

Condensed Consolidated Statement of Comprehensive Income
For The Period Ended 30 September 2017
(The figures have not been audited)

	Note	Current Quarter 3 months Ended		Year-to-Date 3 months Ended	
		30.09.17 RM'000	30.09.16 RM'000	30.09.17 RM'000	30.09.16 RM'000
Revenue	8	216,897	372,902	216,897	372,902
Cost of sales		(176,351)	(320,081)	(176,351)	(320,081)
Gross profit		40,546	52,821	40,546	52,821
Other items of income					
Interest income		380	386	380	386
Other operating income		15,929	5,014	15,929	5,014
Other items of expenses					
Selling expenses		(14,657)	(16,244)	(14,657)	(16,244)
Administrative expenses		(16,196)	(14,832)	(16,196)	(14,832)
Finance costs		(5,350)	(8,688)	(5,350)	(8,688)
Profit before tax from continuing operations	17	20,652	18,457	20,652	18,457
Income tax expense	20	(3,600)	(2,500)	(3,600)	(2,500)
Profit from continuing operations, net of tax		17,052	15,957	17,052	15,957
Discontinued operations					
Profit from discontinued operations, net of tax	22	2,484	-	2,484	-
Profit for the financial period		19,536	15,957	19,536	15,957
Other comprehensive income					
Item that to be reclassified in subsequent period to profit or loss:					
Foreign currency translation		(75)	4,468	(75)	4,468
		(75)	4,468	(75)	4,468
Total comprehensive income for the period		19,461	20,425	19,461	20,425
Profit for the period attributable to:					
Owners of the Company		19,692	16,081	19,692	16,081
Non-controlling interests		(156)	(124)	(156)	(124)
		19,536	15,957	19,536	15,957
Total comprehensive income attributable to:					
Owners of the Company		19,617	20,549	19,617	20,549
Non-controlling interests		(156)	(124)	(156)	(124)
		19,461	20,425	19,461	20,425
Earnings per share attributable to owners of the Company (sen):					
		30.09.17	30.09.16	30.09.17	30.09.16
Basic	29 (a)	6.32	5.16	6.32	5.16

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.



Condensed Consolidated Statement of Financial Position
As At 30 September 2017
(The figures have not been audited)

	Note	As at 30.09.17 RM'000	As at 30.06.17 RM'000 (Audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	1,246,260	1,247,364
Biological assets	9	414,364	413,912
Investment properties	9	45,700	45,700
Land use rights	9	9,695	9,192
Other receivables		9,360	9,600
		<u>1,725,379</u>	<u>1,725,768</u>
Current Assets			
Inventories		77,942	107,762
Trade receivables		64,449	41,210
Other receivables		12,618	23,844
Tax recoverable		1,878	599
GST input tax receivable		8,583	4,983
Short-term deposits with licensed banks	23	12,580	20,588
Cash and bank balances	23	52,422	51,355
		<u>230,472</u>	<u>250,341</u>
Assets of disposal group classified as held for sale	22	191,303	194,837
TOTAL ASSETS		<u><u>2,147,154</u></u>	<u><u>2,170,946</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		209,566	209,566
Other reserves		768,951	769,142
Retained earnings	24	201,111	181,419
Equity of disposal group classified as held for sale	22	103,404	103,288
		<u>1,283,032</u>	<u>1,263,415</u>
Non-controlling interests		<u>(4,832)</u>	<u>(4,676)</u>
Total equity		<u>1,278,200</u>	<u>1,258,739</u>
Non-Current Liabilities			
Loans and borrowings	25	131,849	156,590
Deferred tax liabilities		219,381	219,881
		<u>351,230</u>	<u>376,471</u>
Current Liabilities			
Loans and borrowings	25	401,752	411,196
Trade payables		78,946	76,913
Other payables		28,327	30,800
Derivative liabilities	26	6,091	14,208
		<u>515,116</u>	<u>533,117</u>
Liabilities of disposal group classified as held for sale	22	2,608	2,619
Total liabilities		<u>868,954</u>	<u>912,207</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,147,154</u></u>	<u><u>2,170,946</u></u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Changes in Equity
For The Period Ended 30 September 2017
(The figures have not been audited)



