



**Condensed Consolidated Statement of Comprehensive Income
For The Financial Year Ended 30 June 2020**

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

	Note	Individual Period 3 months Ended		Cumulative Period 12 months Ended	
		30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 (Audited) RM'000
Revenue	8	206,201	203,019	882,503	773,665
Cost of sales		(187,624)	(224,696)	(808,539)	(752,337)
Gross profit/(loss)		18,577	(21,677)	73,964	21,328
Other items of income					
Interest income		136	3	917	789
Other operating income		13,738	55	18,583	7,366
Other items of expenses					
Selling expenses		(6,761)	(6,533)	(25,979)	(24,682)
Administrative expenses		(11,859)	680	(48,228)	(45,043)
Other operating expenses		(15,294)	(22,854)	(30,370)	(31,667)
Finance costs		(5,208)	(5,780)	(23,213)	(24,753)
Loss before tax	17	(6,671)	(56,106)	(34,326)	(96,662)
Taxation	20	257	389	(3,243)	(2,986)
Loss for the financial period/year		(6,414)	(55,717)	(37,569)	(99,648)
Other comprehensive income/(loss)					
Item that to be reclassified in subsequent period to profit or loss:					
Foreign currency translation		(2,411)	(1,210)	2,812	(6,019)
Item that will not be reclassified in subsequent period to profit or loss:					
Net surplus on revaluation of leasehold land, buildings, and bearer plants		18,784	37,082	18,784	37,082
		16,373	35,872	21,596	31,063
Total comprehensive income/(loss) for the period/year		9,959	(19,845)	(15,973)	(68,585)
Loss for the period/year attributable to:					
Owners of the Company		(6,641)	(49,842)	(36,179)	(92,458)
Non-controlling interests		227	(5,875)	(1,390)	(7,190)
		(6,414)	(55,717)	(37,569)	(99,648)
Total comprehensive income/(loss) for the period/year attributable to:					
Owners of the Company		9,732	(13,970)	(14,583)	(61,395)
Non-controlling interests		227	(5,875)	(1,390)	(7,190)
		9,959	(19,845)	(15,973)	(68,585)
Loss per share attributable to Owners of the Company (sen):					
Basic	27 (a)	(2.13)	(15.99)	(11.61)	(29.66)

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



Condensed Consolidated Statement of Financial Position

As At 30 June 2020

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

	Note	As at 30.06.2020 RM'000	As at 30.06.2019 (Audited) RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	782,787	1,602,379
Right-of-use assets	9	789,794	-
Investment properties	9	47,330	47,330
Land use rights		-	11,407
		<u>1,619,911</u>	<u>1,661,116</u>
Current Assets			
Inventories		118,569	110,696
Biological assets		5,226	4,803
Trade and non-trade receivables		47,028	43,454
Tax recoverable		-	3,234
Cash and cash equivalents	22	60,923	39,727
		<u>231,746</u>	<u>201,914</u>
TOTAL ASSETS		<u>1,851,657</u>	<u>1,863,030</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		209,566	209,566
Other reserves		648,237	639,899
Retained earnings		249,528	285,598
		<u>1,107,331</u>	<u>1,135,063</u>
Non-controlling interests		(18,047)	(16,657)
Total equity		<u>1,089,284</u>	<u>1,118,406</u>
Non-Current Liabilities			
Loans and borrowings	23	10,365	23,205
Lease liabilities		1,789	-
Deferred tax liabilities		227,522	234,868
		<u>239,676</u>	<u>258,073</u>
Current Liabilities			
Loans and borrowings	23	464,728	431,835
Lease liabilities		1,278	-
Trade and non-trade payables		53,208	54,229
Tax payable		3,192	-
Derivative liabilities	24	291	487
		<u>522,697</u>	<u>486,551</u>
Total liabilities		<u>762,373</u>	<u>744,624</u>
TOTAL EQUITY AND LIABILITIES		<u>1,851,657</u>	<u>1,863,030</u>

