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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 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.

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 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.

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 other than the gain on disposal of associate amounting to RM24.956 million.

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 other than the redemption of RM100 million of Murabahah Medium Term Notes.

7. Dividends Paid

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

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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	Manufacturing and Trading RM'000	Elimination RM'000	Consolidated RM'000
30 June 2012						
Revenue						
External revenue	448,359	-	-	941,045	-	1,389,404
Inter-segment revenue	4,014	-	28,982	-	(32,996)	-
Total revenue	452,373	-	28,982	941,045	(32,996)	1,389,404
Results						
Segment results	76,170	-	13,730	27,492	-	117,392
Share of result of a jointly controlled entity	(1,229)	-	-	-	-	(1,229)
Share of results of associates	-	-	-	1,119	-	1,119
	74,941	-	13,730	28,611	-	117,282
Less: Inter-segment dividend income						(24,075)
Profit before tax						93,207
Assets						
Segment assets	2,964,277	87,412	47,848	661,426	-	3,760,963
Investment in a jointly controlled entity	22,296	-	-	-	-	22,296
Investments in associates	-	-	-	7,657	-	7,657
	2,986,573	87,412	47,848	669,083	-	3,790,916
Tax assets						33,795
Total assets						3,824,711

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

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9. Material Subsequent Event

On 17 July 2012, Johore Tenggara Oil Palm Berhad ("JTOP"), a wholly-owned subsidiary of the Company, 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 with an estimated construction cost of RM6.67 million. The plant will be located at Sungai Kachur Oil Palm Estate, an estate owned by a wholly-owned subsidiary of the Company. 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 is 70% and 30% respectively.

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

10. Changes in the Composition of the Group

On 8 February 2012, Mardec International Sdn Bhd ("MISB"), an indirect wholly-owned subsidiary of the Company, 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 RM24.956 million.

There was no change in the composition of the Group during the current financial year to date, except as detailed above and in Note 9.

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11. Capital Commitments

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

	RM'000	
Property, plant and equipment		
- Approved and contracted for	39,124	
- Approved but not contracted for	200,677	
		239,801
Biological assets		
- Approved and contracted for	63,453	
- Approved but not contracted for	152,907	
		216,360
Acquisition of a subsidiary		
- Approved and contracted for		125,395
Intangible assets - 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
		588,501

12. Contingent Liabilities and Contingent Assets

The contingent liabilities as at 30 June 2012 were as follows:-

	RM'000
Pending litigation (Note B11)	10,907

There was no contingent asset as at 30 June 2012.

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

1. Review of Performance

Current Quarter vs. Corresponding Quarter Last Year

For the quarter under review, the Group's revenue increased to RM781.0 million from RM335.8 million achieved for the corresponding quarter last year. The increase in revenue was mainly due to the contribution from Mardec Berhad which was acquired on 10 October 2011.

The Group's profit before tax decreased to RM82.7 million for the current quarter under review from RM138.3 million for the same quarter last year. The decrease in profit before tax was mainly due to the lower production and prices of palm products and higher operating expenses of the Plantation business segment.

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. Plantation - Revenue decreased by RM76.9 million mainly due to the lower production and prices of palm products. In line with the decrease in revenue coupled with higher operating expenses, pre-tax profit reduced by RM93.2 million to RM50.3 million.

ii. Property Development - No revenue was recognised for the current quarter under review as the Customs Immigration and Quarantine Complex project at Kota Putra was completed in prior years.

iii. Investment Holding - Revenue and pre-tax profit were recorded at RM26.0 million and RM19.0 million respectively for the current quarter as compared to RM17.4 million and RM10.0 million respectively for the corresponding quarter last year. Revenue mainly comprised dividend income and management income from subsidiaries. The increase in revenue and pre-tax profit was mainly due to higher dividend income from subsidiaries.

iv. Manufacturing and Trading - There are no comparatives for the corresponding quarter last year as this segment was established upon the acquisition of Mardec Berhad on 10 October 2011. This segment recorded a pre-tax profit of RM36.9 million on the back of RM523.8 million in revenue. The pre-tax profit includes a gain on disposal of an associate of approximately RM25.0 million.

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Current Year To Date vs. Preceding Year To Date

For the period ended 30 June 2012, the Group's revenue increased to RM1,389.4 million from RM565.7 million achieved for the corresponding period last year. The increase in revenue was mainly due to the contribution from Mardec Berhad which was acquired on 10 October 2011.

The Group's profit before tax decreased to RM93.2 million for the current financial year to date from RM214.0 million for the same period last year. The decrease in profit before tax was mainly due to the lower production and prices of palm products and higher operating expenses of the Plantation business segment.

The performance of respective operating business segments for the current financial year to date as compared to the same period last year is analysed as follows:-

i. Plantation - Revenue decreased by RM113.3 million mainly due to the lower production and prices of palm products. In line with the decrease in revenue coupled with higher operating expenses, pre-tax profit reduced by RM147.5 million to RM74.9 million.

ii. Property Development - No revenue was recognised for the current financial year to date as the Customs Immigration and Quarantine Complex project at Kota Putra was completed in prior years.

iii. Investment Holding - The revenue and pre-tax profit increased by RM9.3 million and RM7.1 million respectively for the current financial year to date mainly due to higher dividend income from subsidiaries.

iv. Manufacturing and Trading - As explained above, there are no comparatives for the corresponding period last year. Revenue and pre-tax profit was recorded at RM941.0 million and RM28.6 million respectively. The pre-tax profit includes a gain on disposal of an associate of approximately RM25.0 million.