	Non-distributable		Distributable		Attributable to owners of the Company					Equity of disposal of group classified as held for sale RM'000	Non-controlling Interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserves total RM'000	Asset revaluation reserve RM'000	Fair value adjustment reserve RM'000	Foreign currency translation reserve RM'000	Equity attributable to owners of the Company, Total RM'000				
At 1 July 2016	155,839	53,727	138,875	852,887	819,061	4,193	29,633	1,201,328	-	(2,249)	1,199,079	
Profit/(Loss) net of tax	-	-	16,081	-	-	-	-	16,081	-	(124)	15,957	
Other comprehensive income Foreign currency translation	-	-	-	4,468	-	-	4,468	4,468	-	-	4,468	
Total comprehensive income/(loss)	-	-	16,081	4,468	-	-	4,468	20,549	-	(124)	20,425	
At 30 September 2016	155,839	53,727	154,956	857,355	819,061	4,193	34,101	1,221,877	-	(2,373)	1,219,504	
At 1 July 2017	209,566	-	181,419	769,142	741,688	4,193	23,261	1,160,127	103,288	(4,676)	1,258,739	
Profit/(Loss) net of tax	-	-	19,692	-	-	-	-	19,692	-	(156)	19,536	
Other comprehensive (loss)/income Foreign currency translation	-	-	-	(191)	-	-	(191)	(191)	116	-	(75)	
Total comprehensive income/(loss)	-	-	19,692	(191)	-	-	(191)	19,501	116	(156)	19,461	
At 30 September 2017	209,566	-	201,111	768,951	741,688	4,193	23,070	1,179,628	103,404	(4,832)	1,278,200	

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.



Condensed Consolidated Statements of Cash Flows
For The Period Ended 30 September 2017

(The figures have not been audited)

	3 months Ended	
	30.09.17	30.09.16
	<u>RM'000</u>	<u>RM'000</u>
OPERATING ACTIVITIES		
Profit before taxation from:		
- continuing operations	20,652	18,457
- discontinued operations	2,484	-
	<u>23,136</u>	<u>18,457</u>
Adjustments for:		
Depreciation of property, plant and equipment	8,524	9,842
Net fair value (gain)/loss on derivative financial instruments	(8,117)	3,424
Property, plant and equipment written-off	47	-
Gain on disposal of property, plant and equipment	-	(65)
Unrealised (gain)/loss on foreign exchange	(4,178)	790
Interest expense	5,350	8,688
Interest income	(380)	(386)
Total adjustments	<u>1,246</u>	<u>22,293</u>
Operating cash flows before working capital changes	<u>24,382</u>	<u>40,750</u>
Changes in working capital:		
Change in inventories	29,817	13,310
Change in receivables	(15,136)	62,214
Change in payables	(498)	(22,176)
Total changes in working capital	<u>14,183</u>	<u>53,348</u>
Cash flows from operations	<u>38,565</u>	<u>94,098</u>
Interest paid	(5,350)	(8,688)
Income tax paid	(5,379)	(2,569)
Net cash flows from operating activities	<u>27,836</u>	<u>82,841</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(373)	(1,080)
Plantation development expenditure	(452)	(3,381)
Proceeds from disposal of property, plant and equipment	-	65
Interest received	380	386
Net cash flows used in investing activities	<u>(445)</u>	<u>(4,010)</u>
FINANCING ACTIVITIES		
Drawdown of revolving credits	501,000	411,000
Repayment of revolving credits	(501,000)	(411,000)
Repayment of term loans	(26,892)	(67,206)
Repayment of hire purchase financing	(80)	(202)
Drawdown of bankers' acceptances and trust receipts	169,864	260,995
Repayment of bankers' acceptances and trust receipts	(174,609)	(175,678)
Net cash flows (used in)/from financing activities	<u>(31,717)</u>	<u>17,909</u>
Net (decrease)/increase in cash and cash equivalents	<u>(4,326)</u>	<u>96,740</u>
Effect of exchange rate differences	<u>(2,615)</u>	<u>(2,098)</u>
Cash and cash equivalents at beginning of the year	<u>71,943</u>	<u>67,844</u>
Cash and cash equivalents at end of period (Note 23)	<u><u>65,002</u></u>	<u><u>162,486</u></u>

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.

