

Condensed Consolidated Statement of Comprehensive Income  
For The Period Ended 31 March 2017

|                                                                         | Note   | 3 months Ended        |                       | 9 months Ended        |                       |
|-------------------------------------------------------------------------|--------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                                                         |        | 31.03.17<br>RM'000    | 31.03.16<br>RM'000    | 31.03.17<br>RM'000    | 31.03.16<br>RM'000    |
| <b>Revenue</b>                                                          | 8      | 377,409               | 308,594               | 1,220,757             | 903,928               |
| Cost of Sales                                                           |        | (315,725)             | (282,902)             | (1,032,483)           | (811,913)             |
| <b>Gross Profit</b>                                                     |        | 61,684                | 25,692                | 188,274               | 92,015                |
| <b>Other Items of Income</b>                                            |        |                       |                       |                       |                       |
| Interest Income                                                         |        | 339                   | 315                   | 1,076                 | 1,017                 |
| Other Operating Income                                                  |        | 2,708                 | 11,343                | 4,682                 | 16,370                |
| <b>Other Items of Expenses</b>                                          |        |                       |                       |                       |                       |
| Selling Expenses                                                        |        | (14,468)              | (10,174)              | (48,157)              | (29,086)              |
| Administrative Expenses                                                 |        | (18,359)              | (28,590)              | (67,390)              | (83,646)              |
| Finance Costs                                                           |        | (7,517)               | (8,843)               | (24,474)              | (25,293)              |
| <b>Profit/(Loss) Before Tax</b>                                         | 17     | 24,387                | (10,257)              | 54,011                | (28,623)              |
| Income Tax Expense                                                      | 20     | (3,771)               | (581)                 | (10,271)              | (1,078)               |
| <b>Profit/(Loss) For The Period</b>                                     |        | 20,616                | (10,838)              | 43,740                | (29,701)              |
| <b>Other Comprehensive (Loss)/Income:</b>                               |        |                       |                       |                       |                       |
| Exchange Differences on Translation of Foreign Operations               |        | (14,158)              | (26,039)              | 5,833                 | 8,402                 |
|                                                                         |        | (14,158)              | (26,039)              | 5,833                 | 8,402                 |
| <b>Total Comprehensive Income/(Loss) For The Period</b>                 |        | 6,458                 | (36,877)              | 49,573                | (21,299)              |
| <b>Profit/(Loss) For The Period Attributable To:</b>                    |        |                       |                       |                       |                       |
| Owners of the Company                                                   |        | 20,786                | (10,671)              | 44,428                | (29,245)              |
| Non-controlling Interests                                               |        | (170)                 | (167)                 | (688)                 | (456)                 |
|                                                                         |        | 20,616                | (10,838)              | 43,740                | (29,701)              |
| <b>Total Comprehensive Income/(Loss) Attributable To:</b>               |        |                       |                       |                       |                       |
| Owners of the Company                                                   |        | 6,628                 | (36,710)              | 50,261                | (20,843)              |
| Non-controlling Interests                                               |        | (170)                 | (167)                 | (688)                 | (456)                 |
|                                                                         |        | 6,458                 | (36,877)              | 49,573                | (21,299)              |
| <b>Earnings/(Loss) Per Share Attributable to Owners of The Company:</b> |        |                       |                       |                       |                       |
|                                                                         |        | <b>3 months Ended</b> | <b>3 months Ended</b> | <b>9 months Ended</b> | <b>9 months Ended</b> |
|                                                                         |        | <b>31.03.17</b>       | <b>31.03.16</b>       | <b>31.03.17</b>       | <b>31.03.16</b>       |
| Basic (Sen Per Share)                                                   | 28 (a) | 6.67                  | (3.42)                | 14.25                 | (9.38)                |

