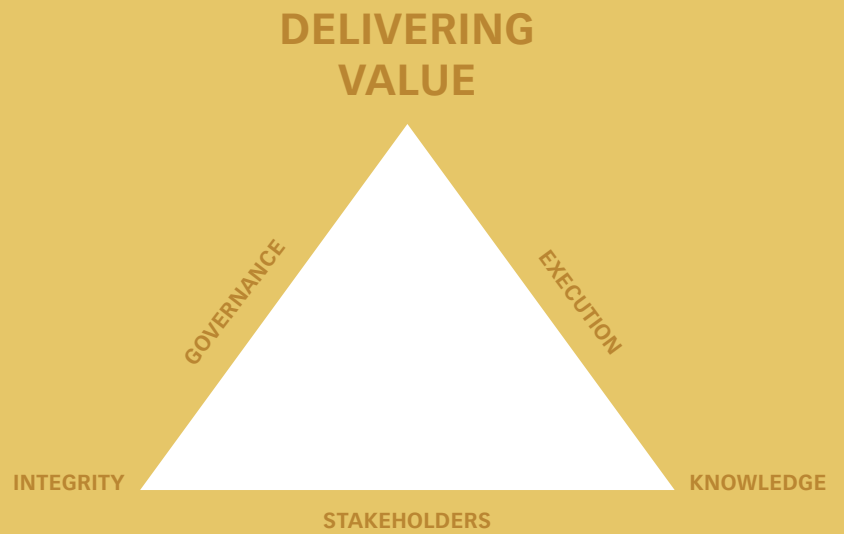




Kulim (Malaysia) Berhad (23370-v)

annual report 2004



KULIM (MALAYSIA) BERHAD (23370-V)

13thFloor, Menara Johor Corporation KOTARAYA, 80000 Johor Bahru

Tel: 07 223 2692 Fax: 07 223 3175 / 276 3175

<http://www.kulim.com.my>

vision

“to excel in delivering value to all our stakeholders through high performance teams who are committed to the highest standards of ethics, integrity and professionalism”

mission

We aim to be the most

progressive, efficient,

profitable and **respectable**

corporate organisation. We shall:

- Enhance and deliver value to the stakeholders;
- Optimise the use of resources;
- Produce superior quality products;
- Move closer to the consumers;
- Be socially and environmentally responsible corporate citizen;
- Operate with due regard for the welfare, health and safety of employees, the local community and the wider public.

globalisation

accountability

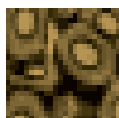
teamwork

quality

safety

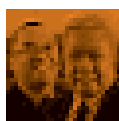
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The Group closed 2004 with turnover of **RM1.455 billion** and assets employed of **RM3.749 billion**.

046



The Group recorded another remarkable year with pre-tax profit of **RM284.9 million**, a solid improvement from **RM198.7 million** recorded the year before.

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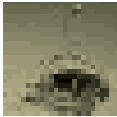

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	<div>  <div>103</div> <div>The Board is committed to ensure that all stakeholders' interest are protected and shareholders' value increased.</div> </div>	

Business Policy

Kulim (Malaysia) Berhad's business operation is focused on the palm oil business. Our goal is to deliver value to our stakeholders. We will manage our business with due skill, care and prudence.

