



Condensed Consolidated Statement of Comprehensive Income
For The Period Ended 30 September 2016

	Note	Current Quarter 3 months Ended		Year-to-Date 3 months Ended	
		30.09.16 RM'000	30.09.15 RM'000	30.09.16 RM'000	30.09.15 RM'000
Revenue	8	372,902	276,739	372,902	276,739
Cost of Sales		(320,081)	(241,552)	(320,081)	(241,552)
Gross Profit		52,821	35,187	52,821	35,187
Other Items of Income					
Interest Income		386	644	386	644
Other Operating Income		5,014	2,574	5,014	2,574
Other Items of Expenses					
Selling Expenses		(16,244)	(9,882)	(16,244)	(9,882)
Administrative Expenses		(14,832)	(39,542)	(14,832)	(39,542)
Finance Costs		(8,688)	(8,019)	(8,688)	(8,019)
Profit/(Loss) Before Tax	17	18,457	(19,038)	18,457	(19,038)
Income Tax Expense	20	(2,500)	(1,000)	(2,500)	(1,000)
Profit/(Loss) For The Period		15,957	(20,038)	15,957	(20,038)
Other Comprehensive Income					
Item that to be reclassified in subsequent period to profit or loss:					
Foreign currency translation		4,468	47,328	4,468	47,328
		4,468	47,328	4,468	47,328
Total Comprehensive Income For The Period		20,425	27,290	20,425	27,290
Profit/(Loss) For The Period Attributable To:					
Owners of the Company		16,081	(19,886)	16,081	(19,886)
Non-controlling Interests		(124)	(152)	(124)	(152)
		15,957	(20,038)	15,957	(20,038)
Total Comprehensive Income Attributable To:					
Owners of the Company		20,549	27,442	20,549	27,442
Non-controlling Interests		(124)	(152)	(124)	(152)
		20,425	27,290	20,425	27,290
Earnings/(Loss) Per Share Attributable to Owners of The Company (Sen Per Share):					
Basic	28 (a)	5.16	(6.38)	5.16	(6.38)

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statement year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.



Condensed Consolidated Statement of Financial Position
As At 30 September 2016

	Note	As at 30.09.16 RM'000	As at 30.06.16 RM'000 (Audited)
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	1,345,443	1,346,509
Biological assets	9	518,358	514,977
Investment properties	9	45,700	45,700
Land use rights		18,230	17,472
Other receivables		9,511	9,298
		<u>1,937,242</u>	<u>1,933,956</u>
Current Assets			
Inventories		123,944	137,254
Derivative assets	25	-	1,359
Trade receivables		22,596	82,703
Other receivables		28,257	31,049
Tax recoverable		3,416	3,845
GST input tax receivable		5,368	4,896
Short-term deposits with licensed banks	23	17,600	3,000
Cash and bank balances	23	144,886	64,844
		<u>346,067</u>	<u>328,950</u>
TOTAL ASSETS		<u><u>2,283,309</u></u>	<u><u>2,262,906</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		155,839	155,839
Share premium		53,727	53,727
Retained earnings	22	154,956	138,875
Other reserves		857,355	852,887
		<u>1,221,877</u>	<u>1,201,328</u>
Non-controlling interests		<u>(2,373)</u>	<u>(2,249)</u>
Total Equity		<u><u>1,219,504</u></u>	<u><u>1,199,079</u></u>
Non-Current Liabilities			
Borrowings	24	23,651	41,829
Deferred tax liabilities		213,289	213,789
		<u>236,940</u>	<u>255,618</u>
Current Liabilities			
Borrowings	24	674,566	631,192
Trade payables		105,737	123,573
Other payables		27,609	31,949
Derivative liabilities	25	18,953	21,495
		<u>826,865</u>	<u>808,209</u>
Total Liabilities		<u><u>1,063,805</u></u>	<u><u>1,063,827</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,283,309</u></u>	<u><u>2,262,906</u></u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements

Condensed Consolidated Statement of Changes in Equity
For The Period Ended 30 September 2016