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



Condensed Consolidated Statement of Financial Position  
As At 31 March 2017

|                                                     | Note | As at 31.03.17<br>RM'000 | As at 30.06.16<br>RM'000<br>(Audited) |
|-----------------------------------------------------|------|--------------------------|---------------------------------------|
| <b>ASSETS</b>                                       |      |                          |                                       |
| <b>Non-Current Assets</b>                           |      |                          |                                       |
| Property, plant and equipment                       | 9    | 1,328,005                | 1,346,509                             |
| Biological assets                                   | 9    | 524,378                  | 514,977                               |
| Investment properties                               | 9    | 45,712                   | 45,700                                |
| Land use rights                                     |      | 18,624                   | 17,472                                |
| Other receivables                                   |      | 9,898                    | 9,298                                 |
|                                                     |      | <u>1,926,617</u>         | <u>1,933,956</u>                      |
| <b>Current Assets</b>                               |      |                          |                                       |
| Inventories                                         |      | 129,655                  | 137,254                               |
| Derivative assets                                   | 25   | -                        | 1,359                                 |
| Trade receivables                                   |      | 38,662                   | 82,703                                |
| Other receivables                                   |      | 19,232                   | 31,049                                |
| Tax recoverable                                     |      | -                        | 3,845                                 |
| GST input tax receivable                            |      | 2,834                    | 4,896                                 |
| Short-term deposits with licensed banks             | 22   | 53,800                   | 3,000                                 |
| Cash and bank balances                              | 22   | 68,842                   | 64,844                                |
|                                                     |      | <u>313,025</u>           | <u>328,950</u>                        |
| <b>TOTAL ASSETS</b>                                 |      | <u><u>2,239,642</u></u>  | <u><u>2,262,906</u></u>               |
| <b>EQUITY AND LIABILITIES</b>                       |      |                          |                                       |
| <b>Equity attributable to owners of the Company</b> |      |                          |                                       |
| Share capital                                       |      | 155,839                  | 155,839                               |
| Share premium                                       |      | 53,727                   | 53,727                                |
| Retained earnings                                   | 23   | 183,303                  | 138,875                               |
| Other reserves                                      |      | 858,720                  | 852,887                               |
|                                                     |      | <u>1,251,589</u>         | <u>1,201,328</u>                      |
| <b>Non-controlling interests</b>                    |      | <u>(2,937)</u>           | <u>(2,249)</u>                        |
| <b>Total Equity</b>                                 |      | <u><u>1,248,652</u></u>  | <u><u>1,199,079</u></u>               |
| <b>Non-Current Liabilities</b>                      |      |                          |                                       |
| Borrowings                                          | 24   | 9,465                    | 41,829                                |
| Deferred tax liabilities                            |      | 212,789                  | 213,789                               |
|                                                     |      | <u>222,254</u>           | <u>255,618</u>                        |
| <b>Current Liabilities</b>                          |      |                          |                                       |
| Borrowings                                          | 24   | 639,159                  | 631,192                               |
| Trade payables                                      |      | 79,176                   | 123,573                               |
| Other payables                                      |      | 32,878                   | 31,949                                |
| Tax payable                                         |      | 46                       | -                                     |
| Derivative liabilities                              | 25   | 17,477                   | 21,495                                |
|                                                     |      | <u>768,736</u>           | <u>808,209</u>                        |
| <b>Total Liabilities</b>                            |      | <u><u>990,990</u></u>    | <u><u>1,063,827</u></u>               |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |      | <u><u>2,239,642</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 statements for the 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 31 March 2017

|                                          | ← Non-Distributable     |                         | Distributable               |                                   | ← Attributable to Owners of the Company |                                               |                                                         | →                                                                      |                                        |                           |
|------------------------------------------|-------------------------|-------------------------|-----------------------------|-----------------------------------|-----------------------------------------|-----------------------------------------------|---------------------------------------------------------|------------------------------------------------------------------------|----------------------------------------|---------------------------|
|                                          | Share Capital<br>RM'000 | Share Premium<br>RM'000 | Retained Earnings<br>RM'000 | Other Reserves<br>Total<br>RM'000 | Asset Revaluation<br>Reserve<br>RM'000  | Fair Value<br>Adjustment<br>Reserve<br>RM'000 | Foreign<br>Currency<br>Translation<br>Reserve<br>RM'000 | Equity<br>Attributable to<br>Owners of the<br>Company, Total<br>RM'000 | Non-controlling<br>Interests<br>RM'000 | Total<br>Equity<br>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                          | -                       | -                       | (29,245)                    | -                                 | -                                       | -                                             | -                                                       | (29,245)                                                               | (456)                                  | (29,701)                  |
| <b>Other comprehensive income</b>        |                         |                         |                             |                                   |                                         |                                               |                                                         |                                                                        |                                        |                           |
| Foreign currency translation             | -                       | -                       | -                           | 8,402                             | -                                       | -                                             | 8,402                                                   | 8,402                                                                  | -                                      | 8,402                     |
|                                          | -                       | -                       | -                           | 8,402                             | -                                       | -                                             | 8,402                                                   | 8,402                                                                  | -                                      | 8,402                     |
| <b>Total comprehensive (loss)/income</b> | -                       | -                       | (29,245)                    | 8,402                             | -                                       | -                                             | 8,402                                                   | (20,843)                                                               | (456)                                  | (21,299)                  |
| At 31 March 2016                         | 155,839                 | 53,727                  | 133,597                     | 855,250                           | 806,125                                 | 4,193                                         | 44,932                                                  | 1,198,413                                                              | (1,544)                                | 1,196,869                 |
| 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                 | -                       | -                       | 44,428                      | -                                 | -                                       | -                                             | -                                                       | 44,428                                                                 | (688)                                  | 43,740                    |
| <b>Other comprehensive income</b>        |                         |                         |                             |                                   |                                         |                                               |                                                         |                                                                        |                                        |                           |
| Foreign currency translation             | -                       | -                       | -                           | 5,833                             | -                                       | -                                             | 5,833                                                   | 5,833                                                                  | -                                      | 5,833                     |
|                                          | -                       | -                       | -                           | 5,833                             | -                                       | -                                             | 5,833                                                   | 5,833                                                                  | -                                      | 5,833                     |
| <b>Total comprehensive income/(loss)</b> | -                       | -                       | 44,428                      | 5,833                             | -                                       | -                                             | 5,833                                                   | 50,261                                                                 | (688)                                  | 49,573                    |
| At 31 March 2017                         | 155,839                 | 53,727                  | 183,303                     | 858,720                           | 819,061                                 | 4,193                                         | 35,466                                                  | 1,251,589                                                              | (2,937)                                | 1,248,652                 |

