

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, prepaid lease payments 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 2007. 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 2007.

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 2007 except for the adoption of the Financial Reporting Standards (“FRS”) 117 Leases, which is effective for financial year beginning 1 July 2007.

Prior to 1 July 2007, the Group’s leasehold land held for own use was classified as property, plant and equipment and was stated at cost/valuation less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 resulted in a retrospective change in the accounting policy relating to the classification of leasehold land and land deposit separately from property, plant and equipment. The upfront payments for leasehold land represent prepaid lease payments and are amortised on a straight line basis over the lease term. As allowed by the transitional provisions of FRS 117, the unamortised revalued amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments.

The reclassifications of leasehold land and land deposit have been accounted for retrospectively and the following comparative amounts as at 30 June 2007 have been restated:

Consolidated Balance Sheets At 30 June 2007	As previously stated RM ‘000	Adjustments on adoption of FRS 117 RM ‘000	As restated RM ‘000
Property, plant and equipment	781,592	(242,099)	539,493
Prepaid lease payments	-	242,099	242,099

3. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the financial year ended 30 June 2007 was not qualified.

4. Segmental Information

Segmental information for the current financial period ended 30 September 2007 is as followed:

	<i>3 months ended</i>		<i>3 months ended</i>	
	<i>30.9.2007</i>	<i>30.9.2006</i>	<i>30.9.2007</i>	<i>30.9.2006</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Segment Revenue				
Oil palm plantations and palm product processing	832,870	397,816	832,870	397,816
Trading of industrial products	2,398	277	2,398	277
Biomass energy	2,308	2,919	2,308	2,919
Others	13	13	13	13
Total revenue including inter-segment sales	837,589	401,025	837,589	401,025
Elimination of inter-segment sales	(278,217)	(25,102)	(278,217)	(25,102)
Total	559,372	375,923	559,372	375,923
Segment Results				
Oil palm plantations and palm product processing	28,591	19,855	28,591	19,855
Trading of industrial products	63	13	63	13
Biomass energy	92	(150)	92	(150)
Others	(86)	(96)	(86)	(96)
	28,660	19,622	28,660	19,622
Eliminations	-	-	-	-
Total	28,660	19,622	28,660	19,622

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 30 September 2007 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 cropping pattern of oil palm normally declines to a through in the first half of the calendar year before rising to the peak in the second half, the Group's performance can be affected accordingly.

8. Dividend Paid

At the forthcoming Annual General Meeting, final dividend in respect of the financial year ended 30 June 2007, comprising of 5% less 27% taxation and 10% tax exempt on 155,338,632 ordinary shares, amounting to a dividend payable of RM21,203,723 (13.65 sen net 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 earnings in the financial year ending 30 June 2008.

9. Carrying Amount of Revalued Assets

The valuations of property, plant and equipment, plantation development expenditure and prepaid lease payments have been brought forward without amendment from the financial statements for the financial year ended 30 June 2007.

10. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter ended 30 September 2007.

11. Changes in Composition of the Group

Acquisition of Subsidiary Companies

- (a) On 30 July 2007, the Group, vide its wholly-owned subsidiary of Kwantas Plantations Sdn Bhd, had acquired 60% equity interest in Kwantas Pelita Plantation (Balingian) Sdn Bhd, a joint venture company established together with Pelita Holding Sdn Bhd, a nominee company of the Ministry of Land Development Sarawak to develop the parcels of land located at Ulu Balingian area, Mukah Division, Sibul, Sarawak into oil palm plantations, for a total cash consideration of RM60; and
- (b) On 21 August 2007, the Group had acquired 70% equity interest in Pristine Prestige Sdn Bhd, a company incorporated in Malaysia, which is currently dormant, for a total cash consideration of RM70.

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 30 September 2007 is as follows:

Approved and contracted for

RM'000
15,113

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 30 September 2007 amounted to approximately RM239 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., 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 except for the followings:

- (a) On 20 October 2007, the Company subscribed for 2 ordinary shares of RM1 each, representing 100% equity interest in Green Green Grass Sdn. Bhd., a company incorporated in Malaysia, for a total cash consideration of RM2; and
- (b) On 1 November 2007, on behalf of the Board of Directors of the Company, CIMB Investment Bank Berhad announced that the Company proposes to implement the following:
 - i) a share split involving the subdivision of every one (1) existing ordinary shares of RM1 each in the Company into two (2) ordinary shares of RM0.50 each in the Company (Proposed Share Split); and
 - ii) amendments to certain provision of the Company's Memorandum of Association to facilitate the Proposed Share Split.

