



Annual Report

**2001**

**KUALA LUMPUR KEPONG BERHAD**

(15043-V)

C O R P O R A T E M I S S I O N

# CORPORATE MISSION

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To offer quality products and services at competitive prices.

To be a good and responsible corporate citizen.

C O R P O R A T E O B J E C T I V E S

# CORPORATE OBJECTIVES

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To earn a fair return on investments.

To maintain steady dividend payments and adequate dividend cover.

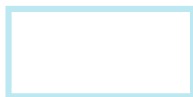
To sustain growth through re-investment of retained profits.

To maintain a high standard of business ethics and practices.

To fulfil our social responsibilities in the community in which we operate.

C O N T E N T S

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# NOTICE OF MEETING

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Notice is hereby given that the Twenty-ninth Annual General Meeting of the Company will be held at the registered office, Wisma Taiko, 1, Jalan S.P. Seenivasagam, 30000 Ipoh, Perak Darul Ridzuan, Malaysia on Wednesday, 30th January, 2002 at 12.30 p.m. for the following purposes:-

1. To receive and consider the financial statements for the year ended 30th September, 2001 and the Directors' and Auditors' reports thereon. (ORDINARY RESOLUTION 1)
2. To sanction the payment of a final dividend of 9 sen per share less 28% Malaysian Income Tax. (ORDINARY RESOLUTION 2)
3. To re-elect the following Directors:-
  - (i) R. M. Alias (ORDINARY RESOLUTION 3)
  - (ii) Dato' Lee Soon Hian (ORDINARY RESOLUTION 4)
4. To consider and, if thought fit, pass a resolution pursuant to Section 129(6) of the Companies Act, 1965 to re-appoint the following as Directors of the Company and to hold office until the next Annual General Meeting of the Company:-
  - (i) Yeoh Chin Hin (ORDINARY RESOLUTION 5)
  - (ii) Charles Letts (ORDINARY RESOLUTION 6)
  - (iii) Maj-Gen (R) Dato' Dr. Mahmood B Sulaiman (ORDINARY RESOLUTION 7)
  - (iv) Tan Sri Dato' Thong Yaw Hong (ORDINARY RESOLUTION 8)
5. To fix and approve Directors' fees for the year ended 30th September, 2001 amounting to RM671,000. (ORDINARY RESOLUTION 9)
6. To appoint Auditors and to authorise the Directors to fix their remuneration. (ORDINARY RESOLUTION 10)
7. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following Resolutions:-
  - (i) **PROPOSED AUTHORITY TO BUY BACK ITS OWN SHARES BY THE COMPANY** (ORDINARY RESOLUTION 11)

THAT authority be given to the Directors for the Company to buy back such amount of ordinary shares of RM1.00 each in the Company ("Authority to Buy Back Shares") as may be determined by the Directors from time to time through the Kuala Lumpur Stock Exchange upon such terms and conditions as the Directors may deem fit and expedient in the best interests of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed 2.8% of the total issued and paid-up share capital of the Company (equivalent to 20,000,000 shares in the Company based on its issued and paid-up share capital [excluding treasury shares] of 710,177,128 shares of RM1.00 each as at 5th December, 2001) and that an amount not exceeding the total retained profits of the Company be allocated for the Authority to Buy Back Shares (the audited retained profits of the Company as at 30th September, 2001 was RM699 million) AND THAT the Directors may resolve to cancel the shares so purchased and/or retain the shares so purchased as treasury shares;

AND THAT the Directors be and are hereby empowered to do all such acts and things to give full effect to the Authority to Buy Back Shares with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities AND THAT such authority shall commence upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company following the passing of this ordinary resolution or the expiry of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of a purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by the Kuala Lumpur Stock Exchange or any other relevant authority.

**(ii) PROPOSED SHAREHOLDERS' MANDATE IN RELATION TO RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

(ORDINARY RESOLUTION 12)

THAT approval be given to the Company and/or its subsidiary companies to enter into recurrent transactions of a revenue or trading nature with related parties which are necessary for the day to day operations and on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in Appendix I of the Circular to Shareholders dated 4th January, 2002 ("the Mandate");

THAT the Directors be and are hereby empowered to do all such acts and things (including executing all such documents as may be required) as they may be considered expedient or necessary to give full effect to the Mandate with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities AND THAT such Mandate shall commence upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company following the passing of this ordinary resolution or the expiry of the period within which the next AGM is required by law to be held but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965 (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting);

AND THAT the transactions entered into prior to the date of this resolution by the Company and/or its subsidiary companies involving the interests of such related parties be and are hereby ratified.

**(iii) PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION**

(SPECIAL RESOLUTION 13)

THAT the Articles of Association as set out in Appendix II of the Company's Circular to Shareholders dated 4th January, 2002 be and is hereby adopted as the new Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company.

**8. To transact any other ordinary business of the Company.**

By Order of the Board  
J. C. LIM  
FAN CHEE KUM  
Company Secretaries

Ipoh, Perak Darul Ridzuan,  
Malaysia.

4th January, 2002.

**NOTES**

- (1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to vote in his stead. A proxy need not be a member of the Company.
- (2) The instrument appointing a proxy must be deposited at the registered office of the Company not less than 48 hours before the time set for the meeting.
- (3) The final dividend, if approved, will be paid on 4th March, 2002 to all shareholders on the Register of Members as at 5th February, 2002. A Depositor with the Malaysian Central Depository shall qualify for entitlement to the dividend only in respect of:-
  - (i) Shares deposited into the Depositor's securities account before 12.30 p.m. on 31st January, 2002 in respect of shares which are exempted from Mandatory Deposit;
  - (ii) Shares transferred into the Depositor's securities account before 12.30 p.m. on 5th February, 2002 in respect of ordinary transfers; and
  - (iii) Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange. Registrable transfers received by the Company's Branch Registrar in United Kingdom on or before 5th February, 2002 will be registered for entitlements to the dividend payment.
- (4) Profiles of the Directors (together with their attendance in Board Meetings) standing for re-election or re-appointment as Directors of the Company for Resolutions 3 to 8 are shown on pages 6 to 9 of the 2001 Annual Report and Financial Statements.
- (5) For Resolutions 11, 12 and 13, further information on the Share Buy-Back, Shareholders' Mandate on recurrent Related Party Transactions and Adoption of New Articles of Association respectively are set out in the Circular to Shareholders of the Company dated 4th January, 2002 which is despatched together with the Company's 2001 Annual Report and Financial Statements.

(A proxy form is enclosed with this Annual Report and Financial Statements).

# GROUP HIGHLIGHTS

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		FINANCIAL				
		2001	2000	1999	1998	1997
Revenue	(RM'000)	<b>2,041,614</b>	2,224,096	2,404,255	2,334,725	1,690,897
Profit:-						
before taxation	(RM'000)	<b>106,559</b>	290,079	399,326	367,943	293,424
after taxation and minority interests	(RM'000)	<b>61,200</b>	201,880	370,406	273,964	221,699
Dividend per share:-						
gross	(sen)	<b>15.0</b>	20.0	20.0	25.0	15.0
net	(sen)	<b>10.8</b>	14.4	14.4	18.0	10.7
Net tangible asset	(RM'000)	<b>3,194,545</b>	3,216,082	3,180,103	2,931,558	2,631,531

		PRODUCTION				
		2001	2000	1999	1998	1997
Fresh Fruit Bunches	(tonnes)	<b>1,604,385</b>	1,392,674	1,271,165	1,128,694	1,228,407
Rubber	('000 kgs)	<b>23,646</b>	24,727	26,900	25,301	29,283

**BOARD OF DIRECTORS** Dato' Lee Oi Hian – *Chairman / CEO*  
 Yeoh Chin Hin  
 Charles Letts  
 YM Tengku Robert Hamzah  
 R. M. Alias  
 Maj-Gen (R) Dato' Dr. Mahmood B Sulaiman  
 Ong Beng Kee – *Executive Director*  
 Dato' Lee Hau Hian  
 Tan Sri Dato' Thong Yaw Hong  
 Dato' Lee Soon Hian – *Executive Director*  
 Datuk Abdul Rahman bin Mohd. Ramli  
 Yeoh Eng Khoon (*Alternate to Yeoh Chin Hin*)

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**COMPANY SECRETARIES** J. C. Lim  
 Fan Chee Kum

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**AUDITORS** KPMG

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**PLACE OF INCORPORATION  
 AND DOMICILE** In Malaysia as a  
 public limited liability company

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**PRINCIPAL REGISTRAR  
 AND REGISTERED OFFICE** Kuala Lumpur Kepong Berhad,  
 Wisma Taiko,  
 1, Jalan S. P. Seenivasagam,  
 30000 Ipoh, Perak Darul Ridzuan, Malaysia.  
 Telephone : 605-2417844  
 Fax : 605-2535018

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**BRANCH REGISTRAR** M. P. Evans (UK) Ltd.,  
 3, Clanricarde Gardens,  
 Tunbridge Wells,  
 Kent TN1 1HQ, England.  
 Telephone : 01892-516333  
 Fax : 01892-518639

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**PRINCIPAL BANKERS** Malayan Banking Berhad  
 HSBC Bank Malaysia Berhad  
 Public Bank Berhad  
 RHB Bank Berhad  
 Citibank N.A.