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.



Condensed Consolidated Statements of Cash Flows  
For The Period Ended 31 March 2017

|                                                             | 9 months Ended            |                           |
|-------------------------------------------------------------|---------------------------|---------------------------|
|                                                             | 31.03.17<br><u>RM'000</u> | 31.03.16<br><u>RM'000</u> |
| <b>OPERATING ACTIVITIES</b>                                 |                           |                           |
| Profit/(Loss) before tax                                    | 54,011                    | (28,623)                  |
| <b>Adjustments for:</b>                                     |                           |                           |
| Depreciation of property, plant and equipment               | 28,898                    | 30,700                    |
| Property, plant and equipment written off                   | 474                       | 1                         |
| Net fair value gain on derivative financial instruments     | (2,717)                   | (4,588)                   |
| Gain on disposal of investment properties                   | -                         | (7)                       |
| Gain on disposal of property, plant and equipment           | (87)                      | (192)                     |
| Reversal of impairment allowance on receivables             | (23)                      | -                         |
| Unrealised loss/(gain) on foreign exchange                  | 15,281                    | (2,544)                   |
| Interest expense                                            | 24,474                    | 25,293                    |
| Interest income                                             | (1,076)                   | (1,017)                   |
| <b>Total adjustments</b>                                    | <u>65,224</u>             | <u>47,646</u>             |
| <b>Operating cash flows before working capital changes</b>  | <u>119,235</u>            | <u>19,023</u>             |
| <b>Changes in working capital:</b>                          |                           |                           |
| Decrease in inventories                                     | 7,599                     | 18,653                    |
| Decrease in receivables                                     | 57,320                    | 67,072                    |
| Decrease in payables                                        | (43,468)                  | (7,411)                   |
| <b>Total changes in working capital</b>                     | <u>21,451</u>             | <u>78,314</u>             |
| <b>Cash flows from operations</b>                           | <u>140,686</u>            | <u>97,337</u>             |
| Interest paid                                               | (24,474)                  | (25,293)                  |
| Income tax paid                                             | (7,378)                   | (10,871)                  |
| Income tax refunded                                         | -                         | 3,693                     |
| <b>Net cash flows from operating activities</b>             | <u>108,834</u>            | <u>64,866</u>             |
| <b>INVESTING ACTIVITIES</b>                                 |                           |                           |
| Withdrawal of short-term deposits                           | -                         | 5,067                     |
| Purchase of property, plant and equipment                   | (2,640)                   | (5,361)                   |
| Plantation development expenditure                          | (9,401)                   | (13,511)                  |
| Additions of investment properties                          | (12)                      | (294)                     |
| Proceeds from disposal of property, plant and equipment     | 90                        | 223                       |
| Proceeds from disposal of an investment property            | -                         | 4,007                     |
| Interest received                                           | 1,076                     | 1,017                     |
| <b>Net cash flows used in investing activities</b>          | <u>(10,887)</u>           | <u>(8,852)</u>            |
| <b>FINANCING ACTIVITIES</b>                                 |                           |                           |
| Drawdown of revolving credits                               | 1,146,000                 | 1,135,000                 |
| Repayment of revolving credits                              | (1,116,034)               | (1,028,000)               |
| Repayment of term loans                                     | (63,834)                  | (62,283)                  |
| Repayment of hire purchase financing                        | (511)                     | (1,067)                   |
| Drawdown of bankers' acceptances and trust receipts         | 701,504                   | 662,601                   |
| Repayment of bankers acceptances and trust receipts         | (714,536)                 | (738,333)                 |
| <b>Net cash flows used in financing activities</b>          | <u>(47,411)</u>           | <u>(32,082)</u>           |
| <b>Net increase in cash and cash equivalents</b>            | <u>50,536</u>             | <u>23,932</u>             |
| <b>Effect of exchange rate differences</b>                  | <u>4,262</u>              | <u>(12,573)</u>           |
| <b>Cash and cash equivalents at beginning of the period</b> | <u>67,844</u>             | <u>55,392</u>             |
| <b>Cash and cash equivalents at end of period (Note 22)</b> | <u><u>122,642</u></u>     | <u><u>66,751</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 statements.