	← Non-Distributable		Distributable		← Attributable to Owners of the Company			→		
	Share Capital RM'000	Share Premium RM'000	Retained Earnings RM'000	Other Reserves Total RM'000	Asset Revaluation Reserve RM'000	Fair Value Adjustment Reserve RM'000	Foreign Currency Translation Reserve RM'000	Equity Attributable to Owners of the Company, Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
At 1 July 2015	155,839	53,727	162,842	846,848	806,125	4,193	36,530	1,219,256	(1,088)	1,218,168
Loss net of tax	-	-	(19,886)	-	-	-	-	(19,886)	(152)	(20,038)
Other comprehensive income										
Foreign currency translation	-	-	-	47,328	-	-	47,328	47,328	-	47,328
	-	-	-	47,328	-	-	47,328	47,328	-	47,328
Total comprehensive (expense)/income	-	-	(19,886)	47,328	-	-	47,328	27,442	(152)	27,290
At 30 September 2015	155,839	53,727	142,956	894,176	806,125	4,193	83,858	1,246,698	(1,240)	1,245,458
At 1 July 2016	155,839	53,727	138,875	852,887	819,061	4,193	29,633	1,201,328	(2,249)	1,199,079
Profit/(Loss) net of tax	-	-	16,081	-	-	-	-	16,081	(124)	15,957
Other comprehensive income										
Foreign currency translation	-	-	-	4,468	-	-	4,468	4,468	-	4,468
	-	-	-	4,468	-	-	4,468	4,468	-	4,468
Total comprehensive income/(expense)	-	-	16,081	4,468	-	-	4,468	20,549	(124)	20,425
At 30 September 2016	155,839	53,727	154,956	857,355	819,061	4,193	34,101	1,221,877	(2,373)	1,219,504

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.



	3 months Ended	
	30.09.16	30.09.15
	<u>RM'000</u>	<u>RM'000</u>
OPERATING ACTIVITIES		
Profit/(loss) before tax	18,457	(19,038)
Adjustments for:		
Depreciation of property, plant and equipment	9,842	8,124
Net fair value loss on derivative financial instruments	3,424	11,294
Gain on disposal of property, plant and equipment	(65)	(20)
Gain on disposal of investment properties	-	(7)
Unrealised loss on foreign exchange	790	8,445
Interest expense	8,688	8,019
Interest income	(386)	(644)
Total adjustments	<u>22,293</u>	<u>35,211</u>
Operating cash flows before working capital changes	40,750	16,173
Changes in working capital:		
Decrease/(Increase) in inventories	13,310	(23,227)
Decrease in receivables	62,214	66,093
Decrease in payables	(22,176)	(20,771)
Total changes in working capital	<u>53,348</u>	<u>22,095</u>
Cash flows from operations	94,098	38,268
Interest paid	(8,688)	(8,019)
Income tax paid	(2,569)	(682)
Net cash flows from operating activities	<u>82,841</u>	<u>29,567</u>
INVESTING ACTIVITIES		
Withdrawal of short-term deposits	-	5,067
Purchase of property, plant and equipment	(1,080)	(2,125)
Plantation development expenditure	(3,381)	(3,145)
Purchase of investment properties	-	(56)
Proceeds from disposal of property, plant and equipment	65	20
Proceeds from disposal of an investment property	-	4,007
Interest received	386	644
Net cash flows (used in)/from investing activities	<u>(4,010)</u>	<u>4,412</u>
FINANCING ACTIVITIES		
Drawdown of revolving credits	411,000	327,000
Repayment of revolving credits	(411,000)	(234,000)
Repayment of term loans	(67,206)	(24,138)
Repayment of hire purchase financing	(202)	(469)
Drawdown of bankers' acceptances and trust receipts	260,995	249,874
Repayment of bankers acceptances and trust receipts	(175,678)	(347,383)
Net cash flows from/(used in) financing activities	<u>17,909</u>	<u>(29,116)</u>
Net increase in cash and cash equivalents	96,740	4,863
Effect of exchange rate differences	(2,098)	(14,106)
Cash and cash equivalents at beginning of the year	67,844	55,392
Cash and cash equivalents at end of period (Note 23)	<u><u>162,486</u></u>	<u><u>46,149</u></u>

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial

1. Basis of Preparation

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

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

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016. 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 2016.

2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2016, except as stated in our audited financial statements for the financial year ended 30 June 2016, the Group has yet to adopt the Malaysian Financial Reporting Standards (“MFRS”) framework, but has elected to be a transitioning entity which will only adopt the MFRS framework for the financial year ending 30 June 2019.

3. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the financial year ended 30 June 2016 was not qualified.

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 current period under review.

5. Changes in Estimates

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

6. Comments About Seasonal or Cyclical Factors

The seasonal or cyclical factors affecting the results of the operations of the Group are general climatic conditions, age profile of oil palms, the cyclical nature of annual production and fluctuating commodity prices.

7. Dividend Payable

No dividend was paid/payable during the current period under review.

8. Segmental Information

Segmental information for the current financial period ended 30 September 2016 is as followed:

	<i>Oil palm plantations and palm products processing</i>		<i>Oleochemical Products</i>		<i>Others</i>		<i>Per consolidated financial statements</i>	
	<i>30.9.16</i>	<i>30.9.15</i>	<i>30.9.16</i>	<i>30.9.15</i>	<i>30.9.16</i>	<i>30.9.15</i>	<i>30.9.16</i>	<i>30.9.15</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
3 Months Ended 30 Sep (Current Quarter)								
External Sales	313,715	219,211	59,187	57,528	-	-	372,902	276,739
	313,715	219,211	59,187	57,528	-	-	372,902	276,739
Interest income	340	601	46	43	-	-	386	644
Depreciation/Amortisation	7,705	6,526	1,925	1,574	212	24	9,842	8,124
Segment profit/(loss)	23,987	(18,165)	(5,322)	(843)	(208)	(30)	18,457	(19,038)

3 Months Ended 30 Sep (Year-to-Date)

External Sales	313,715	219,211	59,187	57,528	-	-	372,902	276,739
	313,715	219,211	59,187	57,528	-	-	372,902	276,739
Interest income	340	601	46	43	-	-	386	644
Depreciation/Amortisation	7,705	6,526	1,925	1,574	212	24	9,842	8,124
Segment profit/(loss)	23,987	(18,165)	(5,322)	(843)	(208)	(30)	18,457	(19,038)

Excluding the depreciation on property, plant and equipment, net unrealised foreign exchange losses and net fair value losses on derivative financial instruments, the Group had an underlying profit before tax of:

<i>Reconciliation:</i>	3 months ended 30.9.2016 RM '000	3 months ended 30.9.2015 RM '000
Profit/(Loss) before taxation	18,457	(19,038)
<i>Add: Non-cash/Provisional items</i>		
- Unrealised provisional foreign exchange losses	790	8,445
- Provision for fair value losses on derivatives	3,424	11,294
- Depreciation of property, plant and equipment	9,842	8,124
Profit Before Tax Excluding Non Cash/Provisional Items	32,513	8,825

9. Carrying Amount of Revalued Assets

The valuation of land and buildings included within property, plant and equipment, biological assets and investment properties have been brought forward without amendment from the financial statements for the financial year ended 30 June 2016.

10. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current year quarter 30 September 2016.

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 2016 is as follows:

	<i>RM'000</i>
Approved and contracted for	<u>7,902</u>

13. Changes in Contingent Liabilities and Contingent Assets

Unsecured

The Company has provided corporate guarantees to secure banking facilities granted to its subsidiary companies. The amount utilised and outstanding as at 30 September 2016 amounted to approximately RM269 million.

14. Subsequent Events

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

15. Performance Review

Oil palm plantations and palm products processing

This major segment has contributed 84% of the Group's total revenue. For the current quarter under review, this segment recorded a revenue of RM314 million, as compared to a total of RM219 million revenue reported in the same corresponding period of preceding year, an increase of 43% or RM95 million in value. The increase in revenue was mainly due to the increase in the realised average CPO unit selling price of RM2,569/MT for the current quarter as compared to RM1,818/MT in the same corresponding quarter of preceding year, despite a slight decrease in sales volume traded by 5%.

15. Performance Review (continued)

Oleochemicals

Oleochemical segment has accounted for 16% of the total Group's revenue for current quarter. The revenue has increased by 3% or RM1.6 million in value to RM59 million for this quarter. The increase was mainly due to the increase in the overall sales volume of oleochemical products by 8%, despite a slight decrease in the realised average oleochemical product unit selling price by 5% for the current quarter under review.

Others

Others segments' results are insignificant to the Group.