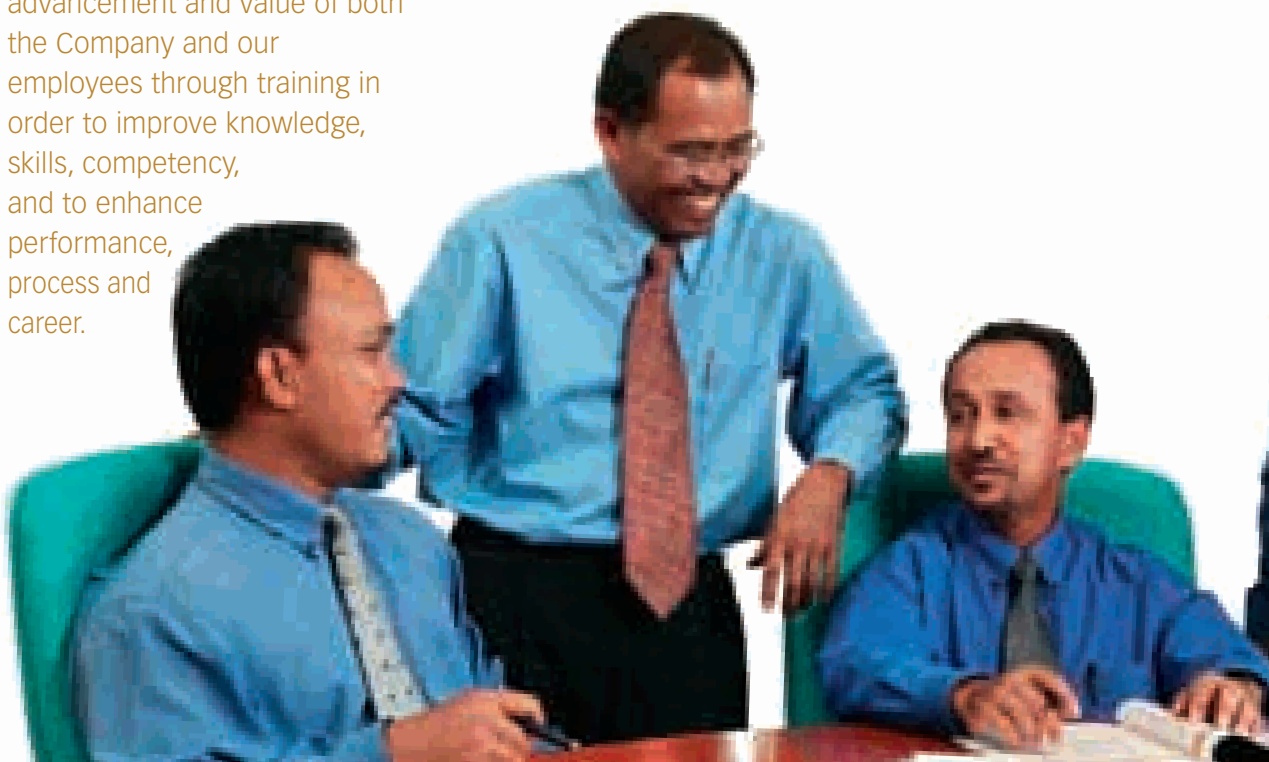
In doing business, we are committed to fulfilling the needs of our customers, and to comply with the operative legislation and regulation applicable to the markets in which we trade, with awareness of the environmental impact our businesses create.

Our business policy is structured to provide a planned and systematic approach to quality and continued improvement, with emphasis on effective customer satisfaction, value added product development, growth and increasing value to our stakeholders.

Our business strategy requires the setting up of objectives, measures and key performance indicators, documented and reviewed per schedule as to their compliance and effectiveness. Ongoing implementation and maintenance of the business manual will ensure that quality management and business excellence permeates throughout the organisation.

We are committed to invest in the development, advancement and value of both the Company and our employees through training in order to improve knowledge, skills, competency, and to enhance performance, process and career.

corporate



Ethics Policy

Kulim (Malaysia) Bhd has conducted its business to the highest standards of ethics, integrity and governance since its inception and shall continue doing so. These standards shall guide all our activities:

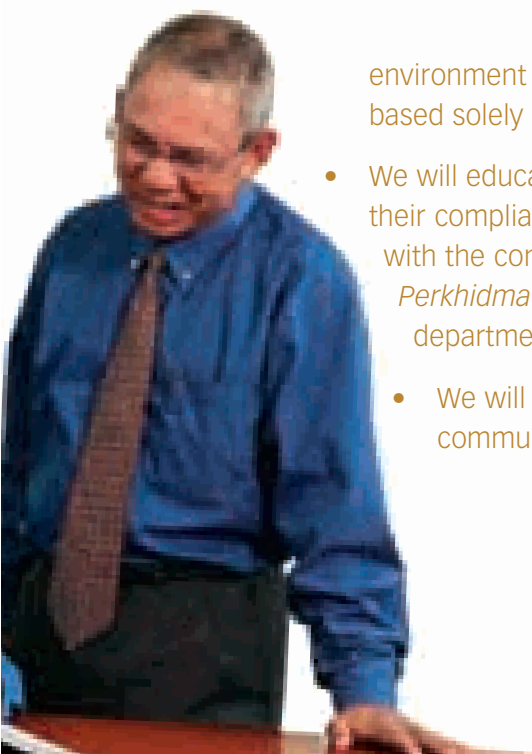
- We will maintain full and accurate company records to account for our activities. All assets and property of the company will be used only for the benefit of the company. No team member activities will conflict with the interests of the company.
- We will deal with both customers and suppliers based on merit, fairness, and "arms-length" relationships. We will work diligently to earn our customers' business and will expect our suppliers to do the same to earn ours.
- We will deal with competitors in intense competition, but will not engage in any unfair or illegal practice, nor in any restraint of trade with them.