**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 quarter under review.

**5. Changes in Estimates**

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

**6. Comments About Seasonal or Cyclical Factors**

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

**7. Dividend Payable**

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

**8. Segmental Information**

Segmental information for the current financial period ended 31 March 2017 is as followed:

|                                                  | <i>Oil palm plantations<br/>and palm products<br/>processing</i> |                 | <i>Oleochemical<br/>Products</i> |                 | <i>Others</i>   |                 | <i>Per consolidated<br/>financial statements</i> |                 |
|--------------------------------------------------|------------------------------------------------------------------|-----------------|----------------------------------|-----------------|-----------------|-----------------|--------------------------------------------------|-----------------|
|                                                  | <i>31.03.17</i>                                                  | <i>31.03.16</i> | <i>31.03.17</i>                  | <i>31.03.16</i> | <i>31.03.17</i> | <i>31.03.16</i> | <i>31.03.17</i>                                  | <i>31.03.16</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>   |
| <b>3 months ended 31 March (Current Quarter)</b> |                                                                  |                 |                                  |                 |                 |                 |                                                  |                 |
| <b>Revenue</b>                                   |                                                                  |                 |                                  |                 |                 |                 |                                                  |                 |
| External Sales                                   | 307,703                                                          | 258,756         | 69,706                           | 49,838          | -               | -               | 377,409                                          | 308,594         |
| <b>Total Revenue</b>                             | <b>307,703</b>                                                   | <b>258,756</b>  | <b>69,706</b>                    | <b>49,838</b>   | <b>-</b>        | <b>-</b>        | <b>377,409</b>                                   | <b>308,594</b>  |
| <b>Results</b>                                   |                                                                  |                 |                                  |                 |                 |                 |                                                  |                 |
| Interest income                                  | 294                                                              | 281             | 45                               | 34              | -               | -               | 339                                              | 315             |
| Depreciation/Amortisation                        | 7,275                                                            | 7,800           | 2,007                            | 2,010           | 212             | 212             | 9,494                                            | 10,022          |
| Segment profit/(loss)                            | 24,589                                                           | (11,829)        | 17                               | 1,791           | (219)           | (219)           | 24,387                                           | (10,257)        |

**9 months ended 31 March (Year-To-Date)**

|                           |                  |                |                |                |          |          |                  |                |
|---------------------------|------------------|----------------|----------------|----------------|----------|----------|------------------|----------------|
| <b>Revenue</b>            |                  |                |                |                |          |          |                  |                |
| External Sales            | 1,000,828        | 725,925        | 219,929        | 178,003        | -        | -        | 1,220,757        | 903,928        |
| <b>Total Revenue</b>      | <b>1,000,828</b> | <b>725,925</b> | <b>219,929</b> | <b>178,003</b> | <b>-</b> | <b>-</b> | <b>1,220,757</b> | <b>903,928</b> |
| <b>Results</b>            |                  |                |                |                |          |          |                  |                |
| Interest income           | 941              | 897            | 135            | 120            | -        | -        | 1,076            | 1,017          |
| Depreciation/Amortisation | 22,345           | 23,791         | 5,918          | 6,274          | 635      | 635      | 28,898           | 30,700         |
| Segment profit/(loss)     | 62,831           | (20,408)       | (8,180)        | (7,772)        | (640)    | (443)    | 54,011           | (28,623)       |

