



KUMPULAN GUTHRIE BERHAD  
(4001-P)

# PARTNERSHIP ENRICHING VALUE



ANNUAL REPORT 2005



## Cover Rationale

The cover depicts the beneficial plant, *Cassia cobanensis* (locally known as 'kacang kasia'), planted in Group plantations as one of the best practices in sustainable development. The plant is grown as a food source for insects that prey on oil palm pests such as bagworms and nettle caterpillars. The use of beneficial plants has effectively reduced the usage of chemical pesticide. The plant is also a host to the honey bee, *Apis mellifera L.* The bee is industrious in the propagation and accumulation of pollen from its host to nurture Nature's reproductive cycle. The relationship between the bee and the flower reflects their interdependence for sustainability.

Like the honey bee, employees of Guthrie Group are industrious and dedicated. They work cohesively in partnership to deliver KPIs principally in business, operations and human capital. Emphasis is placed on governance, best practices & processes, and knowledge. Integrating with technology, systems and the environment, the employees work diligently to create opportunities which directly add value to business results and thus, enrich shareholder value.

## Financial Calendar

FINANCIAL YEAR END ..... 31 December 2005

### ANNOUNCEMENT OF RESULTS

First Quarter..... 31 May 2005  
 Second Quarter..... 29 August 2005  
 Third Quarter..... 21 November 2005  
 Fourth Quarter..... 27 February 2006

### PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS

Despatch Date..... 29 May 2006  
 ANNUAL GENERAL MEETING ..... 22 June 2006

### DIVIDENDS

#### Interim

Declaration..... 29 August 2005  
 Record Date..... 22 September 2005  
 Payment Date..... 13 October 2005

#### Final

Recommendation ..... 28 February 2006  
 Record Date..... 28 June 2006  
 Payment Date ..... 14 July 2006

# 45th Annual General Meeting

**date** : 22 June 2006  
**venue** : Ballroom, Mezzanine Floor  
 Hotel Equatorial, Jalan Sultan Ismail  
 50250 Kuala Lumpur  
**time** : 10.30 a.m.

## Our Vision

- The Guthrie Group aspires to become an excellent world class corporation in the core businesses of plantation and property.

## Our Values

- Ethical
- Efficient & Effective
- Quality
- Caring
- Trust & Cooperation

## Our Mission

*We are committed to:*

- Exceeding CUSTOMERS' expectations through innovative and high quality products and services.
- Providing career development opportunities for EMPLOYEES to realise their potential.
- Continuously enhancing SHAREHOLDERS value.
- Being a responsible corporate citizen towards the environment and contributing to the socio-economic development of the COUNTRIES in which we operate.

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# Kumpulan Guthrie Berhad 185 years



The Guthrie Group lays claim to a distinguished history spanning 185 years and has played a major role in making the Malaysian palm oil industry the multi-billion dollar business it is today.

The origin of the Guthrie Group can be traced back to 1821 when Alexander Guthrie set up an agency in Singapore, making it the first British trading enterprise in South East Asia. Incorporated on 25 November 1960, Kumpulan Guthrie Sendirian Berhad (KGSB) was initially formed to serve as the local agent for Guthrie Estate Agency Limited (GEAL). In 1965, the Guthrie Corporation Limited (GCL) was formed by the merger of plantation companies which were previously under the management of GEAL. In the same year, GCL obtained a listing on the International Stock Exchange of London and embarked on a diversification programme into the trading and manufacturing sectors in the United Kingdom, Europe and United States of America.

In 1981, Malaysian parties acquired GCL on the London Stock Exchange. In 1982, GCL's plantation and related interests were transferred to KGSB. In 1987, KGSB

was converted to a public company and renamed Kumpulan Guthrie Berhad (Guthrie). Guthrie was first listed on the Kuala Lumpur Stock Exchange which is now known as Bursa Malaysia Securities Berhad (Bursa Malaysia) in 1989, in what was then the largest public issue of shares in Malaysia. Two subsidiary companies of Guthrie, Highlands & Lowlands Berhad (54.53% held) and Guthrie Ropel Berhad (57.85% held), are also listed on Bursa Malaysia.

Today, Guthrie is a leading producer of palm oil. The Group plantation operations span Southeast Asia, from Kedah to Sabah in Malaysia, and from Sumatera to Sulawesi in Indonesia.

The Group plantation operations consist of two divisions, Plantation Malaysia and Plantation Indonesia, which manage operations in the respective countries.

Plantation Malaysia comprises 45 estates on a total land area of 101,603 hectares with a total planted area of 98,725 hectares.

Meanwhile, Plantation Indonesia comprises 55 plantation estates on a total land area of 220,201 hectares with a total planted

area of 164,124 hectares, spread over Sumatera, Kalimantan and Sulawesi. With a total plantation landbank of about 320,000 hectares in both Malaysia and Indonesia, the Guthrie Group today is one of the largest plantation conglomerates in the region.

Other than plantations, the Group has also established itself as a distinguished property developer in the country with award winning property development projects. The property operation is managed primarily through Guthrie Property Development Holding Berhad (GPDH), a 54.77% owned subsidiary of Kumpulan Guthrie Berhad. The property division has more than 16,000 acres of landbank in the Klang Valley, of which the Guthrie Corridor Visionary Communities (Bukit Jelutong, Bukit Subang, Elmina and Bukit Lagong), account for over 11,500 acres.

Its other businesses include manufacturing of medium density fibreboard, production and sale of planting materials, agricultural consultancy, resort development and ICT services. The Group also has rubber processing and trading operations in Thailand.

Since 1821

## History of Kumpulan Guthrie Berhad

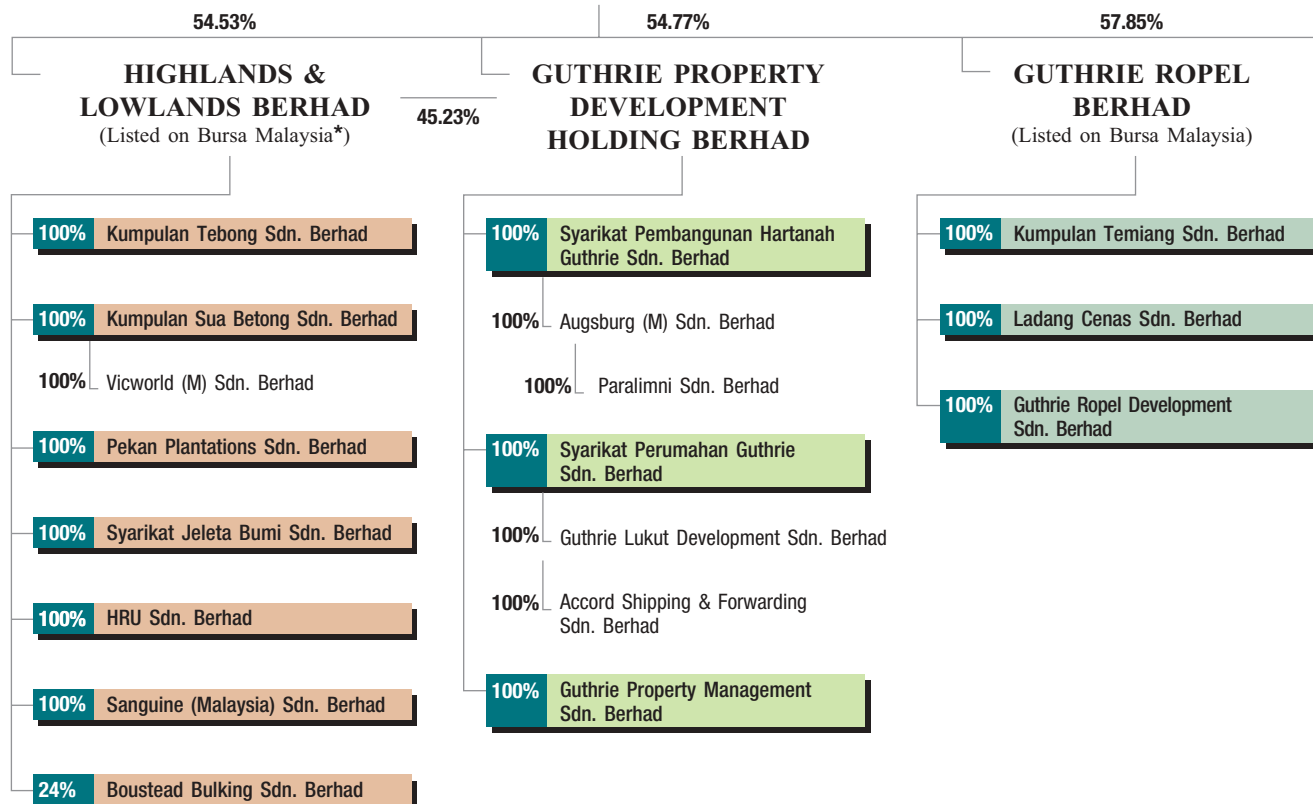


- 1821** – Alexander Guthrie established the Guthrie agency house in Singapore.
- 1896** – Guthrie began to take firm root in the Malay Peninsula by laying the foundation for Malaya to be a major rubber producer.
- 1924** – Guthrie introduced oil palm to the Malay Peninsula.
- 1960** – Kumpulan Guthrie Sdn. Berhad (KGSB) was incorporated on 25 November 1960. It was initially formed to serve as the local agent for Guthrie Estates Agency Limited (GEAL), a company incorporated in the United Kingdom (UK).
- GEAL was the agent for UK-incorporated plantation companies that owned plantations in Malaya.
- 1965** – The abovementioned plantation companies merged to form Guthrie Corporation Limited (GCL) which was listed on the London Stock Exchange in 1965.
- 1977** – GCL transferred its plantation interests from 10 of its UK-incorporated subsidiaries to six Malaysian-incorporated subsidiary companies. GCL further expanded its plantation interests to the Philippines, China and Africa.
- 1981** – On 7 September 1981, Permodalan Nasional Berhad (PNB) acquired the entire ordinary share capital of GCL.
- 1982** – GCL's plantation interests came home to Malaysia. On 18 November 1982, GCL's plantation assets situated both in Malaysia and overseas (Philippines, China and Africa), together with the marketing and distribution network companies situated in the UK and United States of America (USA) were transferred to KGSB. A new UK company, Guthrie Holdings Limited, a wholly-owned subsidiary of PNB, was formed to hold the share capital of GCL.
- Guthrie Ropel Berhad, which officially commenced business in 1970, became a subsidiary of KGSB.
- 1984** – KGSB acquired the entire issued share capital of Uniroyal Malaysian Plantations Sdn. Berhad from Uniroyal Incorporated, a company incorporated in the USA.
- 1985** – In January 1985, KGSB, through its wholly-owned subsidiary, Kumpulan Jelei Sdn. Berhad, entered into an agreement with Kuala Lumpur Kepong Berhad (KLK) to purchase KLK's 26.23% holding in Highlands & Lowlands Berhad (H&L). The acquisition gave KGSB, together with PNB's 19.36% interest in H&L, 45.59% control of H&L. KGSB subsequently made a cash offer to acquire all the shares of H&L not already controlled by itself or PNB. This resulted in KGSB acquiring a further 5.41% interest in H&L. Following this cash offer, PNB rationalised its interest in H&L by transferring its interest in H&L to KGSB. With the completion of this exercise, H&L became a subsidiary of KGSB.
- 1987** – KGSB was converted to a public company, known as Kumpulan Guthrie Berhad (Guthrie).
- 1989** – Guthrie was listed on the Kuala Lumpur Stock Exchange (now renamed Bursa Malaysia Securities Berhad) on 25 August 1989.
- 1990** – Guthrie Property Development Holding Sdn. Berhad [now known as Guthrie Property Development Holding Berhad (GPDH)] was established. GPDH would undertake property development activities of Guthrie Group.
- 1994** – The Guthrie Group strategically diversified its core businesses into plantations, property development, manufacturing and services. The Group commenced its property development activity in Bukit Jelutong.
- 1995** – Guthrie, through its wholly-owned subsidiary, Guthrie Tapis Sdn. Berhad, entered into a joint-venture agreement with PT Pecconina Baru to form a joint-venture company, PT Guthrie Pecconina Indonesia, to develop an oil palm plantation in Palembang, South Sumatera, Indonesia.
- 1997** – Bukit Jelutong project won the Best Planned Township Award from the Institute of Town Planners.
- 1998** – The Guthrie Pavilion which houses the office of GPDH was completed.
- 2000** – Guthrie Corridor Expressway Sdn. Berhad was awarded the Guthrie Corridor Expressway, a 33-year concession highway project.
- Guthrie won a bid to acquire interests in companies which are substantially involved in oil palm cultivation covering approximately 265,000 hectares in seven Indonesian provinces.
- 2001** – Guthrie signed an agreement to issue USD395 million (RM1.5 billion) worth of Islamic bonds, the first US dollar denominated international Islamic bonds traded on the Labuan Financial Exchange, to refinance its Indonesian acquisition and operations.
- 2002** – Jeleta Bumi mill registered the highest oil palm extraction rate (OER) of 24.53% in the Malaysian palm oil industry in March 2002. The achievement was endorsed by the Malaysian Palm Oil Board (MPOB).
- 2003** – GPDH's Denai Alam won the coveted Malaysian Institute of Planners' Planning Innovation Award.
- 2004** – GPDH acquired 1,609 acres of its landbank from the Group.
- Guthrie is the first plantation company in the world to be granted EUREPGAP (European Retailers and Producers Good Agricultural Practices) certification for plantation management. Tanah Merah SOU comprising the Tanah Merah, Sua Betong and Bukit Pelandok estates was awarded the EUREPGAP certification, a quality standard recognised by the Food and Agricultural Organisation (FAO).
  - Guthrie launched its Performance-driven system for G-Excellence in October 2004.
- 2005** – Guthrie Group launched the EUREPGAP programme group-wide to its plantation estates for global recognition on sustainable agricultural practices.
- Guthrie launched its clonal oil palm, the AAB1 in April 2005.
  - Guthrie launched its G-Emas, the integrated IT estate and mill management system.
  - GPDH was awarded ISO 9001:2000 certification from SIRIM QAS International Sdn. Berhad. The achievement paves the way for recognition of a quality builder status.
  - Guthrie Group implemented Phase I of the Performance Transformation Programme and Balanced Scorecard-driven (BSC) Key Performance Indicators (KPIs).

# Group Structure



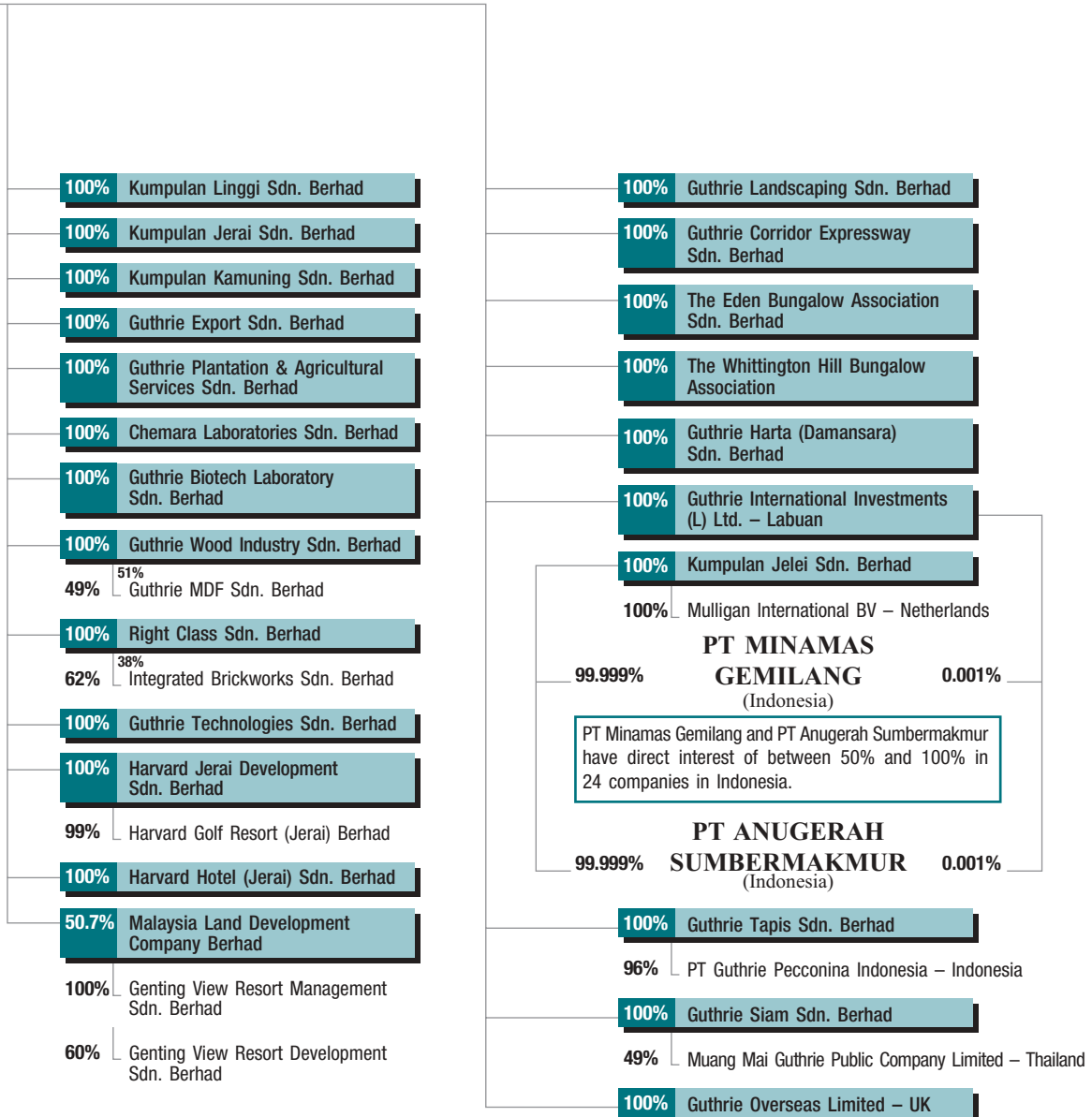
**KUMPULAN GUTHRIE BERHAD**  
(Listed on Bursa Malaysia)



\* The company has been delisted from the London Stock Exchange with effect from 10 April 2006.

**Note:**

Companies listed above are in respect of those in active operations as at 29 May 2006. The list of the companies in the Group is available in Note 4 to the Financial Statements on pages 144 to 154.





