

OPERATIONS REVIEW**PLANTATIONS**

TRANSCENDING BOUNDARIES

- **CORE CONTRIBUTOR TO GROUP'S PROFITABILITY**
- INVOLVEMENT IN PLANTATION AND COMMODITIES BUSINESS FOR THE PAST 161 YEARS
- **THE LARGEST PLANTATION COMPANY LISTED ON BURSA MALAYSIA**
- **THE FIRST PLANTATION COMPANY TO RECEIVE GLOBAL 500 AWARD ON ZERO-BURNING TECHNIQUE**
- **ADHERES TO SUSTAINABLE PLANTATION DEVELOPMENT AND PRACTICES**
- MANAGES OPTIMAL OIL PALM AGE PROFILE
- **SOLE PRODUCER OF PREMIUM QUALITY (PQ) PALM OIL**
- **PRACTICES TRACEABILITY AND FOOD SAFETY PROTOCOLS**
- **LEADING OIL EXTRACTION RATE (OER)**
- ACCREDITED BY INTERNATIONAL STANDARD ORGANISATION OF ISO 9001, ISO 14001, OHSAS 18001, FSC AND GH-QCS AT VARIOUS PRODUCTION CENTRES
- **DEPLOYS PRECISION AGRICULTURE INTEGRATED MANAGEMENT SYSTEM (PAIMS) AS PART OF THE PLANTATION MANAGEMENT SYSTEM**
- **STRONG TEAM DYNAMICS AT ALL LEVELS OF OPERATIONS**



PLANTATIONS

OPERATIONS REVIEW

Key **Persons**

KASMURI SUKARDI
Group Director,
Plantations



**MOHD ZAKI CHE
A. KADIR**
Director, Estates
Operations, Peninsular



**MOHD RAMLAN
RAMLE**
Director,
Estates Operations,
Sabah & Sarawak



DR. ANHAR SUKI
Director,
Engineering Services



FAIRUZ ISMAIL
General Manager,
Estates Operations,
Kalimantan



A Deep Rooted
Success.



Golden Hope

For over 160 years, our involvement in the plantation business has harvested bountiful returns. So much so that we are now the second largest plantation company in Malaysia. By adopting new technology, our objective of protecting the environment, yet enhancing land productivity, is met. Thus, we are assured of long-term sustainable yields.

Transcending Boundaries

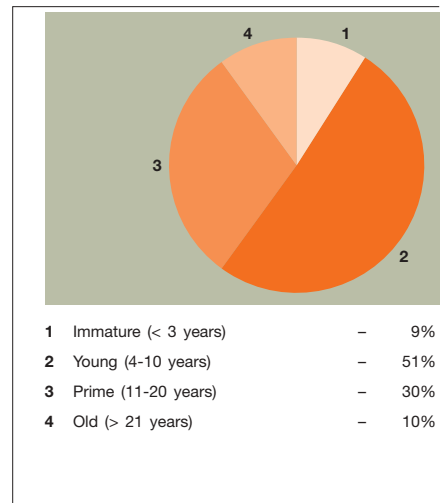
OPERATIONS REVIEW

Corporate

Golden Hope was transformed into a vertically integrated plantation company with an enlarged land bank of about 198,000 hectares upon completion of the rationalisation exercise with Austral Enterprises Berhad (AEB) in November 2004. Golden Hope's plantations are now principally palm oil-based, with 95% of the Group's plantations covering a total planted area of 169,307 hectares of oil palm, the majority of which are in Peninsular Malaysia and the remainder, in Sabah, Sarawak and Indonesia.

The Group's core plantation operations continued to move towards achieving the 30-tonne fresh fruit bunch (FFB) per hectare average from the estates and the 25% oil extraction rate (OER) from the mills, as encapsulated in vision 30:25, 35:25 and 40:25 by year 2010, 2015 and 2020 respectively. This strategy and effort support the national vision for the palm oil industry in Malaysia in realising a national average of 35 tonnes per hectare FFB and 25% OER by year 2020 which we are confident of achieving. To date, 7 of Golden Hope estates had achieved more than 30 tonnes FFB per hectare. Given that a significant portion of the plantations are below 10 years, the FFB production is expected to increase healthily over the next few years as these plantations enter into their prime. On a field-by-

Age Profile of Oil Palm as June 2005 (By Age)



Cover crop is planted in new oil palm field, like this one in Sg. Krian Estate, to retain nutrients on the top soil.

field basis, the Group recorded an increase in the areas yielding more than 30 tonnes per hectare; this stood at 20.7% of the total mature area for the year under review, in comparison to 8.8% in the preceding year. This increase was a result of improvements to field practices and the enhanced capabilities of the GH400 Series planting materials. With large scale planting of the latest GH 500 series materials in financial year 2005/2006 and in subsequent years, future yields are expected to be higher.

The Plantation Division's profit before tax (PBT) for the year under review was RM426 million, an increase of 18.7% from the RM359 million achieved in the preceding year.

Results

The Plantation Division's profit before tax (PBT) for the year under review was RM426 million, an increase of 18.7% from the RM359 million achieved in the preceding year. This can be attributed to the increased in FFB and palm products production, as well as high rubber prices and the maintenance of tight controls on the cost of Crude Palm Oil (CPO) production.

Production of palm products increased by 38.66% to 794,937 tonnes from 573,318 tonnes in financial year 2003/2004. The CPO average selling price of RM1,488 per tonne was 7% marginally lower than the RM1,602 per tonne in financial year 2003/2004, while for palm kernel (PK), the average selling price of RM1,062 per tonne achieved was 28% higher against RM827 per tonne in financial year 2003/2004. In addition, rubber



Participants of the Central Region Q-Day programme taking their oaths. Q-day programmes of the Plantations Division like this one held at Kerdu Estate has strengthened team work among the staff.

products which had recorded a PBT of RM10.433 million in financial year 2003/2004 had increased by 6% to RM11.027 million with the average selling price of 530 sen per kg against 493 sen per kg in financial year 2004/2005.

Estates

The activities of the plantation division are principally palm oil-based as approximately 95% of the Group's plantation land is planted with oil palm whilst the balance of 5% is planted with rubber, guava and other crops.

To date, the Group owns 82 estates with a total land bank of 198,000 hectares. Of these, approximately 50% of the Group's plantation holdings are in Peninsular Malaysia, while the remaining 50% are in Sabah, Sarawak and Kalimantan. The matured land bank for oil palm increased to 153,900 hectares or 46% higher from 105,533 hectares in the previous financial year. A total of 48,367 hectares of oil palm areas from the Group's existing holdings and AEB estates reached maturity during the year under review.

Oil Palm Fresh Fruit Bunches (FFB)

FFB harvest increased by 38.25% from 2.17 million tonnes in the preceding year to 3 million tonnes during the year under review. Of this increase, 23.29% came from the newly acquired AEB plantations. The Group's average FFB yield was 22.74 tonnes per hectare (excluding crops from AEB estates) compared to 20.80 tonnes per hectare recorded in the preceding year. The inclusion of AEB estates and its large areas of young matured palms

will contribute to steady growth in crop production in the years ahead.

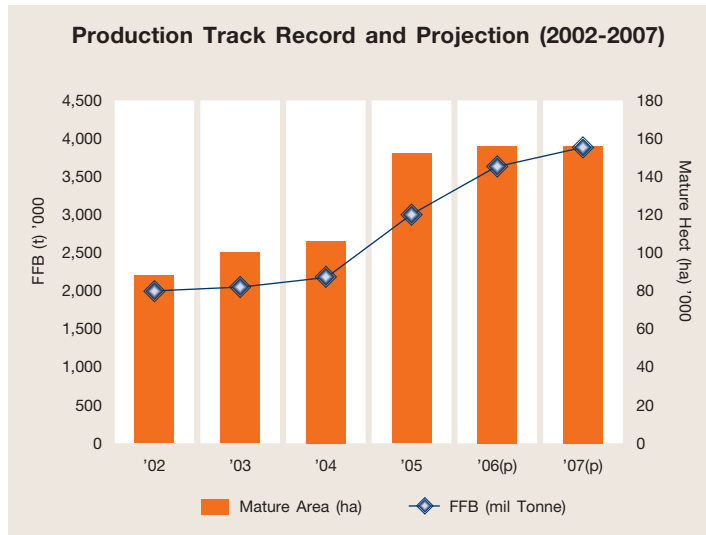
Strategic improvements to enhance FFB production, such as a rigid annual replanting programme for oil palms more than 25 years old and low yielding fields, managed to reduce overdue hectarage from 7% to 2%. The implementation of best practices in water management, as well as manure and pest and disease control, were also strengthened.

For the year under review, the average CPO yield per hectare was 4.12 tonnes, well above the industry average of 3.7 tonnes per hectare. The following estates recorded CPO yield of more than 6 tonnes per hectare:

Sogomana Estate	6.99 tonnes
Table estate	6.91 tonnes
Mostyn Estate	6.86 tonnes
Tiger Estate	6.49 tonnes
Giram Estate	6.36 tonnes
Elphil Estate	6.33 tonnes
Bagan Datoh Estate	6.33 tonnes
St Helier Estate	6.27 tonnes
Flemington Estate	6.12 tonnes
Sg Bahru Estate	6.10 tonnes
Sg Wangi Estate	6.10 tonnes
Rasan Estate	6.09 tonnes

If kernel yield of between 0.95 and 1.73 tonnes per hectare was included, the total palm product yield of these estates ranged between 7.04 and 8.72 tonnes per hectare.

OPERATIONS REVIEW



The Group is aggressively countering ever-increasing costs of production, particularly labour, fertiliser, transport and chemicals. This is being done by embarking on good agriculture practices (GAP) such as integrated pest management, water management and stringent controls on crop quality.

Information Technology related to the Plantation Agriculture Integrated Management System (PAIMS) that caters to estates, oil mills and factories was continuously and aggressively developed and implemented during the year. Further improvements in PAIMS will be initiated in the next financial year.