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

| Reconciliation:                                                          | <i>9 months ended</i> |                 |
|--------------------------------------------------------------------------|-----------------------|-----------------|
|                                                                          | <i>31.03.17</i>       | <i>31.03.16</i> |
|                                                                          | <i>RM'000</i>         | <i>RM'000</i>   |
| <b>Profit/(Loss) before tax</b>                                          | <b>54,011</b>         | <b>(28,623)</b> |
| <b>Add/(Less): Non-cash and provisional items</b>                        |                       |                 |
| Unrealised provisional foreign exchange losses/(gain)                    | 15,281                | (2,544)         |
| Provision for fair value gain on derivatives                             | (2,717)               | (4,588)         |
| Depreciation of property, plant and equipment                            | 28,898                | 30,700          |
| Property, plant and equipment written off                                | 474                   | 1               |
| Gain on disposal of property, plant and equipment                        | (87)                  | (192)           |
| <b>Profit/(Loss) before tax excluding non-cash and provisional items</b> | <b>95,860</b>         | <b>(5,246)</b>  |

**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 quarter ended 31 March 2017.

**11. Changes in Composition of the Group**

There were no changes in the composition of the Group during the current quarter under review, except as disclosed in Note 21.

**12. Capital Commitments**

The amount of capital commitments for the plantation development activities not provided for in the financial statements as at 31 March 2017 is as follows:

|                             |                      |
|-----------------------------|----------------------|
|                             | <i><b>RM'000</b></i> |
| Approved and contracted for | <u>7,103</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 31 March 2017 amounted to approximately RM298 million.

**14. Subsequent Events**

There were no material events subsequent to the end of the current quarter, except as disclosed in Note 21.

## **15. Performance Review**

### ***Oil palm plantations and palm products processing***

This major segment has contributed 81.5% of the Group's total revenue in the current quarter. For the current quarter under review, this segment recorded a revenue of RM307.7 million, as compared to a total of RM258.7 million revenue reported in the same corresponding period of preceding year, an increase of 19% or RM49 million in value. The increase in revenue was due to the following despite the overall volume traded has slightly decrease by 1.8%:

- a) the increase in the realised average CPO unit selling price of RM2,875 per metric tonne for the current quarter as compared to RM2,150 per metric tonne in the previous quarter; and
- b) the increase in the realised average CPKO unit selling price of RM5,830 per metric tonne for the current quarter as compared to RM3,103 per metric tonne in the previous quarter.

### ***Oleochemical products***

Oleochemical division has accounted for 18.5% of the total Group's revenue for current quarter. The revenue has increased by 40% or RM19.9 million in value to RM69.7 million in the current quarter. The increase was mainly due to the increase in the sales volume traded by 3% and average oleochemical products unit selling price by 20% 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 31 March 2017 (QTD 2017) Vs 3-months ended 31 March 2016 (QTD 2016)**

The Group reported a profit before tax of RM24.4 million for 3-months ended 31 March 2017 (QTD 2017) as compared to a loss before tax of RM10.2 million for 3-months ended 31 March 2016 (QTD 2016), an improvement of RM34.6 million for QTD 2017. The major reasons of the improvement in results during QTD 2017 were mainly due to:

- a) increase in gross profit margin contribution in QTD 2017. This was mainly due to increase in the realised average CPO and CPKO unit selling price;
- b) lower administrative expenses in QTD 2017 as compared to QTD 2016. This was particularly due the followings:
  - i) net fair value gain on derivative financial instruments of RM11.5 million for QTD 2017 despite a slight decrease of RM1.9 million in gain, as compared to QTD 2016;
  - ii) net foreign exchange gain of RM0.6 million from the trade, accounts balances and outstanding payables denominated in United State Dollars in QTD 2017 as compared to a net loss of RM16.1 million in QTD 2016;
- c) despite there was an increase in selling expenses due to higher CPO sales tax and export duty in line with the increased commodity prices, the effect of offsetting with overall decrease in administrative and finance costs has contributed to a positive net operating profit margin of RM20.6 million or 5.5% for QTD 2017 as compared to a negative net operating margin in QTD 2016. The decrease in finance costs was in line with the decrease in total borrowings of the Group during the quarter under review.



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

**9-months ended 31 March 2017 (YTD 2017) Vs 9-months ended 31 March 2016 (YTD 2016)**

The Group reported a profit before tax of RM54.0 million for 9-months ended 31 March 2017 (YTD 2017) as compared to a loss before tax of RM28.6 million for 9-months ended 31 March 2016 (YTD 2016). The Group's results has improved by RM82.6 million. The major reasons for the improvement in results for YTD 2017 were mainly due to:

- a) increase in gross profit margin contribution for YTD 2017 at 15.4% as compared to 10.2% in the same period ended 2016. This was mainly due to significant improvement and strengthening in the CPO and CPKO realised average unit selling price despite a slight decrease in the overall volume traded;
- b) net fair value gain on derivative financial instruments of RM2.7 million for YTD 2017, despite a slight decrease in gain of RM4.6 million for the same period ended 2016. This was due to the fluctuations of Ringgit Malaysia against the United States Dollars for the period under reviewed;
- c) overall decrease in the net foreign exchange losses by RM18.3 million from RM34.9 million noted in the period ended 2016 to RM16.6 million noted in the period ended 2017, arising from the trade, account balances and outstanding payables denominated in Renminbi and United States Dollars; and
- d) overall decrease in depreciation on property, plant and equipment and finance costs by RM1.8 million and RM0.8 million respectively.

