Kwantas Corporation Berhad
(Company No: 356602-W)

Condensed Consolidated Income Statements
For The Period Ended 30 September 2009

	Note	3 months Ended 30.9.09 RM'000	3 months Ended 30.9.08 RM'000	3 months Ended 30.9.09 RM'000	3 months Ended 30.9.08 RM'000
REVENUE	3	277,207	652,372	277,207	652,372
COST OF SALES		(291,067)	(616,794)	(291,067)	(616,794)
GROSS (LOSS)/PROFIT		(13,860)##	35,578 ##	(13,860)##	35,578
OTHER INCOME		1,664	3,232	1,664	3,232
ADMINISTRATIVE EXPENSES		(10,466)	(7,326)	(10,466)	(7,326)
SELLING EXPENSES		(8,636)	(22,202)	(8,636)	(22,202)
FINANCE COSTS		(7,540)	(8,031)	(7,540)	(8,031)
(LOSS)/PROFIT BEFORE TAX		(38,838)##	1,251 ##	(38,838)##	1,251
INCOME TAX EXPENSE	18	3,800	-	3,800	-
(LOSS)/PROFIT FOR THE PERIOD	3	(35,038)##	1,251 ##	(35,038)##	1,251
ATTRIBUTABLE TO:					
Equity holders of the parent		(31,194)	2,641	(31,194)	2,641
Minority interests		(3,844)	(1,390)	(3,844)	(1,390)
		(35,038)##	1,251 ##	(35,038)##	1,251

(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT (SEN):		3 months Ended 30.9.09	3 months Ended 30.9.08	3 months Ended 30.9.09	3 months Ended 30.9.08
Basic	26	(11.24)	0.85	(11.24)	0.85
Diluted	26	(11.03)	0.83	(11.03)	0.83

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Balance Sheet
As At 30 September 2009

	Note	As at 30.9.09 RM'000	As at 30.6.09 RM'000 (Audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment	8	564,632	577,703
Biological assets	8	427,607	426,490
Prepaid land lease payments	8	317,582	313,914
Investment properties	8	9,712	9,701
Other receivables		18,178	18,701
Deferred tax assets		15,167	7,667
		1,352,878	1,354,176
Current Assets			
Inventories		119,167	105,672
Trade receivables		209,581	216,184
Other receivables		126,068	111,463
Cash and bank balances		77,219	50,025
		532,035	483,344
TOTAL ASSETS		1,884,913	1,837,520
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		155,839	155,839
Share premium		53,727	53,727
Other reserves		407,438	408,644
Retained earnings		260,771	291,965
		877,775	910,175
Minority interests		43,500	47,344
Total Equity		921,275	957,519
Non-Current Liabilities			
Borrowings	22	138,099	88,448
Deferred tax liabilities		68,900	68,900
		206,999	157,348
Current Liabilities			
Borrowings	22	646,245	611,964
Trade payables		49,432	50,508
Other payables		60,962	60,181
		756,639	722,653
Total Liabilities		963,638	880,001
TOTAL EQUITY AND LIABILITIES		1,884,913	1,837,520

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2009 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 30 September 2009

	Attributable to Equity Holders of the Parent						Minority Interests	Total Equity
			Non-Distributable		Distributable			
	Share Capital RM'000	Share Premium RM'000	Assets Revaluation Reserve RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Total RM'000	RM'000	RM'000
At 1 July 2008	155,839	53,727	202,712	9,034	372,877	794,189	79,597	873,786
Foreign exchange differences	-	-	-	(5,334)	-	(5,334)	-	(5,334)
Profit for the period	-	-	-	-	2,641	2,641	(1,390)	1,251
Dividend paid	-	-	-	-	-	-	(17,995)	(17,995)
At 30 September 2008	155,839	53,727	202,712	3,700	375,518	791,496	60,212	851,708
At 1 July 2009	155,839	53,727	381,242	27,402	291,965	910,175	47,344	957,519
Foreign exchange differences	-	-	-	(1,206)	-	(1,206)	-	(1,206)
Loss for the period	-	-	-	-	(31,194)	(31,194)	(3,844)	(35,038)
At 30 September 2009	155,839	53,727	381,242	26,196	260,771	877,775	43,500	921,275

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

Kwantas Corporation Berhad
(Company No: 356602-W)

