

KRETAM HOLDINGS BERHAD

(Company No.: 168285 - H)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DEC 2016

This interim financial report is unaudited and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2015.

A. CONDENSED CONSOLIDATED INCOME STATEMENT

| | CURRENT QUARTER | | CUMULATIVE | |
|---|---------------------------|---------------|-----------------------------|----------------|
| | Quarter ended 31 Dec 2016 | 2015 | 12 months ended 31 Dec 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| CONTINUING OPERATIONS:- | | | | |
| Revenue | 109,948 | 118,855 | 377,988 | 408,159 |
| Cost of sales and services | (76,795) | (81,957) | (297,190) | (345,667) |
| Gross profit | 33,153 | 36,898 | 80,798 | 62,492 |
| Selling and distribution costs | (7,432) | (14,671) | (29,292) | (33,557) |
| | 25,721 | 22,227 | 51,506 | 28,935 |
| Other income | 3,351 | 454 | 5,752 | 7,522 |
| Administrative expenses | (5,945) | (9,100) | (17,355) | (19,792) |
| Other expenses | (2,980) | (2,167) | (2,432) | (10,039) |
| | 20,147 | 11,414 | 37,471 | 6,626 |
| Finance costs | (1,218) | (1,243) | (5,652) | (5,544) |
| Profit/(loss) before taxation | 18,929 | 10,171 | 31,819 | 1,082 |
| Taxation | (6,512) | (1,751) | (11,613) | (6,004) |
| Profit/(loss) after taxation | 12,417 | 8,420 | 20,206 | (4,922) |
| Profit/(loss) after taxation attributable to:- | | | | |
| Shareholders of the Company | 12,345 | 8,414 | 20,275 | (4,825) |
| Non-Controlling Interests | 72 | 6 | (69) | (97) |
| | 12,417 | 8,420 | 20,206 | (4,922) |
| EARNINGS/(LOSS) PER SHARE (EPS):- | Sen | Sen | Sen | Sen |
| Basic EPS | 0.60 | 0.45 | 1.04 | (0.26) |
| Diluted EPS | 0.60 | 0.37 | 1.05 | (0.19) |

B. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | CURRENT QUARTER | | CUMULATIVE | |
|--|----------------------|--------------|------------------------|----------------|
| | Quarter ended 31 Dec | | 12 months ended 31 Dec | |
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit/(loss) after taxation | 12,417 | 8,420 | 20,206 | (4,922) |
| Other Comprehensive Income (OCI) | 0 | | 0 | |
| Income tax relating to components of OCI | 0 | | 0 | |
| Other Comprehensive Income net of tax | 0 | 0 | 0 | 0 |
| Total Comprehensive Income/(loss) | 12,417 | 8,420 | 20,206 | (4,922) |
| Total Comprehensive Income/(loss) attributable to:- | | | | |
| Shareholders of the Company | 12,345 | 8,414 | 20,275 | (4,825) |
| Non-Controlling Interests | 72 | 6 | (69) | (97) |
| | 12,417 | 8,420 | 20,206 | (4,922) |

C. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As at 31.12.2016 RM'000 | As at 31.12.2015 RM'000 |
|---|--|--|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment and land use rights | 507,039 | 522,300 |
| Investment property | 630 | 636 |
| Biological assets | 400,120 | 400,069 |
| Intangible assets | 42,777 | 42,777 |
| Trade & other receivables | 4,535 | 6,272 |
| CURRENT ASSETS | | |
| Inventories | 137,395 | 84,610 |
| Receivables | 37,989 | 44,809 |
| Tax refundable | 11,447 | 16,793 |
| Derivatives | 0 | 95 |
| Cash and bank balances | 95,536 | 59,905 |
| | 282,367 | 206,212 |
| Assets held for sale | 2,929 | 2,959 |
| | 285,296 | 209,171 |
| CURRENT LIABILITIES | | |
| Payables | 49,385 | 45,719 |
| Loans and borrowings | 125,927 | 77,609 |
| Derivatives | 1,725 | 1,508 |
| Dividend Payable | 23,277 | 0 |
| Income tax payable | 62 | 167 |
| | 200,376 | 125,003 |
| Liabilities associated with disposal group | 1 | 1 |
| | 200,377 | 125,004 |
| NET CURRENT ASSETS | 84,919 | 84,167 |
| NON-CURRENT LIABILITIES | | |
| Payables | 0 | 0 |
| Loans and borrowings | 26,429 | 36,161 |
| Deferred taxation | 91,570 | 95,338 |
| | 922,021 | 924,722 |
| EQUITY | | |
| Equity attributable to shareholders of the Company | | |
| Share capital | 465,525 | 375,003 |
| Share premium reserve | 280,942 | 169,593 |
| Equity component of ICPS | 0 | 201,423 |
| Revaluation reserve | 35,362 | 35,362 |
| Other reserves | (308) | (308) |
| Retained profits | 138,240 | 141,242 |
| | 919,761 | 922,315 |
| Equity attributable to non-controlling interests | 2,260 | 2,407 |
| | 922,021 | 924,722 |
| NET ASSETS PER SHARE | <u>Sen</u> 39.5 | <u>sen</u> 49.2 |

D. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | EQUITY ATTRIBUTABLE TO:- | | | | | TOTAL EQUITY RM'000 |
|---|-----------------------------|--------------------|-------------------------------|--|-----------------|---------------------------|
| | Shareholders of the Company | | | Non- controlling Interests RM'000 | TOTAL RM'000 | |
| | Share Capital RM'000 | Reserves RM'000 | Retained Profits RM'000 | | | |
| <u>CURRENT YEAR TO DATE:</u> | | | | | | |
| At 1 January 2016 | 375,003 | 406,070 | 141,242 | 922,315 | 2,407 | 924,722 |
| Conversion of ICPS* into ordinary shares | 90,522 | (90,074) | 0 | 448 | 0 | 448 |
| Total Comprehensive Income/(loss) for the period | 0 | 0 | 20,275 | 20,275 | (69) | 20,206 |
| Proposed dividend | 0 | 0 | (23,277) | (23,277) | 0 | (23,277) |
| Dividend paid to non-controlling interests | 0 | 0 | 0 | 0 | (78) | (78) |
| At 31 December 2016 | 465,525 | 315,996 | 138,240 | 919,761 | 2,260 | 922,021 |
| <u>PREVIOUS YEAR CORRESPONDING PERIOD:</u> | | | | | | |
| At 1 January 2015 | 375,003 | 406,378 | 145,759 | 927,140 | 2,805 | 929,945 |
| Total Comprehensive Income/(loss) for the period | 0 | 0 | (4,825) | (4,825) | (103) | (4,922) |
| Reserves attributable to disposal group classified as held for sale | 0 | (308) | 308 | 0 | 0 | 0 |
| Dividend paid to non-controlling interests | 0 | 0 | 0 | 0 | (301) | (301) |
| At 31 December 2015 | 375,003 | 406,070 | 141,242 | 922,315 | 2,407 | 924,722 |

* - ICPS: Irredeemable Convertible Preference Shares

The Reserves are not distributable.

E. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | 12 months ended 31 Dec | |
|--|-------------------------------|------------------------|
| | 2016 RM'000 | 2015 RM'000 |
| Cash flows from operating activities | | |
| Profit/(loss) before taxation from continuing operations | 31,819 | 1,082 |
| <u>Adjustments for:-</u> | | |
| Depreciation and amortisation | 35,599 | 35,774 |
| Interest income | (1,068) | (932) |
| Finance costs | 5,652 | 5,544 |
| Loss / (Gain) on Disposal of Assets | (28) | 0 |
| Unrealised loss on derivatives | 1,725 | 1,235 |
| Others | 0 | 194 |
| Changes in working capital | (41,604) | (2,720) |
| Income taxes paid, net of refunds | (10,143) | 2,188 |
| Interest received | 1,062 | 932 |
| Interest paid | (5,635) | (5,230) |
| | 17,378 | 38,067 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (20,223) | (15,583) |
| Proceeds from disposal of property plant and equipment | 188 | 47 |
| Addition to Biological Assets | (524) | (752) |
| Withdrawal/(placement) of fixed deposits of longer-term tenure | 903 | (61) |
| | (19,656) | (16,349) |
| Cash flows from financing activities | | |
| Net drawdown/(repayment) of finance lease obligations | (316) | (1,519) |
| Net drawdown/(repayment) of revolving credit and term loan | 41,006 | (21,896) |
| Payment of dividends to non-controlling interests | (1,878) | (301) |
| | 38,812 | (23,716) |
| Increase/(decrease) in cash and cash equivalents | 36,534 | (1,998) |
| Cash and cash equivalents at the beginning of the year | 58,677 | 60,675 |
| Cash and cash equivalents at the end of the period | 95,211 | 58,677 |
| Cash and cash equivalents comprise the following: | | |
| Cash and bank balances | 95,536 | 59,905 |
| less: Fixed deposits with maturity of more than 3 months | (325) | (1,228) |
| | 95,211 | 58,677 |

1. ACCOUNTING POLICIES

The interim financial statements are prepared as required by Paragraph 9.22 of the Bursa Malaysia Listing Requirements and comply with Financial Reporting Standard FRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (MASB).

(a) Changes to Accounting Policies

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the audited financial statements for the year ended 31 December 2015 except for the adoption of the following new and revised Financial Reporting Standards (“FRSs”; “FRS” when referred to in the singular) and IC Interpretations which became applicable beginning from the Group’s financial year ending 31 December 2016:

Annual Improvements to FRSs 2012 – 2014 Cycle

Amendments to FRS 116 and FRS 138: *Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to FRS 10 and FRS 128: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to FRS 11: *Accounting for Acquisitions of Interests in Joint Operations*

Amendments to FRS 127: *Equity Method in Separate Financial Statements*

Amendments to FRS 101: *Disclosure Initiatives*

Amendments to FRS 10, FRS 12 and FRS 128: *Investment Entities: Applying the Consolidation Exception*

FRS 14: *Regulatory Deferral Accounts*

The new and revised FRSs and IC Interpretations did not have any significant impact on the Group’s results and financial position upon their initial application.

(b) Malaysian Financial Reporting Standards (“MFRS”) and MFRS Framework

On 19 November 2011 the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”) which is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, except for entities that are within the scope of MFRS 141 *Agriculture* and IC Interpretation 15 *Agreements for Construction of Real Estate*, including their parents, significant investors and venturers (collectively referred to as “Transitioning Entities”). Transitioning Entities are allowed to defer adoption of the MFRS Framework and continue to use the existing FRS framework until the MFRS Framework is mandated by the MASB.

As announced by the MASB on 28 October 2015, Transitioning Entities shall be required to apply the MFRS Framework for annual periods beginning on or after 1 January 2018.

The Group falls within the definition of Transitioning Entities and has elected to defer adoption of the MFRS Framework. Consequently, the Group will apply the MFRS Framework for the first time in its financial statements for the year ending 31 December 2018. In presenting its first set of financial statements under the MFRS Framework, the Group will be required to restate its comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required to be made on transition will be made, retrospectively, against opening retained earnings.

2. SEASONAL OR CYCLICAL FACTORS

The Group's production from its plantations generally experiences an "up-down" cycle once a year, with low production usually in the early part of the year, and peak production in the final quarter of the year.

3. SIGNIFICANT ITEMS/EVENTS

On 4 July 2016 the Company converted 92,608,695 Irredeemable Convertible Preference Shares (ICPS) of RM0.20 each into the same number of ordinary shares of RM0.20 each.

