Kwantas Corporation Berhad
Registration No.: 199501027397 (356602-W)

Condensed Consolidated Statement of Comprehensive Income
For The Period Ended 30 September 2019
(The figures have not been audited, unless stated otherwise)

	Note	Individual Period 3 months Ended 30.09.2019 RM'000	Individual Period 3 months Ended 30.09.2018 RM'000	Cumulative Period 3 months Ended 30.09.2019 RM'000	Cumulative Period 3 months Ended 30.09.2018 RM'000
Revenue	8	203,766	151,287	203,766	151,287
Cost of sales		(191,931)	(140,867)	(191,931)	(140,867)
Gross profit		11,835	10,420	11,835	10,420
Other items of income					
Interest income		200	244	200	244
Other operating income		2,034	3,666	2,034	3,666
Other items of expenses					
Selling expenses		(5,801)	(5,472)	(5,801)	(5,472)
Administrative expenses		(12,120)	(16,073)	(12,120)	(16,073)
Other operating expenses		(30)	(14,097)	(30)	(14,097)
Finance costs		(5,910)	(4,929)	(5,910)	(4,929)
Loss before tax	17	(9,792)	(26,241)	(9,792)	(26,241)
Taxation	20	(500)	(160)	(500)	(160)
Loss for the financial period		**(10,292)**	**(26,401)**	**(10,292)**	**(26,401)**
Other comprehensive loss					
Item that to be reclassified in subsequent period to profit or loss:					
Foreign currency translation		(1,789)	(5,182)	(1,789)	(5,182)
		(1,789)	(5,182)	(1,789)	(5,182)
Total comprehensive loss for the period		**(12,081)**	**(31,583)**	**(12,081)**	**(31,583)**
Loss for the period attributable to:					
Owners of the Company		(9,912)	(26,065)	(9,912)	(26,065)
Non-controlling interests		(380)	(336)	(380)	(336)
		(10,292)	**(26,401)**	**(10,292)**	**(26,401)**
Total comprehensive loss attributable to:					
Owners of the Company		(11,701)	(31,247)	(11,701)	(31,247)
Non-controlling interests		(380)	(336)	(380)	(336)
		(12,081)	**(31,583)**	**(12,081)**	**(31,583)**
Loss per share attributable to owners of the Company (sen):					
Basic	27 (a)	(3.18)	(8.36)	(3.18)	(8.36)

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Financial Position
As At 30 September 2019
(The figures have not been audited, unless stated otherwise)

	Note	As at 30.09.2019 RM'000	As at 30.06.2019 *(Audited)* RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	1,582,704	1,602,379
Investment properties	9	47,330	47,330
Land use rights		11,080	11,407
Right-of-use assets		4,605	-
		1,645,719	1,661,116
Current Assets			
Inventories		132,723	110,696
Biological assets		4,773	4,803
Trade and non-trade receivables		43,644	43,454
Tax recoverable		3,242	3,234
Derivative assets	24	89	-
Cash and cash equivalents	22	38,640	39,727
		223,111	201,914
TOTAL ASSETS		**1,868,830**	**1,863,030**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		209,566	209,566
Other reserves		638,110	639,899
Retained earnings		275,653	285,598
		1,123,329	1,135,063
Non-controlling interests		(17,037)	(16,657)
Total equity		1,106,292	1,118,406
Non-Current Liabilities			
Loans and borrowings	23	18,550	23,205
Lease liabilities		2,620	-
Deferred tax liabilities		234,368	234,868
		255,538	258,073
Current Liabilities			
Loans and borrowings	23	425,955	431,835
Lease liabilities		1,601	-
Trade and non-trade payables		79,444	54,229
Derivative liabilities	24	-	487
		507,000	486,551
Total liabilities		762,538	744,624
TOTAL EQUITY AND LIABILITIES		**1,868,830**	**1,863,030**

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.