# Notice of Annual General Meeting

Notice is hereby given that the Forty-Fifth Annual General Meeting of Kumpulan Guthrie Berhad will be held at the Ballroom, Mezzanine Floor, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia on Thursday, 22 June 2006 at 10.30 a.m. for the following purposes:

## ORDINARY BUSINESS:

1. To receive and adopt the Report of the Directors and the Audited Financial Statements for the financial year ended 31 December 2005 and the Auditors' Report thereon.
2. To approve the payment of a final dividend of 6% (6 sen per RM1.00 share) less 28% Malaysian income tax.
3. To approve the Directors' fees and remuneration as disclosed in the Audited Financial Statements for the financial year ended 31 December 2005.
4. To re-elect the following Directors who retire by rotation in accordance with Article 102 of the Company's Articles of Association:
  - Tan Sri Dato' Dr. Wan Mohd. Zahid Mohd. Noordin
  - Datuk Nik Mohamed Affandi Nik Yusoff
  - Datuk Alladin Hashim
5. To consider and if thought fit, to pass the following Resolution:

“That pursuant to Section 129(6) of the Companies Act, 1965, Raja Tan Sri Muhammad Alias Raja Muhammad Ali be reappointed as Director of the Company to hold office until the next Annual General Meeting.”
6. To reappoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.

## AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following Ordinary Resolution:-

### AUTHORITY TO ISSUE AND ALLOT SHARES

“That, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965 to issue and allot shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten percent (10%) of the issued share capital of the Company for the time being.”

8. To consider any other ordinary business of the Company of which due notice shall have been received.

## NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that the final dividend of 6% (6 sen per RM1.00 share) less Malaysian income tax of 28%, if approved by the shareholders at the forthcoming Annual General Meeting, will be paid on 14 July 2006 to shareholders whose names appear in the Register of Members (for those exempted from mandatory deposit) and the Record of Depositors on 28 June 2006.

FURTHER NOTICE IS HEREBY GIVEN that a Depositor shall qualify for dividend entitlement only in respect of:

- Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 26 June 2006 in respect of shares which are exempted from mandatory deposit;
- Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 28 June 2006 in respect of ordinary transfers; and
- Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

**Moriami Mohd (MAICSA 7031470)**  
Company Secretary

29 May 2006  
Kuala Lumpur, Malaysia

## Notice of Annual General Meeting

### **Explanatory Notes on Special Business:**

The Ordinary Resolution proposed under item 7 of the Agenda, if passed, will empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company, subject to compliance with regulatory requirements. The approval is sought to avoid any delay and cost in convening a general meeting for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

### **Note on Appointment of Proxy:**

A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing the proxy must be deposited with the Company's Share Registrar, Symphony Share Registrars Sendirian Berhad, Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. A Proxy Form is enclosed in this Annual Report. The lodging of the proxy form will not preclude shareholders from attending and voting in person at the meeting should they subsequently wish to do so.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

A total of seven (7) Board of Directors' Meetings were held during the financial year ended 31 December 2005.

The Directors who are standing for re-election and reappointment and details of their attendance at the Board Meetings are as follows:

- Tan Sri Dato' Dr. Wan Mohd. Zahid Mohd. Noordin**, who is standing for re-election, attended six (6) of the seven (7) Board Meetings held in 2005.
- Datuk Nik Mohamed Affandi Nik Yusoff**, who is standing for re-election, attended six (6) of the seven (7) Board Meetings held in 2005.
- Datuk Alladin Hashim**, who is standing for re-election, attended all the seven (7) Board Meetings held in 2005.
- Raja Tan Sri Muhammad Alias Raja Muhammad Ali**, who is offering himself for reappointment, attended all the seven (7) Board Meetings held in 2005.

**Note:** *Tan Sri Dato' Musa Hitam*, who is eligible for reappointment under Section 129(6) of the Companies Act, 1965, is not seeking reappointment as Director of the Company.

Further details of Directors, who are standing for re-election and reappointment, are set out in their respective profiles on pages 30 to 32 of this Annual Report.

# Corporate Highlights

## JANUARY

### LAUNCH OF HACCP/EUREPGAP IN GUTHRIE PLANTATIONS

The Group Chief Executive launched the Hazard Analysis and Critical Control Point (HACCP) and European Retailers and Producers Good Agricultural Practices (EUREPGAP) Certification Programme on 14 January 2005 for the SOU Bukit Talang in Selangor, SOU Ulu Remis in Johor and SOU Rantau in Negeri Sembilan covering a total of 15 estates and 3 mills. The move was to commence the Group's transformation initiatives to be a global leader in sustainable plantation operations and food safety.

## APRIL

### LONG SERVICE AWARDS

Kumpulan Guthrie Berhad organised its annual Long Service Award ceremony to honour the loyalty and commitment of its long serving staff on 1 April 2005. A total of 120 staff received their awards from Tan Sri Dato' Musa Hitam, Chairman of Kumpulan Guthrie Berhad and Dato' Abd Wahab Maskan, the Group Chief Executive.

*Photo: Retirees with Board of Directors and Senior Management of Kumpulan Guthrie Berhad.*



### VISIT BY YAB MENTERI BESAR OF SELANGOR TO GUTHRIE PROPERTIES

YAB Dato' Seri Dr. Haji Mohamad Khir Toyo, the Menteri Besar of Selangor, and the Selangor State EXCO visited Guthrie Pavilion followed by a briefing on Guthrie Corridor Expressway and Guthrie's property development along the corridor. The briefing held on 6 April 2005 at the Guthrie Property Development Holding Berhad (GPDH) office was also attended by the Group Chief Executive, Dato' Abd Wahab Maskan and members of the Senior Management.

**LAUNCH OF GROUP'S CLONAL OIL PALM BY YAB PRIME MINISTER OF MALAYSIA**

Prime Minister of Malaysia, YAB Dato' Seri Abdullah Haji Ahmad Badawi, launched the Group's high yielding clonal oil palm, the "AAB1" on 20 April 2005 at the "Minggu Saham Amanah Malaysia" in Seremban, Negeri Sembilan. The "AAB1" is the result of innovative tissue culture undertaken at Guthrie Biotech Laboratory Sdn. Berhad.

*Photo: Dato' Seri Abdullah Haji Ahmad Badawi launching the Group's clonal oil palm.*



**BOARD OF DIRECTORS AT CENAS, BERTAM AND PENGKALAN BUKIT ESTATES**

The Board of Directors of Guthrie Group made a site visit to Bertam estate in Melaka and Cenas and Pengkalan Bukit estates in Johor on 23 April 2005. They were given a hands-on assessment on estate performance and yield enhancement activities.

*Photo: Board of Directors with the Management of Bertam estate after the site visit.*

**LAUNCH OF G-EMAS BY YAB DEPUTY PRIME MINISTER OF MALAYSIA**

The Guthrie Estates and Mills Application System (G-EMAS) was launched by Deputy Prime Minister of Malaysia, YAB Dato' Sri Najib Tun Abdul Razak, on 27 April 2005. The system was designed by Guthrie's Information & Communications Technology Division to enhance plantation operations processes for more effective decision-making and performance monitoring in estate management.

*Photo: Dato' Abd Wahab Maskan, Group Chief Executive of Kumpulan Guthrie Berhad explaining the G-EMAS initiatives to Dato' Sri Najib Tun Abdul Razak.*



**BIOMALAYSIA EXHIBITION 2005**

Guthrie participated in BioMalaysia 2005 exhibition which was held from 28-29 April 2005 at the Putrajaya International Convention Centre (PICC). The event which was hosted by Ministry of Science, Technology and Innovation (MOSTI), is a government effort to promote biotechnology.

*Photo: Guthrie's booth at the BioMalaysia exhibition.*

Corporate Highlights

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**MAY**

**DENAI ALAM OFFICIALLY LAUNCHED**

Guthrie Properties successfully launched the first phase of its Denai Alam project comprising of double-storey terrace houses on 14 May 2005. The development is inspired by the traditional Malay kampung concept which incorporates the *denai*, footpaths which link houses in a *kampung*. Denai Alam is the second quality project located at the Denai Alam Interchange along the Guthrie Corridor Expressway.

*Photo: Customers seeking information on Denai Alam.*



**JUNE**



**SHARING OF CORPORATE DEVELOPMENTS AT MEDIA & ANALYST BRIEFINGS**

The Group organised Media and Analyst briefings on 1 June 2005 to update the investment community on the latest corporate developments and performance of its core businesses. Group Chief Executive of Kumpulan Guthrie Berhad, Dato' Abd Wahab Maskan, chaired the sessions with both the media and investment analysts.

*Photo: Dato' Abd Wahab Maskan addressing queries by the media.*

**PLANTATION DEVELOPMENT COMMITTEE (PDC) VISITS PLANTATION INDONESIA**

The Chairman of PDC, Tan Sri Dato' Musa Hitam, and other committee members made a site visit to PT Bhumireksa Nusasejati in Sumatera, Indonesia where they assessed estate operations, water transportation system and the Aloe Vera project.

*Photo: Tan Sri Dato' Musa Hitam trying his hand at harvesting FFB.*



**30TH ANNUAL GENERAL MEETING**

The company's Annual General Meeting (AGM) was held on 16 June 2005 and chaired by the Chairman, Tan Sri Dato' Musa Hitam. The conduct and proceedings of the AGM were in accordance with the best practices in corporate governance and transparency.



**ASEAN DELEGATES CALL ON GPDH**

A group of 29 delegates from various ASEAN countries visited GPDH property development projects in June 2005 and gained insight on the innovative development concepts. The delegates were participants of the Malaysian Technical Corporation programme.

*Photo: Asean delegates at Bukit Jelutong.*

**BUKIT JELUTONG CARNIVAL 2005**

The annual Bukit Jelutong Carnival organised by Bukit Jelutong Residents Association in collaboration with Guthrie Properties was held on 18 June 2005. The carnival promoted community spirit and a healthy lifestyle among residents. The carnival was graced by Dato' Ahmad Nawawi Dato' M. Zin, Selangor State Education, Sports and Human Development Committee Chairman and Dato' Ramli Mahmud, Mayor of Shah Alam.

**JULY**

**GPDH BOARD AT PROJECT SITE**

Board members of GPDH inspected the Denai Alam development project site on 20 July 2005 and were briefed on its unique property development concept. The Denai Alam, set to be an innovative 1,000-acre township located 5km from Bukit Jelutong, won the 2003 Malaysian Institute of Planners Planning Innovation Award.

*Photo: Board members of GPDH taking a close look at the Denai Alam development plan.*



**AUGUST**



**USD480 MILLION SYNDICATED TERM LOAN FACILITY FOR KUMPULAN GUTHRIE BERHAD**

Kumpulan Guthrie Berhad through its wholly-owned subsidiary, Guthrie International Investments (L) Ltd signed a USD480 Million Syndicated Term Loan Facility on 22 August 2005. The Mandated Lead Arrangers for the syndicated loan transaction were DBS Bank Ltd, Labuan Branch, The Hongkong and Shanghai Banking Corporation Limited, RHB Bank (L) Limited and CIMB (L) Limited/Bumiputra-Commerce Bank (L) Limited. The syndication involved a total of 12 local and international banks. The principal purpose of this loan facility is to refinance Guthrie's US Dollar Loans arranged earlier for the acquisition and working capital of its Indonesia Plantations. The facility achieved the objective to reduce cost, release the assets pledged and extend the maturity profile.

*Photo: Dato' Abd Wahab Maskan and Mr Rajan Raju, Managing Director and Head, South & Southeast Asia of DBS Bank exchanging loan documents witnessed by Tan Sri Dato' Musa Hitam, the Chairman of Kumpulan Guthrie Berhad.*

Corporate Highlights

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**LAUNCH OF G-e2R**

The Guthrie Electronic Report & Reporting (G-e2R) system was launched by the Group Chief Executive, Dato' Abd Wahab Maskan on 1 August 2005. The online reporting system to be used Group-wide, was established to facilitate the tracking, translating and transferring of performance reporting through ICT-driven system, in line with corporate governance requirements.

**OFFICIAL OPENING OF GUTHRIE CORRIDOR EXPRESSWAY**

The Guthrie Corridor Expressway, the 25km expressway linking Shah Alam to Kuang was officially opened on 15 August 2005. With the opening of the highway, commuters will only take 20 minutes to reach Rawang from Shah Alam. The expressway has enhanced the development prospects of Guthrie's landbank within the corridor vicinity.

*Photo: The Guthrie Corridor Expressway provides easy access between Shah Alam and Kuang.*



**SEPTEMBER**



**GUTHRIE PARTICIPATES IN PNB'S QUALITY DAY**

Kumpulan Guthrie Berhad participated in the PNB Quality Day on 26-30 September 2005. The annual event showcases PNB companies "Quality" projects undertaken to ensure products and services fulfil exacting customer requirements.

*Photo: Syed Mahdhar Syed Hussain, Senior General Manager of Guthrie's QUEST Department explaining the Group's Quality projects.*

**NOVEMBER**

**SHARING OF KNOWLEDGE AT PLANTATION COLLOQUIUM 2005**

The Group organised a colloquium on Precision and Innovation in Oil Palm Plantation on 22 November 2005 at Guthrie Pavilion, Shah Alam. The Group Chief Executive, Dato' Abd Wahab Maskan, attended the colloquium. The Group invited a renowned agricultural specialist from Universiti Putra Malaysia (UPM) who presented a paper on the latest agricultural research. Two scientists from the Group also presented their papers. The colloquium promoted the sharing of knowledge and provided assurance that the Group's best practices are consistent with the growth of the science and technology industry.

*Photo: Rusli Ujang, Group Head of Plantation Indonesia and Prof. Zaharah A Rahman from UPM along with other senior management members at the colloquium.*



## DECEMBER

### OFFICIAL OPENING OF MINAMAS RESEARCH CENTRE IN INDONESIA

The Minamas Research Centre (MRC), Kumpulan Guthrie Berhad's Research & Development Centre in Indonesia, was officially opened by the Governor of Riau, Yang Terhormat Bapak H.M. Rusli Zainal in Teluk Siak, Riau on 19 December 2005. The MRC focuses on oil palm research, crop protection research, plant breeding research and R&D services. In the long term, it also aims to conduct research on downstream activities.

*Photo: Governor of Riau (centre) officiating the opening of Guthrie's research and development centre.*



### MEDIA BRIEFING ON GUTHRIE'S INDONESIAN OPERATIONS

During the official opening of the Minamas Research Centre in Indonesia, Guthrie conducted a media briefing on its Indonesian Plantation operations for selected media houses from Malaysia. A total of 6 representatives from the media houses attended the briefing session.

*Photo: Members of the Malaysian media at the media briefing.*

### STRATEGIC OPERATING UNIT (SOU) AWARD NITE

Guthrie's Plantation Indonesia organised an SOU Award Nite on 19 December 2005 to reward its best performing Strategic Operating Units. The event was held in Pekan Baru, Riau and was attended by members of the Guthrie Board of Directors.

*Photo: Chairman Tan Sri Dato' Musa Hitam presenting a cash award to the Best Performing SOU.*



# Corporate Social Responsibility

## DONATION FOR TSUNAMI VICTIMS

Kumpulan Guthrie Berhad contributed RM1 million (Rp 2.45 billion) to victims of the tsunami that had hit Indonesia in December 2004. The contribution was presented by the Group Chief Executive, Dato' Abd Wahab Maskan to the President of Indonesia, Yang Teramat Mulia Bapak Susilo Bambang Yudhoyono at the Istana Negara in Indonesia on 5 January 2005, in conjunction with the visit of YAB Prime Minister of Malaysia to Indonesia.



## ELMINA ESTATE FACILITATES EARLY ADOPTION OF ICT

In tandem with the Government's national ICT agenda, Guthrie, through Elmina estate, facilitated early adoption of ICT among school children. The estate has converted a former workshop into a computer classroom for school children residing within the vicinity. The facility was launched on 16 January 2005. Classes are conducted every weekend covering lessons on basic computer skills such as Microsoft Office application.

*Photo: Computer class in Elmina estate.*

## MAINTENANCE OF SCHOOLS AND OTHER PUBLIC AREAS

The Group continued its community service of maintaining landscape and compounds of schools, places of worship and other public areas in several estates to encourage the culture of maintenance. Tanah Merah estate adopted landscape maintenance and repair works for the Tanah Merah primary school and police station.

*Photo: Primary school located in the vicinity of the Tanah Merah estate.*



## GUTHRIE CLASSIC 2005

The 7th Guthrie Classic was held on 23-25 March 2005. The tournament saw the biggest ever turnout in its history with 102 players taking to the greens of Harvard Golf & Country Club in Kedah. The tournament was graced by His Majesty, the Sultan of Kedah. The annual golf tournament is organised to promote the development of sports, particularly professional golf.

*Photo: Manas Saengsui (left) from Thailand won the 7th Guthrie Classic championship title.*

### CONTRIBUTING TO A NOBLE CAUSE

Guthrie Properties contributed towards the Selangor State Government's programme of providing support to senior citizens. The contribution was presented by Guthrie Group Chief Executive, Dato' Abd Wahab Maskan, to the Sultan of Selangor in conjunction with the opening of the "Kompleks Warga Emas Bandaraya Shah Alam" on 30 April 2005.

### CONTRIBUTION TO BLOOD BANK

A blood donation campaign was organised by Guthrie for the Kluang Government Hospital, Johor in conjunction with the Labour Day 2005 celebration. In Ulu Remis estate, the campaign drew the participation of both staff and their families.

*Photo: Blood donation at Ulu Remis estate.*



### ALOE VERA PROJECT

Guthrie is undertaking an Aloe Vera Project at PT. Bhumireksa Nusasejati in Indonesia. The project is implemented as a joint study with the "Institut Pertanian Bogor" to look at the feasibility of commercialising the farming of Aloe Vera to improve the socio-economic conditions of the local community.

*Photo: Tan Sri Dato' Musa Hitam and members of the Board of Commissioners of PT Minamas Gemilang at the site of the Aloe Vera project.*

### GUTHRIE PROPERTIES PRESENTS "SURAU" TO BUKIT JELUTONG RESIDENTS

Guthrie Properties handed over a "Surau" valued at RM1.5 million to the residents of Bukit Jelutong on 29 September 2005. The "Surau" has a capacity of 500 people.

### CONTRIBUTION TO THE UNDERPRIVILEGED

Guthrie contributed to 16 orphanages in Kuala Lumpur, Selangor, Melaka and Negeri Sembilan on 7 October 2005. Donations to the ophans were presented by Group Chief Executive, Dato' Abd Wahab Maskan, at a special breaking-of-fast function with the Prime Minister of Malaysia.