Selling expenses have increased significantly due to higher CPO sales tax and export duty which is in line with the increased commodity prices, the effect of offsetting with overall decrease in administrative and finance costs has contributed a positive net operating profit margin of RM43.7 million to the Group for YTD 2017, a significant improvement from the negative profit margin of RM29.7 million in the same period ended 2016.

Excluding the depreciation on property, plant and equipment, net unrealised foreign exchange losses and provisional fair value gain in derivatives, the Group had made an underlying profit before tax of RM95.9 million for the period ended 2017, representing a profit margin of 7.8% over the Group's total revenue.

**17. Profit/(Loss) Before Tax**

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

|                                                         | <i>3 months ended</i> |                 | <i>9 months ended</i> |                 |
|---------------------------------------------------------|-----------------------|-----------------|-----------------------|-----------------|
|                                                         | <i>31.03.17</i>       | <i>31.03.16</i> | <i>31.03.17</i>       | <i>31.03.16</i> |
|                                                         | <i>RM'000</i>         | <i>RM'000</i>   | <i>RM'000</i>         | <i>RM'000</i>   |
| Interest income                                         | 339                   | 315             | 1,076                 | 1,017           |
| Interest expense                                        | (7,517)               | (8,843)         | (24,474)              | (25,293)        |
| Gain on disposal of property, plant & equipment         | 20                    | 29              | 87                    | 192             |
| Depreciation on property, plant & equipment             | (9,494)               | (10,022)        | (28,898)              | (30,700)        |
| Realised foreign exchange gain/(loss)                   | 440                   | (20,434)        | (1,337)               | (37,433)        |
| Unrealised foreign exchange gain/(loss)                 | 204                   | 4,297           | (15,281)              | 2,544           |
| Reversal of impairment allowance on other receivables   | 23                    | -               | 23                    | -               |
| Property, plant & equipment written off                 | (256)                 | -               | (474)                 | (1)             |
| Net fair value gain on derivative financial instruments | 11,494                | 13,392          | 2,717                 | 4,588           |

**18. Commentary on Prospects**

CPO prices hit an all-time high of more than RM3,300 per metric tonne in the first quarter of year 2017 due to the weaker Ringgit and low inventories. Looking forward, CPO prices are expected to normalise at the range of RM2,500 to RM2,800 per metric tonne in the near future. Oil palms are recovering from the El-Nino weather phenomenon impact in year 2016 and palm products supply are expected to stabilize. The exchange rate for Ringgit remains weak throughout the first quarter of 2017, and it is showing signs of recovery and is expected to strengthen against United State Dollars in the following months. With the increase in production and forward sales being committed earlier, the management expects the Group will continue to benefit from the forward sales contracted despite of current trend of CPO and PK prices and will achieve a satisfactory results for the Plantations and Palm Products segment.

The Oleochemical segment remains challenging for year 2017 due to the volatility of Renminbi and uncertainties of the China's economy. The fluctuations in the oleochemical products pricing has prompted the Group to continuously reviewing its business model and to mitigate the price and currency risks through robust hedging and cost control strategies.

The Board of Directors expect the Group to achieve an overall satisfactory profits for the financial year ended 30 June 2017. With several of the corporate divestment exercises in place (as stated in Note 21 of this announcement), the Board of Directors is optimistic and confident that the Group is able to improve its liquidity, gearing and overall financial position in the near future.

**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>3 months ended</i> |                 | <i>9 months ended</i> |                 |
|---------------------------------|-----------------------|-----------------|-----------------------|-----------------|
|                                 | <i>31.03.17</i>       | <i>31.03.16</i> | <i>31.03.17</i>       | <i>31.03.16</i> |
|                                 | <i>RM'000</i>         | <i>RM'000</i>   | <i>RM'000</i>         | <i>RM'000</i>   |
| Current income tax:             |                       |                 |                       |                 |
| - Malaysian income tax          | (4,271)               | (81)            | (11,271)              | (3,578)         |
| Deferred tax                    | 500                   | (500)           | 1,000                 | 2,500           |
| <b>Total income tax expense</b> | <b>(3,771)</b>        | <b>(581)</b>    | <b>(10,271)</b>       | <b>(1,078)</b>  |

The effective tax rate for the current quarter was lower than the statutory income tax rate principally due to the availability of capital and agricultural allowances and double tax deduction of certain subsidiary companies for set-off against the current quarter's taxable profit for its plantations and palm product processing operations and certain expenses which are not deductible for tax purposes.

