Kwantas Corporation Berhad
(Company No: 356602-W)

Condensed Consolidated Statement of Comprehensive Income
For The Period Ended 31 December 2018
(The figures have not been audited)

	Note	Current Quarter 3 months Ended 31.12.18 RM'000	Current Quarter 3 months Ended 31.12.17 RM'000 (Restated under MFRS)	Cummulative Quarter 6 months Ended 31.12.18 RM'000	Cummulative Quarter 6 months Ended 31.12.17 RM'000 (Restated under MFRS)	31.12.17 RM'000 (Previously reported under FRS)
Revenue	8	205,285	244,729	356,572	461,626	461,626
Cost of sales		(191,844)	(191,130)	(332,711)	(366,850)	(367,872)
Gross profit		13,441	53,599	23,861	94,776	93,754
Other items of income						
Interest income		283	316	527	696	696
Other operating income		2,440	3,412	6,106	19,341	19,341
Other items of expenses						
Selling expenses		(6,530)	(11,763)	(12,002)	(26,420)	(26,420)
Administrative expenses		(11,910)	(15,892)	(41,969)	(37,243)	(27,029)
Finance costs		(8,066)	(6,489)	(12,995)	(11,839)	(11,839)
(Loss)/Profit before tax from continuing operations	17	(10,342)	23,183	(36,472)	39,311	48,503
Income tax expense	20	(840)	(5,150)	(1,000)	(8,750)	(8,750)
(Loss)/Profit from continuing operations, net of tax		**(11,182)**	**18,033**	**(37,472)**	**30,561**	**39,753**
Discontinued operations						
(Loss)/Profit from discontinued operations, net of tax	22	(125)	3,478	(236)	5,962	5,962
(Loss)/Profit for the financial period		**(11,307)**	**21,511**	**(37,708)**	**36,523**	**45,715**
Other comprehensive loss						
Item that to be reclassified in subsequent period to profit or loss:						
Foreign currency translation		(52)	(5,064)	(5,234)	(5,139)	(5,139)
		(52)	(5,064)	(5,234)	(5,139)	(5,139)
Total comprehensive (loss)/income for the period		**(11,359)**	**16,447**	**(42,942)**	**31,384**	**40,576**
(Loss)/Profit for the period attributable to:						
Owners of the Company		(10,652)	21,918	(36,717)	37,086	46,278
Non-controlling interests		(655)	(407)	(991)	(563)	(563)
		(11,307)	**21,511**	**(37,708)**	**36,523**	**45,715**
Total comprehensive (loss)/income attributable to:						
Owners of the Company		(10,704)	16,854	(41,951)	31,947	41,139
Non-controlling interests		(655)	(407)	(991)	(563)	(563)
		(11,359)	**16,447**	**(42,942)**	**31,384**	**40,576**
(Loss)/Earnings per share attributable to owners of the Company (sen):						
Basic	28 (a)	(3.42)	7.03	(11.78)	11.90	14.85

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

Kwantas Corporation Berhad
(Company No: 356602-W)

Condensed Consolidated Statement of Financial Position
As At 31 December 2018
(The figures have not been audited)

	Note	As at 31.12.2018 RM'000	As at 30.06.2018 RM'000 (Restated under MFRS)	As at 01.07.2017 RM'000 (Restated under MFRS)
ASSETS				
Non-Current Assets				
Property, plant and equipment	9	1,573,273	1,599,458	1,662,486
Investment properties	9	45,700	45,700	45,700
Land use rights		12,121	11,876	9,192
Other receivables		-	-	9,600
		1,631,094	1,657,034	1,726,978
Current Assets				
Inventories		146,030	112,583	107,762
Biological assets		22,141	32,200	44,061
Trade receivables		21,301	13,203	41,210
Other receivables		13,245	11,077	23,844
Tax recoverable		7,180	130	599
GST input tax receivable		5,502	5,044	4,983
Derivative assets	25	1,206	1,636	-
Short-term deposits with licensed banks	23	2,600	4,500	20,588
Cash and bank balances	23	28,637	20,671	51,355
		247,842	201,044	294,402
Assets of disposal group classified as held for sale	22	45,535	44,938	194,837
TOTAL ASSETS		**1,924,471**	**1,903,016**	**2,216,217**
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital		209,566	209,566	209,566
Other reserves		623,322	628,556	611,285
Retained earnings		337,902	374,619	384,962
Equity of disposal group classified as held for sale	22	12,531	12,531	103,288
		1,183,321	1,225,272	1,309,101
Non-controlling interests		(10,458)	(9,467)	(5,091)
Total equity		1,172,863	1,215,805	1,304,010
Non-Current Liabilities				
Loans and borrowings	24	30,151	26,853	156,590
Deferred tax liabilities		225,038	225,716	219,881
		255,189	252,569	376,471
Current Liabilities				
Loans and borrowings	24	428,610	363,280	411,196
Trade payables		42,053	49,678	76,913
Other payables		22,960	19,448	30,800
Derivative liabilities	25	-	-	14,208
		493,623	432,406	533,117
Liabilities of disposal group classified as held for sale	22	2,796	2,236	2,619
Total liabilities		751,608	687,211	912,207
TOTAL EQUITY AND LIABILITIES		**1,924,471**	**1,903,016**	**2,216,217**

