

## **A. NOTES TO THE INTERIM FINANCIAL REPORT**

### **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 Chapter 9, Part K of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2010.

### **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 2010 except for the adoption of the following new and revised FRSs, Issues Committee (IC) Interpretations and amendments to FRSs and IC Interpretations which are relevant to the Group's operations with effect from 1 January 2011:-

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (revised)
FRS 127	Consolidated and Separate Financial Statements
Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation - Classification of Rights Issues
Amendments to FRS 138	Intangible Assets
Improvements to FRSs (2010)	
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

The initial application of the above new and revised FRSs, IC Interpretations and amendments to FRSs and IC Interpretations do not have any significant impact on the financial statements of the Group other than as explained below:-

FRS 127 Consolidated and Separate Financial Statements

This Standard supersedes the existing FRS 127 and replaces the current term ~~minority interest~~ with a new term ~~non-controlling interest~~ which is defined as the equity in a subsidiary that is not attributable, directly or indirectly, to a parent. Accordingly, total comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group re-phrased the minority interests as non-controlling interests and re-measured the non-controlling interests prospectively in accordance with the transitional provisions of the revised FRS 127.

The effects on the adoption of FRS 127 on the current interim financial statements are as follows:-

	<b>Current Year Quarter Increase/ (Decrease) RM'000</b>	<b>Current Year To Date Increase/ (Decrease) RM'000</b>
<b>Consolidated statement of financial position</b>		
Retained earnings	719	2,100
Non-controlling interests	(719)	(2,100)
<b>Consolidated statement of comprehensive income</b>		
Profit attributable to owners of the parent	719	2,100
Profit attributable to non-controlling interests	(719)	(2,100)
Total comprehensive income attributable to owners of the parent	719	2,100
Total comprehensive income attributable to non-controlling interests	(719)	(2,100)

**3. Seasonal or Cyclical Factors**

The Group's plantation operations are affected by seasonal production of fresh fruit bunches and weather conditions. Generally, the production of fresh fruit bunches is relatively lower in the first half of the year.

**4. Unusual Items**

There was no unusual item for the current financial year to date.

## 5. Change in Estimates

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

## 6. Changes in Debt and Equity Securities

There has been no issue, repurchase and repayment of debt and equity securities during the current financial year to date.

## 7. Dividends Paid

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

## 8. Segmental Reporting

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

	Plantation RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
<b>30 June 2011</b>					
<b>Revenue</b>					
External revenue	565,695	-	27	-	565,722
Inter-segment revenue	-	-	19,613	(19,613)	-
Total revenue	<u>565,695</u>	<u>-</u>	<u>19,640</u>	<u>(19,613)</u>	<u>565,722</u>
<b>Results</b>					
Segment results	221,407	(53)	6,644	-	227,998
Share of results of a jointly controlled entity	1,033	-	-	-	1,033
	<u>222,440</u>	<u>(53)</u>	<u>6,644</u>	<u>-</u>	<u>229,031</u>
Less: Inter- segment dividend income					(15,052)
Profit before tax					<u>213,979</u>
<b>Assets</b>					
Segment assets	2,867,401	87,412	62,394	-	3,017,207
Investment in a jointly controlled entity	19,522	-	-	-	19,522
	<u>2,886,923</u>	<u>87,412</u>	<u>62,394</u>	<u>-</u>	<u>3,036,729</u>
Tax assets					18,101
Total assets					<u>3,054,830</u>

	Plantation RM'000	Property Development RM'000	Investment Holding/ Others RM'000	Elimination RM'000	Consolidated RM'000
<b>30 June 2010</b>					
<b>Revenue</b>					
External revenue	376,833	-	-	-	376,833
Inter-segment revenue	-	-	5,373	(5,373)	-
<b>Total revenue</b>	<b>376,833</b>	<b>-</b>	<b>5,373</b>	<b>(5,373)</b>	<b>376,833</b>
<b>Results</b>					
Segment results	92,402	-	(6,541)	-	85,861
Share of results of a jointly controlled entity	(1,038)	-	-	-	(1,038)
	<u>91,364</u>	<u>-</u>	<u>(6,541)</u>	<u>-</u>	<u>84,823</u>
Less: Inter- segment dividend income					(490)
<b>Profit before tax</b>					<u><b>84,333</b></u>
<b>Assets</b>					
Segment assets	2,677,052	87,412	66,519	-	2,830,983
Investment in a jointly controlled entity	11,185	-	-	-	11,185
	<u>2,688,237</u>	<u>87,412</u>	<u>66,519</u>	<u>-</u>	<u>2,842,168</u>
Tax assets					22,969
<b>Total assets</b>					<u><b>2,865,137</b></u>

## 9. Material Subsequent Event

There was no material event subsequent to the end of the current quarter.

