

## **1. Basis of Preparation**

The interim financial statements have been prepared under the historical cost convention except for the revaluation of leasehold land and buildings included within property, plant and equipment and plantation development expenditure.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: 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 for the financial year ended 30 June 2006. 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 2006.

## **2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2006 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 July 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment property

The adoption of FRS 2, 3, 5, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133, 136, 138 and 140 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

**(a) FRS 101: Presentation of Financial Statements**

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. In the condensed consolidated balance sheet, minority interests are now presented within total equity. In the condensed consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the condensed consolidated statement of changes in equity. FRS 101 also require disclosure, on the face of the condensed consolidated statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to the minority interest.

Plantation development expenditure (“PDE”) previously classified under property, plant and equipment is now disclosed separately in the condensed consolidated balance sheet as PDE. The Group maintains its existing accounting policy on PDE and shall comply with the provisions of ED50: Agriculture, the equivalent of International Accounting Standard 41, once it becomes effective for application in Malaysia.

The current period’s presentation of the Group’s financial statements is based on the revised requirements of FRS 101, with comparatives restated to conform with the current period’s presentation. The effect to the Group on the adoption of FRS 101 is set out in item (b) below.

(b) The following comparative amounts have been restated due to the adoption of FRS 101:

	<b>Previously stated RM ‘000</b>	<b>Adjustments on adoption of FRS 101 RM ‘000</b>	<b>As restated RM ‘000</b>
<b>At 30 June 2006</b>			
Property, plant and equipment	821,175	(229,978)	591,197
Investment properties	-	9,623	9,623
Plantation development expenditure	-	220,355	220,355

**3. Auditors’ Report on Preceding Annual Financial Statements**

The auditors’ report on the financial statements for the financial year ended 30 June 2006 was not qualified.

**4. Segmental Information**

Segmental information for the current financial period ended 31 December 2006 is as followed:

	<i>3 months ended</i>		<i>6 months ended</i>	
	<i>31.12.2006</i>	<i>31.12.2005</i>	<i>31.12.2006</i>	<i>31.12.2005</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
<b>Segment Revenue</b>				
Oil palm plantations and palm product processing	689,267	279,251	1,087,083	577,151
Trading of industrial products	958	3,007	1,235	8,260
Biomass energy	2,869	3,338	5,788	5,762
Others	12	12	25	25
Total revenue including inter-segment sales	693,106	285,608	1,094,131	591,198
Elimination of inter-segment sales	(257,919)	(29,141)	(283,021)	(54,649)
<b>Total</b>	<b>435,187</b>	<b>256,467</b>	<b>811,110</b>	<b>536,549</b>
<b>Segment Results</b>				
Oil palm plantations and palm product processing	12,899	4,638	30,254	11,909
Trading of industrial products	31	4	44	149
Biomass energy	305	1,283	155	1,710
Others	(77)	(87)	(173)	(173)
	13,158	5,838	30,280	13,595
Eliminations	-	-	-	-
<b>Total</b>	<b>13,158</b>	<b>5,838</b>	<b>30,268</b>	<b>13,595</b>

**5. 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 2006 except as disclosed in Note 2.

**6. Changes in Estimates**

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

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

The production of fresh fruit bunches is seasonal in nature and normally peak in the second half of the year.

**8. Dividend Paid**

At the Eleventh Annual General Meeting held on 13 December 2006, the shareholders approved a first and final tax exempt dividend of 5 sen per share, amounting to RM7,766,932 to be paid on 13 March 2007 in respect of the financial year ended 30 June 2006.

**9. Carrying Amount of Revalued Assets**

The valuations of property, plant and equipment and plantation development expenditure have been brought forward without amendment from the financial statements for the financial year ended 30 June 2006.

**10. Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter ended 31 December 2006 other than the issuance of RM155 million nominal value of Sukuk Ijarah in May 2006. The said Sukuk issuance is classified under long term borrowings in Note 23.

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

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

**12. 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 2006 is as follows:

Approved and contracted for	<i><b>RM'000</b></i> <u>12,210</u>
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**13. Changes in Contingent Liabilities and Contingent Assets**

**Unsecured**

- i) The Company has provided corporate guarantees to secure banking facilities granted to subsidiary companies. The amount utilised and outstanding as at 31 December 2006 amounted to approximately RM275 million.
- ii) The Group is disputing a claim amounting to approximately RM5 million from a commercial bank on foreign currency forward contract alleged to have been 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 defending the claim.
- iii) In response to a claim by Palm Energy Sdn. Bhd. ("PESB"), a wholly owned subsidiary of the company of a 9.8 Mega Watt co-generation power plant for liquidated damages, loss of revenue and refurbishment costs totalling approximately RM8 million. The said supplier 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.