On 9 December 2016, the Company converted the last 360,000,000 Irredeemable Convertible Preference Shares (ICPS) of RM0.20 each into the same number of ordinary shares of RM0.20 each.

4. MATERIAL CHANGES IN ACCOUNTING ESTIMATES

During the period under review, there were no:

- (i) material changes in estimates of amounts reported in the previous interim periods of the current financial year; and
- (ii) material changes in estimates of amounts reported in prior financial years.

5. DEBT AND EQUITY SECURITIES

There were no cancellations, repurchases, resale and repayments of debt and equity securities during the period under review.

6. PAYMENT OF DIVIDENDS

The Company did not pay any dividends during the period under review.

7. SEGMENT REVENUE AND RESULTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

| | Plantation & Mill | Refinery | Elimi- nation | TOTAL |
|---|----------------------------------|-----------------|--------------------------|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>REVENUES AND RESULTS:-</u> | | | | |
| Segment Revenue - external | 117,482 | 260,506 | 0 | 377,988 |
| Inter-segment revenue | 103,404 | 0 | (103,404) | 0 |
| | <u>220,886</u> | <u>260,506</u> | <u>(103,404)</u> | <u>377,988</u> |
| Segment results | <u>52,344</u> | <u>(10,955)</u> | <u>(7,256)</u> | <u>34,133</u> |
| Unallocated Items:- | | | | |
| Other income | | | | 585 |
| Corporate expenses | | | | (2,756) |
| Finance costs | | | | (143) |
| Profit before taxation from continuing operations | | | | <u>31,819</u> |
| Taxation | | | | <u>(11,613)</u> |
| Profit after taxation from continuing operations | | | | <u>20,206</u> |
| <u>ASSETS:-</u> | | | | |
| Segment assets | <u>900,344</u> | <u>303,244</u> | | 1,203,588 |
| Unallocated assets | | | | 33,880 |
| Assets classified as held for sale | | | | 2,929 |
| Total assets | | | | <u>1,240,397</u> |

8. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The valuations of leasehold land, plantations and buildings have been brought forward, without amendment from the previous audited financial statements (for the year ended 31 December 2015).

9. SUBSEQUENT EVENTS

As at the date of this report, there were no other material events which arose subsequent to the end of the period under review.

10. EFFECT OF CHANGES IN THE COMPOSITION OF THE GROUP

During the period under review there were no:

- (a) acquisitions or disposals of subsidiaries; and
- (b) discontinued operations.

11. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS SINCE THE LAST FINANCIAL YEAR

There were no changes in contingent liabilities or contingent assets since 31 December 2015.

G. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

12. REVIEW OF PERFORMANCE

The Group achieved total revenue of RM378.0 million (FY 2015: RM408.2 million) and a pre-tax gain of RM31.8 million (FY 2015: pre-tax gain of RM1.1 million).

Commentary on the performance of the operating segments of the Group is as follows:-

(a) Plantations and Mills

As shown in Note 7, the Group's plantation and mill operations achieved revenues (including inter-segment revenues) of RM220.9 million (FY 2015: RM243.8 million), and pre-tax gain of RM52.3 million (FY 2015: RM27.6 million). These should be seen in the context of information presented in the tables below:

Table A: Crude palm oil (CPO and palm kernel (PK) prices – Sabah MPOB* average

| | CPO | | PK | |
|-----------|----------|----------|----------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| January | 2,181.00 | 2,253.00 | 1,795.00 | 1,525.50 |
| February | 2,385.50 | 2,223.50 | 1,900.50 | 1,642.50 |
| March | 2,583.50 | 2,200.50 | 2,117.50 | 1,720.50 |
| April | 2,617.50 | 2,130.50 | 2,319.00 | 1,536.50 |
| May | 2,594.00 | 2,141.00 | 2,241.00 | 1,479.50 |
| June | 2,541.00 | 2,246.50 | 2,400.50 | 1,444.50 |
| July | 2,304.00 | 2,175.50 | 2,281.50 | 1,409.50 |
| August | 2,567.50 | 1,935.00 | 2,510.50 | 1,164.00 |
| September | 2,824.50 | 1,977.00 | 2,741.50 | 1,292.50 |
| October | 2,739.50 | 2,207.50 | 2,437.00 | 1,635.00 |
| November | 2,831.00 | 2,089.00 | 2,845.00 | 1,504.50 |
| December | 3,131.50 | 2,065.00 | 3,291.50 | 1,571.00 |

