RM100,000
Guthrie Palm Products Sdn. Bhd.	Malaysia	-	86	RM9,996
Guthrie Assets Management Sdn. Bhd.	Malaysia	-	86	RM2,100,000
Guthrie Distributors Sdn. Bhd.	Malaysia	-	80	RM500,000
Hock Guan Seng Plantations Sdn. Bhd.	Malaysia	-	58	RM1,150,000

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2006</u>
		<u>2006</u> %	<u>2005</u> %	
<u>COMPANIES UNDER MEMBERS' VOLUNTARY LIQUIDATION (CONTD.)</u>				
* Syarikat Yew Lian Plantations Sendirian Berhad	Malaysia	-	55	RM620,008
* K & K Plantations Sdn. Bhd.	Malaysia	-	55	RM440,000
* Hatawa Plantation Sdn. Bhd.	Malaysia	-	55	RM8,875,646
* Highlands Estates Sdn. Bhd.	Malaysia	-	55	RM7
* Highlands Assets Management Sdn. Bhd.	Malaysia	-	55	RM1,000,002
<u>COMPANIES STRUCK OFF (@)</u>				
Layang Layang Golf & Country Club Sdn. Bhd.	Malaysia	-	100	RM2
Harvard Country Resorts Sdn. Bhd.	Malaysia	-	100	RM2
Ampar Tenang Development Sdn. Bhd.	Malaysia	-	100	RM2
* Guthrie Nominees Sdn. Bhd.	Malaysia	-	100	RM2
* Guthrie Taylor Woodrow Sdn. Bhd.	Malaysia	-	100	RM2
* Medang Mekar Sdn. Bhd.	Malaysia	-	55	RM3
* Beringin Permai Sdn. Bhd.	Malaysia	-	55	RM2
* Damar Cahaya Sdn. Bhd.	Malaysia	-	55	RM2
* Keruntum Murni Sdn. Bhd.	Malaysia	-	55	RM2
* Lagong Indah Sdn. Bhd.	Malaysia	-	55	RM2

7. GROUP STRUCTURE (CONTD.)

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Group's effective interest</u>		<u>Issued and paid-up capital at 31.12.2006</u>
		<u>2006</u> %	<u>2005</u> %	
<u>COMPANIES STRUCK OFF (@) (CONTD.)</u>				
* Serentang Segar Sdn. Bhd.	Malaysia	-	55	RM2
* Serinai Teguh Sdn. Bhd.	Malaysia	-	55	RM2
* Genting View Resort Recreation Sdn. Bhd	Malaysia	-	51	RM2
* Resort Exchange Sdn. Bhd.	Malaysia	-	51	RM2
* Guthrie (B) Sdn. Bhd.	Brunei	-	100	B\$2

* Subsidiary companies audited by firms of auditors other than Ernst & Young

** Subsidiary companies audited by affiliate of Ernst & Young.

This subsidiary company was disposed of during the year as disclosed in Note 15.

@ During the year, the Companies Commission of Malaysia ("CCM") had approved the strike off of these subsidiary companies from the Register of the CCM under Section 308 of the Companies Act 1965. Similarly, the Registrar of Companies, Brunei Darussalam had approved the strike off of Guthrie (B) Sdn. Bhd. from its Register.

8. SEGMENT INFORMATION - GROUP

The primary segment reporting format is determined to be the business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services provided. The secondary information is reported geographically. The Group's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets

Revenue of plantation companies comprises the aggregate sales proceeds of palm products and rubber sold during the year. Revenue of property development companies represents revenue recognised based on the stage of completion method of the development properties and sale of plots of development land. Revenue of the Company and other subsidiary companies comprises the invoiced value of goods sold and services rendered.

(a) Information on Business Segments

The main business segments of the Group comprise the following:

Plantation and agricultural services	:	Cultivation, processing and sale of palm oil, palm kernel and fresh fruit bunches and the provision of plantation consultancy services, production and sale of oil palm seeds and seedlings and rat baits.
Property development	:	Development and construction of residential, commercial and industrial property and sale of plots of development land.
Manufacturing	:	Manufacturing and sale of medium-density fibreboard and concrete blocks and bricks.
Investment & Others	:	Investment holding, provision of computer services, hotel and resort management, golf club operation, general contracting and toll collection.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

8. SEGMENT INFORMATION - GROUP (CONTD.)

(a) Information on Business Segments (contd)

	Continuing Operations										Discontinued Operations		Consolidated			
	Plantation & Agricultural Services		Property Development		Manufacturing		Investment & Others		Eliminations		Consolidated		Consolidated			
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
REVENUE																
External sales	1,805,549	1,564,005	567,828	395,132	-	949	33,136	20,683	-	-	2,406,513	1,980,769	106,860	151,505	2,513,373	2,132,274
Inter-segment sales	11,085	12,903	537	308	9,300	5,224	65,493	56,257	(86,415)	(74,692)	-	-	-	-	-	-
Total Revenue	1,816,634	1,576,908	568,365	395,440	9,300	6,173	98,629	76,940	(86,415)	(74,692)	2,406,513	1,980,769	106,860	151,505	2,513,373	2,132,274
RESULTS																
Operating Profit/(Loss)	579,806	381,897	170,826	155,451	20,722	3,720	559,690	376,702	(564,904)	(498,290)	766,140	419,480	7,616	(10,533)	773,756	408,947
Finance expense	(47,265)	(50,745)	(35,375)	(33,177)	(7)	(268)	(298,065)	(222,639)	217,325	149,482	(163,387)	(157,347)	(105)	(597)	(163,492)	(157,944)
(Loss)/Gain on disposal of discontinued operations													(23,008)	4,243	(23,008)	4,243
Share of results after tax of associated companies	-	-	25,407	55,317	-	-	-	-	(22,659)	(54,442)	2,748	875	-	-	2,748	875
Share of results after tax of a jointly controlled entity	-	-	-	-	-	-	-	-	(38)	-	(38)	-	-	-	(38)	-
Profit/(Loss) before taxation	532,541	331,152	160,858	177,591	20,715	3,452	261,625	154,063	(370,276)	(403,250)	605,463	263,008	(15,497)	(6,887)	589,966	256,121
Taxation											(158,845)	(110,556)	2,589	(3,166)	(156,256)	(113,722)
Profit/(Loss) for the year											446,618	152,452	(12,908)	(10,053)	433,710	142,399
ASSETS																
Segment assets	6,827,274	6,721,794	1,694,811	1,649,846	33,907	160,616	5,316,483	5,874,585	(6,327,656)	(6,296,298)	7,544,819	8,110,543	676,311	-	8,221,130	8,110,543
Investments in associated companies	744	8,716	212,375	187,768	-	-	12,225	12,225	(208,644)	(194,914)	16,700	13,795	-	-	16,700	13,795
Investment in a jointly controlled entity	-	-	-	-	-	-	1,962	-	-	-	1,962	-	-	-	1,962	-
Unallocated corporate assets	-	-	-	-	-	-	-	-	-	-	504,122	576,484	2,589	-	506,711	576,484
Total assets	6,828,018	6,730,510	1,907,186	1,837,614	33,907	160,616	5,330,670	5,886,810	(6,536,300)	(6,491,212)	8,067,603	8,700,822	678,900	-	8,746,503	8,700,822
LIABILITIES																
Segment liabilities	1,006,370	946,116	917,253	901,538	51,641	89,455	7,404,053	7,575,053	(6,068,123)	(5,940,712)	3,311,194	3,571,450	9,106	-	3,320,300	3,571,450
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-	-	730,615	733,805	-	-	730,615	733,805
Total liabilities	1,006,370	946,116	917,253	901,538	51,641	89,455	7,404,053	7,575,053	(6,068,123)	(5,940,712)	4,041,809	4,305,255	9,106	-	4,050,915	4,305,255

8. SEGMENT INFORMATION - GROUP (CONTD.)

(a) Information on Business Segments (contd)

	Continuing Operations										Discontinued Operations		Consolidated			
	Plantation & Agricultural Services		Property Development		Manufacturing		Investment & Others		Eliminations		Consolidated		Consolidated			
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
CAPITAL EXPENDITURE	271,220	142,973	5,746	1,483	-	-	976	3,916	-	-	277,942	148,372	3,150	1,115	281,092	149,487
NON-CASH EXPENSES																
Depreciation/Amortisation:																
- Property, plant and equipment	91,722	79,368	1,005	1,040	605	3	4,849	7,597	-	-	98,181	88,008	11,751	14,847	109,932	102,855
- Plantation development expenditure	127,513	125,233	-	-	-	-	-	-	-	-	127,513	125,233	-	-	127,513	125,233
- Prepaid lease payments	6,353	6,112	-	-	-	-	84	84	-	-	6,437	6,196	-	-	6,437	6,196
- Concession asset	-	-	-	-	-	-	-	-	-	-	-	-	4,682	661	4,682	661
Amortisation of goodwill	-	17,163	-	-	-	-	-	-	-	-	-	17,163	-	-	-	17,163
Amortisation of deferred and SUKUK financing expenses	-	-	-	-	-	-	3,794	11,128	-	-	3,794	11,128	-	-	3,794	11,128
Property, plant and equipment written off	3,761	1,169	86	37	1,162	-	164	535	-	-	5,173	1,741	-	-	5,173	1,741
Plantation development expenditure written off	15,528	4,121	-	-	-	-	-	-	-	-	15,528	4,121	-	-	15,528	4,121
Impairment of:																
- Property, plant and equipment	5,356	-	-	-	-	-	-	-	-	-	5,356	-	-	9,347	5,356	9,347
- Plantation development expenditure	4,923	-	-	-	-	-	-	-	-	-	4,923	-	-	4,923	-	-
- Prepaid lease payments	388	-	-	-	-	-	-	-	-	-	388	-	-	388	-	-
- Goodwill	14,688	-	-	-	-	-	-	-	-	-	14,688	-	-	14,688	-	-
- Other investments	-	-	-	-	-	-	500	-	-	-	500	-	-	500	-	-
Write down of inventories	-	-	-	-	-	8	121	129	-	-	121	137	64	304	185	441
Write down in value of marketable securities	-	-	-	-	-	-	-	1,337	-	-	-	1,337	-	-	-	1,337
Loss on strike off of subsidiary companies	-	-	-	-	-	-	-	2,031	-	-	-	2,031	-	-	-	2,031
Provisions for:																
- retirement benefits	10,922	12,303	-	-	-	-	10	10	-	-	10,932	12,313	-	-	10,932	12,313
- doubtful debts	-	-	422	156	-	26	1,507	12,964	-	-	1,929	13,146	962	1,472	2,891	14,618
- loss on conversion of plasma projects	2,675	5,329	-	-	-	-	-	-	-	-	2,675	5,329	-	-	2,675	5,329
Unrealised loss on foreign exchange differences	1,841	43,514	-	-	-	-	37,651	14,725	-	-	39,492	58,239	-	-	39,492	58,239
NON-CASH INCOME																
Write back of:																
- provision for doubtful debts	-	4	211	2,496	-	15	985	126	-	-	1,196	2,641	220	380	1,416	3,021
- provision for loss on conversion of plasma projects	-	6,834	-	-	-	-	-	-	-	-	6,834	-	-	-	6,834	-
Write back in value of marketable securities	-	-	-	-	-	-	4,247	-	-	-	4,247	-	-	4,247	-	-
Unrealised gain on foreign exchange differences	63,777	-	-	-	-	28	98,089	11,838	-	-	161,866	11,866	-	-	161,866	11,866

8. SEGMENT INFORMATION - GROUP (CONTD.)

(b) Geographical Segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. The Group's four business segments operate in two main geographical areas as follows:

Malaysia - Plantation and agricultural services, property development, manufacturing and investment and others

Indonesia - Plantation

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by the Group's geographical segments:

	<u>Capital Expenditure</u>		<u>Segment Assets</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM'000	RM'000	RM'000	RM'000
Malaysia	68,016	57,597	6,019,904	5,724,815
Indonesia	213,076	91,878	2,726,078	2,975,868
Others	-	12	521	139
	<u>281,092</u>	<u>149,487</u>	<u>8,746,503</u>	<u>8,700,822</u>

The following is an analysis of the Group's revenue analysed by the geographical location of customers:

	<u>Continuing Operations</u>		<u>Discontinued Operations</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	1,396,176	1,126,652	50,354	41,850	1,446,530	1,168,502
South East Asia	1,009,339	853,260	19,762	25,215	1,029,101	878,475
Asia	175	183	35,517	42,603	35,692	42,786
United Kingdom	-	-	-	20,870	-	20,870
Others	823	674	1,227	20,967	2,050	21,641
	<u>2,406,513</u>	<u>1,980,769</u>	<u>106,860</u>	<u>151,505</u>	<u>2,513,373</u>	<u>2,132,274</u>

Company No: 4001-P

9. REVENUE

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
Plantation and Agricultural Services:				
Palm products	1,777,228	1,534,959	-	-
Rubber	5,499	7,568	-	-
Oil palm seeds and seedlings	20,769	19,632	-	-
Consultancy services	2,052	1,844	-	-
	<u>1,805,548</u>	<u>1,564,003</u>	-	-
Property development	567,828	395,132	-	-
Sale of goods	4,806	540	-	-
Services rendered	21,834	14,748	-	-
Construction contracts (Note 36)	6,497	6,346	-	-
Dividend income from subsidiary companies	-	-	427,398	226,994
Management fees from subsidiary companies	-	-	50,448	52,346
Rental income from investment property	-	-	1,012	1,012
	<u>2,406,513</u>	<u>1,980,769</u>	<u>478,858</u>	<u>280,352</u>

10. COST OF SALES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
Plantation and Agricultural Services:				
Palm products	1,167,638	1,032,274	-	-
Rubber	5,697	4,845	-	-
Oil palm seeds and seedlings	4,609	3,981	-	-
Consultancy services	1,131	1,040	-	-
	<u>1,179,075</u>	<u>1,042,140</u>	-	-
Property development	372,575	198,119	-	-
Goods sold	2,656	4,428	-	-
Services rendered	11,201	7,281	-	-
Construction contracts (Note 36)	17,805	8,502	-	-
	<u>1,583,312</u>	<u>1,260,470</u>	-	-

11. OTHER INCOME

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income received/receivable on:				
- Intragroup borrowings	-	-	23,762	35,583
- Fixed deposits with licensed banks and financial institutions	23,714	19,723	2,813	2,224
- Others	5,865	4,678	400	418
Dividend income from investments:				
- Unquoted in Malaysia	4,138	1,001	2,336	565
- Quoted in Malaysia	672	600	-	-
Accretion of deferred income (Note 45)	8,330	5,687	-	-
Gain on compulsory land acquisitions	5,980	14,262	-	-
Gain on sale of land	68,515	4,167	-	-
Gain on sale of property, plant and equipment	803	661	56	-
Gain on sale of investment property	-	-	4,576	-
Gain on foreign exchange differences:				
- Realised	30,204	701	25,876	82
- Unrealised	161,866	11,866	94,705	9,996
Gain on disposal of marketable securities	1,503	472	-	-
Surplus on liquidation of subsidiary companies	945	-	17,756	-
Write back in value of marketable securities	4,247	-	-	-
Write back of provision for doubtful debts	1,196	2,641	-	-
Write back of provision for loss on conversion of plasma projects	-	6,834	-	-
Others	10,844	15,091	1,481	1,209
	<u>328,822</u>	<u>88,384</u>	<u>173,761</u>	<u>50,077</u>

12. FINANCE EXPENSE

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
Interest paid/payable on:				
- Intragroup borrowings	-	-	97,910	48,098
- Hire purchase and finance lease liabilities	25,607	20,084	25,564	20,020
- Short-term borrowings	9,989	20,303	6,274	15,725
- Bankers acceptances and export credit refinancing loans	3,974	6,055	3,974	5,873
- Long-term borrowings	120,939	101,453	14,366	38,078
- Long-term payable	-	95	-	-
	<u>160,509</u>	<u>147,990</u>	<u>148,088</u>	<u>127,794</u>
Less: Interest capitalised in qualifying assets:				
- Capital work-in-progress (Note 18)	(115)	(992)	-	-
- Plantation development expenditure (Note 19)	(801)	(684)	-	-
- Concession asset (Note 23)	-	(95)	-	-
	<u>159,593</u>	<u>146,219</u>	<u>148,088</u>	<u>127,794</u>
Amortisation of:				
- Deferred financing expenses (Note 44)	2,752	10,068	-	8,876
- SUKUK issuance expenses (Note 44)	1,042	1,060	1,042	1,060
	<u>163,387</u>	<u>157,347</u>	<u>149,130</u>	<u>137,730</u>

