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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 higher in the second half of the year.

4. Unusual Items

There was no unusual item for the current financial year other than the following:-

	Current Year Quarter RM'000	Current Year To Date RM'000
Allowance for doubtful debts	21,387	21,387
Bargain purchase gain arising from the acquisition of Retus Plantation Sdn Bhd	-	(4,854)
Gain on disposal of associate	-	(24,956)

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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 other than the redemption of RM30 million of Sukuk Ijarah and RM100 million of Murabahah Medium Term Notes.

7. Dividends Paid

Dividends paid during the current financial year are as follows:-

	Current Year RM'000	Preceding Year RM'000
Final dividend of 5.0 sen per share less 25% income tax (in respect of financial year 2011 and paid in financial year 2012)	19,843	-
Special dividend of 5.0 sen per share less 25% income tax (in respect of financial year 2011 and paid in financial year 2012)	19,843	-
Final dividend of 5.0 sen per share less 25% income tax (in respect of financial year 2010 and paid in financial year 2011)	-	19,843
Interim dividend of 5.0 sen per share less 25% income tax (in respect of financial year 2011 and paid in financial year 2011)	-	19,843
	39,686	39,686

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8. Segmental Reporting

The segment information for the current financial year 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
31 December 2012						
Revenue						
External revenue	1,016,412	-	-	1,781,272	-	2,797,684
Inter-segment revenue	8,823	-	68,151	-	(76,974)	-
Total revenue	1,025,235	-	68,151	1,781,272	(76,974)	2,797,684
Results						
Segment results	259,092	1,685	35,674	3,125	-	299,576
Share of result of a jointly controlled entity	47	-	-	-	-	47
Share of results of associates	-	-	-	810	-	810
	259,139	1,685	35,674	3,935	-	300,433
Add: Bargain purchase gain						4,854
Less: Inter-segment dividend income						(58,294)
Profit before tax						246,993
Assets						
Segment assets	3,529,987	87,412	73,498	577,594	-	4,268,491
Investment in a jointly controlled entity	23,572	-	-	-	-	23,572
Investments in associates	-	-	-	7,260	-	7,260
	3,553,559	87,412	73,498	584,854	-	4,299,323
Tax assets						27,684
Total assets						4,327,007

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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
31 December 2011						
Revenue						
External revenue	1,199,862	-	27	503,965	-	1,703,854
Inter-segment revenue	2,135	-	80,571	-	(82,706)	-
Total revenue	1,201,997	-	80,598	503,965	(82,706)	1,703,854
Results						
Segment results	476,143	(4,978)	53,651	(1,670)	-	523,146
Share of result of a jointly controlled entity	5,036	-	-	-	-	5,036
Share of results of associates	-	-	-	1,619	-	1,619
	481,179	(4,978)	53,651	(51)	-	529,801
Add: Bargain purchase gain						18,427
Less: Inter-segment dividend income						(71,404)
Profit before tax						476,824
Assets						
Segment assets	2,917,840	87,412	114,191	569,591	-	3,689,034
Investment in a jointly controlled entity	23,525	-	-	-	-	23,525
Investments in associates	-	-	-	57,364	-	57,364
	2,941,365	87,412	114,191	626,955	-	3,769,923
Tax assets						29,884
Total assets						3,799,807

9. Material Subsequent Event

On 19 December 2012, the Company entered into a Share Sale Agreement with Perbadanan Kemajuan Negeri Kedah ("PKNK") for the acquisition of 300,000 ordinary shares of RM1.00 each representing the balance 30% equity interest in Northern Intergrated Agriculture Sdn Bhd ("NIA"), which was a 70% owned subsidiary of the Company, for a purchase consideration equal to 30% of the Net Asset Value ("NAV") of NIA as at 31 December 2012 based on the audited financial statements for the year ended 31 December 2012. Based on the anticipated NAV as at 31 December 2012, the purchase consideration is RM24.0 million of which RM2.4 million has been paid as deposit.