#### GUTHRIE PROPERTIES REMEMBERS THE UNDERPRIVILEGED

Guthrie Properties management and staff organised a breaking-of-fast ceremony with the residents of Bukit Jelutong, Shah Alam on 20 October 2005. The Group extended donations to 30 orphans from the “Rumah Anak Yatim Damai”, Kuang, Selangor and 30 students from the “Maahad Tahfiz Al-Muqri”, Puchong.

*Photo: Tan Sri Dato’ Dr. Wan Mohd. Zahid Mohd. Noordin presenting the Guthrie Properties contribution to orphans.*

#### GUTHRIE SUPPORTS COMMUNITY ENVIRONMENTAL CONSERVATION

Appreciating the Group’s strong commitment towards environmental conservation, the Group’s Cha’ah and Sg. Tawing mills stepped forward to participate in and sponsor the Malaysia Environment Week on 21-27 October 2005 organised by the Department of Environment.

#### GUTHRIE ASSISTS FIRE FIGHTING IN SUMATERA, INDONESIA

Guthrie’s fire fighting teams in Indonesia are on high alert especially at the onset of the dry season. The fire fighters are well-trained to coordinate fire management operations. Guthrie’s fire fighters also assist the local communities with fire preventive measures and equipment to overcome forest and ground fires.

*Photo: Guthrie’s fire fighters at PT. Bhumireksa Nusasejati.*



#### GUTHRIE STAFF SHARE FESTIVAL CELEBRATIONS WITH DISABLED ORPHANS

The Group’s Deepa-Raya celebration on 11 November 2005 at Guthrie Pavilion Shah Alam saw staff from various locations in the country network with one another and corporate clients. Special guests for the day were 40 disabled orphans from the “Rumah Amal Hashimiah”, Sabak Bernam, Selangor.

*Photo: Disabled orphans receiving duit raya from Puan Sri Zulaikha Sheardin, wife of Tan Sri Dato’ Musa Hitam, the Chairman of Kumpulan Guthrie Berhad.*

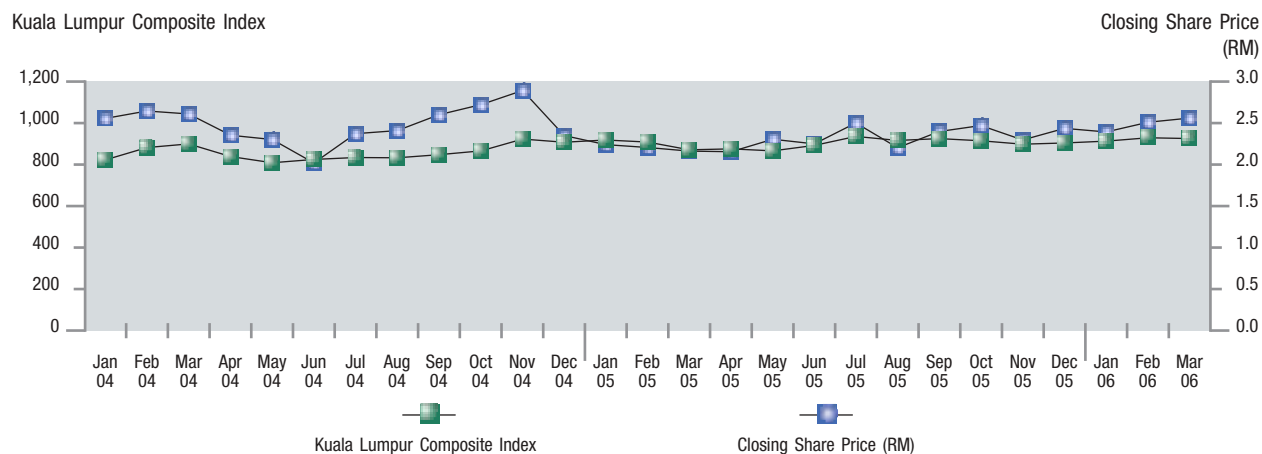
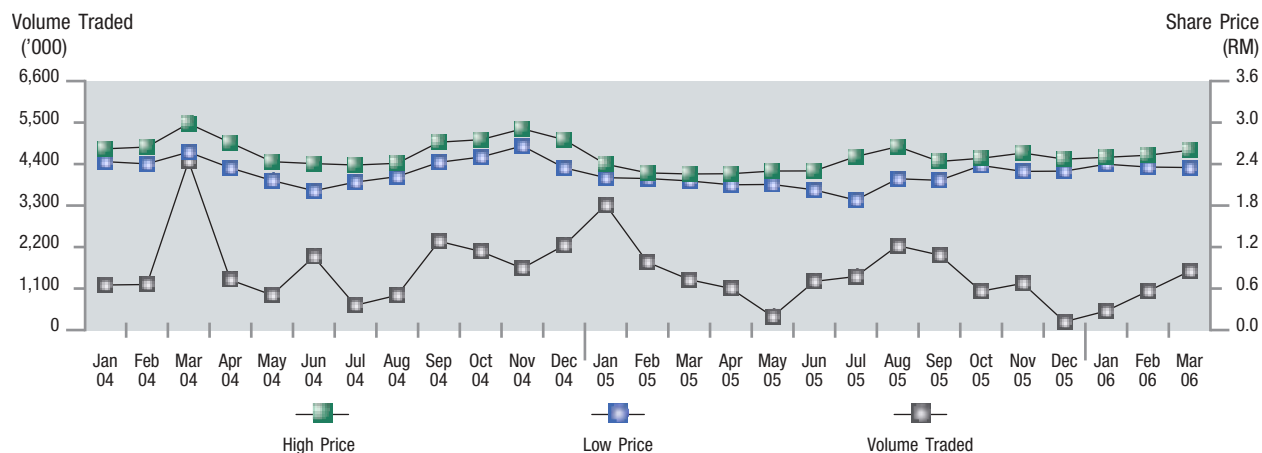
#### ADOPTION OF SEKOLAH LANJUTAN TINGKAT PERTAMA LOKAL JAUH TUALANG IN TELUK SIAK, INDONESIA

Guthrie, through its Indonesian plantation operations, has adopted the “Sekolah Lanjutan Tingkat Pertama Lokal Jauh Tualang” in Teluk Siak, Riau. The adoption of the school is a testimony of Guthrie’s commitment to social development in Indonesia. To date, Guthrie has provided infrastructure development and educational facilities to the school.

# Share Price and Volume Traded

## BURSA MALAYSIA SECURITIES BERHAD – JANUARY 2004 TO MARCH 2006

	Jan-March 2006	2005	2004
<b>Share Prices (RM)</b>			
– Closing	<b>2.56</b>	2.43	2.35
– High	<b>2.60</b>	2.65	2.76
– Low	<b>2.35</b>	2.03	2.35
<b>Volume traded ('000)</b>			
	<b>3,098</b>	17,301	20,987
<b>Dividend yield (%)</b>			
	<b>4.08</b>	4.38	4.01
<b>Price-earnings ratio (times)</b>			
	<b>52.56</b>	49.89	14.68



## Group Performance Highlights

	2005	2004	%
			+/-
<b>FINANCIAL PERFORMANCE</b>			
Revenue	<b>2,132,274</b>	2,515,607	(15.2)
Operating profit	<b>381,391</b>	438,775	(13.1)
Profit before taxation	<b>256,105</b>	351,710	(27.2)
Profit attributable to shareholders	<b>48,844</b>	160,442	(69.6)
Total borrowings	<b>3,062,692</b>	3,319,452	(7.7)
Average shareholders' equity	<b>2,904,291</b>	3,010,883	(3.5)
Operating profit on revenue (%)	<b>17.9</b>	17.4	2.9
Pre-tax profit on average shareholders' equity (%)	<b>8.8</b>	11.7	(24.8)
Profit attributable to shareholders on average shareholders' equity (%)	<b>1.7</b>	5.3	(67.9)
Basic earnings per share (sen)	<b>4.9</b>	16.0	(69.4)
Dividend per share – gross (sen)	<b>10.0</b>	10.0	–
Dividend cover (number of times)	<b>0.7</b>	2.2	(68.2)
Debt to equity ratio (number of times)	<b>1.07</b>	1.13	(5.3)
Net tangible assets per share (RM)	<b>2.58</b>	2.66	(3.0)
Revenue per RM of employment cost (RM)	<b>5.7</b>	6.4	(10.9)
Value added per RM of employment cost (RM)	<b>2.3</b>	2.5	(8.0)
<b>PLANTATION PERFORMANCE</b>			
<b>Oil Palm – Malaysia</b>			
Crop – FFB (tonnes) – own	<b>1,521,735</b>	1,428,825	6.5
– outside	<b>484,610</b>	460,760	5.2
Yield per mature hectare (tonnes FFB)	<b>17.3</b>	17.7	(2.3)
Mill production (tonnes) – palm oil	<b>406,274</b>	380,929	6.7
– palm kernel	<b>112,712</b>	105,317	7.0
Extraction rates (%) – palm oil	<b>20.4</b>	20.5	(0.5)
– palm kernel	<b>5.7</b>	5.7	–
Average selling prices (RM per tonne ex-mill) – palm oil	<b>1,377</b>	1,595	(13.7)
– palm kernel	<b>1,025</b>	1,013	1.2
Profit per mature hectare (RM)	<b>1,887</b>	2,757	(32.5)
<b>Oil Palm – Indonesia</b>			
Crop – FFB (tonnes) – own	<b>2,436,829</b>	2,076,703	17.3
– outside	<b>232,711</b>	191,859	21.3
Yield per mature hectare (tonnes FFB)	<b>15.5</b>	13.2	17.4
Mill production (tonnes) – palm oil	<b>584,510</b>	473,472	23.5
– palm kernel	<b>103,170</b>	81,321	26.9
Extraction rates (%) – palm oil	<b>22.9</b>	23.2	(1.3)
– palm kernel	<b>4.0</b>	4.0	–
Average selling prices (RM per tonne ex-mill) – palm oil	<b>1,276</b>	1,473	(13.4)
– palm kernel	<b>753</b>	824	(8.6)
Profit per mature hectare (RM)	<b>1,576</b>	1,555	1.9

## Group Quarterly Performance

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2005
<b>FINANCIAL PERFORMANCE</b>					
Revenue (RM'000)	427,140	581,019	550,514	573,601	<b>2,132,274</b>
Operating profit (RM'000)	36,468	128,892	73,510	142,521	<b>381,391</b>
Profit before taxation (RM'000)	7,415	96,741	44,891	107,058	<b>256,105</b>
(Loss)/Profit attributable to shareholders (RM'000)	(23,398)	28,142	1,592	42,508	<b>48,844</b>
(Loss)/Earnings per share (sen)	(2.3)	2.8	0.2	4.2	<b>4.9</b>
Dividend per share – gross (sen)	—	4.0	—	6.0	<b>10.0</b>

### PLANTATION PRODUCTION

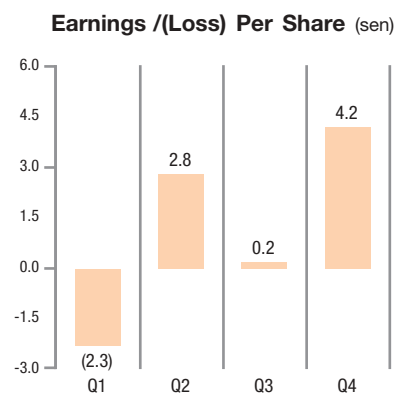
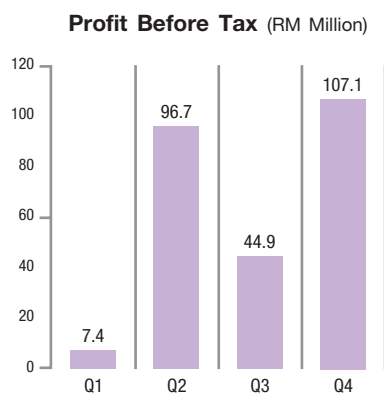
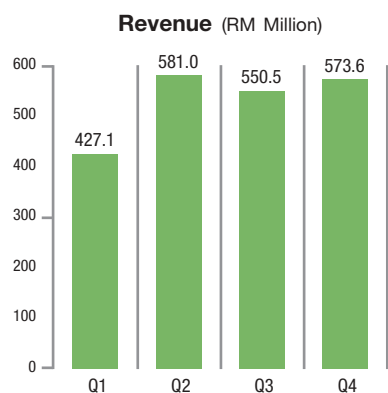
#### Oil Palm – Malaysia

Crop – FFB (tonnes) – own	370,271	421,933	415,407	314,124	<b>1,521,735</b>
– outside	122,593	126,435	133,250	102,332	<b>484,610</b>
Mill production (tonnes) – palm oil	99,698	112,162	111,926	82,488	<b>406,274</b>
– palm kernel	29,193	31,116	30,172	22,231	<b>112,712</b>

#### Oil Palm – Indonesia

Crop – FFB (tonnes) – own	436,420	661,284	629,134	709,991	<b>2,436,829</b>
– outside	47,800	49,084	52,078	83,749	<b>232,711</b>
Mill production (tonnes) – palm oil	106,037	157,249	150,771	170,453	<b>584,510</b>
– palm kernel	19,065	28,073	26,051	29,981	<b>103,170</b>

## Group Quarterly Performance Highlights



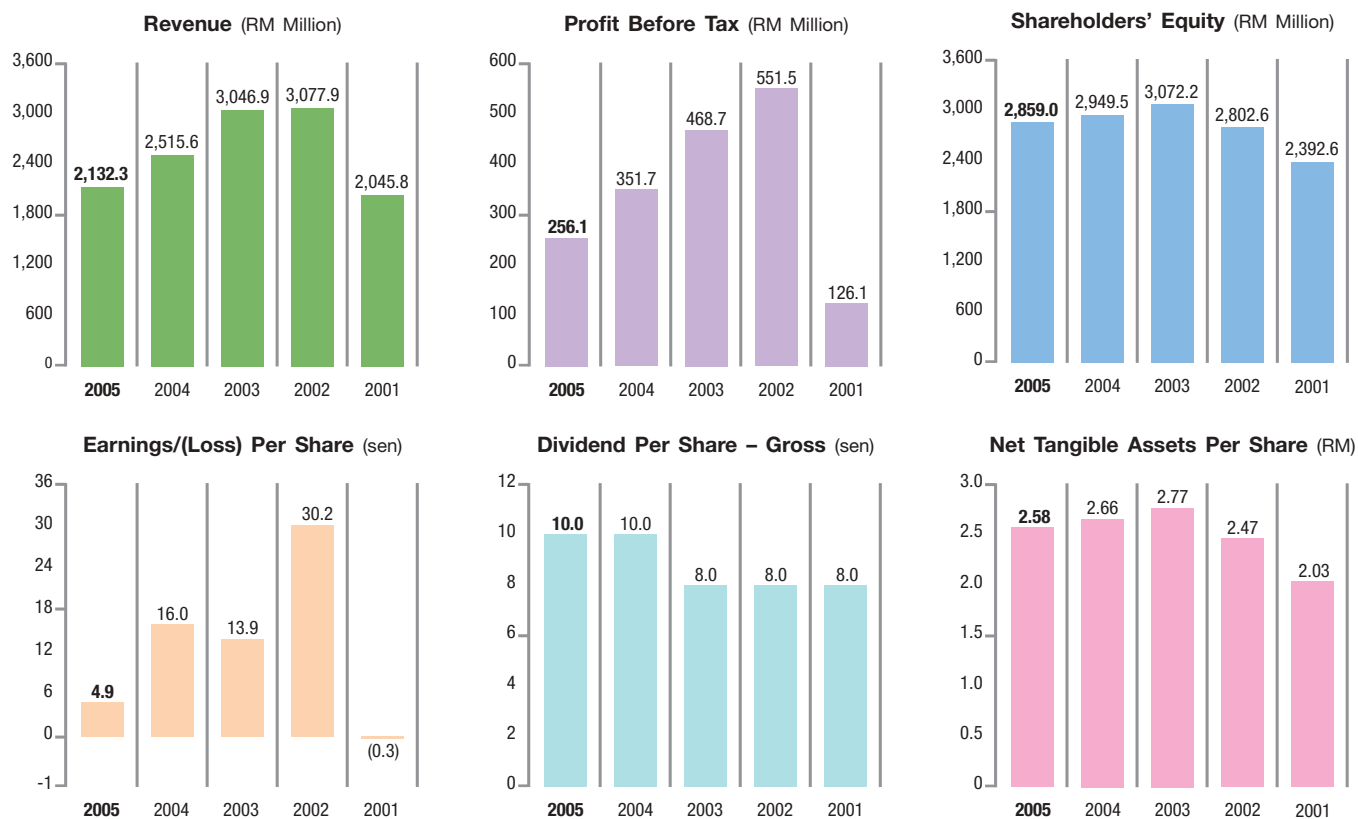
## Group Five-Year Financial Review

	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
<b>REVENUE</b>					
Plantation	1,542,527	1,547,298	1,324,112	1,033,008	593,415
Agricultural services	21,476	22,143	17,696	14,832	11,104
Property development	395,132	563,550	393,200	348,507	338,122
Land held for property development	—	—	269,128	534,307	203,292
Manufacturing	106,502	121,886	131,965	130,430	119,818
General trading	39,572	227,199	854,809	967,412	758,142
Investment & Others	27,065	33,531	56,017	49,367	21,930
	<b>2,132,274</b>	<b>2,515,607</b>	<b>3,046,927</b>	<b>3,077,863</b>	<b>2,045,823</b>
<b>RESULTS</b>					
Plantation	243,528	256,246	289,553	218,967	(43,785)
Agricultural services	15,286	14,098	9,018	8,005	4,345
Property development	168,542	173,196	86,797	73,053	93,699
Land held for property development	—	—	221,739	432,168	194,878
Manufacturing	(11,914)	(8,992)	(22,259)	(6,719)	(10,746)
General trading	(3,310)	4,030	(33,480)	(3,806)	1,641
Investment & Others	(30,741)	197	13,188	(14,834)	(20,665)
Operating Profit	<b>381,391</b>	<b>438,775</b>	<b>564,556</b>	<b>706,834</b>	<b>219,367</b>
Profit before tax	<b>256,105</b>	<b>351,710</b>	<b>468,702</b>	<b>551,537</b>	<b>126,115</b>
Profit after tax	<b>142,399</b>	<b>289,727</b>	<b>302,128</b>	<b>367,034</b>	<b>89,902</b>
Profit/(Loss) attributable to shareholders	<b>48,844</b>	<b>160,442</b>	<b>138,834</b>	<b>302,488</b>	<b>(3,445)</b>
<b>ASSETS EMPLOYED</b>					
Property, plant & equipment	5,363,625	5,583,147	5,874,598	5,545,555	5,262,840
Land held for property development	399,074	343,790	321,859	382,348	477,364
Associated companies	13,795	14,141	11,261	9,628	176,047
Concession asset	585,742	657,193	451,276	157,349	28,937
Other investments	2,550	2,550	2,550	4,550	4,550
Long-term trade receivables	—	61,968	123,936	50,166	97,208
Advances for plasma plantation projects	17,550	18,552	23,679	23,070	22,499
Advances for KKPA projects	23,873	16,659	14,045	10,562	—
Deferred tax assets	195,777	219,616	180,882	219,816	222,886
Goodwill on consolidation	261,510	276,696	296,149	325,586	366,310
Net current assets/(liabilities)	878,083	570,736	468,456	329,037	(368,536)
	<b>7,741,579</b>	<b>7,765,048</b>	<b>7,768,691</b>	<b>7,057,667</b>	<b>6,290,105</b>