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**STOCK EXCHANGE LISTINGS** Kuala Lumpur Stock Exchange  
 London Stock Exchange

## PROFILES OF DIRECTORS

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Dato' Lee Oi Hian

### **DATO' LEE OI HIAN**

Malaysian, aged 50, joined the Board on 1st February, 1985 and is the Chairman/CEO of KLK. He is also Chairman of Batu Kawan Berhad, a director of Malaysian Industrial Development Finance Berhad and Yule Catto & Co. plc, Chairman of the Malaysian Palm Oil Promotion Council and a member of the Malaysian Palm Oil Board.

He graduated from the University of Malaya with a Bachelor of Agricultural Science (Honours) degree and obtained his Masters in Business Administration from Harvard Business School, U.S.A.

Dato' Lee Hau Hian and Dato' Lee Soon Hian who are also Directors of KLK are his brothers. He is deemed connected to Batu Kawan Berhad, one of the substantial shareholders of KLK. He is deemed interested in transactions between the KLK Group and with the Batu Kawan Berhad group and Wan Hin Investments Sdn. Bhd. group carried out in the ordinary course of business. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30th September, 2001. In the last ten years, he has not been convicted of any offence.



Yeoh Chin Hin

### **YEOH CHIN HIN**

Malaysian, aged 81, Non-Independent Non-Executive Director, joined the Board on 6th July, 1973 as one of the founder Directors. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Board.

He is also a director of Batu Kawan Berhad. He previously served as a director of United Malayan Banking Corporation Bhd. for 20 years.

He is the father of Yeoh Eng Khoon, an Alternate Director in KLK. Save as disclosed he has no other family relationship with any other director/major shareholder of KLK. He is deemed interested in transactions between the KLK Group and Batu Kawan Berhad group carried out in the ordinary course of business by virtue of his common directorships in these companies. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30th September, 2001. In the last ten years, he has not been convicted of any offence.

### **CHARLES LETTS**

British, aged 83, Independent Non-Executive Director, joined the Board on 6th July, 1973 as one of the founder Directors.

After serving in the British Armed Forces during World War II and thereafter in the British Foreign Office, was a main Board Director of Jardine Matheson & Co. Ltd. for 15 years then set up his own business. Thereafter he held directorships and advisory posts in companies covering a wide range of industries in various countries including Batu Kawan Berhad. These interests included acquiring the various companies which eventually developed into KLK and its associates.

Originally served as Honorary Consul for Brazil in Singapore and now as Honorary Consul for Portugal in Singapore.

He has no family relationship with any other director/major shareholder of KLK. He is deemed interested in transactions between the KLK Group and Batu Kawan Berhad group carried out in the ordinary course of business by virtue of his common directorships in these companies. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30th September, 2001. In the past ten years, he has not been convicted of any offence.



Charles Letts

**YM TENGKU ROBERT HAMZAH**

Malaysian, aged 62, Independent Non-Executive Director, joined the Board on 1st May, 1976. He is a member of the Audit Committee of the Board.

He is also a director of Batu Kawan Berhad. An architect by profession, he is a partner of T.R. Hamzah & Yeang Sdn. Bhd. since 1976.

He has no family relationship with any other director/major shareholder of KLK. He is deemed interested in transactions between the KLK Group and Batu Kawan Berhad group carried out in the ordinary course of business by virtue of his common directorships in these companies. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30th September, 2001. In the past ten years, he has not been convicted of any offence.



YM Tengku Robert Hamzah

**R.M. ALIAS**

Malaysian, aged 69, Non-Independent Non-Executive Director, has served on the Board since 1st July, 1978. He is the Chairman of the Remuneration Committee of the Board.

He holds a Bachelor of Arts (Honours) degree from University of Malaya, Singapore, a Certificate of Public Administration from the Royal Institute of Public Administration, London and has attended the Advanced Management Program at Harvard Business School, U.S.A.

He held various posts while in the Malaysian Government Service and his last post prior to retirement in July, 2001 was the Group Chairman of Felda. He was previously the Chairman of Malaysia International Shipping Corporation Berhad. He is also a director of five (5) listed companies, namely Batu Kawan Berhad, Malayan Banking Berhad, Sime Darby Berhad, Yule Catto & Co. plc and Cerebos Pacific Limited.

He has no family relationship with any other director/major shareholder of KLK. He is deemed interested in transactions between the KLK Group and with the Sime Darby Bhd group, Batu Kawan Berhad group and Malayan Banking Berhad group carried out in the ordinary course of business by virtue of his common directorships in these companies. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30th September, 2001. In the past ten years, he has not been convicted of any offence.



R.M. Alias

**MAJ-GEN (R) DATO' DR. MAHMOOD B SULAIMAN**

Malaysian, aged 73, Independent Non-Executive Director, joined the Board on 1st July, 1978. He is a member of the Remuneration Committee of the Board.

He is a director of Keck Seng (Malaysia) Berhad and was previously serving in various senior positions in the Malaysian armed forces till his retirement in 1977 as General Officer Commanding-in-Chief.

He graduated from the Royal Military Academy, Sandhurst, U.K., the Defence Services Staff College, Wellington, India and the Joint Services Staff College, Latimer, U.K. He subsequently obtained his MBA and Doctorate in Business Administration from the Western Pacific University, U.S.A.

He has no family relationship with any other director/major shareholder of KLK and does not have any conflict of interest with KLK. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30th September, 2001. In the past ten years, he has not been convicted of any offence.



Maj-Gen (R) Dato' Dr. Mahmood B Sulaiman



Ong Beng Kee

### **ONG BENG KEE**

Malaysian, aged 58, Executive Director, joined the Board on 1st April, 1991. He is an Associate of the Incorporated Society of Planters and completed the Advanced Management Course from Templeton College, Oxford. He has been associated with the plantation industry since 1963, having risen from the ranks of Assistant, Manager, Planting Adviser and finally, Managing Director. He is currently Council Member of the Malaysian Palm Oil Association and also an Executive Committee Member of the Malayan Agricultural Producers Association.

He has no family relationship with any other director/major shareholder of KLK and does not have any conflict of interest with KLK. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30th September, 2001. In the past ten years, he has not been convicted of any offence.

### **DATO' LEE HAU HIAN**

Malaysian, aged 48, Non-Independent Non-Executive Director, joined the Board on 20th December, 1993. He is a member of the Nomination Committee of the Board.

Dato' Lee is the Managing Director of Batu Kawan Berhad and a director of HeiTech Padu Berhad and Asia Pacific Specialty Chemicals Ltd. He is the President of the Perak Chinese Maternity Association and the Treasurer of the Perak Entrepreneurial Skills & Development Centre. He was a former Chairman of the Malaysian International Chamber of Commerce & Industry, Ipoh Branch.

He graduated with a Bachelor of Science (Economics) degree from the London School of Economics and has a MBA degree from Stanford University, California.

He is the brother of Dato' Lee Oi Hian and Dato' Lee Soon Hian who are also Directors of KLK and is deemed a connected party to Batu Kawan Berhad, a substantial shareholder of KLK. He is deemed interested in transactions between the KLK Group and with the Batu Kawan Berhad group and Wan Hin Investments Sdn. Bhd. group carried out in the ordinary course of business. He attended all the four (4) Board of Directors' meetings held during the financial year ended 30th September, 2001. In the last ten years, he has not been convicted of any offence.