(The above shall collectively be referred to as the "**Proposals**").

Bursa Malaysia Securities Berhad has, vide its letter dated 12 November 2007, approved the Proposed Share Split.

With the aforesaid approval, the Proposed Share Split is now pending the approval from the shareholders of the Company at a general meeting to be convened.

The Board of Directors of the Company, having considered all aspects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

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 RM183,449,000 or 49% from RM375,923,000 in Q1 FYE2007 to RM559,372,000 in current quarter. The improved performance is attributable to higher palm product prices. Average CPO price traded for Q1 FYE2007 was RM1,356 per MT as compared to RM2,303 per MT in Q1 FYE2008.

Furthermore, revenue from the Group's China operations in the Q1 FYE2008 has increased by RM86.2 million or 142.2% to RM146.8 million, as compared to RM60.6 million in Q1 FYE2007, the significant increase is mainly due to increased in palm and soya bean product prices as well as shortening/margarine product and seasonal trading of refined soya bean oil which was produced by the subsidiary's oils and fats processing facilities in Guangzhou.

16. Comment on Material Change in Profit Before Taxation

The Group's profit before taxation has increased to RM28.660 million in current quarter from RM19.622 million in Q1 FYE2007. The increase of RM9.038 million or 46% was mainly due to the increase in palm products and CPO prices and better products margin coupled with increased palm and soya bean oil processing volume in China as compared to Q1 FYE2007.

17. Commentary on Prospects

The Directors are of the view that the overall performance of the Group will continue to be strong due to positive CPO price and market outlooks and increased 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 late 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>3 months ended</i>	
	<i>30.9.2007</i>	<i>30.9.2006</i>	<i>30.9.2007</i>	<i>30.9.2006</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Current tax:				
Malaysian income tax	5,788	2,500	5,788	2,500
Deferred tax	300	-	300	-
Total income tax expense	<u>6,088</u>	<u>2,500</u>	<u>6,088</u>	<u>2,500</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 and double tax deduction of certain subsidiary companies for set-off against the current period's taxable profit for its biomass power plant and palm product processing operations, certain expenses which are not deductible for tax purposes and effect of different tax rates in other countries.

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 24 November 2007, except as disclosed in Note 14(b).

23. Borrowings

The Group borrowings were as follows:

	<i>As at 30.9.2007 RM'000</i>	<i>As at 30.6.2007 RM'000</i>
Short term borrowings		
- Unsecured	-	851
- Secured	382,140	315,079
	<u>382,140</u>	<u>315,930</u>
Long term borrowings		
- Secured	171,371	186,028
	<u>553,511</u>	<u>501,958</u>

Included in long term secured borrowings are RM135 million nominal value of Sukuk Ijarah.

Borrowings denominated in foreign currency:

	USD '000	RM '000 equivalent
United States Dollars	26,964	93,545
	<u>=====</u>	<u>=====</u>

24. Off Balance Sheet Financial Instruments

	<i>Notional amount as at 30.9.2007 RM '000</i>
Contingent liabilities	7,000
Contingent Assets	8,000
Forward foreign exchange contracts used to hedged anticipated sales	<u>79,408</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 30 September 2007 is as follows:

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

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 24 November 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 2007, as details in Note 13.

26. Dividend Payable

No interim dividend has been declared for the financial year ended 30 June 2008.

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>3 months ended</i>	
	<i>30.9.2007</i>	<i>30.9.2006</i>	<i>30.9.2007</i>	<i>30.9.2006</i>
Profit for the period attributable to ordinary equity holders of the parent (RM'000)	21,179	15,590	21,179	15,590
Weighted average number of ordinary shares in issue ('000)	155,339	155,339	155,339	155,339
Basic earnings per share (sen)	13.63	10.04	13.63	10.04

(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.

	<i>3 months ended</i>		<i>3 months ended</i>	
	<i>30.9.2007</i>	<i>30.9.2006</i>	<i>30.9.2007</i>	<i>30.9.2006</i>
Profit for the period attributable to ordinary equity holders of the parent (RM'000)	21,179	15,590	21,179	15,590
Weighted average number of ordinary shares in issue ('000):	155,339	155,339	155,339	155,339
Effect of dilution:				
Share options	3,971	3,023	3,971	3,023
Adjusted weighted average number of ordinary shares in issue and issuable	159,310	158,362	159,310	158,362
Diluted earnings per share (sen)	13.29	9.84	13.29	9.84

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 26 November 2007.