philosophy

- We will deal with all team members with respect, courtesy, and fairness. We will ensure a workplace

environment free of harassment or discrimination. We will provide opportunities based solely on performance.

- We will educate all team members concerning our ethics policies and will require their compliance. Each team member will be responsible for his/her own compliance with the content and spirit of these policies, and for reporting via "*Borang Perkhidmatan Etika*" any suspected non-compliance of others to his/her departmental head or to the higher authorities.
- We will be a responsible corporate citizen, making positive contribution to the communities within which we operate.



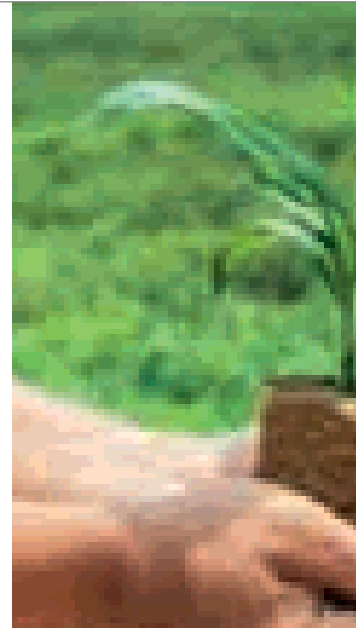
People Policy

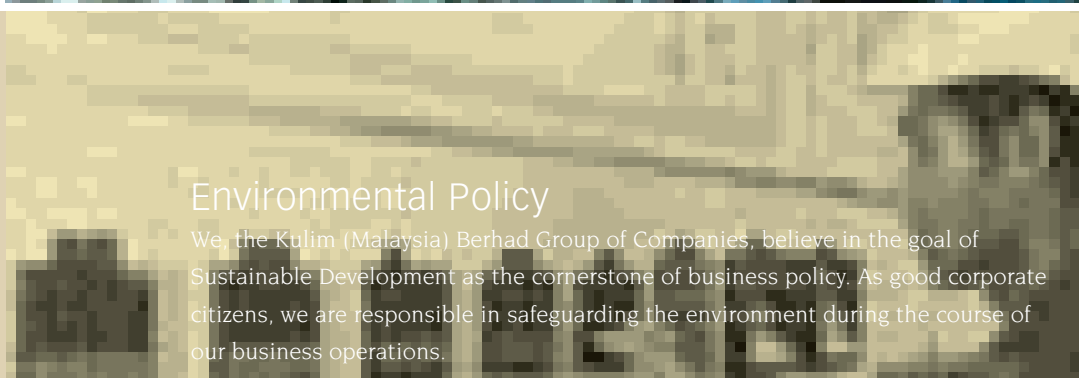
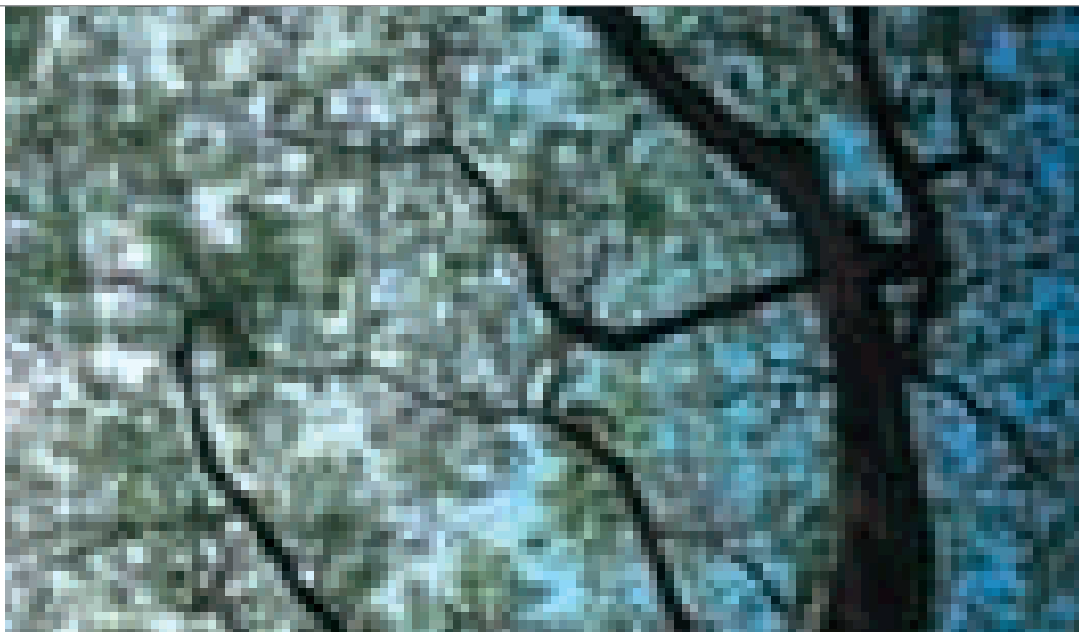
Our people are our priority. We are committed to the development of our people to ensure their career success, bringing about immediate and long term benefits to the organisation and other stakeholders, and ensure a sustainable future for the Group.