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

**Condensed Consolidated Statement of Changes in Equity
For The Financial Year Ended 30 June 2020**

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

	← Attributable to owners of the Company →								Total equity RM'000
	Non-distributable	Distributable	← Non-distributable →				Equity attributable to owners of the Company, Total RM'000	Non-controlling Interests RM'000	
			Share capital RM'000	Retained earnings RM'000	Other reserves total RM'000	Asset revaluation reserve RM'000			
At 1 July 2018	209,566	378,056	597,496	582,945	4,193	10,358	1,185,118	(9,467)	1,175,651
Loss net of tax	-	(92,458)	-	-	-	-	(92,458)	(7,190)	(99,648)
Other comprehensive (loss)/income									
Foreign currency translation	-	-	(6,019)	-	-	(6,019)	(6,019)	-	(6,019)
Revaluation of leasehold land, buildings and bearer plants	-	-	37,082	37,082	-	-	37,082	-	37,082
Transfer from equity of disposal group classified as held for sale	-	-	11,340	11,340	-	-	11,340	-	11,340
	-	-	42,403	48,422	-	(6,019)	42,403	-	42,403
Total comprehensive (loss)/income	-	(92,458)	42,403	48,422	-	(6,019)	(50,055)	(7,190)	(57,245)
At 30 June 2019 (Audited)	209,566	285,598	639,899	631,367	4,193	4,339	1,135,063	(16,657)	1,118,406
At 1 July 2019, as previously reported	209,566	285,598	639,899	631,367	4,193	4,339	1,135,063	(16,657)	1,118,406
Effects of adoption of MFRSs (Note 2)	-	109	(13,258)	(13,258)	-	-	(13,149)	-	(13,149)
At 1 July 2019, as restated	209,566	285,707	626,641	618,109	4,193	4,339	1,121,914	(16,657)	1,105,257
Loss net of tax	-	(36,179)	-	-	-	-	(36,179)	(1,390)	(37,569)
Other comprehensive income									
Foreign currency translation	-	-	2,812	-	-	2,812	2,812	-	2,812
Revaluation of leasehold land, buildings and bearer plants	-	-	18,784	18,784	-	-	18,784	-	18,784
	-	-	21,596	18,784	-	2,812	21,596	-	21,596
Total comprehensive (loss)/income	-	(36,179)	21,596	18,784	-	2,812	(14,583)	(1,390)	(15,973)
At 30 June 2020	209,566	249,528	648,237	636,893	4,193	7,151	1,107,331	(18,047)	1,089,284

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



Condensed Consolidated Statements of Cash Flows
For The Financial Year Ended 30 June 2020
(The figures have not been audited, unless stated otherwise)

	12 months Ended	
	30.06.2020	30.06.2019
	RM'000	(Audited)
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before tax	(34,326)	(96,662)
Adjustments for:		
Allowance on receivables	3	1,470
Amortisation of land use rights	-	317
Bad debts written off	735	16
Depreciation of property, plant and equipment	47,690	64,818
Depreciation of right-of-use assets	11,291	-
Fair value (gain)/loss on derivative financial instruments	(196)	2,123
Fair value (gain)/loss on biological assets	(423)	1,596
Fair value gain on investment properties	-	(1,630)
Gain on disposal of property, plant and equipment	(372)	(235)
Gain on disposal of right-of-use assets	(8,586)	-
Impairment loss on property, plant and equipment	14,952	27,948
Inventories written off	424	-
Property, plant and equipment written off	4,247	1,849
Reversal of impairment allowance on receivables	(5)	-
Unrealised gain on foreign exchange	(4,156)	(77)
Interest expense	23,213	24,753
Interest income	(917)	(789)
Total adjustments	87,900	122,159
Operating cash flows before working capital changes	53,574	25,497
Changes in working capital:		
Change in inventories	(8,297)	1,887
Change in receivables	(686)	(15,611)
Change in payables	(1,021)	(14,901)
Total changes in working capital	(10,004)	(28,625)
Cash flows generated from/(used in) operations	43,570	(3,128)
Interest paid	(23,170)	(24,753)
Income tax paid	(6,030)	(11,675)
Income tax refund	627	3,168
Net cash flows generated from/(used in) operating activities	14,997	(36,388)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(25,797)	(15,871)
Acquisition of right-of-use assets	(196)	-
Proceeds from disposal of property, plant and equipment	803	-
Proceeds from disposal of right-of-use assets	10,876	350
Interest received	917	789
Net cash flows used in investing activities	(13,397)	(14,732)
FINANCING ACTIVITIES		
Drawdown of bankers' acceptances and trust receipts	699,702	623,416
Drawdown of revolving credits	2,896,646	2,788,000
Drawdown of term loans	-	11,596
Repayment of revolving credits	(2,896,000)	(2,763,000)
Repayment of term loans	(13,213)	(19,226)
Repayment of bankers acceptances and trust receipts	(664,482)	(575,300)
Payment of lease liabilities	(1,329)	(671)
Net cash flows generated from financing activities	21,324	64,815
Net change in cash and cash equivalents	22,924	13,695
Effect of exchange rate differences	(1,728)	861
Cash and cash equivalents at beginning of the year	39,727	25,171
Cash and cash equivalents at end of year (Note 22)	60,923	39,727

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

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2020

(The figures have not been audited)

1. Basis of Preparation

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

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2019. These explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2019.

