TRADEWINDS (M) BERHAD (19123-K)
(Incorporated in Malaysia)

Condensed Consolidated Financial Statements For The Financial Period Ended 30 June 2012

29 August 2012

Tradewinds (M) Berhad (19123-K)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

(The figures have not been audited)

	Unaudited as at 30.06.2012 RM'000	Audited as at 31.12.2011 RM'000
Assets		
Non-current assets		
Property, plant and equipment	2,322,373	2,221,556
Biological assets	1,282,507	1,245,066
Investment properties	3,369	3,334
Land held for property development	87,412	87,412
Investment in associated companies	336,053	378,035
Investment in a jointly controlled entity	22,295	23,525
Other investments	50,245	40,905
Intangible assets	245,541	266,753
Deferred tax assets	52,260	59,581
	4,402,055	4,326,167
Current assets		
Inventories	1,398,523	1,373,061
Trade and other receivables	1,525,632	1,318,219
Amount owing from associated companies	26,074	48,323
Derivatives	432	218
Tax recoverable	81,579	62,740
Other investments	48,612	19,827
Cash and bank balances	557,820	812,588
	3,638,672	3,634,976
Total assets	8,040,727	7,961,143
Equity and liabilities		
Equity attributable to equity holders of the Company		
Share capital	296,471	296,471
Reserves	2,097,742	2,064,484
	2,394,213	2,360,955
Non-controlling interests	1,050,391	1,046,710
Total equity	3,444,604	3,407,665
Current liabilities		
Trade and other payables	547,826	554,711
Amount owing to associated companies	1,018	777
Hire purchase and finance lease payables	3,253	2,977
Borrowings	1,650,882	1,717,984
Retirement benefit obligations	4,805	6,190
Derivatives	3,399	2,964
Tax payable	37,256	39,934
	2,248,439	2,325,537
Non-current liabilities		
Hire purchase and finance lease payables	3,677	6,488
Borrowings	1,891,812	1,768,535
Deferred tax liabilities	375,529	377,404
Retirement benefit obligations	76,666	75,514
	2,347,684	2,227,941
Total liabilities	4,596,123	4,553,478
Total equity and liabilities	8,040,727	7,961,143
Net assets per share attributable to equity holders of the Company (RM)	8.08	7.96

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011)

Tradewinds (M) Berhad (19123-K)

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012

(The figures have not been audited)

	Individual Quarter Ended		Cumulative Quarter Year To Date	
	30.06.2012 RM'000	30.06.2011 RM'000	30.06.2012 RM'000	30.06.2011 RM'000
Revenue	2,162,652	1,593,334	4,097,246	3,054,489
Other income	38,998	14,175	50,810	22,167
Operating expenses	(2,022,999)	(1,330,620)	(3,861,919)	(2,594,905)
Profit from operations	178,651	276,889	286,137	481,751
Finance costs	(34,717)	(32,069)	(71,572)	(61,559)
Share of results of associated companies	5,709	8,778	10,947	17,098
Share of results of a jointly controlled entity	(18)	776	(1,229)	1,033
Profit before taxation	149,625	254,374	224,283	438,323
Taxation	(48,363)	(73,848)	(81,469)	(129,373)
Profit for the period	101,262	180,526	142,814	308,950
Profit for the period attributable to:				
Equity holders of the Company	67,865	124,417	99,049	214,335
Non-controlling interests	33,397	56,109	43,765	94,615
	101,262	180,526	142,814	308,950
Earnings per share attributable to equity holders of the Company:				
Basic (sen)	22.89	41.97	33.41	72.30

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011)

Tradewinds (M) Berhad (19123-K)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012
(The figures have not been audited)

	Individual Quarter Ended		Cumulative Quarter Year To Date	
	30.06.2012	**30.06.2011**	**30.06.2012**	**30.06.2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the period	101,262	180,526	142,814	308,950
Other comprehensive income				
Exchange differences on translation of foreign operations:				
- Exchange differences for the period	2,582	68	1,659	68
- Transfer to profit or loss upon disposal of an associated company	2,597	-	2,597	-
- Transfer to profit or loss upon deconsolidation of a subsidiary company	(6,415)	-	(6,415)	-
	(1,236)	68	(2,159)	68
Gain/(Loss) on fair value changes of available-for-sale financial assets:				
- Gain/(Loss) on fair value changes	1,119	(940)	1,050	(849)
- Transfer to profit or loss upon disposal	-	(114)	-	(114)
	1,119	(1,054)	1,050	(963)
Other comprehensive expense for the period, net of tax	(117)	(986)	(1,109)	(895)
Total comprehensive income for the period	101,145	179,540	141,705	308,055
Total comprehensive income for the period attributable to:				
Equity holders of the Company	67,748	123,431	97,940	213,440
Non-controlling interests	33,397	56,109	43,765	94,615
	101,145	179,540	141,705	308,055

(The Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012
(The figures have not been audited)