The proposed acquisition was completed on 16 January 2013 and the Company has paid the remaining purchase consideration of RM21.6 million based on the anticipated NAV as at 31 December 2012. Consequently, NIA becomes a wholly-owned subsidiary of the Company.

The balance of the purchase consideration which is the amount in excess of RM24.0 million shall be payable by the Company to PKNK within 14 days from the date both parties mutually agree on the final NAV to be determined based on the audited financial statements for the year ended 31 December 2012.

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

There was no change in the composition of the Group during the current financial year other than the following:-

(a) 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.

(b) 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.

The formation of LPT Biomass did not have any material effect on the earnings and net assets of the Group for the current financial year.

(c) 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.

The acquisition of RPSB was completed on 28 September 2012 and the purchase consideration for the Acquisition Shares is RM134,964,467 based on the NTAV of RPSB of RM224,940,778 as at 31 August 2012, being the agreed NTAV determination date.

<u>Fair value of assets acquired and liabilities assumed at the date of acquisition</u>

	RM'000
Current Assets	
Inventories	15,723
Trade and other receivables	25,497
Cash and cash equivalents	20,089
	61,309
Non-current assets	
Property, plant and equipment	178,998
Biological assets	189,495
	368,493

Current liabilities	
Trade and other payables	(16,634)
Current tax liabilities	(47)
Short term borrowings	(19,811)
	(36,492)
Non-current liabilities	
Long term borrowings	(82,166)
Deferred tax liabilities	(78,113)
	(160,279)
Total net assets	233,031
Less: Non-controlling interests	(93,213)
Group's share of net assets	139,818
Bargain purchase gain	(4,854)
Total cost of acquisition	134,964

Net cash outflow on acquisition of subsidiary

	RM'000
Consideration paid in cash	134,964
Less: Cash and cash equivalents acquired	(20,089)
	114,875

The acquired subsidiary has contributed the following results to the Group during the financial year:-

	RM'000
Revenue	52,307
Profit for the year	10,853

If the acquisition had occurred on 1 January 2012, the Group's results for the current financial year would have been as follows:-

	RM'000
Revenue	2,888,547
Profit for the year	177,370

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11. Capital Commitments

The amount of capital commitments not provided for in the financial statements as at 31 December 2012 were as follows:-

	RM'000	
Property, plant and equipment		
- Approved and contracted for	34,100	
- Approved but not contracted for	69,276	
	103,376	
Biological assets		
- Approved and contracted for	87,762	
- Approved but not contracted for	61,806	
	149,568	
Intangible assets - Patent		
- Approved and contracted for	300	
Acquisition of non-controlling interest in a subsidiary		
- Approved and contracted for	21,600	
Share of capital commitment of a jointly controlled entity		
- Approved and contracted for	4,213	
	279,057	

12. Contingent Liabilities and Contingent Assets

The contingent liabilities as at 31 December 2012 were as follows:-

	RM'000
Pending litigation (Note B11)	10,931

There was no contingent asset as at 31 December 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 decreased to RM595.5 million from RM804.6 million achieved for the corresponding quarter last year. The decrease in revenue was mainly due to lower prices of palm and rubber products. The Group's profit before taxation decreased to RM45.8 million for the current quarter under review from RM118.8 million for the same quarter last year. Lower prices of palm and rubber products and a one-off provision for doubtful debts of RM21.4 million are the main factors that caused the decline in profit before taxation.

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 – Despite the higher production of fresh fruit bunches, revenue decreased by RM2.0 million to RM300.8 million for the current quarter under review, mainly due to the lower prices of palm products. Pre-tax profit decreased to RM78.3 million for the current quarter under review from RM110.1 million for the same quarter last year, mainly due to lower profit margin arising from lower prices of palm products.