Condensed Consolidated Cash Flow Statement
For The Period Ended 30 September 2009

	3 months Ended	
	30.9.09	**30.9.08**
	RM'000	**RM'000**
Net cash (used in)/generated from operating activities	(56,130)	18,766
Net cash generated from/(used in) investing activities	597	(7,615)
Net cash generated from/(used in) financing activities	83,932	(47,238)
Net increase/(decrease) in cash and cash equivalents	28,399 ##	(36,087)
Effects of exchange rate differences	(1,205)	(5,334)
Cash and cash equivalents at beginning of period	50,025	144,344
Cash and cash equivalents at end of period	77,219	102,923

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

1. Basis of Preparation

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

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2009. These explanatory notes attached to the 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 2009.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 June 2009 was not qualified.

3. Segmental Information

Segmental information for the current financial period ended 30 September 2009 is as followed:

	3 months ended		*3 months ended*	
	30.9.2009 RM'000	***30.9.2008 RM'000***	***30.9.2009 RM'000***	***30.9.2008 RM'000***
Segment Revenue				
Oil palm plantations and palm and soya bean product processing	377,868	862,143	377,868	862,143
Trading of industrial products	1,660	3,099	1,660	3,099
Biomass energy	1,692	4,369	1,692	4,369
Oleochemical products	11,830	2,923	11,830	2,923
Total revenue including inter-segment sales	393,050	872,534	393,050	872,534
Elimination of inter-segment sales	(115,843)	(220,162)	(115,843)	(220,162)
Total	277,207	652,372	277,207	652,372
Segment Results				
Oil palm plantations and palm and soya bean product processing	(26,708)	2,760	(26,708)	2,760
Trading of industrial products	16	15	16	15
Biomass energy	(356)	1,221	(356)	1,221
Oleochemical products	(7,990)	(2,745)	(7,990)	(2,745)
	(35,038)	1,251	(35,038)	1,251
Eliminations	-	-	-	-
Total	(35,038)	1,251	(35,038)	1,251

4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 30 September 2009.

5. Changes in Estimates

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

6. Comments About Seasonal or Cyclical Factors

The production of fresh fruit bunches is seasonal in nature and normally peak in the second half of the year.

7. Dividend Paid

At the forthcoming Annual General Meeting, a first and final single tier dividend of 2 sen per ordinary share of RM0.50 each which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act 1967 will be proposed for shareholders' approval. The proposed dividend if approved amounting to RM6,233,545. The financial statements for the current financial period do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2010.

8. Carrying Amount of Revalued Assets

The valuations of buildings and plantation infrastructure included within property, plant and equipment, biological assets and prepaid land lease payments have been brought forward without amendment from the financial statements for the financial year ended 30 June 2009.

9. 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 2009.

10. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter, except as follow:

On 28 September 2009, the Company subscribed for 2,500,000 ordinary shares of RM1.00 each, representing 100% equity interest in Kwantas Commodity Trading Sdn Bhd, a company incorporated in Malaysia, for a total cash consideration of RM2,500,000.

11. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 September 2009 is as follows:

	RM'000
Approved and contracted for	11,621

12. Changes in Contingent Liabilities and Contingent Assets

Unsecured

The Company has provided corporate guarantees to secure banking facilities granted to subsidiary companies. The amount utilised and outstanding as at 30 September 2009 amounted to approximately RM415 million.

13. Subsequent Events

There were no material events subsequent to the end of the current quarter, except as follow:

On 23 October 2009, the Company acquired the remaining 49% equity interest in Dongma (Guangzhou Free Trade Zone) Oleochemicals Co. Ltd. ("DMO") for a total cash consideration of USD10.838 million (approximately RM36.80 million). Subsequent to the Acquisition, DMO became a wholly-owned subsidiary of the Company.

The Board of Directors of the Company, having reasonably considered all aspects of the Acquisition, is in the best interest of the Company. The Acquisition is not subject to the approval of shareholders or any regulatory authorities.

14. Performance Review

For the period under review, the revenue of the Group has decreased by RM375,165,000 or 57% from RM652,372,000 in Q1 FYE2009 to RM277,207,000 in Q1 FYE2010. This was mainly due to the decrease in palm products prices and sales volume in the current quarter compared to Q1 FYE2009. The average CPO price traded for Q1 FYE2009 was RM2,491 per MT as compared to RM2,138 per MT in Q1 FYE2010.

