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

Condensed Consolidated Statement of Comprehensive Income
For The Period Ended 31 March 2020
(The figures have not been audited, unless stated otherwise)

	Note	Individual Period 3 months Ended 31.03.2020 RM'000	Individual Period 3 months Ended 31.03.2019 RM'000	Cumulative Period 9 months Ended 31.03.2020 RM'000	Cumulative Period 9 months Ended 31.03.2019 RM'000
Revenue	8	219,807	214,071	676,302	570,646
Cost of sales		(205,830)	(194,930)	(620,915)	(527,641)
Gross profit		13,977	19,141	55,387	43,005
Other items of income					
Interest income		439	259	781	786
Other operating income		39	1,205	4,845	7,311
Other items of expenses					
Selling expenses		(6,026)	(6,147)	(19,218)	(18,149)
Administrative expenses		(11,110)	(4,787)	(36,369)	(45,723)
Other operating expenses		(3,016)	(7,541)	(15,076)	(8,813)
Finance costs		(5,929)	(5,978)	(18,005)	(18,973)
Loss before tax	17	(11,626)	(3,848)	(27,655)	(40,556)
Taxation	20	(2,400)	(2,375)	(3,500)	(3,375)
Loss for the financial period		**(14,026)**	**(6,223)**	**(31,155)**	**(43,931)**
Other comprehensive income/(loss)					
Item that to be reclassified in subsequent period to profit or loss:					
Foreign currency translation		8,076	425	5,223	(4,809)
		8,076	425	5,223	(4,809)
Total comprehensive loss for the period		**(5,950)**	**(5,798)**	**(25,932)**	**(48,740)**
Loss for the period attributable to:					
Owners of the Company		(13,397)	(5,899)	(29,538)	(42,616)
Non-controlling interests		(629)	(324)	(1,617)	(1,315)
		(14,026)	**(6,223)**	**(31,155)**	**(43,931)**
Total comprehensive loss attributable to:					
Owners of the Company		(5,321)	(5,474)	(24,315)	(47,425)
Non-controlling interests		(629)	(324)	(1,617)	(1,315)
		(5,950)	**(5,798)**	**(25,932)**	**(48,740)**
Loss per share attributable to Owners of the Company (sen):					
Basic	27 (a)	(4.30)	(1.89)	(9.48)	(13.67)

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.

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

Condensed Consolidated Statement of Financial Position
As At 31 March 2020
(The figures have not been audited, unless stated otherwise)

	Note	As at 31.03.2020 RM'000	As at 30.06.2019 *(Audited)* RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	1,576,919	1,602,379
Investment properties	9	47,330	47,330
Land use rights		11,862	11,407
Right-of-use assets		4,082	-
		1,640,193	1,661,116
Current Assets			
Inventories		131,647	110,696
Biological assets		5,709	4,803
Trade and non-trade receivables		51,572	43,454
Tax recoverable		3,077	3,234
Derivative assets	24	113	-
Cash and cash equivalents	22	34,855	39,727
		226,973	201,914
TOTAL ASSETS		**1,867,166**	**1,863,030**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		209,566	209,566
Other reserves		645,122	639,899
Retained earnings		256,027	285,598
		1,110,715	1,135,063
Non-controlling interests		(18,274)	(16,657)
Total equity		1,092,441	1,118,406
Non-Current Liabilities			
Loans and borrowings	23	10,365	23,205
Lease liabilities		500	-
Deferred tax liabilities		234,368	234,868
		245,233	258,073
Current Liabilities			
Loans and borrowings	23	480,487	431,835
Lease liabilities		3,093	-
Trade and non-trade payables		45,912	54,229
Derivative liabilities	24	-	487
		529,492	486,551
Total liabilities		774,725	744,624
TOTAL EQUITY AND LIABILITIES		**1,867,166**	**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 31 March 2020
(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	-	(42,616)	-	-	-	-	(42,616)	(1,315)	(43,931)
Other comprehensive loss									
Foreign currency translation	-	-	(4,809)	-	-	(4,809)	(4,809)	-	(4,809)
	-	-	(4,809)	-	-	(4,809)	(4,809)	-	(4,809)
Total comprehensive loss	-	(42,616)	(4,809)	-	-	(4,809)	(47,425)	(1,315)	(48,740)
At 31 March 2019	209,566	332,003	636,278	626,536	4,193	5,549	1,177,847	(10,782)	1,167,065
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	-	(29,538)	-	-	-	-	(29,538)	(1,617)	(31,155)
Other comprehensive income									
Foreign currency translation	-	-	5,223	-	-	5,223	5,223	-	5,223
	-	-	5,223	-	-	5,223	5,223	-	5,223
Total comprehensive (loss)/income	-	(29,538)	5,223	-	-	5,223	(24,315)	(1,617)	(25,932)
At 31 March 2020	209,566	256,027	645,122	631,367	4,193	9,562	1,110,715	(18,274)	1,092,441