**14. Subsequent Events**

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

**15. Performance Review**

The oil palm plantations and oils and fats processing activities continued to be the major contributor to the Group's revenue and profit. The revenue of the Group has increased by RM274,561,000 or 51% from RM536,549,000 in Q2 FYE2006 to RM811,110,000 in current quarter. This was mainly due to the increase in palm products prices in current quarter compared to Q2 FYE2006, ie the average CPO price traded for Q2 FYE2006 was RM1,334 per MT as compared to RM1,526 per MT in Q2 FYE2007.

Furthermore, revenue from the Group's China operations in the current quarter has increased by RM28.5 million or 72% to RM67,904,000, as compared to RM39,441,000 in Q2 FYE2006, the significant increase is mainly due to increase sales in shortening/margarine product and seasonal trading of refined soya bean oil which produced by the subsidiary's oils and fats processing facilities in Guangzhou. The two subsidiaries that involved in bulking tank rental, trading, oils and fats processing and shortening/margarine manufacturing have been fully operational since last comparative quarter.

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

The Group's profit before taxation has increased to RM34.810 million in current quarter from RM13.595 million in Q2 FYE2006. The increase of RM21.215 million or 156% was mainly due to the increase in CPO prices and better products margin coupled with increased palm and soya bean oil processing volume in china as compared to Q2 FYE2006.

**17. Commentary on Prospects**

The Directors are of the view that the overall performance of the Group will continue to be strong as positive CPO market outlook and its contribution from the China operation. The potential for the China operation is positive as the demand for oils and fats products are expected to be high in this growing economy. The Group's China operation will also be further improved when the two subsidiaries in Guangzhou and Zhangjiagang commence its soap noodle, oleochemical and glycerin plants in the mid of 2007.

**18. Profit Forecast or Profit Guarantee**

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

**19. Income Tax Expense**

	<i>3 months ended</i>		<i>6 months ended</i>	
	<i>31.12.2006</i>	<i>31.12.2005</i>	<i>31.12.2006</i>	<i>31.12.2005</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Current tax:				
Malaysian income tax	2,180	1,768	4,680	2,768
Deferred tax	(150)	(500)	(150)	(1,000)
Total income tax expense	<u>2,030</u>	<u>1,268</u>	<u>4,530</u>	<u>1,768</u>

The effective tax rate for the current quarter 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's taxable profit for its biomass power plant and palm product processing operations, and certain expenses which are not deductible for tax purposes.

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

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

**21. Quoted Securities**

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

**22. Corporate Proposals**

There are no corporate proposals announced but not completed as at 22 February 2007.

**23. Borrowings**

The Group borrowings, which is secured, was as follows:

	<i>As at</i>	<i>As at</i>
	<i>31.12.2006</i>	<i>30.6.2006</i>
	<i>RM'000</i>	<i>RM'000</i>
<b>Short term borrowings</b>		
- Secured	<u>321,960</u>	<u>217,359</u>
<b>Long term borrowings</b>		
- Secured	<u>233,623</u>	<u>212,998</u>
	<u>555,583</u>	<u>430,357</u>

Included in long term secured borrowings are RM155 million nominal value of Sukuk Ijarah.

Borrowings denominated in foreign currency:

	USD '000	RM '000 equivalent
United States Dollars	28,320	103,525
	=====	=====

**24. Off Balance Sheet Financial Instruments**

	<i>Notional amount as at 31.12.2006 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>183,155</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 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 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.

**25. Changes in Material Litigation**

As at 22 February 2007, there were no changes in material litigation, including the status of pending material litigation since the last annual balance sheet date of 30 June 2006, as details in Note 13.

**26. Dividend Payable**

No interim dividend has been declared for the financial period ended 31 December 2006.

**27. Earnings Per Share**

**(a) Basic**

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	<i>3 months ended</i>		<i>6 months ended</i>	
	<i>31.12.2006</i>	<i>31.12.2005</i>	<i>31.12.2006</i>	<i>31.12.2005</i>
Profit for the period attributable to ordinary equity holders of the parent (RM'000)	12,170	5,420	27,760	12,893
Weighted average number of ordinary shares in issue ('000)	155,339	154,549	155,339	154,549
Basic earnings per share (sen)	7.83	3.51	17.87	8.34

**(b) Diluted**

For the purpose of calculating diluted earnings per share, the profit for the period attributable to ordinary equity holders of the parent 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 options granted to employees.





**Notes to the interim financial statements – 31 December 2006**

	<i>3 months ended</i>		<i>6 months ended</i>	
	<i>31.12.2006</i>	<i>31.12.2005</i>	<i>31.12.2006</i>	<i>31.12.2005</i>
Profit for the period attributable to ordinary equity holders of the parent (RM'000)	12,170	5,420	27,760	12,893
Weighted average number of ordinary shares in issue ('000):	155,339	155,339	155,339	154,549
Effect of dilution: Share options	3,023	3,023	3,023	3,733
Adjusted weighted average number of ordinary shares in issue and issuable	158,362	158,362	158,362	158,282
Diluted earnings per share (sen)	7.68	3.43	17.53	8.15

**28. Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 February 2007.