## 21. Corporate Proposals

There are no corporate proposals announced but not completed as at 24 May 2017, except for the followings:

- i) the Board of Directors of the Company, had on 7 April 2017, announced that the Company had on 7 April 2017 entered into a Conditional Sales Shares Agreement (“SSA”) with Guangzhou Lushang Technology Development Co Ltd. (“LSTD”) to dispose 100% of its equity interest in Dongma (Guangzhou Free Trade Zone) Oleochemicals Co Ltd. (“DMO”) for total a cash consideration of Renminbi 25,000,000. Collectively known as “Proposed Disposal”.

The Proposed Disposal is subject to and conditional upon the completion of the following conditions:

- a) Completion of the change and transfer of ownership of business license from DMO to LSTD; and
- b) The following liabilities are to be assumed by LSTD arising from the Proposed Disposal shall be duly deducted from the Balance Payment:

|                                                | <u>RMB</u>               |
|------------------------------------------------|--------------------------|
| Borrowing due to an external party             | 17,000,000               |
| Interest on borrowing due to an external party | 413,076                  |
| <b>Total</b>                                   | <b><u>17,413,076</u></b> |

Handover procedures shall be executed by DMO to LSTD within 2 working days from the date of acceptance of change of business license ownership and contracts signed prior to the Proposed Disposal will be handed over to the representative of LSTD.

The conditions shall be satisfied before the expiry of three months from the date of SSA or such other date as the parties hereto may in writing agree.

The Proposed Disposal is not subject to and does not require the approval of the shareholders of Kwantas and is not conditional upon any corporate exercise undertaken or to be undertaken by the Company.

The Proposed Disposal is expected to be completed in the second quarter of year 2017. Upon the completion of the Proposed Disposal, DMO shall cease to be a subsidiary of the Company and the Company is expected to realise an estimated gain on disposal of approximately RM4.6 million.

- ii) Kwantas Plantations Sdn Bhd (“KPSB” or “Vendor”), a wholly owned subsidiary of the Company, had on 19 April 2017 entered into a Sale and Purchase Agreement (“SPA”) with KUB Malua Plantation Sdn Bhd (“KMP” or “Purchaser”), a wholly owned subsidiary of KUB Malaysia Berhad (“KUB”) to dispose of 3,791 acres of agriculture land held under title Country Lease 095316395 located at Sungai Kinabatangan, District of Kinabatangan, Sabah identified as Pintasan 8, together with all oil palm trees planted and structures erected thereon, for a total cash consideration of RM100,448,621. Collectively known as “Disposal”.

**21. Corporate Proposals (continued)**

The Disposal is subject to and conditional upon the following main conditions:

- a) The Purchaser's satisfaction of the results of the Due Diligence Review, which shall include confirmation from the Purchaser's surveyors that the discrepancy of the planted area within the Property to be no more than two per cent (2%) and that the yield from crops as projected by the Vendor is accurate and achievable;
- b) The Vendor's and the Purchaser's execution in escrow of a sale agreement in respect of the sale of fresh fruit bunches from the Property by the Purchaser to the Vendor and delivery to Pintasan Palm Oil Mill, which is owned by the Vendor or its related company; and
- c) any other conditions as may be imposed or required by law, regulation or Governmental policies, regulations and directives or the relevant State by laws, regulations and directives subsequent to the execution of the SPA.

The conditions are to be fulfilled within the period of 4 months from the date of the SPA, hereinafter referred to as the Conditional Period. In the event that any of the conditions are not fulfilled by the expiry of the Conditional Period, the Conditional Period shall automatically be extended by a further period of 1 month or such longer period(s) as mutually agreed upon in writing by the parties.

The Disposal is not subject to and does not require the approval of the shareholders of Kwantas and is not conditional upon any corporate exercise undertaken or to be undertaken by the Company. The Disposal is expected to be completed by end of year 2017 and the Group is expected to realise an estimated loss on disposal of RM31.5 million.

The Board of Directors is of the opinion that the above Disposals are in the best interest of the Group.