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 31 March 2020
(The figures have not been audited, unless stated otherwise)

	9 months Ended	
	31.03.2020 RM'000	31.03.2019 RM'000
OPERATING ACTIVITIES		
Loss before tax	(27,655)	(40,556)
Adjustments for:		
Allowance on receivables	-	1,407
Depreciation and amortisation of property, plant and equipment	44,466	38,627
Fair value loss on derivative financial instruments	(600)	1,402
Fair value (gain)/loss on biological assets	(906)	7,411
Property, plant and equipment written off	-	283
Gain on disposal of property, plant and equipment	-	(229)
Unrealised gain on foreign exchange	90	(151)
Interest expense	18,005	18,973
Interest income	(781)	(786)
Total adjustments	60,274	66,937
Operating cash flows before working capital changes	32,619	26,381
Changes in working capital:		
Change in inventories	(20,951)	(2,176)
Change in receivables	(8,208)	(30,173)
Change in payables	(8,317)	(18,676)
Total changes in working capital	(37,476)	(51,025)
Cash flows used in operations	(4,857)	(24,644)
Interest paid	(18,005)	(18,973)
Income tax paid	(3,843)	(11,367)
Income tax refund	-	2,953
Net cash flows used in operating activities	(26,705)	(52,031)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(15,891)	(4,211)
Proceeds from disposal of property, plant and equipment	-	265
Interest received	781	786
Net cash flows used in investing activities	(15,110)	(3,160)
FINANCING ACTIVITIES		
Drawdown of bankers' acceptances and trust receipts	513,151	476,305
Drawdown of revolving credits	2,214,800	2,062,000
Drawdown of term loans	-	11,596
Drawdown of overdraft facilities	-	8,552
Repayment of revolving credits	(2,214,700)	(2,062,000)
Repayment of term loans	(13,213)	(14,228)
Repayment of bankers acceptances and trust receipts	(462,577)	(434,031)
Payment of lease liabilities	(1,259)	(324)
Net cash flows from financing activities	36,202	47,870
Net change in cash and cash equivalents	(5,613)	(7,321)
Effect of exchange rate differences	741	(7,005)
Cash and cash equivalents at beginning of the period	39,727	25,171
Cash and cash equivalents at end of period (Note 22)	**34,855**	**10,845**

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:

<u>MFRS 16 Leases</u>

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 the financial year ended 30 June 2019, 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 RM7.4 million in preceding corresponding quarter. Had the above change in accounting estimate been applied retrospectively from preceding corresponding quarter, fair value loss on biological assets would amount to RM1.7 million.