	<------------------------------- Attributable to equity holders of the Company						------------------------------------->			
		Non-distributable				Distributable				
	Share capital RM'000	Share premium RM'000	Capital reserves RM'000	Exchange reserves RM'000	Available-for-sale reserves RM'000	Capital reserves RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2012	296,471	84,171	3,684	10,412	167	2,077	1,963,973	2,360,955	1,046,710	3,407,665
Total comprehensive income for the period	-	-	-	(2,159)	1,050	-	99,049	97,940	43,765	141,705
Dividend	-	-	-	-	-	-	(64,682)	(64,682)	(40,084)	(104,766)
At 30 June 2012	296,471	84,171	3,684	8,253	1,217	2,077	1,998,340	2,394,213	1,050,391	3,444,604
At 1 January 2011	296,471	84,171	3,684	9,673	460	2,077	1,622,469	2,019,005	905,135	2,924,140
Total comprehensive income for the period	-	-	-	68	(963)	-	214,335	213,440	94,615	308,055
Dividend	-	-	-	-	-	-	(88,942)	(88,942)	(30,237)	(119,179)
At 30 June 2011	296,471	84,171	3,684	9,741	(503)	2,077	1,747,862	2,143,503	969,513	3,113,016

(The Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011)

Tradewinds
(M) Berhad (19123-K)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012
(The figures have not been audited)

	30.06.2012 RM'000	30.06.2011 RM'000
Cash flows from operating activities		
Profit before taxation	224,283	438,323
Adjustments for:		
Depreciation and amortisation	114,998	86,259
Reversal of impairment loss on receivables	(8,669)	-
Reversal of impairment loss on other investments	(1,306)	-
Dividend income	-	(27)
Distribution of investment management funds	(475)	-
Fair value loss on derivative instruments	3,074	-
Gain on deconsolidation of a subsidiary company	(2,427)	-
Gain on disposal of other investments	-	(176)
Gain on disposal of an associated company	(24,956)	-
Provision for retirement benefits	4,352	4,360
Inventories written down	2,093	107
Foreign exchange loss/(gain) - unrealised	7,581	(1,027)
Other non-cash items	(3,055)	(1,872)
Interest income	(9,457)	(2,809)
Interest expense	71,572	61,559
Share of results of associated companies	(10,947)	(17,098)
Share of results of a jointly controlled entity	1,229	(1,033)
Operating profit before working capital changes	367,890	566,566
Changes in working capital:		
Net change in current assets	(130,405)	(239,907)
Net change in current liabilities	(138,463)	(87,261)
	(268,868)	(327,168)
Cash generated from operations	99,022	239,398
Tax paid	(97,769)	(82,406)
Retirement benefits paid	(4,737)	(2,888)
	(102,506)	(85,294)
Net cash (used in)/generated from operating activities	(3,484)	154,104
Cash flows from investing activities		
Additions in property, plant and equipment and biological assets	(223,669)	(156,822)
Dividends received from associated companies	2,105	14,815
Proceeds received from termination of lease agreement	-	27
Interest received	7,057	8,882
Distribution of investment management funds received	475	-
Placement in investment management funds	(28,775)	-
Purchase of other investments	(8,300)	-
Additional investment in a jointly controlled entity	-	(5,000)
Proceeds from disposal of:		
- property, plant and equipment	780	3,837
- other investments	-	416
- associated company	76,240	-
Net cash used in investing activities	(174,087)	(133,845)

Tradewinds
(M) Berhad (19123-K)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012
(The figures have not been audited)

	30.06.2012 RM'000	30.06.2011 RM'000
Cash flows from financing activities		
Net drawdown of borrowings	75,173	450,944
Decrease/(increase) in fixed deposits pledged with licensed banks	6,151	(25)
Increase in sinking fund account	(43,025)	(39,700)
Interest paid	(86,988)	(77,502)
Dividends paid to non-controlling interest in subsidiary companies	(40,084)	(6,451)
Dividends paid	-	(44,471)
Other financing activities	(3,451)	(3,087)
Net cash (used in)/generated from financing activities	(92,224)	279,708
Net (decrease)/increase in cash and cash equivalents	(269,795)	299,967
Effect of exchange rate changes	1,374	-
Cash and cash equivalents at beginning of financial period	762,555	395,517
Cash and cash equivalents at end of financial period	494,134	695,484
Cash and cash equivalents at end of financial period comprise:		
Fixed deposits, unpledged	136,314	148,583
Cash in hand and at bank	371,127	547,383
	507,441	695,966
Less: Bank overdraft	(13,307)	(482)
	494,134	695,484

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011)

Tradewinds
(M) Berhad (19123-K)

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2012

A. NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard ("FRS") 134 "Interim Financial Reporting" and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2011.

2. Changes in Accounting Policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted by the Group in the audited financial statements for the year ended 31 December 2011 except for the adoption of the following new and revised FRSs and Issues Committee ("IC") Interpretations which are relevant to the Group's operations with effect from 1 January 2012:

FRS 7	Financial Instruments: Disclosures (Amendments relating to disclosures of transfers of financial assets)
FRS 7	Financial Instruments: Disclosures (Amendments relating to mandatory effective date of FRS 9 and transition disclosures)
FRS 112	Income Taxes (Amendments relating to deferred tax: recovery of underlying assets)
FRS 124	Related Party Disclosures (revised)
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments relating to prepayments of a minimum funding requirement)
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The initial application of the above new and revised FRSs and IC Interpretations do not have any significant impact on the financial statements of the Group.

2. Changes in Accounting Policies (cont'd.)

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework") in conjunction with its planned convergence of FRSs with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on 1 January 2012.

The MFRS Framework is a fully IFRS-compliant framework, equivalent to IFRSs which is mandatory for adoption by all Entities Other than Private Entities for annual periods beginning on or after 1 January 2012, with the exception for Transitioning Entities. Transitioning Entities, being entities which are subject to the application of MFRS 141 Agriculture and/or IC Interpretation 15 Agreements for the Construction of Real Estate are given an option to defer adoption of the MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013. Transitioning Entities also include those entities that consolidate, equity account or proportionately consolidate an entity that has chosen to continue to apply the FRS Framework for annual periods beginning on or after 1 January 2012.

