

**1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MASB 26: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 30 June 2004. 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 30 June 2004.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the financial statements for the year ended 30 June 2004.

**2. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 30 June 2004 was not qualified.

**3. Comments About Seasonal or Cyclical Factors**

The Group's performance is not affected materially by any seasonal or cyclical factors.

**4. Unusual Items Due to Their Nature, Size or Incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 30 June 2005.

**5. Changes in Estimates**

There were no changes in estimates that have had a material effect in the current quarter results.

**6. Debt and Equity Securities**

For the current quarter, There were no issuance, cancellations, repurchases and repayment of debt and equity securities other than the RM100 million nominal value Al-Bai' Bithaman Ajil Fixed Rate Serial Bonds ("ABBA Bonds") issued in year 2003. These are classified within short and long term borrowings in Note 22.

**7. Dividends Paid**

At the forthcoming Annual General Meeting, a first and final tax exempt dividend in respect of the financial year ended 30 June 2004, of 10% on 141,794,000 ordinary shares, amounting to a dividend payable of RM14,179,400 (10 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial period do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in forthcoming quarter results.

## 8. Segmental Information

The Group is organised on a worldwide basis into four major business segments:

- i) Oil palm plantations and palm products processing – management and operations of plantation, manufacture and sales of palm products, and operations of bulking installations;
- ii) Trading of industrial products – purchase and sales of diesel; and
- iii) Bio-mass energy – generate and supply of energy and steam.

Others business segments include letting of commercial properties and a stone and gravel quarry, none of which are of a sufficient size to be reported separately.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Segmental information for the current financial period ended 30 September 2004 are as followed:

	<i>Oil palm plantations and Palm products processing</i>	<i>Trading of industrial products</i>	<i>Bio-mass energy</i>	<i>Others</i>	<i>Elimination</i>	<i>Total</i>
	<i>RM '000</i>	<i>RM '000</i>	<i>RM '000</i>	<i>RM '000</i>	<i>RM '000</i>	<i>RM '000</i>
<b>Revenue</b>						
External sales	317,472	1,384	-	-	-	318,856
Internal sales	98,724	2,303	2,523	13	(103,563)	-
Total revenue	416,196	3,687	2,523	13	(103,563)	318,856
<b>Result</b>						
Segment profit before tax	17,623	256	1,303	13		19,195
Finance costs, net						(2,723)
Profit before tax						16,472
Taxation						(3,500)
Profit after tax						12,972
Minority interests						807
Profit for the period						13,779

## 9. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 30 June 2004.

## **10. Subsequent Event**

There were no material events subsequent to the end of the current quarter, except on 29 November 2004, the Group announced that it has proposed to acquire the entire equity interest in the companies named hereunder which are involved in the operation of oil palm plantations:

- a) 250,000 ordinary shares of RM1 each in Kwantas Land Development Sdn. Bhd. (KLD) for a total purchase consideration of RM86,936,588 to be fully satisfied by the issuance of 16,718,574 new Kwantas Corporation Bhd (Kwantas) Shares at an issue price of RM5.20 per Kwantas Shares; and
- b) 2 ordinary shares of RM1 each in Kwantas Oleo Sdn. Bhd. (KOSB) for a total purchase consideration of RM3,713,368 to be fully satisfied by the issuance of 714,108 new Kwantas Shares at an issue price of RM5.20 per Kwantas Share.

The Proposed KLD Acquisition and the Proposed KOSB Acquisition are not inter-conditional on each other.

## **11. Changes in Composition of the Group**

There were no changes in the composition of the Group during the current quarter.

## **12. Changes in Contingent liabilities and Contingent Assets**

### **Unsecured**

The Company has provided corporate guarantees to secure banking facilities given to a subsidiary company. The amount utilised and outstanding as at 30 September 2004 amounted to approximately RM187 million.

The Group is disputing a claim amounting to approximately RM5 million from RHB Bank Berhad on an alleged foreign currency forward contract entered into by a subsidiary company. Legal proceedings are in progress and the outcome is yet to be determined. The Company's lawyers are of the opinion that the Group has a good prospect of succeeding in this litigation.

## **13. Capital Commitments**

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 June 2005 is as follows:

Approved and contracted for	<i>RM'000</i> <u>16,219</u>
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**14. Performance Review**

Palm product prices fluctuated moderately during the quarter under reviewed. The oil palm plantation and palm products processing activities continued to be the major contributor to the Group's revenue and profit. Group's Biomass electricity power generation plant is operation and contributed revenue of RM 2.5 million.

The 2<sup>nd</sup> phase of the Group's China investment consist of the construction of a Refinery and Shortening Plants was completed in mid-2004 and are currently being tested and commissioned.

**15. Comment on Material Change in Profit Before Taxation**

No material change was noted in profit before taxation during the current quarter under review.

**16. Commentary on Prospects**

The Directors are of the view that the overall performance of the Group will continue to be strong, particularly on the oil palm plantations and palm products processing segments. The coming on stream of the China processing facilities is expected to contribute significantly to the Group's turnover and profit.