Revenue from the Group's China operations for the period under review has decreased by RM7,712,000 or 15% to RM44,918,000, as compared to RM52,630,000 in Q1 FYE2009. The significant decrease was mainly due to poor market demand that resulted the significant reduction of sales in palm oil products, shortening/margarine products and refined soya bean oil produced by the subsidiary's oils and fats processing facilities in Guangzhou.

15. Comment on Material Change in (Loss)/Profit Before Taxation

The Group incurred a loss before taxation of RM38,838,000 in the current quarter from a profit of RM1,251,000 in Q1 FYE2009. The loss for the quarter was mainly due to higher CPO purchase price contracted which affected the refining margin and reduction in sales volume.

16. Commentary on Prospects

The performance of the Group is expected to be stabilised and to turnaround in the following quarter. With the on going implementation of going rationalisation exercise, performance enhancement and cost control initiative by the Group, it is expected to weather through the economic downturn.

17. 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.

18. Income Tax Expense

	3 months ended		***3 months ended***	
	30.9.2009	***30.9.2008***	***30.9.2009***	***30.9.2008***
	RM'000	***RM'000***	***RM'000***	***RM'000***
Current income tax:				
Malaysian income tax	(3,700)	-	(3,700)	-
Deferred tax	7,500	-	7,500	-
Total income tax expense	3,800	-	3,800	-

The effective tax rate for the current quarter was lower than the statutory income tax rate principally due to the availability of unabsorbed capital, reinvestment and investment tax allowances, double tax deduction and unused tax losses of certain subsidiary companies for set-off against the current period's taxable profit for its biomass power plant and palm product processing operations, and certain expenses which are not deductible for tax purposes.

19. Sales of Unquoted Investments and Properties

There were no sales of unquoted investments and properties for the current quarter.

20. Quoted Securities

There was no purchase or disposal of marketable securities for the current quarter.

21. Corporate Proposals

There are no corporate proposals announced but not completed as at 24 November 2009.

22. Borrowings

The Group borrowings, which is secured, was as follows:

	As at 30.9.2009 RM'000	***As at 30.6.2009 RM'000***
Short term borrowings		
- Secured	646,245	611,964
Long term borrowings		
- Secured	138,099	88,448
	784,344	700,412

Included in long term secured borrowings are RM115 million nominal value of Sukuk Ijarah.

Borrowings denominated in foreign currency:

	USD '000	RM '000 equivalent
United States Dollars	11,077	38,588
	=======	=======

23. Off Balance Sheet Financial Instruments

	Notional amount as at 30.9.2009 RM '000
Contingent liabilities	5,000

Credit risk, or the risk of counterparties defaulting, is controlled by limiting the Group's association to creditworthy financial institutions in Malaysia.

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Exposure to market risk may be reduced through offsetting on and off balance sheet positions.

There are no significant credit and market risks posed by the above off balance sheet financial instruments.

The related accounting policy for the off balance sheet financial instruments disclosed in the financial statements for the year ended 30 September 2009 is as follows:

Off balance sheet financial instruments are not recognised in the financial statements on inception.

Forward Foreign Exchange Contracts:

The forward foreign exchange contracts entered into by the Group as at 13 November 2009 (being a date not earlier than 7 days from the date of this report) were as follows:

	Currency	Contract Amount '000	Equivalent Amount RM '000	Mature within One Year RM '000
Forward foreign exchange contract used to hedge anticipated sales	USD	45,365	148,649	148,649

The forward foreign exchange contracts were entered into by the Group as hedges for committed sales denominated in foreign currencies. The hedging of the foreign currencies is to minimise the exposure of the Group to fluctuations in foreign exchange on receipts and payments. Any gains or losses arising from forward contracts are recognised in the income statement upon maturity.

There is minimal credit risk for the forward foreign exchange contracts because these contracts are entered into with licensed financial institutions.