2. Significant Accounting Policies

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

MFRS 16: *Leases*

Amendments to MFRS 9: *Prepayment Features with Negative Compensation*

Amendments to MFRS 119: *Plan Amendment, Curtailment or Settlement*

IC Interpretation 23: *Uncertainty over Income Tax Treatments*

Annual Improvements to MFRS Standards 2015-2017 cycle

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

MFRS 16 Leases

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

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

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

2. Significant Accounting Policies (Continued)

MFRS 16 Leases (Continued)

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

(i) Leases previously classified as operating leases

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

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

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

(ii) Leases previously classified as finance leases

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

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

	<i>As at 30.06.2019</i>	<i>Effects of adoption of MFRS 16</i>	<i>As at 01.07.2019</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
<u>Non-current assets</u>			
Property, plant and equipment	1,602,379	(793,889)	808,490
Land use rights	11,407	(11,407)	-
Right-of-use assets	-	788,669	788,669
	<u>1,613,786</u>	<u>(16,627)</u>	<u>1,597,159</u>
<u>Non-current liabilities</u>			
Loans and borrowings	23,205	(984)	22,221
Lease liabilities	-	1,549	1,549
Deferred tax liabilities	234,868	(4,187)	230,681
<u>Current liabilities</u>			
Loans and borrowings	431,835	(1,081)	430,754
Lease liabilities	-	1,225	1,225
	<u>689,908</u>	<u>(3,478)</u>	<u>686,430</u>
<u>Equity</u>			
Retained earnings	285,598	109	285,707
Other reserves	639,899	(13,258)	626,641
	<u>925,497</u>	<u>(13,149)</u>	<u>912,348</u>

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2020

(The figures have not been audited)

2. Significant Accounting Policies (Continued)

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

<i>Descriptions</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to MFRS 3: Business Combinations – Definition of a Business	1 January 2020
Amendments to MFRS 101: Presentation of Financial Statements and MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Material	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 June 2019 was not qualified.

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial year under review.

5. Changes in Estimates

There were no other material changes in estimates that have had material effects in the current financial year 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 financial year under review.

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2020

(The figures have not been audited)

8. Segmental Information

	<i>Oil palm plantations and palm products</i>		<i>Oleochemical products</i>		<i>Other operating segments</i>		<i>Per consolidated financial statements</i>	
	<i>30.06.20 RM'000</i>	<i>30.06.19 RM'000</i>	<i>30.06.20 RM'000</i>	<i>30.06.19 RM'000</i>	<i>30.06.20 RM'000</i>	<i>30.06.19 RM'000</i>	<i>30.06.20 RM'000</i>	<i>30.06.19 RM'000</i>
3 months ended 30 June (Individual Period)								
Revenue								
External sales	131,095	143,780	75,106	59,239	-	-	206,201	203,019
Total Revenue	131,095	143,780	75,106	59,239	-	-	206,201	203,019
Results								
Interest income	130	(2)	6	5	-	-	136	3
Depreciation	(12,442)	(24,323)	(1,986)	(1,974)	(87)	(211)	(14,515)	(26,508)
Segment loss before tax	(367)	(52,184)	(6,113)	(3,616)	(191)	(306)	(6,671)	(56,106)
Reconciliation								
Segment loss before tax	(367)	(52,184)	(6,113)	(3,616)	(191)	(306)	(6,671)	(56,106)
<u>Add/(Less): Non-cash and provisional items</u>								
Allowance on receivables	3	63	-	-	-	-	3	63
Bad debts written off	120	16	615	-	-	-	735	16
Depreciation of property, plant and equipment and right-of-use assets	12,442	24,323	1,986	1,974	87	211	14,515	26,508
Fair value loss on derivatives	404	721	-	-	-	-	404	721
Fair value loss/(gain) on biological assets	483	(5,815)	-	-	-	-	483	(5,815)
Fair value gain on investment properties	-	(1,630)	-	-	-	-	-	(1,630)
Gain on disposal of property, plant and equipment and right-of-use assets	-	(6)	(8,958)	-	-	-	(8,958)	(6)
Impairment loss on property, plant and equipment	7,879	27,948	7,073	-	-	-	14,952	27,948
Inventories written off	416	-	-	-	-	-	416	-
Property, plant and equipment written off	1,507	1,566	2,740	-	-	-	4,247	1,566
Reversal of impairment allowance on receivables	(5)	-	-	-	-	-	(5)	-
Unrealised foreign exchange (gain)/loss	(4,246)	74	-	-	-	-	(4,246)	74
Total	19,003	47,260	3,456	1,974	87	211	22,546	49,445
Segment profit/(loss) excluding non-cash and provisional items	18,636	(4,924)	(2,657)	(1,642)	(104)	(95)	15,875	(6,661)

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2020

(The figures have not been audited)