## Group Five-Year Financial Review

	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
<b>CAPITAL EMPLOYED</b>					
Share capital	1,006,939	1,005,419	1,001,207	1,001,125	1,000,292
Reserves	1,852,094	1,944,130	2,071,010	1,801,497	1,392,344
Shareholders' equity	2,859,033	2,949,549	3,072,217	2,802,622	2,392,636
Minority interest	1,536,534	1,541,987	1,610,683	1,524,765	1,505,149
Long-term borrowings	2,620,673	2,502,855	2,061,729	1,977,972	1,760,682
Long-term payable	—	—	287,392	127,263	14,467
Deferred tax liabilities	708,170	750,797	711,189	615,415	600,363
Deferred income	1,785	9,922	15,748	1,498	10,099
Retirement benefits	15,384	9,938	9,733	8,132	6,709
	7,741,579	7,765,048	7,768,691	7,057,667	6,290,105

## Group Five-Year Financial Highlights



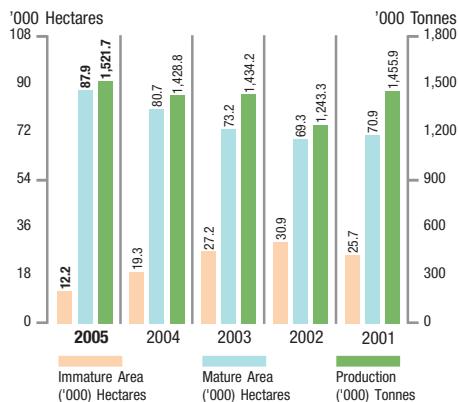
## Group Five-Year Plantation Review

	2005	2004	2003	2002	2001
<b>OIL PALM – MALAYSIA</b>					
Crop – FFB (tonnes) – own	<b>1,521,735</b>	1,428,825	1,434,211	1,243,344	1,455,903
– outside	<b>484,610</b>	460,760	343,297	230,017	224,531
Mature hectares	<b>87,918</b>	80,717	73,214	69,313	70,928
Immature hectares	<b>12,180</b>	19,346	27,237	30,937	25,722
Total planted hectares	<b>100,098</b>	100,063	100,451	100,250	96,650
Yield per mature hectare (tonnes FFB)	<b>17.3</b>	17.7	19.6	17.9	20.5
Mill production (tonnes)					
– Palm oil	<b>406,274</b>	380,929	348,210	303,683	327,542
– Palm kernel	<b>112,712</b>	105,317	100,561	84,868	96,218
Extraction rates (%)					
– Palm oil	<b>20.4</b>	20.5	20.1	20.7	19.7
– Palm kernel	<b>5.7</b>	5.7	5.8	5.8	5.8
Average selling prices (RM per tonne ex-mill)					
– Palm oil	<b>1,377</b>	1,595	1,526	1,238	830
– Palm kernel	<b>1,025</b>	1,013	711	652	433
Profit/(Loss) per mature hectare (RM)	<b>1,887</b>	2,757	2,673	1,226	(73)
<b>OIL PALM – INDONESIA</b>					
Crop – FFB (tonnes) – own	<b>2,436,829</b>	2,076,703	1,667,888	1,502,899	918,525
– outside	<b>232,711</b>	191,859	190,036	144,811	93,608
Mature hectares	<b>157,384</b>	156,983	151,024	145,168	140,801
Immature hectares	<b>9,147</b>	4,677	11,728	17,372	21,875
Total planted hectares	<b>166,531</b>	161,660	162,752	162,540	162,676
Yield per mature hectare (tonnes FFB)	<b>15.5</b>	13.2	11.0	10.4	6.5
Mill production (tonnes)					
– Palm oil	<b>584,510</b>	473,472	374,987	329,524	208,572
– Palm kernel	<b>103,170</b>	81,321	68,569	60,465	39,737
Extraction rates (%)					
– Palm oil	<b>22.9</b>	23.2	23.0	22.7	22.4
– Palm kernel	<b>4.0</b>	4.0	4.2	4.2	4.3
Average selling prices (RM per tonne ex-mill)					
– Palm oil	<b>1,276</b>	1,473	1,460	1,273	867
– Palm kernel	<b>753</b>	824	568	576	396
Profit per mature hectare (RM)	<b>1,576</b>	1,555	1,037	778	198

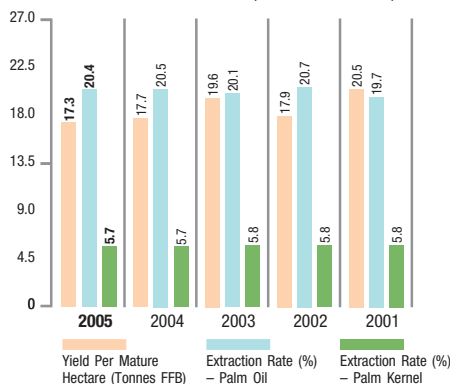
# Group Five-Year Plantation Highlights

## MALAYSIA

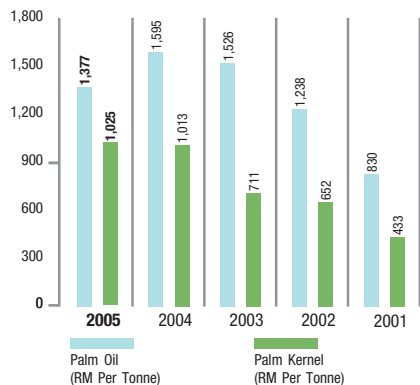
### Oil Palm Planted Area/FFB Production



### Yield Per Mature Hectare / Extraction Rates (Tonnes FFB / %)

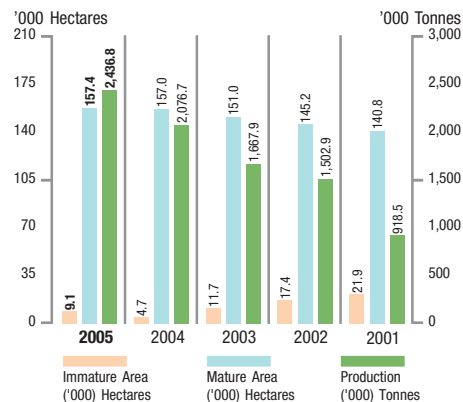


### Average Selling Prices Realised (Ex-Mill) For Palm Oil And Palm Kernel (RM)

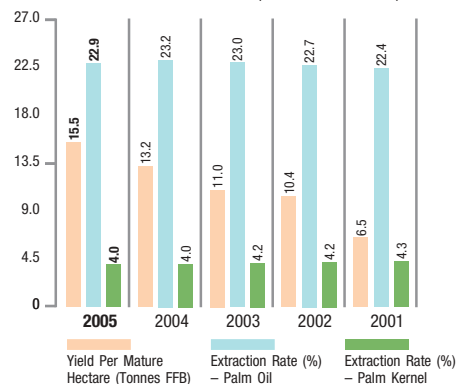


## INDONESIA

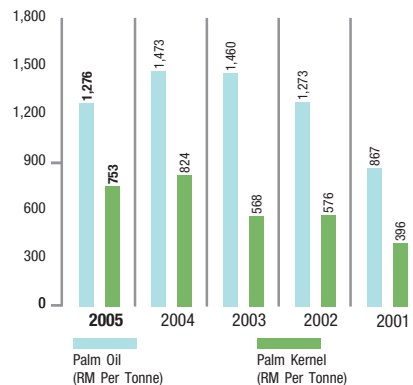
### Oil Palm Planted Area/FFB Production



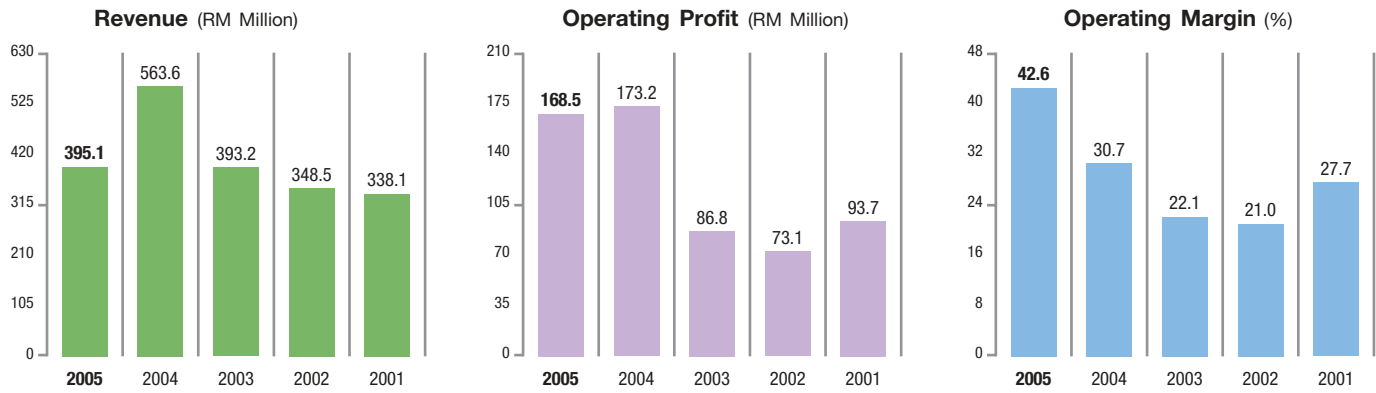
### Yield Per Mature Hectare / Extraction Rates (Tonnes FFB / %)



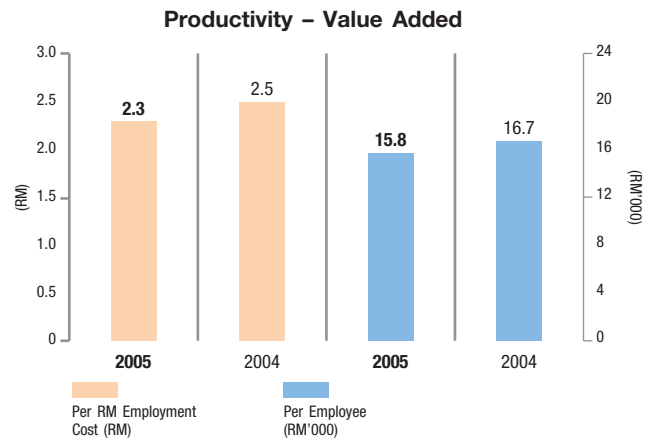
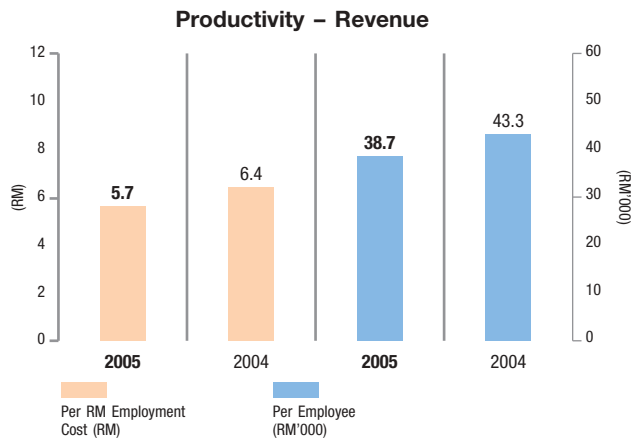
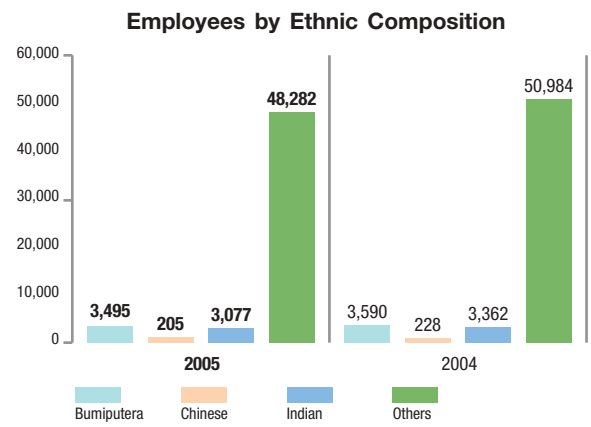
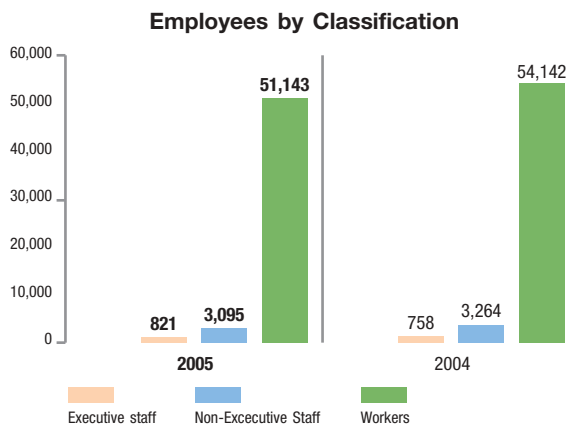
### Average Selling Prices Realised (Ex-Mill) For Palm Oil And Palm Kernel (RM)



# Group Five-Year Property Highlights



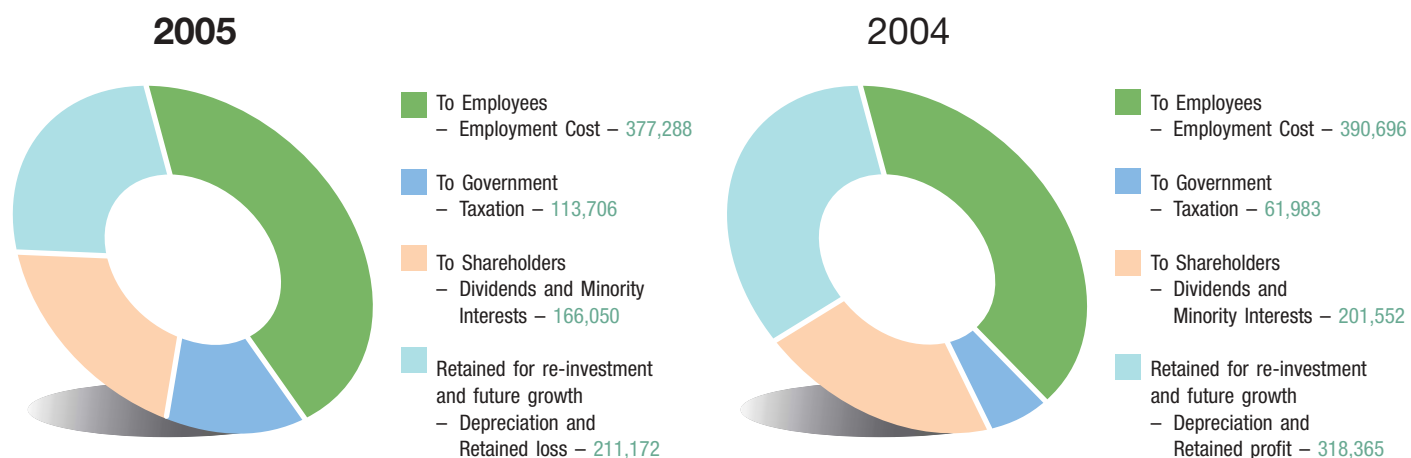
## Employees and Productivity



## Statement of Value Added

	2005 RM'000	2004 RM'000
<b>VALUE ADDED</b>		
Revenue	2,132,274	2,515,607
Purchase of goods and services	<b>(1,138,772)</b>	(1,455,946)
Value added by the Group	<b>993,502</b>	1,059,661
Investment income	<b>1,601</b>	1,350
Finance income	<b>30,198</b>	30,312
Finance expense	<b>(157,944)</b>	(121,627)
Share of results in associated companies	<b>859</b>	2,900
Value added available for distribution	<b>868,216</b>	972,596
<b>DISTRIBUTION</b>		
To Employees		
Employment cost	<b>377,288</b>	390,696
To Government		
Taxation	<b>113,706</b>	61,983
To Shareholders		
Dividends	<b>72,495</b>	72,267
Minority interests	<b>93,555</b>	129,285
Retained for re-investment and future growth		
Depreciation/Amortisation	<b>234,823</b>	230,190
Retained (loss)/profit	<b>(23,651)</b>	88,175
	<b>868,216</b>	972,596

## Distribution of Value Added (RM'000)



# Corporate Information

## BOARD OF DIRECTORS

### CHAIRMAN

Tan Sri Dato' Musa Hitam

### DIRECTORS

Dato' Abd Wahab Maskan  
*(Group Chief Executive)*

Raja Tan Sri Muhammad Alias  
Raja Muhammad Ali

Tan Sri Dato' Dr. Wan Mohd.  
Zahid Mohd. Noordin

Datuk Nik Mohamed Affandi Nik Yusoff

Datuk Mohamed Adnan Ali

Datuk Alladin Hashim

Datuk Khoo Eng Choo\*

Dato' Muhammad Nawawi Arshad\*

Sreesanthan s/o Eliathamby\*

\* *Independent Directors*

## BOARD COMMITTEES

### EXECUTIVE COMMITTEE

Tan Sri Dato' Musa Hitam *(Chairman)*

Raja Tan Sri Muhammad Alias  
Raja Muhammad Ali

Tan Sri Dato' Dr. Wan Mohd.  
Zahid Mohd. Noordin

Datuk Mohamed Adnan Ali

Dato' Abd Wahab Maskan

### AUDIT COMMITTEE

Datuk Khoo Eng Choo *(Chairman)*

Datuk Mohamed Adnan Ali

Dato' Muhammad Nawawi Arshad

Sreesanthan s/o Eliathamby

### REMUNERATION COMMITTEE

Raja Tan Sri Muhammad Alias Raja  
Muhammad Ali *(Chairman)*

Tan Sri Dato' Dr. Wan Mohd.  
Zahid Mohd. Noordin

Datuk Khoo Eng Choo

Datuk Alladin Hashim

### NOMINATION COMMITTEE

Tan Sri Dato' Dr. Wan Mohd.  
Zahid Mohd. Noordin *(Chairman)*

Datuk Khoo Eng Choo

Datuk Alladin Hashim

### FINANCE & TENDER COMMITTEE

Datuk Mohamed Adnan Ali *(Chairman)*

Datuk Nik Mohamed Affandi Nik Yusoff

Dato' Muhammad Nawawi Arshad

Sreesanthan s/o Eliathamby

Dato' Abd Wahab Maskan

### ESOS\* COMMITTEE

Datuk Nik Mohamed Affandi Nik Yusoff  
*(Chairman)*

Datuk Alladin Hashim

Sreesanthan s/o Eliathamby

\* *(Employees' Share Option Scheme)*

### COMPANY SECRETARY

Moriarni Mohd  
(MAICSA 7031470)

### REGISTERED OFFICE

Wisma Guthrie  
21 Jalan Gelenggang  
Damansara Heights  
50490 Kuala Lumpur, Malaysia  
Telephone : 603-2094 1644  
Facsimile : 603-2095 7934  
Website : [www.guthrie.com.my](http://www.guthrie.com.my)

### SHARE REGISTRAR

**Symphony Share Registrars  
Sendirian Berhad**  
Level 26, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur, Malaysia  
Telephone : 603-2721 2222  
Facsimile : 603-2721 2530  
603-2721 2531

### AUDITORS

**Ernst & Young**  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur, Malaysia  
Telephone : 603-7495 8000  
Facsimile : 603-2095 9078

### PRINCIPAL BANKERS

Malayan Banking Berhad  
Bumiputra-Commerce Bank Berhad  
RHB Bank Berhad  
HSBC Bank Malaysia Berhad

### FORM OF LEGAL ENTITY

Incorporated on 25 November 1960 as a private limited company under the Companies Act, 1965. Converted to a public company on 2 December 1987.