Dato' Lee Hau Hian

### **TAN SRI DATO' THONG YAW HONG**

Malaysian, aged 71, Non-Independent Non-Executive Director, joined the Board on 8th March, 1994. He is a member of the Nomination Committee of the Board.

Tan Sri Thong is the Chairman of Public Bank Berhad, Public Finance Berhad, Berjaya Land Berhad and Berjaya Sports Toto Bhd. He is also a director of Batu Kawan Berhad, Glenealy Plantations (Malaya) Bhd, Malaysia Airports Holding Bhd and Malaysia Mining Corporation Bhd. He had served in the Economic Planning Unit in the Prime Minister's Department since 1957 and became its Director-General from 1971 to 1978 and served as Secretary-General, Ministry of Finance from 1979 until his retirement in 1986. He was formerly the Chairman of the Employees Provident Fund Board. He currently serves as member on the Boards of Trustees of Program Pertukaran Fellowship Perdana Menteri Malaysia, Tun Razak Foundation and the Malaysian Institute of Economic Research. He is also a member of the Working Group of the Executive Director for the National Economic Action Council.

He graduated with a Bachelor of Arts (Honours) degree in Economics from University of Malaya and a Masters degree in Public Administration from Harvard University and has attended the Advanced Management Program from Harvard Business School. In June, 1998, he was appointed a Pro-Chancellor of Universiti Putra Malaysia.

He has no family relationship with any other director/major shareholder of KLK. He is deemed interested in transactions entered between the KLK Group and with the Public Bank Berhad group and Batu Kawan Berhad group by virtue of his common directorships in these companies. He has attended all the four (4) Board of Directors' meetings held during the financial year ended 30th September, 2001. In the past ten years, he has not been convicted of any offence.



Tan Sri Dato' Thong Yaw Hong

**DATO' LEE SOON HIAN**

Malaysian, aged 44, Executive Director, joined the Board on 17th February, 1998. He is also a director of Batu Kawan Berhad.

He brings along to KLK his wide experience in manufacturing and property development.

He is the brother of Dato' Lee Oi Hian and Dato' Lee Hau Hian who are also Directors of KLK and is deemed a connected party to Batu Kawan Berhad, a substantial shareholder of KLK. He is deemed interested in transactions between the KLK Group and with the Batu Kawan Berhad group and Wan Hin Investments Sdn. Bhd. group carried out in the ordinary course of business. He has attended all the four (4) Board of Directors' meetings held during the financial year ended 30th September, 2001. In the last ten years, he has not been convicted of any offence.



Dato' Lee Soon Hian

**DATUK ABDUL RAHMAN BIN MOHD RAMLI**

Malaysian, aged 62, Non-Independent Non-Executive Director, joined the Board on 11th September, 1999. He is a member of the Audit Committee of the Board. He is a member of the Institute of Chartered Accountants in Australia, the Malaysian Association of Certified Public Accountants (MACPA) and the Malaysian Institute of Accountants (MIA).

Datuk Abdul Rahman was General Manager of United Asian Bank and Group Managing Director of Pernas Sime Darby Berhad and Group Chief Executive of Golden Hope Plantations Berhad prior to joining the KLK Board. He is currently the Chairman of Johore Tenggara Oil Palm Berhad and a Board member of Malayan Banking Berhad, both of which are public listed companies and Chairman of Takaful Nasional Sdn. Bhd.

He is a nominee director of Permodalan Nasional Berhad, a major shareholder of KLK. Save as disclosed he has no other family relationship with any other director/major shareholder of KLK. He is deemed interested in transactions between the KLK Group and Malayan Banking Berhad group carried out in the ordinary course of business by virtue of his common directorships in these companies. He has attended all the four (4) Board of Directors' meetings held during the financial year ended 30th September, 2001. In the past ten years, he has not been convicted of any offence.



Datuk Abdul Rahman bin Mohd. Ramli

**YEOH ENG KHOON**

Malaysian, aged 54, an executive of the Company, was appointed as an Alternate Director to Yeoh Chin Hin on 20th December, 1993. He obtained a degree of Bachelor of Arts (Honours) in Economics (Business Administration) from the University of Malaya in 1968 and was called to the Bar of England and Wales at Lincoln's Inn in 1979.

He is also the alternate director in Batu Kawan Berhad. He has previous work experience in banking, manufacturing and the retail business.

He is the son of Yeoh Chin Hin who is a Director of KLK. Save as disclosed he has no other family relationship with any other director/major shareholder of KLK. He is deemed interested in transactions between the KLK Group and Batu Kawan Berhad group carried out in the ordinary course of business by virtue of his common directorships in these companies. As an Alternate Director, he only attends Board Meetings in the absence of Yeoh Chin Hin. In the past ten years, he has not been convicted of any offence.



Yeoh Eng Khooon

**5th OCTOBER, 2000**

KLK co-sponsored the "Malaysian-British Partnership for the 21st Century" which was held in London where the Prime Minister, YAB Dato' Seri Dr Mahathir Mohamad delivered the Keynote Address.



**22nd NOVEMBER, 2000**

Official Opening of the 45 tn/hr Lungmanis Palm Oil Mill in Lahad Datu, Sabah by the Chairman/CEO, Dato' Lee Oi Hian.



KLK's Tanjung Malim Palm Oil Mill, was awarded the "Anugerah Industri Sawit Malaysia 1999" for achieving more than 19% Oil Extraction Rate in the Wilayah Tengah region.



**28th NOVEMBER, 2000**

Announcement of the Group's 4th Quarter Results together with the final and special dividends for the year ended 30th September, 2000.

**29th DECEMBER, 2000**

The Group announced the incorporation of a new subsidiary, namely, Melfort Corporation Sdn Bhd (now known as Acc-Enhance Sdn Bhd) as a general trading company.

**21st FEBRUARY, 2001**

Announcement of the Group's 1st Quarter Results for the period ended 31st December, 2000.



The Company's 28th Annual General Meeting was held at its Corporate Head Office, Wisma Taiko, Ipoh.



Visit by Rob Ditchfield, President of Crabtree & Evelyn US and Canada to KLK's Head Office at Wisma Taiko, Ipoh.

**20th MARCH, 2001**

Payment of a final dividend of 9 sen per share and special dividend of 5 sen per share, less 28% income tax for the financial year ended 30th September, 2000.



**19th APRIL, 2001**

KLK's Director, Lee Soon Hian was conferred the Darjah Dato' Paduka Mahkota Perak (D.P.M.P.) by the Sultan of Perak Darul Ridzuan which carries the title Dato' on the auspicious occasion of His Royal Highness' 73rd Birthday.

**20th - 24th APRIL, 2001**

KLK participated in the "Minggu Saham Amanah Malaysia 2001" organised by Permodalan Nasional Berhad held in Kota Bharu, Kelantan.



**4th MAY, 2001**

Crabtree & Evelyn, Melbourne Central, was awarded the prestigious "Retailer 2001 Award", Australia.

**12th MAY, 2001**

KLK's Batu Lintang Estate was presented with the "Anugerah Ladang Bahagia" in conjunction with Labour Day 2001 by the Prime Minister, YAB Dato' Seri Dr Mahathir Mohamad.

**23rd MAY, 2001**

Announcement of the Group's 2nd Quarter Results together with the interim dividend for the year ending 30th September, 2001.

The Group announced the incorporation of a new subsidiary, namely, KLK (Mauritius) International Ltd in Mauritius as an investment holding company.

**6th JULY, 2001**

KLK's Tanjung Malim Palm Oil Mill was awarded the "Environmental Management Systems Approval Certificate - MS ISO 14001" with regards to safeguarding the environment.

**26th JULY, 2001**

Cayman Winds Memento Potpourri, a new range of Crabtree & Evelyn products, won the title "Gift of the Year 2001" in Fragranced Gifts organised by Giftware Association, United Kingdom.

**9th AUGUST, 2001**

Payment of an interim dividend of 6 sen per share, less 28% income tax for financial year ending 30th September, 2001.

**22nd AUGUST, 2001**

Announcement of the Group's 3rd Quarter Results for the period ended 30th June, 2001.

**5th SEPTEMBER, 2001**

The Group announced the incorporation of a new subsidiary, namely, KLK Assurance (Labuan) Limited in the Federal Territory of Labuan as an offshore captive insurance company.