1. Basis of Preparation

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

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 2017. 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 2018.

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 2017 except for the following Amendments to FRSs and Annual improvement which will take effect from 1 July 2017.

Descriptions	Effective for annual periods beginning on or after
Amendments to FRSs contained in the document entitled “Annual Improvements to FRSs 2014-2016 Cycle”;	1 January 2017
FRS 107 Disclosures Initiatives (Amendments to FRS 107)	1 January 2017
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 112)	1 January 2017

The adoption of the above new/amended FRSs do not have any significant financial impacts on the results and the financial position of the Group for the current quarter.

The Group has yet to adopt the Malaysian Financial Reporting Standards (“MFRS”) framework, but has elected to be a transitioning entity which will only adopt the MFRS framework for the financial year ending 30 June 2019.

3. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the financial year ended 30 June 2017 was not qualified.

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

5. Changes in Estimates

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

6. 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, the cyclical nature of annual production and fluctuating commodity prices.

7. Dividend Payable

No dividend was paid/payable during the current quarter under review.

8. Segmental Information

	<i>Oil palm plantations and palm products</i>		<i>Oleochemical products</i>		<i>Other operating segments</i>		<i>Per consolidated financial statements</i>	
	<i>30.09.17 RM'000</i>	<i>30.09.16 RM'000</i>	<i>30.09.17 RM'000</i>	<i>30.09.16 RM'000</i>	<i>30.09.17 RM'000</i>	<i>30.09.16 RM'000</i>	<i>30.09.17 RM'000</i>	<i>30.09.16 RM'000</i>
3 months ended 30 Sep (Individual Period)								
Revenue								
External sales:								
- continuing operations	190,079	313,715	26,818	59,187	-	-	216,897	372,902
- discontinued operations (Note 22)	4,385	-	-	-	-	-	4,385	-
Total Revenue	194,464	313,715	26,818	59,187	-	-	221,282	372,902
Results								
Interest income	368	340	12	46	-	-	380	386
Depreciation/amortisation	6,317	7,705	1,995	1,925	212	212	8,524	9,842
Segment profit/(loss)	29,669	23,987	(6,324)	(5,322)	(209)	(208)	23,136	18,457
3 months ended 30 Sep (Cumulative Period)								
Revenue								
External sales:								
- continuing operations	190,079	313,715	6,818	59,187	-	-	216,897	372,902
- discontinued operations (Note 22)	4,385	-	-	-	-	-	4,385	-
Total Revenue	194,464	313,715	26,818	59,187	-	-	221,282	372,902
Results								
Interest income	368	340	12	46	-	-	380	386
Depreciation/amortisation	6,317	7,705	1,995	1,925	212	212	8,524	9,842
Segment profit/(loss)	29,669	23,987	(6,324)	(5,322)	(209)	(208)	23,136	18,457

8. Segmental Information (Continued)

Excluding the following non-cash and provisional items, the Group had an underlying profit before tax of:

	<i>3 months ended</i>	
	<i>30.09.17</i>	<i>30.09.16</i>
	<i>RM'000</i>	<i>RM'000</i>
Reconciliation:		
Profit before tax	23,136	18,457
<u>(Less)/Add: Non-cash and provisional items</u>		
Unrealised provisional foreign exchange (gain)/loss	(4,178)	790
Provision for fair value (gain)/loss on derivatives	(8,117)	3,424
Property, plant and equipment written off	47	-
Gain on disposal of property, plant and equipment	-	(65)
Depreciation and amortisation of property, plant and equipment	8,524	9,842
Profit before tax excluding non-cash and provisional items	19,412	32,448

9. Carrying Amount of Revalued Assets

The valuation of land and buildings included within property, plant and equipment, biological assets and investment properties have been brought forward without amendment from the financial statements for the financial year ended 30 June 2017.

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 2017.