8. Segmental Information (Continued)

	<i>Oil palm plantations and palm products</i>		<i>Oleochemical products</i>		<i>Other operating segments</i>		<i>Per consolidated financial statements</i>	
	<i>30.06.20</i>	<i>30.06.19</i>	<i>30.06.20</i>	<i>30.06.19</i>	<i>30.06.20</i>	<i>30.06.19</i>	<i>30.06.20</i>	<i>30.06.19</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>
12 months ended 30 June (Cumulative Period)								
Revenue								
External sales	615,916	593,619	266,587	180,046	-	-	882,503	773,665
Total Revenue	615,916	593,619	266,587	180,046	-	-	882,503	773,665
Results								
Interest income	567	764	350	25	-	-	917	789
Depreciation	(50,585)	(56,444)	(7,674)	(7,845)	(722)	(846)	(58,981)	(65,135)
Segment loss before tax	(11,754)	(71,023)	(21,680)	(24,689)	(892)	(950)	(34,326)	(96,662)
Reconciliation								
Segment loss before tax	(11,754)	(71,023)	(21,680)	(24,689)	(892)	(950)	(34,326)	(96,662)
<u>Add/(Less): Non-cash and provisional items</u>								
Allowance on receivables	3	79	-	1,391	-	-	3	1,470
Bad debts written off	120	16	615	-	-	-	735	16
Depreciation of property, plant and equipment and right-of-use assets	50,585	56,444	7,674	7,845	722	846	58,981	65,135
Fair value (gain)/loss on Derivatives	(196)	2,123	-	-	-	-	(196)	2,123
Fair value (gain)/loss on biological assets	(423)	1,596	-	-	-	-	(423)	1,596
Fair value gain on investment properties	-	(1,630)	-	-	-	-	-	(1,630)
Gain on disposal of property, plant and equipment and right-of-use assets	-	(235)	(8,958)	-	-	-	(8,958)	(235)
Impairment loss on property, plant and equipment	7,879	27,948	7,073	-	-	-	14,952	27,948
Inventories written off	424	-	-	-	-	-	424	-
Property, plant and equipment written off	1,507	789	2,740	1,060	-	-	4,247	1,849
Reversal of impairment allowance on receivables	(5)	-	-	-	-	-	(5)	-
Unrealised foreign exchange gain	(4,156)	(77)	-	-	-	-	(4,156)	(77)
Total	55,738	87,053	9,144	10,296	722	846	65,604	98,195
Segment profit/(loss) excluding non-cash and provisional items								
	43,984	16,030	(12,536)	(14,393)	(170)	(104)	31,278	1,533

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2020

(The figures have not been audited)

9. Carrying Amount of Revalued Assets

During the quarter, the Group has performed its latest revaluation on its property, plant and equipment, investment properties and certain items in the right-of-use assets to conform to the Group's policy. Any revaluation surplus has been credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase shall be recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained profits.

10. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter ended 30 June 2020.

11. Changes in Composition of the Group

The Group had on 06 July 2020 strike off a dormant subsidiary, Kwantas Commodity Trading Sdn Bhd. The striking off have no material effect on the earnings and net asset per share of the Group for the financial year ended 30 June 2020.

12. Capital Commitments

The amount of capital commitments for the plantation development activities not provided for in the financial statements as at 30 June 2020 is as follows:

	<i>RM'000</i>
Approved and contracted for	<u>3,213</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 June 2020 amounted to approximately RM341 million.

14. Subsequent Events

The Company has received a letter from its major shareholder, Mr.Kwan Ngen Wah ("KNW"), requesting the Company to undertake a selective capital reduction and repayment exercise pursuant to Section 116 of the Companies Act, 2016 ("SCR Proposal Letter").

The Board, save for the interested directors, namely KNW, Dato' Chong Kan Hiung, Kwan Jin Nget and Kwan Min Nyet (collectively, "Interested Directors"), will deliberate on the Proposed SCR and decide on the next course of action. Accordingly, a further announcement will be made in due course after the Board's deliberation.

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2020

(The figures have not been audited)

14. Subsequent Events (Continued)

Should the Board (save for the Interested Directors) resolve to table the Proposed SCR to the shareholders of the Company (save for KNW and persons acting in concert with him) for their consideration and approval, and subject to the fulfilment of all the conditions of the Proposed SCR, the Proposed SCR will involve the Company undertaking a selective capital reduction and a corresponding capital repayment of a cash amount of RM1.65 per ordinary share in the Company held by all the shareholders of Kwantas (other than KNW and the Estate of Kwan Ngen Chung), whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Board.

Except as disclosed above, there are no other material events subsequent to the end of the current quarter/year under review.

15. Detailed Analysis of the Performance of All Operating Segments of the Group

The Group's loss before taxation for the current year has reduced by 64% to RM34.5 million (FY2019: RM96.6 million) whilst revenue has increased by 14% to RM882.5 million (FY2019: RM773.7 million).

Oil palm plantations and palm products

Oil palm plantations and palm products segment represents the core business of the Group. This major segment has contributed approximately 70% of the Group's total revenue in the current financial year. Revenue reported from this segment increased by 4% to RM615.9 million in FY2020 (FY2019: RM593.6 million). Loss before taxation has improved significantly by 83% to RM11.8 million in FY2020 (FY2019: Loss of RM71.0 million).

The improvement of the result was due to higher revenue contributed by sales of CPO. The realised average selling price of CPO has increased from RM1,979 per MT in FY2019 to RM2,265 per MT in FY2020. CPO sales volume in FY2020 has increased slightly to 222,095MT compared to 220,334MT in FY2019.