13. PROFIT BEFORE TAXATION

Profit before taxation from continuing operations has been arrived at after charging:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
Auditors' remuneration [Note (a)]	2,151	1,960	510	522
Directors' remuneration [Note (b)]	2,783	2,543	2,109	1,895
Employees' benefits expense [Note (c)]	447,254	366,534	39,820	24,430
Depreciation of property, plant and equipment (Note 18)	98,181	88,008	2,053	1,715
Amortisation of plantation development expenditure (Note 19)	127,513	125,233	-	-
Amortisation of prepaid lease payments (Note 20)	6,437	6,196	30	30
Depreciation of investment property (Note 22)	-	-	-	238

13. PROFIT BEFORE TAXATION (CONTD.)

Profit before taxation from continuing operations has been arrived at after charging: (Contd.)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
Amortisation of goodwill included in other expenses (Note 24)	-	17,163	-	-
Property, plant and equipment written off (Note 18)	5,173	1,741	4	-
Plantation development expenditure written off (Note 19)	15,528	4,121	-	-
Impairment of assets included in other expenses:				
- Property, plant and equipment (Note 18)	5,356	-	-	-
- Plantation development expenditure (Note 19)	4,923	-	-	-
- Prepaid lease payments (Note 20)	388	-	-	-
- Goodwill (Note 24)	14,688	-	-	-
- Investments in subsidiary companies (Note 25)	-	-	53,673	2,003
- Other investments (Note 28)	500	-	500	-
Loss on disposal of property, plant and equipment	13	3,986	-	314
Loss on disposal of marketable securities	262	-	-	-
Loss on strike off of subsidiary companies	-	2,031	218	-
Rent of land and buildings	602	1,636	1,780	1,675
Research and development costs	10,657	10,965	10,657	10,166
Write down of inventories	121	137	-	69
Write down in value of marketable securities	-	1,337	-	-
Provisions for:				
- loss on conversion of plasma projects	2,675	5,329	-	-
- doubtful debts	1,929	13,146	-	-
- amounts due from subsidiary companies (Note 38)	-	-	19,200	26,974
Loss on foreign exchange differences:				
- Realised	3,996	1,025	3,031	20
- Unrealised	39,492	58,239	17,796	1,134

13. PROFIT BEFORE TAXATION (CONTD.)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
(a) Auditors' Remuneration				
Auditors of the Company				
- statutory audit	369	342	95	72
- other services	36	306	31	199
	<u>405</u>	<u>648</u>	<u>126</u>	<u>271</u>
Other Auditors in Malaysia				
- statutory audit	274	270	-	-
- other services	306	236	215	126
	<u>580</u>	<u>506</u>	<u>215</u>	<u>126</u>
Other Auditors outside Malaysia				
- statutory audit	919	681	-	-
- other services	247	125	169	125
	<u>1,166</u>	<u>806</u>	<u>169</u>	<u>125</u>
	<u>2,151</u>	<u>1,960</u>	<u>510</u>	<u>522</u>
(b) Directors' Remuneration				
Directors of the Company				
Executive Director:				
- salaries and other emoluments	1,093	793	1,093	793
- bonus	176	293	176	293
- benefits-in-kind	149	79	149	79
	<u>1,418</u>	<u>1,165</u>	<u>1,418</u>	<u>1,165</u>
Non-Executive Directors:				
- fees	958	945	516	568
- allowances	196	186	141	134
- benefits-in-kind	34	28	34	28
	<u>1,188</u>	<u>1,159</u>	<u>691</u>	<u>730</u>

13. PROFIT BEFORE TAXATION (CONTD.)

(b) Directors' Remuneration (Contd.)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
Directors of subsidiary companies				
Non-Executive Directors:				
- fees	146	190	-	-
- allowances	31	29	-	-
	<u>177</u>	<u>219</u>	<u>-</u>	<u>-</u>
	<u>2,783</u>	<u>2,543</u>	<u>2,109</u>	<u>1,895</u>

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	<u>Executive Director</u>		<u>Non-Executive Directors</u>	
	<u>2006</u> No.	<u>2005</u> No.	<u>2006</u> No.	<u>2005</u> No.
Executive Director				
RM1,150,001 - RM1,200,000	-	1	-	-
RM1,400,001 - RM1,450,000	1	-	-	-
Non-Executive Directors				
RM50,001 - RM100,000	-	-	2	-
RM100,001 - RM150,000	-	-	4	7
RM150,001 - RM200,000	-	-	2	2
RM200,001 - RM250,000	-	-	1	-

(c) Employees' Benefits Expense

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
Wages and salaries	428,695	340,078	35,665	21,891
Social security contribution	359	313	128	59
Pension costs:				
- defined contribution plans	14,018	13,285	2,772	2,470
- retirement benefits (Note 46)	10,932	12,313	10	10
Termination benefits	694	545	-	-
Cost of share options	3,488	-	1,245	-
	<u>458,186</u>	<u>366,534</u>	<u>39,820</u>	<u>24,430</u>

The remuneration of the executive director amounting to RM1,418,000 (2005: RM1,165,000) is disclosed in Note 13(b).

14. TAXATION

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
<u>Continuing Operations</u>				
Current income tax:				
Malaysian income tax	70,152	66,678	71,232	40,468
Foreign income tax	83,989	52,844	-	-
	<u>154,141</u>	<u>119,522</u>	<u>71,232</u>	<u>40,468</u>
Under/(Over) provision in prior years:				
Malaysian income tax	2,894	(7,092)	2,053	(8,378)
Foreign income tax	(8,431)	(3,485)	-	-
	<u>148,604</u>	<u>108,945</u>	<u>73,285</u>	<u>32,090</u>
Deferred tax				
Relating to origination and reversal of temporary differences	11,213	8,760	1,778	(412)
Relating to changes in tax rates	(202)	-	(53)	-
(Over)/Underprovision in prior years	(770)	(7,149)	23	(325)
	<u>10,241</u>	<u>1,611</u>	<u>1,748</u>	<u>(737)</u>
Total income tax expense from continuing operations	158,845	110,556	75,033	31,353
<u>Discontinued Operations</u>				
Deferred tax (Note 15):				
Relating to origination and reversal of temporary differences	(2,589)	3,166	-	-
Total income tax expense	<u>156,256</u>	<u>113,722</u>	<u>75,033</u>	<u>31,353</u>

Domestic current income tax is calculated at the statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate of 28% will be reduced to 27% effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

14. TAXATION (CONTD.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
Profit/(Loss) before taxation				
- Continuing operations	605,463	263,008	347,988	100,164
- Discontinued operations	(15,497)	(6,887)	(24,575)	(1,817)
	<u>589,966</u>	<u>256,121</u>	<u>323,413</u>	<u>98,347</u>
Taxation at Malaysia statutory tax rate of 28% (2005: 28%)	165,190	71,714	90,556	27,537
Effects of:				
Income subject to tax rate of 20%	(215)	(215)	-	-
Different tax rates in other countries	(3,034)	(5,603)	-	-
Income not subject to tax	(80,563)	(11,865)	(49,689)	(507)
Changes in tax rate on deferred tax	(202)	-	(53)	-
Expenses not deductible for tax purposes	69,187	48,656	32,018	15,180
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(5,516)	(740)	-	-
Share of results of associated companies	(793)	(251)	-	-
Expenses subject to double deduction	(1,577)	(2,154)	(1,577)	(2,154)
(Over)/Under provision of deferred tax in prior years	(770)	(7,149)	23	(325)
(Over)/Under provision of income tax in prior years	(4,916)	(10,577)	2,053	(8,378)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	20,019	31,906	1,702	-
Deferred tax liability on intragroup assets transfer	(554)	-	-	-
Tax expense for the year	<u>156,256</u>	<u>113,722</u>	<u>75,033</u>	<u>31,353</u>

Tax savings during the financial year arose from:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
Utilisation of current year tax losses	128	1,419	-	954
Utilisation of previously unrecognised tax losses	491	172	-	-
Utilisation of previously unrecognised capital allowances	2,171	262	-	-

15. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In line with the Group's objective to focus on its core businesses of plantation and property development, the Group had disposed/proposed to dispose the following subsidiary companies:

(a) Disposal of Subsidiary Company during the Current Financial Year

On 12 October 2006, the Company entered into a Sale and Purchase Agreement for the disposal of the entire equity interest of Integrated Brickworks Sdn. Berhad ("IBSB"), a wholly-owned subsidiary company involved in the manufacture and trading of concrete blocks and bricks which has been under-performing over the past several years. The disposal was completed on 10 January 2007 and a loss on disposal of RM23,008,000 and RM24,575,000 was recognised in the income statements of the Group and of the Company respectively for the financial year ended 31 December 2006. The financial results of IBSB is presented separately on the consolidated income statement as discontinued operations.

(b) Proposed Disposals of Subsidiary Companies

- (i) On 27 November 2006, the Company entered into a Sale and Purchase of Shares Agreement for the proposed disposal of the entire equity interests of Guthrie Corridor Expressway Sdn. Berhad ("GCESB"), a wholly-owned subsidiary involved in road concession operations. As at 31 December 2006, the proposed disposal is pending shareholders' and regulatory approvals. The disposal is expected to be completed by 30 June 2007.
- (ii) On 22 February 2007, the Company and Guthrie Wood Industries Sdn. Berhad, a wholly-owned subsidiary, entered into a Share Sale and Purchase Agreement for the disposal of the entire equity interests in Guthrie MDF Sdn. Berhad ("GMDF"). The disposal is expected to be completed by 30 June 2007 upon completion of the conditions precedent, including approval of regulatory authorities.

Accordingly, the assets and liabilities of GCESB and GMDF have been presented on the consolidated balance sheet as disposal groups held for sale and the financial results of GCESB and GMDF are presented separately on the consolidated income statement as discontinued operations. The carrying amounts of the investments in GCESB and GMDF have also been presented as non-current assets held for sale on the Company's balance sheet as at 31 December 2006.

In the financial year ended 31 December 2005, the Group completed the disposal of the rubber gloves manufacturing and healthcare products trading operations undertaken by Guthrie Medicare Products (NS) Sdn. Berhad and Healthline Products Ltd. respectively.

15. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTD.)

(c) The results of the discontinued operations are as follows:

<u>2006</u>	<u>Manufacturing</u> RM'000	<u>Investment & Others</u> RM'000	<u>Total</u> RM'000
Revenue	87,645	19,215	106,860
Cost of sales	(72,639)	(5,033)	(77,672)
Gross profit	15,006	14,182	29,188
Expenses	(14,640)	(6,932)	(21,572)
Operating profit	366	7,250	7,616
Finance expense	(105)	-	(105)
Profit before taxation	261	7,250	7,511
Taxation (Note 14)	-	2,589	2,589
Profit for the year from discontinued operations	261	9,839	10,100
Loss on disposal of discontinued operations	(23,008)	-	(23,008)
(Loss)/Profit for the year from discontinued operations	(22,747)	9,839	(12,908)

The following amounts have been included in arriving at the profit before taxation of discontinued operations:

	<u>Manufacturing</u> RM'000	<u>Investment & Others</u> RM'000	<u>Total</u> RM'000
Auditors' remuneration:			
- statutory audit	18	15	33
Directors' remuneration:			
Non-Executive Directors			
- fees and allowances	17	26	43
Depreciation/Amortisation:			
- property, plant and equipment	11,457	294	11,751
- concession asset	-	4,682	4,682
Provision for doubtful debts	962	-	962
Write down of inventories	64	-	64
Write back of provision for doubtful debts	(220)	-	(220)

15. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTD.)

(c) The results of the discontinued operations are as follows: (contd.)

<u>2005</u>	<u>Manufacturing</u> RM'000	<u>Investment</u> <u>& Others</u> RM'000	<u>Total</u> RM'000
Revenue	105,553	45,952	151,505
Cost of sales	(84,573)	(29,898)	(114,471)
Gross profit	20,980	16,054	37,034
Expenses	(32,995)	(14,572)	(47,567)
Operating (loss)/profit	(12,015)	1,482	(10,533)
Finance expense	(176)	(421)	(597)
(Loss)/Profit before taxation	(12,191)	1,061	(11,130)
Taxation (Note 14)	(2,722)	(444)	(3,166)
(Loss)/ Profit for the year from discontinued operations	(14,913)	617	(14,296)
(Loss)/ Profit on disposal of discontinued operations	(2,968)	7,211	4,243
(Loss)/Profit for the year from discontinued operations	(17,881)	7,828	(10,053)

The following amounts have been included in arriving at the profit/(loss) before taxation of discontinued operations:

	<u>Manufacturing</u> RM'000	<u>Investment</u> <u>& Others</u> RM'000	<u>Total</u> RM'000
Auditors' remuneration:			
- statutory audit	17	5	22
Directors' remuneration:			
Non-Executive Directors			
- fees and allowances	17	33	50
Depreciation/Amortisation:			
- property, plant and equipment	14,326	521	14,847
- concession asset	-	661	661
Impairment of property, plant and equipment	9,347	-	9,347
Hire of plant and machinery	260	340	600
Provision for doubtful debts	1,472	-	1,472
Write down of inventories	304	-	304
Write back of provision for doubtful debts	(380)	-	(380)

15. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTD.)

(d) The cash flows attributable to the discontinued operations are as follows:

	<u>Manufacturing</u> RM'000	<u>Investment & Others</u> RM'000	<u>Total</u> RM'000
<u>2006</u>			
Cash flows from operating activities	10,898	10,234	21,132
Cash flows from investing activities	(11,393)	(10,252)	(21,645)
Net cash flows	<u>(495)</u>	<u>(18)</u>	<u>(513)</u>
<u>2005</u>			
Cash flows from operating activities	9,062	(17,201)	(8,139)
Cash flows from investing activities	5,602	(56,866)	(51,264)
Net cash flows	<u>14,664</u>	<u>(74,067)</u>	<u>(59,403)</u>

(e) The assets and liabilities of the subsidiary companies disposed of at the effective date are as follows:

	As at 30.9.2006 RM'000	As at 30.6.2005 RM'000
Property, plant and equipment	12,838	13,582
Inventories	2,020	11,016
Receivables	3,925	16,728
Deposit, bank balances and cash	284	6,849
Advances from affiliates	-	(5,706)
Bank borrowings	-	(18,583)
Payables	(18,273)	(9,319)
Net assets disposed of	<u>794</u>	<u>14,567</u>
Proceeds from disposal of subsidiary companies	(1,592)	(16,800)
Reversal of goodwill on disposal	-	4,005
Provision for warranty and incidental expenses	-	2,548
Effect of changes in exchange rates	-	(8,563)
Provisions written off	23,806	-
Loss/(Gain) on disposal of subsidiary companies	<u>23,008</u>	<u>(4,243)</u>
Proceeds from disposal of subsidiary companies	1,592	16,800
Cash and cash equivalents of subsidiary companies disposed of	(284)	(6,849)
Net cash inflow	<u>1,308</u>	<u>9,951</u>

There were no tax charge or credit arising from the disposals.

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15. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTD.)

- (f) The disposal of subsidiary companies had the following effects on the financial results of the Company:

	<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>
	RM'000	RM'000
Total disposal proceeds	992	16,720
Less: Incidental expenses incurred	(968)	(4,940)
Net proceeds from disposal of subsidiary companies	24	11,780
Less: Cost of investment in subsidiary companies	(9,000)	(35,076)
Amounts due from subsidiary companies	(15,599)	(22,506)
Loans to subsidiary companies	-	(75,000)
Add: Reversal of provisions for:		
Impairment of investment in subsidiary companies (Note 25)	-	35,076
Loans to subsidiary companies (Note 29)	-	74,460
Amounts due from subsidiary companies (Note 38)	-	3,000
Net assets of subsidiary companies taken over	-	6,449
Loss on disposal of subsidiary companies	<u>(24,575)</u>	<u>(1,817)</u>

16. EARNINGS PER SHARE

- (a) Basic

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	<u>GROUP</u>	
	<u>2006</u>	<u>2005</u>
Profit from continuing operations attributable to ordinary equity holders of the Company (RM'000)	297,102	58,897
Loss from discontinued operations attributable to ordinary equity holders of the Company (RM'000)	(12,908)	(10,053)
Profit attributable to ordinary equity holders of the Company (RM'000)	<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>
Basic earnings per share (sen) for:		
Profit from continuing operations	29.38	5.85
Loss from discontinued operations	(1.28)	(1.00)
Profit attributable to ordinary equity holders of the Company	<u>28.10</u>	<u>4.85</u>

16. EARNINGS PER SHARE (CONTD.)

(b) Diluted

Diluted earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year which have been adjusted for the dilutive effects of all share options granted to employees.