Crude Palm Oil (CPO)

During the year under review, the market was rather volatile. Crude Palm Oil prices fluctuated and peaked at RM1,555 per tonne in September 2004 due

to strong demand from consuming countries, with exports totalling 1.3 million tonnes. The situation was further aggravated by India's reduction of import tariffs for palm and soy bean oil by 10% in September. This was compounded by a late Indian monsoon which affected the groundnut crop in Gujarat. China, on the other hand, increased its palm oil import quota to 3.168 million tonnes in 2005 against 2.7 million tonnes in 2004. Increased demand from the European Union also pushed CPO prices up.

However, prices dropped to a low of RM1,305 in February, 2005 in spite of a short cropping month as local fundamentals had turned bearish amid

reduced off take. This resulted in our domestic ending stocks increasing to 1.5 million tonnes against some 986,842 tonnes in February 2004.

The sharp increase in freight rates from the start of the financial year, also dampened sentiments. Vessel availability for palm oil shrunk due to competition from shippers of fuel products taking advantage of high energy prices.

Renewed speculation regarding the de-pegging of the Ringgit against the US Dollar created uncertainty in the market resulting in the lack of buying support for the forward months.



Group Chief Executive Dato' Sabri Ahmad being briefed on one of Golden Hope's new innovation the loose fruit separator, by Bradwall Estate. The machine will separate loose fruits from debris, which is the source of poor quality oil.

During financial year 2004/2005, the Group achieved an average selling price of RM1,488 per tonne compared to RM1,602 per tonne in the previous year.

Good demand and a critically low vegetable oil stock of 153,975 tonnes in Rotterdam as at 30 August 2004, boosted prices to a peak in September.

Palm Kernel (PK)

During the year under review, palm kernel (PK) traded at a low of RM990 per tonne and a high of RM1,180 per tonne, twice. Good demand and a critically low vegetable oil stock of 153,975 tonnes in Rotterdam as at 30 August 2004, boosted prices to a peak in September. Worries of rising world oil output in October due to the projection of a huge soybean crop of 84.5 million tonnes from Brazil and 39.0 million tonnes from Argentina, together with the increasing local production, pushed the PK price to its lowest in January.

A drought in February 2005 reduced Brazil's soy bean yield by about 10 million tonnes. CBOT futures skyrocketed on massive fund buying, worries of inflation and the weakening of the US Dollar. This pulled the market up again to a high of RM1,180 per tonne in March 2004.

Other factors in play during this period were the fear of lower coconut oil output for 2005 from the Philippines and the effects of Tsunami on Sri Lanka and Indonesia, as well as the strong demand from the oleochemicals sector in conjunction with high petroleum prices.

However, the waning demand following a tremendous surge of vegetable oil stock of 403,854 tonnes as at 30 May 2005 in Rotterdam, together with a seasonally higher local production, saw prices easing back to RM1,020 per tonne. A stronger US Dollar and worries about the de-pegging of the Ringgit during this period, also dampened sentiment.

The Group achieved an average selling price of RM1,062 per tonne, against RM827 per tonne recorded in the previous financial year.

We Allow Nature
Takes Its Course.



Sometimes it's better to let nature takes its course. Burning is one way of clearing land for cultivation but it's never the smartest. That's why at Golden Hope we employ the Zero Burning technique. By allowing vegetation to decompose naturally the soil is enriched, meaning our quality, yield and ultimately profit are vastly better.



But more importantly, we do not pollute the environment.

Transcending Boundaries

OPERATIONS REVIEW



Bukit Puteri Oil Mill is the new addition to Golden Hope's stable. The mill will be equipped with continuous steriliser.

steadily managed to improve our OER. Over the last four consecutive years, the Group OER average increased from 20.50% to 21.52%.

With the industry OER average hovering at 20%, Golden Hope's mills performed remarkably well. The Malaysian Palm Oil Association (MPOA) reported that Golden Hope had recorded the highest OER within the industry for 5 out of 12 months. Whereas on a mill-by-mill basis, Golden Hope had recorded the highest OER for 8 out of 12 months in Sabah/ Sarawak and 4 out of 12 months in Peninsular Malaysia. Within the Group, 6 mills were consistently recording an OER above 22%. The following oil mills have been identified as the pace setters for OER within the Group:

Merotai Oil Mill	23.25%
Melalap Oil Mill	23.15%
Derawan Oil Mill	22.70%
Rajawali Oil Mill	22.43%
Mostyn Oil Mill	22.06%
Chersonese Oil Mill	22.06%

Improvements to the infrastructure of the oil mills and milling processes are continuously being carried out to enhance efficiency. We are also upgrading the front end sections of several oil mills to sustain the crop quality and improve the logistics. The front end of the Bukit Benut and Diamond Jubilee oil mills were upgraded during the financial year under review.

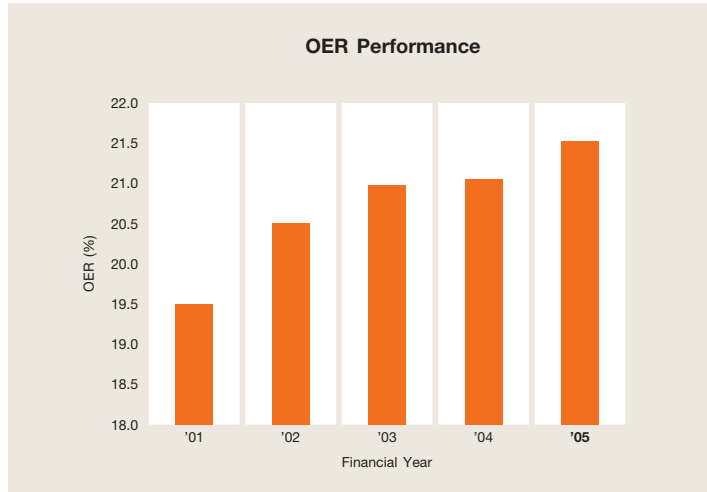


Oil Mill front-end upgrading incorporating the use of continuous chain transfer technique that improves FFB handling and logistics at Diamond Jubilee Oil Mill.

Palm Oil Mills

The Group operates 24 mills, including the new 20 tonne per hour (TPH) Lembiru mill at Lembiru Estate in Kalimantan, with an overall milling capacity of 4 million tonnes FFB per annum. For the year under review, the Group processed 3.205 million tonnes of FFB. Crude palm oil production increased to 689,890 tonnes, while the PK yield was 157,870 tonnes.

With improved agricultural protocols in place and better monitoring of our mills, we have



A composting plant at Lavang Oil Mill utilises empty fruit bunches (EFB) and palm oil mill effluents (POME) from the mill to produce 26,000 tonnes of enriched organic fertiliser a year. The compost is being utilised by the estates in the Lavang Project. The efficiency of the composting plant is continuously upgraded through the introduction of suitable technology in certain processes. The success of the first DOE – approved composting plant in Lavang has been replicated in Melalap, Pekaka and Merotai estates. Once implemented Group-wide, it will contribute significantly to the reduction in inorganic fertiliser usage and enhance the sustainable palm oil management.

Rubber and Rubberwood

Over the last four years, world natural rubber prices have climbed steadily due to the increasing demand, led by China's growing auto industry and its burgeoning economy.

The MRB-quoted average rubber price of 356 sen/kg in June 2004, decreased to 293 sen/kg in December 2004 due to poor demand and uncertain weather. However from January 2005 to March 2005, the MRB-quoted average rubber price increased to between 304.43 sen/kg and 351.41 sen/kg, supported by friendly sentiments.

From June to December 2004, rubber prices plied easier with major grades quoted at lower prices due to poor sentiments arising from reduced overseas demand. The anticipated shortage of raw materials due to winter, failed to sustain price at previous levels as consumers took to the sidelines and waited for a further drop in prices. Lack of enquiries from foreign buyers further dampened sentiments. It was reported that buyers who were keen to buy had to face sellers who refused to commit as the buying prices offered were too low.



A worker unloading Empty Fruit Bunches (EFB) from a tractor-trailer in Binaung Estate. These EFB are left to decompose and will provide nutrients for the trees.

A composting plant at Lavang Oil Mill utilises empty fruit bunches (EFB) and palm oil mill effluents (POME) from the mill to produce 26,000 tonnes of enriched organic fertiliser a year. The compost is being utilised by the estates in the Lavang Project.

OPERATIONS REVIEW

For the year under review, the Group achieved an average price to date of 510 sen/kg compared to 487 sen/kg in the last financial year.

Prices are expected to ease slightly in the near future due to increased production.

Movements in the price of petroleum will also have an impact on rubber prices.

Eleven rubber estates continue to maintain Forest Stewardship Council (FSC) Certification under the Scientific Certification Scheme of the United States. This will make rubber wood products more marketable globally. In addition to rubber and latex, Golden Hope will continue to produce rubber wood from its FSC rubber estates to supply to Donghwa Fibreboard Sdn. Bhd. For the year under review, Golden Hope supplied 70,497 tonnes of rubber wood to Donghwa Fibreboard.

Guava

A total of 509 hectares of pink guava in Sg. Wangi attained maturity and this will strengthen the plantation's production capacity in tandem with the expanding market. The fruits are processed at the Centrifugal Process Sdn. Bhd. factory located within the guava plantation. For the year under review, the guava harvest increased by 25% to 5.649 million kg, up from 4.525 million kg in the previous year. As the



The excellence awards recipients. The awards are presented with the aim of promoting good plantation practices and encouraging innovations. (Left to right: Amirudin Abdul Rahman, Thomas Chang, Sivabalan Subbiah, Mohammed Japri Giman, Kasmuri Sukardi, Abdul Mutalib Nih, Shahrin Sahuri, Mat Nor Abdullah and Sulaiman Shiafi)

guava trees attain maturity, there will be a steady growth in crop production for many years to come, making the Group more competitive in the area of guava puree production.

Other Crops

Selected forest species and herbal plants such as Sentang, Tongkat Ali and Teak are commercially evaluated to fit either the 'mono' or 'intercropping' (with oil palm/rubber) categories. The objective is to enhance land productivity and carry out crop diversification and biodiversity. Once proven beneficial, they will be planted as commercial crops.