KLK participated in the "Investors' Week 2001" organised by the Kuala Lumpur Stock Exchange held in Kuala Lumpur.

**17th SEPTEMBER, 2001**

Successful commissioning of the latex concentrate plant at Mandau Rubber Factory, Duri, Sumatra, Indonesia.

**21st SEPTEMBER, 2001**

Official Opening of the 45 tn/hr Pinang Palm Oil Mill in Semporna, Sabah by the Executive Director, Ong Beng Kee.





## PLANTATIONS

<b>Bornion Estate Sdn Bhd</b> 63% (Plantation)
<b>Fajar Palmkel Sdn Berhad</b> 100% (Kernel crushing)
<b>Gocoa Sdn Bhd</b> 100% (Plantation)
<b>Golden Peak Development Sdn Bhd</b> 100% (Plantation)
<b>Golden Sphere Sdn Bhd</b> 100% (Plantation)
<b>Golden Yield Sdn Bhd</b> 100% (Plantation)
<b>Kalumpang Estates Sdn Berhad</b> 100% (Plantation)
<b>KL-Kepong (Sabah) Sdn Bhd</b> 100% (Milling & refining of palm products)
<b>KL-Kepong Edible Oils Sdn Bhd</b> 100% (Refining of palm products)
<b>KL-Kepong Plantation Holdings Sdn Bhd</b> 100% (Investment holding)
<b>Gunong Pertanian Sdn Bhd</b> 100% (Plantation)
<b>Parit Perak Plantations Sdn Bhd</b> 100% (Plantation)
<b>Pinji Horticulture Sdn Bhd</b> 100% (Cultivation of ramie)
<b>P.T. ADEI Plantation &amp; Industry</b> 95% (Plantation)
<b>P.T. KLK Agriservindo</b> 100% (Management of plantations)
<b>P.T. Kreasijaya Adhikarya</b> 95% (Dormant)
<b>P.T. Steelindo Wahana Perkasa</b> 95% (Plantation)
<b>Sy Kho Trading Plantation Sdn Bhd</b> 100% (Plantation)
<b>Sunshine Plantation Sdn Bhd</b> 100% (Plantation)
<b>Kulumpang Development Corporation Sdn Berhad</b> 100% (Plantation)
<b>Ladang Finari Sdn Bhd</b> 100% (Plantation)
<b>Ladang Sumundu (Sabah) Sdn Berhad</b> 100% (Plantation)
<b>Leluasa Untung Sdn Bhd</b> 100% (Dormant)
<b>Masawit Plantation Sdn Bhd</b> 100% (Plantation)
<b>Richinstock Sawmill Sdn Bhd</b> 100% (Plantation)
<b>Sabah Cocoa Sdn Bhd</b> 70% (Plantation)
<b>Sabah Holdings Corporation Sdn Bhd</b> 70% (Investment holding)

## PROPERTIES

<b>KL-K Holiday Bungalows Sdn Berhad</b> 100% (Operating holiday bungalows)
<b>KL-Kepong Property Holdings Sdn Bhd</b> 100% (Investment holding)
<b>Betatechnic Sdn Bhd</b> 100% (Property development)
<b>Colville Holdings Sdn Bhd</b> 100% (Property development)
<b>KL-Kepong Complex Sdn Bhd</b> 100% (Property development)
<b>KL-Kepong Country Homes Sdn Bhd</b> 100% (Property development)
<b>KL-Kepong Property Development Sdn Bhd</b> 100% (Property development)
<b>KL-Kepong Property Management Sdn Bhd</b> 100% (Property management)
<b>Kompleks Tanjong Malim Sdn Bhd</b> 80% (Property development)
<b>Palermo Corporation Sdn Bhd</b> 100% (Property development)

<b>Selit Plantations (Sabah) Sdn Bhd</b> 100% (Plantation)
<b>Sri Kunak Plantation Sdn Berhad</b> 100% (Plantation)
<b>Susuki Sdn Bhd</b> 100% (Investment holding)
<b>Axe Why Zed Sdn Bhd</b> 100% (Plantation)
<b>Bandar Merchants Sdn Bhd</b> 100% (Plantation)
<b>Segar Usaha Sdn Bhd</b> 100% (Plantation)
<b>Syarikat Budibumi Sdn Bhd</b> 100% (Plantation)
<b>Syarikat Swee Keong (Sabah) Sdn Bhd</b> 100% (Plantation)
<b>Taiko Plantations Sdn Berhad</b> 100% (Management of plantations)
<b>The Kuala Pertang Syndicate Limited</b> 100% (Plantation)
<b>The Shanghai Kelantan Rubber Estates (1925) Limited</b> 100% (Plantation)
<b>K.H. Syndicate Ltd</b> 100% (Plantation)

**Uni-Agro Multi Plantations Sdn Bhd**  
51% (Plantation)

## MANUFACTURING

<b>KL-Kepong Industrial Holdings Sdn Bhd</b> 100% (Investment holding)
<b>B.K.B. Hevea Products Sdn Bhd</b> 100% (Manufacturing of parquet flooring products)
<b>B.K.B. Flooring Sdn Bhd</b> 100% (Marketing of parquet flooring products)
<b>KL-Kepong Cocoa Products Sdn Bhd</b> 100% (Manufacturing of cocoa products)
<b>KSP Manufacturing Sdn Bhd</b> 96% (Manufacturing of soap noodles)
<b>Masif Healthcare Products Sdn Bhd</b> 100% (Manufacturing of latex examination gloves)
<b>Masif Latex Products Sdn Bhd</b> 100% (Manufacturing of household latex gloves)
<b>Palmamide Sdn Bhd</b> 88% (Manufacturing of industrial amides)
<b>Palm-Oleo Sdn Bhd</b> 80% (Manufacturing of oleochemicals)
<b>Jasachem Sdn. Bhd.</b> 100% (Investment holding)
<b>KLK Overseas Investments Ltd</b> 100% (Investment holding)
<b>Standard Soap Company Limited</b> 100% (Manufacturing of toiletries)
<b>Beauty Basics Limited</b> 100% (Dormant)
<b>De Muth Limited</b> 100% (Dormant)
<b>KLK Cosmetics Limited</b> 100% (Dormant)
<b>Personality Beauty Products Limited</b> 100% (Dormant)
<b>Premier Soap Company Limited</b> 100% (Dormant)
<b>Zenithpeak Limited</b> 100% (Dormant)
<b>Voray Holdings Limited</b> 55% (Investment holding)
<b>Hubei Zhong Chang Vegetable Oil Company Limited*</b> 60% (Edible oil refining)
<b>Tianjin Voray Bulking Installation Co. Ltd**</b> 50.1% (Bulking installation)

\* KLK Group effective shareholding 33%

\*\* KLK Group effective shareholding 37%

## RETAILING

### CE Holdings Limited

100% (Investment holding)

### Crabtree & Evelyn Holdings Limited

100% (Investment holding)

### Crabtree & Evelyn Australia Pty Limited

100% (Distribution of toiletries)

### Crabtree & Evelyn Canada, Inc

100% (Retailing & distribution of toiletries)

### Crabtree & Evelyn Ltd

100% (Retailing & distribution of toiletries)

### Crabtree & Evelyn Europe B.V.

100% (Investment holding)

### Crabtree & Evelyn Deutschland GmbH

100% (Retailing & distribution of toiletries)

### Crabtree & Evelyn Austria GmbH

100% (Retailing of toiletries)

### Crabtree & Evelyn Espana S.A.

100% (Distribution of toiletries)

### Crabtree & Evelyn Industrie S.A.

100% (Retailing, distribution & manufacturing of toiletries)

### Crabtree & Evelyn (Overseas) Limited

100% (Distribution of toiletries)

### Crabtree & Evelyn London S.A.

100% (Retailing of toiletries)

### Crabtree & Evelyn London Limited

100% (Dormant)

### Scarborough & Co Limited

100% (Dormant)

### Crabtree & Evelyn (Hong Kong) Limited

100% (Retailing & distribution of toiletries)

### Crabtree & Evelyn (Malaysia) Sdn Bhd

100% (Retailing of toiletries)

### Crabtree & Evelyn Philippines, Inc

70% (Retailing & distribution of toiletries)

### Crabtree & Evelyn (Singapore) Pte Ltd

100% (Retailing & distribution of toiletries)

### Ecemex S.A. DE C.V.

62% (Retailing & distribution of toiletries)

### Quillspur Ltd

100% (Investment holding)

### Premier Procurement Limited

100% (Investment holding)

### Acc-Enhance Sdn. Bhd.

(formerly known as Melfort Corporation Sdn. Bhd.)