## 10. Changes in the Composition of the Group

There was no change in the composition of the Group during the current financial year to date.

## 11. Capital Commitments

The amount of capital commitments not provided for in the financial statements as at 30 June 2011 were as follows:-

	<b>RM'000</b>
Property, plant and equipment	
- Approved and contracted for	137,530
- Approved but not contracted for	159,490
	297,020
Acquisition of a subsidiary	
- Approved and contracted for	140,000
Share of capital commitment of a jointly controlled entity	
- Approved and contracted for	372
- Approved but not contracted for	3,865
	4,237
	<b>441,257</b>

## 12. Contingent Liabilities and Contingent Assets

There was no contingent liability or contingent asset as at 30 June 2011.

**B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES**

**1. Review of Performance**

For the quarter under review, the Group's revenue increased to RM335.8 million from RM193.4 million achieved for the corresponding quarter last year. The increase in revenue was mainly due to the increase in prices and production of palm products. In line with the increase in revenue, the Group recorded a three-fold increase in profit before tax to RM138.3 million for the current quarter from RM44.5 million for the same quarter last year.

For the six months ended 30 June 2011, the Group's revenue increased to RM565.7 million from RM376.8 million achieved for the corresponding period last year. The increase in revenue was mainly due to the higher prices and production of palm products. As a result, the Group recorded a profit before taxation of RM214.0 million for the first half of the current financial year, representing an increase of RM129.7 million from RM84.3 million recorded for the corresponding period last year.

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

	<b>Quarter Reported On RM'000</b>	<b>Immediate Preceding Quarter RM'000</b>	<b>Increase RM'000</b>
Profit before taxation	<u>138,310</u>	<u>75,669</u>	<u>62,641</u>

For the current quarter under review, the Group recorded a profit before taxation of RM138.3 million, representing an increase of RM62.6 million from RM75.7 million recorded for the immediate preceding quarter. The increase in profit before taxation was mainly due to higher production of fresh fruit bunches.

**3. Prospects**

Based on the prevailing prices of palm products and the forecast increase in production in the coming quarters, the Board of Directors expects the results for the remaining quarters of the current financial year to remain satisfactory.

**4. Variance of Actual Profit from Forecast Profit**

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

## 5. Taxation

	<b>Current Year Quarter RM'000</b>	<b>Current Year To date RM'000</b>
Income tax expense	34,484	55,241
Deferred tax	3,476	4,344
Real property gains tax	-	20
	<u>37,960</u>	<u>59,605</u>

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 tax losses of certain subsidiaries which are not available for group relief.

## 6. Sale of Unquoted Investments and/or Properties

There was no sale of unquoted investments and/or properties during the current financial year to date.

## 7. Quoted Securities other than Securities in Existing Subsidiaries and Associated Company

- (a) There was no purchase of quoted securities during the current financial year to date whereas the details of the disposals of quoted securities classified as available-for-sale financial assets are as follows:-

	<b>Current Year Quarter RM'000</b>	<b>Current Year To date RM'000</b>
Sale proceeds	416	416
Gain on disposal	176	176

- (b) Investments in quoted securities classified as available-for-sale financial assets as at the end of the current quarter were as follows:-

	<b>RM'000</b>
(i) at cost	1,678
(ii) at carrying value	599
(iii) at fair value	599

- (c) The fair value loss on available-for-sale financial assets recognised in other comprehensive income for the current quarter and current financial year to date amounted to RM464,000 and RM342,000 respectively.

## 8. (a) Status of Corporate Proposals

Save as disclosed below, there was no corporate proposal announced but not completed as at 11 August 2011, being the latest practicable date:-

On 30 October 2009, Prisma Spektra Sdn Bhd (~~PSB~~), a wholly-owned subsidiary of the Company, entered into a conditional Share Sale Agreement (~~SSA~~) with Semi Bayu Sdn Bhd (~~SBSB~~) for the acquisition of 125,709,000 ordinary shares of RM1.00 each in MARDEC Berhad (~~Mardec~~), representing the entire issued and paid-up ordinary share capital of Mardec, for a total purchase consideration of RM150,000,000 (~~Proposed Acquisition of Mardec~~).