We will treat our people with respect, dignity and fairness.

We will endeavour to attract, develop and retain qualified, creative and innovative people, by:

- Providing a safe and attractive workplace through our values, social responsibility, ethical business practices and business success.
- Ensuring that our people have a clear understanding of our vision, mission, values and the policies governing our business.
- Ensuring that our people have a clear understanding of our stakeholders' wishes, needs and expectations.
- Ensuring that our people are challenged by realistic goals and empowering them to make the necessary decisions.
- Supporting our people's needs and expectations in developing and enhancing their skills, knowledge, qualifications and careers.
- Endeavouring to offer our people fair remuneration, attractive employment terms and safe work conditions.
- Developing an organisational architecture that facilitates the release of people's energy and drive and creating a corporate climate that will simulate the expression of their full potential as individuals and as a team within the Group.
- Most of all, we will strive to provide full meaning to the work and effort of all our people that is ultimately translated in terms of strong value contributions that will benefit the community and society at large.





Environmental Policy

We, the Kulim (Malaysia) Berhad Group of Companies, believe in the goal of Sustainable Development as the cornerstone of business policy. As good corporate citizens, we are responsible in safeguarding the environment during the course of our business operations.



To work towards developing a balance between environmental conservation and business objectives, we shall:

- Adhere to and comply with all relevant environmental legislations of the country in which we operate.
- Review, adopt and implement Good Management Practices currently established in the industry.
- Adopt and implement the principles of reduction, reuse and recycle in all matters pertaining to the use of resources, and to pollution elimination.
- Plan, assess and take judicious actions to alleviate any potential negative impacts on the environment and local community with respect to any new development.
- Undertake to communicate our Environmental Policy to all stakeholders, and educate our employees to practice and uphold our business commitment on caring for the environment.
- Continue to explore and implement cost effective technology in environmental management practices.
- Monitor and report to the Board of Directors on the implementation of this Environmental Policy, and the achievement of environmental objectives and targets.



