



Notes to the interim financial statements – 30 September 2008

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 land lease payments and biological assets.

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 2008. 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 2008.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 June 2008 was not qualified.

3. Segmental Information

Segmental information for the current financial period ended 30 September 2008 is as follows:

	<i>3 months ended</i>		<i>3 months ended</i>	
	<i>30.9.2008</i>	<i>30.9.2007</i>	<i>30.9.2008</i>	<i>30.9.2007</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	865,053	832,870	865,053	832,870
Trading of industrial products	3,099	2,398	3,099	2,398
Biomass energy	4,369	2,308	4,369	2,308
Others	13	13	13	13
Total revenue including inter-segment sales	872,534	837,589	872,534	837,589
Elimination of inter-segment sales	(220,162)	(278,217)	(220,162)	(278,217)
Total	652,372	559,372	652,372	559,372

Segment Results

Oil palm plantations and palm product processing	101	28,591	101	28,591
Trading of industrial products	15	63	15	63
Biomass energy	1,221	92	1,221	92
Others	(86)	(86)	(86)	(86)
	1,251	28,660	1,251	28,660
Eliminations	-	-	-	-
Total	1,251	28,660	1,251	28,660

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 September 2008.

5. Changes in Estimates

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

6. 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.

7. Dividend Proposed

At the forthcoming Annual General Meeting, a first and final single tier dividend of 5 sen per ordinary share of RM0.50 each which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act 1967, be declared in respect of the financial year ended 30 June 2008, amounting to a dividend payable of RM15,583,863 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 2009.

8. Carrying Amount of Revalued Assets

The valuations of leasehold land and buildings included within property, plant and equipment, plantation development expenditure and prepaid land lease payments have been brought forward without amendment from the financial statements for the financial year ended 30 June 2008.

9. 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 2008.

10. Changes in Composition of the Group

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

11. 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 2008 is as follows:

Approved and contracted for

RM'000
17,145

12. Changes in Contingent Liabilities and Contingent Assets

Unsecured

The Company has provided corporate guarantees to secure banking facilities granted to subsidiary companies. The amount utilised and outstanding as at 30 September 2008 amounted to approximately RM337 million.

13. Subsequent Events

There were no material events subsequent to the end of the current quarter except as disclosed in Note 24.

14. Performance Review

The oil palm plantations and oils and fats processing activities continued to be the major contributor to the Group's revenue. The revenue of the Group has increased by RM93,000,000 or 17% from RM559,372,000 to RM652,372,000 compared to the same quarter last year. This was mainly due to the increased in trading volume and palm products prices in the current quarter compared to Q1 FYE2008. The average CPO price traded for Q1 FYE2008 was RM2,303 per MT as compared to RM2,491 per MT in the current quarter.

Revenue from the Group's China operations in the current quarter has decreased by RM94,170,000 or 64% to RM52,630,000, as compared to RM146,800,000 in Q1 FYE2008. The decreased is mainly due to decreased sales in shortening/margarine products and seasonal trading of refined soya bean oil as a result of weaken demand.

15. Comment on Material Change in Profit Before Taxation

The Group's profit before taxation has decreased to RM1,251,000 in current quarter from RM28,660,000 in Q1 FYE2008. The decrease in profit margin was attributed to the sharp downwards correction of palm products prices.

16. Commentary on Prospects

The Directors are of the view that the overall performance of the Group for the coming financial year is challenging as the sector may be affected by slower exports, weaker global vegetable oil market and lower palm products prices caused by the world financial crisis.

17. 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.

18. Income Tax Expense

	<i>3 months ended</i>		<i>3 months ended</i>	
	<i>30.9.2008</i>	<i>30.9.2007</i>	<i>30.9.2008</i>	<i>30.9.2007</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Current tax:				
Malaysian income tax	-	5,788	-	5,788
Deferred tax	-	300	-	300
Total income tax expense	-	6,088	-	6,088

The effective tax rate for the current quarter 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 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. Quoted 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 November 2008, except on 10 November 2008, the Board announced that the Company proposed a Share Buy-Back proposal and seek the approval of its shareholders at the forthcoming Annual General Meeting to purchase up to ten percent (10%) of its issued and paid up ordinary share capital.

