## 1. Basis of Preparation

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for the revaluation of land, buildings and plantation infrastructure included within property, plant and equipment and biological assets.

The condensed consolidated 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2011. These explanatory notes attached to the condensed consolidated 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 2011.

## 2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2011, except for the adoption of the following IC Interpretation and Amendments to IC Interpretation:

On 1 July 2011, the Group adopted the following IC Interpretation and Amendments to IC Interpretation mandatory for annual financial periods beginning on or after 1 July 2011.

**Effective for financial periods beginning on or after 1 July 2011**

- IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirements

The adoption of the above IC Interpretation and Amendments to IC Interpretation do not have any significant financial impacts on the results and the financial position of the Group for the current quarter.

## 3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 June 2011 was not qualified.

## 4. Segmental Information

Segmental information for the current financial period ended 30 September 2011 is as followed:

| | *3 months ended* | | *3 months ended* | |
|---|---|---|---|---|
| | ***30.9.2011*** | ***30.9.2010*** | ***30.9.2011*** | ***30.9.2010*** |
| | ***RM'000*** | ***RM'000*** | ***RM'000*** | ***RM'000*** |
| **Segment Revenue** | | | | |
| Oil palm plantations and palm product processing | 300,894 | 213,715 | 300,894 | 213,715 |
| Trading of industrial products | 1,280 | 1,779 | 1,280 | 1,779 |
| Biomass energy | 1,170 | 930 | 1,170 | 930 |
| Oleochemical products | 58,957 | 54,743 | 58,957 | 54,743 |
| Total revenue including inter-segment sales | 362,301 | 271,167 | 362,301 | 271,167 |
| Elimination of inter-segment sales | (2,450) | (2,709) | (2,450) | (2,709) |
| Total | **359,851** | **268,458** | **359,851** | **268,458** |
| **Segment Results** | | | | |
| Oil palm plantations and palm product processing | 23,117 | 13,034 | 23,117 | 13,034 |
| Trading of industrial products | 44 | 15 | 44 | 15 |
| Biomass energy | 12 | (442) | 12 | (442) |
| Oleochemical products | (2,769) | (5,460) | (2,769) | (5,460) |
| | 20,404 | 7,147 | 20,404 | 7,147 |
| Eliminations | (56) | 427 | (56) | 427 |
| Total | **20,348** | **7,574** | **20,348** | **7,574** |

## 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 2011.

## 6. Changes in Estimates

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

## 7. Comments About Seasonal or Cyclical Factors

The seasonal or cyclical factors affecting the results of the operations of the Group are general climatic conditions, age profile of oil palms and the cyclical nature of annual production.

## 8. Dividend Paid

At the forthcoming Annual General Meeting, a first and final single tier dividend of 10 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 will be proposed for shareholders' approval. The proposed dividend if approved amounting to RM31,167,726.40. 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 2012.

## 9. Carrying Amount of Revalued Assets

The valuations of land, buildings and plantation infrastructure included within property, plant and equipment and biological assets have been brought forward without amendment from the financial statements for the financial year ended 30 June 2011.

## 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 2011.

## 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 capital commitments for the purchase of property, plant and equipment not provided for in the financial statements as at 30 September 2011 is as follows:

| | ***RM'000*** |
|---|---|
| Approved and contracted for | 24,991 |

## 13. Changes in Contingent Liabilities and Contingent Assets

**Unsecured**

The Company has provided corporate guarantees to secure banking facilities granted to the company and its subsidiary companies. The amount utilised and outstanding as at 30 September 2011 amounted to approximately RM326 million.

## 14. Subsequent Events

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

**15. Performance Review**

For the quarter under review, revenue of the Group has increased by RM91,393,000 or 34% from RM268,458,000 in Q1 FYE2011 to RM359,851,000 in Q1 FYE2012. The increase was mainly due to the increase in unit selling price of palm products. The Group's CPO continued to register healthy sales volume during the quarter on rising demand for agricultural commodities especially in Asia. The average CPO price traded for current quarter was RM2,998 per MT as compared to RM2,580 per MT in Q1 FYE2011.

Revenue from the Group's China operations for the current quarter has increased by RM15,870,000 or 22% to RM86,662,000 in Q1 FYE2012 as compared to RM70,792,000 in Q1 FYE2011. The increase was also mainly due to the increase in unit selling price of oleochemical products.

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

During the quarter, profit before taxation of the Group has increased by RM10,634,000 or 77% from RM13,824,000 in Q1 FYE2011 to RM24,458,000 in Q1 FYE2012. The increase was mainly due to the increased in CPO prices and better products margin.

**17. Commentary on Prospects**

Based on the strong prices of palm products, the Board of Directors expects the results of the Group for the current financial year to be encouraging.

**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**

| | ***3 months ended*** | | ***3 months ended*** | |
|---|---|---|---|---|
| | ***30.9.2011 RM'000*** | ***30.9.2010 RM'000*** | ***30.9.2011 RM'000*** | ***30.9.2010 RM'000*** |
| Current income tax: | | | | |
| - Malaysian income tax | (4,610) | (6,500) | (4,610) | (6,500) |
| Deferred tax | 500 | 250 | 500 | 250 |
| Total income tax expense | (4,110) | (6,250) | (4,110) | (6,250) |

The effective tax rate for the current quarter was lower than the statutory income tax rate principally due to the availability of capital, agricultural and reinvestment allowances and double tax deduction of certain subsidiary companies for set-off against the current period's taxable profit for its plantations 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 24 November 2011.