Table B: Output indicators, and comparison with industrial average

| | 4th Quarter | | | Year to Date | | |
|--------------------------------|-------------|--------|----------|--------------|---------|----------|
| | 2016 | 2015 | % change | 2016 | 2015 | % change |
| FFB Production (mt) | 82,122 | 95,871 | -14.3% | 298,731 | 348,681 | -14.3% |
| FFB Yield (mt/hectare): | | | | | | |
| The Group's estates | 4.46 | 5.34 | -16.6% | 16.21 | 19.44 | -16.6% |
| MPOB Sabah average | 4.57 | 5.34 | -14.4% | 17.10 | 19.99 | -14.5% |
| Oil Extraction Rate: | | | | | | |
| The Group's palm oil mills | 20.72% | 22.08% | -6.2% | 20.86% | 21.54% | -3.1% |
| MPOB Sabah average | 21.12% | 21.95% | -3.7% | 21.11% | 21.57% | -2.1% |

* - MPOB: Malaysian Palm Oil Board

The higher revenue and pre-tax results compared to the previous year's corresponding period is mainly due to higher CPO and PK prices throughout year of 2016 which have helped to provide a healthy pre-tax gain compared to previous year's corresponding period.

(b) Refinery

Also as shown in Note 7, the Group's refinery operations achieved revenues of 260.5 million (FY 2015: RM284.0 million) and suffered a pre-tax loss of RM11.0 million (FY 2015: pre-tax loss of RM23.4 million). Refinery pre-tax loss has narrowed significantly compared to previous year's corresponding period mainly due to higher commodities prices, where products were sold at a better profit margin.

13. COMPARISON WITH THE PREVIOUS QUARTER'S RESULTS

The following is a summary based on the two respective quarters' condensed consolidated income statements:

| | Current Quarter RM'000 | Previous Quarter RM'000 |
|--|---------------------------------------|--|
| <u>CONTINUING OPERATIONS:-</u> | | |
| Revenue | 109,948 | 145,929 |
| Cost of sales and services, including distribution | (84,227) | (124,788) |
| | <u>25,721</u> | <u>21,141</u> |
| Other income | 3,351 | 870 |
| Administrative, finance and other expenses | (10,143) | (6,616) |
| Profit/(loss) before taxation from continuing operations | <u>18,929</u> | <u>15,395</u> |

Lower revenue (correspondingly cost of sales) was mainly due to lower FFB output at the estates and such effect was reversed by higher commodities prices.

14. CURRENT YEAR PROSPECTS

The nationwide CPO production for 2016 was around 13% lower than that of 2015. The nation's palm oil stocks also fell from the November 2015 all-time-high of 2.91 million tonnes to 1.67 million tonnes at the end of 2016.

Throughout the year, CPO prices had been trending upwards and were around RM3,100 level at the end of 2016. The El Nino effect which had subdued FFB production for the 1st half of the year, was mostly reversed by higher FFB production in the 2nd half of the year. The uptrend in commodity prices has also improved the overall performance of the refinery operations.

For 2017, CPO prices in January had been trading at above RM3,000 level and is extending its trend into February. While this is encouraging, the commodity prices must remain favourable and FFB/CPO production increased, for results in 2017 to show an improvement over those in 2016.