There were no other 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*	
	31.03.20 RM'000	***31.03.19 RM'000***	***31.03.20 RM'000***	***31.03.19 RM'000***	***31.03.20 RM'000***	***31.03.19 RM'000***	***31.03.20 RM'000***	***31.03.19 RM'000***
3 months ended 31 March (Individual Period)								
Revenue								
External sales	171,137	171,143	48,670	42,928	-	-	219,807	214,071
Total Revenue	171,137	171,143	48,670	42,928	-	-	219,807	214,071
Results								
Interest income	108	245	331	14	-	-	439	259
Depreciation & amortisation	(4,363)	(10,714)	(1,961)	(1,972)	(212)	(212)	(6,536)	(12,898)
Segment (loss)/profit before tax	(4,690)	3,291	(6,699)	(6,922)	(237)	(217)	(11,626)	(3,848)
Reconciliation								
Segment (loss)/profit before tax	(4,690)	3,291	(6,699)	(6,922)	(237)	(217)	(11,626)	(3,848)
Add/(Less): Non-cash and provisional items								
Fair value (gain)/loss on derivatives	(2,433)	972	-	-	-	-	(2,433)	972
Fair value loss/(gain) on biological assets	1,571	(2,648)	-	-	-	-	1,571	(2,648)
Unrealised foreign exchange gain	(3,841)	(983)	-	-	-	-	(3,841)	(983)
Depreciation and amortisation expenses	4,363	10,714	1,961	1,972	212	212	6,536	12,898
Loss on disposal of property, plant and equipment	-	36	-	-	-	-	-	36
Total	(340)	8,091	1,961	1,972	212	212	1,833	10,275
Segment (loss)/profit excluding non-cash and provisional items	**(5,030)**	**11,382**	**(4,738)**	**(4,950)**	**(25)**	**(5)**	**(9,793)**	**6,427**

8. Segmental Information (Continued)

	Oil palm plantations and palm products		*Oleochemical products*		*Other operating segments*		*Per consolidated financial statements*	
	31.03.20 RM'000	*31.03.19 RM'000*	*31.03.20 RM'000*	*31.03.19 RM'000*	*31.03.20 RM'000*	*31.03.19 RM'000*	*31.03.20 RM'000*	*31.03.19 RM'000*
9 months ended 31 March (Cumulative Period)								
Revenue								
External sales	484,821	449,839	191,481	120,807	-	-	676,302	570,646
Total Revenue	484,821	449,839	191,481	120,807	-	-	676,302	570,646
Results								
Interest income	437	766	344	20	-	-	781	786
Depreciation & amortisation	(38,143)	(32,121)	(5,688)	(5,871)	(635)	(635)	(44,466)	(38,627)
Segment loss before tax	(11,387)	(18,840)	(15,567)	(21,073)	(701)	(643)	(27,655)	(40,556)
Reconciliation								
Segment loss before tax	(11,387)	(18,840)	(15,567)	(21,073)	(701)	(643)	(27,655)	(40,556)
Add/(Less): Non-cash and provisional items								
Fair value (gain)/loss on derivatives	(600)	1,402	-	-	-	-	(600)	1,402
Fair value (gain)/loss on biological assets	(906)	7,411	-	-	-	-	(906)	7,411
Unrealised foreign exchange loss/(gain)	90	(151)	-	-	-	-	90	(151)
Depreciation and amortisation expenses	38,143	32,121	5,688	5,871	635	635	44,466	38,627
Gain on disposal of property, plant and equipment	-	(229)	-	-	-	-	-	(229)
Property, plant and equipment written off	-	283	-	-	-	-	-	283
Allowance on receivables	-	16	-	1,391	-	-	-	1,407
Total	36,727	40,853	5,688	7,262	635	635	43,050	48,750
Segment profit/(loss) excluding non-cash and provisional items	**25,340**	**22,013**	**(9,879)**	**(13,811)**	**(66)**	**(8)**	**15,395**	**8,194**

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 31 March 2020.

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 31 March 2020 is as follows:

	RM'000
Approved and contracted for	4,823

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 March 2020 amounted to approximately RM356 million.

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

The Group's loss before taxation for the current quarter has reduced by 32% to RM27.6 million (Q3 FY2019: RM40.5 million) whilst revenue has increased by 19% to RM676.3 million (Q3 FY2019: RM570.6 million).