Kwantas Corporation Berhad
Registration No.: 199501027397 (356602-W)

Condensed Consolidated Statement of Changes in Equity
For The Period Ended 30 September 2019
(The figures have not been audited, unless stated otherwise)

	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 attributable to owners of the Company, Total RM'000	Non-controlling Interests RM'000	Total equity RM'000
At 1 July 2018, as previously reported	209,566	199,566	779,697	741,885	4,193	33,619	1,188,829	(8,584)	1,180,245
Effects of adoption of MFRSs (Note 2)	-	175,053	(138,610)	(115,349)	-	(23,261)	36,443	(883)	35,560
At 1 July 2018, as restated	209,566	374,619	641,087	626,536	4,193	10,358	1,225,272	(9,467)	1,215,805
Loss net of tax	-	(26,065)	-	-	-	-	(26,065)	(336)	(26,401)
Other comprehensive loss									
Foreign currency translation	-	-	(5,182)	-	-	(5,182)	(5,182)	-	(5,182)
	-	-	(5,182)	-	-	(5,182)	(5,182)	-	(5,182)
Total comprehensive loss	-	(26,065)	(5,182)	-	-	(5,182)	(31,247)	(336)	(31,583)
At 30 September 2018	209,566	348,554	635,905	626,536	4,193	5,176	1,194,025	(9,803)	1,184,222
At 1 July 2019, as previously reported	209,566	285,598	639,899	631,367	4,193	4,339	1,135,063	(16,657)	1,118,406
Effects of adoption of MFRSs (Note 2)	-	(33)	-	-	-	-	(33)	-	(33)
At 1 July 2019, as restated	209,566	285,565	639,899	631,367	4,193	4,339	1,135,030	(16,657)	1,118,373
Loss net of tax	-	(9,912)	-	-	-	-	(9,912)	(380)	(10,292)
Other comprehensive loss									
Foreign currency translation	-	-	(1,789)	-	-	(1,789)	(1,789)	-	(1,789)
	-	-	(1,789)	-	-	(1,789)	(1,789)	-	(1,789)
Total comprehensive loss	-	(9,912)	(1,789)	-	-	(1,789)	(11,701)	(380)	(12,081)
At 30 September 2019	209,566	275,653	638,110	631,367	4,193	2,550	1,123,329	(17,037)	1,106,292

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.

Kwantas Corporation Berhad
Registration No.: 199501027397 (356602-W)

Condensed Consolidated Statements of Cash Flows
For The Period Ended 30 September 2019
(The figures have not been audited, unless stated otherwise)

	3 months Ended	
	30.09.2019	**30.09.2018**
	RM'000	**RM'000**
OPERATING ACTIVITIES		
Loss before tax	(9,792)	(26,241)
Adjustments for:		
Depreciation and amortisation of property, plant and equipment	18,938	12,861
Fair value (gain)/loss on derivative financial instruments	(576)	195
Fair value loss on biological assets	30	13,366
Property, plant and equipment written off	-	283
Gain on disposal of property, plant and equipment	-	(10)
Unrealised loss on foreign exchange	2,276	2,047
Interest expense	5,910	4,929
Interest income	(200)	(244)
Total adjustments	26,378	33,427
Operating cash flows before working capital changes	16,586	7,186
Changes in working capital:		
Change in inventories	(22,027)	(35,969)
Change in receivables	(190)	(8,734)
Change in payables	25,215	(12,380)
Total changes in working capital	2,998	(57,083)
Cash flows from/(used in) operations	19,584	(49,897)
Interest paid	(5,884)	(4,929)
Income tax paid	(1,008)	(4,780)
Net cash flows from/(used in) operating activities	12,692	(59,606)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,645)	(3,688)
Proceeds from disposal of property, plant and equipment	-	10
Interest received	200	244
Net cash flows used in investing activities	(3,445)	(3,434)
FINANCING ACTIVITIES		
Drawdown of bankers' acceptances and trust receipts	125,377	172,826
Drawdown of revolving credits	749,600	670,000
Drawdown of term loans	-	11,596
Repayment of revolving credits	(760,300)	(670,000)
Repayment of term loans	(4,743)	(4,743)
Repayment of bankers acceptances and trust receipts	(118,819)	(122,195)
Payment of lease liabilities	(393)	(70)
Net cash flows (used in)/from financing activities	(9,278)	57,414
Net change in cash and cash equivalents	(31)	(5,626)
Effect of exchange rate differences	(1,056)	(1,321)
Cash and cash equivalents at beginning of the period	39,727	25,171
Cash and cash equivalents at end of period (Note 23)	**38,640**	**18,224**

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 30 June 2019 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 2019. 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 2019.