On 30 June 2012, MASB has decided to allow agriculture and real estate companies (“Transitioning Entities”) to defer the adoption of the MFRS Framework for another year. MFRS will therefore be mandated for all companies for annual periods beginning on or after 1 January 2014. This decision comes after an extensive deliberation by MASB and taking into account both local and international developments affecting these standards.

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS interim financial statements for the quarter ending 31 March 2014. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

Currently, the Group is in the process of assessing the gap between current Group accounting policies and the requirements of MFRS Framework and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2014.

3. Comments about Seasonal or Cyclical Factors

The operations of the Group are not affected by any seasonal or cyclical factors other than the plantation operations which are affected by seasonal production of fresh fruit bunches ("FFB") and weather conditions. Generally, the production of FFB is relatively lower in the first half of the year.

4. Unusual Items due to their Nature, Size or Incidence

There was no unusual item for the current financial year to date other than gain on disposal of an associated company amounting to RM25 million and gain on deconsolidation of a subsidiary company amounting to RM2.4 million.

5. Changes in Estimates

There was no change in estimates of amounts reported in the prior quarter or prior financial year that has a material effect in the current quarter.

6. Changes in Debt and Equity Securities

There was no issuance, repurchase and repayment of debt and equity securities during the current financial year to date except for the redemption of RM100 million of Murabahah Medium Term Notes by a subsidiary company, Tradewinds Plantation Berhad (“TPB”).

7. Dividends Paid

There was no dividend paid in the current financial year to date.

In the corresponding preceding financial year to date, the Company paid interim dividend of 20 sen per share less 25% income taxation in respect of the financial year ended 31 December 2010, declared on 14 January 2011, and paid on 28 February 2011 amounting to a net dividend payment of approximately RM44,471,000.

8. Segmental Reporting

Segment information is primarily presented in respect of the Group's business segments which are based on the Group's management and internal reporting structure.

The reportable business segments of the Group comprise the following:

Rice	Procure, collect, process, import, export, purchase rice, paddy and other grains, including activities in relation to the distribution of rice.
Plantation	Cultivation of primarily oil palm, processing and sale of palm products and the provision of plantation management and advisory services.
Rubber	Processing and trading of natural rubber and manufacturing of value-added rubber and polymer products.
Sugar	Manufacture and sale of refined sugar.
Investment holding	Investment holding and provision of management services.

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8. Segmental Reporting (cont'd.)

The segment information for the current financial year to date is as follows:

	Rice RM'000	Plantation RM'000	Rubber RM'000	Sugar RM'000	Investment Holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
30 June 2012							
Revenue							
External revenue	1,831,362	503,183	941,045	821,259	397	-	4,097,246
Intra-segment revenue	-	7,131	-	-	-	(7,131)	-
Inter-segment revenue	-	-	-	-	182,779	(182,779)	-
Total revenue	1,831,362	510,314	941,045	821,259	183,176	(189,910)	4,097,246
Results							
Operating results	112,466	98,453	34,466	98,386	142,976	(200,610)	286,137
Share of results of associated companies	9,829	-	1,118	-	-	-	10,947
Share of results of a jointly controlled entity	-	(1,229)	-	-	-	-	(1,229)
Segment results	122,295	97,224	35,584	98,386	142,976	(200,610)	295,855
Finance costs	(29,398)	(14,371)	(10,337)	(384)	(19,708)	2,626	(71,572)
Profit before taxation	92,897	82,853	25,247	98,002	123,268	(197,984)	224,283
Assets							
Operating assets	2,509,876	3,534,829	661,427	945,190	429,879	(532,661)	7,548,540
Investment in associated companies	328,396	-	7,657	-	-	-	336,053
Investment in a jointly controlled entity	-	22,295	-	-	-	-	22,295
Segment assets	2,838,272	3,557,124	669,084	945,190	429,879	(532,661)	7,906,888
Tax assets							133,839
Total assets							8,040,727

Tradewinds (M) Berhad (19123-K)

8. Segmental Reporting (cont'd.)

	Rice RM'000	Plantation RM'000	Rubber RM'000	Sugar RM'000	Investment Holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
30 June 2011							
Revenue							
External revenue	1,656,242	628,008	-	769,322	917	-	3,054,489
Intra-segment revenue	-	6,412	-	-	-	(6,412)	-
Inter-segment revenue	-	-	-	-	84,392	(84,392)	-
Total revenue	1,656,242	634,420	-	769,322	85,309	(90,804)	3,054,489
Results							
Operating results	175,059	252,714	-	98,540	61,464	(106,026)	481,751
Share of results of associated companies	17,098	-	-	-	-	-	17,098
Share of results of a jointly controlled entity	-	1,033	-	-	-	-	1,033
Segment results	192,157	253,747	-	98,540	61,464	(106,026)	499,882
Finance costs	(27,017)	(15,917)	-	(448)	(21,490)	3,313	(61,559)
Profit before taxation	165,140	237,830	-	98,092	39,974	(102,713)	438,323
Assets							
Operating assets	2,745,588	3,407,716	-	956,955	252,392	(255,973)	7,106,678
Investment in associated companies	245,254	-	-	-	-	-	245,254
Investment in a jointly controlled entity	-	19,522	-	-	-	-	19,522
Segment assets	2,990,842	3,427,238	-	956,955	252,392	(255,973)	7,371,454
Tax assets							132,893
Total assets							7,504,347