15. ACHIEVEMENT OF REVENUE/PROFIT ESTIMATES, FORECASTS AND/OR INTERNAL TARGETS

Not applicable as the Company did not provide any revenue or profit estimate, forecast or projection, and did not publish any internal targets, in any public document.

16. EXPLANATION OF VARIANCES FROM PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as the Company did not provide any profit forecast or guarantee, in any public document.

17. TAXATION

| | Quarter ended <u>31.12.2016</u> RM'000 | 12 months ended <u>31.12.2016</u> RM'000 |
|--|---|---|
| Provision in respect of results for the current quarter/period | 5,783 | 15,404 |
| Overprovision for taxation in respect of previous years | 18 | (22) |
| Deferred taxation | 711 | (3,769) |
| | <u>6,512</u> | <u>11,613</u> |

The Group's effective rate of taxation is significantly higher than the 24% statutory rate mainly due to losses incurred in its refinery operations, for which no deferred tax assets have been recognized.

18. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT YET COMPLETED

(a) Proposed Employees' Share Option Scheme ("ESOS")

The Company has not implemented the ESOS since the date all the necessary approvals were obtained.

(b) Bulking Joint Venture Agreement ("BJVA")

On 7 July 2014 Usaha Dimega Sdn Bhd ("UDSB"), a subsidiary in which the Group holds an effective interest of 66.67%, entered into a conditional Bulking Joint Venture Agreement ("BJVA") with Rikaworth Sdn Bhd ("RSB") and Sawit Bulkers Sdn Bhd ("SBSB") to venture into the business of palm oil common bulking installations for palm oil and related products together with a system of pipe racks to facilitate the transfer of liquid products between the bulking facilities and users of such facilities and the conveyance of the same to and from the jetty facilities of the Sabah Ports Authority in Sandakan, subject to the terms and conditions of the BJVA.

The BJVA is subject to the fulfilment (unless waived by mutual written consent of UDSB and RSB) of certain Conditions Precedent, after which UDSB and RSB are to subscribe for shares at par in the JV Company in cash on a date to be decided by the Board of Directors of the JV Company within 10 days after the Conditions Precedent are fulfilled or waived. Following the subscription of shares, the equity interest held by the respective parties shall be as follows:

| | <u>No. of Shares</u> | <u>Percentage</u> |
|------|--|--------------------------|
| UDSB | 12,750,000 | 60% |
| RSB | 8,500,000 (including the existing 100,000 issued shares) | 40% |

The status of the Conditions Precedent are as follows:

| Conditions Precedent | | Status |
|----------------------|---|----------------|
| 1 | The approvals of RSB and UDSB for the rolling business plan for the JV Company relating to the then current financial year and three succeeding financial years | Obtained |
| 2 | RSB and UDSB obtaining the approvals of their respective shareholders to the terms and conditions of the BJVA | Obtained |
| 3 | Obtaining the licence/consent from the Malaysian Palm Oil Board to commence construction of the bulking installation | Obtained |
| 4 | Increasing the authorised capital of the JV Company to RM50,000,000 consisting of 50,000,000 shares of RM1.00 each | Done |
| 5 | RSB and UDSB agreeing to the form and substance of the Land Sale and Purchase Agreement relating to the purchase of the Land and price relating thereto | Not yet agreed |
| 6 | RSB and UDSB agreeing to the terms and conditions of the Bulking Facilities User Agreement relating to the use of the JV Company's bulking facilities by Green Edible Oil Sdn Bhd ("GEOSB") (a wholly-owned subsidiary of the Group) operating a refinery in the vicinity of the Sawit POIC Area to produce refined palm oil products | Not yet agreed |
| 7 | The JV Company (as sublessee) and Sandakan Bulkers (as sublessor) agreeing to the terms and conditions of the Pipe Rack Land Sublease relating to the sublease of a strip of land on which the JV Company's pipe racks would be erected | Not yet agreed |
| 8 | Issuance of the letter of offer in respect of the alienation of the Land by the Lands and Surveys Department | Issued |
| 9 | The JV Company obtaining such other authorizations, consents and permits as shall be necessary for commencing its business according to written laws | In progress |
| 10 | Sandakan Bulkers (as landowner and licensor) and the Offtaker (as licensee) agreeing to the form of the Land Licence Agreement for Sandakan Bulkers to grant a licence for the Offtaker to use a stretch of land for the purpose of building a pipe rack to carry pipes for liquid goods and water pipe | Not yet agreed |
| 11 | RSB issuing a letter to the JV Company promising to insert into all future sale and purchase agreements in respect of the sale of various lots within the Sawit POIC Area, words to restrict the use of the said lots for conducting bulking business | Done |
| 12 | The execution and delivery of KHB's Guarantee issued in favour of RSB to guarantee the performance, liabilities and obligations of UDSB under the BJVA | Done |
| 13 | RSB and UDSB agreeing to the rate of charges payable to the JV Company for each metric ton of goods loaded onto any barge or vessel at the mini jetty located adjacent to GEOSB's land | In progress |