100% (Sourcing of accessories)

### Crabtree & Evelyn Trading Limited

100% (Manufacturing of toiletries)

### Crabtree & Evelyn Shop Limited

100% (Manufacturing of jams)

### Windham Toiletries Limited

100% (Distribution of toiletries)

### Windham Manufacturing Limited

100% (Manufacturing of toiletries)

## INVESTMENT HOLDING & OTHERS

### Kepong Plantations Berhad

100% (In members' voluntary liquidation)

### KL-Kepong Equity Holdings Sdn Bhd

100% (Investment holding)

### Ablington Holdings Sdn Bhd

100% (Investment holding)

### KL-Kepong International Ltd

100% (Investment holding)

### Quarry Lane Sdn Bhd

100% (Investment holding)

### KLK Assurance (Labuan) Limited

100% (Dormant)

### KLK Farms Pty Limited

100% (Cereal & sheep farming)

### KLK (Mauritius) International Ltd.

100% (Dormant)

### KLKI Holdings Limited

100% (Investment holding)

### Kuala Lumpur-Kepong Investments Limited

100% (Investment holding)

### Ortona Enterprise Sdn Bhd

100% (Money lending)

### Rubber Fibreboards Sdn Bhd

100% (Dormant)

## ASSOCIATED COMPANIES

### Applied Agricultural Research Sdn Bhd

50% (Agronomic service & research)

### Beijing King Voray Edible Oil Co. Ltd \*\*\*

25% (Edible oil refining)

### Clarity Crest Sdn Bhd

30% (Property investment)

### Esterol Sdn Bhd

50% (Manufacturing of food esters)

### Key Century Sdn Bhd

30% (Investment holding)

### Kumpulan Sierramas (M) Sdn Bhd

33% (Property development)

### Lembah Beringin Sdn Bhd

30% (Property development)

### Malaysia Pakistan Venture Sdn Bhd

25% (Investment holding)

### Pearl River Tyre (Holdings) Limited

31 % (Investment holding & manufacturing of tyres)

### Tawau Bulking Installation Sdn Bhd

49% (Bulking installation)

### Yule Catto & Co. plc

22% (Manufacturing & distribution of speciality & fine chemicals)

\*\*\* KLK Group effective shareholding 14%

# CORPORATE STRUCTURE

C O R P O R A T E S T R U C T U R E

# CHAIRMAN'S STATEMENT

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**Dato' Lee Oi Hian**  
Chairman / CEO

On behalf of the Board of Directors of the KLK Group, I am pleased to present the Annual Report for the financial year ended 30th September, 2001.

The year under review turned out to be a particularly challenging one, especially for the main revenue earner plantations sector. The much-hoped for recovery of palm oil price never really materialised and the intermittent price spurts proved to be unsustainable when faced with the continuing onslaught of bearish factors affecting the trade. As a result, both the Group's turnover and profit were seriously affected.

Group turnover declined by 8.2% to RM2.0 billion, whilst profit before tax fell by a much wider margin of 63.3% to RM106.6 million. The after-tax profit fell by 69.7% to RM61.2 million, with the result that earnings per share was reduced to 8.6 sen. In consideration of the cyclical nature of the business, your Board deemed it appropriate to recommend a final dividend of 9 sen per share less tax in addition to the interim dividend of 6 sen per share declared earlier, to make up a total payment of 15 sen per share less tax for the full year. The total sum would add up to RM76.7 million.

The fall in plantation profit was rather steep, down to RM44.4 million, a level not seen for many years past, and due primarily to the very depressed prices of palm oil and its related products. On a brighter note is the continuation of the FFB yield uptrend with double-digit percentage gains annually, and which trend will likely be maintained for the next few years, as a result of the sizeable area of palm renewals in the Peninsular estates and those of the new plantings in our Indonesian properties. This will stand us in good stead on the next price uptrend.

Encouraging results have been obtained from our first plantation venture in Indonesia. Our Belitung Complex, South Sumatra, comprising some 14,000 hectares have virtually fully matured and initial yields and oil extraction rates are up to expectations. These have given us the added confidence especially when viewed in the longer term perspective, to press ahead with the completion of the programmes at our second development complex at Pekanbaru, Riau, despite the various hiccups experienced at the local level.

Our resource based manufacturing sector produced an outstanding set of results with our oleochemicals businesses benefiting from the lower raw materials costs, marketing strategy and capacity utilisation. The profit of RM99.8 million from this group alone is unprecedented and greatly exceeds that of the core plantation sector. Further investments in debottlenecking capacities and the addition of a new fatty acid plant involving RM100 million appear well justified.

On the international front, I am pleased to report the turnaround in Crabtree & Evelyn to a profit of £1.6 million, arising from the restructuring undertaken. Yule Catto & Co. plc did not perform so well this year but with the realignment of their business to focus on speciality chemicals, profits are expected to revert to a growth path. Profits of this year have been drastically reduced by the abnormal mainly one-off exceptional charges of RM76.0 million, of which RM60.6 million arise from the Yule Catto restructuring exercise.

During the year under review, capital expenditure remains very high at RM153 million with the further build-up of our assets in the plantations and downstream activities.

### PROSPECTS

Palm oil price has recovered to a certain extent and at the time of writing hovers around RM1,130 per tonne, on the expectation of a seasonal declining palm oil production and projected stock decline. The prospect of the price sustaining at this level appears bright in view of the continuing strong demand for edible oils, People's Republic of China's entry into WTO and the expected smaller increase in edible oils production.

In the aftermath of the World Trade Centre incident and the deepening global recessionary trend, the future outlook has become uncertain and the economy more fragile. Nevertheless, our Group is in a net cash position and the management is resolved to further improve our competitive edge, through our focused strategy of quality expansion in plantations and downstream activities complemented by enhancement of our marketing efforts worldwide.

### APPRECIATION

On behalf of the Board of Directors I would like to record our sincere appreciation to all our management staff and employees who have worked hard and loyally, and to all shareholders for their continued support during these difficult times.

**DATO' LEE OI HIAN**

Chairman/CEO

10th December, 2001

# Plantation Activities



Turbomiser control of leaf-eating caterpillars



Nurturing a new generation of AAR seedlings



Harvesting ripe bunches



Ripe FFB



Emphasis on field quality



Loose fruits collection



Inspection of the newly commissioned Pinang Palm Oil Mill (Sabah)



Oil palms planted on former cocoa land (Sabah)



Newly planted oil palm at Kebun Nilo, Indonesia

## PLANTATIONS

For the year under review the palm oil trade continued to be plagued by the same bearish factors carried over from last year, viz. persistent large stock overhang, high discriminating import duties against palm oil and competitive pricings of the Indonesian exports. World production of oil seeds remains buoyant with soya beans showing strong growth aided by the usage of genetically modified planting materials. The result was that palm oil prices together with the other competitive oils remained anaemic. The Government's schemes, such as burning of crude palm oil as biofuel in power generation plants and hastening the replacement of old palms past their prime, did provide some respite to the rapidly declining price trend. Nevertheless, for the year, under these difficult conditions, the best that the Group could achieve for its sales of CPO was an average price of RM824 per tonne. This compares rather poorly with last year's figure of RM1,131 per tonne.

As a consequence of such an adverse backdrop, profit from the Plantations Division took a severe hit, declining by a hefty RM82.7 million or 65% to RM44.4 million when compared with last year, with mitigation provided only by the 15% production surge in FFB and the benefits of the cost-cutting measures undertaken. Another huge dent in the profit followed the substantial sum of RM57.8 million incurred in the replanting and upkeep of the disproportionately high percentage of immature areas, principally that of oil palms, made necessary by the aggressive policy to replant not only the 1970's oil palms but also to convert those rubber areas which had become uneconomic. Collectively, the immature oil palms add up to 34,000 ha or 30% of the total oil palms composition. Viewed from the positive side, this large base of young palms will provide a strong impetus for future production growth.