2. Significant Accounting Policies

The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual audited financial statements for the financial year ended 30 June 2019 except for the adoption of standards and amendments to standards and interpretations that are mandatory for the Group for the financial year beginning 1 July 2019:

MFRS 16: *Leases*
Amendments to MFRS 9: *Prepayment Features with Negative Compensation*
Amendments to MFRS 119: *Plan Amendment, Curtailment or Settlement*
IC Interpretation 23: *Uncertainty over Income Tax Treatments*
Annual Improvements to MFRS Standards 2015-2017 cycle

The adoption of these new MFRS, amendments and IC interpretations did not have any material impact on the interim financial report of the Group except for the following:

MFRS 16 Leases

MFRS 16: *Leases* supersedes MFRS 117: *Leases* and the related interpretations. MFRS 16 introduces a single accounting model, requiring the lessee to recognise the “right-of-use” of the underlying asset and the lease liability reflecting future lease payments liabilities in the statement of financial position. The right-of-use asset is depreciated in accordance with the principles in MFRS 116 *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in the income statement. For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group has adopted MFRS 16 retrospectively from 1 July 2019 using the simplified transition approach and has not restated comparatives for the financial year ended 30 June 2019, as permitted under the standard. The reclassifications and adjustments arising from the new leasing rules are therefore reflected in the opening balance of statement of financial position as at 1 July 2019, being the date of initial application.

As permitted by the exemptions under the standard, the Group has not applied the principles of MFRS 16 to short term leases (a lease with lease term of 12 months or less from date of commencement) and leases for which the underlying asset is of low value.

2. Significant Accounting Policies (Continued)

MFRS 16 Leases (Continued)

The adoption of MFRS 16 for operating leases and finance leases are as follows:

(i) Leases previously classified as operating leases

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of MFRS 117. These liabilities are measured at the present value of the remaining lease payments and discounted using the lessee's incremental borrowing rate as of 1 July 2019.

On a lease-by-lease basis, the Group measures the associated right-of-use asset on a retrospective basis either at its carrying amount as if the new rules had always been applied or at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised as at 30 June 2019.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment by applying MFRS 117 and IC Interpretation 4 "Determining whether an Arrangement contains a Lease".

(ii) Leases previously classified as finance leases

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use assets and lease liabilities at the date of initial application. The measurement principles of MFRS 16 are then applied after that date. Consequently, reclassifications from property, plant and equipment have been made to right-of-use assets at the date of initial application.

The table below shows the impact of changes to the condensed consolidated statement of financial position of the Group resulting from the adoption of MFRS 16 as at 1 July 2019:

	As at 30.06.2019 RM'000	*Effects of adoption of MFRS 16 RM'000*	*As at 01.07.2019 RM'000*
Non-current assets			
Property, plant and equipment	1,602,379	(2,515)	1,599,864
Right-of-use assets	-	5,006	5,006
Non-current liabilities			
Loans and borrowings	23,205	(984)	22,221
Lease liabilities	-	2,916	2,916
Current liabilities			
Loans and borrowings	431,835	(1,081)	430,754
Lease liabilities	-	1,672	1,672
Equity			
Retained earnings	285,598	(33)	285,565

2. Significant Accounting Policies (Continued)

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

Descriptions	***Effective for annual periods beginning on or after***
Amendments to MFRS 3: Business Combinations – Definition of a Business	1 January 2020
Amendments to MFRS 101: Presentation of Financial Statements and MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Material	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
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

The Directors anticipate that the abovementioned MFRS and Amendments will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standards and Amendments are not expected to have any material impact on the financial statements of the Group in the period of initial application.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 June 2019 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

In Q4FY2019, the estimated value of unripe FFB on bearer plants has been revised to 21 days calculated from the end of oil deposition in mesocarp estimated at between week 20 to week 24 with a mean of week 21 up to maturity at week 24 where previously, the estimated value of unripe FFB on bearer plants was calculated from the commencement of oil deposition in the mesocarp which is at week 15 after pollination and continues until fruit maturity. The management has considered that the net cash flow to be generated from FFB prior to more than 21 days to harvest to be negligible. Therefore, quantity of unripe FFB on bearer plants of up to 21 days prior to harvest was used for valuation purposes as it is believed to be more reflective.

Prior to the above change in accounting estimate, the group had recognised a fair value loss on biological assets which amounted to RM13.3 million in Q1FY2019. Had the above change in accounting estimate been applied retrospectively from Q1FY2019, fair value loss on biological assets would amount to RM1.0 million.