Human Resources and Organisational Learning

Fundamental to the Group's success, is the state of preparedness among staff to absorb our culture of continuous learning and challenging the status quo. In this context, the Group has embraced policies on Good Agriculture Practices (GAP), Supply Chain Traceability (SCT), and Sustainable Plantation Practices (SPP). We believe these policies will deepen our commitment to inculcate integrity and social responsibility within the Group, leading to efficient resource management.

The manpower and human resources capabilities were enhanced during the year, in line with the division's strategy to have a competent and committed workforce. The division continued to focus on the continuous development of its staff with special emphasis on technical, management and relationship management competencies. Recognising the importance of good teamwork and positive morale, the plantation division organised a GRID training for its executives.



Beneficial plant such as this keeps pests away from the oil palm trees. This is part of Golden Hope's Integrated Pest Management techniques.

Quality Day programmes which were organised at divisional and regional levels were participated by senior management of the plantation division, managers of estates, mills, factories and selected senior personnel from Research & Development and Engineering Services Units. The Quality Day achieved its objectives of encouraging teamwork, sharing of best practices and developing action plans for productivity and profitability. By way of affirming these initiatives, innovations which emerged from the operating units within the year, were showcased at the Quality Days held at divisional and Regional levels.

The plantation division continued enhancing the internalisation of Key Performance Indicators (KPI) to drive its performance and to be more focused in the business. Executives and staff were given special training to improve their understanding of developing and implementing this tool. The KPIs were monitored monthly by the Divisional Management Team and actions were taken immediately to remedy shortcomings.

The KPIs were monitored monthly by the Divisional Management Team and actions were taken immediately to remedy shortcomings.

Total Quality, Environment and Occupational Safety and Health

To further enhance the Group's ability to cater to international suppliers along the value chain with regard to quality, environmental and occupational safety and health management, the in-house Golden Hope Quality Certification Scheme

(GHQCS) is being implemented. Sabah estates and mills undergo Phase II of GHQCS while West and East Estates and Giram Oil Mill have obtained their GHQCS. The GHQCS integrates the International Organisation for Standardisation's three international systems, namely ISO 9001:2000 for quality, ISO 14001:1996 for environment and OHSAS 18001 for occupational health and safety.

OPERATIONS REVIEW



Fresh Fruit Bunches (FFB) assessment is crucial in determining the quality of crops for oil mill processing at West Estate.

Through TQEM-Plantations, the innovation panel and QAEDC reviewed and discussed many ideas and innovations generated from within the Group. During the year under review, a total of 39 ideas and innovations were received. Of these, two were recognised as likely to have a significant impact on the Group. These innovations mainly deal with field practices and oil mill improvements.

The Group is committed to avoiding all occupational injuries and illnesses. Hazards and risks to safety and health at the workplace are managed to prevent injury and illness. We strive to maintain a safe and healthy working environment for all our employees, suppliers, customers, visitors and the public, with the starting point being complete compliance with legislative requirements.

The Group continues to closely monitor the occupational safety and health (OSH) performance of its business units. The monitoring system requires every business unit to report on a monthly basis. OSH indicators include the cumulative man-hours worked without lost time injury, total number of accidents, total man-days lost and safety programmes implemented. The close tracking of OSH has provided the Group with a better understanding of the current status of OSH within the Plantation Division so that remedial actions can be taken, if need be. During the year under review, Management conducted OSH audits at all operating units.

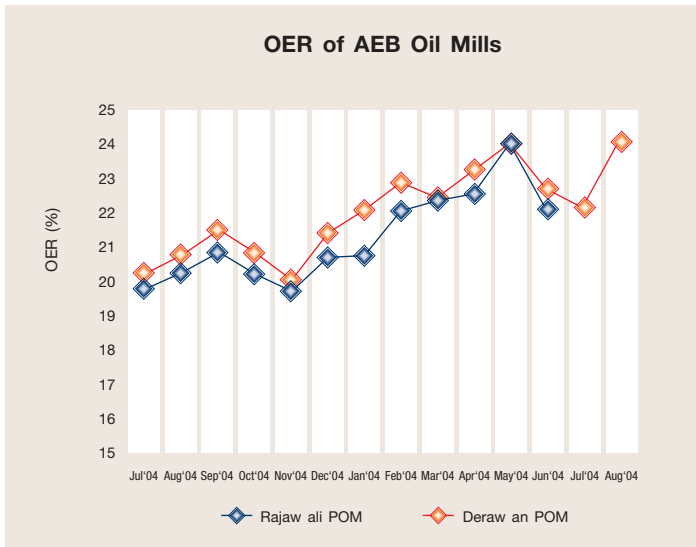
A Unilever supply chain audit was undertaken to ensure that the Golden Hope palm oil supply chain from Malaysia to Unimills complied with the Unilever code of working practices for edible oils and fats supply chain. Golden Hope oil palm production activities are well documented, from the seedling stage right down to the export of the palm products. A complete link or

Golden Hope oil palm production activities are well documented, from the seedling stage right down to the export of the palm products.

traceability chain of oils and fats produced by Golden Hope can be traced back to the fields and the mother palms.

BLACK-BELT/SIX SIGMA PROGRAMME

The Group Total Quality Environmental Management System (TQEMS) was decentralised during the year under review, making each individual division responsible for its own quality, environment and operational safety and health activities. The new structure allows for a greater sense of ownership, besides providing more flexibility in implementing programmes specifically tailored to a Division's needs.



The Black Belt programme (BBT) is one of the strategic agendas in TQEMS and has become part of Golden Hope's culture of solving problems or enhancing performance. Kicked-off in July 2001, the hallmark of the programme is the selection and management of strategic improvement projects that have the highest potential in enhancing business performance. BBT is also a platform for the development and sharing of group-wide best practices for continuous improvement. Having proven the effectiveness of its BBT,

Golden Hope is looking to further enhance the programme with the ultimate objective of achieving the Six Sigma stamp of quality in all its operations.

The Plantation Division's BBT projects for the year under review focused on several strategic areas, namely; enhancing the OER, premium quality crude palm oil (PQ-CPO) production and traceability/food safety through the adoption of good agricultural practices and good manufacturing practices.

Having proven the effectiveness of its BBT, Golden Hope is looking to further enhance the programme with the ultimate objective of achieving the Six Sigma stamp of quality in all its operations.



We are
Trained
to be Tough on
Quality.



Golden Hope

At Golden Hope we train, practise, perfect and then retrain. Our "Black Belt" programme is designed to hone the skills of our employees to the finest. That's why we are always ready to commit to good quality, fight inefficiencies and boost productivity. When you deal with us, you will know we mean business.

Transcending Boundaries

The BBT activities mainly focused on monitoring and controlling the key parameters that contribute to OER improvement, especially the quality of FFB and loose fruits collection. Well-coordinated, well-facilitated Joint Consultative Committee meetings (JCC) with a focused agenda, were used as a platform to strengthen team dynamics, brainstorm for solutions to problems and improve practices. The impact of the JCCs is evident through the very encouraging OER results at the Group and AEB's oil mills – the OER increased significantly after the adoption of monthly JCC meetings and the implementation of good agricultural practices to improve FFB quality and mill processes.

A balance between OER and PQ production is critical in order to optimise profit for the Group, strengthen its downstream activities and meet customers' demands for premium products. On this score, the West Processing Centre (WPC) model was adopted for the Group due to its commendable performance after undertaking the Six Sigma project. The WPC was able to sustain a high OER with an average of 20.89% for the year under review. The PQ production of below 1.2% FFA recorded an average monthly production of 2,000 tonnes which was equivalent to 70% of the total production.

Future BBT programmes will still focus on OER enhancement to achieve a 25% OER through improved oil palm harvesting criteria and the adoption of good agricultural practices. However, the focus will be on palms which are more than 20-years-old. Currently the harvesting criteria for these category of palms are more for optimal ripeness rather than maximum OER due to shortage of workers and lack of technology in harvesting and collection of FFB and loose fruits from the tall palms. The successful implementation of improved harvesting criteria in these fields will have significant impact on the OER in view of the significant size of old palm fields within the Group.

Future BBT programmes will still focus on OER enhancement to achieve a 25% OER through improved oil palm harvesting criteria and the adoption of good agricultural practices.

Manuring is another important input in ensuring a high sustainable FFB yield. The BBT programmes in this area will look at the effectiveness of the manuring practices by embarking on a manuring audit of all estates to ensure that fertiliser is efficiently and effectively applied in line with the recommendations made.

It is significant to note that the entire spectrum of palm oil production activities within Golden Hope is well documented. A complete link or traceability chain exists whereby CPO exported by the Group can be traced back to the producing estates as well as the source of the seedlings.

In all its business operations, Golden Hope is guided by a strong commitment towards protecting and conserving the environment. In this respect, Golden Hope has embarked on Forest Stewardship Council (FSC) certification of its rubber estates and is in the process of certifying all its oil palm estates and mills under the Quality Certification Scheme (GHQCS). Currently nine estates and three oil mills have been certified.

Outlook And Prospects

Prices of edible oils and fats are generally expected to be softer in financial year 2005/2006 as supply continues to increase due to expansion in certain areas, the recovery of other edible oils and fats, and the de-pegging of the Ringgit against the US Dollar. Demand however has been buoyant with growing consumption and the need to replenish low inventory levels. Palm oil prices are also expected to be underpinned by new potential demand in 2005, arising from a trans free formulation for certain applications. The potential demand for bio diesel will also lend support to higher vegetable oil prices.