This continuing upward trend is exemplified by this year's quantum jump of 200,000 tonnes FFB or 15% to reach another high of 1.6 million tonnes. Sabah's production increased by 17% to 792,300 tonnes, making it the leading region in the Group, having overtaken comfortably the Peninsular region production of 633,300 tonnes. Particularly encouraging is the more than doubled crop harvested from our Indonesian estates of 178,600 tonnes, the bulk of which came from our Belitung Complex, Indonesia where virtually the entire area of 14,000 hectares has been brought into harvesting. However, the substantial increase in crop from these young areas has the effect of diluting the Group's average FFB yield per hectare, reducing it slightly to 20.95 tonnes, but on the other hand that factor helped to raise the oil extraction rate (OER) to 19.9%.

Notwithstanding the above, profit per mature hectare for oil palms fell sharply from RM2,483 to RM1,001 due to the equally sharp fall in the commodity price and the higher start-up costs for the new areas. Past indications are that the situation will turn around quickly on a price rebound given the dual stimuli of higher yield and lower cost projections from the Sabah and Indonesian plantations.

At our ADEI Complex, Riau, Sumatra, some 1,900 hectares of oil palms from our first-phase plantings have been brought into harvesting with incremental hectareage expected yearly, considering that to-date close to 15,000 hectares have been planted or are in course of planting. Further consolidation work is in progress and pending the finalisation of the land swap involving some 4,000 hectares of reserved unplanted land, the entire Complex is expected to finish its planting programme within the next two years. In the meantime, work on the two 45-tonne per hour mills is progressing according to schedule and due for commissioning in December 2002 and March 2003 respectively.

# Human Resources We Care...



Close teacher-pupil relationship



Free medical facilities



25 years' service award to Manickam



Flower-growing at housing quarters



Computer refresher course for estate staff



Going to school



IT training at Head Office



Merdeka Family Day Celebrations in Negeri Sembilan



Long service recipients with the Chairman/CEO



KDC sports carnival

Following closely behind on the commissioning of a new 45-tonne per hour mill in our GSSB Complex (Sabah) last year another new mill of similar capacity and design was added to the KDC Complex (Sabah). These state-of-the-art mills are proving their worth in terms of efficiency of oil extraction, low labour utilisation and production costs, and that being so the same designs are replicated in the new mills under construction in ADEI.

Arising from the heavy investment in new mills and new plantings, especially in our Indonesian properties the Group incurred a total capital expenditure of RM77.2 million for the year sourced from internal funding.

Rubber production continued with its declining trend in line with the phased programme of replacement with oil palms in the Peninsular estates. In this respect, another 1,169 hectares were replaced, leaving a total of 17,128 hectares of rubber which when added to the 5,028 hectares in our ADEI Complex, Indonesia, gives a total of 22,156 hectares or 16% of the Group's total planted area. For the year, production amounted to 23,646 tonnes, equivalent to 1,381 kg per hectare, being diluted to an extent by the lower yield in ADEI, where rubber has yet to reach its peak performance. Profit per mature hectare at RM321 remained unattractive and compared poorly to those from the oil palm area. However, with the newly commissioned latex concentrate plant at ADEI, to supplement the existing crumb rubber factory the premium grades should be able to fetch more remunerative prices.

## MANUFACTURING

Continuing from the previous year's excellent performance, profits from the Group's Manufacturing Division improved further by 23.1% to RM99.8 million. The better performance was achieved on the back of lower turnover of RM805 million. For the year under review, all the companies within our resource based industries remained profitable except for the examination glove operation and our joint venture tyre business in China.

Our Oleochemicals Group benefited tremendously from the very depressed raw materials prices of palm stearin, crude palm oil and palm kernel oil. Together with the high capacity utilisation and earlier successful debottlenecking exercises done, the environment was ideal for our oleochemicals businesses. **Palm-Oleo** is currently embarking on a RM100 million third phase fatty acid plant expansion thus being targeted for August 2002 commissioning. However, with many new players entering the industry, we do foresee fatty acid to be a competitive commodity chemical. Glycerine prices affected by the numerous biodiesel plants are already at a depressed level. Nevertheless, Palm-Oleo will be focussing on our technological advantage, economic scale of operation, our well established marketing network and product quality in this competitive arena.

Our oleochemicals derivatives business also assisted Palm-Oleo, as it collectively consumes some 36% of Palm-Oleo production. Both the production plants for EBS, the plastic additive and for soap noodles ran at record levels, exceeding again the designed capacities. Continued concern over the BSE issue which also hastened the conversion from tallow to vegetable based soaps, contributed to our excellent performance. **Esterol**, our joint venture with ICI Quest benefited from the introduction of new ranges of food emulsifiers and already, there is a capacity constraint. On-going debottlenecking exercise will increase the plant capacity by 25% by March 2002.



State-of-the art equipment for examination gloves



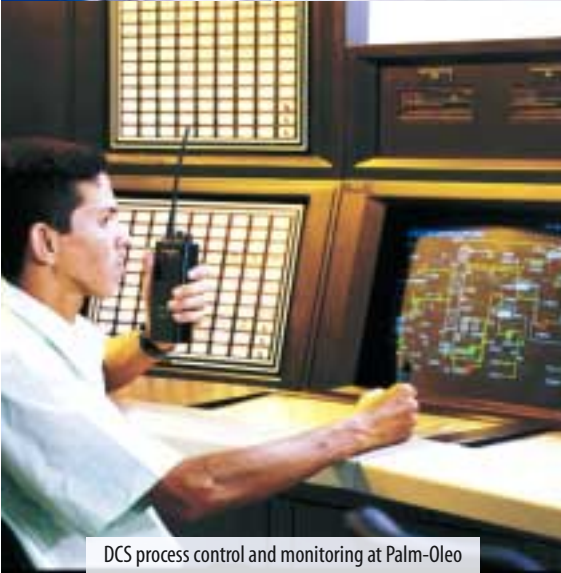
Cocoa products



Wrapping of parquet boards for export



Loading timber for pressure treatment



DCS process control and monitoring at Palm-Oleo



In-process monitoring



Bulk loading of soap noodles for export

# Manufacturing Activities



Oleochemical Complex



**KL-Kepong Cocoa Products** continued to perform well with improvements in its operating capacity and efficiency helping the company to register a pre-tax profit of RM9.1 million for the financial year. The implementation of an on-going self improvement programme has enabled the plant to operate at a higher throughput resulting in lower unit processing cost. To counter the threat of reduction in profit margins due to decline in product prices and lower worldwide consumption, the company will strive to improve further on its operating efficiency and minimisation of waste. The company was awarded the Hazard Analysis and Critical Control Point (“HACCP”) certification from the Ministry of Health, Malaysia in August 2001. Such certification has given the company another competitive edge as many international authorities such as the FDA, USDA, CODEX, Government Agencies and leading food manufacturers are making HACCP mandatory for food safety recognition.

Our two operations in the People’s Republic of China, remained profitable albeit with reduced margins due to keen competition and reduced import quotas. With new competitors coming onto the scene in early 2002, we foresee keener competition for our bulking business under the **Tianjin Bulking Installation**.

**Standard Soap** in UK has maintained its turnover, but with reduced profitability at almost break even level. In order to improve on its production efficiency, the company has recently reorganised its major soap production unit.

**BKB Hevea Products** posted a profit before tax of RM5.28 million for the financial year which was 27.7% lower than the profit a year ago. The outlook for the global economy remains bearish and we expect a very challenging year ahead. Margins are expected to be tight due to price pressure mainly from cheaper products coming out from Eastern Europe and China. The introduction of the Euro in January 2002 will most likely lead to more transparent pricing throughout the Euro zone as consumers will then be able to compare prices more easily. At the operations level, various measures on cost cutting and productivity enhancement are carried out to reduce our operating costs. The company achieved its MS ISO 9002 status in 1999 and is in the process of upgrading its status to the 2000 series by mid 2002.

**Masif Healthcare Products** incurred further losses despite higher sales volume. The reasons for the higher loss are the continuing drop in the selling price of latex examination gloves worldwide in the face of oversupply. In response to rapidly declining market demand for beadless glove, Masif closed its high speed line. Our production for beaded glove is enhanced with the addition of another production line. Despite the recent Anthrax scare, the oversupply situation will likely to persist with some key players expanding their production capacities to realise further cost reduction in response to low selling prices. The household glove operation in **Masif Latex Products**, despite having made a small profit for the year, will face stiffer competition from lower priced gloves manufactured in Sri Lanka and China.