**17. Profit Forecast or Profit Guarantee**

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

**18. Taxation**

	<i>3 months ended 30.9.2004 RM'000 (Unaudited)</i>	<i>3 months ended 30.9.2003 RM'000 (Unaudited)</i>
Income tax:		
Malaysian income tax	3,500	3,654
Foreign tax	-	-
Deferred taxation	-	-
	<u>3,500</u>	<u>3,654</u>

The effective tax rate for the periods presented above was lower than the statutory income tax rate principally due the availability of unabsorbed capital, reinvestment and investment tax allowances, double tax deduction and unused tax losses of certain subsidiary companies for set-off against the current period/year's taxable profit for its biomass power plant and palm product processing operations, and certain expenses which are not deductible for tax purposes.

**19. Sales of Unquoted Investments and Properties**

There were no sales of unquoted investments and properties for the current quarter.

**20. Marketable Securities**

There was no purchase or disposal of marketable securities for the current quarter.

**21. Corporate Proposals**

There are no corporate proposals announced but not completed as at 23 November 2004, except on 29 November 2004, the Company announced that it had proposed to acquire the entire equity interest in the companies named hereunder:

- a) 250,000 ordinary shares of RM1 each in Kwantas Land Development Sdn. Bhd. (KLD) for a total purchase consideration of RM86,936,588 to be fully satisfied by the issuance of 16,718,574 new Kwantas Corporation Bhd (Kwantas) Shares at an issue price of RM5.20 per Kwantas Shares; and
- b) 2 ordinary shares of RM1 each in Kwantas Oleo Sdn. Bhd. (KOSB) for a total purchase consideration of RM3,713,368 to be fully satisfied by the issuance of 714,108 new Kwantas Shares at an issue price of RM5.20 per Kwantas Share.

The Proposed KLD Acquisition and the Proposed KOSB Acquisition are not inter-conditional on each other.

**22. Borrowings and Debts Securities**

	<i>As at</i> <i>30.9.2004</i> <i>RM'000</i>
Short term borrowings	
- Unsecured	-
- Secured	249,296
- Total	249,296
Long term borrowings	
- Unsecured	-
- Secured	114,912
- Total	114,912
	364,208

Included in long term secured borrowings represents RM90 million ABBA Bonds.

All of the above borrowings are denominated in Ringgit Malaysia, except for the following:

	Renminbi '000	RM '000 equivalent
Borrowings denominated in foreign currency – Renminbi	62,075	28,499
	62,075	28,499

**Notes to the interim financial statements – 30 September 2004**

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**23. Off Balance Sheet Financial Instruments**

	<i>Notional amount as at 30.9.2004 RM '000</i>
Contingent liabilities	5,000
Forward foreign exchange contracts used to hedged anticipated sales	<u>165,345</u>

Credit risk, or the risk of counterparties defaulting, is controlled by limiting the Group's association to creditworthy financial institutions in Malaysia.

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Exposure to market risk may be reduced through offsetting on and off balance sheet positions.

There are no significant credit and market risks posed by the above off balance sheet financial instruments.

The related accounting policy for the off balance sheet financial instruments disclosed in the financial statements for the year ended 30 June 2004 is as follows:

**Forward Foreign Exchange Contracts**

Forward foreign exchange contracts are not recognised in the financial statements on inception. The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

**24. Changes in Material Litigation**

As disclosed during the previous financial year ended 30 June 2004, The Group is disputing a claim amounting to approximately RM5 million from RHB Bank Berhad on an alleged foreign currency forward contract entered into by a subsidiary company. Legal proceedings are in progress and the outcome is yet to be determined. The Company's lawyers are of the opinion that the Group has a good prospect of succeeding in this litigation.

As at 23 November 2004, there were no changes in material litigation, including the status of pending material litigation since the last annual balance sheet date of 30 June 2004, except as disclosed above.

**25. Dividend Payable**

No dividend was declared for the financial period ended 30 June 2005.

**Notes to the interim financial statements – 30 September 2004**

**26. Earning Per Share**

**(a) Basic**

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the financial period.

	<i>3 months ended 30.9.2004</i>	<i>3 months ended 30.9.2003</i>
Net profit for the period (RM'000)	13,779	13,314
Weighted average number of ordinary shares in issue ('000)	141,794	141,074
Basic earnings per share (sen)	<u>9.72</u>	<u>9.44</u>

**(b) Diluted**

For the purpose of calculating diluted earnings per share, the net profit for the period and the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares and shares granted to employees.

	<i>3 months ended 30.9.2004</i>	<i>3 months ended 30.9.2003</i>
Net profit for the period (RM'000)	13,779	13,314
Weighted average number of ordinary shares in issue ('000):	141,794	141,074
Effect of dilution:		
Share options	4,343	3,422
Adjusted weighted average number of ordinary shares in issue and issuable	<u>146,137</u>	<u>144,496</u>
Diluted earnings per share (sen)	<u>9.43</u>	<u>9.21</u>

**27. Authorised for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 November 2004.