## 23. Retained Earnings

The breakdown of retained profits of the Group as at 30 September 2011 is as follows:

| | ***As at 30.9.2011 RM'000*** | ***As at 30.6.2011 RM'000 (Audited)*** |
|---|---|---|
| Total retained earnings of the Company and its subsidiaries: | | |
| - Realised | 592,639 | 608,110 |
| - Unrealised | (71,138) | (71,638) |
| | 521,501 | 536,472 |
| Less: Consolidation adjustments | (164,229) | (199,603) |
| Total group retained earnings as per consolidated accounts | 357,272 | 336,869 |

## 24. Borrowings

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

| | | |
|---|---|---|
| **Short term borrowings** | | |
| - Secured | 497,439 | 544,014 |
| **Long term borrowings** | | |
| - Secured | 175,423 | 178,664 |
| | 672,862 | 722,678 |

Included in long term secured borrowings are RM40 million and RM135 million nominal value of Sukuk Ijarah and term loan respectively.

Borrowings denominated in foreign currency:

| | **USD ’000** | **RMB ‘000** | **RM’000 equivalent** |
|---|---|---|---|
| United States Dollars | 136,912 | - | 417,685 |
| Renminbi | - | 28,000 | 14,060 |
| Total | 136,912 | 28,000 | 431,745 |

## 25. Off Balance Sheet Financial Instruments

| | ***Notional amount as at 30.09.2011 RM ‘000*** |
|---|---|
| Contingent liabilities | - |

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.

## 26. Material Litigation

i) In response to a claim by Palm Energy Sdn. Bhd. (PESB), 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. The arbitration commenced on 10 October 2007 and completed in November 2008.

The Arbitrator delivered his award on 15 July 2009 and in his final award he found both parties were guilty of breaches of contract, the consequences of which both must accordingly bear according to its relative seriousness. The contractor has been awarded a counterclaim of RM420,087.25 whereby PESB is entitled to forfeit the remainder of the contract sum of RM950,000. PESB has decided to file a motion to the high court to set aside certain award given to the contractor pursuant to Section 24 (2) of the Arbitration Act, 1952 (the Act) or alternatively certain paragraph of the award be remitted for the reconsideration of the Learned Arbitrator pursuant to Section 23 (1) of the Act.

ii) DMGZ, a subsidiary of the Group, is defending a claim of 500 metric tonnes of palm oil product (market value about RM2.1 million) from a third party who is claiming ownership of the cargo from a DMGZ’s buyer. DMGZ contending that the cargo in question is no longer available as it has already been released earlier to the buyer.

iii) An import/export agent filed a claim on 26 May 2009 against DMGZ, a subsidiary of the Group, for releasing 4,500 metric tonnes of RBD OLN with market value about RM16.44 million without their consent. DMGZ contended that proper authorisation has been received for the release of goods. On 30 November 2010, judgement was awarded to DMGZ but the plaintiff filed his appeal on 16 December 2010. Legal proceeding is now in progress.

iv) On 15 April 2010, a subsidiary of the Group, Dongma Oils & Fats (Guangzhou Free Trade Zone) Co. Ltd. (DMGZ), received a claim to deliver 1,700 metric tonnes of refined palm oil product with market value of RM8.4 million (RMB14.5 million) from the customer. The customer also claiming for interest loss due to non-delivery of goods amounting to approximately RM1.21 million (RMB2.5 million) calculated up to the date of affidavit. The plaintiff claimed that his agent stored the oil in DMGZ's tank but DMGZ contended that the oil stored by his agent has already been despatched to their customers based on the said agent's instruction. Legal proceeding is now in progress.

Other than the above, there were no material changes in material litigation, including the status of pending material litigation since the last annual balance sheet date of 30 June 2011.

## 27. Dividend Payable

No interim dividend has been declared for the financial year ended 30 June 2012.

## 28. Earnings Per Share

### (a) Basic

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

| | *3 months ended* | | *3 months ended* | |
|---|---|---|---|---|
| | ***30.9.2011*** | ***30.9.2010*** | ***30.9.2011*** | ***30.9.2010*** |
| Profit for the period attributable to owners of the Company (RM'000) | 20,403 | 7,702 | 20,403 | 7,702 |
| Weighted average number of ordinary shares in issue ('000) | 311,677 | 311,677 | 311,677 | 311,677 |
| Basic earnings per share (sen) | 6.55 | 2.47 | 6.55 | 2.47 |

**(b) Diluted**

For the purpose of calculating diluted earnings per share, the profit for the period attributable to owners of the Company 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.

| | *3 months ended* | | *3 months ended* | |
|---|---|---|---|---|
| | ***30.9.2011*** | ***30.9.2010*** | ***30.9.2011*** | ***30.9.2010*** |
| Profit for the period attributable to owners of the Company (RM'000) | 20,403 | 7,702 | 20,403 | 7,702 |
| Weighted average number of ordinary shares in issue ('000): | 311,677 | 311,677 | 311,677 | 311,677 |
| Effect of dilution: Share options | - | 5,087 | - | 5,087 |
| Adjusted weighted average number of ordinary shares in issue and issuable | 311,677 | 316,764 | 311,677 | 316,764 |
| Diluted earnings per share (sen) | 6.55 | 2.43 | 6.55 | 2.43 |

**29. Authorisation for Issue**

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 November 2011.