### PLACE OF INCORPORATION AND DOMICILE

Malaysia

### STOCK EXCHANGE LISTING

Listed on the Main Board of Bursa Malaysia Securities Berhad on 25 August 1989.

## Profile of Directors



**TAN SRI DATO' MUSA HITAM**  
*Chairman*

Tan Sri Dato' Musa Hitam, aged 72 and a Malaysian, was appointed as a Non-Independent Non-Executive Director and Chairman of Kumpulan Guthrie Berhad since 12 August 2002. He is also Chairman of the Executive Committee of the Board of Kumpulan Guthrie Berhad. He attended six (6) of the seven (7) Board Meetings held in the financial year under review.

Tan Sri Musa held a number of key government posts, including Chairman of Federal Land Development Authority (FELDA), Deputy Minister of Trade & Industry, Minister of Primary Industries and Minister of Education, before becoming Malaysia's fifth Deputy Prime Minister and Minister of Home Affairs from 1981 to 1986. Between 1990 and 1991, he was Malaysia's Special Envoy to the United Nations and from 1995 to 2002 he was the Prime Minister's Special Envoy to the Commonwealth Ministerial Action Group. Tan Sri Musa also led the Malaysian delegation to the UN Commission on Human Rights from 1993 to 1998 and was elected Chairman of the 52<sup>nd</sup> Session of the Commission in 1995.

Tan Sri Musa obtained his Bachelor of Arts degree from the University of Malaya and Masters degree from the University of Sussex, United Kingdom. He served briefly as Senior Lecturer at the University of Malaya and was a Fellow at the Centre for International Affairs, Harvard University, USA. He is currently a Fellow of the Malaysian Institute of Management, Chairman of the Malaysia/China Business Council and Co-Chairman of the ASEAN/China Eminent Persons Group. He is also Chairman of Eminent Persons Group to draft the ASEAN Charter and Chairman of the World Islamic Economic Forum.

He is currently the Chairman of UM Land Berhad and Lion Industries Corporation Berhad, both companies listed on the Main Board of Bursa Malaysia Securities Berhad.

Tan Sri Musa has no family relationship with and is not related to any director and/or major shareholder of Kumpulan Guthrie Berhad, except by virtue of being a nominee Director of Permodalan Nasional Berhad, and does not have any conflict of interest with Kumpulan Guthrie Berhad.



### DATO' ABD WAHAB MASKAN

Dato' Abd Wahab Maskan, aged 55, Malaysian, was appointed as a Non-Independent Executive Director of Kumpulan Guthrie Berhad on 30 June 2004. He is a member of the Executive Committee and the Finance & Tender Committee of the Board of Kumpulan Guthrie Berhad. He attended all the seven (7) Board Meetings held during the financial year under review.

He became the Group Chief Executive of Kumpulan Guthrie Berhad on 1 January 2004 and subsequently was appointed a Director of its subsidiaries, Highlands & Lowlands Berhad, Guthrie Ropel Berhad, Guthrie Property Development Holding Berhad and other subsidiaries of Kumpulan Guthrie Berhad. Dato' Abd Wahab also holds directorship in Pelaburan Hartanah Nasional Berhad and is a member of the Financial Reporting Foundation of Ministry of Finance.

Dato' Abd Wahab's immediate previous positions were the Group Chief Executive Director and Group Chief Executive Officer of Golden Hope Plantations Berhad.

He has held executive and non-executive directorships in companies in Malaysia, Europe and Asia, both listed and non-listed, covering estate plantation management, refinery and oleochemicals, trading and marketing, property development and investment, engineering and construction, manufacturing and retailing, resort, both in public and private sectors.

Dato' Abd Wahab holds a Bachelor of Science in Estate Management from University of Reading, England. He is a Fellow of the Institution of Surveyors (Malaysia) and a Fellow of the Royal Institution of Chartered Surveyors (England and UK). He is also a member of the Malaysian Institute of Directors.

Dato' Abd Wahab has no family relationship with and is not related to any director and/or major shareholder of Kumpulan Guthrie Berhad and does not have any conflict of interest with Kumpulan Guthrie Berhad, except by virtue of being the Group Chief Executive of Kumpulan Guthrie Berhad. He does not hold any share in Kumpulan Guthrie Berhad, Guthrie Ropel Berhad and Highlands & Lowlands Berhad.



### RAJA TAN SRI MUHAMMAD ALIAS RAJA MUHAMMAD ALI

Raja Tan Sri Muhammad Alias Raja Muhammad Ali, aged 73, Malaysian, has been a Non-Independent Non-Executive Director since 20 May 2002. He is Chairman of the Remuneration Committee and a member of the Executive Committee of the Board of Kumpulan Guthrie Berhad. He attended all the seven (7) Board Meetings held in the financial year under review.

He is Chairman of Highlands & Lowlands Berhad, a subsidiary company of Kumpulan Guthrie Berhad. Other public companies in which he is a director are Malayan Banking Berhad, Kuala Lumpur Kepong Berhad, Batu Kawan Berhad, Sime Darby Berhad and Mayban Fortis Holdings Berhad. He is also Chairman of Felda-Johore Bulkiers Sdn. Bhd.

Raja Tan Sri Muhammad Alias obtained his Bachelor of Arts (Honours) degree from the University of Malaya, Singapore and Certificate of Public Administration from the Royal Institute of Public Administration, London. He also attended the Advanced Management Program at Harvard Business School, Boston, USA.

Raja Tan Sri Muhammad Alias has no family relationship with and is not related to any director and/or major shareholder of Kumpulan Guthrie Berhad, except by virtue of being a nominee Director of Permodalan Nasional Berhad, and does not have any conflict of interest with Kumpulan Guthrie Berhad.

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

Tan Sri Dato' Dr. Wan Mohd. Zahid Mohd Noordin, aged 66, Malaysian, is a Non-Independent Non-Executive Director since 20 May 2002. He is Chairman of the Nomination Committee and a member of the Executive Committee and Remuneration Committee of the Board of Kumpulan Guthrie Berhad. He attended six (6) of the seven (7) Board Meetings held in the financial year under review.

He is the Non-Executive Chairman of Guthrie Property Development Holding Berhad and Director of Guthrie Ropel Berhad, both of which are subsidiary companies of Kumpulan Guthrie Berhad. He is also Chairman of Paradigm Systems Berhad, Universiti Teknologi MARA (UiTM), Federal Power Sdn. Berhad, Furukawa Sdn. Berhad and Kolej Universiti Teknologi dan Pengurusan Malaysia, and Director of Permodalan Nasional Berhad, Yayasan Felcra Berhad, Perbadanan Usahawan Nasional Berhad, Amanah Saham Nasional Berhad and Universiti Teknologi Tun Abdul Razak.

Tan Sri Dato' Wan Mohd. Zahid obtained his Bachelor of Arts (Honours) in Sociology and Anthropology from University of Malaya, Masters in Development Education from Stanford University, California, USA and Doctorate (Ph.D) in Sociology of Education from University of California, Berkeley, California, USA.

He also attended the Advanced Management Program at Harvard Business School, Boston, USA. He had served as a teacher, School Principal and held various positions with the Ministry of Education, including as Planning Officer and Deputy Director, Educational Planning & Research Division, Chief Inspectorate of Schools, Director of Curriculum and Deputy Director-General. He had also served as Director of Education of Negeri Sembilan and Kelantan. His last post prior to retirement in December 1997 was as Director-General of Education of Malaysia.

Tan Sri Wan Mohd. Zahid has no family relationship with and is not related to any director and/or major shareholder of Kumpulan Guthrie Berhad, except by virtue of being a nominee Director of Permodalan Nasional Berhad, and does not have any conflict of interest with Kumpulan Guthrie Berhad.





### DATUK NIK MOHAMED AFFANDI NIK YUSOFF

Datuk Nik Mohamed Affandi Nik Yusoff, aged 62, Malaysian, has been a Non-Independent Non-Executive Director since 20 May 2002. He is the Chairman of the Employees' Share Option Scheme (ESOS) Committee and a member of the Finance & Tender Committee of the Board of Kumpulan Guthrie Berhad. He attended six (6) of the seven (7) Board Meetings held in the financial year under review.

He is also a director of Malaysia Land Development Company Berhad and a non-executive director of Goodyear Malaysia Berhad.

Datuk Nik Mohamed Affandi obtained his Bachelor of Arts (Honours) degree in History (International Relations) from University of Malaya, Diploma in Public Administration from University of Malaya and a Masters in Public Policy and Administration from University of Wisconsin, USA.

He held various posts while in the Malaysian Government Service, among which, were as Director of State Economic Planning Unit, Pahang State Government, Deputy Director of Supply and Contracts Division, Ministry of Finance, Secretary, Foreign Investment Committee in the Prime Minister's Department, Secretary, Capital Issues Committee and Director, Government Sector Companies Monitoring Division

in the Ministry of Finance. He was also Deputy Managing Director of Khazanah Nasional Berhad. His last post prior to retirement in February 1999 was as Director-General of Majlis Amanah Rakyat (MARA).

Datuk Nik Mohamed Affandi has no family relationship with and is not related to any director and/or major shareholder of Kumpulan Guthrie Berhad, except by virtue of being a nominee Director of Permodalan Nasional Berhad, and does not have any conflict of interest with Kumpulan Guthrie Berhad.

## Profile of Directors

### DATUK MOHAMED ADNAN ALI

Datuk Mohamed Adnan Ali, aged 63, Malaysian, has been a Non-Independent Non-Executive Director since 31 May 2002. He is Chairman of the Finance & Tender Committee and a member of the Executive Committee and Audit Committee of the Board of Kumpulan Guthrie Berhad. He attended all the seven (7) Board Meetings held in the financial year under review.

He is also a Director of Highlands & Lowlands Berhad and Guthrie MDF Sdn. Bhd., subsidiary companies of Kumpulan Guthrie Berhad. Other companies in which he is a director are Timah Langat Holdings Sdn. Berhad and Amanah Raya Berhad Group.

Datuk Mohamed Adnan is a Fellow, Chartered Institute of Management Accountants, U.K.. He was formerly Accountant-General, Malaysia. He had served as Accountant with various ministries in Government Department such as Ministry of Trade and Industry, and Ministry of Energy and Public Works. He was also a Senior Manager, Investment with Employees Provident Fund, Malaysia; Treasurer, Universiti Islam Antarabangsa Malaysia and Bursar, Universiti Teknologi Malaysia.



Datuk Mohamed Adnan has no family relationship with and is not related to any director and/or major shareholder of Kumpulan Guthrie Berhad, except by virtue of being a nominee Director of Permodalan Nasional Berhad, and does not have any conflict of interest with Kumpulan Guthrie Berhad.



### DATUK ALLADIN HASHIM

Datuk Alladin Hashim, aged 67, Malaysian, has been a Non-Independent Non-Executive Director since 25 November 2002. He is a member of the Nomination Committee, Remuneration Committee and Employees' Share Option Scheme (ESOS) Committee of the Board of Kumpulan Guthrie Berhad. He attended all the seven (7) Board Meetings held in the financial year under review.

He is the Non-Executive Chairman of Guthrie Ropel Berhad, a subsidiary company of Kumpulan Guthrie Berhad. Other public companies in which he is a Director are PK Resources Berhad, UAC Berhad and Timberwell Berhad. He is also the Non-Executive Chairman of FPG Oleochemicals Sdn. Berhad.

Datuk Alladin obtained his Bachelor of Agricultural Science from the University of Malaya and Masters of Science in Agricultural Economics from the University of Massachusetts, USA. He attended the executive development programme of the Harvard Business School. He is a Fellow of the Academy of Sciences Malaysia.

He had served Federal Land Development Authority (FELDA) from 1964 in various capacities, and was the Director-General from 1979 to 1989. He had also served as Chairman of the Malaysian Rubber Board.

Datuk Alladin Hashim has no family relationship with and is not related to any director and/or major shareholder of Kumpulan Guthrie Berhad, except by virtue of being a nominee Director of Permodalan Nasional Berhad, and does not have any conflict of interest with Kumpulan Guthrie Berhad.

### DATUK KHOO ENG CHOO

Datuk Khoo Eng Choo, aged 63, Malaysian, has been an Independent Non-Executive Director since 4 June 2002. He is Chairman of the Audit Committee, and member of the Nomination Committee and Remuneration Committee of the Board of Kumpulan Guthrie Berhad. He attended all the seven (7) Board Meetings held in the financial year under review.

He is also a Non-Executive Director of Highlands & Lowlands Berhad and Guthrie Property Development Holding Berhad, subsidiary companies of Kumpulan Guthrie Berhad.

Datuk Khoo is also an independent non-executive director of Kontena Nasional Berhad. He was formerly the Chairman of Tanjong Public Limited Company and a director of Powertek Berhad.

He was the Chairman of Malaysian Institute of Management and the Chairman of the Asian Association of Management Organisations. He is the Chairman of eckhoo Associates Sdn. Berhad. Datuk Khoo is a Chartered Accountant. For over a decade prior to 2002, Datuk Khoo had served in key leadership positions in Pricewaterhouse and PricewaterhouseCoopers in Malaysia, Asia and its world's firm. He also held significant appointments that were made by the Malaysian Government. He served in senior capacities in councils of professional and management bodies in Malaysia and Asia.



Datuk Khoo has no family relationship with and is not related to any director and/or major shareholder of Kumpulan Guthrie Berhad, and does not have any conflict of interest with Kumpulan Guthrie Berhad. Datuk Khoo holds 2,000 ordinary shares in the Company.



### DATO' MUHAMMAD NAWAWI ARSHAD

Dato' Muhammad Nawawi Arshad, aged 67, Malaysian, is an Independent Non-Executive Director. He was appointed to the Board on 31 May 2002. He is a member of the Finance & Tender Committee and Audit Committee of the Board of Kumpulan Guthrie Berhad. He attended six (6) of the seven (7) Board Meetings held in the financial year under review.

He is a Non-Executive Director of Guthrie Ropel Berhad and Guthrie Property Development Holding Berhad, and Chairman of Guthrie Corridor Expressway Sdn. Berhad and Guthrie Landscaping Sdn. Berhad.

Dato' Muhammad Nawawi is the Chairman of DTZ Debenham Tie Leung (Malaysia) Sdn. Berhad, DTZ Nawawi Tie Leung Property Consultant Sdn. Berhad and DTZ Nawawi Tie Leung Estate Agents Sdn. Berhad. He had served as a Committee Member of International Assets Valuation Standards Committee and Committee Member and President of Institution of Surveyors Malaysia, President of International Real Estate Federation (FIABCI) Malaysia, and Deputy World President of FIABCI. He had also served as Vice President of the Asean Valuers Association.

Dato' Muhammad Nawawi is a Chartered Surveyor from College of Estate Management, London and Fellow, Institution of Surveyors, Malaysia. He was formerly the Director-General, Valuation and Property Services Department, Ministry of Finance Malaysia and Director of CH Williams, Talhar & Wong Sdn. Berhad.

Dato' Muhammad Nawawi has no family relationship with and is not related to any director and/or major shareholder of Kumpulan Guthrie Berhad. He does not have any conflict of interest with Kumpulan Guthrie Berhad.

#### Profile of Directors

### SREESANTHAN S/O ELIATHAMBY

Sreesanthan s/o Eliathamby, aged 45, Malaysian, has been an Independent Non-Executive Director since 31 May 2002. He is a Member of the Finance & Tender Committee, Audit Committee and Employees' Share Option Scheme (ESOS) Committee of the Board of Kumpulan Guthrie Berhad. He attended six (6) of the seven (7) Board Meetings held in the financial year under review.

He is a Director of Guthrie Corridor Expressway Sdn. Berhad and Malaysia Land Development Company Berhad, both subsidiary companies of Kumpulan Guthrie Berhad, and a Director of Chemical Company of Malaysia Berhad and Scomi Group Bhd.

Sreesanthan is an Advocate & Solicitor and a Partner with the legal firm of Messrs. Kadir, Andri & Partners. He was formerly a Legal Assistant and later a Partner with the legal firm of Messrs. Zain & Co.. Subsequent to that, he was a partner in the legal firm of Messrs. Zul Rafique & Partners.