In FY2020, the segment recognised RM50.5 million of depreciation and amortisation of property, plant and equipment as well as RM0.2 million of fair value gain on derivatives mainly arising from the forward currency contracts. The slight decrease in finance costs of the segment in the current year was due to full settlement of certain short-term banking facilities.

As shown in Note 8, the underlying profit to the segment after excluding non-cash and provisional items were RM43.9 million in FY2020 (FY2019: RM16.0 million), representing an improvement of 174 %.

Oleochemical products

Oleochemical products segment remains as a significant business to the Group as it has accounted for approximately 30% of the Group's total revenue in the current financial year. Revenue reported from this segment increased significantly by 48% to RM266.6 million in FY2020 (FY2019: RM180.0 million), mainly due to increased production and trading of Oleochemical products. The volume traded for Oleochemical products has since increased to 99,286 MT in FY2020 (FY2019: 66,682 MT), whilst the average selling price of the Oleochemical products has increased slightly from RM2,687 per MT in FY2019 to RM2,717 per MT in FY2020.

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2020

(The figures have not been audited)

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

Oleochemical products (Continued)

In FY2020, the segment has incurred a loss before taxation of RM21.7 million, a slight improvement from FY2019 loss before taxation of RM24.7 million. Included in current financial year results, a one-off charge of RM15.1 million arising from the loss in Shanghai Hengtong case as explained in Note 25.

As shown in Note 8, the segment made an underlying operating loss of RM12.5 million (FY2019: underlying loss of RM14.4 million) from its business operations after excluding non-cash item such as depreciation and amortisation of property, plant and equipment of RM9.1 million.

16. Comment on Material Change in Loss Before Tax for the Current Quarter as Compared with the Immediate Preceding Quarter

	<i>Current Quarter</i> <i>3 months ended</i> <i>30.06.2020</i> <i>RM'000</i>	<i>Immediate</i> <i>Preceding Quarter</i> <i>3 months ended</i> <i>31.03.2020</i> <i>RM'000</i>	<i>Changes</i> <i>(Amount)</i> <i>RM'000</i>	<i>Changes</i> <i>(%)</i>
Revenue	206,201	219,807	(13,606)	-6.2
Loss before interest and tax	(1,463)	(5,697)	4,234	74.3
Loss before tax	(6,671)	(11,626)	4,955	42.6
Loss after tax	(6,414)	(14,026)	7,612	54.3

The Group reported a loss before tax of RM6.7 million in the current quarter, representing an improvement from the loss before tax of RM11.6 million incurred in immediate preceding quarter (Q3 FY2020). The improvement is due to a one-off charge of RM 15.1 million incurred in Q3 FY2020 arising from a litigation case in China as explained in Note 25.

17. Loss Before Tax

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

	<i>Individual Period</i> <i>3 months ended</i>		<i>Cumulative Period</i> <i>12 months ended</i>	
	<i>30.06.2020</i>	<i>30.06.2019</i>	<i>30.06.2020</i>	<i>30.06.2019</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Allowance on receivables	(3)	(63)	(3)	(1,470)
Amortisation of land use rights	-	(317)	-	(317)
Bad debts written off	(735)	(16)	(735)	(16)
Depreciation of property, plant and equipment	(4,145)	(26,191)	(47,690)	(64,818)
Depreciation of right-of-use assets	(10,370)	-	(11,291)	-
Fair value (loss)/gain on derivative financial instruments	(404)	(721)	196	(2,123)
Fair value (loss)/gain on biological assets	(483)	5,815	423	(1,596)
Fair value gain on investment properties	-	1,630	-	1,630
Gain on disposal of property, plant and equipment	372	6	372	235

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2020

(The figures have not been audited)

17. Loss Before Tax (Continued)

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

	<i>Individual Period</i>		<i>Cumulative Period</i>	
	<i>3 months ended</i>		<i>12 months ended</i>	
	<i>30.06.2020</i>	<i>30.06.2019</i>	<i>30.06.2020</i>	<i>30.06.2019</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Gain on disposal of right-of-use assets	8,586	-	8,586	-
Impairment loss on property, plant and equipment	(14,952)	(27,948)	(14,952)	(27,948)
Inventories written off	(416)	-	(424)	-
Income from legal proceedings	648	-	648	-
Litigation losses	(142)	-	(15,218)	-
Property, plant and equipment written off	(4,247)	(1,566)	(4,247)	(1,849)
Reversal of impairment allowance on receivables	5	-	5	-
Realised foreign exchange losses	(1,454)	(3,745)	(4,357)	(883)
Unrealised foreign exchange gain/(losses)	4,246	(74)	4,156	77
Interest income	136	3	917	789
Interest expense	(5,208)	(5,780)	(23,213)	(24,753)

18. Commentary on Prospects

The rapid spread of the COVID-19 pandemic has exerted a negative impact on Malaysia palm oil industry, pushing down global demand of palm oil and suppressing CPO price. The Movement Control Order (“MCO”) imposed by the Malaysian government in the middle of March has also affected the Group’s FFB and CPO Production. However, the industry has seen a recovery in CPO price in second half of 2020 due to gradual improving global consumption and low inventory level after the Covid-19 pandemic. The Group’s production has also gradually recovered post MCO period. With forward price hedging strategies and effective cost control, the management anticipates that the Group’s oil palm plantations segments would continue to contribute positive margins to the Group for the next financial year.