11. Changes in Composition of the Group

There were no other changes in the composition of the Group during the current quarter under review, except on 1 August 2017, upon the Company fulfilling all the conditions precedent during the quarter as stipulated in the conditional Share Sale Agreement dated 7 April 2017 between Kwantas Corporation Berhad and Guangzhou Lushang Technology Development Co. Ltd in respect of the Proposed Disposal of 100% equity interest in Dongma (Guangzhou Free Trade Zone) Oleochemicals Co. Ltd for a total cash consideration of RMB25,000,000, Dongma (Guangzhou Free Trade Zone) Oleochemicals Co. Ltd has ceased to be a subsidiary of Kwantas. The disposal realised a gain of approximately RM1.53 million.

12. Capital Commitments

The amount of capital commitments for the plantation development activities not provided for in the financial statements as at 30 September 2017 is as follows:

	<i>RM'000</i>
Approved and contracted for	<u>2,179</u>

13. Changes in Contingent Liabilities and Contingent Assets

Unsecured

The Company has provided corporate guarantees to secure banking facilities granted to its subsidiary companies. The amount utilised and outstanding as at 30 September 2017 amounted to approximately RM169 million.

14. Subsequent Events

There were no material events subsequent to the end of the current quarter, except as disclosed in Note 21.

15. Detailed Analysis of the Performance of All Operating Segments of the Group

Oil palm plantations and palm products processing

Oil palm plantations and palm products processing are the core business of the Group. This major segment has contributed 88% of the Group's total revenue in the current quarter. In the current quarter, revenue reported from this segment decreased by 39% to RM190.0 million (Q1 FY2017: RM313.7 million), mainly due to the following factors:

- a) CPO traded in current quarter has decreased by 17,026 MT as compared to preceding corresponding quarter;
- b) CPKO traded in the current quarter has decreased by 4,269 MT as compared to preceding corresponding quarter, coupled with the decrease in the realised average CPKO selling price at RM4,832 per MT for the current quarter as compared to RM4,900 per MT in the preceding corresponding quarter; and
- c) Refined palm products traded in the current quarter has decreased by 22,000 MT as compared to preceding corresponding quarter.

Oleochemical products

Oleochemical segment accounted for 12% of the total Group's revenue for the current quarter. The oleochemical segment has incurred a loss of RM6.3 million in the current quarter as compared to a loss of RM5.3 million in preceding corresponding quarter, due to decrease in the overall oleochemical products traded in the current quarter by 12,563 MT despite increase in the realised average selling price for oleochemicals by 16% as compared to the preceding corresponding quarter.

Others

Others segments' results are insignificant to the Group.

16. Comment on Material Change in Profit Before Tax for the Current Quarter as Compared with the Immediate Preceding Quarter

	<i>Current Quarter</i> <i>3 months ended</i> <i>30.09.17</i> <i>RM'000</i>	<i>Immediate</i> <i>Preceding Quarter</i> <i>3 months ended</i> <i>30.06.2017</i> <i>RM'000</i>	<i>Changes</i> <i>(Amount)</i> <i>RM'000</i>
Revenue from continuing operations	216,897	159,137	57,760
Revenue from discontinued operations	4,385	-	4,385
Profit before interest and tax	28,486	17,524	10,962
Profit before tax	23,136	9,727	13,409
Profit after tax	19,536	(3,623)	23,159

The Group reported a profit before tax of RM23.1 million for the current quarter ended 30 September 2017 as compared to RM9.7 million in the immediate preceding quarter, a significant increase of RM13.4 million. The improvement in Group's profit before tax for the current quarter was mainly due to the following factors:

- a) Despite the drop of RM38 per MT in realised average CPO selling price, the Group has successfully secured a higher CPO trade volume of 55,979 MT in current quarter (38,998 MT in immediate preceding quarter). Consequently, the Group's CPO revenue increased by 33.5% which is equivalent to an increase of approximately RM38.2 million in value.
- b) Higher realised average PK selling price of RM2,612 per MT in current quarter as compared to RM2,302 in the immediate preceding quarter, resulting in an increase of RM5.1 million in PK revenue.
- c) The Group incurred a lower finance cost of RM5.3 million in current quarter compared to RM7.5 million in the immediate preceding quarter. The decrease was in line with the overall decrease in Group's borrowing.