   Retus Plantation Sdn Bhd, the newly-acquired subsidiary effective from 28 September 2012, had contributed RM52.3 million in revenue and RM13.9 million in pre-tax profit for the current quarter under review.

ii. Property Development - No revenue was recognised for the current quarter under review as the Customs Immigration and Quarantine Complex ("CIQ") project at Kota Putra was completed in prior years. The pre-tax profit of RM2.8 million for the current quarter was mainly due to the reversal of development expenditure over-accrued in prior years.

iii. Investment Holding - Revenue decreased by RM12.6 million due to lower dividend income received from subsidiaries for the current quarter under review. In line with the decrease in revenue coupled with higher finance cost, this business segment recorded a lower pre-tax profit of RM28.1 million for the current quarter under review as compared to pre-tax profit of RM42.2 million for the same quarter last year.

iv. Manufacturing and Trading - Revenue decreased by RM206.4 million mainly due to lower prices of rubber products for the current quarter under review. This business segment recorded a pre-tax loss of RM29.2 million mainly due to the provision for doubtful debts of RM21.4 million and losses incurred by certain overseas subsidiaries.

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Current Year vs. Preceding Year

For the year ended 31 December 2012, the Group's revenue increased to RM2,797.7 million from RM1,703.9 million achieved for the previous year. The increase in revenue was mainly due to the full year contribution from Mardec Berhad which was acquired on 10 October 2011.

The Group recorded a profit before tax of RM247.0 million for the current financial year, representing a decrease of RM229.8 million from RM476.8 million for the previous year. The decrease in profit before tax was mainly due to lower prices of palm products and higher operating expenses of the Plantation business segment.

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

i. Plantation - Despite the 3 months contribution from the newly-acquired subsidiary, Retus Plantation Sdn Bhd, revenue decreased by RM176.8 million mainly due to the lower prices of palm products. In line with the decrease in revenue coupled with higher operating expenses, pre-tax profit reduced by RM222.0 million to RM259.1 million for the current financial year.

ii. Property Development - No revenue was recognised for the current financial year as the CIQ project at Kota Putra was completed in prior years. The pre-tax profit of RM1.7 million for the current financial year was mainly due to the reversal of development expenditure over-accrued in prior years.

iii. Investment Holding – Revenue was recorded at RM68.2 million for the current financial year as compared to RM80.6 million for the previous year. The decrease in revenue was mainly due to lower dividend income received from subsidiaries for the current financial year. In line with the decrease in revenue coupled with higher finance cost and expenses incurred in relation to new financing facilities, pre-tax profit reduced by RM18.0 million to RM35.7 million for the current financial year.

iv. Manufacturing and Trading – This business segment recorded RM1,781.3 million in revenue and RM3.9 million in pre-tax profit for the current financial year as compared to RM504.0 million in revenue and RM51,000 in pre-tax loss for the previous year. The better results were mainly due to the full year contribution of Mardec Berhad for the current financial year as compared to 3 months contribution in the previous financial year. The pre-tax profit includes a gain on disposal of an associate of approximately RM25.0 million which was largely offset by the provision for doubtful debts of RM21.4 million.

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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	Decrease RM'000
Profit before taxation	45,795	107,991	(62,196)

For the current quarter under review, the Group's profit before taxation decreased by RM62.2 million to RM45.8 million from RM108.0 million recorded for the immediate preceding quarter, mainly due to the following:-

i. Decline in palm product prices caused by weaker global demand and concerns over rising palm oil stock in Malaysia;

ii. Higher operating expenses in the Plantation business segment; and

iii. Provision for doubtful debts of RM21.4 million by the Manufacturing and Trading business segment.

3. Prospects

Plantation

The profitability of the Plantation business segment in 2013 is very much determined by the price movements of oil palm products. Crude palm oil prices had experienced a decline since August 2012 as a result of weaker global demand and concerns over rising palm oil stock. However, prices are expected to improve in 2013 underpinned by the following:-

- Reduction of export duty for crude palm oil effective January 2013;
- Implementation of B10 biodiesel programme to increase crude palm oil consumption;
- Accelerated replanting programme for old and unproductive palm trees, thereby reducing production;
- Softening palm oil production in the first half of 2013; and
- Concerns over dry weather in Argentina which will affect the soybean oil production.

