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 year ended 30 June 2006.

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 Company had pursuant to an application submitted to the Securities Commission ("SC") on 13 March 2006 for the Proposed Issue of, Offer for Subscription or Purchase of, or Invitation to Subscribe for or Purchase, up to RM220 million Nominal Value Islamic Securities comprising of:

a) RM155 million Sukuk Ijarah ("Sukuk Ijarah"); and
b) Up to RM65 million Murabahah Commercial Papers/Medium Term Notes Programme ("Murabahah CP/MTN")

(collectively referred to as "Islamic Securities")

by Kwantas SPV Sdn. Bhd. ("SPV"), a special purpose vehicle company incorporated on 3 February 2006, to facilitate the issuance of the Islamic Securities for the financing requirements of the Group. SPV is a company wholly owned by Kwantas Corporation Berhad.

6. Debt and Equity Securities (Cont'd)

SC has vide its letter dated 27 April 2006 approved the issuance of the Proposed Islamic Securities.

The proceeds arising from the Islamic Securities were used to early redeem the Company's existing outstanding Al-Bai' Bithaman Ajil Serial Bonds, to refinance the bankers' acceptance facilities under a subsidiary company, settle transaction expenses, deposit of return payment and profit payment into the respective designated Reserve Account to be opened under the Transaction and for working capital requirement of Kwantas Group, which shall be Syariah compliant.

The Board of Directors of the Company is of the opinion that the proposed Islamic Securities by SPV is in the best interest of the Group.

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 RM15,533,863 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 – generation and supply of energy and steam.

Others business segments include letting of commercial properties.

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.

8. Segmental Information (Cont'd)

Segmental information for the current financial year ended 30 June 2006 are as follows:

	Oil palm plantations and palm products processing RM '000	*Trading of industrial products RM '000*	*Biomass energy RM '000*	*Others RM '000*	*Elimination RM '000*	*Total RM '000*
Revenue						
External sales	1,086,914	4,898	-	-		1,091,812
Internal sales	78,108	7,887	9,746	50	(95,791)	-
Total revenue	1,165,022	12,785	9,746	50	(95,791)	1,091,812
Results						
Profit from operations	30,783	240	2,648	(424)		33,247
Finance costs, net						(15,594)
Profit before taxation						17,653
Taxation						(2,760)
Profit after taxation						14,893
Minority interests						2,118
Profit for the period						17,011

9. Carrying Amount of Revalued Assets

It is the Group policy to perform revaluation at least once in every five years based on a valuation by an independent valuer, whereby the Group last valuation was done in year 2001. During the current quarter, the Group has performed its latest revaluation on its property, plant and equipment to conform with the Group policy and the revaluation increase has been credited to equity as revaluation surplus.

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 subsidiary companies. The amount utilised and outstanding as at 30 June 2006 amounted to approximately RM156 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 30 June 2006 is as follows:

	RM'000
Approved and contracted for	3,230

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 RM114,737,000 or 9.5% from RM1,206,549,000 in the last FYE 2005 to RM1,091,812,000 in the current FYE 2006. This was mainly due to the decrease in sales quantities and lower palm products prices. Sales of refined palm products have decreased by 45,000MT as compared to the last FYE 2005 due to low crop production. Furthermore, the overall average refined palm products prices for the current FYE 2006 were transacted at RM60/MT lower as compared to last FYE 2005. The refined palm products prices in current FYE 2006 is RM1,430/MT as compared to RM1,490/MT in last FYE 2005.

The average profit margin of the Group was also decreased by 2% as compared to last FYE 2005 due to higher depreciation charges and the global hike of crude oil prices that adversely affected the palm oil refining production costs. The de-pegging of USD announced by the Government in July 2005 has also caused a loss of RM 3.8 million in foreign currency contracts due to fluctuation of rates.

15. Comment on Material Change in Profit For The Period

The Group's profit for the current quarter has decreased to RM7.809 million from RM13.348 million in Q4 FYE2005. The decrease of RM5.539 million or 41% was mainly due to the lower CPO prices and low crop harvesting in this quarter as compared to the last comparative quarter. Furthermore, higher depreciation charges and high fuel oil prices have continued to drive the cost of production higher.

16. Commentary on Prospects

The Directors are of the view that the overall performance of the Group will continue to be positive, 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

	3 months ended 30.6.2006 RM'000 (Unaudited)	*12 months ended 30.6.2006 RM'000 (Unaudited)*
Income tax:		
Malaysian income tax	1,776	5,745
Foreign tax	-	13
Deferred taxation	(2,000)	(3,000)
	(224)	2,758

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 24 August 2006.

22. Borrowings and Debts Securities

	As at 30.6.2006 *RM'000*
Short term borrowings	
- Unsecured	-
- Secured	196,223
- Total	196,223
Long term borrowings	
- Unsecured	-
- Secured	238,528
- Total	238,528
	434,751

Included in the long term secured borrowings is an amount of RM155 million Sukuk Ijarah.

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	25,961	95,549
	=======	=======

23. Off Balance Sheet Financial Instruments

	Notional amount as at 30.6.2006 RM '000
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 hedge anticipated sales	112,160

23. Off Balance Sheet Financial Instruments (Cont'd)

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 2006 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 loses 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 at 24 August 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.

25. Dividend Payable

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

26. Earning Per Share

(a) Basic

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

	3 months ended 30.6.2006	*12 months ended 30.6.2006*
Net profit for the year (RM'000)	7,809	17,011
Weighted average number of ordinary shares in issue ('000)	155,339	154,859
Basic earnings per share (sen)	5.03	10.98

(b) Diluted

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

	3 months ended 30.6.2006	*12 months ended 30.6.2006*
Net profit for the year (RM'000)	7,809	17,011
Weighted average number of ordinary shares in issue ('000):	155,339	154,859
Effect of dilution:		
Share options	3,129	3,496
Adjusted weighted average number of ordinary shares in issue and issuable	158,468	158,355
Diluted earnings per share (sen)	4.93	10.74

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 29 August 2006.