

Condensed Consolidated Statement of Comprehensive Income  
For The Period Ended 31 December 2017  
(The figures have not been audited)

	Note	Current Quarter 3 months Ended		Year-to-Date 6 months Ended	
		31.12.17 RM'000	31.12.16 RM'000	31.12.17 RM'000	31.12.16 RM'000
<b>Revenue</b>	8	244,729	470,446	461,626	843,348
Cost of sales		(191,521)	(396,677)	(367,872)	(716,758)
<b>Gross profit</b>		53,208	73,769	93,754	126,590
<b>Other items of income</b>					
Interest income		316	351	696	737
Other operating income		3,412	(3,040)	19,341	1,974
<b>Other items of expenses</b>					
Selling expenses		(11,763)	(17,445)	(26,420)	(33,689)
Administrative expenses		(10,833)	(34,199)	(27,029)	(49,031)
Finance costs		(6,489)	(8,269)	(11,839)	(16,957)
<b>Profit before tax from continuing operations</b>	17	27,851	11,167	48,503	29,624
Income tax expense	20	(5,150)	(4,000)	(8,750)	(6,500)
<b>Profit from continuing operations, net of tax</b>		<b>22,701</b>	<b>7,167</b>	<b>39,753</b>	<b>23,124</b>
<b>Discontinued operations</b>					
Profit from discontinued operations, net of tax	22	3,478	-	5,962	-
<b>Profit for the financial period</b>		<b>26,179</b>	<b>7,167</b>	<b>45,715</b>	<b>23,124</b>
<b>Other comprehensive income</b>					
<b>Item that to be reclassified in subsequent period to profit or loss:</b>					
Foreign currency translation		(5,064)	15,523	(5,139)	19,991
		(5,064)	15,523	(5,139)	19,991
<b>Total comprehensive income for the period</b>		<b>21,115</b>	<b>22,690</b>	<b>40,576</b>	<b>43,115</b>
<b>Profit for the period attributable to:</b>					
Owners of the Company		26,586	7,561	46,278	23,642
Non-controlling interests		(407)	(394)	(563)	(518)
		<b>26,179</b>	<b>7,167</b>	<b>45,715</b>	<b>23,124</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		21,522	23,084	41,139	43,633
Non-controlling interests		(407)	(394)	(563)	(518)
		<b>21,115</b>	<b>22,690</b>	<b>40,576</b>	<b>43,115</b>
<b>Earnings per share attributable to owners of the Company (sen):</b>					
Basic	29 (a)	8.53	2.43	14.85	7.59

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



**Condensed Consolidated Statement of Financial Position**  
**As At 31 December 2017**  
(The figures have not been audited)

	Note	As at 31.12.17 RM'000	As at 30.06.17 RM'000 (Audited)
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	9	1,228,549	1,247,364
Biological assets	9	415,145	413,912
Investment properties	9	45,700	45,700
Land use rights	9	8,793	9,192
Other receivables		8,944	9,600
		1,707,131	1,725,768
<b>Current Assets</b>			
Inventories		126,213	107,762
Trade receivables		39,045	41,210
Other receivables		16,156	23,844
Tax recoverable		77	599
GST input tax receivable		8,494	4,983
Short-term deposits with licensed banks	23	29,830	20,588
Cash and bank balances	23	115,318	51,355
		335,133	250,341
Assets of disposal group classified as held for sale	22	195,164	194,837
<b>TOTAL ASSETS</b>		<b>2,237,428</b>	<b>2,170,946</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		209,566	209,566
Other reserves		764,403	769,142
Retained earnings	24	227,697	181,419
Equity of disposal group classified as held for sale	22	102,888	103,288
		1,304,554	1,263,415
<b>Non-controlling interests</b>		(5,239)	(4,676)
<b>Total equity</b>		1,299,315	1,258,739
<b>Non-Current Liabilities</b>			
Loans and borrowings	25	95,988	156,590
Deferred tax liabilities		218,881	219,881
		314,869	376,471
<b>Current Liabilities</b>			
Loans and borrowings	25	392,807	411,196
Trade payables		92,064	76,913
Other payables		130,379	30,800
Derivative liabilities	26	5,505	14,208
		620,755	533,117
Liabilities of disposal group classified as held for sale	22	2,489	2,619
<b>Total liabilities</b>		938,113	912,207
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,237,428</b>	<b>2,170,946</b>