GROUP **FIVE-YEAR** CROP RECORD

YEAR ENDED 30 JUNE						
		2005	2004	2003	2002	2001
Oil Palms						
Crop						
- Own	(tonnes)	3,000,979	2,173,424	2,106,956	1,907,259	1,942,769
Mature	(hectares)	153,901	105,533	97,276	91,162	88,467
Immature	(hectares)	15,406	15,141	21,946	27,963	28,371
Total Planted	(hectares)	169,307	120,674	119,222	119,125	116,838
YIELD PER MATURE HECTARE	(tonne FFB)	*22.74	20.80	21.64	20.33	22.38
Mill Production						
- Palm Oil	(tonnes)	649,822	459,690	438,796	350,577	362,294
- Palm Kernel	(tonnes)	148,810	112,714	108,484	89,351	98,134
EXTRACTION RATES						
- Palm Oil	(%)	21.52	21.06	20.98	20.5	19.5
- Palm Kernel	(%)	4.92	5.16	5.17	5.3	5.4
AVERAGE SELLING PRICES						
- Palm Oil	(RM per tonnes ex-mill)	1,488	1,602	1,453	1,061	896
- Palm Kernel	(RM per tonnes ex-mill)	1,062	827	733	539	472
Profit per mature hectare	(RM)	*3,936	3,455	3,036	1,156	437

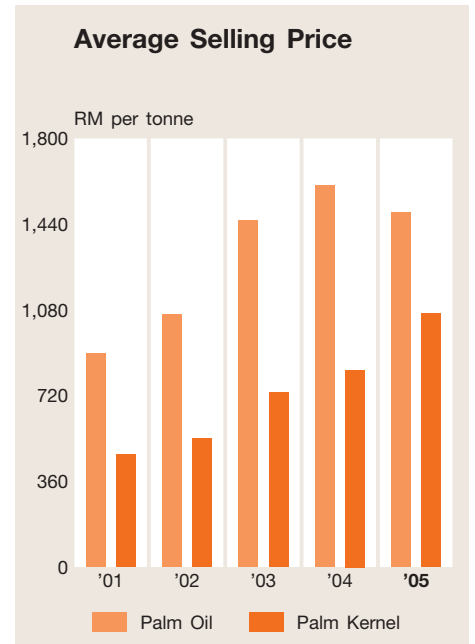
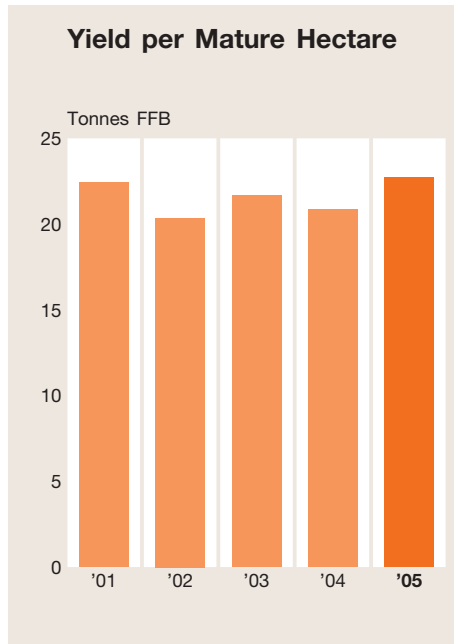
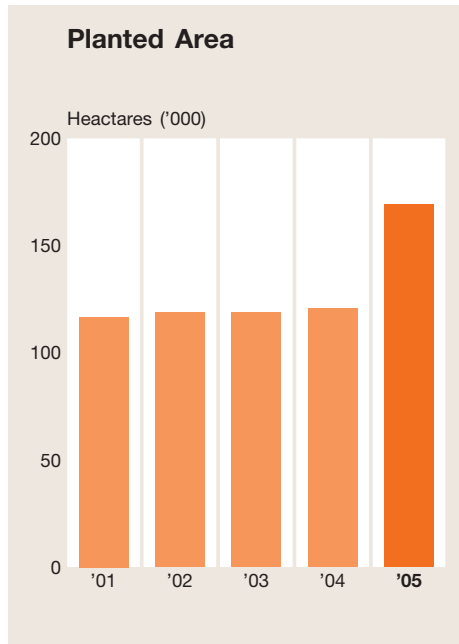
* Figure does not include 8 months of Austral Enterprises Bhd's Crop

YEAR ENDED 30 JUNE						
		2005	2004	2003	2002	2001
Rubber						
Crop						
- Own	(tonnes)	9,359	8,918	9,991	10,889	13,464
Mature	(hectares)	6,349	7,138	7,087	8,397	8,699
Immature	(hectares)	2,677	3,099	4,494	4,227	4,857
Total Planted	(hectares)	9,026	10,237	11,581	12,624	13,556
YIELD PER MATURE HECTARE	(kgs)	1,433	1,365	1,376	1,304	1,564
AVERAGE SELLING PRICES						
- All Grades	(sen per kg)	510	493	365	254	291
(Loss)/Profit per mature hectare	(RM)	1,360	1,708	707	(753)	130

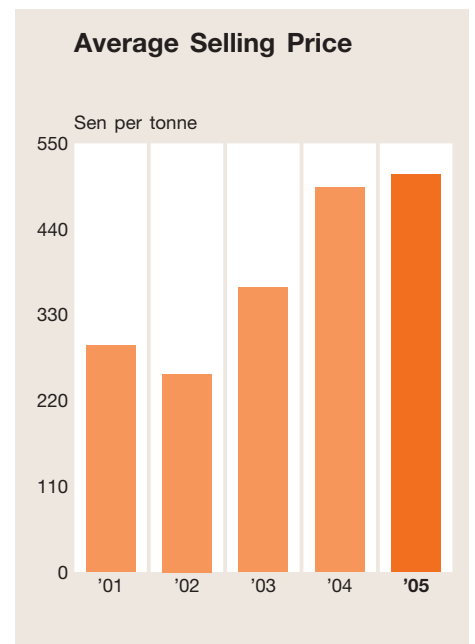
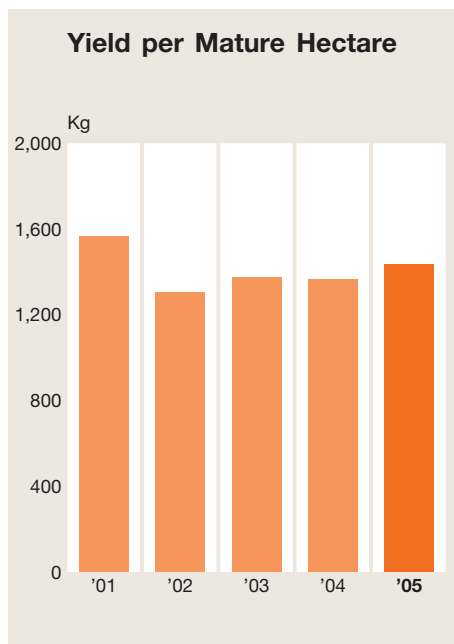
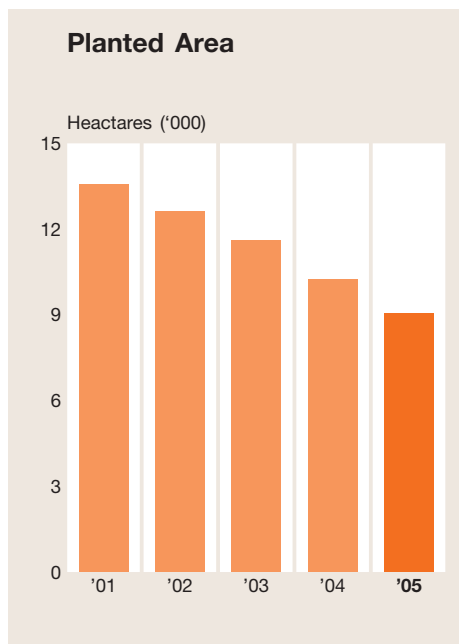
OPERATIONS REVIEW

GROUP PLANTATIONS FIVE-YEAR PERFORMANCE Highlights

Oil Palms



Rubber



GROUP **PLANTATIONS** LAND AREA Statement

Crop	Age In Years	Area In Hectares					Total Crop % Under	% Of Planted Area
		Peninsular Malaysia	Sabah	Sarawak	Kalimantan Indonesia	Total		
Oil Palm	Above 20	12,664	4,776	—		17,440	10	10
	16 – 20	17,401	3,063	640		21,104	13	12
	11 – 15	12,695	5,304	11,047		29,046	17	16
	Below 10	31,428	11,816	30,855	12,211	86,311	51	48
	Total Mature	74,188	24,959	42,542	12,211	153,901	91	86
	Immature	8,731	5,581	495	599	15,406	9	9
	Total planted oil palm area	82,920	30,540	43,037	12,810	169,307	100	95
Rubber	Above 20	309				309	3	—
	16 – 20	630				630	7	—
	11 – 15	2,537				2,537	28	1
	Below 10	2,873				2,873	32	2
	Total Mature	6,349	—			6,349	70	3
	Immature	2,677				2,677	30	1
	Total planted rubber area	9,026	—			9,026	100	4
Other Crops	Cocoa, Coconuts, Guava, Rattan etc.	1,509	90			1,600		1
Less: Interplanted		749	—			749		
Total planted area		92,706	30,630	43,037	12,810	179,183		100
Land held for Property Development included in planted area		3,309				3,309		
Less: Land held for Property Development included in planted area		3,309				3,309		
Plantations/property land left undeveloped as green/forest reserve in line with our environmental policy		187	63	715		965		
Workers Compounds, Roads, Nurseries etc.		3,690	1,879	4,087	3,848	13,505		
Land in the process of Plantation Development/Fallow/Reserves		2,288	613	365	2,717	5,983		
Less: TOL/Planted Outside		200	213		1,225	1,639		
Titled area		98,671	32,972	48,205	18,150	197,998		

Note: Total "Izin lokasi" in West Kalimantan is 60,000 hectares

OPERATIONS REVIEW

GROUP PLANTATIONS FIVE-YEAR PERFORMANCE Summary

	YEAR ENDED 30 JUNE				
	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
Revenue	771,284	583,355	570,493	616,889	557,160
Operating Profit	424,425	361,632	280,273	63,623	5,811

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		YEAR ENDED 30 JUNE 2005	
	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%
Harvested Crops										
FFB	635,857	21	765,523	26	777,863	26	821,731	27	3,000,974	100
Palm Oil	137,707	21	163,507	26	166,784	26	174,384	27	642,382	100
Palm Kernel	32,005	21	38,132	25	40,943	27	41,398	27	152,478	100
Rubber	2,608	28	2,428	26	2,091	22	2,233	24	9,359	100