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

Kwantas Corporation Berhad
(Company No: 356602-W)

Condensed Consolidated Statement of Changes in Equity
For The Period Ended 31 December 2018
(The figures have not been audited)

	Attributable to owners of the Company									
	Non-distributable	Distributable	Non-distributable							
	Share capital 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	Total equity RM'000
At 1 July 2017 as previously stated	209,566	181,419	769,142	741,688	4,193	23,261	103,288	1,263,415	(4,676)	1,258,739
Effect on adoption of MFRS	-	203,543	(157,857)	(134,596)	-	(23,261)	-	45,686	(415)	45,271
As restated	209,566	384,962	611,285	607,092	4,193	-	103,288	1,309,101	(5,091)	1,304,010
Profit/(Loss) net of tax	-	37,086	-	-	-	-	-	37,086	(563)	36,523
Other comprehensive loss										
Foreign currency translation	-	-	(5,139)	-	-	(5,139)	-	(5,139)	-	(5,139)
	-	-	(5,139)	-	-	(5,139)	-	(5,139)	-	(5,139)
Total comprehensive income/(loss)	-	37,086	(5,139)	-	-	(5,139)	-	31,947	(563)	31,384
At 31 December 2017	209,566	422,048	606,146	607,092	4,193	(5,139)	103,288	1,341,048	(5,654)	1,335,394
At 1 July 2018 as previously stated	209,566	199,566	767,166	729,354	4,193	33,619	12,531	1,188,829	(8,584)	1,180,245
Effect on adoption of MFRS	-	175,053	(138,610)	(115,349)	-	(23,261)	-	36,443	(883)	35,560
As restated	209,566	374,619	628,556	614,005	4,193	10,358	12,531	1,225,272	(9,467)	1,215,805
Loss net of tax	-	(36,717)	-	-	-	-	-	(36,717)	(991)	(37,708)
Other comprehensive loss										
Foreign currency translation	-	-	(5,234)	-	-	(5,234)	-	(5,234)	-	(5,234)
	-	-	(5,234)	-	-	(5,234)	-	(5,234)	-	(5,234)
Total comprehensive loss	-	(36,717)	(5,234)	-	-	(5,234)	-	(41,951)	(991)	(42,942)
At 31 December 2018	209,566	337,902	623,322	614,005	4,193	5,124	12,531	1,183,321	(10,458)	1,172,863

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

Kwantas Corporation Berhad
(Company No: 356602-W)

Condensed Consolidated Statements of Cash Flows
For The Period Ended 31 December 2018
(The figures have not been audited)

	6 months Ended	
	31.12.18 RM'000	31.12.17 RM'000 (Restated under MFRS)
OPERATING ACTIVITIES		
(Loss)/Profit before tax from:		
- continuing operations	(36,472)	39,311
- discontinued operations	(236)	5,962
	(36,708)	45,273
Adjustments for:		
Allowance on receivables	1,407	-
Depreciation and amortisation of property, plant and equipment	25,729	26,450
Fair value loss/(gain) on derivative financial instruments	430	(8,704)
Fair value loss on biological assets	10,059	477
Property, plant and equipment written off	284	48
Gain on disposal of property, plant and equipment	(265)	(33)
Unrealised loss/(gain) on foreign exchange	832	(3,691)
Interest expense	12,995	11,839
Interest income	(527)	(696)
Total adjustments	50,944	25,690
Operating cash flows before working capital changes	14,236	70,963
Changes in working capital:		
Change in inventories	(33,364)	(18,451)
Change in receivables	(12,977)	(5,383)
Change in payables	(3,553)	114,599
Total changes in working capital	(49,894)	90,765
Cash flows from operations	(35,658)	161,728
Interest paid	(12,995)	(11,839)
Income tax paid	(8,728)	(9,329)
Income tax refunded	-	101
Net cash flows (used in)/from operating activities	(57,381)	140,661
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,049)	(5,044)
Proceeds from disposal of property, plant and equipment	265	33
Interest received	527	696
Net cash flows used in investing activities	(3,257)	(4,315)
FINANCING ACTIVITIES		
Drawdown of revolving credits	1,376,000	1,002,000
Repayment of revolving credits	(1,376,000)	(1,002,000)
Drawdown of term loans	11,596	-
Repayment of term loans	(9,486)	(59,751)
Repayment of hire purchase financing	(195)	(173)
Drawdown of bankers' acceptances and trust receipts	316,209	333,995
Repayment of bankers acceptances and trust receipts	(250,051)	(343,978)
Net cash flows from/(used in) financing activities	68,073	(69,907)
Net increase in cash and cash equivalents	7,435	66,439
Effect of exchange rate differences	(1,369)	6,766
Cash and cash equivalents at beginning of the year	25,171	71,943
Cash and cash equivalents at end of period (Note 23)	**31,237**	**145,148**

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

1. Basis of Preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 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 of the Group for the financial year ended 30 June 2018. 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.

For the periods up to and including the financial year ended 30 June 2018, the Group had prepared its financial statements in accordance with Financial Reporting Standards ("FRS"). The accounting policies adopted for the condensed consolidated interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 30 June 2018. The Group's significant accounting policies, the adoption of Malaysian Financial Reporting Standards ("MFRS") and the effect of transition from FRSs to MFRSs are disclosed in Note 2 below.