The Group’s oleochemical plant in China had not been able to run in full capacity due to the Spring festival and the subsequent lockdown of the major cities due to the Covid-19 pandemic. Nonetheless, through the management’s intensive restructuring, the Group sees a major improvement in oleochemical segment with a surge of 48% in revenue in the current financial year, contributing to 30% of the Group’s total revenue. The management anticipates the positive outlook from this segment will carry on to the next financial year.

The management is closely monitoring the evolving situation of the COVID-19 pandemic and will take appropriate action to minimise the possible financial and operational impacts caused by the Covid-19 pandemic.

19. Profit Forecast or Profit Guarantee

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

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2020

(The figures have not been audited)

20. Income Tax Expense

	<i>Individual Period</i>		<i>Cumulative Period</i>	
	<i>3 months ended</i>		<i>12 months ended</i>	
	<i>30.06.2020</i>	<i>30.06.2019</i>	<i>30.06.2020</i>	<i>30.06.2019</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Current income tax:				
- Malaysian income tax	(7,830)	(1,528)	(11,830)	(5,403)
Reversal of deferred tax	8,087	1,917	8,587	2,417
Total income tax expense	257	389	(3,243)	(2,986)

The effective tax rate for the current quarter was higher than the statutory income tax rate of 24% (Q4 FY2019: 24%) principally due to non-deductible expenses for tax purposes, which include fair value loss on biological assets and unrealised foreign exchange differences. The reversal of deferred tax in the current quarter was due to the availability of deductible temporary differences arising from capital allowances in certain subsidiaries.

21. Corporate Proposals

There are no other corporate proposals announced but not completed as at 26 August 2020.

22. Cash and Cash Equivalents

	<i>As at</i>	<i>As at</i>
	<i>30.06.2020</i>	<i>30.06.2019</i>
	<i>RM'000</i>	<i>(Audited)</i>
	<i>RM'000</i>	<i>RM'000</i>
Cash and bank balances	54,223	21,627
Short-term deposits with licensed banks	6,700	18,100
Cash and cash equivalents	60,923	39,727

23. Loans and borrowings

	<i>As at 30.06.2020</i>			<i>As at 30.06.2019 (Audited)</i>		
	<i>Denominated in foreign currency RM'000</i>	<i>Denominated in RM RM'000</i>	<i>Total RM'000</i>	<i>Denominated in foreign currency RM'000</i>	<i>Denominated in RM RM'000</i>	<i>Total RM'000</i>
<u>Long term</u>						
<u>Secured</u>						
Hire purchase*	-	-	-	-	984	984
Term loan	-	10,365	10,365	-	22,221	22,221
Total	-	10,365	10,365	-	23,205	23,205
<u>Short term</u>						
<u>Secured</u>						
Hire purchase*	-	-	-	-	1,081	1,081
Term loan	-	14,400	14,400	-	15,757	15,757
Banker acceptance	30,449	162,233	192,682	34,064	123,933	157,997
Revolving credits	-	257,646	257,646	-	257,000	257,000
Total	30,449	434,279	464,728	34,064	397,771	431,835
Total borrowings	30,449	444,644	475,093	34,064	420,976	455,040

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

Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2020

(The figures have not been audited)

24. Derivative Liabilities

As at 30 June 2020, the values and maturity analysis of the outstanding derivatives liabilities are as follows:

	<i>Contract/ Notional Amount RM '000</i>	<i>Fair Value Gain/(Loss) RM '000</i>
i) Forward Currency Contracts - Less than 1 year	265	396
ii) Commodity Swap Contracts - Less than 1 year	(556)	(200)
Net Total	(291)	196

The Group had entered into forward currency contracts and commodity swap, options and future contracts to manage some of the transactions exposure to foreign exchange fluctuations and commodity price fluctuations respectively. These contracts were not designated as cash flow or fair value hedges and were entered into for periods consistent with currency transaction exposures and fair value changes exposure.

With the adoption of MFRS 9, the derivative financial instruments are initially stated at fair value on contract dates and are subsequently re-measured at fair value through profit or loss. The resulting gain or loss from the re-measurement is recognised in the statement of profit or loss.

For the current year ended 30 June 2020, 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.