Sreesanthan obtained his undergraduate degree in law from the University of Malaya and a postgraduate degree in law from the University of Oxford, U.K.. He is a Member of the Investment Committee, Amanah Saham Wawasan 2020. He is also an accredited mediator of the Malaysian Mediation Centre, and a member of the Malaysian Central Depository Advisory Committee and Investigating Tribunal Panel of the Advocates & Solicitors' Disciplinary Board.

Sreesanthan has no family relationship with and is not related to any director and/or major shareholder of Kumpulan Guthrie Berhad and does not have any conflict of interest with Kumpulan Guthrie Berhad.



# Management Team



**DATO' ABD WAHAB MASKAN**  
GROUP CHIEF EXECUTIVE

Dato' Abd Wahab Maskan, aged 55, has been the Group Chief Executive of Kumpulan Guthrie Berhad since 1 January 2004 and subsequently was appointed as a Non-Independent Executive Director of Kumpulan Guthrie Berhad on 30 June 2004. He is a member of the Executive Committee of the Board of Kumpulan Guthrie Berhad. Dato' Abd Wahab is also a Director of Highlands & Lowlands Berhad, Guthrie Ropel Berhad, Guthrie Property Development Holding Berhad and other subsidiaries of KGB. He also holds directorship in Pelaburan Hartanah Nasional Berhad and is a member of the Financial Reporting Foundation of Ministry of Finance.

Dato' Abd Wahab's immediate previous positions were the Group Chief Executive Director and Group Chief Executive Officer of Golden Hope Plantations Berhad.

He has held executive and non-executive directorships in companies in Malaysia, Europe and Asia, both listed and non-listed, covering estate plantation management, refinery and oleochemicals, trading and marketing, property development and investment, engineering and construction, manufacturing and retailing, resort, both in public and private sectors.

Dato' Abd Wahab holds a Bachelor of Science in Estate Management from University of Reading, England. He is a Fellow of the Institution of Surveyors (Malaysia) and a Fellow of the Royal Institution of Chartered Surveyors (England and UK). He is also a member of the Malaysian Institute of Directors.



### 1. RUSLI UJANG

#### – Head, Plantation Indonesia

Encik Rusli Ujang, aged 50, has been appointed as Head, Plantation Indonesia with effect from 7 March 2006. Prior to this, he was the Head of Plantation Malaysia from 1 February 2005 to 6 March 2006. A graduate of Universiti Pertanian Malaysia, Serdang (UPM) (now known as Universiti Putra Malaysia) in Agriculture Science, he joined the Group on 16 April 1978 as an Assistant Estate Manager and subsequently served as Estate Manager in several estates within the Group. Encik Rusli was a member of the Task Force Management of Minamas Plantation in 2001 before being promoted to General Manager, Estates in Kalimantan, Indonesia in 2002.

### 2. TENGKU AB. AZIZ TENGKU MAHMUD

#### – Head, Property

Y.M. Tengku Ab. Aziz Tengku Mahmud, aged 48, joined Kumpulan Guthrie Berhad as Head, Property on 1 April 2005. He is also the Chief Executive Officer, Guthrie Property Development Holding Berhad. He graduated from Loughborough University of Technology, UK with a Bachelor of Science (Hons) in Civil Engineering in 1980. He obtained his Masters in Business Administration from Cranfield Institute of Technology, UK in 1991. Y.M. Tengku Ab. Aziz Tengku Mahmud is a registered member of the Institution of Engineers Malaysia (MIEM), the American Society of Civil Engineers (MASCE) and the Malaysian Institute of Management (MIM). Prior to joining the Group, he served in various organisations in a senior management capacity.



### 3. TONG POH KEOW

#### – Head, Group Finance & Administration and Chief Finance Officer

Madam Tong Poh Keow, aged 52, is the Head, Group Finance & Administration and Chief Finance Officer since 1 January 2006. She is a member of the Malaysian Institute of Accountants, a Fellow of the Association of Chartered Certified Accountants, UK (FCCA) and a member of the Institute of Chartered Secretaries & Administrators, UK. She joined the Group in 1983 as the Accountant-cum-Assistant Company Secretary for Highlands & Lowlands Berhad, and was subsequently promoted to General Manager, Accounting & Financial Reporting in 1997 and Group General Manager, Finance (Group Accounting & Financial Reporting) in 2001. She has been the Chief Finance Officer since April 2003.

### 4. HELMY OTHMAN BASHA

#### – Head, Planning & Development

Encik Helmy Othman Basha, aged 39, has been Head, Planning & Development since 1 July 2004. He is a Fellow of the Association of Chartered Certified Accountants, UK (FCCA) and a member of the Malaysian Institute of Accountants. He joined the Group in 1997 as Finance & Administration Manager, Property Division and was subsequently appointed as General Manager, Guthrie Landscaping Sdn. Berhad and General Manager, Finance, Property Division. Encik Helmy was promoted to Group General Manager, Finance in 2001 in charge of Group Treasury and Minamas Plantation, Indonesia (Finance). He was promoted to Head, Marketing, Plantation Division in 2003.

### 5. ABU SAMAH HAJI SAMSURI

#### – Head, Group Marketing

Encik Abu Samah bin Haji Samsuri, aged 46, has been Head, Group Marketing since 15 October 2004. He holds a Bachelor of Science (Honours) with a major in Chemistry and a minor in Management from Universiti Sains Malaysia, Penang. He began his career as Executive at Eastern Plantation Agency (J) Sdn. Bhd. and was subsequently appointed as Marketing Manager at Plantation Agency Sdn. Berhad, Penang. He joined East Asiatic Company Bhd (now known as Hap Seng Consolidated Bhd) as its Manager, Commodities Trading in 1991 and was promoted to General Manager, Commodities Trading in 2000.



### 6. SAADIAH HAJI HUSSIN

#### – Head, Human Resource

Puan Saadiah Haji Hussin, aged 53, has been Head, Human Resource since 1 October 2004. She joined the Group in 1998 as Group General Manager, Human Resource. A graduate of Universiti Malaya in Economics, she served with Rothmans of Pall Mall (M) Berhad (now known as British American Tobacco) as Manager, Compensation/Benefits, Human Resource Department. Prior to that, she worked for Perbadanan Kemajuan Negeri Selangor in the areas of investment, supply and procurement, and training and development.

### 7. NORZILAH MEGAWATI DATO' ABDUL RAHMAN

#### – Head, Legal & Compliance

Puan Norzilah Megawati Dato' Abdul Rahman, aged 46, has been Head, Legal & Compliance since 1 March 2004. She joined the Group in 1994 as Manager, Group Chief Executive's Office. She was subsequently promoted to Controller, Corporate Business Development & Monitoring in 1996 and Director, Corporate Business Development & Human Resource in 2001. She obtained her degree in Law (Honours) from Universiti Malaya and served as Executive in the areas of investment analysis, money market trading, corporate secretarial and legal work with Permodalan Nasional Berhad (PNB) and as Manager, Group Chief Executive's Office at PNB.

# Audit Committee

## COMPOSITION

The Audit Committee of Kumpulan Guthrie Berhad (“Audit Committee”) presently comprises four (4) Directors of the Board of Kumpulan Guthrie Berhad (“Board”), the majority of whom, including the Chairman, are Independent Non-Executive Directors.

## PRIMARY PURPOSES

The Audit Committee shall:

- Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate accounting and reporting practices of Kumpulan Guthrie Berhad and its subsidiary companies (“Group”).

- Maintain, through regularly scheduled meetings, a direct line of communication between the Board and the Internal Auditors as well as the External Auditors.
- Avail to the Internal Auditors and External Auditors a private confidential audience at any time they desire and request through the Chairman, with or without the prior knowledge of Management.
- Act upon the Board’s request to investigate and report on any issues or concerns with regard to the Group.

## FUNCTIONS

The functions of the Audit Committee include the functions set out below and such other functions as may be determined by the Board from time to time.



- 1 Datuk Khoo Eng Choo\* – *Chairman*
- 2 Datuk Mohamed Adnan Ali
- 3 Dato’ Muhammad Nawawi Arshad\*
- 4 Encik Sreesanthan s/o Eliathamby\*

\* Independent Non-Executive Directors

The Audit Committee shall review, appraise, report and make appropriate recommendations to the Board on:

- The quality and effectiveness of the entire accounting and internal control system of the Group.
- The adequacy of the annual audit programme by both the Internal Auditors and the External Auditors and the reports of the Internal Auditors and External Auditors relating thereto.
- The adequacy of the scope, functions and resources of the Internal Auditors and whether they have the necessary authority to carry out their work.
- The assistance given by the employees of the Group to the External Auditors.
- The propriety of accounting policies adopted by Management and accepted by the External Auditors, where alternatives are also acceptable.
- The effects of any change in accounting principles or of any development emanating from the accounting profession or any statutory authority.
- The adequacy of the disclosure of information essential for a fair and full presentation of the financial affairs of the Group.

#### Audit Committee

- The quarterly results and year-end financial statements, prior to the approval by the Board, focusing particularly on:
  - changes in or implementation of major accounting policy changes;
  - significant and unusual events; and
  - compliance with accounting standards and other legal requirements.
- Material issues arising from the reports of the Internal Auditors and External Auditors and whether appropriate action is being or has been taken based on the recommendations of the Internal Auditors and External Auditors.
- Any significant difficulties encountered or material discoveries and findings made by the Internal Auditors or External Auditors.
- Any related party transaction and conflict of interest situation that may arise including any transaction, procedure or course of conduct that raises questions of management integrity.
- The firm of External Auditors retained by the Group and the fees payable to the External Auditors and any change in their fees, and recommendation, if any, to retain or replace such firm in the ensuing year.

#### MEETINGS

The Audit Committee held sixteen (16) meetings during the financial year ended 31 December 2005. The Chief Finance Officer and the Group Controller, Internal Audit, Kumpulan Guthrie Berhad, together with the Company Secretary were in attendance at the sixteen (16) meetings. Datuk Khoo Eng Choo and Dato' Muhammad Nawawi Arshad attended all the meetings whilst Datuk Mohamed Adnan Ali attended fourteen (14) and Encik Sreesanthan s/o Eliathamby attended twelve (12) of the sixteen (16) meetings of the Audit Committee held in 2005.

## Audit Committee

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Representatives of the External Auditors and other officers of the Company were also invited to brief the Audit Committee on specific issues.

At the conclusion of each meeting, recommendations were made for the Management to improve on internal controls, procedures and systems of the Group, wherever appropriate.

### ACTIVITIES

A summary of the activities of the Audit Committee in the discharge of its functions and duties during the year under review was as follows:

- Reviewed the quarterly financial statements of the Group and ensured compliance with approved accounting standards and adherence to other legal and regulatory requirements.
- Evaluated the audit planning strategy of the Internal and External Auditors to confirm the groundwork for the annual audit of the Group.
- Assessed the risk management activities of the Group.
- Reviewed the significant issues and audit findings arising from the annual audit of the Group by the External Auditors.
- Reviewed and appraised the audit reports by the Internal Auditors.
- Reviewed the allocation of option shares pursuant to the Employees' Share Option Scheme of the Company.
- Reviewed the various internal control systems of the Group.
- Reviewed the Internal audit planning memorandum and budget for year 2005.

### REPORTS/MINUTES

Detailed audit reports by the Internal Auditors, together with responses by Management, were circulated to the Group Chief Executive and Heads of the respective Business Units, Divisions/Departments of the Company. Minutes of meetings of the Audit Committee were circulated to all members of the Board, and significant issues were discussed at Board Meetings.

### INTERNAL AUDITORS

In the discharge of its duties, the Audit Committee is strongly supported by the Internal Auditors of the Company. The Internal Auditors' role is to evaluate and report on the adequacy, integrity and effectiveness of the Group's overall system of internal control.

The Internal Auditors also carried out audit programmes which focused on the management of the Group's significant corporate risks and executed audit plans approved by the Audit Committee. In conducting their independent audit, the Internal Auditors placed emphasis on a risk-based auditing approach which forms an integral part of the audit plans. The audit findings and recommendations, which also highlighted areas of non-compliance with the Group's policies, procedures and guidelines, were submitted to the Audit Committee for review.

Due to the nature of their functions, the Internal Auditors are well placed to undertake investigations on any suspicion of fraud or operational failures reported to them within the Group, on behalf of the Audit Committee. Such regular monitoring is essential to ensure the integrity and effectiveness of the Group's system of internal control.

### STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME (ESOS)

The Audit Committee hereby verifies that during the financial year under review, the actual allocation of option shares pursuant to the Second ESOS of Kumpulan Guthrie Berhad ("Scheme") to eligible employees had been made in accordance with the criteria of allocation of option shares as set out in the By-Laws governing the Scheme and the guidelines of the Scheme.

# Statement on Corporate Governance

The Board of Directors of Kumpulan Guthrie Berhad (“Guthrie” or “the Company”) confirms that throughout the financial year ended 31 December 2005, it has continued to integrate good and effective corporate governance practices into the overall business direction and management of the Company and its subsidiary companies (“Kumpulan Guthrie Group” or “the Group”), in compliance with the Best Practices of the Malaysian Code of Corporate Governance (“the Code”).

The Board is determined and committed towards ensuring maximum shareholders’ value and enhancing investors’ interest in line with the application of the principles of the Code.



## A. BOARD OF DIRECTORS

### **Board Composition**

The composition of the Board is continuously reviewed. During the year, the Board continued to be well balanced, with its effective mix of Executive Director as well as Independent and Non-Independent Non-Executive Directors. The diverse professional background and expertise of the Directors, spanning various fields including finance, human resource development, accounting, legal, international and government relations, public services, plantation management and property development, provide the Board with the requisite depth and quality in its deliberation and decision-making.

The Board is equipped with sufficient breadth of knowledge and skills to competently control the direction of the Company and Group.

Board meetings are scheduled at least four (4) times a year with Special Board meetings convened as and when the need arises.

### **Chairman and Group Chief Executive**

In accordance with good corporate governance, the roles and responsibilities of the Chairman, who is a Non-Independent Non-Executive Director, and the Group Chief Executive, are separate and clearly distinguished. Hence, an effective balance of power and authority in the Board is ensured.

The Chairman seeks to ensure the effective conduct and contribution of the Directors, collectively. The Group Chief Executive, supported by his team of management, is responsible for the implementation of Board policies and strategies, including execution and management of the day-to-day decisions and monitoring operations of the Company and Group's business.

### **Board Meetings**

The agenda and Board papers for deliberation by the Board are dispatched to the Directors in advance of Board meetings to facilitate informed discussion and decision-making.

At each regularly scheduled Board meeting, the Board deliberates and approves various key matters specifically presented for the Board's decision. These matters include, among others, formulation of the Group's strategic business plans and policies, review of annual and interim financial results, including those of operating subsidiaries, evaluation of actual and projected performance against targets and budgets, and other corporate initiatives requiring the Board's due attention.

At appropriate times, presentations on business developments/proposals are also made to the Board by Management and/or consultants/advisers. Reports by Board Committees are also presented and discussed at the Board Meetings.

All matters arising, deliberations and conclusions of the meetings of the Board are accurately recorded in minutes of meetings by the Group Company Secretary. The minutes are thereafter confirmed by the Board and signed as a correct record by the Chairman.

During the year ended 31 December 2005, there were four (4) Board Meetings and three (3) Special Board Meetings held. The following are the details of attendance of each Director in respect of meetings held.

Members	No. of meetings attended	Percentage
Tan Sri Dato' Musa Hitam (Chairman)	6 out of 7	86%
Dato' Abd Wahab Maskan	7 out of 7	100%
Raja Tan Sri Muhammad Alias Raja Muhammad Ali	7 out of 7	100%
Tan Sri Dato' Dr. Wan Mohd. Zahid Mohd. Noordin	6 out of 7	86%
Datuk Nik Mohamed Affandi Nik Yusoff	6 out of 7	86%
Datuk Mohamed Adnan Ali	7 out of 7	100%
Datuk Khoo Eng Choo	7 out of 7	100%
Datuk Alladin Hashim	7 out of 7	100%
Dato' Muhammad Nawawi Arshad	6 out of 7	86%
Sreesanthan s/o Eliathamby	6 out of 7	86%

## Statement on Corporate Governance

### Board Balance

The Board, as at the date of this statement, consists of ten (10) members. Nine (9) are Non-Executive Directors (including the Chairman) and one (1) is an Executive Director. Three (3) of the ten (10) Directors are Independent as defined under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities Listing Requirements"). The Independent Directors are:

- (i) Datuk Khoo Eng Choo
- (ii) Dato' Muhammad Nawawi Arshad
- (iii) Sreesanthan s/o Eliathamby

The appointment of Independent Non-Executive Directors facilitates the unbiased exercise of independent evaluation in Board deliberations and decision-making, taking into account the interest of all stakeholders. The presence of independent Non-Executive Directors fulfils a central role in corporate accountability and serves to provide the 'check and balance' in the Board.

A brief profile of each Director is presented from pages 28 and 33.

### Supply of Information

The Board and its Committees are empowered with full and unrestricted access to all information pertaining to the Company/Group's business and affairs.

By the same token, all Directors have direct access to the advice and services of the Group Company Secretary, both in their individual capacity of a Director as well as a Board collectively. The Group Company Secretary also serves in the same capacity for the various Board Committees.

The Directors are regularly updated by the Group Company Secretary on new statutory and regulatory requirements relating to the duties and responsibilities of Directors.

All the Directors may obtain independent professional advice in the furtherance of their duties, at the Company's expense.

All decisions by the Board in respect of proposals and recommendations by the Management are arrived at via comprehensive examination and discussion undertaken by the Board.

#### **Board Committees**

Certain responsibilities are delegated to Board Committees established to assist the Board in discharging its duties. The functions and terms of references of the Board Committees are clearly defined.

##### **a. Executive Committee**

The Executive Committee is delegated with such powers to ensure the smooth and effective running of the Company. The Committee examines in depth policies and strategic matters, investment and business risks which may affect the Company/Group and recommends to the Board the strategic action plan and business direction. The Committee also reviews the results of the investment and direction undertaken by the Group.

As a general rule, the Executive Committee meets on a quarterly basis except for the months in which the Board meeting is held. During the year ended 31 December 2005, four (4) meetings were held.

##### **b. Audit Committee**

The Audit Committee of Kumpulan Guthrie Berhad ("Audit Committee") presently comprises four (4) Directors of the Board, the majority of whom, including the Chairman, are Independent Non-Executive Directors. In line with good corporate governance practice, the Executive Director is not a member of the Audit Committee.

The Audit Committee's principal function is to assist the Board in maintaining a sound system of internal control. The Committee has full access to the auditors both internal and external who, in turn, have access at all times to the Chairman of the Committee. During the year ended 31 December 2005, sixteen (16) meetings of the Committee were held.