	GROUP	
	<u>2006</u>	<u>2005</u>
Profit from continuing operations attributable to ordinary equity holders of the Company (RM'000)	297,102	58,897
Loss from discontinued operations attributable to ordinary equity holders of the Company (RM'000)	(12,908)	(10,053)
Profit attributable to ordinary equity holders of the Company (RM'000)	<u>284,194</u>	<u>48,844</u>
Weighted average number of ordinary shares in issue ('000)	1,011,222	1,006,590
Effects of dilution of share options ('000)	3,721	8,849
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>1,014,943</u>	<u>1,015,439</u>
Diluted earnings per share (sen) for:		
Profit from continuing operations	29.27	5.80
Loss from discontinued operations	(1.27)	(0.99)
Profit attributable to ordinary equity holders of the Company	<u>28.00</u>	<u>4.81</u>

17. DIVIDENDS

(a) Dividends Paid

	GROUP/COMPANY	
	<u>2006</u>	<u>2005</u>
	RM'000	RM'000
Final dividend of 6 sen per share, less 28% tax for the financial year 2005 (2005: 5 sen per share, less 28% tax for the financial year 2004)	43,500	36,195
Adjustment for underprovision of prior year's final dividend due to increase in share capital arising from the Second ESOS	79	39
	<u>43,579</u>	<u>36,234</u>
Interim dividend of 6 sen per share, less 28% tax for the current financial year (2005: 4 sen per share, less 28% tax)	43,892	28,995
	<u>87,471</u>	<u>65,229</u>

17. DIVIDENDS (CONTD.)

	<u>GROUP/COMPANY</u>	
	<u>2006</u>	<u>2005</u>
	RM'000	RM'000
(b) Dividends Proposed		
Final tax exempt dividend of 6 sen per share (2005: Nil)	61,287	-
Final dividend of 4 sen per share, less 27% tax for the current financial year (2005: 6 sen per share, less 28% tax)	29,826	43,500
	<u>91,113</u>	<u>43,500</u>

The final dividends proposed in respect of the financial year ended 31 December 2006 are subject to shareholders' approval at the forthcoming Annual General Meeting of the Company to be held on 7 June 2007. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity as an appropriation of revenue reserve in the financial year ending 31 December 2007.

18. PROPERTY, PLANT AND EQUIPMENT

<u>GROUP</u>	<u>Freehold land</u>	<u>Golf course development expenditure</u>	<u>Buildings</u>	<u>Machinery, equipment and vehicles</u>	<u>Capital work-in-progress</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost or Valuation						
At 1 January 2006						
Cost	357	-	169,626	916,653	18,398	1,105,034
Valuation - 2003	1,670,463	23,637	284,636	-	-	1,978,736
	<u>1,670,820</u>	<u>23,637</u>	<u>454,262</u>	<u>916,653</u>	<u>18,398</u>	<u>3,083,770</u>
Additions	-	71	18,832	42,091	148,121	209,115
Reclassification	-	-	17,281	24,157	(41,914)	(476)
Disposals	(14,723)	-	(867)	(3,426)	-	(19,016)
Disposal of a subsidiary company	-	-	(6,009)	(21,247)	-	(27,256)
Write off	-	(137)	(4,030)	(10,951)	(6)	(15,124)
Transfer to assets of disposal groups classified as held for sale	-	-	(33,389)	(144,628)	(3,150)	(181,167)
Exchange differences	-	-	3,811	8,001	195	12,007
At 31 December 2006	<u>1,656,097</u>	<u>23,571</u>	<u>449,891</u>	<u>810,650</u>	<u>121,644</u>	<u>3,061,853</u>
Representing:						
Cost	357	-	191,646	810,650	121,644	1,124,297
Valuation - 2003	1,655,740	23,571	258,245	-	-	1,937,556
At 31 December 2006	<u>1,656,097</u>	<u>23,571</u>	<u>449,891</u>	<u>810,650</u>	<u>121,644</u>	<u>3,061,853</u>

18. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

<u>GROUP (CONTD.)</u>	<u>Freehold land</u> RM'000	<u>Golf course development expenditure</u> RM'000	<u>Buildings</u> RM'000	<u>Machinery, equipment and vehicles</u> RM'000	<u>Capital work-in-progress</u> RM'000	<u>Total</u> RM'000
Accumulated Depreciation and Impairment Losses						
At 1 January 2006	-	3,486	35,023	509,449	-	547,958
Depreciation for the year	-	834	25,107	83,991	-	109,932
Recognised in income statement:						
- Continuing operations	-	834	23,985	73,362	-	98,181
- Discontinued operations	-	-	1,122	10,629	-	11,751
Reclassification	-	-	(470)	(6)	-	(476)
Disposals	-	-	(120)	(3,311)	-	(3,431)
Disposal of a subsidiary company	-	-	(359)	(14,059)	-	(14,418)
Impairment losses recognised in income statement (Note 13)	-	-	570	941	3,845	5,356
Write off	-	-	(1,152)	(8,799)	-	(9,951)
Transfer to assets of disposal groups classified as held for sale	-	-	(8,219)	(99,077)	-	(107,296)
Exchange differences	-	-	106	3,297	-	3,403
At 31 December 2006	-	4,320	50,486	472,426	3,845	531,077
Net Carrying Amount						
Cost	357	-	188,284	338,224	117,799	644,664
Valuation - 2003	1,655,740	19,251	211,121	-	-	1,886,112
At 31 December 2006	1,656,097	19,251	399,405	338,224	117,799	2,530,776
Cost or Valuation						
At 1 January 2005						
Cost	-	-	69,123	924,807	57,083	1,051,013
Valuation - 2003	1,669,899	23,357	318,556	-	-	2,011,812
	1,669,899	23,357	387,679	924,807	57,083	3,062,825
Additions	-	280	11,836	35,289	40,249	87,654
Reclassification	2,934	-	24,526	47,759	(75,219)	-
Disposals	(2,355)	-	(966)	(21,364)	-	(24,685)
Disposal of subsidiary companies	-	-	(19,713)	(40,542)	-	(60,255)
Write off	(15)	-	(132)	(8,333)	-	(8,480)
Transfer from concession asset	-	-	60,000	-	-	60,000
Transfer from completed properties	357	-	974	-	-	1,331
Exchange differences	-	-	(9,942)	(20,963)	(3,715)	(34,620)
At 31 December 2005	1,670,820	23,637	454,262	916,653	18,398	3,083,770
Representing:						
Cost	357	-	169,626	916,653	18,398	1,105,034
Valuation - 2003	1,670,463	23,637	284,636	-	-	1,978,736
At 31 December 2005	1,670,820	23,637	454,262	916,653	18,398	3,083,770

18. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

<u>GROUP (CONTD.)</u>	<u>Freehold land</u> RM'000	<u>Golf course development expenditure</u> RM'000	<u>Buildings</u> RM'000	<u>Machinery, equipment and vehicles</u> RM'000	<u>Capital work-in-progress</u> RM'000	<u>Total</u> RM'000
Accumulated Depreciation and Impairment Losses						
At 1 January 2005	-	1,093	17,239	496,685	-	515,017
Depreciation for the year	-	2,393	22,688	77,784	-	102,865
Recognised in income statement:						
- Continuing operations	-	2,393	20,895	64,720	-	88,008
- Discontinued operations	-	-	1,793	13,054	-	14,847
Capitalised in concession asset (Note 23)	-	-	-	10	-	10
Disposals	-	-	(137)	(15,538)	-	(15,675)
Disposal of subsidiary companies	-	-	(3,920)	(42,512)	-	(46,432)
Impairment losses recognised in income statement (Note 15)	-	-	-	9,347	-	9,347
Write off	-	-	(12)	(6,727)	-	(6,739)
Exchange differences	-	-	(835)	(9,590)	-	(10,425)
At 31 December 2005	-	3,486	35,023	509,449	-	547,958
Net Carrying Amount						
Cost	357	-	157,514	407,204	18,398	583,473
Valuation - 2003	1,670,463	20,151	261,725	-	-	1,952,339
At 31 December 2005	1,670,820	20,151	419,239	407,204	18,398	2,535,812
The net carrying amount of property, plant and equipment had the assets been carried under the cost model, would have been:						
At 31 December 2006	443,685	19,251	399,405	338,224	117,799	1,318,364
At 31 December 2005	446,886	20,151	419,081	407,204	18,398	1,311,720

Interest expense capitalised during the financial year under capital work-in-progress of the Group amounted to RM115,000 (2005: RM992,000) as disclosed in Note 12.

18. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

<u>COMPANY</u>	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Machinery, equipment and vehicles</u> RM'000	<u>Total</u> RM'000
Cost or Valuation				
At 1 January 2006				
Cost	-	-	22,139	22,139
Valuation - 2003	10,411	1,398	-	11,809
	10,411	1,398	22,139	33,948
Additions	-	-	974	974
Disposals	-	-	(675)	(675)
Write off	-	(3)	(127)	(130)
Transfer to subsidiary companies	-	-	(319)	(319)
At 31 December 2006	10,411	1,395	21,992	33,798
Representing:				
Cost	-	-	21,992	21,992
Valuation - 2003	10,411	1,395	-	11,806
At 31 December 2006	10,411	1,395	21,992	33,798
Accumulated Depreciation				
At 1 January 2006	-	176	15,265	15,441
Depreciation recognised in income statement (Note 13)	-	79	1,974	2,053
Disposals	-	-	(567)	(567)
Write off	-	(2)	(124)	(126)
Transfer to subsidiary companies	-	-	(196)	(196)
At 31 December 2006	-	253	16,352	16,605
Net Carrying Amount				
Cost	-	-	5,640	5,640
Valuation - 2003	10,411	1,142	-	11,553
At 31 December 2006	10,411	1,142	5,640	17,193

18. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

<u>COMPANY (CONTD.)</u>	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Machinery, equipment and vehicles</u> RM'000	<u>Total</u> RM'000
Cost or Valuation				
At 1 January 2005				
Cost	-	-	20,551	20,551
Valuation - 2003	10,411	1,391	-	11,802
	10,411	1,391	20,551	32,353
Additions	-	7	3,243	3,250
Disposals	-	-	(2,026)	(2,026)
Transfer from subsidiary companies	-	-	565	565
Transfer to subsidiary companies	-	-	(194)	(194)
At 31 December 2005	10,411	1,398	22,139	33,948
Representing:				
Cost	-	-	22,139	22,139
Valuation - 2003	10,411	1,398	-	11,809
At 31 December 2005	10,411	1,398	22,139	33,948
Accumulated Depreciation				
At 1 January 2005	-	88	14,451	14,539
Depreciation recognised in income statement (Note 13)	-	88	1,627	1,715
Disposals	-	-	(1,035)	(1,035)
Transfer from subsidiary companies	-	-	363	363
Transfer to subsidiary companies	-	-	(141)	(141)
At 31 December 2005	-	176	15,265	15,441
Net Carrying Amount				
Cost	-	-	6,874	6,874
Valuation - 2003	10,411	1,222	-	11,633
At 31 December 2005	10,411	1,222	6,874	18,507

18. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

<u>COMPANY (CONTD.)</u>	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>Machinery, equipment and vehicles</u> RM'000	<u>Total</u> RM'000
The net carrying amount of property, plant and equipment had the assets been carried under the cost model, would have been:				
At 31 December 2006	600	1,142	5,640	7,382
At 31 December 2005	600	1,222	6,874	8,696

The landed properties of the Group and of the Company included within property, plant and equipment were revalued by the directors in 2003 based on open market values on existing use basis carried out by independent professional valuers, CH Williams Talhar & Wong Sdn. Berhad.

The net carrying amounts of property, plant and equipment of the Group amounting to RM271,067,000 (2005: RM418,047,000) have been pledged as securities to financial institutions for banking facilities as referred to in Note 44.

19. PLANTATION DEVELOPMENT EXPENDITURE

	<u>GROUP</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000
Cost or Valuation		
At 1 January		
Cost	116,513	57,075
Valuation - 2003	2,608,108	2,748,813
	2,724,621	2,805,888
Additions	64,257	59,825
Disposal	(4,806)	-
Write off	(16,722)	(4,734)
Exchange differences	44,653	(136,358)
At 31 December	2,812,003	2,724,621
Representing:		
Cost	186,131	116,513
Valuation - 2003	2,625,872	2,608,108
At 31 December	2,812,003	2,724,621

19. PLANTATION DEVELOPMENT EXPENDITURE (CONTD.)

	<u>GROUP</u>	
	<u>2006</u>	<u>2005</u>
	RM'000	RM'000
Accumulated Amortisation and Impairment Losses		
At 1 January	244,010	126,681
Amortisation recognised in income statement (Note 13)	127,513	125,233
Disposal	(383)	-
Impairment losses recognised in income statement (Note 13)	4,923	-
Write off	(1,194)	(613)
Exchange differences	2,288	(7,291)
At 31 December	<u>377,157</u>	<u>244,010</u>
Net Carrying Amount		
Cost	183,389	115,303
Valuation - 2003	2,251,457	2,365,308
At 31 December	<u>2,434,846</u>	<u>2,480,611</u>
The net carrying amounts of plantation development expenditure had it been carried under the cost model, would have been:	<u>2,095,240</u>	<u>2,117,863</u>
The net book value of plantation development expenditure comprises:		
Oil Palm	2,433,344	2,478,258
Rubber	1,502	2,353
	<u>2,434,846</u>	<u>2,480,611</u>
Interest expense capitalised during the financial year (Note 12)	<u>801</u>	<u>684</u>

The plantation development expenditure of the Group were revalued by the directors in 2003 based on valuations carried out by independent professional valuers, CH Williams Talhar & Wong Sdn Berhad, to reflect the market values on existing use basis.

The net carrying amounts of plantation development expenditure of the Group amounting to RM447,699,000 (2005: 458,077,000) have been pledged as securities to financial institutions for banking facilities as referred to in Note 44.

20. PREPAID LEASE PAYMENTS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
At 1 January	347,202	356,132	645	675
Additions	1,402	1,630	-	-
Amortisation recognised in income statement (Note 13)	(6,437)	(6,196)	(30)	(30)
Disposal	(358)	(1,555)	-	-
Impairment losses recognised in income statement (Note 13)	(388)	-	-	-
Exchange differences	936	(2,809)	-	-
At 31 December	342,357	347,202	615	645

Analysed as:

Long-term leasehold land	285,480	289,616	-	-
Short-term leasehold land	56,877	57,586	615	645
	342,357	347,202	615	645

Short-term leasehold land amounting to RM14,920,000 (2005: RM15,031,000) of certain subsidiary companies in Indonesia have been pledged as securities to financial institutions for banking facilities as referred to in Note 44.

The leasehold interest in land were revalued in 2003 by independent professional valuers, CH Williams Talhar & Wong Sdn. Berhad to reflect the market value on existing use basis. 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 cost of prepaid lease payments and is amortised over the remaining lease term of the leasehold land.

21. LAND HELD FOR PROPERTY DEVELOPMENT

<u>GROUP</u>	<u>Freehold</u>	<u>Development</u>	<u>Total</u> RM'000
	<u>Land</u> RM'000	<u>Costs</u> RM'000	
At 1 January 2006	78,625	320,449	399,074
Additions	405	20,407	20,812
Disposals	(5,585)	(22,967)	(28,552)
Transfer from/(to) property development costs	11,516	(136,650)	(125,134)
At 31 December 2006	84,961	181,239	266,200

21. LAND HELD FOR PROPERTY DEVELOPMENT (CONTD.)

<u>GROUP</u>	<u>Freehold Land</u> RM'000	<u>Development Costs</u> RM'000	<u>Total</u> RM'000
At 1 January 2005	86,654	257,136	343,790
Additions	-	93,211	93,211
Disposals	(554)	(2,515)	(3,069)
Transfer from concession asset	-	15,400	15,400
Transfer to property development costs	(7,475)	(42,783)	(50,258)
At 31 December 2005	<u>78,625</u>	<u>320,449</u>	<u>399,074</u>

Land held for property development comprises land banks which are being held for future development. The land banks are not expected to be developed within the normal operating cycle.