The increase in selling expenses of RM2.6 million in current quarter as compared to the immediate preceding quarter was in line with the overall increased in Group's revenue. Administrative expenses remained consistent in current quarter with only a slight decrease of 1% (or RM0.2million in value) as compared to immediate preceding quarter.

Excluding non-cash items such as depreciation on property, plant and equipment, unrealised foreign exchange losses and provisional fair value gain in derivatives, the Group had made an underlying profit before tax of RM19.4 million for the current quarter under review, representing a profit margin of 8.8% over the Group's total revenue.

Notes to the Condensed Consolidated Interim Financial Statements – 30 September 2017

(The figures have not been audited)

17. Profit Before Tax

Profit before tax for the period is arrived at after (charging)/crediting:

	<i>Individual Period</i>		<i>Cumulative Period</i>	
	<i>3 months ended</i>		<i>3 months ended</i>	
	<i>30.09.17</i>	<i>30.09.16</i>	<i>30.09.17</i>	<i>30.09.16</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
				<i>(Audited)</i>
Depreciation on property, plant & equipment	(8,524)	(9,842)	(8,524)	(9,842)
Gain on disposal of property, plant & equipment	-	65	-	65
Property, plant, & equipment written-off	(47)	-	(47)	-
Interest income	380	386	380	386
Interest expense	(5,350)	(8,688)	(5,350)	(8,688)
Net fair value gain/(loss) on derivative financial instruments	8,117	(3,424)	8,117	(3,424)
Realised foreign exchange (loss)/gain	(82)	2,866	(82)	2,866
Unrealised foreign exchange gain/(loss)	4,178	(790)	4,178	(790)

18. Commentary on Prospects

The Group's long term target is to reduce its borrowing level and aim for a gearing ratio to 0.2 or lower by continuing with on-going de-gearing initiatives to reduce capital commitments on low return assets. The objective is to improve the balance sheet position of the Group and to minimise foreign exchange risks exposure by settling foreign currency denominated borrowings. This would further reduce the cost of borrowings and hence translating into higher profit for the Group.

Oil palm plantation and palm products segment remains as a significant contributor to the overall profitability of the Group. Higher average CPO selling price of RM2,718 per MT during the quarter had contributed to the improved Group's profit before tax margin. The Board of Directors expects that the Group will continue to achieve satisfactory results from this segment through forward sales commitment and group wide hedging strategies. The management has continuously focused on the maturity profile of the oil palm trees, replanting exercise to be rolled out on a timely basis and efforts to increase production efficiency in order to achieve long term sustainability.

Oleochemical segment remains volatile in terms of unstable Renminbi currency, uncertainty of market demand and oleochemical products pricing challenges. The Group is actively reviewing its business model to mitigate price and currency risks through robust hedging and cost control strategies.

With the successful disposal of a subsidiary of Kwantas in China (as stated in Note 11), and another corporate divestment exercise in place (as stated in Note 21), coupled with favourable CPO and CPKO prices, the Board of Directors is confident that the Group's prospect will remain bright and positive.

19. 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.

20. Income Tax Expense

	<i>Individual Period</i>		<i>Cumulative Period</i>	
	<i>3 months ended</i>		<i>3 months ended</i>	
	<i>30.09.17</i>	<i>30.09.16</i>	<i>30.09.17</i>	<i>30.09.16</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Current income tax:				
- Malaysian income tax	4,100	3,000	4,100	3,000
Deferred tax	(500)	(500)	(500)	(500)
Total income tax expense	3,600	2,500	3,600	2,500

The effective tax rate for the current quarter and current financial year was lower than the statutory income tax rate of 24% (2017: 24%) principally due to the availability of capital allowances and unutilised business losses of certain subsidiaries to offset against chargeable business income.

21. Corporate Proposals

There are no corporate proposals announced but not completed as at 29 November 2017, except for the followings:

- i) Kwantas Plantations Sdn Bhd (“KPSB” or “Vendor”), a wholly owned subsidiary of the Company, had on 19 April 2017 entered into a Sale and Purchase Agreement (“SPA”) with KUB Malua Plantation Sdn Bhd (“KMP” or “Purchaser”), a wholly owned subsidiary of KUB Malaysia Berhad (“KUB”) to dispose of 3,791 acres of agriculture land held under title Country Lease 095316395 located at Sungai Kinabatangan, District of Kinabatangan, Sabah identified as Pintasan 8, together with all oil palm trees planted and structures erected thereon, for a total cash consideration of RM100,448,621. Collectively known as “the Disposal”.