2. Significant Accounting Policies

The Group falls under the scope definition of Transitioning Entities. Hence, the condensed consolidated interim financial statements of the Group for the financial period ended 30 September 2018 are the first set of financial statements prepared in accordance to the MFRS Framework. The date of transition to the MFRS Framework was on 1 July 2017.

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 July 2017 and throughout all comparable interim periods presented, as if these policies had always been in effect. Consequently, comparative information in these interim financial statements have been restated to give effect to these changes and the financial impact on transition from FRS in Malaysia to MFRS as disclosed as follows:

a) Bearer plants

Prior to the adoption of the Amendments to MFRS 116 *Property, Plant and Equipment* and MFRS 141 *Agriculture: Bearer Plants*, all the new planting expenditure incurred from land clearing to the point of harvesting was capitalised under plantation development expenditure and was not amortised. Replanting expenditure, which represents cost incurred in replanting old planted areas, was charged to profit or loss.

With the adoption of the Amendments to MFRS 116 and MFRS 141, new planting expenditure and replanting expenditure are accounted for as property, plant and equipment in accordance with MFRS 116 and measured at cost less accumulated depreciation, whereas biological assets within the scope of MFRS 141 are measured at fair value less costs to sell. Bearer plants have an average life cycle of twenty-five (25) years with the first three (3) years as immature bearer plants and the remaining years as mature bearer plants. The mature bearer plants are depreciated over its remaining useful lives of twenty-two (22) years on a straight-line basis. The immature bearer plants are not depreciated until such time when it is available for use.

2. Significant Accounting Policies (Continued)

a) Bearer plants (continued)

The adoption of the Amendments to MFRS 116 and MFRS 141 will result in additional depreciation on property, plant and equipment and replanting expenditure that were charged to profit or loss prior to the adoption of the Amendments to MFRS 116 and MFRS 141 will be reversed and capitalised under property, plant and equipment.

b) Biological assets

Prior to the adoption of the Amendments to MFRS 116 *Property Plant and Equipment* and MFRS 141 *Agriculture: Bearer Plants*, the agricultural produce growing on bearer plants, which formed part of the bearer plants were not separately recognised. The produce growing on bearer plants of the Group comprises of fresh fruit bunches prior to harvest. With the adoption of the Amendments to MFRS 116 and MFRS 141, the agricultural produce prior to harvest within the scope of MFRS 141 are recognised as biological assets and measured at fair value less costs to sell, with fair value changes recognised in profit or loss.

c) Business combination

MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* provides the option to apply MFRS 3 *Business Combinations*, prospectively from the date of transition or from a specific date prior to the date of transition. The application provides relief from full retrospective application of MFRS 3, which would require restatement of all business combinations prior to the date of transition. The Group has elected to apply MFRS 3 prospectively from the date of transition. Business combinations of the Group that occurred prior to the date of transition were not restated and these were maintained in accordance with FRS 3 *Business Combinations*. The election does not have any significant impact to the Group.

d) Cumulative translation differences

As part of its transition to MFRS, the Group has elected to apply MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* [para D13], the optional exemption whereby the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to MFRS. The entire balance of the exchange translation reserve for the Group at the date of transition has been transferred to retained profits, as to give the exchange translation differences as fresh start measurement of zero.

e) Financial instruments: Expected credit losses

MFRS 9 *Financial Instruments* replaces MFRS 139 *Financial Instruments: Recognition and Measurement*. MFRS 9 introduces a forward looking expected credit loss model that replaces the incurred loss impairment model used in MFRS 139. The new impairment model will apply to financial assets measured at amortised cost or fair value through other comprehensive income, except for investments in equity instruments and to contract assets. The expected credit loss model eliminates the need for a trigger event to have occurred before credit losses are recognised.

2. Significant Accounting Policies (Continued)

e) Financial instruments: Expected credit losses (continued)

The adoption of the MFRSs does not have significant impact to the Group, as the Group does not foresee any credit risks arising from the Group's current customer profile, whereby sales collection are secured by way of cash on delivery or upfront advances from customers prior to delivery.

f) Revenue recognition

With the adoption of MFRS 15 *Revenue from Contracts with Customers*, revenue is recognised by reference to each distinct performance obligation in the contracts with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The adoption of the MFRSs does not have significant impact to the Group.