On 5 May 2016 UDSB received from RSB a draft Deed of Variation proposing the following major changes to the BJVA:-

- the respective proportions in which UDSB and RW will hold the issued ordinary share capital of the JV Company from time to time shall be as follows:

| <u>Party</u> | <u>Percentage</u> |
|--------------|-------------------|
| UDSB | 40% |
| RSB | 60% |

- the BJVA shall be inserted with a new Condition Precedent as follows:

"The relevant authority shall have issued separate land titles in respect of the lands which are the subject matter of the Pipe Rack Land Sublease."

The draft Deed of Variation is under consideration by the Board of Directors and an announcement will be made once a decision has been made.

(c) **Disposal of Sri Timbul Sdn. Bhd.**

On 29 December 2015 a wholly-owned subsidiary, KHB Realty Sdn. Bhd, entered into a Sale and Purchase of Shares Agreement (“SPSA”) to dispose its entire shareholding in its wholly-owned subsidiary Sri Timbul Sdn. Bhd. for a cash consideration of RM6,000,000.

The disposal is subject to *inter alia* the purchaser’s satisfaction with the findings of the legal due diligence to be conducted on Sri Timbul Sdn. Bhd. The purchaser had on 12 January 2016 communicated its satisfaction as required by the agreement, and accordingly the agreement became unconditional on that date.

The disposal shall be completed within 24 months from the date of the SPSA or on such other date as may be agreed between the parties.

19. GROUP BORROWINGS

| | As at 31.12.2016 RM'000 | As at 31.12.2015 RM'000 |
|---|--|--|
| Current secured: | | |
| Hire purchases | 764 | 1,348 |
| Bankers' acceptances | 105,163 | 48,058 |
| Revolving credit | 10,000 | 15,000 |
| Term loans | 10,000 | 11,099 |
| Current unsecured: Liability component of ICPS | 0 | 2,104 |
| | 125,927 | 77,609 |
| Non-current secured: | | |
| Hire purchases | 804 | 536 |
| Term loans | 25,625 | 35,625 |
| | 26,429 | 36,161 |
| TOTAL BORROWINGS | 152,356 | 113,770 |

* - ICPS: Irredeemable Convertible Preference Shares

The above borrowings are denominated in Malaysian Ringgit except where otherwise indicated.

20. ADDITIONAL DISCLOSURES

(a) **Financial Derivatives**

Outstanding financial derivatives held by the Group as at 31 December 2016 are as follows:

| | Currency | Contract/ Notional Amount '000 | Fair Value | |
|--|-----------------|---|--------------------------|-------------------------------|
| | | | Assets RM'000 | Liabilities RM'000 |
| US Dollar forward contracts - less than 1 year | USD | 11,470 | 0 | 140 |
| Olein price swap contracts - less than 1 year | USD | 17,140 | 0 | 1,585 |

(b) Gains/(Losses) Arising from Fair Value Changes of Financial Liabilities

For the period ended 31 December 2016, there were no gains or losses arising from changes to fair values of the Group's financial liabilities.