The Disposal is subject to and conditional upon the following main conditions:

- a) The Purchaser’s satisfaction of the results of the Due Diligence Review, which shall include confirmation from the Purchaser’s surveyors that the discrepancy of the planted area within the Property to be no more than two per cent (2%) and that the yield from crops as projected by the Vendor is accurate and achievable;
- b) The Vendor’s and the Purchaser’s execution in escrow of a sale agreement in respect of the sale of fresh fruit bunches from the Property by the Purchaser to the Vendor and delivery to Pintasan Palm Oil Mill, which is owned by the Vendor or its related company; and
- c) any other conditions as may be imposed or required by law, regulation or Governmental policies, regulations and directives or the relevant State by laws, regulations and directives subsequent to the execution of the SPA.

The conditions are to be fulfilled within 4 months from the date of the SPA, hereinafter referred to as the Conditional Period. In the event that any of the conditions are not fulfilled by the expiry of the Conditional Period, the Conditional Period shall automatically be extended by a further period of 1 month or such longer period(s) as mutually agreed upon in writing by the parties.

21. Corporate Proposals (Continued)

All Conditions Precedent as stipulated in Clause 9.1 of the SPA have been fulfilled on 26 October 2017. Hence, the SPA has become unconditional pursuant to the fulfillment of all the Conditions Precedent.

The Disposal is not subject to and does not require the approval of the shareholders of Kwantas and is not conditional upon any corporate exercise undertaken or to be undertaken by the Company. The Disposal is expected to be completed by end of year 2017 and the Group is expected to realise an estimated loss on disposal of RM31.5 million.

The Board of Directors is of the opinion that the above Disposal is in the best interest of the Group.

22. Disposal Group Classified As Held For Sale and Discontinued Operations

As at 30 September 2017, part of the non-current assets and operating segment of the Group are classified as disposal group held for sale and the results from this operating segment are classified under discontinued operations following the commitment of the Group's management to a plan to sell part of the assets. Efforts to sell the disposal group have commenced, and the sales are expected by June 2018.

The major classes of assets and liabilities classified as held for sale as at 30 September are as follows:

	<i>As at</i> 30.09.17 <i>RM'000</i>	<i>As at</i> 30.06.17 <i>RM'000</i> <i>(Audited)</i>
<u>Assets of the disposal group:</u>		
Property, plant and equipment**	104,791	108,150
Land use rights	3,465	3,473
Biological assets	81,908	81,908
Deferred tax assets	599	599
Inventories	495	492
Receivables	-	190
Cash and bank balances	45	25
Assets of the disposal group classified as held for sale	191,303	194,837
<u>Liabilities of the disposal group:</u>		
Payables	240	251
Deferred tax liabilities	2,368	2,368
Liabilities of disposal group classified as held for sale	2,608	2,619
Net assets of disposal group classified as held for sale	188,695	192,218
<u>Equity and reserves of the disposal group:</u>		
Revaluation reserves	86,329	86,329
Foreign exchange translation reserve	17,075	16,959
Amounts recognised directly in equity of disposal group classified as held for sale	103,404	103,288

** The property, plant and equipment is carried at fair value less costs to sell.

Notes to the Condensed Consolidated Interim Financial Statements – 30 September 2017
(The figures have not been audited)

22. Disposal Group Classified As Held For Sale and Discontinued Operations (Continued)

The results attributable to the discontinued operation shown as follows is relating to the Corporate Proposal as stated in Note 22:

	<i>Individual Period</i>		<i>Cumulative Period</i>	
	<i>3 months ended</i>		<i>3 months ended</i>	
	<i>30.09.17</i>	<i>30.09.16</i>	<i>30.09.17</i>	<i>30.09.16</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Revenue	4,385	-	4,385	-
Expenses	(1,901)	-	(1,901)	-
Profit from Discontinued Operations	2,484	-	2,484	-