The impact of the changes in accounting policy on the condensed consolidated statement of financial position as a result of the transition to the MFRS Framework are as follows:

Condensed Consolidated Statement of Financial Position

	As at 30.06.2018			*As at 01.07.2017*		
	Previously reported under FRSs RM'000	*Effect on adoption of MFRSs RM'000*	*Restated under MFRSs RM'000*	*Previously reported under FRSs RM'000*	*Effect on adoption of MFRSs RM'000*	*Restated under MFRSs RM'000*
Non-current assets						
Property, plant and equipment	1,228,941	370,517	1,599,458	1,247,364	415,122	1,662,486
Biological assets	367,157	(367,157)	-	413,912	(413,912)	-
Current assets						
Biological assets	-	32,200	32,200	-	44,061	44,061
Equity						
Other reserves	767,166	(138,610)	628,556	769,142	(157,857)	611,285
Retained profits	199,566	175,053	374,619	181,419	203,543	384,962
Non-controlling Interests	(8,584)	(883)	(9,467)	(4,676)	(415)	(5,091)

2. Significant Accounting Policies (Continued)

The impact of the changes in accounting policy on the condensed consolidated statement of comprehensive income as a result of the transition to the MFRS Framework are as follows:

Condensed Consolidated Statement of Comprehensive Income

	6 months ended 31.12.2017 Preceding corresponding quarter		
	Previously reported under FRSs RM'000	***Effect on adoption of MFRSs RM'000***	***Restated under MFRSs RM'000***
Cost of sales	(367,872)	1,022	(366,850)
Administrative expenses	(27,029)	(10,214)	(37,243)
Profit before tax	54,465	(9,192)	45,273
Income tax expense	(8,750)	-	(8,750)
Profit for the period	45,715	(9,192)	36,523
Net profit/(loss) attributable to:			
Equity holders of the Company	46,278	(9,192)	37,086
Non-controlling interests	(563)	-	(563)
	45,715	(9,192)	36,523
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company	41,139	(9,192)	31,947
Non-controlling interests	(563)	-	(563)
	40,576	(9,192)	31,384

As at the date of authorisation of these interim financial statements, the following MFRS, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not been applied by the Group:

Descriptions	***Effective for annual periods beginning on or after***
MFRS 16 Leases	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015-2017 cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015-2017 cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015-2017 cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015-2017 cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 June 2018 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

	Oil palm plantations and palm products		*Oleochemical products*		*Other operating segments*		*Per consolidated financial statements*	
	31.12.18 RM'000	***31.12.17 RM'000 (Restated under MFRS)***	***31.12.18 RM'000***	***31.12.17 RM'000 (Restated under MFRS)***	***31.12.18 RM'000***	***31.12.17 RM'000 (Restated under MFRS)***	***31.12.18 RM'000***	***31.12.17 RM'000 (Restated under MFRS)***
3 months ended 31 December (Individual Period)								
Revenue								
External sales:								
- continuing operations	142,923	237,621	62,362	7,108	-	-	205,285	244,729
- discontinued operations (Note 22)	3	5,606	-	-	-	-	3	5,606
Total Revenue	**142,926**	**243,227**	**62,362**	**7,108**	**-**	**-**	**205,288**	**250,335**
Results								
Interest income	279	310	4	6	-	-	283	316
Depreciation & amortisation	(10,708)	(10,561)	(1,949)	(2,342)	(211)	(211)	(12,868)	(13,114)
Segment (loss)/profit:								
- continuing operations	63	29,430	(10,189)	(6,034)	(216)	(213)	(10,342)	23,183
- discontinued operations (Note 22)	(125)	3,478	-	-	-	-	(125)	3,478
Total segment (loss)/profit	**(62)**	**32,908**	**(10,189)**	**(6,034)**	**(216)**	**(213)**	**(10,467)**	**26,661**
Reconciliation								
Segment (loss)/profit	(62)	32,908	(10,189)	(6,034)	(216)	(213)	(10,467)	26,661
Add/(Less): Non-cash and provisional items								
Provision for fair value loss /(gain) on derivatives	234	(586)	-	-	-	-	234	(586)
Provision for fair value (gain) /loss on biological assets	(3,307)	134	-	-	-	-	(3,307)	134
Unrealised provisional foreign exchange (gain)/loss	(1,215)	488	-	-	-	-	(1,215)	488
Depreciation and amortisation expenses	10,708	10,561	1,949	2,342	211	211	12,868	13,114
Gain on disposal of property, plant and equipment	(255)	(33)	-	-	-	-	(255)	(33)
Property, plant and equipment written off	1	1	-	-	-	-	1	1
Allowance on receivables	16	-	1,391	-	-	-	1,407	-
Total	6,182	10,565	3,340	2,342	211	211	9,733	13,118
Segment profit/(loss) excluding non-cash and provisional items	**6,120**	**43,473**	**(6,849)**	**(3,692)**	**(5)**	**(2)**	**(734)**	**39,779**