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 31 December 2017

(The figures have not been audited)

	Non-distributable		Distributable		Attributable to owners of the Company					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 of disposal group classified as held for sale RM'000	Equity attributable to owners of the Company, Total RM'000		Non-controlling Interests RM'000
<b>At 1 July 2016</b>	155,839	53,727	138,875	852,887	819,061	4,193	29,633	-	1,201,328	(2,249)	1,199,079
<b>Profit/(Loss) net of tax</b>	-	-	23,642	-	-	-	-	-	23,642	(518)	23,124
<b>Other comprehensive income</b>	-	-	-	19,991	-	-	19,991	-	19,991	-	19,991
Foreign currency translation	-	-	-	19,991	-	-	19,991	-	19,991	-	19,991
<b>Total comprehensive income/(loss)</b>	-	-	23,642	19,991	-	-	19,991	-	43,633	(518)	43,115
<b>At 31 December 2016</b>	155,839	53,727	162,517	872,878	819,061	4,193	49,624	-	1,244,961	(2,767)	1,242,194
<b>At 1 July 2017</b>	209,566	-	181,419	769,142	741,688	4,193	23,261	103,288	1,263,415	(4,676)	1,258,739
<b>Profit/(Loss) net of tax</b>	-	-	46,278	-	-	-	-	-	46,278	(563)	45,715
<b>Other comprehensive (loss)/income</b>	-	-	-	(4,739)	-	-	(4,739)	(400)	(5,139)	-	(5,139)
Foreign currency translation	-	-	-	(4,739)	-	-	(4,739)	(400)	(5,139)	-	(5,139)
<b>Total comprehensive income/(loss)</b>	-	-	46,278	(4,739)	-	-	(4,739)	(400)	41,139	(563)	40,576
<b>At 31 December 2017</b>	209,566	-	227,697	764,403	741,688	4,193	18,522	102,888	1,304,554	(5,239)	1,299,315

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.



	6 months Ended	
	31.12.17 <u>RM'000</u>	31.12.16 <u>RM'000</u>
<b>OPERATING ACTIVITIES</b>		
Profit before taxation from:		
- continuing operations	48,503	29,624
- discontinued operations	5,962	-
	<u>54,465</u>	<u>29,624</u>
<b>Adjustments for:</b>		
Reversal of impairment allowance on receivables	-	(23)
Depreciation of property, plant and equipment	16,714	19,404
Net fair value (gain)/loss on derivative financial instruments	(8,704)	8,777
Property, plant and equipment written-off	48	218
Gain on disposal of property, plant and equipment	(33)	(67)
Unrealised (gain)/loss on foreign exchange	(3,691)	15,485
Interest expense	11,839	16,957
Interest income	(696)	(737)
<b>Total adjustments</b>	<u>15,477</u>	<u>60,014</u>
<b>Operating cash flows before working capital changes</b>	<u>69,942</u>	<u>89,638</u>
<b>Changes in working capital:</b>		
Change in inventories	(18,451)	3,206
Change in receivables	(5,383)	22,919
Change in payables	114,599	(48,591)
<b>Total changes in working capital</b>	<u>90,765</u>	<u>(22,466)</u>
<b>Cash flows from operations</b>	160,707	67,172
Interest paid	(11,839)	(16,957)
Income tax paid	(9,329)	(5,045)
Income tax refunded	101	-
<b>Net cash flows from operating activities</b>	<u>139,640</u>	<u>45,170</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(3,811)	(1,316)
Plantation development expenditure	(1,233)	(6,934)
Proceeds from disposal of property, plant and equipment	33	69
Interest received	696	737
<b>Net cash flows used in investing activities</b>	<u>(4,315)</u>	<u>(7,444)</u>
<b>FINANCING ACTIVITIES</b>		
Drawdown of revolving credits	1,002,000	705,000
Repayment of revolving credits	(1,002,000)	(705,000)
Repayment of term loans	(59,751)	(37,952)
Repayment of hire purchase financing	(173)	(423)
Drawdown of bankers' acceptances and trust receipts	333,995	507,640
Repayment of bankers acceptances and trust receipts	(343,978)	(487,539)
<b>Net cash flows used in financing activities</b>	<u>(69,907)</u>	<u>(18,274)</u>
<b>Net increase in cash and cash equivalents</b>	65,418	19,452
<b>Effect of exchange rate differences</b>	7,787	(766)
<b>Cash and cash equivalents at beginning of the year</b>	<u>71,943</u>	<u>67,844</u>
<b>Cash and cash equivalents at end of period (Note 23)</b>	<u><u>145,148</u></u>	<u><u>86,530</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.