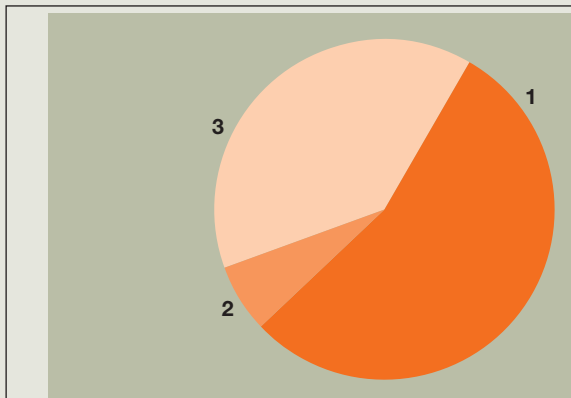
GROUP NEW PLANTING AND REPLANTING Expenditure

	2005			2004		
	New Planting RM'000	Replanting RM'000	Total RM'000	New Planting RM'000	Replanting RM'000	Total RM'000
Oil Palm	10,584	22,094	32,678	12,294	14,438	26,732
Rubber	79	1,733	1,812	187	4,364	4,551
Forest species, Fruits and Others	505	—	505	1,290	—	1,290
Total	11,168	23,827	34,995	13,771	18,802	32,573

PLANTATIONS WORKERS' INFORMATION

	YEAR ENDED 30 JUNE		
	2005	2004	2003
Resident	16,736	12,232	12,002
Non-Resident	2,907	2,047	2,469
Resident Dependents	18,482	17,173	18,159

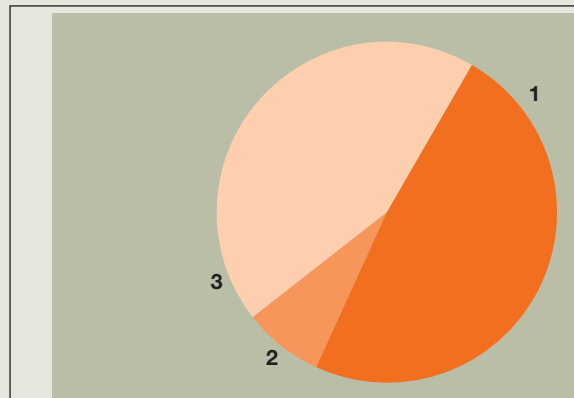
Estate Workers and Dependents



1	Resident Dependents	-	17,173
2	Non-Residents	-	2,047
3	Residents	-	12,232

2004

Estate Workers and Dependents



1	Resident Dependents	-	18,482
2	Non-Residents	-	2,907
3	Residents	-	16,736

2005

OPERATIONS REVIEW

OILS&FATS

TRANSCENDING BOUNDARIES

- **SERVING CUSTOMERS GLOBALLY**
- **INTEGRATED OPERATION ENSURE TRACEABILITY OF PALM OIL PRODUCTS**
- **BUSINESSES RANGE FROM EDIBLE OILS & FATS TO OLEOCHEMICAL TO BIOFUEL**
- **EXPANDING AGGRESSIVELY**



**PLANTATIONS
AND MILLING**



**BULK
REFINING
AND
LOGISTICS**



**SPECIAL/
CUSTOMISED
BLENDS**



**CONSUMER/
BRANDS**

OILS & FATS

OPERATIONS REVIEW

Key Persons

**DR. MOHD TUSIRIN
MOHD NOR**
Senior Director,
Oils & Fats



**HISHANUDDIN
MOHD HASHIM**
Director, Marketing



JAN VAN-DRIEL
Regional Director
Europe, Middle East,
Africa and Managing
Director, Unimills B.V.



TRAN CONG DANH
General Director,
Golden Hope-Nhabe
Edible Oils Co. Ltd.



**JONATHAN
PENNEFATHER**
General Manager,
Hudson & Knight
(Pty) Ltd.



**MUHAMMAD
MOHAN KITTU
ABDULLAH**
General Manager,
Golden Jomalina Food
Industries Sdn. Bhd.



Blending
Knowledge
Experience,
&
Quality.



Golden Hope

It takes time, expertise and a great deal of patience to come up with the perfect blend. When it comes to palm oil that's something we have plenty of. It's the reason why Golden Hope palm oil is one of the finest. And why we've become an international as well as a regional expert in this area. With knowledge and experience comes growth. Today we are regarded as the specialists in oils & fats, Locally. Regionally. Internationally.

Transcending Boundaries

OPERATIONS REVIEW



Prime Minister Dato' Seri Abdullah Ahmad Badawi tasting chewing gum made of ingredients from Unimills, with him are (from left) Group Chief Executive of Golden Hope Dato' Sabri Ahmad, Minister of Agriculture and Agro-Based Industries Tan Sri Muhyiddin Yassin, Minister of International Trade and Industry Dato' Seri Rafidah Aziz, Golden Hope Chairman Tan Sri Dato' Seri (Dr.) Ahmad Sarji Abdul Hamid and Foreign Affairs Minister Dato' Seri Syed Hamid Albar.

Corporate

Golden Hope's Oils & Fats Division is involved in the processing and marketing of oils and fats products that are used mainly in food and oleo-chemical industries.

The food based businesses are undertaken by our operations in Malaysia (Golden Jomalina), Vietnam (Golden Hope-Nhabe), The Netherlands (Unimills), South Africa (Hudson & Knight) and Bangladesh (Bangladesh Edible Oils). The completion of the Group's rationalisation exercise with Island & Peninsular (I&P), saw the new I&P palm oil refinery at Bintulu, Sarawak, namely Austral Edible Oil Sdn. Bhd. becoming part of the Division. The food supplement sub-segment business is undertaken by Golden Hope Biogenic Sdn. Bhd. The Group holds interest in the oleo-chemical business sector through its 50% equity in Cognis Oleochemicals Malaysia Sdn. Bhd. (COM).

THE OILS & FATS DIVISION'S ASPIRATION IS TO BE THE LEADING GLOBAL SOLUTION PROVIDER IN CUSTOMISED APPLICATIONS OF OILS AND FATS, THEREBY ADD VALUE TO THE GROUP'S RAW MATERIALS THROUGH A FOCUS ON DIFFERENTIATED PRODUCTS AND SERVICES, WHICH GIVES STABLE MARGIN AS OPPOSED TO COMMODITY PRODUCTS WHICH IS MAINLY PRICE DRIVEN.

The Oils & Fats Division's aspiration is to be the leading global solution provider in customised application of oils and fats, thereby adding value to the Group's raw materials through a focus on differentiated products and services, which gives stable margin as opposed to commodity products which are mainly price driven.

The Group has invested through acquisition and additional capacity towards achieving the Division's aspiration. The acquisition of Hudson & Knight which is involved in producing differentiated products, was instrumental in causing the growth in sales of the



Austral Edible Oil refinery in Bintulu, Sarawak a new addition to the Division's refining facilities.

differentiated products. The commissioning of the new fractionation plant at Unimills and an increase in fractionation capacity at Golden Jomalina, further strengthened the Division's ability to offer differentiated products to our customers. In Golden Hope-Nhabe, the second refinery plant was officially launched by the Tan Sri Dato' Seri (Dr.) Ahmad Sarji Abdul Hamid on 1 April 2005. The new facilities, coupled with research and development (R&D) have further intensified the development of new products such as low or trans-free products. In the production of tocotrienols, we are investing on doubling the production capacity.

To expand our customer reach, we entered into a strategic alliance with Savola Edible Oil of Saudi Arabia a company that has vast experience in the

marketing of oils & fats consumer products. Cooking oil brands, Crispa and Holsum, were acquired from Unilever South Africa while in Vietnam, new cooking oil brands, Marvela Soya and Marvela Olein were launched.

In China we are currently in discussions with several potential partners to form strategic alliances in the marketing and distribution of packed fats products.

In the oleochemical sector, the Group signed a memorandum of understanding with Cognis Deutschland GmbH & Co. KG (Cognis) to document the intention to target future profitable growth by expanding the scope of Cognis Oleochemicals (M) Sdn. Bhd. through the contribution of Cognis' global oleo basic and derivatives businesses

comprising fatty acids, glycerin, oilfield chemicals, azelaic acid and pelargonic acid ("ozone acids") and plastics technology.

The signing of a Memorandum of Understanding with Biox Group B.V., in May 2005 for the supply of bio-fuel, marked the Division's entry into the bio-fuel segment.

Continuous and improved cost efficiency measures contributed to improved earnings growth.



The official opening of the new plant in Nhabe, Vietnam by Chairman Tan Sri Dato' Seri (Dr.) Ahmad Sarji Abdul Hamid. The whole plant in Nhabe is currently the second largest in the country.



Prime Minister Dato' Seri Abdullah Ahmad Badawi signing the commemorative plaque to mark the opening of the new fractionation plant at Unimills. The ceremony also saw the unveiling of Unimills' new logo "Vital To Food".

OPERATIONS REVIEW



Gearing up
for Success.

At Golden Hope, as we enter a new era, wheels are being set in motion. It's the reason why we've improved our palm oil production in both quality and capacity. These winds of change also explain the acquisition of even more mills, both locally and abroad. Why we continue to invest heavily in cutting-edge technology. Or why we keep, refining and enhancing our palm oil products and services.