The history of Kulim (Malaysia) Berhad ("Kulim" or "the Group") began 71 years ago with the incorporation of Kulim Rubber Plantations Ltd. (KRPL) in the United Kingdom on 4 July 1933. The year 1947 marked the Group humble beginning with an operation of 190 hectares of rubber plantation in the state of Johor, Malaysia. On 16 July 1970, KRPL changed its name to The Kulim Group Limited (KGL) and was listed on the London Stock Exchange (LSE). Kulim was incorporated on 3 July 1975 as a public limited company and on 14 November 1975, was listed on the Main Board of the Kuala Lumpur Stock Exchange (KLSE) (now known as Bursa Malaysia). KGL became a subsidiary of the Company, in accordance with a Scheme of Arrangement carried out under Section 206 of the United Kingdom Companies Act, 1948. The purpose of the Scheme was to transfer the assets and liabilities of KGL, after the necessary divestment of its United Kingdom interests, into the ownership of the Company. In 1977,



the story of

Kulim withdrew from LSE soon after a voluntary liquidation of KGL on 31 December 1975. In November 1976, the Group acquired 13,777 acres of oil palm at Ladang Tereh in Johor, Malaysia from Johor Corporation (JCorp) [formerly known as Johor State Economy Development Corporation (JSEDC)]. Since then, the Group has been increasing its plantation stake through the acquisition of plantation assets and controlling stakes in local plantation companies. In 1984, Kulim with a land bank comprising more than 2,000 acres of prime locations in Johor Bahru which was held through its subsidiary, Johor Land Berhad. Diversification proceeded further with the acquisition of Natural Oleochemicals Sdn Bhd (NatOleo), a manufacturer of oleochemicals, in July 1994. The NatOleo plant is currently in the process of expanding its capacity to 380,000 tonnes per annum from 150,000 tonnes presently.



The year 1996 saw the Group emerged as one of the prominent regional plantation players when it acquired an 80% stake in New Britain Palm Oil Ltd (NBPOL), an oil palm plantations company in Papua New Guinea (PNG) and set up several joint venture plantation companies with majority stakes in Sumatera, Indonesia. In December 2002, Kulim advanced further with the acquisition of a 30% stake in Asia Green Environmental Sdn Bhd, a commercial producer of compost from empty fruit bunches (EFB) and palm oil mill effluent (POME). Organic fertilisers from this



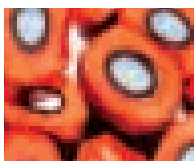
source are currently utilised throughout the Group's oil palm plantations, partially replacing the more expensive inorganic component. During 2003, the Group presented its shareholders with a proposal to purchase from the Johor Corporation a 100% equity interest in EPA Management Sdn Bhd (EPA), previously Kulim's managing agent and a 62.03% equity interest in Kumpulan Bertam Plantations Berhad (subsequently increased to 92.99%)

growth

at a total purchase consideration of RM95,060,000. These acquisitions consequently increased the Group's core plantations holdings by 62,226 hectares, (escalating from 86,234 hectares to 148,460 hectares) marking its presence in Kalimantan, Indonesia. 2004 witnessed a new beginning for Kulim with the expansion of its oil palm plantations land banks to Solomon Islands via its subsidiary, NBPOL. The acquisition of 80% equity interest in Guadalcanal Plains Palm Oil Limited (GPPOL), a Solomon Islands company, was finally realised in October 2004. On