The functions of the Audit Committee are laid down on pages 38 to 40 of this Annual Report.

##### **c. Remuneration Committee**

The Remuneration Committee is responsible for developing the Group's remuneration policy and recommending to the Board the appropriate remuneration packages of Non-Executive Directors and executive employees of the Group.

As the Executive Director is not a member of the Committee, he plays no part in the decisions of his own remuneration. Nonetheless, remuneration of both the Non-Executive and Executive Director is the ultimate responsibility of the entire Board.

The Remuneration Committee may seek independent professional advice, where appropriate, to review the salaries and benefits of staff of the Group.

The Remuneration Committee, whose members comprise non-executive Directors, meets on a need basis. During the year ended 31 December 2005, five (5) meetings of the Committee were held.

##### **d. Nomination Committee**

The Nomination Committee provides a transparent procedure for identifying and recommending new nominees to the Board, as well as committees of the Board and its public listed/major subsidiaries\*. In any case, all decisions on appointments shall be made by the respective Boards after considering the recommendations of the Committee.

The responsibilities of the Committee include reviewing the required mix of skills, experience and other qualities including core competencies which Non-Executive Directors should bring to the Board. The Committee is also tasked with evaluating the performance, contribution and the effectiveness of the Board as a whole.

The Committee would also recommend suitable training programmes to equip the Directors on new laws and regulations which are particularly relevant to the operations of the Group.

The Nomination Committee, the members of whom are non-executive Directors, meets as and when required but shall hold at least one (1) meeting a year. During the year ended 31 December 2005, two (2) meetings were held.

*(\*the public-listed subsidiary companies of KGB, i.e. Guthrie Ropel Berhad and Highlands & Lowlands Berhad also establish their own separate Nomination Committees, respectively.)*

**e. Finance & Tender Committee**

Five (5) Directors of the Company, two (2) of whom are independent, make up the members of the Finance and Tender Committee (“F&T Committee”). The Committee meets at least every quarter in a year, where recommendations are made to the Board on the impact of financial issues affecting the Group. The F&T Committee also reviews the financial performance of the Group, its borrowings and cash flow position. During the year ended 31 December 2005, eighteen (18) meetings of the Committee were held.

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Statement on Corporate Governance

**f. Employees’ Share Option Scheme (“ESOS”) Committee**

The ESOS Committee of the Company was established by resolutions of the Board on 16 December 1996 and 26 March 1997, to administer the KGB ESOS in accordance with the Bye-Laws approved by the shareholders of the Company. The current Second ESOS Scheme (ESOS 2003/2008) (“the Scheme”) was implemented on 30 July 2003 and is governed by the Bye-Laws approved by the shareholders on 18 June 2003.

The ESOS Committee is primarily responsible for the proper administration of the Scheme in accordance with the Bye-Laws of the Scheme. It is also responsible to review and recommend to the Board any relevant amendments to the provisions of the Bye-Laws Scheme. However, any such amendments proposed should not be prejudicial to the eligible employees of the Group and are subject to prior approval of the Company’s shareholders.

The ESOS Committee, comprising three (3) members of the Board all of whom are Non-Executive Directors, meets at least every quarter during the relevant financial year. During the year ended 31 December 2005, seven (7) meetings were held.

**B. DIRECTORS****Appointments to the Board**

The Company has established a transparent procedure for the appointment of new Board member(s), as well as the proposed reappointment or re-election of Directors at the Annual General Meeting. Such appointment or reappointments would be at the recommendation of the Nomination Committee for approval of the Board.

The Group Company Secretary ensures all appointments are properly effected and necessary information is duly obtained from the Directors, both for the Company's records and in compliance with relevant regulatory and statutory obligations.

The Board undertakes to periodically examine the effectiveness of its present size in discharging its duties, from time to time.

**Re-election of Directors**

Article 102 of the Company's Articles of Association provides that at least one-third of the Directors (including the Group Chief Executive) for the time being, is required to retire at every Annual General Meeting ("AGM") and be subject to re-election by rotation at least once in every three years.

Directors who are over seventy (70) years of age are required to submit themselves for reappointment annually, in accordance with Section 129(6) of the Companies Act, 1965. Presently, there are two (2) Directors of the Company who are subject to such reappointment. However, Tan Sri Dato' Musa Hitam, who is eligible for reappointment under

Section 129(6) of the Companies Act, 1965, is not seeking reappointment as Director of the Company.

**Directors' Remuneration**

The main objective of the Company's policy on Directors' remuneration is to attract and retain Directors of requisite calibre to steer and propel the Group towards improved prospects and growth.

The fee allocated to each Non-Executive Director, approved by the shareholders of the Company at its Annual General Meeting ("AGM") held on 18 June 2003, is RM40,000 per annum. For the Non-Executive Chairman, the fee is RM60,000 per annum.

The Chairman and the members (who are Non-Executive Directors) of each Committee of the Board are also entitled to a fee of RM10,000 and RM8,000 per annum (for each member) respectively. The fee of each Non-Executive Director is determined by the Board as a whole.

The Company reimburses reasonable expenses incurred by the Non-Executive Directors in the course of their duties as Directors.

At the same aforementioned AGM, each Non-Executive Director was also approved a meeting allowance of RM500 for his attendance at each meeting of the Board and the respective Committees of the Board. In addition, the provision of medical benefits for each of the Non-Executive Directors is similar to that provided to executives of the Company.

The aggregate remuneration of the Directors categorised into the appropriate components are as follows:

	Group (RM'000)	Company (RM'000)
<b>Executive Director</b>		
Salary and other remuneration	1,086	1,086
Benefits-in-kind	79	79
<b>Total</b>	<b>1,165</b>	<b>1,165</b>
<b>Non-Executive Directors</b>		
Fees	993	568
Other remuneration	191	134
Benefits-in-kind	28	28
<b>Total</b>	<b>1,212</b>	<b>730</b>

The aggregate remuneration of Directors for the financial year ended 31 December 2005, in respective bands of RM50,000 are as follows:

Range of Remuneration	Number of Directors
<b>Non-Executive Directors</b>	
RM50,001 to RM100,000	—
RM100,001 to RM150,000	7
RM150,001 to RM200,000	2
<b>Executive Director</b>	
RM1,100,001 to RM1,150,000	—
RM1,150,001 to RM1,200,000	1

## Statement on Corporate Governance

### Directors' Training

All the Directors, having completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad, continue to benefit from attending programmes and seminars accredited under Bursa Malaysia Securities Berhad's Continuing Education Programme.

Directors are also encouraged to attend various professional programmes deemed beneficial to the discharge of their duties and keep abreast with current issues arising from the ever-changing business environment within which the Company and Group operate.

The Board recognises the recent amendments to the Listing Requirements of Bursa Malaysia via a letter dated 7 October 2004 ("CEP Amendments") which stated that from the year 2005 onwards, the board of directors of listed companies will assume the onus of determining or overseeing the training needs of their directors.

The Directors, during the financial year under review, had also attended the Continuous Education Programme on International Financial Reporting Standard ("IFRS") organised by Messrs. Ernst & Young.

## C. SHAREHOLDERS

### **Investor Relations and Shareholder Communication**

The Board acknowledges the crucial need for shareholders to be duly informed of material information affecting the Company as an on-going business concern, particularly, its status of financial performance.

Towards this end, the Company undertakes to comply with adequate disclosure requirements in furtherance of good corporate governance as well as part of the effort to ensure market credibility and investors' confidence in the Company.

In discharging the obligations imposed by the Listing Requirements of Bursa Malaysia on public listed companies, material information with regard to the Company are disclosed in a timely and accurate manner. In this way, shareholders and investors benefit from a transparent evaluation of the Company's securities and would be able to make well-informed decisions on the same.

The various announcements made by the Company during the year, including the quarterly release of financial results, provide shareholders with an overview of the Group's performance and operations.

### **The Annual Report**

The Annual Report, which incorporates the Financial Statements sections, is printed for distribution to shareholders in English and Bahasa Malaysia and serves as a useful tool to reach a wider audience of potential investors.

### **Briefing to Analysts and Shareholders**

The Management of the Company conducts annual dialogues and briefings with financial analysts and investors on the Group's financial performance, including its potential for new developments/business. This exercise provides the investing community the opportunity to obtain a balanced view of the Group's performance within the context of prevailing regional/global economic climate and the challenges arising therefrom.

In addition to the publication of summarised quarterly financial results of the Group in the newspapers, copies of the full announcement are also supplied to shareholders and members of the public upon request.

### **The Annual General Meeting**

The Annual General Meeting ("AGM") is the principal forum at which the Board reports on its stewardship to shareholders and account for the performance of the Company/Group. The AGM provides the opportunity for constructive communication among shareholders, Directors and the Management, in respect of pertinent issues such as the interim/quarterly financial reports and any other matters which merit due clarification.

The presence of Board members, representatives of the external auditors and the Management at each AGM ensures immediate and ready response to queries on the business operations of the Group. This also demonstrates a high level of accountability and transparency with regard to the Group's business operations, strategies and goals.

The AGM also provides the opportunity for the Directors to gather the views of the minority shareholders. In any case, adequate time is provided for the shareholders' question-and-answer session, as the Board believes that proper and efficient proceedings of the AGM is paramount. Turnout at the Company's Annual General Meetings has been good and in 2005, about 800 shareholders had attended the meeting.

In addition, shareholders may obtain up-to-date information relating to the various activities of the Company and the Group by accessing its website at [www.guthrie.com.my](http://www.guthrie.com.my). Press releases and the latest quarterly results announcement of the Company can also be found on this site.

### **Senior Independent Non-Executive Director**

Other than through the Chairman of the Board, shareholders may convey their concerns on issues affecting the Company and the Group, to YBhg. Dato' Muhammad Nawawi Arshad, the senior independent Non-Executive Director of the Board.

## D. ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Directors aim to present the Group's financial position and prospects to its stakeholders with quality financial reporting which is balanced and clearly assessed. The relevant financial reporting made available by the Company in a timely manner further attest to the Company's adherence to the immediate disclosure policy.

The quarterly financial results and annual financial statements are duly reviewed by the Audit Committee, prior to submission to the Board for approval.

Appropriate accounting policies are consistently applied in the financial reporting, supported by reasonable and prudent judgements and estimates. In addition, any explanation for material departures are disclosed in the notes to the financial statements. Such information is released to the public only upon approval of the Board.

The Chairman's Statement and the Operations Review of the Group, contained in this Annual Report, also provide an insight into the performance of the Group throughout the financial year and on the Group's future prospects.

### Statement on Corporate Governance

#### Statement on Going Concern

The Board, having reviewed the budgets and long-term business plans of the Company and of the Group, has a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. Accordingly, the financial statements of the Company and the Group have been prepared on a going concern basis.

The Board also ensures the smooth running of the Company and the Group operations through the establishment of a succession plan for top Management.

The Management's performance is measured against the Group's objectives, ensuring any implementation of policies and strategies are in the best interests of the shareholders of the Company.

#### Relationship of the Board with Management – Internal Control

Whilst the Board retains overall responsibility for and control of the Group, it also effectively monitors Management. Management of the Group's businesses is conducted by the Group Chief Executive and Senior Management of the various business units, divisions and departments which implement the policies and strategies adopted by the Board within the limits of authority laid down by the Board.

**Relationship with the Auditors**

The Board has established and maintains an active, transparent and professional relationship with the Group's auditors, both external and internal, through the Audit Committee.

The Audit Committee meets with the external auditors without the presence of any executive, except for the Group Company Secretary, at least once a year. The audit conducted by the external auditors on the Company and its subsidiary companies during the financial year provide reasonable assurance that the financial statements present a true and fair view of the Group's performance.

Following completion of the audit, any significant issues arising from the audit of the Group would be highlighted to the Board by the external auditors through a Management Letter.

The Board, through the Audit Committee, also seeks the external auditors' professional advice in ensuring compliance with the appropriate accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The functions of the Audit Committee and its relations with the Auditors are set out on pages 38 to 40 of this Annual Report. The activities of the internal auditors relating to the operation of the Group during the financial year are set out on page 40 of this Annual Report.

**E. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE**

The Kumpulan Guthrie Group was in compliance with the principles of corporate governance and the best practices in corporate governance throughout the financial year ended 31 December 2005.

**F. OTHER INFORMATION**

**Material Contracts**

The Company and/or its subsidiary companies had not entered into any material contract which involved Directors' and/or major shareholders' interests, either still subsisting at the end of the financial year, or which were entered into since the end of the previous financial year.

**Material Contracts Related to Loan**

During the financial year under review, there were no material contracts related to loans, entered into by the Company and/or its subsidiary companies which involved Directors' and/or major shareholders' interests.

**Options, Warrants or Convertible Securities**

As at 31 December 2005, 5,814,300 option shares were exercised under the Second ESOS. The Directors had obtained a relief under Section 169A (1) of the Companies Act, 1965, exempting the Company from having to disclose the names of option holders granted less than 50,000 option shares each during the year in the Annual Report. This exemption is subject to a yearly renewal. All information regarding the allocation and exercise of the said option shares are registered in the Company's Register of Options.

The names of option holders who were granted with 50,000 or more option shares under the Second ESOS as at 31 December 2005 are as set out in Note 37 of the Financial Statements, on page 200 of this Annual Report.

**Proposed Provision of Financial Assistance Mandate**

At the last Extraordinary General Meeting (“EGM”) held on 16 June 2005, the Company had obtained the Financial Assistance Mandate from its shareholders to enable the financial assistance transactions to be effected between the Kumpulan Guthrie Group and Highlands & Lowlands Berhad Group (“H&L Group”) and Guthrie Ropel Berhad Group (“Ropel Group”), via a centralised treasury management system for an estimated net amount of RM40 million and RM10 million respectively, subject to it not exceeding the 5% benchmark under the Bursa Malaysia Listing Requirements.

Pursuant to the Management Agreements entered into by the Company with H&L Group and Ropel Group, the treasury functions for all the plantation companies within the Guthrie Group, are centralised and the services include remittances to the estates, mills, centralised receipt and payments, and placement of funds with financial institutions. As this centralised treasury system entails the provision of financial assistance between the Kumpulan Guthrie Group, H&L Group and Ropel Group, the Board, thus, proposes to seek renewal of the Financial Assistance Mandate at the forthcoming EGM of the Company.

**Share Buy-Back**

During the financial year under review, the Company has not exercised any share buy-back permitted by Section 67A of the Companies Act, 1965 of which mandate was given by the shareholders at the last EGM of the Company held on 16 June 2005.

## Statement on Corporate Governance

**Non-Audit Fee**

During the financial year ended 31 December 2005, the Group had paid non-audit fees to the External Auditors, apart from the annual audit fees, amounting to RM544,000 for other services undertaken by the Auditors for and on behalf of the Group, during the financial year.

**Profit Estimation, Forecast or Projection**

There was no profit estimation, forecast or projection made or released by the Company during the financial year under review.

**Profit Guarantee**

There was no profit guarantee given by the Company during the financial year under review.

**Revaluation Policy of Landed Properties**

The revaluation policy of the Group in relation to its landed properties is set out in Note 3(d) of the Notes to the Financial Statements on page 131 of this Annual Report.

**Imposition of Sanctions and/or Penalties**

There were no sanctions and/or penalties imposed on the Company and/or its subsidiary companies, Directors or Management arising from any significant breach of rules/guidelines/legislation by the relevant regulatory bodies.

# Statement on Internal Control



## INTRODUCTION

The Malaysian Code on Corporate Governance places the onus for Internal Control on the Board. It states: “The Board should maintain a sound system of internal control to safeguard shareholders’ investment and the company’s assets”.

The Board of Directors of Kumpulan Guthrie Berhad (“Board”) is committed to maintaining a sound system of internal control in the Group and is pleased to provide hereinafter the annual update and disclosure statement in respect of the state of internal control in Kumpulan Guthrie Berhad as a Group.

## ACKNOWLEDGEMENT OF RESPONSIBILITIES

The Board affirms its responsibility for maintaining a sound system of internal control. It recognises that reviewing the Group's system of internal control is a concerted and continuing process. However, it should be noted that these systems are designed to manage rather than to eliminate the risks of failure to achieve business objectives and as such, could only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has reviewed and confirmed that the system of internal control within the internal control framework was in place during the financial year under review and continues to take measures to strengthen the internal control framework. The Board also confirms that there were no material losses incurred during the financial year as a result of weaknesses in internal control.

## KEY ELEMENTS OF INTERNAL CONTROL FRAMEWORK

The system of internal control currently applied in the Group has the following key elements:-

### **Standard of Business Ethics**

All employees are required to sign and adhere to the Standard of Business Ethics, which emphasises corporate values and ethical code of conduct. The Standard of Business Ethics represents the employees' undertaking to the Group's minimum standard of behaviour and ethical conduct.

Statement on Internal Control

### **Enterprise-wide Risk Management**

The Board views Structured Enterprise Risk Management (ERM) as the logical step in the pursuit of its corporate governance agenda and the fulfillment of its long-term corporate objectives towards protecting shareholders' investment and safeguarding organisational assets.

The ERM programme provides sufficient documentation and groundwork for the implementation of a risk based audit approach. The internal auditors, besides performing audit on the adequacy and integrity of internal controls, also provide assurance on how effectively the risks are being managed through the risk based audit approach. The risk based audit approach is currently being implemented on certain units in Malaysia and will be expanded to include other subsidiaries including overseas subsidiary companies.

### **Performance Management**

A systematic Performance Management and Development (PMD) system which is linked to and guided by established Key Performance Indicators (KPIs) and Key Result Areas (KRAs) parameters has been implemented. The PMD is now being driven by the Balanced Scorecard system (BSC) to support its delivery. The BSC provides a framework to translate and align strategy into measurable operational terms and is being used as a performance measurement tool.

The PMD system has been implemented on personnel at the executive and managerial level and will be expanded to include the clerical level.

Statement on Internal Control

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**Training and Development**

Emphasis is placed on talent and competencies of employees through a recruitment strategy and continuous training and development. Through the PMD system, employees' competencies are being properly addressed and suitable training programmes or schemes identified to expand on the competencies.

**Policies, Procedures and Financial Authority Limits**

Delegation of authority including authorisation limits at various levels of Management and matters requiring the Board's approval are clearly defined and set out in written policies and procedures to ensure accountability and proper segregation of duties.

**Operations Review & Monitoring**

Group Management Committee meetings are conducted to review and monitor on matters pertaining to the business operations based on performance reports which provide comprehensive information on financial performance and other key non-financial indicators.