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***	
	30.09.19	***30.09.18***	***30.09.19***	***30.09.18***	***30.09.19***	***30.09.18***	***30.09.19***	***30.09.18***
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***	***RM'000***	***RM'000***	***RM'000***
3 months ended 30 September (Individual and Cumulative Period)								
Revenue								
External sales	145,629	135,770	58,137	15,517	-	-	203,766	151,287
Total Revenue	**145,629**	**135,770**	**58,137**	**15,517**	**-**	**-**	**203,766**	**151,287**
Results								
Interest income	194	242	6	2	-	-	200	244
Depreciation & amortisation	(16,824)	(10,699)	(1,902)	(1,950)	(212)	(212)	(18,938)	(12,861)
Segment loss before tax	(8,066)	(22,069)	(1,509)	(3,962)	(217)	(210)	(9,792)	(26,241)
Reconciliation								
Segment loss before tax	(8,066)	(22,069)	(1,509)	(3,962)	(217)	(210)	(9,792)	(26,241)
<u>Add/(Less): Non-cash and provisional items</u>								
Fair value (gain)/loss on derivatives	(576)	195	-	-	-	-	(576)	195
Fair value loss on biological assets	30	13,366	-	-	-	-	30	13,366
Unrealised foreign exchange loss	2,276	2,047	-	-	-	-	2,276	2,047
Depreciation and amortisation expenses	16,824	10,699	1,902	1,950	212	212	18,938	12,861
Gain on disposal of property, plant and equipmen	-	(10)	-	-	-	-	-	(10)
Property, plant and equipment written off	-	283	-	-	-	-	-	283
Total	18,554	26,580	1,902	1,950	212	212	20,668	28,742
Segment profit/(loss) excluding non-cash and provisional items	**10,488**	**4,511**	**393**	**(2,012)**	**(5)**	**2**	**10,876**	**2,501**

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 2019.

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 2019.

11. Changes in Composition of the Group

There were no 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 30 September 2019 is as follows:

	RM'000
Approved and contracted for	5,927

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 2019 amounted to approximately RM353 million.

Contingent liabilities on material litigation

	RM'000
Legal claim (Note 25(b))	14,847

14. Subsequent Events

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

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 approximately 70% of the Group's total revenue in the current quarter. Revenue reported from this segment increased by 7% to RM145.6 million in the current quarter (Q1 FY2019: RM135.8 million), mainly due to the following factors:

a) FFB production has increased by 9% to 61,958MT (Q1 FY2019: 56,289MT). FFB yield per mature hectare of the Group has increased from 3.51MT/YPMH in the preceding corresponding quarter to 3.88MT/YPMH in the current quarter, mainly due to increased crop harvesting activities as certain bearer plants of the Group had become mature during the quarter, despite the Group's replanting activities were ongoing. During the quarter, the FFB average unit selling price stood at RM363 per MT which was lower than RM394 per MT in the preceding corresponding quarter due to the overall bearish sentiment in palm oil market.

b) During the quarter, 85% of the segmental revenue were mainly contributed by the sale of CPO, whilst the remaining 15% were contributed by the sale of CPKO and other palm products. The realised average unit CPO selling price had dropped from RM2,155 per MT in the preceding corresponding quarter to RM1,967 per MT in the current quarter. However, the volume of CPO traded in the current quarter has increased significantly by 37% or 17,000MT as compared to preceding corresponding quarter.

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

Oil palm plantations and palm products (continued)

During the quarter, the segment had incurred loss before taxation of RM8.1 million, a significant improvement as compared to loss of RM22.1 million incurred in the preceding corresponding quarter, mainly due to RM16.8 million of depreciation and amortisation of property, plant and equipment were recognised in the Group's statement of comprehensive income, as well as RM2.3 million of unrealised foreign exchange losses arising from the outstanding balances denominated in foreign currencies and these outstanding balances were fair valued at period end. The slight increase in finance costs of the segment in the current quarter arises from the increased utilisation of banking facilities for trading activities.

As shown in Note 8, the underlying profit to the Group after excluding non-cash and provisional items were RM10.5 million in the current quarter (Q1 FY2019: RM4.5 million), representing a positive profit margin of 7%.