The labour shortage experienced by the industry will continue to affect plantation operations whilst rising labour cost will exert downward pressure on profit margin.

The Group will continue to enhance labour productivity and improve operational efficiency to offset the negative impact of rising cost and shortage of labour.

Property Development

No development is expected in 2013.

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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 increase 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.

Given the above scenario and based on the anticipated improvement in prices of palm products, the Board of Directors expects the results for the financial year ending 31 December 2013 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. 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	41,790	133,090
Finance costs	8,693	40,177
Finance income	(257)	(1,749)
Foreign exchange (gain)/loss - net	(1,743)	3,499
Fair value loss/(gain) on derivative instruments	2,620	(484)
Inventories written down	(2,069)	-
Allowance for doubtful debts	21,387	21,387
Bargain purchase gain	-	(4,854)
Gain on disposal of associate	-	(24,956)

Other than the above, there was no 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.

6. Taxation

	Current Year Quarter RM'000	Current Year To Date RM'000
Income tax expense	20,085	69,715
Deferred tax	11,412	15,371
	31,497	85,086

The taxation charge of the Group for the financial year 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

Tradewinds (M) Berhad ("TWM"), the holding company of the Company, has on 24 December 2012, received a Notice of Conditional Take-Over Offer from Perspective Lane (M) Sdn Bhd ("PLSB"), Kelana Ventures Sdn Bhd, Seaport Terminal (Johore) Sdn Bhd and Acara Kreatif Sdn Bhd ("Joint Offerors") through Maybank Investment Bank Berhad ("Maybank IB") to acquire all remaining ordinary shares of RM1.00 each in TWM ("TWM Shares") not already owned by the Joint Offerors ("TWM Offer Shares") for a cash offer price of RM9.30 per TWM Offer Share ("Offer").

As at 24 December 2012, the Joint Offerors held directly 133,778,663 TWM Shares, representing 45.12% of the issued and paid-up share capital of TWM. The Offer is conditional upon the Offer having been validly accepted by the holders of the TWM Offer Shares of not less than nine-tenths (9/10) in the nominal value of the TWM Offer Shares. In the event that the Offer becomes unconditional, the level of acceptances will result in:-

(i) PLSB increasing its shareholding above 33% of the issued and paid-up share capital of TWM; and/or

(ii) the equity interest of the Joint Offerors in TWM to increase by more than 2% of the issued and paid-up share capital of TWM in the six (6) months period.

In such event, pursuant to Section 9(1) and Section 4.1 of Practice Note 9 of the Malaysian Code of Take-Overs and Mergers, 2010, the Joint Offerors will trigger obligations to undertake a mandatory take-over offer for:-

(i) all the remaining ordinary shares of RM1.00 each in the Company ("TPB Shares) not already owned by the Joint Offerors and TWM, being the person acting in concert with the Joint Offerors, and such number of new TPB Shares that may be issued and allotted prior to the close of the take-over offer of the Company pursuant to the conversion of the outstanding irredeemable convertible unsecured loan stocks of the Company ("TPB ICULS") for a cash offer price of RM4.03 per TPB Share and all the outstanding TPB ICULS not already owned by the Joint Offerors and TWM for a cash offer price of RM2.52 per TPB ICULS; and

(ii) all the remaining ordinary shares of RM1.00 each in Padiberas Nasional Berhad ("Bernas Shares") not already owned by the Joint Offerors and TWM for a cash offer price of RM3.25 per Bernas Share.

The Board of Directors of TWM does not intend to seek an alternative person to make a take-over offer for the TWM Offer Shares and has appointed M&A Securities Sdn Bhd as the independent adviser to advise the non-interested directors of TWM and holders of the TWM Offer Shares in relation to the Offer.