8. Segmental Information (Continued)

	Oil palm plantations and palm products		*Oleochemical products*		*Other operating segments*		*Per consolidated financial statements*	
	31.12.18 RM'000	*31.12.17 RM'000 (Restated under MFRS)*	*31.12.18 RM'000*	*31.12.17 RM'000 (Restated under MFRS)*	*31.12.18 RM'000*	*31.12.17 RM'000 (Restated under MFRS)*	*31.12.18 RM'000*	*31.12.17 RM'000 (Restated under MFRS)*
6 months ended 31 December (Cumulative Period)								
Revenue								
External sales:								
- continuing operations	278,693	427,700	77,879	33,926	-	-	356,572	461,626
- discontinued operations (Note 22)	3	9,992	-	-	-	-	3	9,992
Total Revenue	**278,696**	**437,692**	**77,879**	**33,926**	**-**	**-**	**356,575**	**471,618**
Results								
Interest income	521	678	6	18	-	-	527	696
Depreciation & amortisation	(21,407)	(21,690)	(3,899)	(4,337)	(423)	(423)	(25,729)	(26,450)
Segment (loss)/profit:								
- continuing operations	(21,895)	52,091	(14,151)	(12,358)	(426)	(422)	(36,472)	39,311
- discontinued operations (Note 22)	(236)	5,962	-	-	-	-	(236)	5,962
Total segment (loss)/profit	**(22,131)**	**58,053**	**(14,151)**	**(12,358)**	**(426)**	**(422)**	**(36,708)**	**45,273**
Reconciliation								
Segment (loss)/profit	**(22,131)**	**58,053**	**(14,151)**	**(12,358)**	**(426)**	**(422)**	**(36,708)**	**45,273**
Add/(Less): Non-cash and provisional items								
Provision for fair value loss/ (gain) on derivatives	430	(8,704)	-	-	-	-	430	(8,704)
Provision for fair value loss on biological assets	10,059	477	-	-	-	-	10,059	477
Unrealised provisional foreign exchange loss/(gain)	832	(3,691)	-	-	-	-	832	(3,691)
Depreciation and amortisation expenses	21,407	21,690	3,899	4,337	423	423	25,729	26,450
Gain on disposal of property, plant and equipment	(265)	(33)	-	-	-	-	(265)	(33)
Property, plant and equipment written off	284	48	-	-	-	-	284	48
Allowance on receivables	16	-	1,391	-	-	-	1,407	-
Total	32,763	9,787	5,290	4,337	423	423	38,476	14,547
Segment profit/(loss) excluding non-cash and provisional items	**10,632**	**67,840**	**(8,861)**	**(8,021)**	**(3)**	**1**	**1,768**	**59,820**

9. Carrying Amount of Revalued Assets

The valuation of land, buildings and bearer plants included within property, plant and equipment and investment properties have been brought forward without amendment from the financial statements for the financial year ended 30 June 2018.

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 2018.

11. Changes in Composition of the Group

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

12. Capital Commitments

The amount of capital commitments for the plantation development activities not provided for in the financial statements as at 31 December 2018 is as follows:

	RM'000
Approved and contracted for	1,847

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 2018 amounted to approximately RM383 million.

14. Subsequent Events

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

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

Oil palm plantations and palm products

Oil palm plantations and palm products segment represents the core business of the Group. This major segment has contributed 78% of the Group's total revenue in the current quarter. Revenue reported from this segment decreased by 36% to RM278.7 million in the current quarter (Q2 FY2018: RM437.7 million), mainly due to the following factors:

a) In the current quarter, FFB production has decreased by 23% to 143,023 MT (Q2 FY2018: 185,120 MT). FFB yield per mature hectare of the Group has dropped to 8.87MT/YPMH as compared to 10.74MT/YPMH in preceding corresponding quarter. The decreased in FFB production was mainly due to low peak production cycle, lack of workers and over-aged palms of the Group. The drop in FFB average unit selling price to RM358 per MT (Q2 FY2018: RM532 per MT) had contributed to the decrease in segmental revenue for the current quarter.

b) In the current quarter, 72% of the segmental revenue (Q2 FY2018: 58%) were generated from CPO sales. The realised average unit CPO selling price had dropped significantly to RM2,078 per MT during the current quarter (Q2 FY2018: RM2,766 per MT), despite CPO traded in the current quarter has increased slightly by 5,097 MT as compared to preceding corresponding quarter. The significant drop in average unit selling price were mainly attributed by market factors including sluggish export demand, coupled with high CPO inventory level available in the palm oil market, and increased CPO production due to seasonal factors.

c) In the current quarter, 18% of the segmental revenue (Q2 FY2018: 16%) were generated from CPKO sales. The realised average CPKO selling price had decreased significantly to RM3,638 per MT during the current quarter (Q2 FY2018: RM5,186 per MT), despite CPKO traded in the current quarter has increased slightly by 800 MT as compared to preceding corresponding quarter. The drop in average unit selling price were mainly due to bearish market, which result in the overall drop in palm product prices.

d) Palm products trading volume had dropped to 3,051 MT in the current quarter (Q2 FY2018: 30,000 MT) mainly due to bearish market and sluggish export demand.

During the quarter, the Group incurred segment loss before taxation of RM22.1 million (Q2 FY2018: segment profit before taxation of RM58.0 million) mainly due to:

a) decrease in gross margin from 24% in the preceding corresponding quarter to 11% in the current quarter as a result of weakened palm product prices;

b) increase in administrative expenses by RM3.8 million due to unrealised foreign exchange loss RM0.8 million (Q2 FY2018: unrealised gain of RM3.7 million) arising from the translation of outstanding balances denominated in foreign currencies, and fair value loss on biological assets of RM10.0 million (Q2 FY2018: RM0.5 million) was incurred on the agricultural produce (i.e. Fresh fruit bunches yet to be harvested) as a result of the adoption of MFRS 141 *Agriculture: Bearer Plants.*

c) increase in finance costs by RM1.1 million due to the increased utilisation of the banking facilities for palm products trading.

Nevertheless, excluding the non-cash and provisional items, this major segment has contributed an underlying profit of RM10.6 million to the Group in the current quarter (Q2 FY2018: RM67.8 million) as shown in Note 8.