Oleochemical products

Oleochemical products segment remained as a significant business to the Group as it has accounted for approximately 30% of the Group's total revenue in the current quarter. Revenue reported from this segment had increased by 275% to RM58.1 million in the current quarter (Q1 FY2019: RM15.5 million), mainly due to increased production and trading of Oleochemical products. The volume traded for Oleochemical products had since improved to 23,192 MT in the current quarter (Q1 FY2019: 5,892 MT), whilst the average selling price of the Oleochemical products on the other hand had decreased slightly from RM2,634 per MT in the preceding corresponding quarter to RM2,423 per MT in the current quarter.

During the quarter, the segment had incurred a loss before taxation of RM1.5 million, which had significantly improved from the preceding corresponding quarter loss before taxation of RM4.0 million. As shown in Note 8, the segment made an underlying profit of approximately RM0.4 million (Q1 FY2019: RM2.0 million underlying losses) from its business operations after excluding non-cash item such as depreciation and amortisation of property, plant and equipment of RM1.9 million incurred in the current quarter.

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 30.09.2019 RM'000	*Immediate Preceding Quarter 3 months ended 30.06.2019 RM'000*	*Changes (Amount) RM'000*	*Changes (%)*
Revenue	203,766	203,019	747	0.4
Loss before interest and tax	(3,882)	(50,324)	46,442	92.3
Loss before tax	(9,792)	(56,104)	46,312	82.5
Loss after tax	(10,292)	(55,714)	45,422	81.5

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 RM9.8 million in the current quarter, a significant drop from the loss before tax of RM56.1 million incurred in preceding quarter Q4 FY2019. The lower loss before tax in the current quarter was mainly attributed by the following factors:

a) The combined volume traded in the current quarter was 109,882 MT, slightly higher than the volume traded in preceding quarter Q4 FY2019 with volume of 103,414 MT, despite the average unit palm product prices had dropped from RM1,963 per MT in the preceding quarter to RM1,854 per MT in the current quarter.

b) The Group had reported a positive gross margin of 6% in the current quarter, which improved from the negative gross margin of 11% in the preceding quarter.

c) In preceding quarter Q4 FY2019, the Group had recognised impairment loss on property, plant and equipment of RM27.9 million from the deficit in revaluation of bearer plants of certain oil palm plantations, realised foreign exchange losses of RM3.7 million, and had written off property, plant and equipment of RM1.1 million. There were no such items being recognised in the current quarter.

d) In preceding quarter Q4 FY2019, the Group recognised depreciation and amortisation of property, plant and equipment of RM26.5 million and fair value loss on biological assets of RM5.8 million, whilst in the current quarter, the expenses recognised by the Group were RM18.9 million on depreciation and amortisation and RM30k on fair value loss on biological assets.

17. Loss Before Tax

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

	Individual Period 3 months ended		***Cumulative Period 3 months ended***	
	30.09.2019 RM'000	***30.09.2018 RM'000***	***30.09.2019 RM'000***	***30.09.2018 RM'000***
Depreciation and amortisation of property, plant and equipment	(18,938)	(12,861)	(18,938)	(12,861)
Fair value gain/(loss) on derivative financial instruments	576	(195)	576	(195)
Fair value loss on biological assets	(30)	(13,366)	(30)	(13,366)
Gain on disposal of property, plant and equipment	-	10	-	10
Interest income	200	244	200	244
Interest expense	(5,910)	(4,929)	(5,910)	(4,929)
Property, plant and equipment written off	-	(283)	-	(283)
Realised foreign exchange (loss)/gain	(827)	1,933	(827)	1,933
Unrealised foreign exchange loss	(2,276)	(2,047)	(2,276)	(2,047)

18. Commentary on Prospects

Oil palm plantation and palm products segment remains as a significant contributor to the overall profitability of the Group. As the palm prices were gradually recovering in the second half of year 2019, coupled with stronger palm oil demand, improved productivity from oil palm plantations, forward sales commitments and forward price hedging strategies, the management is confident that the segment will continue to contribute positive margins to the Group from its trading and export activities.

Oleochemical products segment had become a significant contributor to the overall revenue and profitability of the Group during the current quarter. Despite the segment is facing challenges in terms of the fluctuations in the USD/RMB currency, Oleochemical products segment had been able to contribute positive underlying margins to the Group during the current quarter. As the local palm commodity prices were gradually recovering, coupled with strong customer demands for these products in the local market, improved productivity from the manufacturing plant, and with stringent cost management strategies in place, the management is confident that the segment will contribute positive trading margins to the Group. The Group will continue to adopt new strategies and policies to strive to achieve higher productivity and to become more competitive in terms of pricing and quality of Oleochemical products.