Our 30.5% associate, **Pearl River Tyre (Holdings) Limited**, Australia, which invests in the manufacture of bias tyres in China suffered losses due to poor demand and difficult market conditions. However, in recent months the company has managed to turnaround after a major exercise involving manpower down sizing, strict credit control and aggressive marketing. However, bias tyres are disadvantaged by a 10% consumption tax from which radial tyres are exempt.



New storefront design, St Louis, Missouri, USA



Yule Catto's diverse pharmaceutical range



High precision test equipment to ensure quality and reliability



Delivery of high quality dispersion



State-of-the-art computer process control at Stallingborough, UK

## RETAILING

**Crabtree & Evelyn** has achieved an encouraging turnaround to a profit before tax of £1.6 million versus a loss of £6.3 million last year. Turnover increased 11.9% to £99.6 million. Significant improvements were achieved in the major operating regions, USA, UK, Canada, Australia and the Far East. Restructuring measures, through reduction of costs, reorganisation, better value spending coupled with higher sales were the reasons for this turnaround.

Two new lines, Cayman Winds and Azzemour were well received. These lines are the first fragrances in our exotics range, inspired by the exciting regions of district culture, heritage and tradition. In addition, the company's best selling product, Gardeners Hand Therapy, was extended into four additional fragrances.

There has been an increase in the number of Crabtree & Evelyn retail stores worldwide and plans are in place to renovate the existing older stores in our major market, the US, to bring them to current design standards for brand recognition and to improve on the current sales. In line with this, advertising campaigns have been instituted for both the US and UK markets.

There remains great opportunity to substantially increase turnover and brand recognition in all our markets.

## OTHER INVESTMENT

**Yule Catto & Co. plc**, our major associate, was impacted by a significant rise in raw material costs plus interruption of supply of a key chemical to its fragrance company in Holland. A decisive restructuring was initiated across the group to eliminate underperforming and loss making activities and provide greater focus on growth opportunities in speciality chemicals. All of this resulted in a lower contribution to operating profit of RM34 million, down 43.7% on the previous year.

Supplies have been re-established to the Dutch operation and raw material prices have fallen sharply, providing a much brighter outlook. In August, Yule Catto gained full control of the Harlow Chemical Company by acquiring the 50% of the equity owned by Clariant, enabling the creation of a world class water-based polymer business. The construction of a RM100 million synthetic latex plant in Kluang, Johor is at an advanced stage and will provide, for the first time, local supplies of nitrile latex for the S.E. Asian glove dipping industry.

10th December, 2001.

# STATEMENT ON CORPORATE GOVERNANCE

The Malaysian Code on Corporate Governance (“the Code”) formalised in March 2000 and made mandatory with effect from June, 2001 for public-listed companies to follow, marks a milestone in the corporate scene in the country. The Code sets out the principles and best practices for adoption in an effort to raise standards of corporate governance in the country.

## BOARD OF DIRECTORS

An effective Board sets the policies which will enable them to lead and guide the Company to achieve its goals. The Board currently has eleven substantive members and one Alternate Director. Of the 11, there are three Executive Directors and the balance are Non-Executives. The Independent Non-Executive Directors are Charles Letts, YM Tengku Robert Hamzah and Maj-Gen (R) Dato’ Dr. Mahmood B Sulaiman. The independent status of certain Directors will be known once the Kuala Lumpur Stock Exchange has clarified on their status. Together, the Directors bring a diverse range of business acumen and financial experience needed to lead a large multinational company. A brief profile of each Director is presented on pages 6 to 9.

For the financial year ended 30th September, 2001, the Board held 4 meetings. Details of the meetings are as follows:-

Date of Board Meeting	Hour	Place
28th November, 2000	9.00 a.m.	Subang, Selangor
21st February, 2001	9.00 a.m.	Ipoh, Perak
16th May, 2001	10.00 a.m.	Subang, Selangor
22nd August, 2001	10.00 a.m.	Ipoh, Perak

Directors’ attendance to these meetings can be found in the Profiles of Directors on pages 6 to 9.

At these meetings, strategies and performance of the Company are being reviewed and evaluated in light of any changing circumstances whether economic, social or political. Although all the Directors have an equal responsibility for the Company’s operations, the role of the Independent Non-Executive Directors is important to ensure that strategies formulated or major transactions proposed by management are amply discussed taking into account the interests not only of the Group but also the shareholders, employees, customers, suppliers, environment and community at large.

In discharging its fiduciary duty, the Board is assisted by the following Board Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. The terms of reference of each Committee have been approved by the Board and comply with the recommendations of the Code.

## AUDIT COMMITTEE

The composition and terms of reference of this Committee together with its report are presented on pages 29 to 30 of the Annual Report.

## NOMINATION COMMITTEE

The Committee, formed on 16th May, 2001, is responsible for recommending the right candidate with the necessary skill, experience and competencies to be filled in the Board. The Committee is also responsible for assessing the performance of each existing Director. The members of the Nomination Committee are as follows:-

Yeoh Chin Hin (*Chairman*)  
 Dato’ Lee Hau Hian  
 Tan Sri Dato’ Thong Yaw Hong

## REMUNERATION COMMITTEE

This Committee was set up in March, 1994 before the introduction of the Code. It is responsible for developing the remuneration policy for the plantation sector and of late also the manufacturing sector of the Group. The Committee’s remuneration package for senior management and that for the Executive Directors are subject to the approval of the Board and in the case of Directors’ fees including Board Committees’ fees, the approval of the shareholders. The members of the Remuneration Committee, all of whom are Non-Executive Directors, are as follows:-

R.M. Alias (*Chairman*)  
 Yeoh Chin Hin  
 Maj-Gen (R) Dato’ Dr. Mahmood B Sulaiman

**DIRECTORS' REMUNERATION**

The Company pays its Directors annual fees which was last revised in 1999 and approved annually by the shareholders. In addition, members to Board Committees are paid a meeting allowance for each meeting they attend.

The appropriate Directors' remuneration paid or payable or otherwise made available from the Company and its subsidiary companies during the financial year are as follows:-

(a) Aggregate remuneration of Directors categorised into appropriate components:-

	<b>Fees</b>	<b>Salaries</b>	<b>Bonus</b>	<b>Benefits- In-Kind</b>	<b>Other Emoluments</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Executive Directors	185	1,147	307	68	797	2,504
Non-Executive Directors	506	-	-	-	5	511

(b) The number of Directors of the Company whose total remuneration falls within the following bands:-

<b>Range of remuneration</b>	<b>Number of Directors</b>	
	<b>Executive</b>	<b>Non-Executive</b>
RM50,001 to RM100,000	-	8
RM250,001 to RM300,000	1	-
RM600,001 to RM650,000	1	-
RM700,001 to RM750,000	1	-
RM900,001 to RM950,000	1	-

There are no contracts of service between any Director and the Company or its subsidiaries having an unexpired term of more than one year, except for the Chairman/CEO and an Executive Director, Ong Beng Kee. The contracts with the Chairman/CEO and the Executive Director, Ong Beng Kee will expire on 19th December, 2003 and 30th September, 2003 respectively.

**RE-ELECTION OF DIRECTORS**

In accordance with the Company's Articles of Association, all newly appointed Directors are subject to re-election by the shareholders at the first Annual General Meeting after their appointments. No new appointment was made for the year ended 30th September, 2001.

In accordance with the Articles of Association, one third of the existing Directors are required to retire by rotation at the Annual General Meeting held annually. Directors due to retire by rotation at the forthcoming Annual General Meeting are shown on page 2 of the Notice of Meeting (Ordinary Resolutions 3 and 4).

Directors over seventy years old are required to submit themselves for re-appointment annually in accordance to Section 129(6), Companies Act, 1965. Directors seeking re-appointment under this Section at the forthcoming Annual General Meeting are shown on page 2 of the Notice Of Meeting (Ordinary Resolutions 5, 6, 7 and 8).