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 72% of the Group's total revenue in the current quarter. Revenue reported from this segment increased by 8% to RM484.8 million in the current quarter (Q3FY2019: RM449.8 million). Loss before taxation has improved from by 40% to RM11.3 million in the current quarter (Q3FY2019: Loss of RM18.8 million), mainly attributed to the following factors:

a) Higher revenue contributed by sales of CPO

In current quarter, 82% of the segmental revenue were contributed by the sale of CPO. The realised average selling price of CPO has increased from RM1,978 per MT in the preceding corresponding quarter to RM2,295 per MT in the current quarter. CPO sales volume in the current quarter has increased to 174,139MT in current quarter as compared to 173,101MT in preceding corresponding quarter.

b) Fair value gain on biological assets

Under MFRS 141: *Agriculture*, the Group recognised a fair value gain of RM0.9 million on biological assets in current quarter (Q3FY2019: loss of RM7.4 million) mainly attributable to higher FFB market price as well as change in accounting estimate as disclosed in Note 5. Had the change in accounting estimate been applied retrospectively in Q3FY2019, fair value loss on biological assets would amount to RM1.7 million in previous corresponding quarter.

In current quarter, the segment recognised RM44.5 million of depreciation and amortisation of property, plant and equipment as well as RM0.6 million of fair value gain on derivatives mainly arising from the outstanding forward currency contracts. The slight decrease in finance costs of the segment in the current quarter was mainly due to full settlement of certain short-term banking facilities.

As shown in Note 8, the underlying profit to the Group after excluding non-cash and provisional items were RM15.4 million in the current quarter (Q3 FY2019: RM8.2 million), representing an improvement from the preceding corresponding quarter.

Oleochemical products

Oleochemical products segment remained as a significant business to the Group as it has accounted for approximately 28% of the Group's total revenue in the current quarter. Revenue reported from this segment increased significantly by 59% to RM191.5 million in the current quarter (Q3 FY2019: RM120.8 million), mainly due to increased production and trading of Oleochemical products. The volume traded for Oleochemical products has since increased to 70,027 MT in the current quarter (Q3 FY2019: 46,082 MT), whilst the average selling price of the Oleochemical products has increased slightly from RM2,608 per MT in the preceding corresponding quarter to RM2,664 per MT in the current quarter.

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

Oleochemical products (continued)

During the quarter, the segment has incurred a loss before taxation of RM15.5 million, a slight improvement from the preceding corresponding quarter loss before taxation of RM21.1 million. Included in current quarter results, a one-off charge of RM15.1 million arising from the Shanghai Hengtong case as explained in Note 25.

As shown in Note 8, the segment made an underlying operating loss of RM9.8 million (Q3 FY2019: underlying loss of RM13.8 million) from its business operations after excluding non-cash item such as depreciation and amortisation of property, plant and equipment of RM5.7 million.

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 31.03.2020 RM'000	*Immediate Preceding Quarter 3 months ended 31.12.2019 RM'000*	*Changes (Amount) RM'000*	*Changes (%)*
Revenue	219,807	252,729	(32,922)	(13%)
Loss before interest and tax	(5,697)	(71)	(5,626)	(79%)
Loss before tax	(11,626)	(6,237)	(5,389)	(86%)
Loss after tax	(14,026)	(6,837)	(7,189)	(105%)

The Group reported a loss before tax of RM11.6 million in the current quarter, representing a significant increase from the loss before tax of RM6.2 million incurred in immediate preceding quarter (Q2 FY2020). The increase is due to a one-off charge of RM 15.1 million arising from a litigation case in China as explained in Note 25, and also due to lower combined trading volume of CPO and CPKO of 56,075 MT in current quarter as compared to 67,526 MT in immediate preceding quarter.

The lower profit was also due to lower margin contributed from Oil Palm Plantations and Palm Products segment as a result of lower FFB price.

17. Loss Before Tax

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

	Individual Period 3 months ended		*Cumulative Period 9 months ended*	
	31.03.2020 RM'000	***31.03.2019 RM'000***	***31.03.2020 RM'000***	***31.03.2019 RM'000***
Allowance for doubtful debts	-	-	-	(1,407)
Depreciation and amortisation of property, plant and equipment	(6,536)	(12,898)	(44,466)	(38,627)
Fair value gain/(loss) on derivative financial instruments	2,433	(972)	600	(1,402)
Fair value (loss)/gain on biological assets	(1,571)	2,648	906	(7,411)
(Loss)/Gain on disposal of property, plant and Equipment	-	(36)	-	229
Interest income	439	259	781	786
Interest expense	(5,929)	(5,978)	(18,005)	(18,973)
Litigation loss	(15,076)	-	(15,076)	-
Property, plant and equipment written off	-	-	-	(283)
Realised foreign exchange (loss)/gain	(947)	633	(2,903)	2,862
Unrealised foreign exchange gain/(loss)	3,841	983	(90)	151