22. INVESTMENT PROPERTY

<u>COMPANY</u>	<u>Freehold land</u> RM'000	<u>Building</u> RM'000	<u>Total</u> RM'000
Cost			
At 1 January 2006	17,000	5,000	22,000
Disposal to a subsidiary company	(17,000)	(5,000)	(22,000)
At 31 December 2006	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated Depreciation			
At 1 January 2006	-	476	476
Disposal to a subsidiary company	-	(476)	(476)
At 31 December 2006	<u>-</u>	<u>-</u>	<u>-</u>
Net Carrying Amount			
At 31 December 2006	<u>-</u>	<u>-</u>	<u>-</u>
Cost			
At 1 January 2005/ 31 December 2005	<u>17,000</u>	<u>5,000</u>	<u>22,000</u>
Accumulated Depreciation			
At 1 January 2005	-	238	238
Depreciation recognised in income statement (Note 13)	-	238	238
At 31 December 2005	<u>-</u>	<u>476</u>	<u>476</u>
Net Carrying Amount			
At 31 December 2005	<u>17,000</u>	<u>4,524</u>	<u>21,524</u>

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22. INVESTMENT PROPERTY (CONTD.)

In the financial year ended 31 December 2006, the Company had disposed of the investment property to a subsidiary company. The carrying amount of the asset at the date of disposal was RM21,524,000. The disposal resulted in a gain of RM4,576,000 to the Company as disclosed in Note 11.

23. CONCESSION ASSET

On 18 July 2000, the Government of Malaysia ("the Government") and Guthrie Corridor Expressway Sdn. Berhad ("GCESB") entered into a concession agreement whereby the Government granted to GCESB, inter-alia, the exclusive right and authority to undertake the design, construction, maintenance, operation and management of the Guthrie Corridor Expressway ("the Expressway"). The Expressway is a 25 km expressway which links Shah Alam to Kuang, Selangor Darul Ehsan. The "Sijil Kesempurnaan Pembinaan Lebuhraya" for the Expressway was issued by the Government on 14 April 2005 and the Expressway was fully opened for toll collection on 15 August 2005.

The Concession Asset represents the development expenditure incurred to design, construct, manage and maintain the Expressway. The development expenditure incurred in respect of this Concession Agreement consists of the following:

	Expressway Development Expenditure	Other Concession Assets	Total
	RM'000	RM'000	RM'000
Cost			
At 1 January 2006	569,059	17,344	586,403
Additions	1,239	67	1,306
Transfer to assets of disposal groups classified as held for sale	(570,298)	(17,411)	(587,709)
At 31 December 2006	-	-	-
Accumulated Amortisation/Depreciation			
At 1 January 2006	643	18	661
Amortisation/Depreciation recognised in income statement (Note 15)	2,941	1,741	4,682
Transfer to assets of disposal groups classified as held for sale	(3,584)	(1,759)	(5,343)
At 31 December 2006	-	-	-
Net Carrying Amount			
At 31 December 2006	-	-	-

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23. CONCESSION ASSET (CONTD.)

	Expressway Development <u>Expenditure</u> RM'000	Other Concession <u>Assets</u> RM'000	<u>Total</u> RM'000
Cost			
At 1 January 2005	651,082	6,111	657,193
Additions	66,577	11,233	77,810
Transfer to property, plant and equipment	(60,000)	-	(60,000)
Transfer to land held for property development	(15,400)	-	(15,400)
Transfer to property development costs	(73,200)	-	(73,200)
At 31 December 2005	<u>569,059</u>	<u>17,344</u>	<u>586,403</u>
Accumulated Amortisation/Depreciation			
At 1 January 2005	-	-	-
Amortisation/Depreciation recognised in income statement (Note 15)	643	18	661
At 31 December 2005	<u>643</u>	<u>18</u>	<u>661</u>
Net Carrying Amount			
At 31 December 2005	<u>568,416</u>	<u>17,326</u>	<u>585,742</u>

Included in expressway development expenditure in 2005 were interest capitalised amounting to RM95,000 and depreciation on property, plant and equipment amounting to RM10,000 as disclosed in Notes 12 and 18 respectively.

24. GOODWILL ON CONSOLIDATION

	<u>GROUP</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000
Cost		
At 1 January	347,397	345,461
Effects of adopting FRS 3 [Note 4(b)]	(85,887)	-
Acquisition of shares in subsidiary companies	7,720	2,008
Exchange differences	16	(72)
At 31 December	<u>269,246</u>	<u>347,397</u>
Accumulated Amortisation and Impairment Losses		
At 1 January	85,887	68,765
Effect of adopting FRS 3 [Note 4(b)]	(85,887)	-
Amortisation for the year (Note 13)	-	17,163
Impairment losses recognised in income statement (Note 13)	14,688	-
Exchange differences	-	(41)
At 31 December	<u>14,688</u>	<u>85,887</u>
Net Carrying Amount	<u>254,558</u>	<u>261,510</u>

24. GOODWILL ON CONSOLIDATION (CONTD.)

(a) Impairment Losses Recognised

In accordance with the revised FRS 136, the Group had carried out its first review of the recoverable amount of its investments in Indonesia in the fourth quarter of 2006. The review led to the recognition of an impairment loss of RM14,688,000 for certain subsidiary companies arising from net deficit in the present value of cash flow projections. The recoverable amount was based on value-in-use and was determined at each cash generating unit ("CGU"). In determining value-in-use for the CGU, the cash flows were discounted at a rate of 16% on a pre-tax basis.

Following this impairment test, impairment losses on the carrying amounts of property, plant and equipment, plantation development expenditure and prepaid lease payments amounting to RM5,356,000, RM4,923,000 and RM388,000 respectively were recognised in the income statement as disclosed in Note 13.

(b) Impairment Tests for Goodwill

Allocation of Goodwill

Goodwill has been allocated to nineteen CGUs which in this respect, comprise operating plantation subsidiary companies in Indonesia based on the net assets value as of the date of acquisition of 31 March 2001.

Key Assumptions used in Value-in-use Calculations

The principal activities of the subsidiary companies in Indonesia comprise the cultivation of oil palm on plantations. The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections covering a ten-year period. The first three years cash flow projections are based on financial budgets approved by management. The cash flow projections beyond the three-year period are based on the long range expected crude palm oil ("CPO") price and the anticipated palm productivity and cost of production. If the net present value of the respective CGU is less than the carrying amount, the cash flow projections will be extended further until the expiry date of the lease period. The key assumptions used for value-in-use calculations for the current year are as follows:

Gross margin	27%
Growth rate	3%
Discount rate	16%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved from the sale of palm products in the year before the budget year increased for expected efficiency improvements.

24. GOODWILL ON CONSOLIDATION (CONTD.)

(b) Impairment Tests for Goodwill (contd.)

(ii) Growth rate

The basis used to determine the growth rate is based on the long range expected palm product price, anticipated productivity and cost of production which is comparable with the average productivity of the palms in the industry. Productivity refers to average yield of fresh fruit bunches per mature hectare and average oil and kernel extraction rates.

(iii) Discount rate

The discount rates used are pre-tax and reflect specific risks relating to the industry. The rate applied have taken into account the Government Securities yield, inflation rate and lending rates as announced by Bank Indonesia.

Sensitivity to Changes in Assumptions

With regards to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

25. INVESTMENTS IN SUBSIDIARY COMPANIES

	<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>
	RM'000	RM'000
Unquoted shares		
At Directors' valuation - 1982		
As previously stated	295,033	295,033
Effects of adopting FRS 127	(120,282)	(120,282)
As restated	<u>174,751</u>	<u>174,751</u>
At cost	2,376,036	2,409,089
Reclassified as held for sale (Note 41)	(104,800)	-
	<u>2,271,236</u>	<u>2,409,089</u>
Total unquoted shares	2,445,987	2,583,840
Accumulated impairment losses	(204,277)	(155,071)
	<u>2,241,710</u>	<u>2,428,769</u>

25. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)

	<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000
Quoted shares in Malaysia:		
At Directors' valuation - 1982		
As previously stated	154,764	154,764
Effects of adopting FRS 127	(41,768)	(41,768)
As restated	112,996	112,996
At cost	281,820	281,820
Total quoted shares	394,816	394,816
TOTAL	2,636,526	2,823,585

Movements in accumulated impairment losses during the financial year are as follows:

	<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000
At 1 January	155,071	188,144
Impairment losses recognised in income statement (Note 13)	53,673	2,003
Written off upon disposal of subsidiary companies (Note 15)	-	(35,076)
Written off upon liquidation of subsidiary companies	(4,467)	-
At 31 December	204,277	155,071
Market value of quoted shares in Malaysia	1,264,584	992,720

In determining the impairment losses, consideration has been given to the history of results and the carrying amounts of underlying assets of these investments and where such analysis has indicated the possibility of impairment, the future operating plans and cash flows have also been considered. The net carrying amounts reflect the extent to which the directors consider the investments are recoverable in light of current plans for future operations and anticipated cash flows.

Certain shares held in quoted subsidiary companies at the book value of RM168,577,000 and at market value of RM427,646,000 in 2005 were pledged to financial institutions for credit facilities granted to certain overseas subsidiary companies. In July 2006, these shares were released by the financial institutions upon restructuring of the credit facilities.

The unquoted shares of certain subsidiary companies in Indonesia are pledged to financial institutions for credit facilities granted to the subsidiary companies as disclosed in Note 44.

25. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)

Subsidiary Companies under Members' Voluntary Liquidation

During the financial year, the following subsidiary companies have been placed under members' voluntary liquidation and have accordingly been deconsolidated effective from the dates the subsidiaries were placed under liquidation:

	Date Placed Under Liquidation
Guthrie Assets Management Sdn. Berhad	5 June 2006
Guthrie KD Sdn. Berhad	5 June 2006
Guthrie Pharmaceuticals Sdn. Berhad	5 June 2006
Guthrie Distributors Sdn. Berhad	5 June 2006
Guthrie Polymer Sdn. Berhad	5 June 2006
Guthrie Land Sdn. Berhad	5 June 2006
Guthrie Medicare Products (Holdings) Sdn. Berhad	5 June 2006
Guthrie Livestock Corporation Sdn. Berhad	5 June 2006
Guthrie Solutions Sdn. Berhad	5 June 2006
Guthrie Palm Products Sdn. Berhad	5 June 2006
Guthrie Industries (Indonesia) Sdn. Berhad	5 June 2006
Highlands Assets Management Sdn. Berhad	5 June 2006
Highlands Estate Sdn. Berhad	7 June 2006
K & K Plantations Sdn. Berhad	15 November 2006
Hatawa Plantations Sdn. Berhad	15 November 2006
Syarikat Yew Lian Plantations Sdn. Berhad	15 November 2006
Hock Guan Seng Plantations Sdn. Berhad	15 November 2006
Guthrie Training Centre Sdn. Berhad	21 December 2006

The effects of deconsolidation for subsidiaries placed under members' voluntary liquidation during the year are as follows:

	<u>GROUP</u>	
	<u>2006</u>	<u>2005</u>
	RM'000	RM'000
Total distribution in cash	28,250	-
Less:		
Net assets deconsolidated	(27,305)	-
Net gain on liquidation of subsidiary companies (Note 11)	<u>945</u>	<u>-</u>

Subsequent to the financial year ended 31 December 2006, Kamuning Marble Sdn. Berhad, a wholly-owned subsidiary of the Company, was placed under member's voluntary liquidation on 29 January 2007.

26. INVESTMENTS IN ASSOCIATED COMPANIES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
Unquoted shares at cost	12,465	12,465	-	-
Share of post-acquisition reserves	6,409	4,314	-	-
Exchange differences	(2,174)	(2,984)	-	-
	<u>16,700</u>	<u>13,795</u>	<u>-</u>	<u>-</u>

The Group's interest in the associated companies are analysed as follows:

Share of net tangible assets	<u>16,700</u>	<u>13,795</u>
------------------------------	---------------	---------------

Details of the associated companies, held by subsidiary companies, are as follows:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Effective interest</u>		<u>Principal activities</u>
		<u>2006</u> %	<u>2005</u> %	
Muang Mai Guthrie Co. Ltd.	Thailand	49	49	Processing and distribution of rubber
Boustead Bulking Sdn. Bhd.	Malaysia	24	24	Bulking and marketing services

The financial statements of the associated companies are coterminous with those of the Group.

The summarised financial information of the associated companies are as follows:

	<u>GROUP</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000
<u>Assets and Liabilities</u>		
Non-current assets	20,733	21,458
Current assets	29,984	23,138
Total assets	<u>50,717</u>	<u>44,596</u>
Current liabilities	<u>16,230</u>	<u>15,867</u>
<u>Results</u>		
Revenue	149,089	87,742
Profit for the year	<u>5,573</u>	<u>1,915</u>

27. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	2,000	-	2,000	-
Share of post-acquisition reserves	(38)	-	-	-
	1,962	-	2,000	-

Details of the jointly controlled entity are as follows:

<u>Name of Jointly Controlled Entity</u>	<u>Country of Incorporation</u>	<u>Effective Interest</u>		<u>Principal Activity</u>
		<u>2006</u>	<u>2005</u>	
		%	%	
PNB Enterprise Sdn. Berhad	Malaysia	25	-	Animal husbandry

The Group's aggregate share of the non-current assets, current assets, current liabilities, income and expenses of the jointly controlled entity are as follows:

	<u>2006</u>	<u>2005</u>
	RM'000	RM'000
<u>Assets and Liabilities</u>		
Non-current assets	44	-
Current assets	1,944	-
Total assets	1,988	-
Current liabilities	31	-
<u>Results</u>		
Revenue	7	-
Expenses	45	-

28. OTHER INVESTMENTS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM'000	RM'000	RM'000	RM'000
At cost:				
Unquoted shares in Malaysia	3,314	3,314	2,959	2,959
Less: Accumulated impairment losses	(2,500)	(2,000)	(2,500)	(2,000)
	814	1,314	459	959
Quoted shares in Malaysia	-	277	-	-
Malaysian Government Securities, net of accretion/premium	959	959	-	-
	1,773	2,550	459	959

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28. OTHER INVESTMENTS (CONTD.)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM'000	RM'000	RM'000	RM'000
At market value:				
Quoted shares in Malaysia	-	1,554	-	-
Malaysian Government Securities	1,071	1,084	-	-
	<u>1,071</u>	<u>2,638</u>	<u>-</u>	<u>-</u>

In the financial year ended 31 December 2006, the Group and the Company had recognised an impairment loss of RM500,000 (2005: Nil) for an investment in unquoted shares in Malaysia.

29. LOANS TO/FROM SUBSIDIARY COMPANIES

	<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>
	RM'000	RM'000
Loans to subsidiary companies	404,548	415,472
Provision for doubtful debts	(25,000)	(25,000)
	<u>379,548</u>	<u>390,472</u>
Loans from subsidiary companies	<u>1,664,395</u>	<u>1,522,640</u>

Movements in provision for doubtful debts during the financial year are as follows:

	<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>
	RM'000	RM'000
At 1 January	25,000	99,460
Written off on disposal of subsidiary companies (Note 15)	-	(74,460)
At 31 December	<u>25,000</u>	<u>25,000</u>

29. LOANS TO/FROM SUBSIDIARY COMPANIES (CONTD.)

The loans to subsidiary companies have been reviewed at balance sheet date for their recoverability. In assessing the extent of the provision required, due consideration has been given to all pertinent information relating to the ability of the subsidiary companies to repay the loans, such as the history of results, recoverability amounts of the underlying assets, the current plans for the future operations and anticipated cash flows.

The loans to subsidiary companies include an amount of RM261,248,000 (2005: RM267,173,000) which bore interest at rates ranging from 3.5% to 6.9% (2005: 3.3% to 5.0%) per annum. The loans from subsidiary companies include an amount of RM1,664,395,000 (2005: RM1,435,640,000) which bore interest at rates ranging from 5.5% to 6.0% (2005: 4.6% to 4.9%) per annum. All other loans are non-interest bearing.