15. Detailed Analysis of the Performance of All Operating Segments of the Group (continued)

Oleochemical products

Subsequent to the termination of the processing contract services given to customers as a result of non-fulfilment of terms and conditions as stipulated in the Oleochemicals processing contract, Oleochemical products segment has recommenced the business in processing and sale of Oleochemical products on its own in the preceding quarter.

Oleochemical products segment accounted for 22% of the total Group's revenue in the current quarter. Revenue reported from this segment increased by 130% to RM77.9 million in the current quarter (Q2 FY2018: RM33.9 million), mainly due to increased production and trading of Oleochemical products. The average selling price of the Oleochemical products has also increased to RM2,589 per MT in the current quarter (Q2 FY2018: RM2,158 per MT) due to the overall increase in certain palm product prices. The Oleochemical segment has entered into forward sales commitment whereby higher production volume and realised trading volume is expected in the following quarter.

In the current quarter, Oleochemical products segment incurred a loss before taxation of RM14.2 million, which was higher as compared to preceding corresponding period (Q2 FY2018: segment loss of RM12.4 million. The underlying loss excluding non-cash items (i.e. Depreciation and amortisation expenses) in the current quarter was RM8.8 million, which was slightly higher as compared to preceding corresponding period underlying loss of RM8.0 million. The main factor attributed to the current quarter losses was recommencement costs incurred, coupled with gross loss incurred from trading.

Other operating segments

The results from other operating segments 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

	Current Quarter 3 months ended 31.12.18 RM'000	*Immediate Preceding Quarter 3 months ended 30.09.18 RM'000*	*Changes (Amount) RM'000*	*Changes (%)*
Revenue from continuing operations	205,285	151,287	53,998	35.7
Revenue from discontinued operations	3	-	3	100.0
Loss before interest and tax	(2,401)	(21,312)	18,911	88.7
Loss before tax	(10,467)	(26,241)	15,774	60.1
Loss after tax	(11,307)	(26,401)	15,094	57.2

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

The Group reported a loss before tax of RM10.5 million in the current quarter, significantly improved as compared to a loss of RM26.2 million in the immediate preceding quarter. The Group's results during the current quarter was mainly attributed by the following factors:

a) The Group had generated higher revenue mainly due to CPO, CPKO and refined palm oil products combined volume traded in the current quarter has increased to 79,821 MT (Q1 FY2019: 66,732 MT), despite the average unit palm product prices in current quarter has dropped to RM1,800 per MT (Q1 FY2019: RM2,035 per MT). The increased trading volume was mainly to compensate and offset the overall decrease in palm products pricing due to bearish market factors and pressure on commodity pricing;

b) The Group recognised unrealised foreign exchange loss of RM0.8 million under administrative expenses during the quarter, which has improved as compared to preceding corresponding quarter (Q1 FY2019: RM2.0 million) arising from the month-end translation of outstanding balances denominated in foreign currencies; and

c) The Group recognised depreciation and amortisation expenses of RM12.8 million (Q1 FY2019: RM12.9 million) and fair value loss on biological assets of RM10.0 million (Q1 FY2019: RM13.4 million), of which RM4.3 million was additional depreciation recognised on bearer plants and the inclusion of fair value movement on biological assets as a result of the adoption of MFRSs.

17. (Loss)/Profit Before Tax

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

	Individual Period 3 months ended		***Cumulative Period 6 months ended***	
	31.12.18 RM'000	***31.12.17 RM'000 (Restated under MFRS)***	***31.12.18 RM'000***	***31.12.17 RM'000 (Restated under MFRS)***
Allowance for doubtful debts	(1,407)	-	(1,407)	-
Depreciation and amortisation of property, plant and equipment	(12,868)	(13,114)	(25,729)	(26,450)
Fair value (loss)/gain on derivative financial instruments	(234)	586	(430)	8,704
Fair value gain/(loss) on biological assets	3,307	(134)	(10,059)	(477)
Gain on disposal of property, plant and equipment	255	33	265	33
Interest income	283	316	527	696
Interest expense	(8,066)	(6,489)	(12,995)	(11,839)
Property, plant and equipment written off	(1)	(1)	(284)	(48)
Realised foreign exchange gain/(loss)	296	(997)	2,229	(1,079)
Unrealised foreign exchange gain/(loss)	1,215	(488)	(832)	3,691

18. Commentary on Prospects

Oil palm plantation and palm products trading segment remains as a significant contributor to the overall profitability of the Group. With the current challenging market and pricing for palm oil products, the Group strives to improve the segment's profitability through robust cost controls and cost management strategies as well as taking measures to improve its productivity. The Board of Directors is confident that the segment will continue to contribute positive margins to the Group as palm oil market is expected to have a positive outlook in palm product pricing in the near future.

Oleochemical products segment remains challenging due to fluctuations in RMB/USD currency, year-end winter season weather and Chinese New Year festival and national holiday in early February 2019. These challenges ultimately result in sluggish trade and market demand and slowdown in export for downstream products. The expected increase in production costs coupled with lower import demands due to winter and festive season would directly impact the inventory level and forward market outlook in China.