9. Material Subsequent Events

On 17 July 2012, Johore Tenggara Oil Palm Berhad (“JTOP”), a wholly-owned subsidiary company of TPB, entered into a Shareholders Agreement with Future NRG Sdn Bhd (“FNRG”) to collaborate with each other and invest in LPT Biomass Sdn Bhd (“LPT Biomass”) as the joint venture company between JTOP and FNRG to undertake and carry out the construction and operation of a dry long fibre plant at Sungai Kachur Oil Palm Estate, an estate owned by a wholly-owned subsidiary of TPB, with an estimated construction cost of RM6.67 million. The issued and paid-up capital of LPT Biomass is RM100,000 comprising 100,000 ordinary shares of RM1.00 each and the agreed shareholding ratio of JTOP and FNRG in LPT Biomass are 70% and 30%, respectively.

Other than the above, there was no material event subsequent to the end of the current quarter.

10. Significant Events

On 18 April 2012, a wholly-owned subsidiary company of the Company, Sovereign Place Sdn Bhd, has entered into a conditional Sale and Purchase Agreement (“SPA”) with Skyline Atlantic Sdn Bhd, a wholly-owned subsidiary company of Tradewinds Corporation Berhad (“TCB”) in which a major shareholder of the Company has interest, for the proposed acquisition of 31 floors of strata office space (with a net lettable area of 439,800 square feet) with 440 car park bays of the proposed building (“MTR 2 Building”) to be developed for a total cash consideration of RM510,000,000 (the “Proposed Acquisition”).

At the Company's Extraordinary General Meeting ("EGM") held on 28 June 2012, the Proposed Acquisition was approved by the shareholders.

On 29 June 2012, the Company has been informed by its solicitors, vide their letter dated 2 July 2012, that the conditions precedent of the conditional SPA in relation to the Proposed Acquisition had been fulfilled. Accordingly, the SPA had become unconditional on 29 June 2012.

The Proposed Acquisition will be completed upon the full settlement of the purchase consideration for the Proposed Acquisition of RM510,000,000 in accordance with the terms of the SPA.

11. Changes in the Composition of the Group

(a) Deregistration of a subsidiary company, Croesus Limited ("Croesus")

Croesus, a wholly-owned subsidiary company of Delta Delights Sdn Bhd ("DDSB") which in turn is a wholly-owned subsidiary company of the Company, by a resolution made in accordance with its Articles of Association and in accordance with the relevant laws of Hong Kong, has filed an application for deregistration of Croesus with the Companies Registry in Hong Kong on 23 November 2011 (the "Deregistration").

The Deregistration is in line with the Company's rationalisation efforts to wind up inactive/ dormant subsidiary companies.

The Deregistration was completed on 5 April 2012 following the publication of the Gazette Notice by the Hong Kong Companies Registry notifying the Deregistration and dissolution of Croesus on even date. Accordingly, Croesus ceased to become a subsidiary company of the Company, effective 5 April 2012. The gain on the deconsolidation of Croesus amounted to RM2.4 million was recorded in the current quarter.

(b) Disposal of an associated company, R1 International Pte Ltd ("R1")

On 8 February 2012, Mardec International Sdn Bhd ("MISB"), an indirect wholly-owned subsidiary company of TPB, entered into a conditional Share Sale Agreement with Hainan State Farms Investment Limited and Hainan Rubber Group (Singapore) Pte Ltd for the disposal of 3,150,000 ordinary shares of USD1.00 each, representing 45% of the equity interest in R1 International Pte Ltd, for a cash consideration of USD25,862,508 or approximately RM76 million. The disposal was completed on 30 April 2012 realising a gain on the disposal of RM25 million.

Other than the above, there was no change in the composition of the Group during the current financial year to date.

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12. Capital Commitments

The amount of capital commitments not provided for in the interim financial statements as at 30 June 2012 were as follows:

	RM'000
Property, plant and equipment	
- approved and contracted for	642,355
- approved but not contracted for	310,457
	952,812
Biological assets	
- approved and contracted for	63,453
- approved but not contracted for	153,275
	216,728
Investment in associated companies	
- approved but not contracted for	50,000
Patent	
- approved and contracted for	300
Share of capital commitment of a jointly controlled entity	
- approved and contracted for	1,696
- approved but not contracted for	4,949
	6,645
Share of capital commitment of associated companies	
- approved and contracted for	8,121
- approved but not contracted for	1,600
	9,721
	1,236,206

Tradewinds
(M) Berhad (19123-K)

13. Contingent Liabilities and Contingent Assets

The Group has no contingent liability or contingent asset as at 30 June 2012, other than the following:

(a) Padiberas Nasional Berhad ("Bernas"), a subsidiary company of the Company, was served with a Writ of Summons and Statement of Claim dated 5 May 2006 initiated by A Halim bin Hamzah and 291 others (“the Plaintiffs”). The civil suit is brought by the Plaintiffs against Bernas and 24 others (“the Defendants”) for, inter alia, the following claims:

(i) A declaration that the 2000 Voluntary Separation Scheme initiated by Bernas is void and of no effect;

(ii) A declaration that the Defendants had, by unlawful means, conspired and combined together to defraud or injure the Plaintiffs;

(iii) Alternatively, a declaration that the Defendants had acted in furtherance of a wrongful conspiracy to injure the Plaintiffs;

(iv) Damages to be assessed; and

(v) Interest and costs.