The closing date of the Offer was on 4 February 2013 and has been extended to 28 February 2013.

TWM has on 20 February 2013 received a press notice from Maybank IB, on behalf of the Joint Offerors, informing that the Joint Offerors have received valid acceptances of the Offer in respect of 133,576,971 TWM Shares, representing 45.06% of TWM's issued and paid-up share capital, resulting in the Joint Offerors collectively holding 267,355,634 TWM Shares, representing 90.18% of TWM's issued and paid-up share capital.

Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, where the Joint Offerors hold in aggregate 90% or more of the listed shares of TWM and the Joint Offerors do not intend to maintain the listing status of TWM, the trading of TWM Shares shall be suspended upon the expiry of five (5) market days from 20 February 2013.

Notwithstanding that the Joint Offerors collectively hold more than 90% of TWM Shares, the Offer remains conditional upon the Offer having been validly accepted by the holders of the TWM Offer Shares of not less than nine-tenths (9/10) in the nominal value of the TWM Offer Shares. The Offer will remain open for acceptances until 28 February 2013 unless otherwise extended by the Joint Offerors.

Other than the above, there was no corporate proposal announced but not completed as at 20 February 2013, being the latest practicable date.

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

There was no corporate proposal involving fund raising.

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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	336,647
Unsecured	410,148
	746,795
Long term	
Secured	715,332
Unsecured	9,472
	724,804
Total borrowings	1,471,599

The above include borrowings denominated in foreign currency as follows:-

	RM'000
United States Dollar	87,413
Indonesian Rupiah	27,537
Thai Baht	6,524
	121,474

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 31 December 2012 are as follows:-

	RM'000
Derivative assets	
Fair value of foreign exchange forward contracts	282
Derivative liabilities	
Fair value of foreign exchange forward contracts	110
Foreign exchange forward contracts	
Nominal value	113,292

All the outstanding foreign exchange forward contracts as at 31 December 2012 have maturity period of less than one year.

For the year ended 31 December 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

Gain or loss arising from fair value changes of financial liabilities for the current quarter and current financial year are as follows:-

	Current Year Quarter RM'000	**Current Year To Date RM'000**
Foreign exchange forward contracts		
Loss/(Gain) arising from fair value changes	2,620	(484)

The loss arising from fair value changes of foreign exchange forward contracts for the current quarter under review was due to unfavourable movements of foreign exchange rates. 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 RM10.931 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 20 February 2013, being the latest practicable date.

12. Dividend

The Board of Directors declared a first interim dividend of 5 sen per ordinary share less income tax of 25% (2011: 5 sen per ordinary share less income tax of 25%) amounting to RM19,843,254 (2011: RM19,843,254) for the financial year ended 31 December 2012 paid to the shareholders on 8 January 2013.

13. Earnings Per Share

(a) Basic earnings per share

The basic earnings per share for the current year is calculated by dividing the profit for the year attributable to owners of the parent of RM142,323,000 by the weighted average number of ordinary shares (after assuming conversion of ICULS into ordinary shares) outstanding during the current year 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 31 December 2012 and 31 December 2011 are analysed as follows:-

	31.12.2012 RM'000	31.12.2011 RM'000
Total retained earnings of the Company and its subsidiaries:-		
- Realised	1,250,485	980,653
- Unrealised	(158,473)	(100,067)
	1,092,012	880,586
Total share of retained earnings from a jointly controlled entity:-		
- Realised	3,809	3,762
- Unrealised	(237)	(237)
	3,572	3,525
Total share of retained earnings from associates:-		
- Realised	(1,113)	(5,053)
- Unrealised	-	6,672
	(1,113)	1,619
	1,094,471	885,730
Less: Consolidation adjustments	(176,633)	(50,685)
Total Group's retained earnings as per consolidated financial statements	917,838	835,045

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

Kuala Lumpur
21 February 2013