All loans to/from subsidiary companies are unsecured and have no fixed terms of repayment and are not expected to be repaid within the next twelve months.

30. TRADE RECEIVABLES

	<u>GROUP</u>	
	<u>2006</u>	<u>2005</u>
	RM'000	RM'000
Trade receivables	375,359	318,716
Provision for doubtful debts	(26,925)	(30,996)
	<hr/>	<hr/>
	348,434	287,720
Less: Current portion	(280,087)	(287,720)
	<hr/>	<hr/>
Long-term trade receivables	68,347	-
	<hr/> <hr/>	<hr/> <hr/>

Long-term trade receivables and RM68,500,000 (2005: RM61,968,000) of the total current portion of trade receivables relate to proceeds from the sale of plots of development properties by certain subsidiary companies involved in property development activities.

Included in the current portion of trade receivables is an amount of RM22,350,000 (2005: RM36,917,000) relating to subsidiary companies in Indonesia which are pledged as security for banking facilities granted to the subsidiary companies as disclosed in Note 44.

Other information on financial risks of trade receivables are disclosed in Note 52.

31. ADVANCES FOR PLASMA PIR-TRANS PROJECTS

	GROUP	
	2006	2005
	RM'000	RM'000
At 1 January	38,660	46,946
Additions	3,896	2,582
Write off	-	(6,867)
Conversion	-	(1,092)
Exchange differences	813	(2,909)
At 31 December	43,369	38,660
Accumulated allowance for losses on recovery	(25,351)	(21,110)
	18,018	17,550

In accordance with the Indonesian government policy, oil palm plantation owners/operators (herein referred to as the "Nucleus") are required to develop plantations for small holders (herein referred to as "Plasma Farmers"). This form of assistance to the Plasma Farmers is known as the "Perusahaan Inti Rakyat Transmigrasi (PIR-Trans)" program. Under the PIR-Trans program, the Nucleus is also required to train and develop the skills of the Plasma Farmers, and purchase the fresh fruit bunches harvested by Plasma Farmers at prices determined by the government.

The PIR-Trans program is funded by state-owned banks. The investment credit is rendered to the Nucleus, which receives the funds through several drawdowns during the plantation development period (land preparation up to the end of the immature stage). When the plasma plantation projects are completed and ready for conversion, the investment credit is transferred to the Plasma Farmers who then operate the Plasma PIR-Trans projects under the supervision of the Nucleus. The allowance for losses on recovery of Plasma PIR-Trans projects was provided for to cover the possible non-recoverable investments under the PIR-Trans program.

Three subsidiary companies in Indonesia have commitments to develop oil palm plantations for the Plasma Farmers under this program covering a total area of 16,500 hectares of which 8,024 have been converted.

32. ADVANCES FOR KKPA ("KREDIT KOPERASI PRIMER UNTUK ANGGOTANYA") PROJECTS

	GROUP	
	2006	2005
	RM'000	RM'000
At 1 January	26,093	19,026
Additions	13,373	8,246
Conversion	(22,648)	-
Exchange differences	556	(1,179)
At 31 December	17,374	26,093
Accumulated allowances for losses on recovery	(2,268)	(2,220)
	15,106	23,873

32. ADVANCES FOR KKPA ("KREDIT KOPERASI PRIMER UNTUK ANGGOTANYA") PROJECTS (CONTD.)

Under an existing government policy in Indonesia, oil palm plantation owners/operators (herein referred to as the "Nucleus") are required to assist in the development of plantations for small holders (herein referred to as the "Plasma Farmers") through a program called "Kredit Koperasi Primer untuk Anggotanya" or "KKPA". Under the KKPA program, all participating Plasma Farmers are under the coordination of a cooperative, and any investment credit availed during the development of the plantations (land preparation up to the end of the immature stage) shall also be rendered to the cooperative. The Nucleus, on the other hand, serves as the contractor for developing the plantations.

Advances for present and proposed KKPA projects represent the accumulated costs to develop plasma plantations, totalling 16,000 hectares which are currently being financed by creditor banks and self-financed by a subsidiary company. Upon the cooperative obtaining KKPA financing from the creditor bank, the said advances will be recovered from the cooperative.

The allowance for losses on recovery of KKPA projects is based on a periodic review of the recoverability of the development costs.

33. DEFERRED TAX

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM'000	RM'000	RM'000	RM'000
At 1 January				
As previously stated	512,393	531,181	6,214	6,951
Effects of adopting FRS 127	-	-	(6,560)	(6,560)
As restated	512,393	531,181	(346)	391
Recognised in income statement	7,652	4,777	1,748	(737)
Effects of changes in tax rates recognised in equity	(6,821)	-	(8)	-
Reclassified as held for sale (Note 41)	2,589	-	-	-
Exchange differences	7,572	(23,565)	-	-
At 31 December	<u>523,385</u>	<u>512,393</u>	<u>1,394</u>	<u>(346)</u>

Presented after appropriate offsetting as follows:

Deferred tax assets	(152,050)	(195,777)	-	(836)
Deferred tax liabilities				
- subject to income tax	618,682	649,766	904	-
- subject to capital gains tax	56,753	58,404	490	490
	<u>523,385</u>	<u>512,393</u>	<u>1,394</u>	<u>(346)</u>

33. DEFERRED TAX (CONTD.)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

<u>GROUP</u>	Accelerated			
	<u>Capital Allowances</u>	<u>Revaluation of Properties</u>	<u>Others</u>	<u>Total</u>
DEFERRED TAX LIABILITIES	RM'000	RM'000	RM'000	RM'000
At 1 January 2006	174,718	555,046	115	729,879
Recognised in income statement	29,293	(26,223)	(115)	2,955
Effects of changes in tax rates recognised in equity	-	(6,821)	-	(6,821)
Reclassified as held for sale	(38,826)	-	-	(38,826)
Exchange differences	892	8,531	-	9,423
At 31 December 2006	166,077	530,533	-	696,610
At 1 January 2005	161,340	613,134	154	774,628
Recognised in income statement	14,906	(31,797)	(29)	(16,920)
Exchange differences	(1,528)	(26,291)	(10)	(27,829)
At 31 December 2005	174,718	555,046	115	729,879

DEFERRED TAX ASSETS	<u>Unabsorbed Tax Losses</u>	<u>Unutilised Capital Allowances</u>	<u>Unrealised Intragroup Profits</u>	<u>Others</u>	<u>Total</u>
At 1 January 2006	49,329	2,736	153,004	12,417	217,486
Recognised in income statement	(8,952)	36,408	(34,410)	2,257	(4,697)
Reclassified as held for sale	(2,400)	(39,015)	-	-	(41,415)
Exchange differences	1,262	-	-	589	1,851
At 31 December 2006	39,239	129	118,594	15,263	173,225
At 1 January 2005	58,698	9,490	158,238	17,021	243,447
Recognised in income statement	(5,921)	(6,754)	(5,234)	(3,788)	(21,697)
Exchange differences	(3,448)	-	-	(816)	(4,264)
At 31 December 2005	49,329	2,736	153,004	12,417	217,486

	<u>GROUP</u>	
	<u>2006</u>	<u>2005</u>
	RM'000	RM'000
Deferred tax liabilities	696,610	729,879
Deferred tax assets	(173,225)	(217,486)
	523,385	512,393

33. DEFERRED TAX (CONTD.)

DEFERRED TAX LIABILITIES

<u>COMPANY</u>	Accelerated		<u>Others</u> RM'000	<u>Total</u> RM'000
	<u>Allowances</u> RM'000	<u>Capital Revaluation of Properties</u> RM'000		
At 1 January 2006				
As previously stated	(947)	7,179	(18)	6,214
Effects of adopting FRS 127	-	(6,560)	-	(6,560)
As restated	(947)	619	(18)	(346)
Recognised in income statement	1,757	(8)	(1)	1,748
Effects of changes in tax rates recognised in equity	-	(8)	-	(8)
At 31 December 2006	810	603	(19)	1,394
At 1 January 2005				
As previously stated	(221)	7,187	(15)	6,951
Effects of adopting FRS 127	-	(6,560)	-	(6,560)
As restated	(221)	627	(15)	391
Recognised in income statement	(726)	(8)	(3)	(737)
At 31 December 2005	(947)	619	(18)	(346)

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

	<u>GROUP</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000
Unused tax losses	200,510	202,015
Unabsorbed capital allowances	7,188	197,614
Reinvestment and investment tax allowances	115,305	115,319

The unused tax losses and unabsorbed capital allowances of the subsidiary companies in Malaysia amounting to RM19,519,000 and RM496,000 respectively are available indefinitely for offset against future taxable profits of the subsidiary companies in which those items arose. The availability for utilisation is subject to no substantial changes in shareholdings of the subsidiary companies under Section 44(5A) and (5B) of the Income Tax Act 1967.

The unused tax losses of the subsidiary companies in Indonesia amounting to RM34,163,000 are available for offset against future taxable profits for a maximum period of five years.

34. PROPERTY DEVELOPMENT COSTS

	<u>GROUP</u>	
	<u>2006</u>	<u>2005</u>
	RM'000	RM'000
Property development costs at 1 January:		
Freehold land	80,977	22,202
Development costs	1,308,206	1,651,772
	<u>1,389,183</u>	<u>1,673,974</u>
Accumulated costs reversed during the year in respect of completed products:		
Freehold land	(187)	(3,146)
Development costs	(1,471)	(507,394)
	<u>(1,658)</u>	<u>(510,540)</u>
Costs incurred during the year:		
Development costs	278,746	171,983
Costs charged to income statement:		
At 1 January	(1,068,871)	(1,386,275)
Accumulated costs reversed during the year in respect of completed products	1,658	510,540
Charge for the year	(449,294)	(193,136)
At 31 December	<u>(1,516,507)</u>	<u>(1,068,871)</u>
Transfers:		
From land held for property development	172,225	46,517
To inventories	(37,903)	(7,374)
	<u>134,322</u>	<u>39,143</u>
Accrued billings	129,358	86,403
Property development costs at 31 December	<u><u>413,444</u></u>	<u><u>392,092</u></u>

Included in the property development costs in 2005 was the apportionment of shared development cost in respect of the Concession Asset, amounting to RM73,200,000 as disclosed in Note 23.

35. INVENTORIES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM'000	RM'000	RM'000	RM'000
At cost:				
Produce stocks	28,783	35,578	-	-
Raw materials	380	667	-	-
Work-in-progress	-	8,976	-	-
Completed properties	81,059	64,626	-	-
Finished goods	72	3,918	-	-
Stores	78,971	75,982	-	-
	<u>189,265</u>	<u>189,747</u>	-	-
At net realisable value:				
Finished goods	-	1,319	-	-
	<u>189,265</u>	<u>191,066</u>	-	-

Produce stocks at cost amounting to RM3,905,000 (2005: RM2,944,000) relating to certain subsidiary companies in Indonesia are pledged to financial institutions as securities for credit facilities granted to the subsidiary companies as disclosed in Note 44.

36. AMOUNTS DUE FROM CUSTOMERS ON CONTRACTS

	<u>GROUP</u>	
	<u>2006</u>	<u>2005</u>
	RM'000	RM'000
Construction contract costs incurred to date	91,818	29,971
Less: Attributable loss	(14,952)	(768)
Provisions for foreseeable losses	(1,777)	-
	<u>75,089</u>	<u>29,203</u>
Less: Progress billings	(75,089)	(21,563)
	<u>-</u>	<u>7,640</u>
Contract Revenue:		
- Cumulative	75,089	20,970
- Recognised during the year (Note 9)	6,497	6,346
Contract Costs:		
- Cumulative	91,818	21,780
- Recognised during the year (Note 10)	17,805	8,502
Retention sums on contracts, included in trade receivables	-	791

37. OTHER RECEIVABLES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
Deposits	9,954	11,143	70	83
Prepayments	28,961	32,114	516	10,563
Staff loans	13,300	13,410	12,474	12,988
Project cost	1,813	4,439	-	-
Interest receivable	3,954	1,024	2,630	299
Insurance claims recoverable	4,416	2,705	235	178
Other taxes	35,481	13,134	-	-
Sundry receivables	38,877	29,189	11,753	7,168
	<u>136,756</u>	<u>107,158</u>	<u>27,678</u>	<u>31,279</u>
Amount due from an associated company	505	520	505	520
	<u>137,261</u>	<u>107,678</u>	<u>28,183</u>	<u>31,799</u>

The amount due from an associated company is unsecured, non-interest bearing and has no fixed term of repayment.

Other information on financial risks of other receivables are disclosed in Note 52.

38. AMOUNTS DUE FROM/TO SUBSIDIARY COMPANIES

	<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000
Amounts due from subsidiary companies	972,129	1,193,525
Provision for doubtful debts	(176,493)	(167,697)
	<u>795,636</u>	<u>1,025,828</u>
Amounts due to subsidiary companies	<u>503,297</u>	<u>800,751</u>

38. AMOUNTS DUE FROM/TO SUBSIDIARY COMPANIES (CONTD.)

Movements in provision for amounts due from subsidiary companies during the financial year are as follows:

	<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>
	RM'000	RM'000
At 1 January	167,697	143,723
Recognised in income statement (Note 13)	19,200	26,974
Written off upon disposal of subsidiary companies (Note 15)	-	(3,000)
Written off upon members' voluntary liquidation	(10,404)	-
At 31 December	<u>176,493</u>	<u>167,697</u>

The amounts due from subsidiary companies include an amount of RM58,746,000 (2005: RM176,825,000) which bore interest at rates ranging from 4.04% to 5% (2005: 4% to 5%) per annum. The amounts due to subsidiary companies include an amount of RM496,602,000 (2005: RM651,689,000) which bore interest at rates ranging from 4.04% to 5% (2005: 4% to 5%) per annum. All other amounts due from/to subsidiary companies are non-interest bearing.

All amounts due from/to subsidiary companies are unsecured and have no fixed terms of repayment.

39. MARKETABLE SECURITIES

	<u>GROUP</u>	
	<u>2006</u>	<u>2005</u>
	RM'000	RM'000
At cost, net of accretion/premium:		
Shares quoted in Malaysia	14,212	11,469
Warrants/Loan stocks quoted in Malaysia	-	954
Corporate bonds	23,191	10,443
	<u>37,403</u>	<u>22,866</u>
At market value:		
Shares quoted in Malaysia	14,815	13,532
Warrants/Loan stocks quoted in Malaysia	-	891
Corporate bonds	23,241	13,158
	<u>38,056</u>	<u>27,581</u>

40. DEPOSITS, BANK BALANCES AND CASH

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with:				
Licensed banks	380,196	282,981	2,549	32,022
Licensed financial institutions	271,510	245,472	18,110	23,200
Licensed banks pledged for banking facilities	-	11,446	-	-
	<u>651,706</u>	<u>539,899</u>	<u>20,659</u>	<u>55,222</u>
Cash held under Housing Development Accounts	102,357	115,073	-	-
Cash and bank balances	<u>55,873</u>	<u>54,095</u>	<u>8,371</u>	<u>1,172</u>
	<u>809,936</u>	<u>709,067</u>	<u>29,030</u>	<u>56,394</u>

The fixed deposits with licensed banks pledged to financial institutions in 2005 were for credit facilities granted to certain subsidiary companies in Indonesia. The pledge was released in the current financial year.

Cash held under the Housing Development Accounts represents receipts from purchasers of residential properties less payments or withdrawals provided under Section 7A of the Housing Development (Control and Licensing) Amendment Act, 2002. These accounts are available only to the subsidiary companies involved in the property development activities.