18. Commentary on Prospects

Oil palm plantation and palm products segment remains as a significant contributor to the overall performance of the Group. CPO price is expected to be volatile in the near terms and the Movement Control Order ("MCO") implemented in the middle of March has also negatively affected the Group's FFB and CPO Production. With improved production post MCO period from the Group's oil palm plantations and forward price hedging strategies, the management anticipates that the segments would continue to contribute positive margins to the Group for the rest of the financial year.

Oleochemical plant in China had not been able to run in full capacity due to the Spring festival and the subsequent lockdown of the major cities due to the Covid-19 pandemic. Fluctuations in the USD/RMB currency and weak demand post Covid-19 pandemic period may negatively affect the results of the Oleochemical division.

The management expects the Group overall performance to be improving for the remaining periods of financial year 2020 subject to uncertainties arising from the Covid-19 pandemic.

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 9 months ended*	
	31.03.2020 RM'000	*31.03.2019 RM'000*	*31.03.2020 RM'000*	*31.03.2019 RM'000*
Current income tax:				
- Malaysian income tax	2,400	2,375	4,000	3,875
Deferred tax	-	-	(500)	(500)
Total income tax expense	**2,400**	**2,375**	**3,500**	**3,375**

The effective tax rate for the current quarter was higher than the statutory income tax rate of 24% (Q3 FY2019: 24%) principally due to non-deductible expenses for tax purposes, which include fair value loss on biological assets and unrealised foreign exchange differences.

21. Corporate Proposals

There are no other corporate proposals announced but not completed as at 28 May 2020.

22. Cash and Cash Equivalents

	As at 31.03.2020 RM'000	*As at 30.06.2019 (Audited) RM'000*
Cash and bank balances	31,970	21,627
Short-term deposits with licensed banks	2,885	18,100
Cash and cash equivalents	**34,855**	**39,727**

23. Loans and borrowings

	As at 31.03.2020			*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	-	10,365	10,365	-	22,221	22,221
Total	**-**	10,365	10,365	**-**	**23,205**	**23,205**
Short term						
Secured						
Hire purchase*	-	-	-	-	1,081	1,081
Term loan	-	14,400	14,400	-	15,757	15,757
Banker acceptance	81,141	127,846	208,987	34,064	123,933	157,997
Revolving credits	-	257,100	257,100	-	257,000	257,000
Total	**81,141**	**399,346**	**480,487**	**34,064**	**397,771**	**431,835**
Total borrowings	**81,141**	**409,711**	**490,852**	**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 Liabilities

As at 31 March 2020, the values and maturity analysis of the outstanding derivatives liabilities are as follows:

	Contract/ Notional Amount RM '000	*Fair Value Gain/(Loss) RM '000*
i) Forward Currency Contracts - Less than 1 year	(221)	465
ii) Commodity Swap Contracts - Less than 1 year	334	135
Net Total	**113**	**600**

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 31 March 2020, 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.

25. Material Litigation (continued)

a) Inno Integrasi (continued)

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

(i) 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.

Based on the judgement from Shanghai Pudong New Area People's Court ("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 18 December 2019 filed an application of appeal to Shanghai No.1 Intermediate Court ("the Intermediate Court") to revoke the entire judgment made by the earlier Court, as well as to rebut SHT's Statement of Claim in whole or to be re-trial.

DMPI had received the statement of judgment relating to the appeal on 14 February 2020, where the Intermediate Court had ordered the appeal to be dismissed and had upheld the decision of the original judgment on 24 October 2019 as decided by the earlier Court. DMPI lost the appeal and had become liable to compensate SHT on litigation sum of RMB24,436,767.54. The Company had fully settled the litigation sum, as well as the Court's costs and charges of RMB293,901.02 incurred in the current quarter (equivalent to approximately RM15.07 million).

(ii) 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.