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	82,698	10,509	72,189

For the current quarter under review, the Group recorded a profit before taxation of RM82.7 million, representing an increase of RM72.2 million from RM10.5 million recorded for the immediate preceding quarter. The increase in profit before taxation was mainly due to higher production of fresh fruit bunches and the recognition of a gain of RM25.0 million arising from the disposal of R1 International Pte Ltd, an associate of a wholly-owned subsidiary of the Company.

3. Prospects

Based on the prevailing prices of palm products, the expected higher seasonal production of fresh fruit bunches in the second half of the year and the improving rubber products trading margins, the Board of Directors expects the results for the second half of the year to be better than the first half of the year.

Plantation

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 fresh fruit bunches 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 factor for a strong support in crude palm oil prices and will cushion the effect of shortfall in fresh fruit bunches production.

However, the uncertain global economic sentiment and Euro zone 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 the 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.

Property Development

No development is expected for the current financial year.

Manufacturing and Trading

The current global economic conditions continue to be challenging for the Manufacturing and Trading segment with the natural rubber prices under pressure in the short term due to subdued demand and decline in production by rubber producing countries. The Group will continue with its cautious approach undertaken to mitigate any negative economic effects through better raw materials purchase control and introducing control mechanism to protect its margins during price volatility.

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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. Profit before tax

Profit before tax is arrived at after charging/(crediting):-

	Current Year Quarter RM'000	Current Year To date RM'000
Depreciation and amortisation	29,614	60,669
Finance costs	8,530	19,502
Finance income	(487)	(977)
Foreign exchange gain	(2,335)	(931)
Fair value loss on derivative instruments	1,328	3,074
Inventories written down	-	2,093
Gain on disposal of associate	(24,956)	(24,956)

Other than the above, there was no provision for and write off of receivables, impairment of assets and gain or loss on disposal of quoted or unquoted investments or properties for the current financial year to date.

6. Taxation

	Current Year Quarter RM'000	Current Year To date RM'000
Income tax expense	19,710	30,454
Deferred tax	(86)	(966)
	19,624	29,488

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.

7. (a) Status of Corporate Proposals

On 29 March 2012, Amalan Penaga (M) Sdn Bhd, a wholly-owned subsidiary of the Company, entered into a conditional Share Sale Agreement with Tradewinds (M) Berhad, the holding company of the Company, for the acquisition of 11,259,523 ordinary shares of RM1.00 each in Retus Plantation Sdn Bhd ("RPSB") ("Acquisition Shares"), representing 60% of its issued and paid-up share capital, for a purchase consideration equal to 60% of the Net Tangible Asset Value ("NTAV") of RPSB as at the NTAV determination date as determined and agreed by the parties in accordance with the Share Sale Agreement. For illustration, based on the NTAV of RPSB of RM208,992,316 as at 31 December 2011, the purchase consideration for the Acquisition Shares is RM125,395,390.

The proposed acquisition is pending the approval of the shareholders of the Company at a general meeting to be convened.

Other than the above, there was no corporate proposal announced but not completed as at 7 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.

8. Group Borrowings and Debt Securities

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

	RM'000
Short term	
Secured	264,890
Unsecured	456,621
	721,511
Long term	
Secured	531,031
Unsecured	11,468
	542,499
Total borrowings	1,264,010

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

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9. Derivative Financial Instruments

Foreign exchange forward contracts are entered into by the Group to hedge the committed sales and purchases denominated in US Dollar and Euro for the Manufacturing and Trading segment 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.

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	84
Derivative liabilities	
Fair value of foreign exchange forward contracts	3,399
Foreign exchange forward contracts	
Nominal value	183,832

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

For the period 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 Year 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

The pending material litigation against the Group is a claim filed against a subsidiary, Mardec Yala Co Ltd, for the alleged wrongful transfer of shares and the claim for compensation of Thai Baht 110.0 million (approximately RM10.907 million). On 3 December 2007, the Court dismissed the claim and issued a written judgment. However, the claimant 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.

Other than the above, there was no material litigation as at 7 August 2012, being the latest practicable date.

12. Dividend

The Board of Directors does not recommend any dividend for the quarter ended 30 June 2012.

13. 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 RM62,629,000 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.

14. 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.

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15. Disclosure on realised and unrealised profit/loss

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

	30.6.2012 RM'000	31.12.2011 RM'000
Total retained earnings of the Company and its subsidiaries:-		
- Realised	1,032,270	980,653
- Unrealised	(99,066)	(100,067)
	933,204	880,586
Total share of retained earnings from a jointly controlled entity:-		
- Realised	2,533	3,762
- Unrealised	(237)	(237)
	2,296	3,525
Total share of retained earnings from associates:-		
- Realised	(716)	(5,053)
- Unrealised	-	6,672
	(716)	1,619
	934,784	885,730
Less: Consolidation adjustments	(76,797)	(50,685)
Total Group's retained earnings as per consolidated financial statements	857,987	835,045

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

Kuala Lumpur
14 August 2012