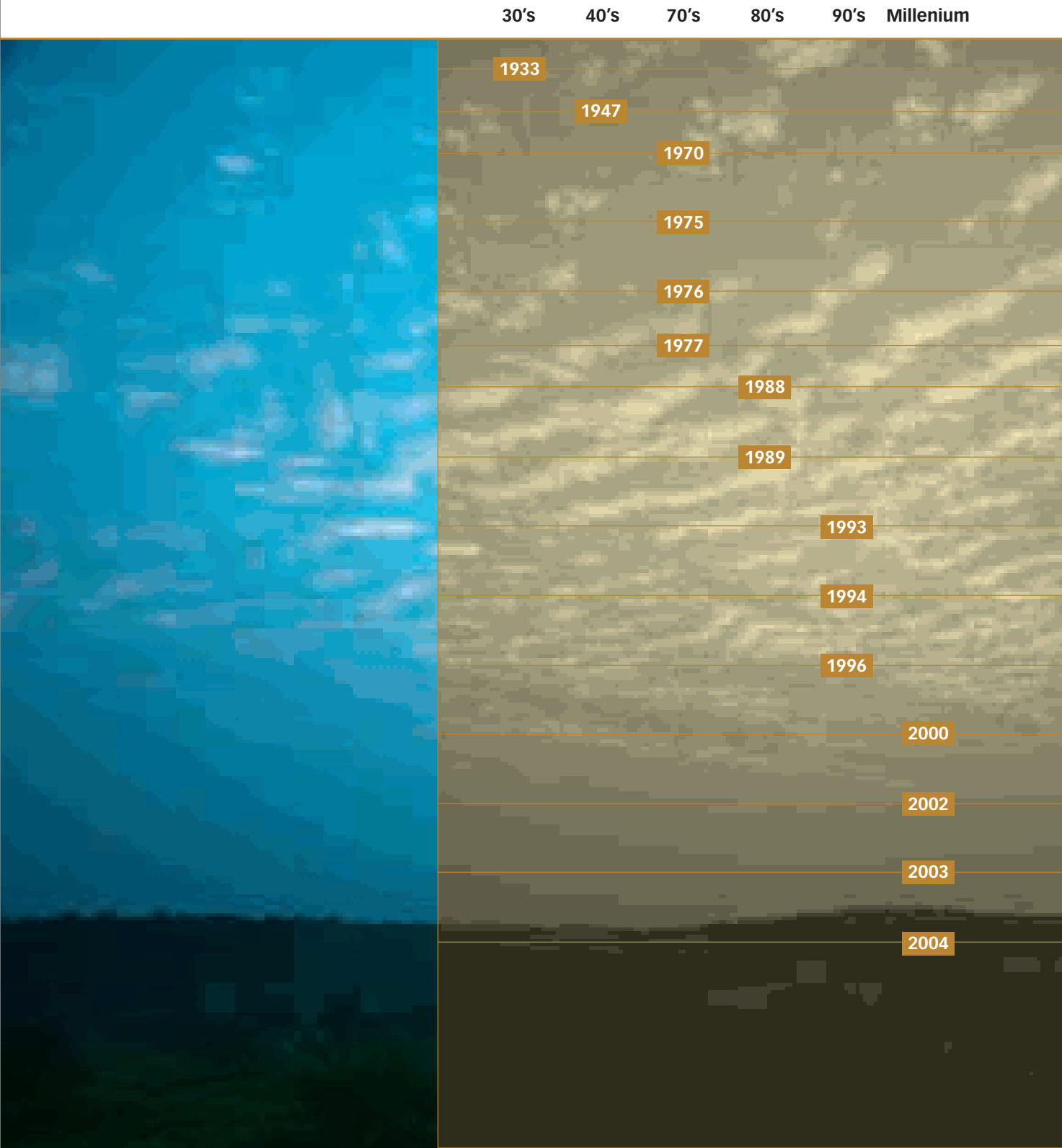
6 December 2004, The Group formed a new joint venture company, Kulim TopPlant Sdn Bhd with



TopPlant Laboratories Sdn Bhd with Kulim owning 60% of the company's stake. The venture is aimed at increasing the quality of The Group oil palm planting through the production of superior yielding palms.

transformation roadmap

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Incorporated in the United Kingdom as Kulim Rubber Plantations Ltd (KRPL).

KRPL had 190 hectares under rubber in the Malay Peninsular state of Johor.

Kulim Rubber Plantations Ltd. changes its name to The Kulim Group Limited (KGL) and was listed on the London Stock Exchange (LSE).

Kulim (Malaysia) Berhad (KULIM) was incorporated as a public limited company and acquired the whole of KGL's issued capital, which brought Kulim to be listed on the main board of the Kuala Lumpur Stock Exchange (Bursa Malaysia).

The Johor State Economic Development Corporation (now known as Johor Corporation) became a shareholder of KULIM.

KULIM withdrew from the London Stock Exchange.

KULIM acquired 3,900,000 ordinary shares of RM1.00 each representing 60% of the issued and paid-up capital of Selai Sdn Bhd, a wholly-owned subsidiary of JCorp for a consideration of RM12,166,000.

KULIM acquired Labis Bahru Estate, an oil palm and rubber estate measuring 2,109.8 ha of which 2,047.5 were planted at purchase consideration comprising of RM14 million in cash and CULS of RM16.5 million.

KULIM acquired 36,432,000 ordinary shares of RM1.00 each in Mahamurni Plantations Sdn Bhd (MPSB) representing 100% of MPSB's issued and fully paid-up share capital for a total consideration of RM137,778,474 from JSEDC.