In relation to the suit filed by the Plaintiffs against the Defendants, Bernas had filed Summons in Chambers pursuant to Order 12 Rule 7 and/or Order 18 Rule 19 of the Rules of the High Court 1980 ("the Bernas' Application") for the following:

(i) That the Writ and Statement of Claim as against the said Defendants be struck out as it discloses no reasonable course of actions, scandalous, frivolous, vexatious and/or is an abuse of process of the Court;

(ii) That the cost of the said Order is to be borne by the Plaintiffs; and

(iii) Such further or other orders as the Court deemed fit.

The Court has granted Order In Terms for the Bernas’ Application to strike out the 21st Defendant with cost payable to Bernas but dismissed the Bernas' Application to strike out the 2nd to 12th Defendants on 3 September 2007. On 3 March 2008, the Court dismissed the Bernas' Application to strike out the 2nd to 12th Defendants from being the party to the suit. Bernas' solicitors had on 17 April 2008, filed Statements of Defence for 2nd to 12th Defendants. The matter came up for decision on 30 April 2012 and the High Court dismissed the Plaintiffs' claim with no order as to cost. The Plaintiffs had on 29 May 2012 filed Notice of Appeal to the Court of Appeal against the High Court's decision in dismissing their claims against Bernas. No hearing date has been fixed by the Court of Appeal.

13. Contingent Liabilities and Contingent Assets (cont'd.)

(b) On 6 June 2006, Bernas was served with a sealed copy of Originating Summons and Affidavit in Support ("the Plaintiffs' Application") affirmed by Zainon binti Ahmad for and on behalf of the 690 others ("the Plaintiffs") for the following claims:

(i) A declaration that the Plaintiffs as employees of Bernas whose service of employment has been terminated before attaining the age of 55 years due to reasons other than that of compulsory retirement, optional retirement, death or a disability are entitled to the Retirement/Termination Benefits provided for in clause 7.3 of the *'Terma dan Syarat Perkhidmatan Kumpulan Eksekutif dan Kumpulan Bukan Eksekutif'* and in clause 5.5 of the *'Buku Panduan Kumpulan Eksekutif dan Bukan Eksekutif';*

(ii) An order that Bernas pays the Retirement/Termination benefits due to the Plaintiffs as follows:

- for those Plaintiffs who have attained the age of retirement of 55 years as at the date of the order, the Retirement/Termination Benefits be paid directly to them; and

- for those Plaintiffs who have not attained the age of retirement of 55 years as at the date of the order, the Retirement/Termination Benefits be paid into their accounts at the Employees Provident Fund;

(iii) Interest at the rate of 8% per annum from 1 January 2004 to the date of payments as ordered by the Court;

(iv) Such further orders, directions or reliefs that the Court deemed fit and appropriate; and

(v) Costs to be paid by Bernas to the Plaintiffs.

The Court had, on 13 March 2008, allowed Plaintiffs' Application with cost and Bernas had instructed its solicitors to file Grounds of Appeal to the Court of Appeal. The Court of Appeal had, on 24 August 2009, allowed Bernas' application to amend the Memorandum of Appeal and the Notice of Appeal. The Court of Appeal then fixed 18 January 2011 as the hearing date for the appeal and that the decision of the same was fixed for 8 February 2011. The matter came up for decision on 7 February 2011 wherein the Court of Appeal allowed the Bernas' appeal and set aside the High Court order with no order as to costs. Plaintiffs had, through their solicitors, filed an application for leave to appeal to the Federal Court on 7 March 2011 against the entire decision of the Court of Appeal given on 7 February 2011. The Plaintiffs' application for leave to appeal at the Federal Court has been allowed. Matter came up for decision on 16 July 2012 wherein the Federal Court dismissed the Plaintiffs' appeal.

13. Contingent Liabilities and Contingent Assets (cont'd.)

(c) On 4 January 2010, Bernas was served with a sealed copy of Originating Summons and Affidavit in Support (“the Plaintiffs' Application”) affirmed by Rahman bin Samud for and on behalf of the 242 others (“the Plaintiffs”) for the following claims:

(i) A declaration that the Plaintiffs as employees of Bernas whose service of employment has been terminated before attaining the age of 55 years, due to reasons other than that of compulsory retirement, optional retirement, death or a disability are entitled to the Retirement/Termination Benefits provided for in clause 7.3 of the *‘Terma dan Syarat Perkhidmatan Kumpulan Eksekutif dan Kumpulan Bukan Eksekutif’* and in clause 5.5 of the *‘Buku Panduan Kumpulan Eksekutif dan Bukan Eksekutif’;*

(ii) An order that Bernas pays the Retirement/Termination Benefits due to the Plaintiffs as follows:

- for those Plaintiffs who have attained the age of retirement of 55 years as at the date of the order, the Retirement/Termination Benefits be paid directly to them; and

- for those Plaintiffs who have not attained the age of retirement of 55 years as at the date of the order, the Retirement/Termination Benefits be paid into their accounts at the Employees Provident Fund;

(iii) Interest at the rate of 8% per annum from 1 January 2004 to the date of payment as ordered by the Court;

(iv) Such further orders, directions or reliefs that the Court deemed fit and appropriate; and

(v) Costs to be paid by Bernas to the Plaintiffs.