The range of interest rates per annum for fixed deposits at the balance sheet date were as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	%	%	%	%
Licensed banks	1.50 - 5.28	1.50 - 4.35	2.30 - 5.28	2.50 - 4.35
Licensed financial institutions	2.72 - 4.05	2.60 - 3.90	2.72 - 3.61	2.60 - 2.97

The range of maturities of fixed deposits at the end of the financial year were as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	Days	Days	Days	Days
Licensed banks	1 - 182	1 - 120	1 - 44	1 - 92
Licensed financial institutions	1 - 367	1 - 365	1 - 58	1 - 45

41. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The following classes of assets and liabilities of Guthrie Corridor Expressway Sdn. Berhad and Guthrie MDF Sdn. Berhad have been classified as held for sale as at 31 December 2006:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
<u>Assets</u>				
Property, plant and equipment	73,871	-	-	-
Concession asset	582,366	-	-	-
Investments in subsidiary companies	-	-	104,800	-
Deferred tax assets	2,589	-	-	-
Inventories	9,664	-	-	-
Trade receivables	6,990	-	-	-
Other receivables	548	-	-	-
Deposits, bank balances and cash	2,872	-	-	-
	<u>678,900</u>	<u>-</u>	<u>104,800</u>	<u>-</u>
<u>Liabilities</u>				
Trade payables	2,780	-	-	-
Other payables	6,326	-	-	-
Amounts due to subsidiary companies	-	-	22,523	-
	<u>9,106</u>	<u>-</u>	<u>22,523</u>	<u>-</u>

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

On 27 November 2006, the Company had 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 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 of the Company 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 Expressway and the agreed land banks along the Expressway.

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

41. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTD.)

(b) Proposed Disposal of Guthrie MDF Sdn. Berhad ("GMDF")

The Board of Directors had on 21 December 2006 agreed to the proposed disposal of GMDF which is in line with the Group's strategic objectives to focus on its two core businesses of plantation and property development.

42. SHARE CAPITAL

	<u>GROUP/COMPANY</u>			
	<u>Number of Ordinary</u>		<u>Amount</u>	
	<u>Shares of RM1 each</u>			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	'000	'000	RM'000	RM'000
Authorised share capital				
At 1 January/ 31 December	1,500,000	1,500,000	1,500,000	1,500,000
Issued and fully paid share capital				
At 1 January	1,006,939	1,005,419	1,006,939	1,005,419
Issued pursuant to the Second ESOS	14,510	1,520	14,510	1,520
At 31 December	1,021,449	1,006,939	1,021,449	1,006,939

Ordinary Shares Issued for Cash

During the financial year, 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 following the issue of 14,510,100 ordinary shares of RM1 each pursuant to the Second Employees' Share Option Scheme ("Second ESOS") of the Company. The new shares were issued and credited as fully paid and ranked pari passu in all respects with the existing shares of the Company. The share premium arising from this issue amounting to RM18,019,000 has been credited to the share premium account.

Second Employees' Share Option Scheme

The Second ESOS of the Company was approved by the shareholders at the Extraordinary General Meeting of the Company held on 18 June 2003. The Scheme came into effect on 30 July 2003 and will be in force for a period of five years and can be extended for another maximum period of five years, subject to approvals by the relevant authorities.

42. SHARE CAPITAL (CONTD.)

Second Employees' Share Option Scheme (contd.)

The salient features of the Scheme are as follows:

- (a) The maximum number of new ordinary shares to be made available under the Scheme should not in aggregate, exceed five percent of the total issued and paid-up share capital of the Company, at any one time during the existence of the Scheme provided that:
 - (i) not more than fifty percent of the new shares available under the Scheme shall be allocated, in aggregate, to executive directors and senior management; and
 - (ii) not more than ten percent of the new shares available under the Scheme shall be allocated to any individual or eligible employee who, individually or collectively through his associates, holds twenty percent or more of the issued and paid-up share capital of the Company.
- (b) Eligible employees comprise employees of the Company and its eligible subsidiary companies incorporated in Malaysia ("the Group") including executive directors of the Company, who have attained the age of eighteen years and whose employment have been confirmed with at least one continuous year of service (inclusive of service during any probationary period) in the Group prior to the date of offer of options to subscribe for shares in the Company. An employee or executive director who is employed on a contract basis must have served the Group for a duration of at least three years (inclusive of service under any previous contract).
- (c) The total number of new shares for subscription and allotment to eligible employees under the Scheme shall not exceed twenty percent of the Maximum Allowable Allotment of the eligible employee in any year.
- (d) Eligible employees are allowed to participate in the Scheme currently in operation of only one member company of the Group
- (e) The options to subscribe for new shares may be exercised at any time before the expiry of the Scheme and may be exercised either in full or in part or in lesser number of shares, provided that the number shall be in multiples of and not less than one hundred shares.
- (f) The price at which the employees are entitled to exercise their options under the Scheme shall be at a discount of not more than ten percent on the simple weighted average market price of the Company's shares, as shown in the daily official list issued by Bursa Malaysia Securities for five market days immediately preceding the respective dates of offer of the option shares or at par value of the Company's shares, whichever is higher.

42. SHARE CAPITAL (CONTD.)

The terms of share options granted and outstanding as at the end of the financial year are as follows:

Grant Date	Expiry Date	Exercise Price RM	<----- Number of Share Options ----->				
			As at	Granted	Exercised	Lapsed	As at
			1 January '000	'000	'000	'000	31 December '000
2006							
08.08.03	29.07.08	2.16	1,631	-	(1,030)	-	601
28.10.03	29.07.08	2.31	192	-	(159)	-	33
04.02.04	29.07.08	2.32	146	-	(115)	-	31
30.04.04	29.07.08	2.26	84	-	(53)	-	31
02.08.04	29.07.08	2.12	3,706	-	(3,140)	-	566
28.10.04	29.07.08	2.41	447	-	(349)	-	98
02.02.05	29.07.08	2.02	352	-	(347)	-	5
04.05.05	29.07.08	1.94	246	-	(193)	-	53
28.07.05	29.07.08	2.16	3,635	-	(3,333)	-	302
28.10.05	29.07.08	2.17	355	-	(307)	(5)	43
27.01.06	29.07.08	2.16	-	614	(575)	(16)	23
28.04.06	29.07.08	2.32	-	341	(322)	(10)	9
31.07.06	29.07.08	2.65	-	3,725	(2,981)	(7)	737
07.11.06	29.07.08	3.33	-	1,143	(320)	-	823
			10,794	5,823	(13,224)	(38)	3,355
2005							
08.08.03	29.07.08	2.16	2,659	-	(100)	(928)	1,631
28.10.03	29.07.08	2.31	219	-	-	(27)	192
04.02.04	29.07.08	2.32	228	-	(1)	(81)	146
30.04.04	29.07.08	2.26	137	-	(3)	(50)	84
02.08.04	29.07.08	2.12	5,832	-	(374)	(1,752)	3,706
28.10.04	29.07.08	2.41	498	-	-	(51)	447
02.02.05	29.07.08	2.02	-	651	(54)	(245)	352
04.05.05	29.07.08	1.94	-	463	(38)	(179)	246
28.07.05	29.07.08	2.16	-	5,075	(32)	(1,408)	3,635
28.10.05	29.07.08	2.17	-	577	-	(222)	355
			9,573	6,766	(602)	(4,943)	10,794

42. SHARE CAPITAL (CONTD.)

Details of shares allotted pursuant to exercise of the Second ESOS during the financial year and the fair value, at exercise date, of ordinary shares issued are as follows:

<u>Exercise Date</u>	<u>Exercise Price</u> RM	<u>Fair Value of Ordinary Shares</u> RM	<u>Number of Share Options</u> '000	<u>Consideration Received</u> RM'000
2006				
January - March	2.12	2.35 - 2.42	8	16
January - March	2.16	2.35 - 2.58	29	63
April - June	1.94	2.56 - 2.75	138	268
April - June	2.02	2.57 - 2.75	102	206
April - June	2.12	2.55 - 2.76	495	1,049
April - June	2.16	2.55 - 2.76	976	2,108
April - June	2.17	2.55 - 2.75	71	154
April - June	2.26	2.65	1	2
April - June	2.31	2.66	5	12
April - June	2.41	2.67	15	36
July - September	1.94	2.62 - 3.74	51	99
July - September	2.02	3.02 - 3.76	761	1,537
July - September	2.12	2.62 - 3.76	2,143	4,543
July - September	2.16	2.62 - 3.76	2,981	6,439
July - September	2.17	2.62 - 3.76	156	339
July - September	2.26	3.60 - 3.76	102	231
July - September	2.31	3.60 - 3.74	570	1,317
July - September	2.32	3.18 - 3.74	229	531
July - September	2.41	3.02 - 3.74	171	412
July - September	2.65	3.62 - 3.74	172	456
October - December	1.94	3.66 - 4.24	29	56
October - December	2.02	3.64 - 4.58	147	297
October - December	2.12	3.64 - 4.58	857	1,817
October - December	2.16	3.64 - 4.58	1,523	3,290
October - December	2.17	3.64 - 4.56	71	154
October - December	2.26	3.64 - 4.56	27	61
October - December	2.31	3.66 - 4.56	55	127
October - December	2.32	3.64 - 4.58	131	304
October - December	2.41	3.66 - 4.56	133	321
October - December	2.65	3.66 - 4.58	2,321	6,151
October - December	3.33	4.56 - 4.58	40	133
			14,510	32,529
Less: Par value of ordinary shares				(14,510)
Share premium				18,019

42. SHARE CAPITAL (CONTD.)

<u>Exercise Date</u>	<u>Exercise Price</u> RM	<u>Fair Value of Ordinary Shares</u> RM	<u>Number of Share Options</u> '000	<u>Consideration Received</u> RM'000
2005				
January - March	2.02	2.29 - 2.37	35	71
January - March	2.12	2.29 - 2.37	731	1,549
January - March	2.16	2.29 - 2.37	297	641
January - March	2.26	2.29 - 2.37	4	9
January - March	2.32	2.29 - 2.37	1	2
July - September	1.94	2.17 - 2.56	28	55
July - September	2.02	2.17 - 2.56	19	39
July - September	2.12	2.17 - 2.56	222	471
July - September	2.16	2.17 - 2.56	46	100
October - December	1.94	2.30 - 2.50	10	19
October - December	2.12	2.30 - 2.50	74	156
October - December	2.16	2.30 - 2.50	53	114
			1,520	3,226
Less: Par value of ordinary shares				(1,520)
Share premium				1,706

The number of unexercised share options granted and vested as at the end of the financial year is as follows:

	<u>2006</u> '000	<u>2005</u> '000
At 1 January	10,794	9,573
At 31 December	3,355	10,794

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of options holders, other than directors, who have been granted options to subscribe for less than 50,000 ordinary shares of RM1 each.

42. SHARE CAPITAL (CONTD.)

The names of employees who have been granted options to subscribe for 50,000 or more ordinary shares of RM1 each during the financial year are as follows:

<u>Name of Option Holders</u>	<u>Grant Date</u>	<u>Expiry Date</u>	<u>Exercise Price</u>	<---Number of Share Options--->		
				<u>Granted</u>	<u>Exercised</u>	<u>As at 31.12.2006</u>
Moriama Mohd	27.01.06	29.07.08	2.16	50,000	50,000	-
	07.11.06	29.07.08	3.33	31,100	31,100	-
Ahmad Ridzal Ahmad	07.11.06	29.07.08	3.33	50,000	-	50,000
Liza Suryani Mustapha	07.11.06	29.07.08	3.33	50,000	-	50,000

Fair value of share options granted during the year

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

	<-----GRANT DATE----->			
	<u>27 January</u>	<u>28 April</u>	<u>31 July</u>	<u>7 November</u>
Number of options granted ('000)	614	341	3,725	1,143
Fair value of share options (RM'000)	256	157	2,166	909
Weighted average share price (RM)	2.39	2.58	3.02	3.84
Weighted average exercise price (RM)	2.16	2.32	2.65	3.33
Expected volatility (%)	25.1	25.1	25.1	25.1
Expected life (year)	2.5	2.3	2.0	1.7
Risk free rate (%)	3.45	3.82	3.99	3.56
Expected dividend yield (%)	5.02	4.65	3.74	2.00

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

43. RESERVES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
Distributable:				
Revenue reserve	1,308,479	1,095,680	261,829	100,898
Capital reserve	47,444	42,659	-	-
	<u>1,355,923</u>	<u>1,138,339</u>	<u>261,829</u>	<u>100,898</u>
Non-distributable:				
Share premium	28,584	8,178	28,584	8,178
Revaluation reserve	691,403	699,257	10,122	10,136
Capital reserves:				
Capital redemption reserve	10,972	10,892	-	-
Legal reserve	309	309	-	-
Exchange reserve	17,805	(4,881)	-	-
Share option reserve	1,101	-	1,101	-
	<u>750,174</u>	<u>713,755</u>	<u>39,807</u>	<u>18,314</u>
	<u>2,106,097</u>	<u>1,852,094</u>	<u>301,636</u>	<u>119,212</u>

Movements in reserves are shown in the statement of changes in equity.

The nature and purpose of each category of reserve are as follows:

(a) Revenue Reserve

Distributable reserves are those available for distribution by way of dividends. Based on estimated tax credits and tax exempt income balance available the entire distributable reserves of the Company is available for distribution by way of dividends without the Company having to incur additional tax liability.

(b) Revaluation Reserve

The revaluation reserve is used to record the increase in fair value, net of deferred tax liabilities, of freehold land, plantation development expenditure and prepaid lease payments and decrease to the extent such decrease relates to an increase on the same asset previously recognised in equity. The Group has applied FRS 117 in accordance with the transitional provisions which allow the Group to retain the unamortised revalued amount as the surrogate cost of prepaid lease payments and accordingly the Group has retained the outstanding revaluation reserve attributable to the prepaid lease payments.

43. RESERVES (CONTD.)

(c) Capital Redemption Reserve

Capital redemption reserve represents a transfer from revenue reserve arising from the redemption of redeemable preference shares by certain subsidiary companies.

(d) Legal Reserve

Legal reserve arises from the provisions of the Civil and Commercial Code in Thailand, where an associated company is required to set aside legal reserve of at least 5% of net income at each dividend declaration until the reserve reaches 10% of the said company's authorised share capital.

(e) Exchange Reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas subsidiary companies whose functional currencies are different from that of the Group's presentation currency. It also includes exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operations.

(f) Share Option Reserve

The share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

44. BORROWINGS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM'000	RM'000	RM'000	RM'000
<u>Long-Term Borrowings</u>				
Secured:				
Islamic Lease SUKUK	-	377,800	-	377,800
Term loans	175,885	212,675	-	-
	<u>175,885</u>	<u>590,475</u>	<u>-</u>	<u>377,800</u>
Unsecured:				
Al-Bai Bithaman Ajil	113,465	129,000	113,465	129,000
Murabahah Medium Term Notes	400,000	400,000	-	-
Term loans	1,854,395	1,625,640	190,000	190,000
	<u>2,367,860</u>	<u>2,154,640</u>	<u>303,465</u>	<u>319,000</u>

44. BORROWINGS (CONTD.)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM'000	RM'000	RM'000	RM'000
Total long-term borrowings	2,543,745	2,745,115	303,465	696,800
Less: Current portion of borrowings included under current liabilities				
- Secured	(18,733)	(92,868)	-	-
- Unsecured	(63,808)	(16,125)	(63,808)	(16,125)
	2,461,204	2,636,122	239,657	680,675
Unamortised deferred financing expenses	(10,769)	(14,407)	-	-
Unamortised SUKUK issuance expenses	-	(1,042)	-	(1,042)
	<u>2,450,435</u>	<u>2,620,673</u>	<u>239,657</u>	<u>679,633</u>
<u>Short-Term Borrowings</u>				
Secured:				
Short-term loans	-	10,901	-	-
Current portion of long-term borrowings	18,733	92,868	-	-
	<u>18,733</u>	<u>103,769</u>	<u>-</u>	<u>-</u>
Unsecured:				
Bankers acceptances and export credit refinancing loans	66,556	157,852	66,556	157,852
Murabahah Commercial Papers	149,073	148,824	149,073	148,824
Current portion of long-term borrowings	63,808	16,125	63,808	16,125
	<u>279,437</u>	<u>322,801</u>	<u>279,437</u>	<u>322,801</u>
	<u>298,170</u>	<u>426,570</u>	<u>279,437</u>	<u>322,801</u>
TOTAL BORROWINGS	<u>2,748,605</u>	<u>3,047,243</u>	<u>519,094</u>	<u>1,002,434</u>
Unamortised deferred financing expenses:				
At 1 January	14,407	10,238	-	8,876
Incurred during the year	-	14,237	-	-
Amortisation for the year (Note 12)	(2,752)	(10,068)	-	(8,876)
Exchange differences	(886)	-	-	-
At 31 December	<u>10,769</u>	<u>14,407</u>	<u>-</u>	<u>-</u>
Unamortised SUKUK issuance expenses:				
At 1 January	1,042	2,102	1,042	2,102
Amortisation for the year (Note 12)	(1,042)	(1,060)	(1,042)	(1,060)
At 31 December	<u>-</u>	<u>1,042</u>	<u>-</u>	<u>1,042</u>

44. BORROWINGS (CONTD.)

The repayment schedule on total long-term borrowings are as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM'000	RM'000	RM'000	RM'000
Within one year	82,541	108,993	63,808	16,125
Between one to two years	696,809	1,051,564	239,657	442,300
Between two to five years	932,198	866,738	-	238,375
More than five years	832,197	717,820	-	-
	<u>2,543,745</u>	<u>2,745,115</u>	<u>303,465</u>	<u>696,800</u>

(a) Islamic Lease SUKUK ("SUKUK")

The SUKUK Issue was structured under the Syariah principle of Al-Ijarah Al-Muntahiyah Bit-Tamlik or sale and leaseback. The SUKUK which was denominated in US Dollar at an Al-Ijarah return of USD LIBOR plus 2.0% was fully repaid in December 2006.