**Procurement and Tender Award System**

A policy on awarding of tenders has been revised to enhance coordination and control on procurement of goods and services. The policy serves to increase efficiency and places assurance on the effectiveness of the system of internal control embedded in the process of awarding tenders.

**Insurance and Physical Safeguards**

Adequate insurance of major assets i.e buildings and machineries in major operating subsidiary companies is in place to ensure that assets of the Kumpulan Guthrie Group are sufficiently covered against any mishap that will result in material losses to the Group and/or its subsidiary companies.

**Strategic Business Planning, Budgeting and Reporting**

The Group Strategic Business Plan (GSBP) was approved by the Board in December of the year under review. The GSBP is the basis upon which the budget will be prepared, approved, reviewed and tracked periodically during the budget year.

**Management Information System**

Critical information of the Group such as financial data, human resource data, land ownership records and debtors' records are captured within the various information systems that have been developed to keep track of the Group's operations.

**Group Internal Audit**

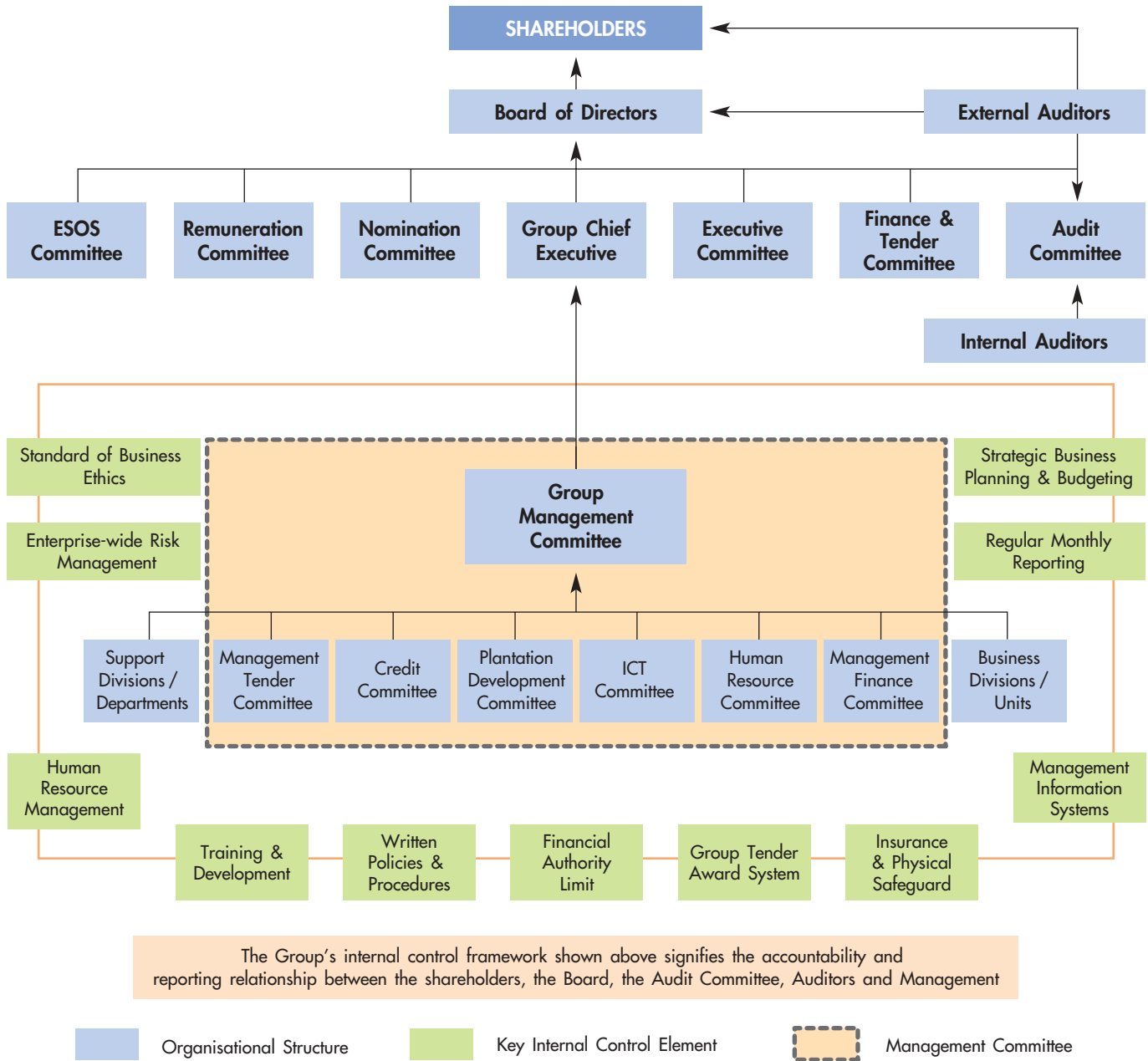
The Internal Audit function, which reports directly to the Audit Committee provides assurance on the effectiveness of the system of internal control within the Group. Independent reviews based on the annual internal audit plan are conducted to identify and report risks in units under the Group's major core activities.

**MONITORING AND REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL**

The processes adopted to monitor and review the effectiveness of the system include:

- Issues highlighted by the Group Internal Auditors and the corrective action taken by management are required to be discussed and monitored by the respective operating units in its monthly meetings.
- Quarterly reports to the Audit Committee are formatted such that all corrective actions taken on issues highlighted by the Group Internal Auditors are tracked according to the progress of completion.

INTERNAL CONTROL FRAMEWORK & ENVIRONMENT OF KUMPULAN GUTHRIE BERHAD



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# Enterprise-wide Risk Management



Today Guthrie Group is an established major player in the global palm oil business. Its plantation operations span across international borders into neighbouring Indonesia. Besides its plantation business, the Group's other core business is in property development. As a result of its international revenue growth and profit targets, Guthrie Group continuously faces a variety of global and domestic business risks. These risks can either be internal or external to the Group and can influence its goals and strategic objectives.

To address and manage these risks, the Group has embraced Enterprise-wide Risk Management ("ERM"). The key components of the ERM framework include the identification, assessment, treatment, monitoring and managing of significant risks that can prevent the achievement of the Group's overall objectives.

## INHERENT BUSINESS RISKS

Consistent with good corporate governance and international best practice recommendation, described below are the key components of Guthrie Group's risk profile ruling out any commercially sensitive information.

In the oil palm plantation business, the production yield of fresh palm fruit bunches ("FFB") is highly dependent upon estates soil quality and climatic conditions, timely harvesting and processing of FFB, outbreaks of pests and diseases, constraint in labour supply and escalating production costs. The latter may be caused by external risk factors such as high fuel prices and inflation. Being a globally traded commodity priced in the US dollar, palm oil prices are subject to market supply and demand conditions, competition from other edible oils and also the exchange rate movements between Ringgit and the US Dollar, following the RM-USD peg removal in July, 2005.

The Group seeks to limit the plantation business risks through efficient plantation management practices with strong emphasis on continuous improvements in yields, high crop quality and cost efficiencies. These best practices are developed alongside timely and periodic review of its plantation business risks profile. The Group's dedicated research teams of agronomists further enhanced the risk control environment through their innovative efforts to improve FFB yields, oil extraction processes and superior planting materials.

In property development, the Group will be exposed to certain inherent risks, besides general condition of the Malaysian business and economy, namely impact of competition from other property developers, timely completion of projects, changes in regulatory environment and consumers market demand, project financing costs and possible shortage of resources such as supply of labour and building materials.

## Enterprise-wide Risk Management

The Group has a property management team of qualified and experienced personnel from diverse disciplines, who are able to plan, mitigate and minimise the business risks in this sector. At present, the Group's current focus is predominantly the Klang Valley residential market which would be resilient to the possible effects of any downturn in the economy.

## RISK CONSIDERATION

The financial year under review has proven to be a challenging year for the Group which is moderately exposed to externally driven financial and market risks including the dip in palm oil prices, higher cost of borrowings and foreign exchange exposures significantly to the Indonesian Rupiah.

The Group's financial risk management policy and its objective to manage the above exposures are set out and discussed in detail in the Notes to the Financial Statements under "Financial Instruments" caption.

In respect of the current business outlook, no immediate risk has been identified which could jeopardise the Group's ongoing business. The Group's equity capitalisation and earnings base formed a sound basis for future business development. We have taken the appropriate precautions against identified business risks that could negatively affect our financial standing and profitability situation through the adoption of the risk management philosophy and the ERM Framework, as elaborated below.

## RISK MANAGEMENT PHILOSOPHY

The Guthrie Group is committed to managing its risks in a proactive, ongoing and positive manner. The Group's risk management philosophy is to balance risk awareness and control with the need to create and exploit opportunities.

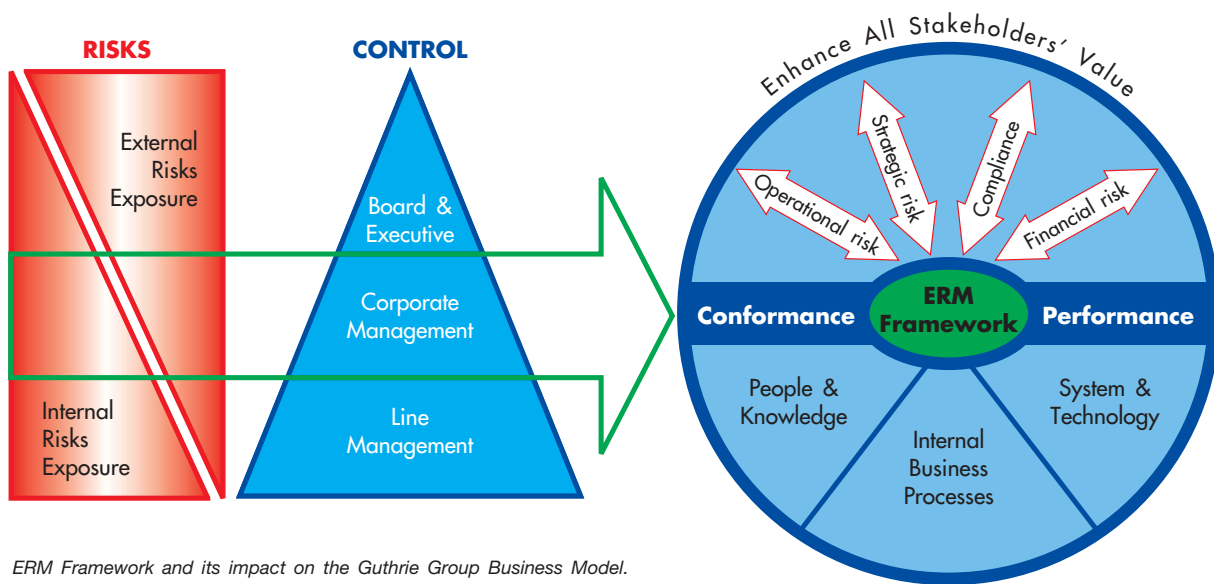
The Group practices ERM because it offers a consolidated view of all types of risks and opportunities across the organisation, management processes and business activities.

Enterprise-Wide Risk Management

By understanding and managing risks, the Group can provide greater certainty and assurance to its stakeholders when pursuing its growth strategies and value-creating activities.

For the period under review, the Group has in place an ongoing process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives.

**GROUP ERM FRAMEWORK**



*ERM Framework and its impact on the Guthrie Group Business Model.*

**ERM FRAMEWORK**

The existing Group ERM Framework was elaborated in detail in previous reports and remained relatively similar. As an evolving framework, it is continuously aligned with key Group strategic, operational and project objectives as developed through our Balanced Scorecard methodology. It is also consistent with external demands arising from the Government’s initiative to transform Government-Linked Companies into high performing companies. The Framework seeks to promote an enterprise risk management practice that will:

- (i) create a risk aware work culture through pro-active risk management at all levels of the organisations.
- (ii) periodically be on the Board’s Agenda and that the Board and Senior Management are made aware and trained on the principal and significant risks.

- (iii) ensure all divisions and business units are responsible for managing their risks with appropriate guidelines from the centralised enterprise-risk management function.
- (iv) link risks that matter to business and operational planning and embed risk assessments in the evaluation of new and major projects.

Measured against the components of best-practice Risk Management Maturity Framework, the Group continued to implement its risk management programmes and strategic initiatives as part of its strategy to continuously strengthen its risk management practices and these are set out in the next page.

## RISK MANAGEMENT STRATEGY AND POLICY

The Group is committed to the practice of enterprise risk management and its risk management strategy forms an integral part of its overall strategy. The scope of its risk management programmes and efforts are aligned to corporate resources and integrated within the fabric of the organisational structure, management processes and business activities.

The Group communicates and provides the necessary resources and continuous training and education to ensure that its employees have the necessary knowledge and skills to enhance risk management practices.

All employees are responsible for managing risks.

## RISK MANAGEMENT PORTFOLIO AND RISK OPTIMISATION

The Group continues to integrate the fundamentals of risk management practices in its strategy setting and operational planning processes. Under this context, the Group sets its risk appetite and tolerance limits and linked these to its strategic and operational plans.

Significant risks are identified and duly reported to Management and Board and these are in conformance to regulatory requirements.

### Enterprise-wide Risk Management

- ***Risk-based Strategic Planning Process***

The Group practices a rolling three-year strategic planning process during which key value drivers are identified and strategic business goals and objectives are set in standardised Balanced Scorecard formats. Potential risks and threats to key performance measures are identified, evaluated and prioritised based on their business impacts.

This process involved environmental scanning of anticipated changes in both the internal and external operating environments. Each of the Group's divisions and business units will perform business risk analyses and establish their strengths, weaknesses, opportunities and threats. At the same time, the existing risk controls are assessed to determine their adequacy and effectiveness. Newly established risk tolerance levels are set to be in line with enhanced business objectives and risk appetite consistent with the Group's growth prospects.

- ***2005 Business Plans and Budgets***

Risk-based strategic information gathered during the strategic planning process above is factored in the 2005 business planning and budgets initiatives. Risk control strategies are cohesively planned and incorporated within the 2005 Business Plans so as to mitigate the possible risk exposures. Unacceptable risk levels based on leading key performance indicators are periodically monitored for corrective actions during the Budget year.

The Group's risk-based 2005 Business Plans and Budgets were presented to the Board for consideration and approval.

- ***Research & Development and Major Projects***

For the financial period under review, the Group has embedded risk management principles in project evaluation of major projects including research and development undertakings. Key project criteria are preset and project risks are identified, prioritised and benchmarked against future outcomes. These are closely monitored during the project life-cycle.

## RISK ORGANISATIONAL STRUCTURE

Risks are classified and prioritised based on their potential impacts to the business. These are categorised into risk types based on the risk nature and characteristics. During the period under review, the Group relied on the following structures to manage its risks:

- **First Line of Defense – Day-to-Day Risk Management**

Business units constitute the first line of defense against threats to key earnings drivers. At this frontier, the accountability for managing specific risks is clearly defined with clear channel for reporting mitigation efforts, control failures and loss events. In the Plantation Malaysia business, we have implemented quarterly control self assessment reporting to periodically evaluate controls and ensure they remain relevant and effective.

The Management of each operating centre is accountable for the comprehensive management of risks and the bottom-up reporting to the Group Management Committee (“GMC”).

- **Second Line of Defense – Risk Governance and Oversight**

For the period under review, the GMC, chaired by the Group Chief Executive, provides on-line risk oversight through regular monthly reviews of the business and corporate unit's performance and its associated risk profiles. The GMC also provides guidance on the risk appetite and capacity which, when exceeded will trigger obligatory reporting to the Board.

The Executive Committee, Finance & Tender Committee and specially formed ERM Task Force provide additional layer of defense and risk oversight especially on risks that are not easily predicted and monitored through systematic operational procedures but nevertheless, carry significant impacts on the Group's business activities and decision-making.

- **Third Line of Defense – Overall Risk Management Responsibility**

The Board retains the overall risk management responsibility of identifying principal risks and ensuring the implementation of appropriate systems of internal controls with the Group Chief Executive being accountable to the Board for the effective and efficient risk management practice within the Guthrie Group.

- **Group Risk Facilitator**

The Group has nominated a senior officer for the establishment and maintenance of the Group's enterprise risk management system. The senior officer acts as a central contact and provides the lead, training and guidance for all the ERM issues within the Group.

## RISK CONTROL ASSURANCE

- **Audit Committee**

The Audit Committee receives regular reports from both internal and external Auditors on internal control standards and matters.

- **Internal Audit**

The Internal Audit Department holds an independent and unbiased function and reports directly to the Audit Committee. The Internal Audit Department is also involved in validating the results of the ERM processes and contributes by providing an independent, objective assurance of the Group's risk situation and the adequacy and integrity of its internal control system.

## MEASUREMENT AND MONITORING PERFORMANCE

The Group uses key performance indicators (“KPIs”) to track and monitor performance of each operating centre. Each operating centre reports monthly, through the Performance Review Report, to the GMC and Group Chief Executive. KPIs and risk indicators are the primary method used to monitor and review risk management practices in the Group and these will function as early warning mechanisms through which the Group’s risk appetite and capacity are communicated.

## ERM GOALS AND LONG-TERM OBJECTIVES

Key goals and long-term objectives of the Group risk management programmes include the following:

- **Clearly Documented Risk Communication Programme**

Promote risk glossary to streamline the communication process which is meant to encourage the use of consistent risk terminology and increase the effectiveness of exchanging information about risks across the enterprise. A Risk Awareness Handbook was published to help employees to better understand the risk management principles, its concept, impact on business processes and management practices.

- **ERM Policy and Framework Guideline**

The established Group ERM Framework to be embodied in the Group Policy and Procedural Manual with which the management of each business and support unit is required to comply.

### Enterprise-wide Risk Management

- **Risk Awareness Training and Continuing Education**

A dedicated risk management programme was extended to the Group Malaysian estates in which each estate maintained its own risk register. The Estates Risk Management Programme with its risk mitigation plans was in place throughout the financial year under review. Risk Management workshops and special briefings were extended to various other business and support units throughout 2005.

- **Risk Management as a Core Management Competency Requirement**

In order to develop a risk intelligent workforce, employees of the Group are expected to practice risk management within their own work areas as part of the Group’s management competency standard and this will be monitored through the employees’ performance appraisal process.

For the Guthrie Group, practicing risk management is not designed to stop employees from taking risks but rather to create value by enhancing the chances of achieving corporate success and enabling managers and shareholders to understand the level of risks undertaken and to manage the risk-reward profile accordingly.