Kulim acquired 23,320,000 ordinary shares of RM1.00 each in Natural Oleochemicals Sdn Bhd (NatOleo) representing 91.38% of Natoleo's issued and paid-up capital for a total consideration of RM31,015,600.

Kulim ventured in Papua New Guinea (PNG) and Indonesia through its 90% stake in New Britain Palm Oil Limited (NBPOL) and 60% in PT. Padang Bolak Jaya and PT. Multrada Multi Maju in Sumatera, and later acquired the balance of 40% in 2000.

Kulim acquired 2,600,000 ordinary shares of RM1.00 each representing the remaining 40% interest in Selai Sdn Bhd at a cash consideration of RM45,289,000.

Kulim acquired a 30% stake in Asia Green Environment Sdn Bhd after the successful trial for converting empty fruit bunches and mill effluent to compost.

Kulim acquired a 100% in EPA Management Sdn Bhd and a 62.03% stake in Kumpulan Bertam Plantations Berhad (KBP) from JCorp.

Through the MGO of KBP, KULIM's stake in KBP increased by 30.96% to 92.99%.

KULIM through its 75% subsidiary Company, NBPOL entered into Agreements for the formation of Guadalcanal Plains Palm Oil Limited (GPPOL), a Company incorporated in the Solomon Islands with 80% of shares to be held by NBPOL.

Kulim entered into an agreement to own a 60% stake in Kulim TopPlant Sdn Bhd a joint venture with TopPlant Laboratories Sdn Bhd for the production of high yielding oil palm clones using tissue culture technology.

corporate information

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Kulim (Malaysia) Berhad
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board of directors

Chairman

Tan Sri Dato' Muhammad Ali Hashim

Managing Director

Ahamad Mohamad

Directors

Tan Sri Datuk Arshad Ayub / *Independent Director*

Tan Sri Dato' Dr Md Noordin Md Sopiee / *Independent Director*

Dato' Johari Mohamed / *Independent Director*

Kua Hwee Sim / *Independent Director*

Zainah Mustafa / *Independent Director*

Jamaludin Md Ali / *Non-Executive Director*

Wong Seng Lee / *Executive Director*

Datin Paduka Siti Sa'adiah Sh Bakir / *Non-Executive Director*

(Appointed on 1.1.2005)

secretaries

Idham Jihadi Abu Bakar. ACIS (MAICSA 7007381)

Haslinda Md Nor @ Mohd Noah (LS 05697)

registered office

13th Floor, Menara Johor Corporation KOTARAYA, 80000 Johor Bahru.

Tel: 07-223 2692 Fax: 07-223 3175/276 3175

audit committee

Tan Sri Datuk Arshad Ayub / *Chairman*

Tan Sri Dato' Dr Md Noordin Md Sopiee / *Independent Director*

Kua Hwee Sim / *Independent Director*

nomination committee

Tan Sri Dato' Muhammad Ali Hashim / *Chairman*

Tan Sri Datuk Arshad Ayub / *Independent Director*

Kua Hwee Sim / *Independent Director*

remuneration committee

Tan Sri Dato' Muhammad Ali Hashim / *Chairman*

Tan Sri Datuk Arshad Ayub / *Independent Director*

Zainah Mustafa / *Independent Director*

option committee

Tan Sri Dato' Muhammad Ali Hashim / *Chairman*

Jamaludin Md Ali / *Non-Executive Director*

Zainah Mustafa / *Independent Director*

registrars

Pro Corporate Management Services Sdn Bhd

(formerly known as Phoenix Synergy (M) Sdn Bhd)

Suite 2, Tingkat 17, Kompleks Tun Abdul Razak (KOMTAR)

Jalan Wong Ah Fook, 80000 Johor Bahru, Johor Darul Takzim

Tel: 07-222 5044, 6044, 4044 Fax : 07-222 3044

E-mail: hisham@procorporate.com.my; sheila@procorporate.com.my

auditors

PricewaterhouseCoopers

bankers

Bumiputra Commerce Bank Berhad; Standard Chartered Bank Malaysia Berhad; OCBC Bank (M) Berhad; RHB Bank Berhad