

**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 2005. 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 2005.

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 2005.

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

The auditors' report on the financial statements for the year ended 30 June 2005 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 31 December 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 Tenth Annual General Meeting held on 14 December 2005, the shareholders approved a final tax exempt dividend of 10 sen per share, amounting to RM15,454,863 to be paid on 14 March 2006 in respect of the financial year ended 30 June 2005.

## 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 plantations, manufacture and sales of palm products, and operations of bulking installations;
- ii) Trading of industrial products – purchase and sales of diesel; and
- iii) Biomass 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 31 December 2005 are as followed:

	<i>Oil palm plantations and palm products processing RM '000</i>	<i>Trading of industrial products RM '000</i>	<i>Biomass energy RM '000</i>	<i>Others RM '000</i>	<i>Elimination RM '000</i>	<i>Total RM '000</i>
<b>Revenue</b>						
External sales	527,608	3,592	-	-		531,200
Internal sales	44,194	4,668	5,762	25	(54,649)	-
Total revenue	571,802	8,260	5,762	25	(54,649)	531,200
<b>Results</b>						
Profit from operations	19,625	149	2,082	(173)		21,683
Finance costs, net						(8,088)
Profit before taxation						13,595
Taxation						(1,768)
Profit after taxation						11,827
Minority interests						1,066
Profit for the period						12,893

## 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 2005.

**10. Subsequent Event**

There were no material events subsequent to the end of the current quarter.

**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**

- i) The Company has provided corporate guarantees to secure banking facilities given to a subsidiary company. The amount utilised and outstanding as at 31 December 2005 amounted to approximately RM193 million.
- ii) The Group is disputing a claim amounting to approximately RM5 million from a commercial bank 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.
- iii) A dispute between Enco Engineering Sdn. Bhd. ("Enco") and Palm Energy Sdn. Bhd. ("PESB"), a wholly owned subsidiary company of the Company, in the purchase by the latter of a 9.8 Mega Watt co-generation power plant. PESB is claiming for liquidated damages, loss of productive/revenue and refurbishment costs totalling approximately RM8 million. Enco counter claimed the balance of the original contract sum amounting to approximately RM1 million and variation order works totalling approximately RM1 million. An arbitrator has been appointed and arbitration process is on going.

**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 31 December 2005 is as follows:

Approved and contracted for	<i>RM'000</i> <u>48,000</u>
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**14. Performance Review**

The oil palm plantations and palm products processing activities continued to be the major contributor to the Group's revenue and profit. The revenue of the Group has decreased by RM96,075,000 or 27% from RM352,542,000 in Q2 FYE2005 to RM256,467,000 in current quarter. This was mainly due to the decrease in palm products prices and reduce of trading activities such as trading of soya bean oil in current quarter compared to FYE2005.

**15. Comment on Material Change in Profit For The Period**

The Group's profit for the period has decreased to RM12.893 million in current quarter from RM20.173 million in Q2 FYE2005. The decrease of RM7.28 million or 36% was mainly due to the decrease in CPO prices, lower palm products margin and higher depreciation charged. Apart from these, the Group's estates have continued to carry on the fertiliser application and road maintenance program in the current quarter.

**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 contribution from the acquisitions of new oil palm plantations and current palm products processing segments. The China processing facilities are at its pioneer run and are expected to show marginal improvement to the Group's revenue and profit in the coming quarter.

**17. Profit Forecast or Profit Guarantee**

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

**18. Taxation**

	<i>3 months ended 31.12.2005 RM'000 (Unaudited)</i>	<i>6 months ended 31.12.2005 RM'000 (Unaudited)</i>
Income tax:		
Malaysian income tax	1,768	2,768
Foreign tax	-	-
Deferred taxation	<u>(500)</u>	<u>(1,000)</u>
	<u>1,268</u>	<u>1,768</u>

The effective tax rate for the periods presented above was lower than the statutory income tax rate principally due to 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'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 21 February 2006 except for the following:

On 23 February 2006, the Board of Directors of the Company announced that the Company proposed to undertake the following:

- (a) extend the duration of the Company’s existing Employees’ Share Option Scheme (“ESOS”), which is due to expire on 8 April 2001, for another five years to 8 April 2006 (“Proposed ESOS Extension”);
- (b) increase the maximum number of new ordinary shares of RM1.00 each in the Company to be issued under the ESOS from 10% to 15% of the Company’s issued and paid-up share capital, at any one time (“Proposed Increase in ESOS Limit”); and
- (c) amendments to certain clauses of the Company’s Bye-Laws, to facilitate the Proposed ESOS Extension and the Proposed Increase in ESOS Limit as well as to align the Bye-Laws with the prevailing Listing Requirements of Bursa Malaysia Securities Berhad relating to the share scheme for employees.

The corporate proposals as mentioned above are still pending approval from the shareholders and Securities Commissions.

**22. Borrowings and Debts Securities**

	<i>As at 31.12.2005</i> <i>RM’000</i>
Short term borrowings	
- Unsecured	-
- Secured	279,892
- Total	279,892
Long term borrowings	
- Unsecured	-
- Secured	148,683
- Total	428,575

Included in long term secured borrowings represents RM70 million ABBA Bonds.

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

	USD ’000	RM ’000 equivalent
Borrowings denominated in foreign currency – USD	23,334	87,929
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**23. Off Balance Sheet Financial Instruments**

	<i>Notional amount as at 31.12.2005 RM '000</i>
Contingent liabilities	7,000
Contingent Assets	8,000
Interest rate swap agreement:	
More than 1 year and less than 5 years	80,000
Forward foreign exchange contracts used to hedged anticipated sales	<u>40,945</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 period ended 31 December 2005 is as follows:

Off balance sheet financial instruments are not recognised in the financial statements on inception.

**Interest Rate Swap Contracts:**

Net differentials in interest receipts and payments arising from interest rate swap contracts are recognised as interest income or expense over the period of the contract.

**Forward Foreign Exchange Contracts:**

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.

**23. Changes in Material Litigation**

As at 21 February 2006, there were no changes in material litigation, including the status of pending material litigation since the last annual balance sheet date of 30 June 2005, as details in Note 12.

**24. Dividend Payable**

No dividend was declared for the financial period ended 30 June 2006.

**25. 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 31.12.2005</i>	<i>6 months ended 31.12.2005</i>
Net profit for the period (RM'000)	5,420	12,893
Weighted average number of ordinary shares in issue ('000)	154,549	154,549
Basic earnings per share (sen)	<u>3.51</u>	<u>8.34</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 31.12.2005</i>	<i>6 months ended 31.12.2005</i>
Net profit for the period (RM'000)	5,420	12,893
Weighted average number of ordinary shares in issue ('000):	154,549	154,549
Effect of dilution:		
Share options	3,688	3,700
Adjusted weighted average number of ordinary shares in issue and issuable	<u>158,237</u>	<u>158,249</u>
Diluted earnings per share (sen)	<u>3.43</u>	<u>8.15</u>

**26. 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 28 February 2006.