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

	Individual Period 3 months ended		***Cumulative Period 6 months ended***	
	31.12.18 RM'000	***31.12.17 RM'000***	***31.12.18 RM'000***	***31.12.17 RM'000***
Current income tax:				
- Malaysian income tax	1,140	5,650	1,500	9,750
Deferred tax	(300)	(500)	(500)	(1,000)
Total income tax expense	**840**	**5,150**	**1,000**	**8,750**

The effective tax rate for the current quarter was higher than the statutory income tax rate of 24% (Q2 FY2018: 24%) principally due to non-deductible expenses, which include fair value loss on biological assets and unrealised foreign exchange differences, as well as business profits generated from certain subsidiaries.

21. Corporate Proposals

There are no other corporate proposals announced but not completed as at 26 February 2019.

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

As at 31 December 2018, 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 had commenced and are on-going during the current quarter.

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

	As at 31.12.18 RM'000	*As at 30.06.18 RM'000 (Restated under MFRS)*
Assets of the disposal group:		
Property, plant and equipment**	45,019	44,340
Receivables	1	-
Inventories	515	598
Assets of the disposal group classified as held for sale	**45,535**	**44,938**
Liabilities of the disposal group:		
Payables	406	23
Deferred tax liabilities	2,390	2,213
Liabilities of disposal group classified as held for sale	**2,796**	**2,236**
Net assets of disposal group classified as held for sale	**42,739**	**42,702**
Equity and reserves of the disposal group:		
Revaluation reserves	12,531	12,531
Amounts recognised directly in equity of disposal group classified as held for sale	**12,531**	**12,531**

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

The results attributable to the discontinued operation shown as follows:

	Individual Period 3 months ended		*Cumulative Period 6 months ended*	
	31.12.18 RM'000	*31.12.17 RM'000*	*31.12.18 RM'000*	*31.12.17 RM'000*
Revenue	3	5,607	3	9,992
Expenses	(128)	(2,129)	(239)	(4,030)
(Loss)/Profit from Discontinued Operation	**(125)**	**3,478**	**(236)**	**5,962**

23. Cash and Cash Equivalents

	As at 31.12.18 RM'000	*As at 30.06.18 RM'000*
Cash and bank balances	28,637	20,671
Short-term deposits with licensed banks	2,600	4,500
Cash and cash equivalents	**31,237**	**25,171**

24. Loans and borrowings

	As at 31.12.2018		*As at 30.06.2018*	
	Denominated in RM RM'000	**Total RM'000**	**Denominated in RM RM'000**	**Total RM'000**
Long term				
Secured				
Term loan	29,819	29,819	26,650	26,650
Hire purchase	332	332	203	203
Total	**30,151**	**30,151**	**26,853**	**26,853**
Short term				
Secured				
Term loan	17,900	17,900	18,958	18,958
Banker acceptance	489	489	112,076	112,076
Hire purchase	178,221	178,221	246	246
Revolving credits	232,000	232,000	232,000	232,000
Total	**428,610**	**428,610**	**363,280**	**363,280**
Total Borrowings	**428,761**	**428,761**	**390,133**	**390,133**

25. Derivative Assets/(Liabilities)

As at 31 December 2018, the values and maturity analysis of the outstanding derivatives assets/(liabilities) are as follows:

	Contract/ Notional Amount RM '000	*Fair Value Gain/(Loss) RM '000*
i) Forward Currency Contracts - Less than 1 year	1,206	842
ii) Commodity Swap Contracts - Less than 1 year	-	(1,272)
Net Total	**1,206**	**(430)**

The Group had entered into forward currency contracts and commodity swap contracts to manage some of the transactions exposure to foreign exchange fluctuations and commodity price fluctuations respectively. These contracts were not designated as cash flow or fair value hedges and were entered into for periods consistent with currency transaction exposures and fair value changes exposure.

With the adoption of MFRS 9, the derivative financial instruments are initially stated 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 the statement of profit or loss.

For the current period ended 31 December 2018, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial period as well as the Group's risk management objectives, policies and processes.

26. Material Litigation

a) Inno Integrasi

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 of approximately RM66,900,000 for the alleged breached/repudiation of agreements entered into by plaintiff with KOSB in relation to the supply of organic palm wastes together with land leased by KOSB 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 August 2014.

KOSB has however counterclaimed against the plaintiff for outstanding rental, dismantling of plaintiff's plant and possession of the land being occupied by the plaintiff, and damages and declarative reliefs against the plaintiff.

Based on the court order dated 21 December 2017, the High Court adjudged that the plaintiff's claim is dismissed and shall forthwith pay the defendant costs of RM150,000 subject to payment of allocator fee. The plaintiff has appealed against the High Court's decision in dismissing the RM66,900,000 claims against KOSB and in allowing KOSB's counterclaim. In respect of the above appeal, KOSB has filed a Notice of Motion on 10 January 2019 to strike out the appeal from the plaintiff. The hearing date for this Notice of Motion shall commence on 19 March 2019.

The legal council is of the opinion that KOSB has a stay of the High Court order and therefore the counterclaim of KOSB has yet to be assessed by the High Court and accordingly no further provision for liability has been made in the current quarter financial statements.