Bernas had filed its affidavit in reply to the Affidavit in Support affirmed by the Plaintiffs. The matter came up for mention on 5 October 2010, wherein the court fixed 15 December 2010 for further case management pending the disposal of the appeal in the Court of Appeal in relation to the civil suit filed by Zainon binti Ahmad and 690 others against Bernas. The case has been fixed for further mention on 6 September 2012 for the Plaintiffs to confirm if they wish to continue or to withdraw the civil suit.

13. Contingent Liabilities and Contingent Assets (cont'd.)

(d) At TPB Group level, the contingent liabilities as at 30 June 2012 are as follows:

	RM'000
Pending litigation	10,907

The pending material litigation against the TPB Group is a claim filed against a subsidiary company of MARDEC Berhad ("Mardec"), Mardec Yala Co. Ltd., for the alleged wrongful transfer of shares and the claim for compensation of Thai Baht (BHT)110 million (approximately RM10.9 million). On 3 December 2007, the Court had dismissed the claim and issued a written judgment. However, the claimant has filed an appeal against the judgment of which the Court has dismissed the claims. The claimant has further appealed to the Supreme Court on 30 July 2010. Pending the outcome of that appeal which is expected to be delivered by the end of 2013, no provision has been made in the financial statements.

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance

(a) Current Quarter vs. Corresponding Quarter Last Year

For the quarter under review, the Group's revenue increased to RM2.2 billion compared to the corresponding quarter last year of RM1.6 billion. The increase in Group's revenue was mainly due to the contribution from Mardec in addition to higher revenue generated by Rice and Sugar Divisions. However, the Group recorded a sharp decrease in profit before taxation to RM150 million during the current quarter as compared to RM254 million in the same quarter last year.

	Rice RM'mil	Plantation RM'mil	Rubber RM'mil	Sugar RM'mil	Investment Holding/ Others RM'mil	Elimination RM'mil	Consolidated RM'mil
Revenue							
Q2: 2012	937	286	524	419	181	(184)	2,163
Q2: 2011	832	366	-	398	38	(41)	1,593
Changes	105	(80)	524	21	143	(143)	570
Profit before taxation							
Q2: 2012	43	55	33	49	156	(186)	150
Q2: 2011	88	147	-	49	18	(48)	254
Changes	(45)	(92)	33	-	138	(138)	(104)

The performance of the respective operating business segments for the current quarter as compared to the corresponding quarter last year is analysed as follows:

(i) Rice – The higher revenue was driven mainly by higher volume of rice sold. Lower profit before taxation recorded was largely due to higher average cost of imported rice and lower contributions from associated companies.

(ii) Plantation – Revenue decreased mainly due to the lower production and prices of palm products. Profit before taxation reduced in tandem with the decrease in revenue and was compounded further by higher operating expenses.

1. Review of Performance (cont'd.)

(a) Current Quarter vs. Corresponding Quarter Last Year (cont'd.)

(iii) Rubber – There is no comparative for the corresponding quarter last year as this segment was established upon the acquisition of Mardec on 10 October 2011. This segment recorded a profit before taxation of RM33 million on the back of RM524 million in revenue. This profit before taxation included a RM25 million gain on disposal of an associated company.

(iv) Sugar – The higher revenue was mainly due to the increase in sales volume and average selling price of refined sugar. However, the current quarter's profit before taxation was similar as per corresponding quarter last year mainly attributable to the offsetting effects of higher price of imported raw sugar and higher operating expenses.

(v) Investment Holding/Others – Revenue mainly comprised dividend and management income from subsidiary companies and interest income. The increase in profit before taxation in the current quarter was mainly due to higher dividend income.

(b) Current Year To Date vs. Preceding Year To Date

For the current year to date ended 30 June 2012, the Group recorded higher revenue of RM4.1 billion as compared to RM3.1 billion in last preceding year to date. However, profit before taxation of RM224 million was lower than last year's RM438 million.

	Rice RM'mil	Plantation RM'mil	Rubber RM'mil	Sugar RM'mil	Investment Holding/ Others RM'mil	Elimination RM'mil	Consolidated RM'mil
Revenue							
2012	1,831	510	941	821	183	(189)	4,097
2011	1,656	634	-	769	85	(90)	3,054
Changes	175	(124)	941	52	98	(99)	1,043
Profit before taxation							
2012	93	83	25	98	123	(198)	224
2011	165	238	-	98	40	(103)	438
Changes	(72)	(155)	25	-	83	(95)	(214)

The performance of the respective operating business segments for the current quarter as compared to the corresponding period last year is analysed as follows:

(i) Rice – The higher revenue was driven mainly by higher volume of rice sold. Lower profit before taxation recorded was largely due to higher average cost of imported rice, higher operating expenses and lower contributions from associated companies.

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1. **Review of Performance (cont'd.)**

   (b) <u>Current Year To Date vs. Preceding Year To Date (cont'd.)</u>

   (ii) Plantation – Revenue decreased mainly due to the lower production and prices of palm products. Profit before taxation dropped in tandem with the reduction in revenue and was compounded further by higher operating expenses and share of loss of a jointly controlled entity.

   (iii) Rubber – There is no comparative for the corresponding quarter last year as this segment was established upon the acquisition of Mardec on 10 October 2011. This segment recorded a profit before taxation of RM25 million on the back of RM941 million in revenue. The profit before taxation was mainly due to the gain on disposal of an associated company approximately RM25 million.