<b>Descriptions</b>	<b>Effective for annual periods beginning on or after</b>
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>31.12.17</i>	<i>31.12.16</i>	<i>31.12.17</i>	<i>31.12.16</i>	<i>31.12.17</i>	<i>31.12.16</i>	<i>31.12.17</i>	<i>31.12.16</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
<b>3 months ended 31 December (Individual Period)</b>								
<b>Revenue</b>								
External sales:								
- continuing operations	237,621	379,410	7,108	91,036	-	-	244,729	470,446
- discontinued operations (Note 22)	5,607	-	-	-	-	-	5,607	-
<b>Total Revenue</b>	<b>243,228</b>	<b>379,410</b>	<b>7,108</b>	<b>91,036</b>	<b>-</b>	<b>-</b>	<b>250,336</b>	<b>470,446</b>
<b>Results</b>								
Interest income	310	307	6	44	-	-	316	351
Depreciation/amortisation	(5,637)	(7,365)	(2,342)	(1,986)	(211)	(211)	(8,190)	(9,562)
Segment profit/(loss):								
- continuing operations	34,098	14,255	(6,034)	(2,875)	(213)	(213)	27,851	11,167
- discontinued operations (Note 22)	3,478	-	-	-	-	-	3,478	-
<b>Total segment profit/(loss)</b>	<b>37,576</b>	<b>14,255</b>	<b>(6,034)</b>	<b>(2,875)</b>	<b>(213)</b>	<b>(213)</b>	<b>31,329</b>	<b>11,167</b>
<b>6 months ended 31 December (Cumulative Period)</b>								
<b>Revenue</b>								
External sales:								
- continuing operations	427,700	693,125	33,926	150,223	-	-	461,626	843,348
- discontinued operations (Note 22)	9,992	-	-	-	-	-	9,992	-
<b>Total Revenue</b>	<b>437,692</b>	<b>693,125</b>	<b>33,926</b>	<b>150,223</b>	<b>-</b>	<b>-</b>	<b>471,618</b>	<b>843,348</b>
<b>Results</b>								
Interest income	678	647	18	90	-	-	696	737
Depreciation/amortisation	(11,954)	(15,070)	(4,337)	(3,911)	(423)	(423)	(16,714)	(19,404)
Segment profit/(loss):								
- continuing operations	61,283	38,242	(12,358)	(8,197)	(422)	(421)	48,503	29,624
- discontinued operations (Note 22)	5,962	-	-	-	-	-	5,962	-
<b>Total segment profit/(loss)</b>	<b>67,245</b>	<b>38,242</b>	<b>(12,358)</b>	<b>(8,197)</b>	<b>(422)</b>	<b>(421)</b>	<b>54,465</b>	<b>29,624</b>

**8. Segmental Information (Continued)**

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

	<i>6 months ended</i>	
	<i>31.12.17</i>	<i>31.12.16</i>
	<i>RM'000</i>	<i>RM'000</i>
Reconciliation:		
<b>Profit before taxation</b>		
- from continuing operations	48,503	29,624
- from discontinued operations	5,962	-
	<b>54,465</b>	<b>29,624</b>
<b><u>(Less)/Add: Non-cash and provisional items</u></b>		
Unrealised provisional foreign exchange (gain)/loss	(3,691)	15,485
Provision for fair value (gain)/loss on derivatives	(8,704)	8,777
Property, plant and equipment written off	48	218
Gain on disposal of property, plant and equipment	(33)	(67)
Depreciation and amortisation of property, plant and equipment	16,714	19,404
<b>Profit before taxation excluding non-cash and provisional items</b>	<b>58,799</b>	<b>73,441</b>

**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 31 December 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 as disclosed in Note 21.