Golden Hope

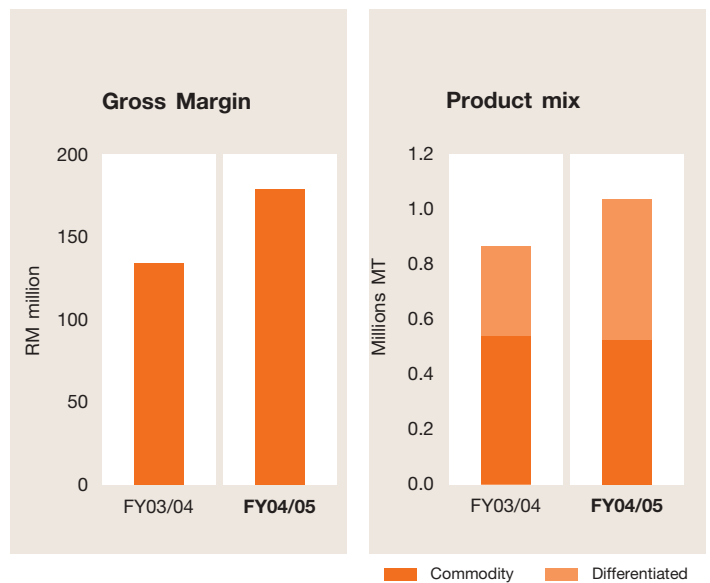
Because at Golden Hope we're constantly prepared to take on new roles and new challenges as we transcend boundaries.

Transcending Boundaries

Results

During the year under review, the Division's operating profit, including contribution from associate companies saw an increase of 94% over that of the preceding year. This result was achieved under competitive business environment with relatively high raw material prices and high costs due to higher energy prices. The continuous refinement of strategies and continued improvement in cost efficiency measures contributed to the Division's improved performance.

Our customer centric initiatives have shown encouraging results in that our customer base and market coverage have expanded. Our product mix of differentiated products to commodity has increased to 51% of total sales compared to 38% in the preceding year.



WE STRIVE TO CREATE VALUE FOR OUR CUSTOMERS BY SATISFYING THEIR REQUIREMENTS FOR PRODUCTS WITH SPECIFIC PERFORMANCE CHARACTERISTICS.



Group Chief Executive, Dato' Sabri Ahmad (right) exchanging documents with Savola Edible Oil Co. Ltd. Managing Director Dr. Abdul Raouf Mannaa after the collaborative agreement signing ceremony in April 2005.



The MOU signing ceremony with Biox Group B.V. at Unimills in May 2005 was witnessed by the Prime Minister, Dato' Seri Abdullah Ahmad Badawi.

Market Development

The Division's wide range of oils and fats products are used in many sectors of the food industry including in food supplements and oleochemicals.

The products range from high stability oils and customised blends for confectionary and bakery applications, retail packed cooking oil to fats to standard (commodity) oils in bulk. In the food supplement sub-segment, we continue to service the mass segment as well as the retail segment of the tocotrienol market. In the oleochemicals sector, basic oleochemicals continue to be an important segment. We strive to create value for our customers by satisfying their requirements for products with specific performance characteristics.

Trans Fatty Acids free products

The Oil & Fats Division is well positioned to take advantage of the demand for trans fatty acid free products. Our operations respond to market demand by introducing these types of products for specific applications. The Group is well geared to produce trans free products by utilising our palm oil resources. The commissioning of the fractionation plant at Unimills during the financial year further strengthened our ability to produce more innovative products.

Food Safety

Food safety and environmental issues are two of the biggest consumer concerns these days. The Group is proactive in addressing these issues. As such, production facilities are geared to operating in line with high food safety standards. They are certified with recognised standards (such as HACCP, ISO 9001) and comply with stringent audits by our multinational customers. Our integrated operations along the supply chain, from plantations to delivery, ensure that our own produce is traceable to its source.

Sustainable Palm Oil

The Group's commitment to promoting sustainable palm oil initiatives was demonstrated through its involvement in the Roundtable for Sustainable Palm Oil (RSPO), an initiative involving a number of major companies worldwide in cooperation with the WWF. During the year, under review, the Group hosted the meeting of the working group and the meeting of the Board of RSPO at Carey Island.

OPERATIONS REVIEW

GLOBAL BUSINESS

UNIMILLS B.V

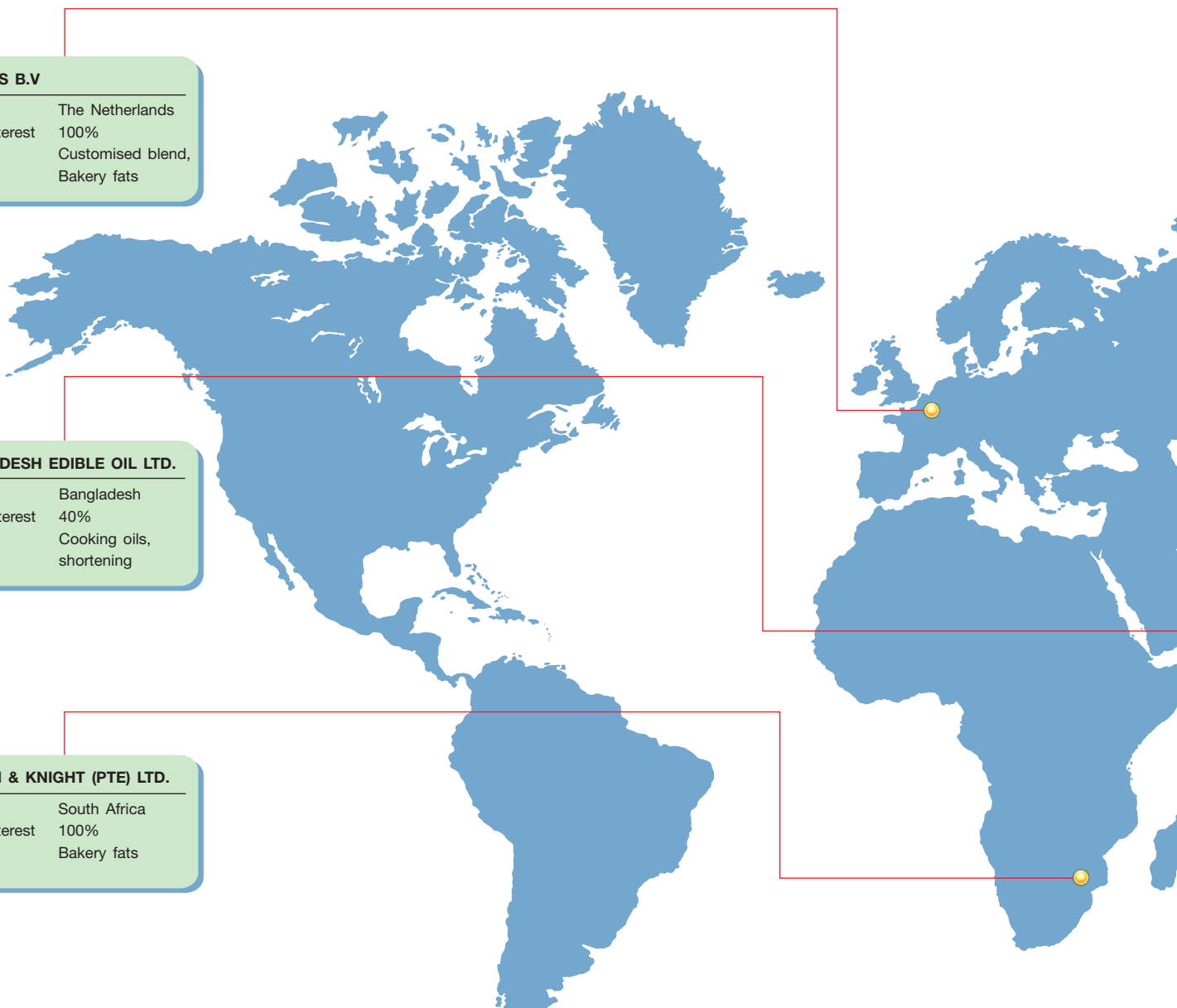
Location	The Netherlands
Equity Interest	100%
Products	Customised blend, Bakery fats

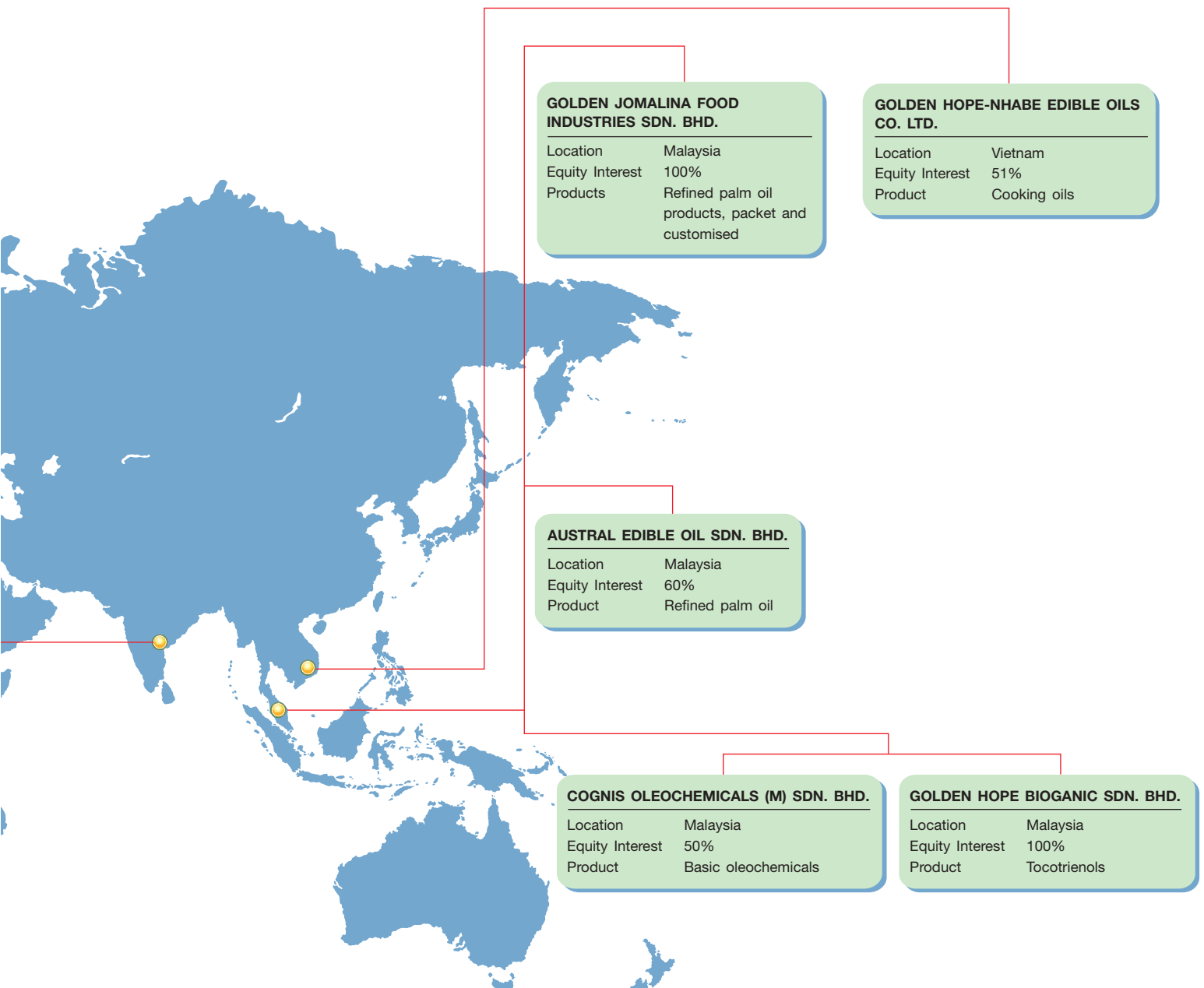
BANGLADESH EDIBLE OIL LTD.