26. Material Litigation (continued)

b) Shanghai Hengtong (continued)

A Writ of Summons dated 11 September 2018 was filed by Shanghai Hengtong Energy Development Co. Ltd. ("SHT") and served to Dongma Palm Industries (Zhangjiagang) Co. Ltd. ("DMPI"), a wholly-owned subsidiary of the Company, whereby SHT claimed for loss of profit on termination of contract plus interest of RMB33,718,397.05 (equivalent to approximately RM20,399,630) in respect of a Processing Contract and its Supplemental Agreement (together "the Contract") entered into between SHT and DMPI on 27 September 2017 and 19 December 2017 respectively to process 10,000 MT of palm stearin per month on behalf of SHT by DMPI.

DMPI had appointed a solicitor in Shanghai, People's Republic of China to represent DMPI in the legal suit. The legal proceedings had commenced on 24 October 2018 and followed by 19 December 2018. During the proceedings on 19 December 2018, the Court has granted permission to the plaintiff to apply for modifications to its claim against DMPI in relation to the loss of profit on termination of contract plus interest, being revised from RMB 33,718,397.05 to RMB 32,457,359.96 (equivalent to approximately RM19,688,635). DMPI is to prepare a defence statement in respect of the above modified claim on the date of next legal proceeding affixed by the Court on 21 February 2019.

DMPI had on 10 December 2018 filed a Statement of Counter-claim against SHT in respect of the Contract entered into between SHT and DMPI on 27 September 2017 and 19 December 2017 respectively to process 10,000 MT of palm stearin per month. DMPI claimed for RMB26,715,302.55 (equivalent to approximately RM16,184,130) on loss of profits and outstanding receivables due to non-performance of terms and conditions by SHT. The first legal proceeding was initially affixed by the Court on 18 January 2019, however the legal proceeding has been postponed to another hearing date due to the procedural issue challenged by SHT. The Court has yet to affix the hearing date on the Counter-claim.

The legal council is of the opinion that DMPI has a fair chance of succeeding in its claim and defending SHT’s claim. Accordingly, no provision for liability has been recognised in the current quarter financial statements as it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

27. Dividend

No interim dividend has been declared for the financial year ending 30 June 2019.

28. (Loss)/Earnings Per Share

(a) Basic

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

	Individual Period 3 months ended		***Cumulative Period 6 months ended***	
	31.12.18	***31.12.17 (Restated under MFRS)***	***31.12.18***	***31.12.17 (Restated under MFRS)***
(Loss)/profit for the period attributable to Owners of the Company (RM'000)	(10,652)	21,918	(36,717)	37,086
Weighted average number of ordinary shares in issue ('000)	311,678	311,678	311,678	311,678
Basic (loss)/earnings per share (sen)	(3.42)	7.03	(11.78)	11.90

(b) Diluted

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

29. 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.

		6 months ended	
Name of related parties	***Type of transaction***	***31.12.18 RM'000***	***31.12.17 RM'000***
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	(777)	(921)
Fordeco Sdn. Bhd.	Provision of general servicing and supply of spare parts	(3,960)	(3,692)
Petrolmax Borneo Sdn. Bhd.	Purchase of diesel	(4,322)	(3,954)
Bina Segama Sdn. Bhd.	Purchase of lubricants	(383)	(469)
Fordeco Construction Sdn. Bhd.	Construction costs/materials	160	(1,682)
Kwan Ah Hee & Sons Realty Sdn. Bhd.	Rental	(185)	(199)
Miyasa Sdn. Bhd.	Purchase of fresh fruit bunches	(1,508)	(2,283)
Sri Bandaran Sdn. Bhd.	Purchase of fresh fruit bunches	(523)	(2,022)
Fordeco Plantations Sdn. Bhd.	Purchase of fresh fruit bunches	(778)	(1,232)
Cindai Development Sdn. Bhd.	Purchase of fresh fruit bunches	(599)	(1,484)

30. Group Statistics

		Cumulative Period 6 months ended	
	Unit	***31.12.18***	***31.12.17***
PLANTATION			
Oil Palm Area			
Mature	*hectare*	16,121	17,234
Immature	*hectare*	3,404	4,233
Total planted area	*hectare*	**19,525**	**21,467**
FFB			
Production	*tonnes*	143,023	185,120
Yield per mature hectare	*tonnes*	8.87	10.74
Average selling price per tonne	*RM*	358	532
MILLS			
Extraction Rates			
Crude palm oil	*%*	20.65%	20.99%
Palm kernel	*%*	5.02%	5.05%
Production			
Crude palm oil	*tonnes*	54,759	71,302
Palm kernel	*tonnes*	13,311	17,155
Oleochemical products	*tonnes*	23,856	15,718
Trading			
Crude palm oil	*tonnes*	96,420	91,323
Crude palm kernel oil	*tonnes*	14,002	13,203
Palm products	*tonnes*	3,051	30,000
Oleochemical products	*tonnes*	30,080	15,718
Average Selling Price (Per Tonne)			
Crude palm oil	*RM per Tonne*	2,078	2,766
Crude palm kernel oil	*RM per Tonne*	3,638	5,186
Palm products	*RM per Tonne*	2,063	2,909
Oleochemical products	*RM per Tonne*	2,571	2,121

31. 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 2019.