   (iv) Sugar – The higher revenue was mainly due to the increase in sales volume and average selling price of refined sugar. However, the current quarter profit before taxation was similar as per corresponding quarter last year mainly attributable to the offsetting effects of higher price of imported raw sugar and higher operating expenses.

   (v) Investment Holding/Others – The increase in profit before taxation in the current quarter was mainly due to higher dividend income recorded despite the increase in operating expenses.

2. **Material Change in the Profit Before Taxation for the Quarter Reported On as Compared with the Immediate Preceding Quarter**

	Quarter Reported On RM'000	Immediate Preceding Quarter RM'000	Increase RM'000
Profit before taxation	149,625	74,658	74,967

The current quarter's profit before taxation was higher as compared to the immediate preceding quarter primarily driven by:

(i) higher production of fresh fruit bunches ("FFB"); and

(ii) recognition of a gain of RM25 million arising from the disposal of an associated company.

The above was offset by lower profit before taxation from Rice Division due to higher cost of sales and higher operating expenses whilst the Sugar Division contributed similar results as the immediate preceding quarter.

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3. Prospects

Rice Division

In the second quarter of 2012, global rice fundamentals remained mostly bearish as global supplies continue to exceed demand. Rice supplies in Asia remain plentiful after years of bumper crops and high global carry over stocks. According to U.S. Department of Agriculture, global rice in 2011/12 (June 2012) was 464 million MT and global consumption was 458 million MT resulting in the global ending stocks rising by 5.6 million MT to 104 million MT.

On the financial front, the eurozone debt crisis, strengthening of the US Dollar and the weakened Indian Rupee were helping to increase Indian exports and continue to weaken the market sentiment. However, Thailand's mortgage scheme and aggressive build up of Thai Government's stockpiles resulting in lower volume of rice available to the market providing underlying support to the current rice prices.

On the weather front, concerns about the drought in the United States, the less ideal Indian Southwest monsoon and the possibility of El Nino which is expected in September 2012 could influence the market towards the end of 2012.

However, the Rice Division's performance is expected to be satisfactory this year.

Plantation Division

The profitability of the Plantation business segment is very much determined by the price movements of oil palm products. Biological tree stress after a bumper harvest in 2011 has resulted in lower production of FFB and the tightening of crude palm oil supplies which have supported crude palm oil prices in the first half of the year. The rising weather risk, such as drought in major soybean growing areas in the United States and a potential El Nino in the second half of the year could be the major catalysts for a rally in crude palm oil price. Increase in crude palm oil price will cushion the effect of shortfall in fresh fruit bunches production.

However, the uncertain global economic sentiment and eurozone debt crisis might exert downward pressure to the price movements of crude palm oil.

The labour shortage experienced by the industry will continue to affect plantation operations whilst rising labour cost and the expected increase in fertiliser prices will reduce profit margins.

To mitigate the negative impact of rising cost and shortage of labour, the Group will remain committed to consolidate the plantation operations with focus on field mechanisation, operational efficiency, yield enhancement and stringent cost control.

With these measures and based on the prevailing prices of palm products as well as the forecast increase in FFB production, the Plantation Division is expected to register better results for the second half of 2012.

3. Prospects (cont'd.)

Rubber Division

The current global economic conditions continue to be challenging for the Rubber Division with the natural rubber prices under pressure in the short term due to subdued demand and decline in production by rubber producing countries. The Rubber Division will continue with its cautious approach undertaken to mitigate any negative economic effects through better raw materials purchase control and introducing control mechanism to improve its rubber products trading margins in the second half of the year.

Sugar Division

Sugar Division expects the second half of 2012 to continue to be challenging due to higher cost of production anticipated arising from lower raw/white premium that result in lower profit margins for its exported refined sugar.

Nevertheless, the Division's performance is expected to be satisfactory for 2012 with its continuing effort to improve productivity and sales.

4. Variance of Actual Profit from Forecast Profit/Shortfall in Profit Guarantee

The Group has not provided any profit forecast or profit guarantee for the current financial year in a public document.

5. Amount Charged/(Credited) in the Statements of Comprehensive Income include:

	Current Quarter RM'000	Current Year To Date RM'000
Interest income	(7,532)	(9,457)
Interest expense	34,717	71,572
Depreciation and amortisation charges	56,675	114,998
Reversal of impairment loss on receivables	(9,102)	(8,669)
Inventories written down	-	2,093
Gain on disposal of property, plant and equipment	*	*
Gain on disposal of quoted or unquoted investments or properties	*	*
Gain on deconsolidation of a subsidiary company	(2,427)	(2,427)
Gain on disposal of an associated company	(24,956)	(24,956)
Foreign exchange loss - unrealised	11,808	7,581
Fair value loss on derivative instruments	1,328	3,074

* There is no such reportable item as required by Bursa Securities in the current quarter and current year to date.

6. Taxation

Taxation comprises:

	Current Quarter RM'000	Current Year To Date RM'000
Income tax	54,952	78,813
Deferred tax	3,085	2,656
	58,037	81,469

The taxation charge of the Group for the financial year to date reflects an effective tax rate which is higher than the statutory income tax rate mainly due to certain expenses which were not deductible for tax purposes and tax losses of certain subsidiary companies within the Group which are not available for group relief.