24. Material Litigation

i) The Group is disputing a claim amounting to approximately RM5 million from a commercial bank on foreign currency forward contract alleged to have been entered into by a subsidiary company. Legal proceedings are in progress and the outcome is yet to be determined. The Company's lawyers are of the opinion that the Group has a good prospect of succeeding in defending the claim.

ii) In response to a claim by Palm Energy Sdn. Bhd. (PESB), a wholly owned subsidiary of the Group for liquidated damages, loss of revenue and refurbishment costs totalling approximately RM8 million, the contractor counter claimed the balance of the original contract sum amounting to approximately RM1 million and variation order works totalling approximately RM1 million. The arbitration commenced on 10 October 2007 and completed in November 2008.

The Arbitrator delivered his award on 15 July 2009 and in his final award he found both parties were guilty of breaches of contract, the consequences of which both must accordingly bear according to its relative seriousness. The contractor has been awarded a counterclaim of RM420,087.25 whereby PESB is entitled to forfeit the remainder of the contract sum of RM950,000. PESB has decided to file a motion to the high court to set aside certain award given to the contractor pursuant to Section 24 (2) of the Arbitration Act, 1952 (the Act) or alternatively certain paragraph of the award be remitted for the reconsideration of the Learned Arbitrator pursuant to Section 23 (1) of the Act.

iii) The Group's 51% owned subsidiary, Dongma Oils & Fats (Guangzhou Free Trade Zone) Co. Ltd. (DMGZ), a bulking tank operator in China, is disputing the demand for delivery 2500mt of refined palm oil product with current market value of RM8 million (RMB15.5 million) from a customer, as DMGZ contending that the customer has no legal right to claim as the relevant sales contract has been cancelled earlier. On 29 June 2009, judgement was given to the Plaintiff and DMGZ is in the process of filing its appeal.

iv) On 19 August 2008, an import/export agent filed a claim of RM30 million (RMB64.2 million) against DMGZ, a 51% owned subsidiary of the Group, alleging that the DMGZ had released goods without their authorization, DMGZ on the other hand contending that they have received the appropriate authorization for the release of goods. The hearing date of this case has yet to be fixed.

v) A buyer filed a claim against DMGZ, the Group's 51% owned subsidiary, for a sum of RMB3,189,000. DMGZ has deemed the buyer default the contracts earlier and forfeited these deposits, the buyer on the other hand claimed that the contracts are cancelled and demanded DMGZ to return the paid deposit. On 11 May 2009, the court has awarded the case to the Plaintiff and DMGZ is in the process of filing its appeal.

vi) DMGZ, the Group's 51% owned subsidiary, is challenging a claim of 500mt of palm oil product (current market value about RM1 million) from a third party who is claiming ownership of the cargo from a DMGZ's buyer. DMGZ contending that the cargo in question is no longer available as it has already been released earlier to the buyer.

vii) An import/export agent filed a claim on 26 May 2009 against DMGZ, the Group's 51% owned subsidiary, for releasing 4,500mt of RBD OLN without their authorisation. However, DMGZ contended that proper authorisation has been received for the release of goods. Legal proceeding is now in progress.

Other than the above, there were no changes in material litigation, including the status of pending material litigation since the last annual balance sheet date of 30 June 2009.

25. Dividend Payable

No interim dividend has been declared for the financial year ended 30 June 2010.

26. (Loss)/Earnings Per Share

(a) Basic

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

	3 months ended		*3 months ended*	
	30.9.2009	***30.9.2008***	***30.9.2009***	***30.9.2008***
(Loss)/profit for the period attributable to ordinary equity holders of the parent (RM'000)	(35,038)	2,641	(35,038)	2,641
Weighted average number of ordinary shares in issue ('000)	311,677	311,677	311,677	311,677
Basic (loss)/earnings per share (sen)	(11.24)	0.85	(11.24)	0.85

(b) Diluted

For the purpose of calculating diluted (loss)/earnings per share, the (loss)/profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares and shares options granted to employees.

	3 months ended		***3 months ended***	
	30.9.2009	***30.9.2008***	***30.9.2009***	***30.9.2008***
(Loss)/profit for the period attributable to ordinary equity holders of the parent (RM'000)	(35,038)	2,641	(35,038)	2,641
Weighted average number of ordinary shares in issue ('000):	311,677	311,677	311,677	311,677
Effect of dilution: Share options	6,013	7,033	6,013	7,033
Adjusted weighted average number of ordinary shares in issue and issuable	317,690	318,620	317,690	318,620
Diluted (loss)/earnings per share (sen)	(11.03)	0.83	(11.03)	0.83

27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 November 2009.