23. Cash and Cash Equivalents

	<i>As at</i>	<i>As at</i>
	<i>30.09.17</i>	<i>30.06.17</i>
	<i>RM'000</i>	<i>RM'000</i>
		<i>(Audited)</i>
Cash and bank balances	52,422	51,355
Short-term deposits with licensed banks	12,580	20,588
Cash and cash equivalents	65,002	71,943

24. Retained Earnings

The breakdown of retained profits of the Group as at 30 September 2017 is as follows:

	<i>As at</i>	<i>As at</i>
	<i>30.09.17</i>	<i>30.06.17</i>
	<i>RM'000</i>	<i>RM'000</i>
		<i>(Audited)</i>
Total retained earnings of the Company and its subsidiaries:		
- Realised	492,915	428,768
- Unrealised	(89,620)	(90,120)
	403,295	338,648
Less: Consolidation adjustments	(202,184)	(157,229)
Total Group retained earnings as per consolidated accounts	201,111	181,419

25. Borrowings

	<i>As at 30.09.2017</i>			<i>As at 30.09.2016</i>		
	Foreign denomination RM'000	RM denomination RM'000	Total RM'000	Foreign denomination RM'000	RM denomination RM'000	Total RM'000
<u>Long term</u>						
Secured						
Term loan	125,522	6,096	131,618	1,287	22,364	23,651
Hire purchase	-	231	231	-	-	-
Total	125,522	6,327	131,849	1,287	22,364	23,651
<u>Short term</u>						
Secured						
Term loan	44,980	18,573	63,553	241,954	34,865	276,819
Banker acceptance	-	132,472	132,472	-	240,978	240,978
Trust receipts	38,448	-	38,448	19,226	-	19,226
Hire purchase	-	279	279	-	543	543
Revolving credits	-	167,000	167,000	-	137,000	137,000
Total	83,428	318,324	401,752	261,180	413,386	674,566
Total Borrowing	208,950	324,651	533,601	262,467	435,750	698,217

The Company has not complied with a financial covenant of a licensed bank relating to a total outstanding balance of RM142,301,758 (Q1 FY17: RM209,674,175), which required the current ratio and debt service coverage ratio to be maintained at not less than 1.0 and not less than 1.2 respectively. However, the licensed bank has provided a waiver on these financial covenants until 30 June 2018.

26. Derivative Financial Assets/(Liabilities)

As at 30 September 2017, the values and maturity analysis of the outstanding derivatives assets/ (liabilities) are as follows:

	<i>Contract/Notional Amount RM '000</i>	<i>Fair Value Gain RM '000</i>
i) Forward Currency Contracts		
- Less than 1 year	255	255
ii) Cross Currency Swap Contracts		
- Less than 1 year	(6,346)	6,910
iii) Commodity Swap Contracts		
- Less than 1 year	-	952
Net Total	(6,091)	8,117

26. Derivative Financial Assets/(Liabilities) (Continued)

The forward currency contracts are entered into by the Group to manage some of the transactions exposures. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposures and fair value changes exposure.

The Group also uses cross currency swap contracts and commodity swap contracts to manage the financial risk exposures related to borrowings and revenue respectively.

With the adoption of FRS 139, derivative financial instruments are recognised at fair value on contract dates and are subsequently re-measured at fair value through profit or loss. The resulting gain or loss from the re-measurement is recognised in profit or loss.

For the current quarter ended 30 September 2017, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year as well as the Group's risk management objectives, policies and processes.

27. Material Litigation

A Writ of Summons dated 27 June 2014 was filed by Inno Integrasi Sdn. Bhd. (Plaintiff) and served to Kwantas Oil Sdn Bhd (KOSB), a wholly-owned subsidiary of the Company, whereby the plaintiff claimed for loss of profit approximately RM66.9 million for the alleged breached/repudiation of agreements entered by plaintiff and KOSB to the supply of organic palm wastes together with KOSB's leased to the plaintiff, and in return, plaintiff will process the organic palm wastes to become bio-organic fertilizer (BF) and re-sell to KOSB.