25. Material Litigation

a) Inno Integrasi

A Writ of Summons dated 27 June 2014 was filed by Inno Integrasi Sdn. Bhd. (Plaintiff or Appellant) and served to Kwantas Oil Sdn. Bhd. (KOSB or Respondent), a wholly-owned subsidiary of the Company, whereby the plaintiff claimed for loss of profit of approximately RM66,900,000 for the alleged breached/repudiation of agreements entered into by plaintiff with KOSB in relation to the supply of organic palm wastes together with land leased by KOSB to the plaintiff, and in return, plaintiff will process the organic palm wastes to become bio-organic fertilizer (BF) and re-sell to KOSB. KOSB filed its Statement of Defence and Counterclaim on 5 August 2014.

KOSB has however counterclaimed against the plaintiff for outstanding rental, dismantling of plaintiff's plant and possession of the land being occupied by the plaintiff, and damages and declarative reliefs against the plaintiff.

Based on the court order dated 21 December 2017, the High Court adjudged that the plaintiff's claim is dismissed and shall forthwith pay the defendant costs of RM150,000 subject to payment of allocator fee. The plaintiff has appealed against the High Court's decision in dismissing the RM66,900,000 claims against KOSB and in allowing KOSB's counterclaim in the Court of Appeal. Based on the court order dated 18 June 2020, the Court of Appeal adjudged that the Appellant's appeal is dismissed with costs of RM30,000 being ordered against the Appellant.

On 10 July 2020, the Appellant has filed for a leave in application to appeal in the Federal Court in respect of the above claim. The date of case management in respect of the appeal by the Appellant in Federal Court has been fixed on 12 November 2020.

25. Material Litigation (continued)

b) Shanghai Hengtong

- (i) A Writ of Summons dated 11 September 2018 was filed by Shanghai Hengtong Energy Development Co. Ltd. ("SHT") and served to Dongma Palm Industries (Zhangjiagang) Co. Ltd. ("DMPI"), a wholly-owned subsidiary of the Company, whereby SHT claimed for loss of profit on termination of contract plus interest of RMB33,718,397.05 (equivalent to approximately RM20,399,630) in respect of a Processing Contract and its Supplemental Agreement (together "the Contract") entered into between SHT and DMPI on 27 September 2017 and 19 December 2017 respectively to process 10,000 MT of palm stearin per month on behalf of SHT by DMPI. The legal proceedings have commenced on 24 October 2018 and DMPI has appointed a solicitor in Shanghai, People's Republic of China to represent DMPI in the legal suit.

Based on the judgement from Shanghai Pudong New Area People's Court ("the Court") received on 24 October 2019, the Court adjudged that DMPI shall compensate SHT RMB24,436,768 (equivalent to approximately RM14,725,596) as damages within 10 days after the judgement takes effect and the Court costs of RMB201,862 (equivalent to approximately RM121,642) shall be borne by DMPI. DMPI had on 18 December 2019 filed an application of appeal to Shanghai No.1 Intermediate Court ("the Intermediate Court") to revoke the entire judgment made by the earlier Court, as well as to rebut SHT's Statement of Claim in whole or to be re-trial.

DMPI had received the statement of judgment relating to the appeal on 14 February 2020, where the Intermediate Court had ordered the appeal to be dismissed and had upheld the decision of the original judgment on 24 October 2019 as decided by the earlier Court. DMPI lost the appeal and had become liable to compensate SHT on litigation sum of RMB24,436,767.54. The Company had fully settled the litigation sum, as well as the Court's costs and charges of RMB293,901.02 incurred in the current quarter (equivalent to approximately RM15.22 million).

DMPI had subsequently applied and filed for a petition to retrial SHT's claim against DMPI in respect of the above lost appeal on 21 August 2020 at the Higher Court of Shanghai.

- (ii) DMPI had on 10 December 2018 filed a Statement of Counterclaim against SHT in respect of the Contract entered into between SHT and DMPI on 27 September 2017 and 19 December 2017 respectively to process 10,000 MT of palm stearin per month. DMPI claimed for RMB26,715,302.55 (equivalent to approximately RM16,184,130) on loss of profits and outstanding receivables due to non-performance of terms and conditions by SHT.

DMPI had on 24 October 2019, received the judgement from the Court regarding the Counterclaim filed on 10 December 2018. The Court adjudged that SHT shall compensate DMPI the processing fee and interest loss amounted to RMB734,690 (equivalent to approximately RM442,724) within 10 days after the judgement takes effect and DMPI should bear the Court costs of RMB164,228 (equivalent to approximately RM98,964). All other claims filed by DMPI in the Statement of Counterclaim were dismissed by the Court. Thereafter, DMPI had on 14 February 2020 submitted an application of appeal to the Intermediate Court to revoke the entire judgment made by the earlier Court, as well as to appeal against the whole Statement of Counter-Claim.