16. Comment on Material Change in Profit/(Loss) Before Tax

3-months ended 30 September 2016 (QTD2016) Vs 3-months ended 30 September 2015 (QTD2015)

The Group reported a profit before tax of RM18.5 million for 3-months ended 30 September 2016 (QTD 2016) as compared to a loss of RM19.0 million for 3-months ended 30 September 2015 (QTD 2015), an increase of RM37.5 million for QTD 2016. The major reasons of increase were mainly attributed to the followings:

- a) increase in profit margin contribution by RM17.6 million in QTD 2016. This was mainly due to the increase in the realized average CPO unit selling price in QTD 2016 as mentioned in Note 15 above despite a slight decrease in the sales volume;
- b) decrease in administrative expenses by RM24.7 million in QTD 2016. This was mainly due to the following:
 - i) net realized foreign exchange gain of RM2.9 million from the USD denominated account balances in QTD 2016 as compared to a loss of RM3.8 million in QTD 2015, with an improvement of RM6.7 million;
 - ii) net unrealized foreign exchange loss of RM0.8 million from the USD denominated borrowings and outstanding receivables in QTD 2016 as compared to a loss of RM8.4 million in QTD 2015, with an improvement of RM7.6 million; and
 - iii) net fair value loss on derivative financial instruments of RM3.4 million in QTD 2016 as compared to a loss of RM15.1 million in QTD 2015, with an improvement of RM11.7 million.

17. Profit/(Loss) before tax

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

	<i>Current Quarter</i>		<i>Year-to-Date</i>	
	<i>3 months ended</i>		<i>3 months ended</i>	
	<i>30.9.2016</i>	<i>30.9.2015</i>	<i>30.9.2016</i>	<i>30.9.2015</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Interest income	386	644	386	644
Interest expense	(8,688)	(8,019)	(8,688)	(8,019)
Gain on disposal of property, plant & equipment	65	20	65	20
Gain on disposal of investment property	-	7	-	7
Depreciation on property, plant & equipment	(9,842)	(8,124)	(9,842)	(8,124)
Realised foreign exchange gain/(loss)	2,866	(3,832)	2,866	(3,832)
Unrealised foreign exchange loss	(790)	(8,445)	(790)	(8,445)
Net fair value loss on derivative financial instruments	(3,424)	(11,294)	(3,424)	(11,294)

18. Commentary on Prospects

As expected, CPO prices started to rebound and reached RM2,800 per metric tonne in the second half of 2016 and increased in the output of the FFB productions was also noted. Taking these factors into consideration, the Plantation profit has contributed significantly to the Group's results for FYE2017.

Whilst the uncertainty of the global economy and the volatility of foreign exchange rates and CPO prices would remain, Kwantas Group (the Group) would continue its management effort to mitigate these risk in order to ensure the Group continues to move forward. These challenges have prompted the Group to review its business models and long-term strategies to ensure that it has the strength to overcome the challenges and to be resilient in the face of adversity so as to emerge stronger. The Management is committed to ensuring the Group always remains competitive by tightens up its operations to ensure efficiency so as to build a stronger foundation for the Group's future.

Presently, the Group is actively pursuing for divestment exercise of certain assets in order to improve its overall financial position and liquidity the Group and will be focusing its effort on planting up the remaining land bank as well as its replanting program.

19. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit and forecast profit and for the shortfall in profit guarantee are not applicable.

20. Income Tax Expense

	<i>Current Quarter</i>		<i>Year-to-Date</i>	
	<i>3 months ended</i>		<i>3 months ended</i>	
	<i>30.9.2016</i>	<i>30.9.2015</i>	<i>30.9.2016</i>	<i>30.9.2015</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Current income tax:				
- Malaysian income tax	(3,000)	(1,500)	(3,000)	(1,500)
Deferred tax	500	500	500	500
Total income tax expense	(2,500)	(1,000)	(2,500)	(1,000)

The effective tax rate for the current quarter was lower than the statutory income tax rate principally due to the availability of non-deductible expenses and tax losses relief in certain subsidiaries.

21. Corporate Proposals

There are no corporate proposals announced but not completed as at 24 November 2016.