KOSB filed its Statement of Defence and Counterclaim on 5th August 2014. The plaintiff applied for summary judgement and hearing began on 13th August 2015. On 18th January 2016, the Court dismissed the Summary Judgement application by the plaintiff. The Court has fixed the trial dates from the 6th December 2016 until 8th September 2017 for the full trial. The trial for cross-examination was completed on the 26th September 2017. The ruling of the court is expected to be made on 7th December 2017.

The legal council is of the opinion that KOSB has a valid defence to the claim and accordingly no further provision for liability has been made in these financial statements.

28. Dividend

No interim dividend has been declared for the financial year ending 30 June 2018.

29. 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.

	<i>Individual Period</i>		<i>Cumulative Period</i>	
	<i>3 months ended</i>		<i>3 months ended</i>	
	<i>30.09.17</i>	<i>30.09.16</i>	<i>30.09.17</i>	<i>30.09.16</i>
Profit for the period attributable to Owners of the Company (RM'000)	19,692	16,081	19,692	16,081
Weighted average number of ordinary shares in issue ('000)	311,678	311,678	311,678	311,678
Basic earnings per share (sen)	6.32	5.16	6.32	5.16

(b) Diluted

There is no dilution in the earnings per share of the current and previous quarter end as there are no dilutive potential ordinary shares outstanding at the end of the reporting period.

30. Significant Related Party Transactions

The significant related party transactions set out below were carried out in the normal course of business and on terms and conditions no more materially different from those obtainable in transactions with unrelated parties.

<i>Name of related parties</i>	<i>Type of transaction</i>	<i>3 months ended</i>	
		<i>30.09.17</i>	<i>30.09.16</i>
		<i>RM'000</i>	<i>RM'000</i>
With companies which have common Directors with the Company and in which certain Directors of the Company have financial interests:			
Lahad Datu Tyres Sdn. Bhd.	Purchase of tyres, batteries and lubricants	448	488
Fordeco Sdn. Bhd.	Provision of general servicing and supply of spare parts	2,045	1,429
Petrolmax Borneo Sdn. Bhd.	Purchase of diesel	2,011	1,905
Bina Segama Sdn. Bhd.	Purchase of lubricants	201	119
Fordeco Construction Sdn. Bhd.	Construction costs/materials	597	588
Kwan Ah Hee & Sons Realty Sdn. Bhd.	Rental	100	100
Miyasa Sdn. Bhd.	Purchase of fresh fruit bunches	1,210	1,257
Sri Bandaran Sdn. Bhd.	Purchase of fresh fruit bunches	823	1,316
Fordeco Plantations Sdn. Bhd.	Purchase of fresh fruit bunches	578	497
Cindai Development Sdn. Bhd.	Purchase of fresh fruit bunches	631	731

31. Group Statistics

	<i>Unit</i>	<i>At 30.09.17</i>	<i>At 30.09.16</i>
<u>PLANTATION</u>			
Oil Palm Area			
Mature	<i>hectare</i>	17,206	17,143
Immature	<i>hectare</i>	4,126	3,303
Total planted area	<i>hectare</i>	21,332	20,446
FFB			
Production	<i>tonnes</i>	79,707	105,257
Yield per mature hectare	<i>tonnes</i>	4.63	6.14
Average selling price per tonne	<i>RM</i>	531	467
<u>MILLS</u>			
Extraction Rates			
Crude palm oil	<i>%</i>	21.0	20.5
Palm kernel	<i>%</i>	5.1	4.9
Production			
Crude palm oil	<i>tonnes</i>	30,379	32,377
Palm kernel	<i>tonnes</i>	7,284	7,732
Palm products processed/traded	<i>tonnes</i>	-	22,000
Oleochemical products	<i>tonnes</i>	8,047	20,610
Average Selling Price (Per Tonne)			
Crude palm oil	<i>RM per Tonne</i>	2,718	2,580
Palm kernel	<i>RM per Tonne</i>	2,621	3,221
Palm products processed/traded	<i>RM per Tonne</i>	-	2,607
Oleochemical products	<i>RM per Tonne</i>	3,333	2,885

32. 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 29 November 2017.