(c) Breakdown of Realised and Unrealised Profits and Losses

| | As at 31.12.2016 RM'000 | As at 31.12.2015 RM'000 |
|--|--|--|
| Total retained profits of the Company and its subsidiaries | | |
| - Realized | 181,524 | 178,662 |
| - Unrealized | (29,191) | (32,418) |
| | <hr/> 152,333 | <hr/> 146,244 |
| less: Consolidation adjustments | (14,093) | (5,002) |
| Total retained profits | <hr/> <hr/> 138,240 | <hr/> <hr/> 141,242 |

21. CHANGES IN STATUS OF MATERIAL LITIGATION UP TO 20 FEBRUARY 2017

Not applicable as the Group is not involved in any material litigation.

22. DIVIDENDS DECLARED

On 13 December 2016, the Company proposed an interim dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2016 amounting to RM 23,276,271.35. The dividend was subsequently paid on 16 January 2017.

23. EARNINGS/(LOSS) PER SHARE ("EPS")

Basic and diluted EPS for the period under review is calculated based on the following:

| | Quarter ended 31.12.2016 | 12 months ended 31.12.2016 |
|---|---|---|
| Weighted average number of shares in issue | 2,057,627,135 | 1,943,439,680 |
| Potential number of shares from conversion of ICPS | 0 | 0 |
| Number of shares used in calculating diluted EPS | <hr/> 2,057,627,135 | <hr/> 1,943,439,680 |
| | <hr/> RM'000 | <hr/> RM'000 |
| Profit/(loss) after taxation from continuing operations | 12,417 | 20,206 |
| less: (profit)/loss after taxation from continuing operations attributable to non-controlling interests | (72) | 69 |
| Profit/(loss) after taxation from continuing operations attributable to shareholders of the Company | <hr/> 12,345 | <hr/> 20,275 |
| Finance costs saved from potential conversion of ICPS | 41 | 116 |
| Adjusted profit/(loss) after taxation | <hr/> 12,386 | <hr/> 20,391 |
| | <hr/> Sen | <hr/> Sen |
| EPS: | | |
| - Basic | 0.60 | 1.04 |
| - Diluted | <hr/> 0.60 | <hr/> 1.05 |

* - ICPS: Irredeemable Convertible Preference Shares

Basic EPS is calculated by dividing “Profit/(loss) after taxation attributable to shareholders of the Company” by the “Weighted average number of shares in issue”.

Diluted EPS is calculated by dividing “Adjusted profit/(loss) after taxation” by the “Number of shares used in calculating diluted EPS”.

24. AUDITOR’S REPORT ON THE PREVIOUS YEAR’S FINANCIAL STATEMENTS

The auditors’ report on the Group’s consolidated financial statements for the year ended 31 December 2015 was not qualified.

25. STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income includes the following items:-

| | Quarter ended <u>31.12.2016</u> RM’000 | 12 months ended <u>31.12.2016</u> RM’000 |
|---|---|---|
| Interest income | 374 | 1,068 |
| Other income, including investment income | 2,977 | 4,683 |
| Interest expense | 1,218 | 5,652 |
| Depreciation and amortization | 9,312 | 35,599 |
| Provision for and write-off of receivables | 0 | 0 |
| Realised foreign exchange gain/(loss) | (1,604) | (489) |
| Provision for and write-off of inventories | 0 | 0 |
| Gain/(loss) on disposal of quoted or unquoted investments or properties | 0 | 0 |
| Impairment of assets | 0 | 0 |
| Realised gain/(loss) on derivatives | (1,376) | (1,875) |
| Exceptional items | 0 | 0 |

By Order of the Board,

DATUK LIM NYUK SANG @ FREDDY LIM
Chief Executive Officer
23 February 2017