**12. Capital Commitments**

The amount of capital commitments for the plantation development activities not provided for in the financial statements as at 31 December 2017 is as follows:

	<i>RM'000</i>
Approved and contracted for	<u>2,005</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 31 December 2017 amounted to approximately RM200 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 segment represents the core business of the Group. This major segment has contributed 93% of the Group's total revenue in the current quarter. In the current quarter, revenue reported from this segment decreased by 36% to RM243.2 million (Q2 FY2017: RM379.4 million), mainly due to the following factors:

- a) CPO traded in current quarter has decreased by 35,186 MT as compared to preceding corresponding quarter, despite the slight increase in the realised average CPO selling price at RM2,766 per MT for the current quarter as compared to RM2,637 per MT in the preceding corresponding quarter;
- b) CPKO traded in the current quarter has decreased by 5,069 MT as compared to preceding corresponding quarter, coupled with the decrease in the realised average CPKO selling price at RM5,186 per MT for the current quarter as compared to RM5,549 per MT in the preceding corresponding quarter; and
- c) Refined palm products traded in the current quarter has decreased by 44,000 MT as compared to preceding corresponding quarter, mainly due to sluggish market demand from People's Republic of China.

Despite the segmental revenue had dropped in the current quarter, this major segment has reported a higher profit of RM37.6 million as compared to profit of RM14.2 million in the preceding corresponding quarter, mainly due to the decrease in depreciation expense on property, plant and equipment, interest expense and the weakening of USD exchange rate against MYR.

*Oleochemical products*

In the current quarter, oleochemical segment accounted for 7% of the total Group's revenue. The oleochemical segment has incurred a loss of RM6.0 million in the current quarter as compared to a loss of RM2.8 million in preceding corresponding quarter, due to the decrease in overall oleochemical products traded in the current quarter by 36,741 MT. The decrease in revenue is expected as the segment is currently utilising all of its production capacity to fulfil the oleochemical products tolling contract for a customer.

*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>31.12.17</i> <i>RM'000</i>	<i>Immediate</i> <i>Preceding Quarter</i> <i>3 months ended</i> <i>30.09.17</i> <i>RM'000</i>	<i>Changes</i> <i>(Amount)</i> <i>RM'000</i>	<i>Changes</i> <i>(%)</i>
Revenue from continuing operations	244,729	216,897	27,832	12.8%
Revenue from discontinued operations	5,607	4,385	1,222	27.9%
Profit before interest and tax	37,818	28,486	9,332	32.8%
Profit before tax	31,329	23,136	8,193	35.4%
Profit after tax	26,179	19,536	6,643	34.0%

The Group reported a profit before tax of RM31.3 million in the current quarter as compared to RM23.1 million in the immediate preceding quarter, an increase of RM8.2 million. The improvement in Group's profit before tax during the quarter was mainly due to the following factors:

- a) The Group had higher gross margin as the combined CPO, CPKO and refined palm oil products volume traded in the current quarter stood at 74,045 MT, which is higher compared to the combined volume traded at 62,481 MT in the immediate preceding quarter, coupled with the higher realised average price of combined products of RM3,106 per MT in the current quarter as compared to the realised average price of RM2,938 per MT in the immediate preceding quarter.
- b) The Group incurred a lower selling expenses of RM11.8 million in the current quarter compared to RM14.6 million in the immediate preceding quarter which was in line with the decrease in export sales.
- c) The Group incurred a lower administrative expenses of RM10.8 million in the current quarter compared to RM16.2 million in the immediate preceding quarter, mainly due to the realised loss in cross currency swap contracts incurred in the preceding quarter.

The slight increase in finance cost of RM1.1 million in current quarter at RM6.5 million (Q1 2018: RM5.4 million) was in line with the increase in the Group's utilisation of trade facilities, despite a decrease in the overall Group's borrowings.

Excluding non-cash items such as depreciation on property, plant and equipment, unrealised foreign exchange losses, provisional fair value gain in derivatives, property, plant and equipment and inventories written off, the Group made an underlying profit before tax of RM58.8 million for 6 months ended 31 December 2017 (RM73.4 million for 6 months ended 31 December 2016), representing a profit margin of 12.5% over the Group's total revenue.