Location	Bangladesh
Equity Interest	40%
Products	Cooking oils, shortening

HUDSON & KNIGHT (PTE) LTD.

Location	South Africa
Equity Interest	100%
Product	Bakery fats





OPERATIONS REVIEW

OTHER **BUSINESSES**

TRANSCENDING BOUNDARIES

- **THE PRIDE OF MALAYSIA IN THE GLOBAL PINK GUAVA PUREE MARKET**
- **UNCOMPROMISING QUALITY AND ON TIME DELIVERY FOR OUR COCONUT-BASED VALUE ADDED PRODUCT**
- **PRIMARY PRODUCER OF HIGHLY SOPHISTICATED SAFETY FOOTWEAR**



OTHER **BUSINESSES**

OPERATIONS REVIEW

Key **Persons**

ABD RAHMAN MD. NOR
General Manager, GH Builders



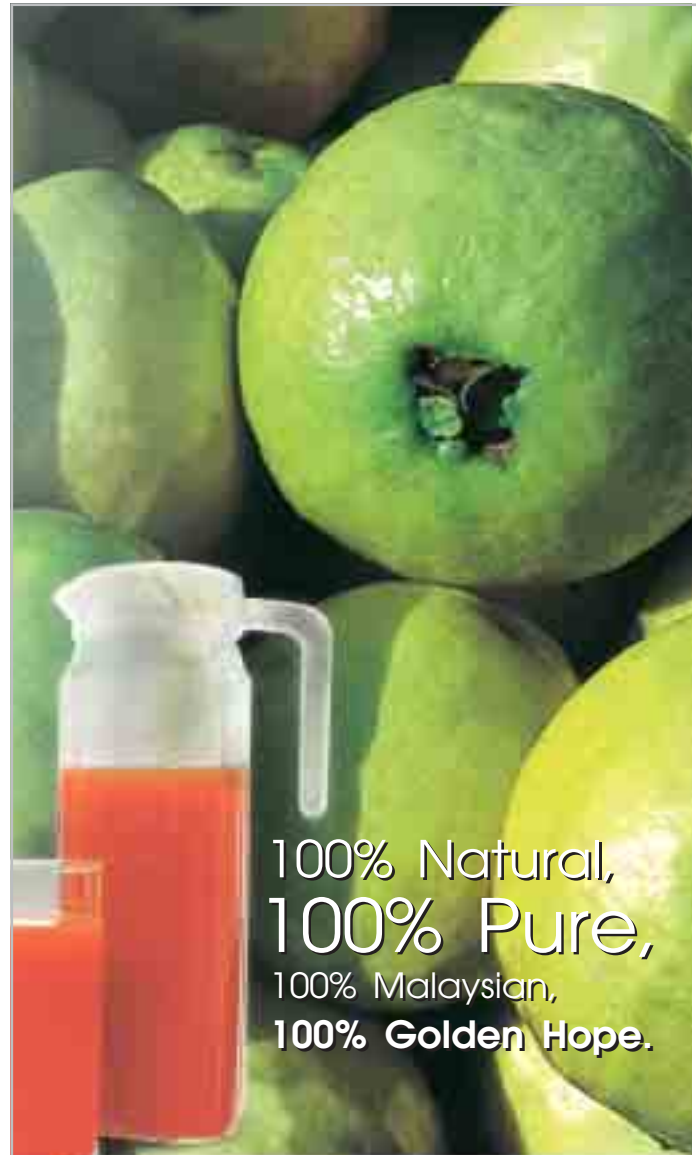
MOHAMED NASIR WAN IDRUS
General Manager, Harvik Rubber



ABDUL AZIZ ABDUL RAHMAN
General Manager, KCI



MASNO MASNAN
General Manager, FISB (until 22 September 2005)



100% Natural,
 100% Pure,
 100% Malaysian,
 100% Golden Hope.

Yet another example of our refreshing success.

When it comes to percentages Golden Hope has a distinct reputation. We are the only Malaysian producer and supplier of tropical fruit puree and juices worldwide. This is a direct result of our fresh natural pink guava puree that comes in aseptic packing, our modern processing facilities and the fact that we adhere to the strictest standards of quality control. But the real reason for our success is that when it comes to what we do, all of us give nothing less than 110%.



Golden Hope

Transcending Boundaries

OPERATIONS REVIEW

GOLDEN HOPE PROPERTY

In line with Golden Hope's strategy to focus on plantation business and downstream operations, the role and contribution of Property Department to the Golden Hope Group is expected to be minimised.

Property Development

During the year under review, Negara Properties (M) Berhad (NPMB)'s property development activities included the following:

MELAWATI TOWNSHIP

The Melawati Township profited from the full completion of the sale of Melawati Urban. 1 (MU.1) with the signing of the sale agreement of Block A to Lembaga Jurukur Tanah Semenanjung Malaysia on 4 January 2005.

The success of MU.1 paved the way for a review of the development of Melawati Urban.2 at Phase 14 into a commercial development.

The year under review also saw the formalisation of the proposed development of the Kuala Lumpur Football Academy (KLFA) between the Kuala Lumpur Football Association and Melawati Development Sdn. Bhd. The KLFA is expected to boost not only the levels of interest and participation of youths in the city in this sport but is expected to put Desa Melawati on the map of the city's major rest and recreation hub.

The year under review, also saw the sale of approximately 56 acres of freehold land at Desa Melawati to Casa Mujur Sdn. Bhd., a subsidiary of Sunway City Berhad. This strategic alliance is targeted at capitalising on the co-branding opportunities available from a reputable developer such as the Sunway Group.

SAUJANA IMPIAN TOWNSHIP

The year under review witnessed the launch of the Impian Boulevard, comprising 36 units of 3-storey terraced retail/office, a renewed lifestyle commercial development to be constructed right across the upcoming TESCO hypermarket.



Impian Morib Resort, a 3-star, 50-room hotel in Morib.



An artist's impression of the Kuala Langat District Office.

NILAI IMPIAN, NILAI

The year under review saw the completion and hand over of 90 units of double storey courtyard design bungalows of 'Jasmine' Grow Homes at Phase 2, and 62 units of double storey semi detached houses of 'Lavenda' Twin Villa at Phase 4. The Group also launched the township's first terraced homes, known as the 'Dillenia Superlink' Homes at Phase 3 and Sanda bungalows.

NILAI UTAMA ENTERPRISE PARK (NUEP), NILAI

The year under review concluded with two land sales to a local health-based manufacturer and an industrial fluids packaging manufacturer.

Landbank Management Construction Management

In general, Landbank Management Unit's role is to effectively manage and leverage the Group's land bank and other properties in order to sustain a reasonable income whilst minimising risks related to land and property management.

Landbank Management Unit will continue to seek business arrangements such as joint ventures and smart partnerships to enhance the Group's land value.

The Construction Management's primary role is to create and speed up the development potential and value of the Group's land bank.

During the year under review, Golden Hope Builders Sdn. Bhd. (GHBSB), a wholly owned subsidiary of Golden Hope successfully managed the construction and completion of the Impian Morib Resort, a 3-star, 50-room hotel in Morib. It also embarked, on the construction of an Indoor Lawn Bowls Stadium at Kota Bayuemas, Klang during the year under review.

Currently GHBSB is also managing the construction of the following projects:

a. Kuala Langat District Office at Sg Sedu, Banting

This project involves the construction of a three-storey administrative building for the State of Selangor. It is expected to be handed over by October 2005.

b. Tesco Hypermarket at Saujana Impian, Kajang

This project involves the design and construction of a two-storey hypermarket (Tesco) which is expected to be completed in October 2005.

c. Puteri Nursing College at Kota Seriemas

The project involves the construction of a nursing college together with student apartments. It is expected to be completed in March 2006.

During the the year under review, GHBSB entered into an agreement for the sale of 70 acres of part of New Lunderston Estate with MARA to develop the Institute Kemahiran MARA, Banting. Pursuant to this arrangement GHBSB was invited to participate in the construction of IKM on direct negotiated basis. Construction is scheduled to commence next year.

OPERATIONS REVIEW

Facilities Management

The Facility Development and Management Unit manages the Group's sports and resort facilities which include the Impian Golf and Country Club, Impian Court Condominiums and the Bayuemas Oval, an internationally accredited cricket pitch.

The Impian Golf and Country Club was proclaimed the golf course of choice for the PGA Tour for the year 2004 by the Malaysian Professional Golfers' Association. With the additional landscaping features, Impian Golf and Country Club course is rated the best in the country.

To complement the golf course, a new driving range has been developed at Saujana Impian.