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 3 months ended***	
	30.09.2019 RM'000	***30.09.2018 RM'000***	***30.09.2019 RM'000***	***30.09.2018 RM'000***
Current income tax:				
- Malaysian income tax	(1,000)	(360)	(1,000)	(360)
Deferred tax	500	200	500	200
Total income tax expense	(500)	(160)	(500)	(160)

The effective tax rate for the current quarter was higher than the statutory income tax rate of 24% (Q1 FY2019: 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 (i.e. oil palm plantation and palm products segment).

21. Corporate Proposals

There are no other corporate proposals announced but not completed as at 28 November 2019.

22. Cash and Cash Equivalents

	As at 30.09.2019 RM'000	***As at 30.06.2019 (Audited) RM'000***
Cash and bank balances	20,840	21,627
Short-term deposits with licensed banks	17,800	18,100
Cash and cash equivalents	**38,640**	**39,727**

23. Loans and borrowings

	As at 30.09.2019			*As at 30.06.2019 (Audited)*		
	Denominated in foreign currency RM'000	**Denominated in RM RM'000**	**Total RM'000**	**Denominated in foreign currency RM'000**	**Denominated in RM RM'000**	**Total RM'000**
Long term						
Secured						
Hire purchase*	-	-	-	-	984	984
Term loan	-	18,550	18,550	-	22,221	22,221
Total	**-**	**18,550**	**18,550**	**-**	**23,205**	**23,205**
Short term						
Secured						
Hire purchase*	-	-	-	-	1,081	1,081
Term loan	-	14,685	14,685	-	15,757	15,757
Banker acceptance	31,734	133,236	164,970	34,064	123,933	157,997
Revolving credits	-	246,300	246,300	-	257,000	257,000
Total	**31,734**	**394,221**	**425,955**	**34,064**	**397,771**	**431,835**
Total Borrowings	**31,734**	**412,771**	**444,505**	**34,064**	**420,976**	**455,040**

* Hire purchase previously reported as loans and borrowings were reclassified to lease liabilities upon the adoption of *MFRS 16 Leases* in the current quarter, as disclosed in Note 2.

24. Derivative Assets/(Liabilities)

As at 30 September 2019, 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	(92)	39
ii) Commodity Swap Contracts - Less than 1 year	181	537
Net Total	**89**	**576**

The Group had entered into forward currency contracts and commodity swap, options and future 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 quarter ended 30 September 2019, 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.

25. Material Litigation

a) Inno Integrasi

A Writ of Summons dated 27 June 2014 was filed by Inno Integrasi Sdn. Bhd. (Plaintiff or Appellant) and served to Kwantas Oil Sdn. Bhd. (KOSB or Respondent), 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, KOSB has filed a Notice of Motion on 10 January 2019 to strike out the appeal from the plaintiff.

The application to strike out the Record of Appeal as a whole or alternatively part of the Record of Appeal was heard on 19 March 2019. The Court of Appeal has ordered for the Record of Appeal to be amended by the Plaintiff, indicating the objection made by KOSB of the disputed documents. Further, the Court of Appeal has ordered the Plaintiff to give further Supplementary Record of Appeal to include the exhibits, namely the MPOB licenses of the Respondent that were improperly excluded from the Record of Appeal within fourteen (14) days from the hearing day. However, the Court of Appeal did not award any costs.

The legal counsel is of the opinion that KOSB has a stay of the High Court order and accordingly, no further provision for liability has been made in the interim financial statements.

b) Shanghai Hengtong

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. The legal proceedings have commenced on 24 October 2018 and DMPI has appointed a solicitor in Shanghai, People's Republic of China to represent DMPI in the legal suit.

25. 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. The legal proceedings have commenced on 24 October 2018 and DMPI has appointed a solicitor in Shanghai, People's Republic of China to represent DMPI in the legal suit.

DMPI had on 10 December 2018 filed a Statement of Counterclaim 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.

Based on the judgement of the Court received on 24 October 2019, the Court adjudged that DMPI shall compensate SHT RMB24,436,768 (equivalent to approximately RM14,725,596) as damages within 10 days after the judgement takes effect and the Court costs of RMB201,862 (equivalent to approximately RM121,642) shall be borne by DMPI.