## 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>6 months ended</i>	
	<i>31.12.17</i>	<i>31.12.16</i>	<i>31.12.17</i>	<i>31.12.16</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Depreciation on property, plant & equipment	(8,190)	(9,562)	(16,714)	(19,404)
Reversal of impairment allowance on receivables	-	23	-	23
Gain on disposal of property, plant & equipment	33	2	33	67
Property, plant, & equipment written-off	(1)	(218)	(48)	(218)
Interest income	316	351	696	737
Interest expense	(6,489)	(8,269)	(11,839)	(16,957)
Net fair value gain/(loss) on derivative financial instruments	587	(5,353)	8,704	(8,777)
Realised foreign exchange loss	(997)	(4,643)	(1,079)	(1,777)
Unrealised foreign exchange (loss)/gain	(487)	(14,695)	3,691	(15,485)

## 18. Commentary on Prospects

The Group's long term target is to reduce its borrowing level to a gearing ratio of 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 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 and replanting exercise to be rolled out on a timely basis and an effort to increase production efficiency in order to achieve long term sustainability.

Oleochemical segment remains volatile because of currency, thereafter challenging product prices and uncertainties in market demand. To mitigate price and currency risks and to ensure steady inflow of revenue, the Group has implemented a new business model of oleochemical products contract refining.

With the successful disposal of a subsidiary of Kwantas in China as per the announcement on 1 August 2017 and the completion of disposal of asset as stated in Note 21, the Group has reduced its gearing ratio to 0.26 as at the end of the reporting period, which is one step closer to the Group's long term target. Coupled with favourable CPO, CPKO and refined palm product prices, the Board of Directors is confident that the Group will achieve positive and favourable performance for the current financial year.

## 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>6 months ended</i>	
	<i>31.12.17</i>	<i>31.12.16</i>	<i>31.12.17</i>	<i>31.12.16</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Current income tax:				
- Malaysian income tax	5,650	4,000	9,750	7,000
Deferred tax	(500)	-	(1,000)	(500)
<b>Total income tax expense</b>	<b>5,150</b>	<b>4,000</b>	<b>8,750</b>	<b>6,500</b>

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

Further to the Company's announcement made on 19 April 2017 and 26 October 2017, the Group had on 8 January 2018 completed the proposed disposal of 3,791 acres of agriculture land held under title CL095316395 located at Sungai Kinabatangan, District of Kinabatangan, Sabah together with all oil palm trees planted and structures erected thereon. This land was owned by Kwantas Plantations Sdn Bhd ("KPSB"), a wholly owned subsidiary of Kwantas and was transferred to KUB Malua Plantation Sdn Bhd (formerly known as KUB Oil & Gas Sdn Bhd) for a cash consideration of RM100,448,621 on the completion date.

There are no other corporate proposals announced but not completed as at 26 February 2018.

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

As at 31 December 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 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 are as follows:

	<i>As at</i>	<i>As at</i>
	<i>31.12.17</i>	<i>30.06.17</i>
	<i>RM'000</i>	<i>RM'000</i>
		<i>(Audited)</i>
<b><u>Assets of the disposal group:</u></b>		
Property, plant and equipment**	108,780	108,150
Land use rights	3,358	3,473
Biological assets	81,908	81,908
Deferred tax assets	599	599
Inventories	483	492
Receivables	(14)	190
Cash and bank balances	50	25
<b>Assets of the disposal group classified as held for sale</b>	<b>195,164</b>	<b>194,837</b>

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

	<i>As at</i> <i>31.12.17</i> <i>RM'000</i>	<i>As at</i> <i>30.06.17</i> <i>RM'000</i> <i>(Audited)</i>
<b><u>Liabilities of the disposal group:</u></b>		
Payables	121	251
Deferred tax liabilities	2,368	2,368
<b>Liabilities of disposal group classified as held for sale</b>	<b>2,489</b>	<b>2,619</b>
<b>Net assets of disposal group classified as held for sale</b>	<b>192,675</b>	<b>192,218</b>
<b><u>Equity and reserves of the disposal group:</u></b>		
Revaluation reserves	86,329	86,329
Foreign exchange translation reserve	16,559	16,959
Amounts recognised directly in equity of disposal group classified as held for sale	<b>102,888</b>	<b>103,288</b>

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

The results attributable to the discontinued operation shown as follows is relating to the Corporate Proposal as stated in Note 21:

	<i>Individual Period</i> <i>3 months ended</i>		<i>Cumulative Period</i> <i>6 months ended</i>	
	<i>31.12.17</i> <i>RM'000</i>	<i>31.12.16</i> <i>RM'000</i>	<i>31.12.17</i> <i>RM'000</i>	<i>31.12.16</i> <i>RM'000</i>
Revenue	5,607	-	9,992	-
Expenses	(2,129)	-	(4,030)	-
<b>Profit from Discontinued Operations</b>	<b>3,478</b>	<b>-</b>	<b>5,962</b>	<b>-</b>

23. Cash and Cash Equivalents

	<i>As at</i> <i>31.12.17</i> <i>RM'000</i>	<i>As at</i> <i>30.06.17</i> <i>RM'000</i> <i>(Audited)</i>
Cash and bank balances	115,318	51,355
Short-term deposits with licensed banks	29,830	20,588
<b>Cash and cash equivalents</b>	<b>145,148</b>	<b>71,943</b>

## 24. Retained Earnings

The breakdown of retained profits of the Group as at 31 December 2017 is as follows:

	<i>As at 31.12.17 RM'000</i>	<i>As at 30.06.17 RM'000 (Audited)</i>
Total retained earnings of the Company and its subsidiaries:		
- Realised	522,378	428,768
- Unrealised	(89,120)	(90,120)
	433,258	338,648
Less: Consolidation adjustments	(205,561)	(157,229)
<b>Total Group retained earnings as per consolidated accounts</b>	<b>227,697</b>	<b>181,419</b>

## 25. Borrowings

	<i>As at 31.12.2017</i>			<i>As at 30.06.2017 (Audited)</i>		
	Foreign denomination RM'000	RM denomination RM'000	Total RM'000	Foreign denomination RM'000	RM denomination RM'000	Total RM'000
<b><u>Long term</u></b>						
<b>Secured</b>						
Term loan	90,833	4,953	95,786	139,664	16,630	156,294
Hire purchase	-	202	202	-	296	296
<b>Total</b>	<b>90,833</b>	<b>5,155</b>	<b>95,988</b>	<b>139,664</b>	<b>16,926</b>	<b>156,590</b>
<b><u>Short term</u></b>						
<b>Secured</b>						
Term loan	43,220	17,350	60,570	46,564	21,904	68,468
Banker acceptance	-	162,472	162,472	-	130,525	130,525
Trust receipts	2,548	-	2,548	44,908	-	44,908
Hire purchase	-	217	217	-	295	295
Revolving credits	-	167,000	167,000	-	167,000	167,000
<b>Total</b>	<b>45,768</b>	<b>347,039</b>	<b>392,807</b>	<b>91,472</b>	<b>319,724</b>	<b>411,196</b>
<b>Total Borrowings</b>	<b>136,601</b>	<b>352,194</b>	<b>488,795</b>	<b>231,136</b>	<b>336,650</b>	<b>567,786</b>

The Company has not complied with a financial covenant of a licensed bank relating to a total outstanding balance of RM134,052,998 (As at 30 June 2017: RM185,351,939), 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.

The Group had on 8 January 2018 completed the proposed disposal of 3,791 acres of Agriculture Land held under Title CL095316395 located at Sungai Kinabatangan, District of Kinabatangan, Sabah together with all oil palm trees planted and structures erected for a cash consideration of RM100,448,621 as stated in Note 21. The total sum consideration less costs to sell of RM93,948,621 had been utilised to partially repay the borrowings to the licensed bank in relation to the outstanding balance of RM134,052,998 as stated above.

## 26. Derivative Financial Assets/(Liabilities)

As at 31 December 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/(Loss) RM '000</i>
i) Forward Currency Contracts	131	(131)
- Less than 1 year		
ii) Cross Currency Swap Contracts	5,374	7,883
- Less than 1 year		
iii) Commodity Swap Contracts	-	952
- Less than 1 year		
<b>Net Total</b>	<b>5,505</b>	<b>8,704</b>

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 31 December 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 5<sup>th</sup> August 2014. The plaintiff applied for summary judgement and hearing began on 13<sup>th</sup> August 2015. On 18<sup>th</sup> January 2016, the Court dismissed the Summary Judgement application by the plaintiff. The Court has fixed the trial dates from the 6<sup>th</sup> December 2016 until 8<sup>th</sup> September 2017 for the full trial. The trial for cross-examination was completed on the 26<sup>th</sup> September 2017.