(b) Term Loans

The term loans of the Group comprise the following:

- (i) Secured term loans of RM175,885,000 in respect of the Indonesian subsidiary companies
- (ii) An unsecured syndicated term loan facility of USD471.5 million with a yield of 0.55% above USD LIBOR and is repayable over eight equal semi-annual instalments commencing 42 months after the first drawdown date on 29 August 2005.
- (iii) An unsecured three year term loan facility of RM190 million drawdown on 15 December 2005.

(c) Al-Bai Bithaman Ajil ("BBA facility")

The BBA facility is based on the Syariah principle of deferred payment sale and is repayable over three years commencing December 2006.

(d) Murabahah Medium Term Notes ("MMTN")

The MMTN totalling RM400 million, consists of RM300 million five-year tranche and RM100 million seven-year tranche, drawdown in March 2004 with average yield of 5.15% per annum and 5.82% per annum respectively. The MMTN was structured under the Syariah principle of Murabahah or deferred payment concept.

(e) Murabahah Commercial Papers ("CP")

The Murabahah Commercial Papers was issued for RM150 million nominal value at a discount with maturity period of six months and at a profit rate of 3.80% - 4.22% per annum.

44. BORROWINGS (CONTD.)

The range of interest rates per annum for all borrowings are as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> %	<u>2005</u> %	<u>2006</u> %	<u>2005</u> %
Floating Rates:				
Term loans:				
Malaysian subsidiary companies	5.53 - 6.01	4.56 - 4.95	-	-
Overseas subsidiary companies	4.00 - 15.58	3.00 - 16.09	-	-
Islamic Lease SUKUK	6.71 - 7.61	4.76 - 6.71	6.71 - 7.61	4.76 - 6.71
Murabahah Medium-Term Notes	5.15 - 6.29	5.15 - 5.79	-	-
Murabahah Commercial Papers	3.80 - 4.225	3.80	3.80 - 4.225	3.80
Short-term loans:				
Overseas subsidiary companies	15.33	14.28	-	-
Bankers acceptances and export credit refinancing loans	3.25 - 4.37	2.65 - 3.42	3.25 - 4.37	2.92 - 3.40
Fixed Rates:				
Term loan	4.70	4.70	4.70	4.70
Al-Bai Bithaman Ajil	4.25	4.25	4.25	4.25

Details of net book value of collaterals pledged against long-term borrowings of the Indonesian subsidiary companies as at 31 December 2006 are as follows:

<u>Long-term Borrowings</u> RM'000	<u>Net Book Value of Collaterals</u> RM'000	<u>Year of Maturity</u>	<u>Collaterals</u>
2,072	101,836	2008	Property, plant and equipment, trade receivables, inventories and shares of certain subsidiary companies in Indonesia
112,700	338,619	2010	Fixed and floating charge over assets of certain subsidiary companies and corporate guarantee of the Company
45,994	299,908	2009	Fixed and floating charge over assets of certain subsidiary companies and corporate guarantee of the Company
15,119	31,266	2009	Property, plant and equipment, trade receivables and inventories of certain subsidiary companies and corporate guarantee of the Company
<u>175,885</u>	<u>771,629</u>		

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45. DEFERRED INCOME

	GROUP	
	2006 RM'000	2005 RM'000
Surplus of sales proceeds over present value of future receivables	47,286	38,401
Net time share income	1,518	1,785
	48,804	40,186
Accumulated Accretion		
At 1 January	30,071	24,384
Accretion for the year (Note 11)	8,330	5,687
At 31 December	38,401	30,071
Net	10,403	10,115
Less: Long-term portion	(8,123)	(1,785)
	2,280	8,330

46. RETIREMENT BENEFITS

GROUP

Movements in net liability during the financial year are as follows:

	Malaysia RM'000	Indonesia RM'000	Total RM'000
At 1 January 2006	5,943	9,441	15,384
Recognised in income statement [Note 13(c)]	795	10,137	10,932
Contributions paid	(462)	(855)	(1,317)
Exchange differences	-	(53)	(53)
At 31 December 2006	6,276	18,670	24,946
At 1 January 2005	5,603	4,335	9,938
Recognised in income statement [Note 13(c)]	872	11,441	12,313
Contributions paid	(532)	(6,066)	(6,598)
Exchange differences	-	(269)	(269)
At 31 December 2005	5,943	9,441	15,384

46. RETIREMENT BENEFITS (CONTD.)

GROUP (CONTD.)

The amounts recognised in the balance sheet are determined as follows:

	<u>Malaysia</u> RM'000	<u>Indonesia</u> RM'000	<u>Total</u> RM'000
At 31 December 2006:			
Present value of defined benefit obligations	6,089	31,728	37,817
Unrecognised actuarial gains/(losses)	187	(13,058)	(12,871)
	<u>6,276</u>	<u>18,670</u>	<u>24,946</u>
At 31 December 2005:			
Present value of defined benefit obligations	5,943	15,990	21,933
Unrecognised net actuarial losses	-	(6,549)	(6,549)
	<u>5,943</u>	<u>9,441</u>	<u>15,384</u>

The amounts recognised in the income statement are as follows:

	<u>Malaysia</u> RM'000	<u>Indonesia</u> RM'000	<u>Total</u> RM'000
At 31 December 2006:			
Current service cost	667	8,070	8,737
Interest cost	128	5,030	5,158
Expected return on plan assets	-	(3,525)	(3,525)
Net transition liabilities	-	562	562
	<u>795</u>	<u>10,137</u>	<u>10,932</u>
At 31 December 2005:			
Current service cost	528	9,100	9,628
Interest cost	344	5,669	6,013
Expected return on plan assets	-	(3,963)	(3,963)
Net transition liabilities	-	635	635
	<u>872</u>	<u>11,441</u>	<u>12,313</u>

	<u>GROUP</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000
Recognised in income statement:		
Cost of sales	10,742	12,170
Administration expenses	190	143
	<u>10,932</u>	<u>12,313</u>

46. RETIREMENT BENEFITS (CONTD.)

COMPANY

	<u>2006</u> RM'000	<u>2005</u> RM'000
Movements in net liability during the financial year are as follows:		
At 1 January	63	53
Recognised in income statement [Note 13(c)]	10	10
At 31 December	<u>73</u>	<u>63</u>
The amount recognised in the balance sheet is determined as follows:		
At 31 December:		
Present value of defined benefit obligations	72	63
Unrecognised net actuarial gain	1	-
	<u>73</u>	<u>63</u>
The amount recognised in the income statement is as follows:		
At 31 December:		
Current service cost	6	6
Interest cost	4	4
	<u>10</u>	<u>10</u>
Recognised in income statement:		
Administration expenses	<u>10</u>	<u>10</u>

The subsidiary companies of the Group in Malaysia, involved in plantation operations, operate an unfunded, defined retirement benefit scheme for plantation workers as provided under the agreement between the Malayan Agricultural Producers Association and the National Union of Plantation Workers. The benefits payable are determined based on the length of service at predetermined contractual rates.

Certain subsidiary companies in Indonesia operate a funded defined benefit scheme for qualified permanent employees in accordance with Labour Law No. 13 Year 2003.

The obligations under the schemes are calculated using the Projected Unit Credit Method carried out at least every three years based on actuarial computations by independent actuaries. The most recent review for the Company and subsidiary companies in Malaysia was performed in September 2006 whilst for subsidiary companies in Indonesia, the review was performed in December 2006. The principal actuarial assumptions used are as follows:

	<u>Malaysia</u>		<u>Indonesia</u>	
	<u>2006</u> %	<u>2005</u> %	<u>2006</u> %	<u>2005</u> %
Discount rate	6.8	7	10	10
Expected return on plan assets	N/A	N/A	9	9
Expected rate of salary increases	4	4	8	8

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47. OTHER PAYABLES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM'000	RM'000	RM'000	RM'000
Staff costs	13,062	15,563	1,659	1,808
Retrenchment benefits	59	191	-	-
Advances from third parties	43,534	45,323	-	-
Accruals	105,254	88,175	11,984	12,851
Sundry payables	38,412	48,243	11,839	2,688
	<u>200,321</u>	<u>197,495</u>	<u>25,482</u>	<u>17,347</u>

Other information on financial risk of other payables are disclosed in Note 52.

48. SIGNIFICANT RELATED PARTY TRANSACTIONS

- a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM'000	RM'000	RM'000	RM'000
<u>Trade transactions:</u>				
Agency fees charged to subsidiary companies	-	-	41,059	42,212
Marketing charges and other expenses charged to subsidiary companies	-	-	9,389	10,134
Purchases from a company in which Datuk Alladin Mohd. Hashim, a director of the Company, is a former director	4,736	44,526	-	-
Sale of property to Dato' Abd Wahab Maskan, a director of the Company	1,436	-	-	-
<u>Non-trade transactions:</u>				
Fees and benefits-in-kind paid to non-executive directors of the Company	1,188	1,159	691	730
Remuneration and benefits-in-kind paid to an executive director of the Company	1,418	1,165	1,418	1,165
Interest paid/payable to subsidiary companies	-	-	97,910	48,098
Interest received/receivable from subsidiary companies	-	-	(23,762)	(35,583)
Advances to subsidiary companies	-	-	721,744	93,487
Advances from subsidiary companies	-	-	(646,440)	(325,988)
Services rendered from a company in which Dato' Muhammad Nawawi Haji Mohd. Arshad, a director of the Company, is a director	84	-	-	-

48. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

The above transactions have been entered into in the normal course of business at terms mutually agreed between the parties. All the transactions have been fully settled as at 31 December, except for the following amounts:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
Trade transactions due from subsidiary companies	-	-	46,846	51,023
Non-trade transactions due from subsidiary companies	-	-	402,687	169,008

b) Compensation of key management personnel

Key management personnel includes personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any executive director of the Group and of the Company.

The remuneration of the key management, excluding the executive director which is disclosed in Note 13(b), are as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u> RM'000	<u>2005</u> RM'000	<u>2006</u> RM'000	<u>2005</u> RM'000
Short-term employee benefits	2,046	1,721	1,004	973
Defined contribution plan	279	222	135	123
Share-based payment	42	-	42	-
	<u>2,367</u>	<u>1,943</u>	<u>1,181</u>	<u>1,096</u>

The members of key management have been granted the following number of options under the Second Employees Share Option Scheme ("Second ESOS"):

	<u>GROUP/COMPANY</u>	
	<u>2006</u> '000	<u>2005</u> '000
At 1 January	358	232
Granted during the year	71	126
Exercised during the year	(429)	-
At 31 December	<u>-</u>	<u>358</u>

49. COMMITMENTS

(a) Capital Expenditure

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment:				
Approved and contracted for	61,373	10,119	-	-
Approved but not contracted for	480,316	298,687	5,721	3,399
Concession asset	111	30,444	-	-
	<u>541,800</u>	<u>339,250</u>	<u>5,721</u>	<u>3,399</u>

(b) Plasma PIR-Trans Projects

Three subsidiary companies in Indonesia, PT Bahari Gembira Ria, PT Tamaco Graha Krida and PT Guthrie Pecconina Indonesia have commitments to develop 16,500 hectares of oil palm plantations for the plasma farmers under PIR-Trans program at Kabupaten Batanghari, Province of Jambi, Kabupaten Poso, Province of Central Sulawesi and Kabupaten Musi Banyuasin, Province of South Sumatera, respectively. A total of 12,091 hectares have been developed of which about 3,626 hectares are pending conversion.

(c) KKPA ("Kredit Koperasi Primer untuk Anggotanya") Projects

A subsidiary company in Indonesia, PT Sajang Heulang has entered into Cooperation Agreements and Credit Agreements to develop 16,000 hectares of oil palm plantations for the plasma farmers under the KKPA program at Kabupaten Kotabaru and Kabupaten Tanah Bumbu, Province of South Kalimantan. A total of 15,846 hectares have been developed of which 5,466 hectares have been converted and 10,380 hectares are pending conversion.

50. CONTINGENT LIABILITIES

(a) Material Litigations

COMPANY

(i) Breach of contract

On 3 May 2001, a legal suit was filed against the Company for an alleged breach of contract on the provision for consultancy services in connection with the acquisition of subsidiary companies in Indonesia. The amount claimed by the plaintiff was for a sum of USD25.76 million (equivalent to RM90.93 million), damages of 9% per annum and interest of 6% per annum, both calculated from the date of submission of the claim until the full settlement of the amount claimed.

50. CONTINGENT LIABILITIES (CONTD.)

(a) Material Litigations (contd.)

COMPANY (CONTD.)

(i) Breach of contract (contd.)

On 29 October 2001, the District Court dismissed the plaintiff's civil suit with costs. The plaintiff appealed to the High Court of Jakarta. On 27 February 2003, the High Court of Jakarta rejected the appeal by the plaintiff.

On 17 September 2003, the plaintiff filed a fresh legal suit against the Company and six of its Indonesian subsidiary companies on the same alleged breach of contract. On 28 October 2004, the District Court of South Jakarta rejected the plaintiff's claim in its entirety and decided in favour of the Company and the six Indonesian subsidiary companies. On 20 January 2005, the plaintiff filed an appeal against the decision of the District Court. On 25 May 2005, the Court of Appeal of Jakarta rejected the appeal by the plaintiff and affirmed the decision of the District Court of South Jakarta.

On 25 November 2005, the plaintiff filed a Notice of Appeal against the decision of the Court of Appeal of Jakarta rejecting the claims. The Company filed a Notice of Appeal on 30 November 2005 against the decision of the Court of Appeal in disallowing its counterclaim. The Company will oppose the appeal made by the plaintiff and seek that the Supreme Court of Jakarta upholds the decision of the Court of Appeal.

GROUP

Subsidiary Companies in Indonesia

The following pending legal actions were instituted against certain subsidiary companies in Indonesia:

(ii) Damages/alleged losses suffered involving land disputes

In 1999, a legal suit was filed against a subsidiary company for damages/losses suffered of approximately Rp22 billion (equivalent to RM8.6 million) for material loss and Rp50 billion (equivalent to RM19.6 million) for moral loss allegedly caused by clearing, occupying and planting of oil palm on the plaintiff's land. At the District Court, the plaintiff's claim was rejected. At the High Court, the plaintiff's claim was partially accepted and the High Court ordered the subsidiary company to cease all activities on the disputed land and to surrender the said land to the plaintiff. The subsidiary company has subsequently filed an appeal to the Supreme Court of Jakarta. The case is presently pending decision of the Supreme Court.

50. CONTINGENT LIABILITIES (CONTD.)

(a) Material Litigations

GROUP (CONTD.)

(iii) Damages/alleged losses suffered involving land disputes

In 2006, a legal suit was filed against a subsidiary company 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 external parties, among others, to revoke the rights to use the land by the subsidiary company and for a conservatory order against moveable and immovable property of 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.

(iv) Alleged issuance of land certificate

In 2006, a legal suit was filed in the Administrative Court against a subsidiary company and three other external parties alleging that the land certificate issued to the subsidiary company was issued on an illegal basis. The Administrative Court had rejected the plaintiff's claim. The plaintiff appealed to the High Court. The High Court had decided in favour of the plaintiff. The subsidiary company intends to appeal to the Supreme Court against the decision of the High Court.