25. Material Litigation (continued)

b) Shanghai Hengtong (continued)

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

The Company had received the full compensation of RMB 1,050,985.75 (approximately RM0.65 million) from SHT on 14 July 2020, and had on 13 August 2020 satisfied all obligations of delivering products to SHT previously held under lien, as per the judgment from the Intermediate Court.

c) Technopalm

A Writ of Summons and Statement of Claim dated 28 February 2019 was filed by Technopalm Resources Sdn. Bhd. (“TRSB”) and served to Kwantas Plantations Sdn. Bhd. (“KPSB”), a wholly-owned subsidiary of the Company, whereby TRSB claimed for outstanding sum of work done being RM557,089 plus interest at the rate of 5% per annum calculated from the date of judgement to the date of full payment and to recover other costs incurred for the filing of this Writ. KPSB has filed its Statement of Defence and Counterclaim against TRSB for loss and damages suffered as a result of the unsatisfactory works by TRSB for land and oil palm nursery development on 29 April 2019. Due to the recent Movement Control Order (“MCO”), the date of hearing of the case had originally fixed on April 2020 was subsequently postponed and a new date of hearing was yet to be fixed by the Court.

26. Dividend

No interim dividend has been declared for the financial period/year ended 30 June 2020.

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(The figures have not been audited)

27. Loss Per Share

(a) Basic

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

	<i>Individual Period</i>		<i>Cumulative Period</i>	
	<i>3 months ended</i>	<i>3 months ended</i>	<i>12 months ended</i>	<i>12 months ended</i>
	<i>30.06.2020</i>	<i>30.06.2019</i>	<i>30.06.2020</i>	<i>30.06.2019</i>
Loss for the period/year attributable to Owners of the Company (RM'000)	(6,641)	(49,842)	(36,179)	(92,458)
Weighted average number of ordinary shares in issue ('000)	311,678	311,678	311,678	311,678
Basic loss per share (sen)	(2.13)	(15.99)	(11.61)	(29.66)

(b) Diluted

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

28. Significant Related Party Transactions

The significant related party transactions set out below were carried out in the normal course of business and on terms and conditions no more materially different from those obtainable in transactions with unrelated parties.

<i>Name of related parties</i>	<i>Type of transaction</i>	<i>12 months ended</i>	
		<i>30.06.2020</i>	<i>30.06.2019</i>
		<i>RM'000</i>	<i>RM'000</i>
With companies which have common Directors with the Company and in which certain Directors of the Company have financial interests:			
Lahad Datu Tyres Sdn. Bhd.	Purchase of tyres, batteries, lubricants and general servicing	(1,310)	(1,487)
Fordeco Sdn. Bhd.	Provision of general servicing and supply of spare parts	(6,496)	(6,807)
Petrolmax Borneo Sdn. Bhd.	Purchase of diesel	(7,268)	(9,020)
Bina Segama Sdn. Bhd.	Purchase of lubricants and transportation services	(933)	(717)
Fordeco Construction Sdn. Bhd.	Construction costs/materials and hiring of machineries and equipments	(4,096)	(5,078)
Kwan Ah Hee & Sons Realty Sdn. Bhd.	Rental	(388)	(380)
Miyasa Sdn. Bhd.	Purchase of fresh fruit bunches	(3,266)	(2,862)
Sri Bandaran Sdn. Bhd.	Purchase of fresh fruit bunches	(610)	(911)
Fordeco Plantations Sdn. Bhd.	Purchase of fresh fruit bunches	(2,174)	(1,971)
Cindai Development Sdn. Bhd.	Purchase of fresh fruit bunches	(1,465)	(1,475)

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(The figures have not been audited)

29. Group Statistics

	<i>Unit</i>	<i>Cumulative Period</i>	
		<i>30.06.2020</i>	<i>30.06.2019</i>
<u>PLANTATION</u>			
Oil Palm Area			
Mature	<i>hectare</i>	15,805	16,308
Immature	<i>hectare</i>	3,633	3,357
Total planted area	<i>hectare</i>	19,438	19,665
FFB			
Production	<i>tonnes</i>	267,041	288,671
Yield per mature hectare	<i>tonnes</i>	16.9	17.7
Average selling price per tonne	<i>RM</i>	437	349
<u>MILLS, REFINERY AND OLEOCHEMICAL</u>			
Extraction Rates			
Crude palm oil (CPO)	<i>%</i>	21.2	20.7
Palm kernel (PK)	<i>%</i>	4.8	5.1
Production			
Crude palm oil (CPO)	<i>tonnes</i>	96,475	107,610
Palm kernel (PK)	<i>tonnes</i>	21,724	26,394
Oleochemical products	<i>tonnes</i>	96,015	58,384
Trading			
Crude palm oil (CPO)	<i>tonnes</i>	222,095	220,334
Crude palm kernel oil (CPKO)	<i>tonnes</i>	23,497	26,698
Oleochemical products	<i>tonnes</i>	96,286	66,682
Average Selling Price (Per Tonne)			
Crude palm oil (CPO)	<i>RM per Tonne</i>	2,265	1,979
Crude palm kernel oil (CPKO)	<i>RM per Tonne</i>	2,768	2,955
Oleochemical products	<i>RM per Tonne</i>	2,717	2,687

30. Authorisation for Issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 August 2020.