DMPI had on 24 October 2019, received the judgement from 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). All other claims filed by DMPI in the Statement of Counterclaim were dismissed by the Court. Thereafter, DMPI had on 14 February 2020 submitted an application of appeal to the Intermediate Court to revoke the entire judgment made by the earlier Court, as well as to appeal against the whole Statement of Counter-Claim or to seek for re-trial.

25. Material Litigation (continued)

b) Shanghai Hengtong (continued)

On 13 May 2020, DMPI received a decision from the Immediate Court on the appeal. The Court adjudged that SHT shall pay DMPI RMB821,089.86 (equivalent to approximately RM502,917.54) as processing fee; compensation for loss of interest accrued on the basis of RMB821,089.86 at the rate of 0.0001% per day from 13th June 2018 to the day of actual payment which estimated to be RMB57,394.18 (equivalent to approximately RM35,153.94); and storage costs for the 291.13 MT of products on which DMPI has a lien, accrued at the rate of RMB0.6 per MT per day from 6th August 2018 to the day of delivery which estimated to be RMB112,667.31 (equivalent to approximately RM69,008.73). The Court costs of original and appeal case amounting to RMB300,000.00 (equivalent to approximately RM183,750.00) shall be borne by DMPI.

c) 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 31 March 2020.

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 6 months ended***	
	31.03.2020	***31.03.2019***	***31.03.2020***	***31.03.2019***
Loss for the period attributable to Owners of the Company (RM'000)	(13,397)	(5,899)	(29,538)	(42,616)
Weighted average number of ordinary shares in issue ('000)	311,678	311,678	311,678	311,678
Basic loss per share (sen)	(4.30)	(1.89)	(9.48)	(13.67)

(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.

Name of related parties	*Type of transaction*	*9 months ended 31.03.2020 RM'000*	*9 months ended 31.03.2019 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	(945)	(1,055)
Fordeco Sdn. Bhd.	Provision of general servicing and supply of spare parts	(5,024)	(5,429)
Petrolmax Borneo Sdn. Bhd.	Purchase of diesel	(6,027)	(6,767)
Bina Segama Sdn. Bhd.	Purchase of lubricants	(497)	(1,060)
Fordeco Construction Sdn. Bhd.	Construction costs/materials	(2,048)	(792)
Kwan Ah Hee & Sons Realty Sdn. Bhd.	Rental	(290)	(282)
Miyasa Sdn. Bhd.	Purchase of fresh fruit bunches	(2,423)	(2,232)
Sri Bandaran Sdn. Bhd.	Purchase of fresh fruit bunches	(446)	(625)
Fordeco Plantations Sdn. Bhd.	Purchase of fresh fruit bunches	(1,688)	(779)
Cindai Development Sdn. Bhd.	Purchase of fresh fruit bunches	(1,125)	(1,198)

29. Group Statistics

	Unit	*Cumulative Period 9 months ended* 31.03.2020	31.03.2019
PLANTATION			
Oil Palm Area			
Mature	*hectare*	16,061	16,341
Immature	*hectare*	3,296	3,233
Total planted area	*hectare*	**19,357**	**19,574**
FFB			
Production	*tonnes*	185,767	222,072
Yield per mature hectare	*tonnes*	11.57	13.59
Average selling price per tonne	*RM*	440	349
MILLS, REFINERY AND OLEOCHEMICAL			
Extraction Rates			
Crude palm oil (CPO)	*%*	21.1	20.6
Palm kernel (PK)	*%*	4.9	5.1
Production			
Crude palm oil (CPO)	*tonnes*	68,116	82,774
Palm kernel (PK)	*tonnes*	15,697	20,462
Oleochemical products	*tonnes*	68,717	34,753
Trading			
Crude palm oil (CPO)	*tonnes*	174,139	173,101
Crude palm kernel oil (CPKO)	*tonnes*	17,500	22,203
Oleochemical products	*tonnes*	70,027	46,082
Average Selling Price (Per Tonne)			
Crude palm oil (CPO)	*RM per Tonne*	2,295	1,978
Crude palm kernel oil (CPKO)	*RM per Tonne*	2,861	3,110
Oleochemical products	*RM per Tonne*	2,664	2,608

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 May 2020.