Mardec is an investment holding company and through its local and overseas subsidiaries and associates, is involved in the processing and trading of natural rubber and the manufacturing of value-added rubber and polymer products.

The initial period for the fulfillment and satisfaction of the conditions precedent to the Proposed Acquisition of Mardec (~~Prescribed Period~~) expired on 29 April 2010. On 30 April 2010 and 1 November 2010 respectively, SBSB and PSSB agreed to extend the Prescribed Period by a period of six months to 30 October 2010 and by a further period of six months to 30 April 2011.

On 25 February 2011, PSSB and SBSB entered into a supplemental agreement to revise the purchase consideration for the Proposed Acquisition of Mardec as provided in the SSA from RM150,000,000 to RM140,000,000, which shall be payable in the following manner:

- (i) a first instalment of RM42,000,000 or 30% of the purchase consideration to be paid on the completion date; and
- (ii) a second instalment of RM98,000,000 or 70% of the purchase consideration to be paid within 3 months of the completion date.

The revised purchase consideration is arrived at based on Ernst & Young's appraisal of the fair value of the Mardec Group by using the Hybrid Methodology, which is a combination of Income and Asset Approaches of valuation, which ranges between RM130,000,000 and RM150,000,000.

On 28 April 2011, SBSB and PSSB agreed to extend the Prescribed Period by a further period of six months to 30 October 2011.

The Proposed Acquisition of Mardec was approved by the shareholders of the Company at the extraordinary general meeting held on 14 July 2011 and is pending the approval of the Economic Planning Unit of the Prime Minister's Department.

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

There was no corporate proposal involving fund raising.



## 9. Group Borrowings and Debt Securities

Group borrowings and debt securities as at the end of the reporting period were as follows:-

	<b>RM'000</b>
<u>Short term</u>	
Term loans . secured	88,212
Sukuk Ijarah . secured	35,000
Murabahah Medium Term Notes . secured	100,000
Revolving credits . secured	103,000
Revolving credits . unsecured	58,000
Irredeemable convertible unsecured loan stocks (debt component) . unsecured	3,660
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	<b>387,872</b>
<u>Long term</u>	
Term loans . secured	205,584
Sukuk Ijarah . secured	150,000
Irredeemable convertible unsecured loan stocks (debt component) . unsecured	15,347
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	<b>370,931</b>
Total borrowings	<hr/> <b>758,803</b> <hr/>

All of the above borrowings are denominated in Ringgit Malaysia.

## 10. Derivative Financial Instruments

There was no derivative financial instrument issued as at the end of the current quarter.

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

All financial liabilities were measured using the amortised cost effective interest method. Accordingly, there was no fair value gain or loss arising from fair value changes of financial liabilities for the current financial year to date.

## 12. Material Litigation

There was no material litigation as at 11 August 2011, being the latest practicable date.

**13. Dividend**

The Board of Directors does not recommend any dividend for the quarter ended 30 June 2011.

**14. Earnings Per Share**

**(a) Basic earnings per share**

The basic earnings per share for the current year to date is calculated by dividing the profit for the period attributable to owners of the parent of RM138,711,000 by the weighted average number of ordinary shares (after assuming conversion of ICULS into ordinary shares) outstanding during the current year to date of 629,153,415.

**(b) Diluted earnings per share**

Diluted earnings per share is not applicable and not presented because there are no dilutive potential ordinary shares to be issued as the ICULS have been included in the basic earnings per share calculation.

**15. Audit Report of the Preceding Year's Consolidated Financial Statements**

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

**16. Disclosure on realised and unrealised profit/loss**

The retained earnings as at 30 June 2011 and 31 December 2010 are analysed as follows:-

	<b>30.6.2011</b>	<b>31.12.2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings of the Company and its subsidiaries:-		
- Realised	953,829	813,329
- Unrealised	(88,077)	(81,482)
	<hr/> 865,752	<hr/> 731,847
Total share of accumulated losses from a jointly controlled entity:-		
- Realised	(241)	(1,274)
- Unrealised	(237)	(237)
	<hr/> (478)	<hr/> (1,511)
	865,274	730,336
Less: Consolidation adjustments	(205,566)	(189,496)
Total Group's retained earnings as per consolidated financial statements	<hr/> <hr/> 659,708	<hr/> <hr/> 540,840

By Order of the Board  
ZAINAL RASHID BIN AB RAHMAN (LS007008)  
Company Secretary

Kuala Lumpur  
18 August 2011