DMPI had on the same day, received the judgement of the Court regarding the Counterclaim filed on 10 December 2018. The Court adjudged that SHT shall compensate DMPI the processing fee and interest loss amounted to RMB734,690 (equivalent to approximately RM442,724) within 10 days after the judgement takes effect and DMPI should bear the Court costs of RMB164,228 (equivalent to approximately RM98,964).

The legal counsel is of the opinion that DMPI has good grounds to file an appeal on both of the judgements received on 24 October 2019 and DMPI is in the process of filing an appeal against the Court's decision. Accordingly, contingent liability has been disclosed in Note 13 above.

b) Technopalm

A Writ of Summons and Statement of Claim dated 28 February 2019 was filed by Technopalm Resources Sdn. Bhd. ("TRSB") and served to Kwantas Plantations Sdn. Bhd. ("KPSB"), a wholly-owned subsidiary of the Company, whereby TRSB claimed for outstanding sum of work done being RM557,089 plus interest at the rate of 5% per annum calculated from the date of judgement to the date of full payment and to recover other costs incurred for the filing of this Writ. KPSB has filed its Statement of Defence and Counterclaim against TRSB for loss and damages suffered as a result of the unsatisfactory works by TRSB for land and oil palm nursery development on 29 April 2019.

The hearing of the case has yet to be fixed by the court.

26. Dividend

No interim dividend has been declared for the financial period ended 30 September 2019.

27. Loss Per Share

(a) Basic

Basic loss per share amounts are calculated by dividing loss 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 3 months ended***	
	30.09.2019	***30.09.2018***	***30.09.2019***	***30.09.2018***
Loss for the period attributable to Owners of the Company (RM'000)	(9,912)	(26,065)	(9,912)	(26,065)
Weighted average number of ordinary shares in issue ('000)	311,678	311,678	311,678	311,678
Basic loss per share (sen)	(3.18)	(8.36)	(3.18)	(8.36)

(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.

28. 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.

		3 months ended	
Name of related parties	***Type of transaction***	***30.09.2019 RM'000***	***30.09.2018 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	338	370
Fordeco Sdn. Bhd.	Provision of general servicing and supply of spare parts	1,236	2,321
Petrolmax Borneo Sdn. Bhd.	Purchase of diesel	1,921	2,092
Bina Segama Sdn. Bhd.	Purchase of lubricants	160	181
Fordeco Construction Sdn. Bhd.	Construction costs/materials	726	964
Kwan Ah Hee & Sons Realty Sdn. Bhd.	Rental	98	61
Miyasa Sdn. Bhd.	Purchase of fresh fruit bunches	617	815
Sri Bandaran Sdn. Bhd.	Purchase of fresh fruit bunches	72	415
Fordeco Plantations Sdn. Bhd.	Purchase of fresh fruit bunches	362	347
Cindai Development Sdn. Bhd.	Purchase of fresh fruit bunches	284	246

29. Group Statistics

	Unit	*Cumulative Period 3 months ended* 30.09.2019	30.09.2018
PLANTATION			
Oil Palm Area			
Mature	*hectare*	15,977	16,028
Immature	*hectare*	3,403	3,474
Total planted area	*hectare*	19,380	19,502
FFB			
Production	*tonnes*	61,958	56,289
Yield per mature hectare	*tonnes*	3.88	3.51
Average selling price per tonne	*RM*	363	394
MILLS, REFINERY AND OLEOCHEMICAL			
Extraction Rates			
Crude palm oil (CPO)	*%*	21.5%	21.0%
Palm kernel (PK)	*%*	5.0%	4.8%
Production			
Crude palm oil (CPO)	*tonnes*	23,876	22,655
Palm kernel (PK)	*tonnes*	5,569	5,183
Oleochemical products	*tonnes*	17,860	5,471
Trading			
Crude palm oil (CPO)	*tonnes*	62,536	45,533
Crude palm kernel oil (CPKO)	*tonnes*	5,500	8,203
Oleochemical products	*tonnes*	23,192	5,892
Average Selling Price (Per Tonne)			
Crude palm oil (CPO)	*RM per Tonne*	1,967	2,155
Crude palm kernel oil (CPKO)	*RM per Tonne*	2,273	3,518
Oleochemical products	*RM per Tonne*	2,423	2,634

30. 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 28 November 2019.