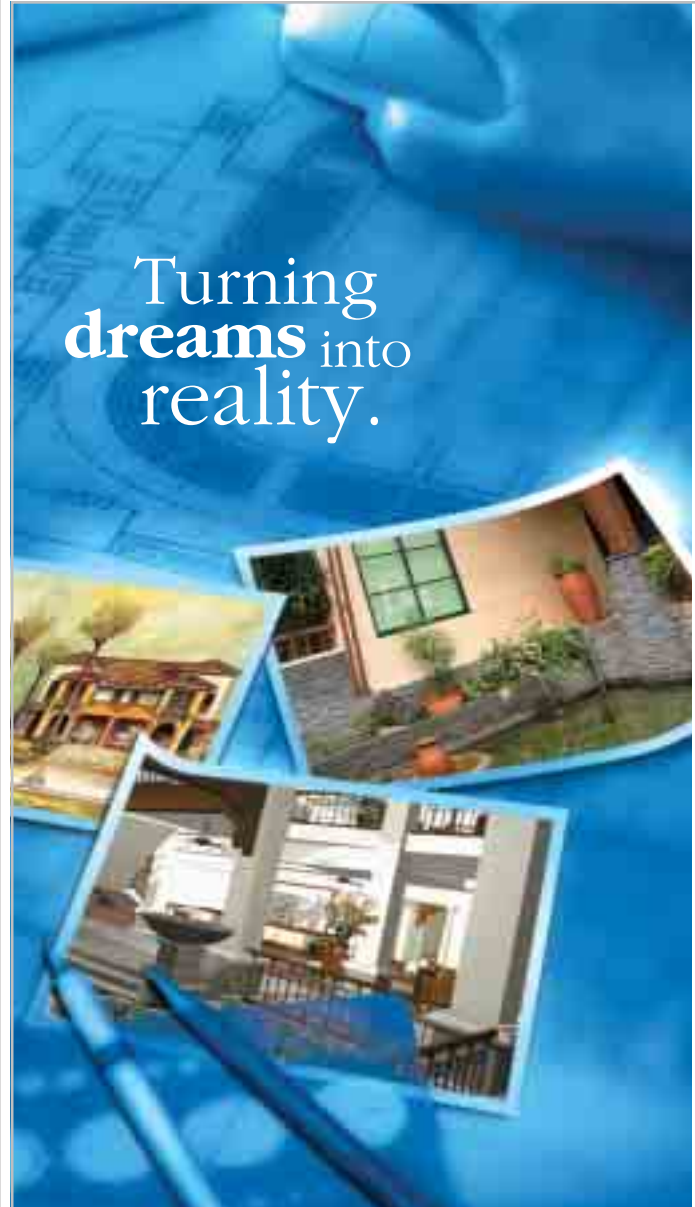
The Carey Island Golf Club is one of the oldest golf clubs managed by the Group. The new "Heritage Challenge Link Course" underwent upgrading from 9 holes to 18 holes at the end of the year under review.

Sports

The Group's international standard cricket pitch known as Bayuemas Oval and the Akademi Kriket Melayu Tuanku Jaafar celebrated its first anniversary on 21 February 2005.

The Group's contribution to the development of sports in the country did not end with the construction of the Bayuemas Oval as in the year under review, Golden Hope Builders embarked on another project – the in-door lawn bowls stadium.

The ground breaking ceremony was officiated by Golden Hope Chairman Tan Sri Dato' Seri (Dr.) Ahmad Sarji Abdul Hamid in August 2005.



Turning
dreams into
reality.



Golden Hope

As one of Malaysia's premier developers of quality townships Golden Hope is in the business of building not just houses but creating homes. And we do so to strict and exacting standards.

Why?

Because we're here to make sure your dreams come true and stay that way.

Transcending Boundaries

FRUIT INDUSTRIES

For the year under review, Golden Hope Fruit recorded a turnover higher than the preceding year. The total turnover, which was also higher than the budgeted turnover for the year, can be attributed to the increased demand for pink guava puree worldwide.

Europe remains the Company's pink guava puree main market, taking up almost 61% of the company's entire production. Sales to the USA increased by 4% to 17%, while sales to Australia and other new destinations such as Korea and Japan, remained around 8%. The Company's own usage of pink guava puree for ready-to-drink juice (RTD) production took up almost 3% of its total puree production while other local markets, including Singapore, took up about 11%. Golden Hope Fruit will continue to expand its pink guava puree market by entering new potential markets and by further expanding its existing markets in Europe and the USA.

The year under review also witnessed the company successfully relocated the fruit processing plant from Bukit Lawang in Johor to Sitiawan in Perak. This was not only due to the fact that the lease from Yayasan Pelajaran Johor (YPJ) for the land and building at Bukit Lawang expired on 30 June 2005, but also because of the anticipated low crop yield



Centrifugal Process Sdn. Bhd.'s new factory and administration building within the Sg. Wangi pink guava plantation.

It is anticipated that Golden Hope will produce approximately 6,000 tonnes of pink guava puree in the financial year 2005/2006 and that production will increase to 12,000 tonnes in 2007/08. With this expected increase, Golden Hope is set to capture approximately 30% of the world's pink guava puree export market.

at Bukit Lawang from January to June 2005. Golden Hope Fruit at Bukit Lawang thus ceased operations on 6 January 2005 and the relocation process was completed by end of February 2005.

The year under review also saw 500 hectares of the Sungai Wangi Estate being planted with

pink guava. It is anticipated that Golden Hope will produce approximately 6,000 tonnes of pink guava puree in the financial year 2005/2006 and the production will increase to 12,000 tonnes in 2007/08. With this expected increase, Golden Hope is set to capture approximately 30% of the world's pink guava puree export

market. The prospects for the guava puree market remains attractive as consumers all over the globe are becoming increasingly health conscious. Guava is fast becoming a popular ingredient in food and beverage production worldwide.

Meanwhile, Golden Hope Fruit shall continue to implement the prerequisites for the HACCP System. The Company will apply for both HACCP Certification from the Ministry of Health and ISO 9001-2000 endorsement from SIRIM for its new fruit juice processing plant at Sungai Wangi by the end of the first quarter of the preceding year. Besides the impending HACCP and ISO 9001-2000 certification, the Company will also continue to conduct awareness training for its employees under its Work Safety System.

OPERATIONS REVIEW

HARVIK RUBBER Industries

Corporate

The rubber sector is represented by Harvik Rubber Industries Sdn. Bhd. (HARVIK), a company which has repositioned itself as a primary producer of highly sophisticated safety footwear incorporating fire fighting, chainsaw cut-resistant and mining boots. Upon reengineering its business, HARVIK recorded a 50% increase in the sales of high quality safety boots compared to 35% in the previous year.

As part of the Company's strategy to improve its performance, HARVIK acquired the PVC footwear manufacturing business of British Bata Limited of United Kingdom (BATA UK) and signed a cooperation agreement with the latter on 25 August 2004. Under the agreement, BATA UK will continue purchasing footwear from HARVIK for a period of 10 years. HARVIK also acquired the DERRIBOOTS and DERRISHOES trademarks from BATA UK and entered into a licensing agreement to use BATA UK's MUSTANG trademark.

Total turnover for the year under review increased to RM25.3 million following an additional RM1.7 million contribution from the PVC footwear business.



Quality control is given paramount importance at HARVIK'S PVC plant.

Results

Despite the rising costs of primary raw materials such as rubber and petroleum-based chemicals for the year under review, HARVIK was able to turn the business around to register a profit compared to a loss the previous year. With the acquisition of BATA UK's PVC footwear operations, HARVIK is expected to further increase its profits in the next financial year. While there was no growth in sales volume of rubber boots during the year under review compared to the preceding year, HARVIK increased its sales turnover for the year under review to RM23.6 million compared to RM21.7 million in the preceding year. An increase in the sales of safety boots contributed to this. Total turnover for the year under review increased to RM25.3 million following an additional RM1.7 million contribution from the PVC footwear business. The turnover for the next financial year is expected to increase further with the addition of the PVC footwear business.

Operations

Due to intense competition from low-cost producers, HARVIK's overall market share remained stagnant during the year under review. However, HARVIK's market share in the safety boots sector increased as a result of buyers shifting their source of supply. To ensure the long term viability of its business, HARVIK is presently working closely with its competitors in Europe and North America. In view of high production costs in Europe and North America, two of HARVIK's main competitors have now become its major customers.

With the acquisition of the PVC footwear manufacturing business, HARVIK will also focus on strengthening its global PVC footwear customer base. The first phase of the PVC footwear manufacturing facilities was completed in March 2005 with operations kicking off in April 2005. The first shipment of PVC boots to Europe took place soon after in May 2005. The second phase is expected to be completed in August 2005. HARVIK has also invested in an integrated computer system for footwear manufacturing for BATA UK called iBUS (formerly known as COINS). This system which is being used by BATA worldwide to support footwear production was installed and commissioned within a three-month period.

KAPAR COCONUT Industries

Corporate

For the year under review, prospects for the Coconut Milk Powder (CMP) and Low Fat Desiccated Coconut (LFDC) business remained good. Higher sales volumes for both products were recorded in the year under review compared to the preceding year. About 80% CMP and 92% LFDC produced are for export. Kapar Coconut Industries (KCI) is currently the market's major exporter with products going out to Europe, the United States, Taiwan, Hong Kong, Japan, Saudi Arabia, Canada, the Caribbean Islands and Singapore, in particular.

Operations

Only a marginal trading profit was posted by the products in the year under review even though demand for both products was strong. The high cost of goods sold remained a major contributing factor. This in turn was due to the higher cost of nuts resulting from a low supply of nuts in line with seasonal trends. Meanwhile, the effect of revised selling prices for the products made an impact by improving profitability.

Kapar Coconut Industries (KCI) is currently the market's major exporter with products going out to Europe, the United States, Taiwan, Hong Kong, Japan, Saudi Arabia, Canada, the Caribbean Islands and Singapore, in particular.



KCI will use its edge in relation to HALAL and KOSHER certificates to penetrate the Middle East market in a more efficient manner. Our factory continued to be assessed for ISO 9001-2000 Quality Management System certification.