The judgment from the High Court of Sabah and Sarawak at Sandakan was released on 21 December 2017 and the Court adjudged that:

**27. Material Litigation (continued)**

- (i) The Plaintiff's claim for loss of profit of RM66,916,537.94 for alleged breach/repudiation of agreements entered into by the Plaintiff with the Defendant to the supply of organic palm wastes together with land leased by the Defendant to the Plaintiff is dismissed;
- (ii) The Plaintiff shall forthwith pay the Defendant costs of RM150,000.00 subject to payment of Allocator Fee;
- (iii) The Defendant's Counterclaim is allowed for damages against Plaintiff;
- (iv) The Damages is to be assessed by the High Court on a date to be fixed;
- (v) The Interest of 5% per annum to be paid on damages found and assessed to be due from the Plaintiff to the Defendant calculated from the date of Judgment until full settlement; and
- (vi) No order for costs is made against the Plaintiff in respect of allowing the Counterclaim since costs has already been ordered against Plaintiff on the dismissal of the claim.

**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>6 months ended</i>	
	<i>31.12.17</i>	<i>31.12.16</i>	<i>31.12.17</i>	<i>31.12.16</i>
Profit for the period attributable to Owners of the Company (RM'000)	26,586	7,561	46,278	23,642
Weighted average number of ordinary shares in issue ('000)	311,678	311,678	311,678	311,678
Basic earnings per share (sen)	8.53	2.43	14.85	7.59

**(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>6 months ended</i>	
		<i>31.12.17</i>	<i>31.12.16</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	(921)	(901)
Fordeco Sdn. Bhd.	Provision of general servicing and supply of spare parts	(3,692)	(3,230)
Petrolmax Borneo Sdn. Bhd.	Purchase of diesel	(3,954)	(4,050)
Bina Segama Sdn. Bhd.	Purchase of lubricants	(469)	(220)
Fordeco Construction Sdn. Bhd.	Construction costs/materials	(1,682)	(1,485)
Kwan Ah Hee & Sons Realty Sdn. Bhd.	Rental	(199)	(195)
Miyasa Sdn. Bhd.	Purchase of fresh fruit bunches	(2,283)	(2,213)
Sri Bandaran Sdn. Bhd.	Purchase of fresh fruit bunches	(2,022)	(2,360)
Fordeco Plantations Sdn. Bhd.	Purchase of fresh fruit bunches	(1,232)	(1,021)
Cindai Development Sdn. Bhd.	Purchase of fresh fruit bunches	(1,484)	(1,366)



**31. Group Statistics**

	<i>Unit</i>	<i>As at 31.12.17</i>	<i>As at 31.12.16</i>
<b><u>PLANTATION</u></b>			
<b>Oil Palm Area</b>			
Mature	<i>hectare</i>	17,234	16,761
Immature	<i>hectare</i>	4,233	3,847
Total planted area	<i>hectare</i>	<b>21,467</b>	<b>20,608</b>
<b>FFB</b>			
Production	<i>tonnes</i>	185,120	206,776
Yield per mature hectare	<i>tonnes</i>	10.74	12.34
Average selling price per tonne	<i>RM</i>	532	477
<b><u>MILLS</u></b>			
<b>Extraction Rates</b>			
Crude palm oil	<i>%</i>	21.0	20.7
Palm kernel	<i>%</i>	5.0	4.9
<b>Production</b>			
Crude palm oil	<i>tonnes</i>	71,302	65,423
Palm kernel	<i>tonnes</i>	17,155	15,561
Palm products processed/traded	<i>tonnes</i>	30,000	74,000
Oleochemical products	<i>tonnes</i>	10,650	46,233
<b>Average Selling Price (Per Tonne)</b>			
Crude palm oil	<i>RM per Tonne</i>	2,766	2,637
Palm kernel	<i>RM per Tonne</i>	2,419	3,489
Palm products processed/traded	<i>RM per Tonne</i>	2,909	2,969
Oleochemical products	<i>RM per Tonne</i>	2,121	3,261

**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 26 February 2018.