Based on legal counsel's advice, the directors are of the opinion that the outcome of the abovementioned cases are not determinable at the date of this report.

(b) Guarantees (Unsecured)

(i) The Company has provided guarantees amounting to RM1,927,408,000 (2005: RM2,044,460,000) to financial institutions in respect of credit facilities granted to certain subsidiary companies.

(ii) In prior years, certain subsidiary companies have given guarantees to the liquidators of certain other companies for which liquidation commenced in 1977, to indemnify them against any claims and damages which may be sustained in connection with the settlement or discharge of any liabilities arising out of the distribution of assets 'in specie' by the liquidators. The directors are of the opinion that there would not be any material liability arising from the guarantees given.

(iii) The Company has provided guarantees amounting to RM76,820,000 to third parties in respect of certain tenders awarded to a subsidiary company.

(iv) Certain subsidiary companies in Indonesia have provided guarantees amounting to approximately Rp311 billion (equivalent to RM122 million) for the development of oil palm plantations for small holders through the KKPA program as disclosed in Note 49(c).

50. CONTINGENT LIABILITIES (CONTD.)

(c) Others

- (i) There are claims for interest on certain other payables of a subsidiary company in Indonesia amounting to Rp57.3 billion (equivalent to RM23 million). In the absence of any agreement between both parties, there is uncertainty of the amount of interest charges that should be accrued and recorded in the financial statements of the subsidiary company and the Group. The directors are of the opinion that such payables should be non-interest bearing and, accordingly, such interest claims are not accrued and recorded in the financial statements.
- (ii) In relation to the construction of the Guthrie Corridor Expressway, several former landowners have filed appeals under Form N of the Land Acquisition Act, 1960 claiming for higher land values than the compensations awarded to them. In the event the said landowners are successful in their appeals, the additional compensations payable by the Company is estimated to be approximately RM9.7 million.

In addition, several former landowners have requested additional compensation for their remaining land area that has proved uneconomical for usage. In the event the said landowners are successful in their appeals, the additional compensations payable by the Company is estimated to be approximately RM9.9 million.

51. CONTINGENT ASSETS

	<u>GROUP</u>	
	<u>2006</u>	<u>2005</u>
	RM'000	RM'000
Difference between the amount claimed and the amount awarded by the Government in respect of land acquired or utilised by the Government	189,075	194,663

52. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its foreign exchange, interest rate, price fluctuation, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engaged in speculative transactions.

52. FINANCIAL INSTRUMENTS (CONTD.)

(b) Foreign Exchange Risk

The Group operates internationally and is exposed to various currencies, mainly Indonesian Rupiah and United States Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

<u>Functional Currency of Group Companies</u>	Net Current Assets/(Liabilities) Held in			
	<----- Non-Functional Currency ----->			
	<u>United States</u> <u>Dollar</u> RM'000	<u>Euro</u> RM'000	<u>Indonesian</u> <u>Rupiah</u> RM'000	<u>Total</u> RM'000
At 31 December 2006:				
Ringgit Malaysia	2,427	(159)	-	2,268
Indonesian Rupiah	(508,069)	-	(32,019)	(540,088)
	<u>(505,642)</u>	<u>(159)</u>	<u>(32,019)</u>	<u>(537,820)</u>
At 31 December 2005:				
Ringgit Malaysia	(374,496)	1,846	-	(372,650)
Indonesian Rupiah	(166,270)	-	-	(166,270)
United States Dollar	-	-	50,398	50,398
	<u>(540,766)</u>	<u>1,846</u>	<u>50,398</u>	<u>(488,522)</u>

As at 31 December 2006, the Group has no outstanding forward foreign currency contracts.

(c) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt. The Group had no substantial long-term interest-bearing assets as at 31 December 2006. The investments in financial assets are mainly short-term in nature and have been mostly placed in fixed deposits or occasionally, in short-term commercial papers which yield better returns than cash at bank.

52. FINANCIAL INSTRUMENTS (CONTD.)

(c) Interest Rate Risk (contd.)

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. The Group also uses hedging instruments such as interest rate swaps to minimise its exposure to interest rate volatility.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

As at 31 December 2006, the Group has entered into interest rate swaps ("IRS") to convert floating rate liabilities to fixed rate liabilities and vice versa to reduce the Group's exposure from adverse fluctuations in interest rates on underlying debt instruments as follows:

Interest Rate Swap	Notional Amount	Effective Period	Weighted Average Rate p.a.
USD Term Loan	RM741.3 million (equivalent to USD210 million)	28/02/06 to 28/02/08	4.98% - 5.15% for the entire tenor of the liability
		28/02/08 to 29/08/12	4.98% - 5.15% for the entire tenor of the liability, provided the spread is within range
USD Term Loan	RM529.5 million (equivalent to USD150 million)	28/02/06 to 28/02/09	4.795% - 5.00% for the entire tenor of the liability
		28/02/09 to 29/08/12	Floating but capped at 6.0% provided the 6 month LIBOR is within specified ranges
USD Term Loan	RM34.59 million (equivalent to USD9.8 million)	27/07/06 to 26/07/10	6.425% for the entire tenor of the liability
USD Term Loan	RM34.59 million (equivalent to USD9.8 million)	27/07/06 to 26/07/07	5.6% for the entire tenor of the liability
		27/07/07 to 26/07/10	5.6% for the entire tenor of the liability, provided the spread is within range
Ringgit 5-7 Year Islamic Bond	RM40 million	19/03/04 to 18/03/11	6 month KLIBOR + 1.80%

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 respective financial strengths.

52. FINANCIAL INSTRUMENTS (CONTD.)

(d) Price Fluctuation Risk

The Group is exposed to price fluctuation risk on commodities particularly of palm oil. The Group mitigates its risk to the price volatility through forward hedging contracts in futures and selling forward in the physical market.

(e) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

(f) Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis through Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

The Group's normal trade credit terms granted to customers range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis. The normal trade credit terms granted to the Group by its creditors range from 14 to 90 days.

52. FINANCIAL INSTRUMENTS (CONTD.)

(g) Fair Values

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheets of the Group and of the Company as at the end of the financial year are represented as follows:

<u>GROUP</u>	Note	<u>2006</u>		<u>2005</u>	
		<u>Carrying Amount</u> RM'000	<u>Fair Value</u> RM'000	<u>Carrying Amount</u> RM'000	<u>Fair Value</u> RM'000
<u>Financial Assets</u>					
Other investments:					
- Quoted shares	28	-	-	277	1,554
- Unquoted shares	28	814	#	1,314	#
- Malaysian Government Securities	28	959	1,071	959	1,084
Marketable Securities:					
- Quoted shares	39	14,212	14,815	11,469	13,532
- Warrants/Loan stocks quoted in Malaysia	39	-	-	954	891
- Corporate bonds	39	23,191	23,241	10,443	13,158
<u>Financial Liabilities</u>					
Long-term borrowings	44	2,450,435	2,391,468	2,620,673	2,432,133
<u>COMPANY</u>					
<u>Financial Assets</u>					
Other investments - unquoted shares					
	28	459	#	959	#
Loans to subsidiary companies	29	379,548	##	390,472	#
Amounts due from subsidiary	38	795,636	##	1,025,828	##
<u>Financial Liabilities</u>					
Loans from subsidiary companies	29	1,664,395	##	1,522,640	##
Amounts due to subsidiary companies	38	503,297	##	800,751	##
Long-term borrowings	44	239,657	244,962	679,633	512,229

52. FINANCIAL INSTRUMENTS (CONTD.)

(g) Fair Values (contd.)

- # It is not practicable to estimate the fair value of the non-current investments in unquoted shares because of the lack of quoted market prices. However, the Group believes that the carrying amount represents the recoverable values.
- ## It is also not practicable to estimate the fair values of balances due to/from subsidiary companies due principally to a lack of fixed repayment terms entered into by the parties involved. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The nominal/notional amounts and net fair value of financial instruments not recognised in the balance sheets of the Group and of the Company as at 31 December 2006 are as follows:

	Nominal/ Notional Amount RM'000	Net Fair Value RM'000
Interest rate swap agreements	<u>1,345,394</u>	<u>(6,842)</u>

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

- (i) Cash and cash equivalents, trade and other receivables/payables and short-term borrowings
- The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.
- (ii) Investments in quoted shares
- The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.
- (iii) Borrowings
- The fair value of borrowings is estimated by using discounted cash flow analysis, based on current incremental lending rates for liabilities with similar risk profiles.
- (iv) Derivative Financial Instruments
- The fair value of a forward foreign currency contract is the estimated amount which the Group would expect to pay or receive on the termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and the forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.
- The fair value of an interest rate swap is the amount that would be payable or receivable upon termination of the position at the balance sheet date, and is calculated as the difference between the present value of the estimated future cash flows at the contracted rate compared to that calculated at the market rate at the balance sheet date.

53. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Disposal of Ladang Bertam

On 5 May 2006, Guthrie Ropel Berhad, a subsidiary of the Company and its wholly-owned subsidiary, Guthrie Ropel Development Sdn. Berhad, entered into Sale and Purchase Agreements for the disposal of 2,285.5 acres of Ladang Bertam for a total cash consideration of RM91,348,000.

The disposal was completed on 1 November 2006 upon all conditions precedent being met and a gain on disposal of RM68,515,000 was included in the income statement of the Group.

(b) Disposal of Integrated Brickworks Sdn. Berhad

On 12 October 2006, the Company and Right Class Sdn. Berhad, a wholly-owned subsidiary of the Group, entered into a Sale and Purchase Agreement with Mr. Wong Chong Leong for the disposal of the entire equity interests of Integrated Brickworks Sdn. Berhad, a wholly-owned subsidiary of the Group for a total cash consideration of RM1,592,283. The disposal was completed on 10 January 2007 upon all conditions precedent being met and a loss on disposal of RM23,008,000 and RM24,575,000 was recognised in the income statement of the Group and of the Company respectively for the financial year ended 31 December 2006.

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

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 interests in Guthrie Corridor Expressway Sdn. Berhad ("GCESB"), a wholly-owned subsidiary of the Group, which involves the following:

- (i) the disposal of the entire equity interests 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 Expressway and the agreed land banks along the Expressway.

The proposed disposal is pending the shareholders' and regulatory approvals.

(d) Offer by Synergy Drive Sdn. Berhad

The Company had on 27 November 2006, received an offer ("Offer") from Synergy Drive Sdn Bhd ("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").

On the same date, Synergy Drive had made similar offers to the two listed subsidiaries of the Company, namely Highlands & Lowlands Berhad ("H&L") and Guthrie Ropel Berhad ("GRopel") and to five other listed entities namely Sime Darby Berhad ("Sime Darby"), Sime Engineering Services Berhad ("Sime Engineering"), Sime UEP Properties Berhad ("Sime UEP"), Golden Hope Plantations Berhad ("GHope") and Mentakab Rubber Company (Malaya) Berhad ("Mentakab"), collectively referred to as the "Target Companies". The proposed disposal by the Company and the Target Companies shall collectively be referred to as "Proposed Disposals".

53. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTD.)

(d) Offer by Synergy Drive Sdn. Berhad (contd.)

On 27 December 2006, the Company, H&L and GRopel accepted the Offer, subject to, amongst others, shareholders' and regulatory approvals. The Company and the Target Companies had on 24 January 2007 entered into separate Sale of Business Agreements ("SBA") with Synergy Drive in relation to the Proposed Disposals.

The Proposed Disposal of the Company 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 as at completion, 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. 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 that 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 ("Proposed Capital Repayment"). 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 ("Proposed Share Issue").

The proposed capital repayment and proposed share issue by the Company and the Target Companies shall collectively be referred to as "Proposed Capital Repayments" and "Proposed Share Issues".

In addition to the approval of the shareholders' and the regulatory authorities, each of the Proposed Disposals, Proposed Capital Repayments and Proposed Share Issues are also conditional upon the following:

- (i) Synergy Drive notifying the Target Companies in writing that the results of the due diligence inquiry carried out by it as set out in the SBA are satisfactory;

53. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTD.)

(d) Offer by Synergy Drive Sdn. Berhad (contd.)

- (ii) The Proposed Disposals of the Company, Sime Darby and GHope are inter-conditional, and the completion of the Proposed Disposals of the Company, Sime Darby and GHope shall occur simultaneously;
- (iii) The Proposed Disposal of Sime Engineering and Sime UEP are conditional on the confirmation of the Court for the Proposed Capital Repayment of Sime Darby;
- (iv) The Proposed Disposal of H&L and GRopel are conditional on the confirmation of the Court for the Proposed Capital Repayment of the Company;
- (v) The Proposed Disposal of Mentakab is conditional on the confirmation of the Court for the Proposed Capital Repayment of GHope;
- (vi) The Proposed Capital Repayments of the Company, Sime Darby, Sime Engineering, Sime UEP, H&L, GRopel, GHope and Mentakab are conditional on each of their respective Proposed Disposals becoming unconditional;
- (vii) The Proposed Share Issues of the Company, Sime Darby, Sime Engineering, Sime UEP, H&L, GRopel, GHope and Mentakab are conditional on each of their respective Proposed Capital Repayments occurring;
- (viii) Permodalan Nasional Berhad ("PNB") and the unit trust funds managed by companies related to PNB providing Synergy Drive with an undertaking in writing to convert any RCPS A received or receivable by each of them pursuant to the Proposed Capital Repayment of any Target Company or otherwise, into Synergy Drive Shares prior to the listing of Synergy Drive on Bursa Securities; and
- (ix) The approval of the respective lenders of the Target Companies (where applicable).

Consequently, as at the end of the financial year, as the Proposed Disposal is still inter-conditional principally upon the completion of the Proposed Disposals of the Company, Sime Darby and GHope and the undertaking by PNB and the units trust funds managed by PNB as stated in (viii) above, the assets and liabilities of the Group and of the Company have not been classified as Non-Current Assets Held for Sale/Disposal Group following the provisions of FRS 5.

54. SUBSEQUENT EVENT

On 22 February 2007, the Company and Guthrie Wood Industries Sdn. Berhad, a wholly-owned subsidiary of the Company, entered into a Share Sale and Purchase Agreement with Dongwha GH International Sdn. Berhad for the disposal of the entire equity interests in Guthrie MDF Sdn. Berhad ("GMDF"), a wholly-owned subsidiary of the Group, for a disposal consideration of RM145 million. In conjunction with the proposed divestment, Highlands & Lowlands Berhad, a subsidiary of the Company had entered into a Land Sale and Purchase Agreement with Dongwha Fibreboard Sdn. Berhad for the disposal of 459,922 square meters of land for a total cash consideration of RM30 million.

The proposed disposals are pending completion of certain conditions precedent.

Company No: 4001-P

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, TAN SRI DATO' DR. WAN MOHD. ZAHID MOHD. NOORDIN and DATO' ABD WAHAB MASKAN, being two of the directors of KUMPULAN GUTHRIE BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 6 to 132 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 March 2007.



TAN SRI DATO' DR. WAN MOHD. ZAHID MOHD. NOORDIN
Chairman



DATO' ABD WAHAB MASKAN
Director

Company No: 4001-P

KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, TONG POH KEOW, being the officer primarily responsible for the financial management of KUMPULAN GUTHRIE BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 6 to 132 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur
in the Federal Territory
on 28 March 2007.


TONG POH KEOW

Before me,

Commissioner for Oaths
Kuala Lumpur
Malaysia



Tingkat Bawah Wisma P.K.N.S
Jalan Raja Laut,
50653 KUALA LUMPUR

Company No: 4001-P

**REPORT OF THE AUDITORS TO THE MEMBERS OF
KUMPULAN GUTHRIE BERHAD
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 6 to 132. These financial statements are the responsibility of the Company's directors

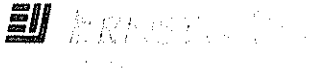
It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiary companies of which we have not acted as auditors, as indicated in Note 7 to the financial statements, being financial statements that have been included in the consolidated financial statements.



Company No: 4001-P

**REPORT OF THE AUDITORS TO THE MEMBERS OF
KUMPULAN GUTHRIE BERHAD (CONTD.)
(Incorporated in Malaysia)**

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Companies Act, 1965.

ERNST & YOUNG
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
28 March 2007

Ahmad Zahirudin bin Abdul Rahim
No. 2607/12/08(J)
Partner