22. Borrowings

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

	<i>As at</i>	<i>As at</i>
	<i>30.9.2008</i>	<i>30.6.2008</i>
	<i>RM'000</i>	<i>RM'000</i>
Short term borrowings		
- Secured	488,744	540,245
Long term borrowings		
- Secured	147,886	143,623
	636,630	683,868

Included in long term secured borrowings are RM133 million nominal value of Sukuk Ijarah.

Borrowings denominated in foreign currency:

	USD	RM '000
	'000	equivalent
United States Dollars	17,820	61,254
	<u>=====</u>	<u>=====</u>

23. Off Balance Sheet Financial Instruments

	<i>Notional amount as at 30.9.2008 RM '000</i>
Contingent liabilities	7,000
Contingent Assets	<u>8,000</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 2008 is as follows:

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

Forward Foreign Exchange Contracts:

The forward foreign exchange contracts entered into by the Group as at 10 November 2008 (being a date not earlier than 7 days from the date of this report) were as follows:

	<u>Currency</u>	<u>Contract Amount '000</u>	<u>Equivalent Amount RM '000</u>	<u>Mature within One Year RM '000</u>
Forward foreign exchange contract used to hedge anticipated sales	USD	182,173	584,995	584,995
		<u>=====</u>	<u>=====</u>	<u>=====</u>

The forward foreign exchange contracts were entered into by the Group as hedges for committed sales denominated in foreign currencies. The hedging of the foreign currencies is to minimise the exposure of the Group to fluctuations in foreign exchange on receipts and payments. Any gains or losses arising from forward contracts are recognised in the income statement upon maturity.

There is minimal credit risk for the forward foreign exchange contracts because these contracts are entered into with licensed financial institutions.

24. Material Litigation

- i) 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.
- ii) In response to a claim by Palm Energy Sdn. Bhd., a wholly owned subsidiary of the Group for liquidated damages, loss of revenue and refurbishment costs totalling approximately RM8 million, the contractor 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.
- iii) The Group's 51% owned subsidiary, Dongma Oils & Fats (Guangzhou Free Trade Zone) Co. Ltd. (DMGZ), a bulking tank operator in China, is disputing the demand for delivery of refined palm oil product value RM12 million (RMB24.8 million) from a customer, as DMGZ contenting that the customer has no legal right to claim as the relevant sales contract has been cancelled earlier. Legal proceedings are in progress and there is no outcome yet. The Company's lawyers are of the opinion that the Group has a good chance of succeeding in defending the claim.
- iv) On 19 August 2008, an import/export agent filed a claim of RM30 million (RMB64.2 million) against DMGZ, a 51% owned subsidiary of the Group, alleging that the DMGZ had released goods without their authorization, DMGZ on the other hand contenting that they have received the appropriate authorization for the release of goods. The hearing date of this case has yet to be fixed.

Other than the above litigations, there were no changes in material litigation, including the status of pending material litigation since the last annual balance sheet date of 30 June 2008.

25. Dividend Payable

No interim dividend has been declared for the financial period ended 30 September 2008.

26. 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>30.9.2008</i>	<i>30.9.2007</i>	<i>30.9.2008</i>	<i>30.9.2007</i>
Profit for the period attributable to ordinary equity holders of the parent (RM'000)	2,641	21,179	2,641	21,179
Weighted average number of ordinary shares in issue ('000)	311,677	310,678	311,677	310,678
Basic earnings per share (sen)	0.85	6.82	0.85	6.82

(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>30.9.2008</i>	<i>30.9.2007</i>	<i>30.9.2008</i>	<i>30.9.2007</i>
Profit for the period attributable to ordinary equity holders of the parent (RM'000)	2,641	21,179	2,641	21,179
Weighted average number of ordinary shares in issue ('000):	311,677	310,678	311,677	310,678
Effect of dilution: Share options	7,033	7,942	7,033	7,942
Adjusted weighted average number of ordinary shares in issue and issuable	318,710	318,620	318,710	318,620
Diluted earnings per share (sen)	0.83	6.65	0.83	6.65

27. 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 November 2008.