7. (a) Status of Corporate Proposals

On 29 March 2012, the Company entered into a conditional Share Sale Agreement with Amalan Penaga (M) Sdn Bhd (“APSB”), a wholly-owned subsidiary company of TPB, for the disposal of 11,259,523 ordinary shares of RM1.00 each in Retus Plantation Sdn Bhd (“RPSB”) (“Disposal of Shares”), representing 60% of its issued and paid-up share capital, for a purchase consideration of an amount equal to 60% of the net tangible asset value (“NTAV”) of RPSB Group (“Proposed Disposal of RPSB”) as determined and agreed by the Company and APSB, in accordance with the Share Sale Agreement. Based on the adjusted NTAV of RPSB of RM208,992,316 as at 31 December 2011, the sale consideration for the Disposal of Shares is RM125,395,390.

The Proposed Disposal is pending the approval of the shareholders of TPB at a general meeting to be convened.

Other than the above, there was no other corporate proposal announced but not completed as at 22 August 2012, being the latest practicable date.

(b) Status of Utilisation of Proceeds Raised from Corporate Proposal

There was no corporate proposal involving fund raising for the current year to date.

8. Group Borrowings and Debt Securities

The Group borrowings (excluding hire purchase and finance lease payables) as at the end of the current year to date were as follows:

	RM'000
Short Term Borrowings	
Secured	498,446
Unsecured	1,152,436
	1,650,882
Long Term Borrowings	
Secured	1,143,645
Unsecured	748,167
	1,891,812
Total	3,542,694

The above include borrowings denominated in foreign currency as follows:

	RM'000
United States Dollar	124,947
Indonesian Rupiah	32,310
Thai Baht	4,975
	162,232

9. Derivative Financial Instruments

Foreign exchange forward contracts are entered into by the Group to hedge the committed sales and purchases denominated in US Dollars and Euros for Rubber Division that existed at the reporting date. The hedging of foreign currencies is to minimise the Group's exposure to fluctuations in foreign exchange arising from sales and purchases.

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9. Derivative Financial Instruments (cont'd.)

The outstanding foreign exchange forward contracts as at 30 June 2012 are as follows:

	RM'000
Derivative assets	
Fair value of foreign exchange forward contracts	432
Derivative liabilities	
Fair value of foreign exchange forward contracts	3,399
Foreign exchange forward contracts	
Nominal value	244,013

All the outstanding foreign exchange forward contracts as at 30 June 2012 have maturity periods of less than one year.

For the current quarter ended 30 June 2012, there was no change to the credit risk, market risk, liquidity risk, cash requirements, risk management policies and accounting policies associated with the derivatives.

10. Gains or Losses arising from Fair Value Changes of Financial Liabilities

Loss arising from fair value changes of financial liabilities for the current quarter and current financial year to date are as follows:

	Current Quarter RM'000	Current Year To Date RM'000
Foreign exchange forward contracts	1,328	3,074

The loss arising from fair value changes of foreign exchange forward contracts was due to unfavourable movements of foreign exchange rates during the current quarter under review. The fair value changes of these contracts were calculated based on forward exchange rates.

11. Material Litigation

Save as disclosed in Note 13 of Part A, there was no material litigation as at 22 August 2012, being the latest practicable date.

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12. Dividend Payable

Dividends payable during the current financial year to date were as follows:

	Current Year To Date RM'000	Preceding Year To Date RM'000
Final dividend of 25 sen per share that made up of:		
- 12.73 sen gross dividend less 25% income tax; and	28,305	-
- 12.27 sen gross tax exempt dividend under single tier system in respect of the financial year ended 31 December 2011, approved on 28 June 2012, payable on 8 August 2012.	36,377	-
Final dividend of 20 sen per share less 25% income tax in respect of the financial year ended 31 December 2010, approved on 28 June 2011, paid on 29 July 2011.	-	44,471
	64,682	44,471

13. Earnings Per Share

(a) Basic earnings per share

	Current Year To Date	Preceding Year To Date
Profit attributable to equity holders of the Company (RM'000)	99,049	214,335
Weighted average number of ordinary shares in issue ('000)	296,471	296,471
Basic earnings per share (sen)	33.41	72.30

(b) Diluted earnings per share

There is no diluted earnings per share as the Company does not have any potential dilutive ordinary shares as at the end of the current quarter.

14. Audit Report of the Preceding Year's Annual Financial Statements

The independent auditors' report of the preceding annual financial statements was not subject to any qualification.

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15. Disclosure on Realised and Unrealised Profit/Loss

The retained profits as at 30 June 2012 and 31 December 2011 are analysed as follows:

	30.06.2012 RM'000	31.12.2011 RM'000
Total retained profits of the Company and its subsidiary companies:		
- realised profits	3,348,126	3,264,259
- unrealised losses	(122,023)	(113,450)
	3,226,103	3,150,809
Total share of accumulated losses from a jointly controlled entity:		
- realised profits	2,533	3,761
- unrealised losses	(237)	(237)
	2,296	3,524
Total share of retained profits from associated companies:		
- realised profits/(losses)	111,898	(5,053)
- unrealised (losses)/profits	(9,755)	6,672
	102,143	1,619
Less: Consolidation adjustments	(1,332,202)	(1,191,979)
Total Group retained profits as per consolidated financial statements	1,998,340	1,963,973

16. Authorisation for Release

This interim financial statements for the financial period ended 30 June 2012 have been reviewed and approved by the Board on 29 August 2012 for public release.

BY ORDER OF THE BOARD

ZAINAL RASHID BIN AB RAHMAN (LS007008)
Company Secretary

Kuala Lumpur
29 August 2012