**SUPPLY OF INFORMATION TO BOARD MEMBERS**

Board Meetings are structured with a pre-set agenda. Board papers for the Agenda are circulated to Directors well before the meeting date to give Directors time to deliberate on the issues to be raised at the meeting. Monthly reports on the financial performance of the Company and Group are also circulated to the Directors for their views and comments.

At other times, Directors have direct access to the Senior Management and the services of the Company Secretaries. Directors especially newly appointed ones, are encouraged to visit the Group's operating centres to familiarise themselves with the operations of the Group.

Todate, all the Directors have attended and completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia (RIIAM), an affiliate company of Kuala Lumpur Stock Exchange.

**RELATIONS WITH SHAREHOLDERS AND INVESTORS**

The Board encourages shareholders' active participation at the Company's Annual General Meeting and endeavours to ensure all Board Members are in attendance. The Auditors are also present in the Company's Annual General Meeting.

In addition, the Company makes various announcements through the Stock Exchanges, in particular the timely release of the quarterly results within two months from the close of a particular quarter. Summaries of the interim and the full year's results are advertised in the local newspapers and copies of the full announcement are supplied to the shareholders and members of public upon request. Members of the public can also obtain the full financial results and the Company's announcements from the KLSE website.

The Board has appointed R.M. Alias as the Senior Non-Executive Director to whom shareholders can address their concerns. At all times, shareholders may contact the Company Secretaries for information.

Various dialogues/presentations are held periodically with investors and analysts. For the financial year ended 30th September, 2001, the Company also participated in the Investors Week organised by KLSE and the Minggu Saham Amanah Malaysia organised by Permodalan Nasional Berhad where potential investors and members of the public can obtain information on the Company's business and performance.

**FINANCIAL REPORTING**

The Board takes responsibility for presenting a balanced and understandable assessment of the Group's operations and prospects each time it releases its quarterly and annual financial statements to shareholders. The Audit Committee reviews the information to be disclosed to ensure its accuracy and adequacy.

**INTERNAL CONTROLS**

The Directors recognise their ultimate responsibility for the Group's system of internal controls and the need to review its effectiveness regularly in order to safeguard the Group's assets and therefore shareholders' investments in the Group. This system, by its nature, can only provide reasonable but not absolute assurance against misstatement, frauds or loss.

At this juncture, the Board is of the view that the current system of internal controls in place throughout the Group is sufficient to safeguard the Group's interest.

The Board and management are currently undertaking a formal approach towards risk management and working towards complying with the guidance issued by the relevant authorities.

**RELATIONSHIP WITH THE AUDITORS**

The role of the Audit Committee in relation to the external auditors is spelt out on pages 29 to 30.

**COMPLIANCE WITH THE CODE**

Save as disclosed below, the Group has substantially complied with the Principles and Best Practices of the Code:-

- (a) The composition of the Audit Committee and the Nomination Committee may have to be restructured once the KLSE has clarified the independent status of certain Directors.
- (b) The Board is mindful of the dual roles held by the Chairman/CEO but is of the view that there are sufficient independent-minded Directors on the Board with wide boardroom experience to provide the necessary check and balance. Besides, the Board has also developed over the years a clearly defined framework including the formation of various Board Committees to discuss and decide on policy matters and related issues on a regular basis. The Chairman/CEO as a rule abstains from all deliberations and voting on matters which he is directly or deemed interested. All related party transactions involving him are dealt with in accordance with the KLSE Listing Requirements.
- (c) Although the Group has in place an effective internal control system, steps are being taken to formalise the existing process in which risks are being identified, assessed and reviewed so that they will be embedded into the Group's business.

**DIRECTORS' RESPONSIBILITY STATEMENT**

In respect of the preparation of the audited financial statements, the Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and their results and cash flows for that year. In preparing the financial statements for the financial year ended 30th September, 2001, the Directors have:-

- used appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept and which disclose with reasonable accuracy the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the Companies Act, 1965. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company, to prevent and detect fraud and other irregularities.

13th December, 2001

ENVIRONMENTAL POLICY

# ENVIRONMENTAL POLICY

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We are committed to keep our environment clean, safe and healthy.

We will continue to promote greater environmental awareness in our daily activities.

Preservation of the environment is the responsibility of everybody in the Company.

QUALITY POLICY

# QUALITY POLICY

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Our commitment is towards quality at a consistently high level.

We emphasise on quality of products, service and competitive pricing to meet consumers' requirement.

We will remain innovative and adopt new technologies to cater for changing needs.

Quality improvement is the responsibility of every employee.

<b>MEMBERS</b>	Yeoh Chin Hin - Chairman <i>(Non-Independent Non-Executive Director)</i>
	YM Tengku Robert Hamzah <i>(Independent Non-Executive Director)</i>
	Datuk Abdul Rahman bin Mohd. Ramli <i>(Non-Independent Non-Executive Director and MIA Member)</i>

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<b>SECRETARIES</b>	J. C. Lim Fan Chee Kum
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<b>TERMS OF REFERENCE</b>	<p>The Audit Committee was established in 1993.</p> <p>The establishment of the Audit Committee will ensure a more effective corporate governance especially in relation to the internal and external audit functions within the Group. The terms of reference of the Audit Committee are as follows:-</p> <ul style="list-style-type: none"><li>(a) To consider and recommend the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;</li><li>(b) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination when more than one audit firm is involved;</li><li>(c) To review the quarterly and year-end financial statements of the Company and Group, focusing particularly on:<ul style="list-style-type: none"><li>- Any changes in accounting policies and practices;</li><li>- Significant adjustments arising from the audit;</li><li>- The going concern assumption;</li><li>- Compliance with accounting standards and other legal requirements.</li></ul></li><li>(d) To discuss problems and reservations arising from the final audit, and any matter the auditors may wish to discuss (in the absence of management where necessary);</li><li>(e) To review the external auditors' management letter and management's response;</li><li>(f) In relation to the internal audit function:<ul style="list-style-type: none"><li>- review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;</li><li>- review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;</li><li>- review any appraisal or assessment of the performance of members of the internal audit function;</li><li>- approve any appointment or termination of senior staff members of the internal audit function;</li><li>- inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.</li></ul></li></ul>
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- (g) To consider any related party transactions that may arise within the Company or Group;
- (h) To consider the major findings of internal investigations and management's response;
- (i) To consider other topics as defined by the Board.

**INTERNAL AUDIT FUNCTION**

The function of the Internal Audit Department is independent of the activities carried out by the various operating units within the Group. The Internal Audit Department undertakes the internal audit functions of reviewing the operating units' compliance with internal control procedures; ascertaining that the Company's and Group's assets are safeguarded and accounted for and carrying out investigations and special reviews from time to time as requested by the Management. Audit reports issued to the respective operating units incorporating the findings and recommendations on the systems and control weaknesses noted in the course of the audit and the Management's response thereto are extended to the Audit Committee to appraise and review.

**MEETINGS**

During the financial year ended 30th September, 2001, the Audit Committee held five meetings as scheduled to conduct and discharge its functions in accordance with the Terms of Reference mentioned in the previous page. All members of the Audit Committee were present during these meetings.

**ACTIVITIES**

The following activities were carried out by the Audit Committee during the year under review:-

- (a) Reviewed the quarterly financial statements and Annual Report of the Group prior to presentation for the Board's approval.
- (b) Reviewed the related party transactions that had arisen within the Company or the Group.
- (c) Considered the appointment of external auditors and their request for increase in audit fees.
- (d) Reviewed with the external auditors their audit plan prior to commencement of audit.
- (e) Discussed and reviewed the Group's financial year end statements with the external auditors including issues and findings noted in the course of the audit of the Group Financial Statements.
- (f) Reviewed and discussed with the external auditors their evaluation of the system of internal controls of the Group.
- (g) Reviewed and discussed the external auditors' management letter to the respective companies of the Group containing the major findings during the course of their year end audit and the management's response.
- (h) Reviewed and appraised the audit reports submitted by the Internal Auditors. The audit reports covered all business sectors of the Group incorporating the audit findings and recommendations on the systems and controls weaknesses noted during the course of the audit.

The Committee also appraised the adequacy of actions and remedial measures taken by the Management in resolving the audit issues reported and recommended further improvement measures.

- (i) Reviewed the shift in recent audit focus from compliance based to the risk based approach. In this context, internal audit was required to assess the effectiveness of the existing internal control system in anticipation of potential risks and consider a new audit approach thereon.