22. Retained Earnings

The breakdown of retained profits of the Group as at 30 September 2016 is as follows:

	<i>As at</i>	<i>As at</i>
	<i>30.9.2016</i>	<i>30.6.2016</i>
	<i>RM'000</i>	<i>RM'000</i>
		<i>(Audited)</i>
Total retained earnings of the Company and its subsidiaries:		
- Realised	447,596	434,410
- Unrealised	(85,378)	(85,878)
	362,218	348,532
Less: Consolidation adjustments	(207,262)	(209,657)
Total Group retained earnings as per consolidated accounts	154,956	138,875

23. Cash and cash equivalents

Cash and bank balances	144,886	64,844
Short-term deposits with licensed banks	17,600	3,000
Cash and cash equivalents	162,486	67,844

24. Borrowings

	<i>As at 30.9.2016 RM'000</i>	<i>As at 30.6.2016 RM'000 (Audited)</i>
Short term borrowings		
- Secured	296,588	322,398
- Unsecured	377,978	308,794
	674,566	631,192
Long term borrowings		
- Secured	23,651	41,829
Total borrowings	698,217	673,021

Borrowings denominated in foreign currency:

	USD '000	RMB '000	RM'000 equivalent
United States Dollars	50,579	-	209,674
Renminbi	-	85,042	52,793
Total	50,579	85,042	262,467

As at 30.9.2016, the Company has breached the financial covenants of a licensed bank with a total outstanding balance of RM209,674,175 (2016: RM214,453,266), related to the requirement to maintain a current ratio and debt service coverage ratio requirement of not less than 1.0 and not less than 1.2 respectively. However, the licensed bank has provided a waiver on these financial covenants until 30 June 2017.

25. Derivative Financial Instruments

As at 30 September 2016, the values and maturity analysis of the outstanding derivatives are as follows:

	Contract/Notional Amount RM '000	Fair Value Gain/(Loss) RM '000
i) Forward Currency Contracts - Less than 1 year	1,259	(1,294)
ii) Cross Currency Swap Contracts - 1 year to 3 years	17,694	3,583
iii) Commodity Swap Contracts - Less than 1 year	-	236

25. Derivative Financial Instruments (continued)

The forward currency contracts are entered into by the Group to manage some of the transactions exposures. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposures and fair value changes exposure.

The Group also uses cross currency swap and commodity swap contracts to manage the financial risk exposures related to borrowings and revenue respectively.

With the adoption of FRS 139, derivative financial instruments are recognised at fair value on contract dates and are subsequently re-measured at fair value through profit or loss. The resulting gain or loss from the re-measurement is recognised in profit or loss.

For the current quarter ended 30 September 2016, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year as well as the Group's risk management objectives, policies and processes.

26. Material Litigation

A Writ of Summons dated 27 June 2014 was filed by Inno Integrasi Sdn. Bhd. (Plaintiff) and served to Kwantas Oil Sdn Bhd (KOSB), a wholly-owned subsidiary of the Company, whereby the plaintiff claimed for loss of profit approximately RM66.9 million for the alleged breached/repudiation of agreements entered by plaintiff and KOSB to the supply of organic palm wastes together with KOSB's leased to the plaintiff, and in return, plaintiff will process the organic palm wastes to become bio-organic fertilizer (BF) and re-sell to KOSB.

KOSB filed its Statement of Defence and Counterclaim on 5 August 2014. The plaintiff applied for summary judgement and hearing began on 13.8.2015. On 18 January 2016, the Court has dismissed the Summary Judgement application on this case. The Court has fixed the trial dates from the 6th December 2016 until 15th December 2016.

The directors are of the opinion that the claim by the plaintiff will not succeed and accordingly no further provision for liability has been made in these financial statements.

27. Dividend

No interim dividend has been declared for the financial year ending 30 June 2017.

28. Earnings/(Loss) Per Share

(a) Basic

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

	<i>Current Quarter</i>		<i>Year-to-Date</i>	
	<i>3 months ended</i>		<i>3 months ended</i>	
	<i>30.9.2016</i>	<i>30.9.2015</i>	<i>30.9.2016</i>	<i>30.9.2015</i>
Profit/(Loss) for the period attributable to owners of the Company (RM'000)	16,081	(19,886)	16,081	(19,886)
Weighted average number of ordinary shares in issue ('000)	311,678	311,678	311,678	311,678
Basic earnings/(loss) per share (sen)	5.16	(6.38)	5.16	(6.38)

(b) Diluted

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

29. 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 29 November 2016.