**22. Cash and cash equivalents**

|                                         | <i>As at</i><br><b>31.03.17</b><br><i>RM'000</i> | <i>As at</i><br><b>30.06.16</b><br><i>RM'000</i><br><i>(Audited)</i> |
|-----------------------------------------|--------------------------------------------------|----------------------------------------------------------------------|
| Cash and bank balances                  | 68,842                                           | 64,844                                                               |
| Short-term deposits with licensed banks | 53,800                                           | 3,000                                                                |
| <b>Cash and cash equivalents</b>        | <b>122,642</b>                                   | <b>67,844</b>                                                        |

**23. Retained Earnings**

The breakdown of retained profits of the Group as at 31 March 2017 is as follows:

|                                                                   |                |                |
|-------------------------------------------------------------------|----------------|----------------|
| Total retained earnings of the Company and its subsidiaries:      |                |                |
| - Realised                                                        | 438,955        | 434,410        |
| - Unrealised                                                      | (84,878)       | (85,878)       |
|                                                                   | 354,077        | 348,532        |
| Less: Consolidation adjustments                                   | (170,774)      | (209,657)      |
| <b>Total Group retained earnings as per consolidated accounts</b> | <b>183,303</b> | <b>138,875</b> |

## 24. Borrowings

### Short term borrowings

|             |                |                |
|-------------|----------------|----------------|
| - Secured   | 280,531        | 322,398        |
| - Unsecured | 358,628        | 308,794        |
|             | <b>639,159</b> | <b>631,192</b> |

### Long term borrowings

|           |       |        |
|-----------|-------|--------|
| - Secured | 9,465 | 41,829 |
|-----------|-------|--------|

### Total borrowings

|                |                |
|----------------|----------------|
| <b>648,624</b> | <b>673,021</b> |
|----------------|----------------|

Borrowings denominated in foreign currency:

|                       | USD<br>'000   | RMB<br>'000   | RM'000<br>equivalent |
|-----------------------|---------------|---------------|----------------------|
| United States Dollars | 60,207        | -             | 267,020              |
| Renminbi              | -             | 73,412        | 47,100               |
| <b>Total</b>          | <b>60,207</b> | <b>73,412</b> | <b>314,120</b>       |

The Company has not in compliance with a financial covenant of a licensed bank with a total outstanding balance of RM201,269,356 (30.06.2016: RM212,790,266), 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 31 March 2017, the values and maturity analysis of the outstanding derivatives are as follows:

|                                                          | Contract/Notional<br>Amount<br>RM '000 | Fair Value<br>Gain/(Loss)<br>RM '000 |
|----------------------------------------------------------|----------------------------------------|--------------------------------------|
| i) Forward Currency Contracts<br>- Less than 1 year      | 2,795                                  | (4,089)                              |
| ii) Cross Currency Swap Contracts<br>- 1 year to 3 years | 14,682                                 | 6,595                                |
| iii) Commodity Swap Contracts<br>- Less than 1 year      | -                                      | 211                                  |

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 contracts 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.

**25. Derivative Financial Instruments (continued)**

For the current quarter ended 31 March 2017, 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<sup>th</sup> August 2014. The plaintiff applied for summary judgement and hearing began on 13<sup>th</sup> August 2015. On 18<sup>th</sup> January 2016, the Court dismissed the Summary Judgement application by the plaintiff. The Court has fixed the trial dates from the 6<sup>th</sup> December 2016 until 15<sup>th</sup> December 2016 for the full trial. The trial was to be continued from 6<sup>th</sup> to 10<sup>th</sup> February 2017, 27<sup>th</sup> February to 1<sup>st</sup> March 2017, 9<sup>th</sup> to 10<sup>th</sup> March 2017, 13<sup>th</sup> to 15<sup>th</sup> March 2017, 20<sup>th</sup> to 22<sup>nd</sup> March 2017, 12<sup>th</sup> to 13<sup>th</sup> April 2017, 17<sup>th</sup> to 21 April 2017, 12<sup>th</sup> to 14<sup>th</sup> June 2017 and 5<sup>th</sup> to 7<sup>th</sup> July 2017.

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>3 months ended</i> |                 | <i>9 months ended</i> |                 |
|-----------------------------------------------------------------------------|-----------------------|-----------------|-----------------------|-----------------|
|                                                                             | <i>31.03.17</i>       | <i>31.03.16</i> | <i>31.03.17</i>       | <i>31.03.16</i> |
| Profit/(Loss) for the period attributable to owners of the Company (RM'000) | 20,786                | (10,671)        | 44,428                | (29,245)        |
| Weighted average number of ordinary shares in issue ('000)                  | 311,678               | 311,678         | 311,678               | 311,678         |
| Basic earnings/(loss) per share (sen)                                       | 6.67                  | (3.42)          | 14.25                 | (9.38)          |

**(b) Diluted**

There is no dilution in the earnings per share of the current and previous quarter 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 24 May 2017.