

KRETAM HOLDINGS BERHAD

(Company No.: 168285 - H)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2017

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 2016.

A. CONDENSED CONSOLIDATED INCOME STATEMENT

	CURRENT QUARTER			CUMULATIVE		
	Quarter ended 31 December			12 months ended 31 December		
	2017	2016	Changes	2017	2016	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
CONTINUING OPERATIONS:-						
Revenue	179,433	232,571	-23%	637,567	378,500	68%
Cost of sales and services	(152,251)	(171,093)		(543,275)	(284,855)	
Gross profit	27,182	61,478	-56%	94,292	93,645	1%
Selling and distribution costs	(12,434)	(23,502)		(38,299)	(34,528)	
	14,748	37,976		55,993	59,117	
Other income	4,184	3,416		14,072	3,957	
Administrative expenses	(12,164)	(17,007)		(22,856)	(20,562)	
Other expenses	(3,360)	(4,210)		(7,087)	(5,523)	
Profit/(loss) before interest and taxation	3,408	20,175	-83%	40,122	36,989	8%
Finance income	760	742		1,449	1,071	
Finance costs	(1,953)	(3,613)		(6,395)	(5,361)	
Profit/(loss) before taxation	2,215	17,304	-87%	35,176	32,699	8%
Taxation	(2,401)	(7,900)		(14,327)	(12,644)	
Profit/(loss) after taxation	(186)	9,404	-102%	20,849	20,055	4%
Profit/(loss) after taxation attributable to:-						
Shareholders of the Company	(3,357)	9,497	-139%	17,240	20,159	-14%
Non-Controlling Interests	3,471	(93)		3,609	(104)	
	(186)	9,404	-102%	20,849	20,055	4%
EARNINGS/(LOSS) PER SHARE (EPS):-						
	<u>Sen</u>	<u>Sen</u>		<u>Sen</u>	<u>Sen</u>	
Basic EPS	(0.16)	0.50		0.74	1.04	
Diluted EPS	(0.16)	0.41		0.74	0.87	

B. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	CURRENT QUARTER			CUMULATIVE		
	Quarter ended 31 December			12 months ended 31 December		
	2017	2016	Changes	2017	2016	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Profit/(loss) after taxation	(186)	9,404	-102%	20,849	20,055	4%
Other Comprehensive Income (OCI)	0	0		0	0	
Income tax relating to components of OCI	0	0		0	0	
Other Comprehensive Income net of tax	0	0		0	0	
Total Comprehensive Income/(loss)	(186)	9,404	-102%	20,849	20,055	4%
Total Comprehensive Income/(loss) attributable to:-						
Shareholders of the Company	(3,657)	9,497	-139%	17,240	20,159	-14%
Non-Controlling Interests	3,471	(93)	3,832%	3,609	(104)	3,570%
	(186)	9,404	-102%	20,849	20,055	4%

C. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment and land use rights	492,899	505,357
Investment property	625	631
Biological assets	400,267	400,178
Intangible assets	42,777	42,777
Trade & other receivables	4,532	4,532
CURRENT ASSETS		
Inventories	126,670	139,819
Receivables	38,055	41,429
Tax refundable	14,500	9,935
Derivatives	0	0
Cash and bank balances	100,625	95,536
	279,850	286,719
Assets held for sale	0	2,929
	279,850	289,648
CURRENT LIABILITIES		
Payables	74,218	73,609
Loans and borrowings	116,974	126,935
Derivatives	452	1,725
Income tax payable	321	24
	191,965	202,293
Liabilities associated with disposal group	0	1
	191,965	202,294
NET CURRENT ASSETS	87,885	87,354
NON-CURRENT LIABILITIES		
Loans and borrowings	14,351	25,491
Deferred taxation	90,974	93,468
	923,660	921,870
EQUITY		
Equity attributable to shareholders of the Company		
Share capital	746,467	465,525
Share premium	0	280,942
Revaluation reserve	17,900	35,362
Other reserves	0	(310)
Retained profits	153,509	138,127
	917,876	919,646
Equity attributable to non-controlling interests	5,784	2,224
	923,660	921,870
NET ASSETS PER SHARE	<u>Sen</u> 39.4	<u>Sen</u> 39.5

D. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	EQUITY ATTRIBUTABLE TO:-					TOTAL EQUITY RM'000
	Shareholders of the Company				Non- controlling Interests RM'000	
	Share Capital RM'000	Reserves RM'000	Retained Profits RM'000	TOTAL RM'000		
<u>CURRENT YEAR TO DATE:</u>						
At 1 January 2017	465,525	315,994	138,127	919,646	2,224	921,870
Effect of Implementation of Companies Act 2016	280,942	(280,942)	0	0	0	0
Reserves attributable to winding up subsidiaries		(17,152)	21,418	4,266	0	4,266
Total Comprehensive Income/(loss) for the period	0	0	17,240	17,240	3,609	20,849
Dividend paid	0	0	(23,276)	(23,276)	0	(23,276)
Dividend paid to non-controlling interests	0	0	0	0	(49)	(49)
At 31 December 2017	746,467	17,900	153,509	917,876	5,784	923,660
<u>PREVIOUS YEAR CORRESPONDING PERIOD:</u>						
At 1 January 2016	375,003	406,070	141,242	922,315	2,407	924,722
ICPS Converted to Ordinary Shares	90,522	(90,074)	0	448	0	448
Reserves attributable to disposal group classified as held for sale	0	(2)	2	0	0	0
Total Comprehensive Income/(loss) for the period	0	0	20,159	20,159	(104)	20,055
Dividend paid	0	0	(23,276)	(23,276)	0	(23,276)
Dividend paid to non-controlling interests	0	0	0	0	(79)	(79)
At 31 December 2016	465,525	315,994	138,127	919,646	2,224	921,870

E. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months ended 31 Dec	
	2017	2016
	RM'000	RM'000
Cash flows from operating activities		
Profit/(loss) before taxation from continuing operations	35,177	32,699
<u>Adjustments for:-</u>		
Depreciation and amortisation	34,331	34,827
Impairment loss/ (gain) on biological assets	(288)	283
Interest income	(1,449)	(1,071)
Finance costs	6,395	5,361
Loss / (gain) on disposal of assets	(19)	61
Unrealised loss/ (gain) on derivatives	452	312
Others	12,560	2,320
Changes in working capital	9,657	(47,648)
Income taxes paid, net of refunds	(21,760)	(7,799)
Interest received	1,439	1,071
Interest paid	(6,951)	(5,218)
	69,544	15,198
Cash flows from investing activities		
Purchase of property, plant and equipment	(23,918)	(17,227)
Proceeds from disposal of property plant and equipment	308	98
Addition to Biological Assets	(1,819)	(865)
Withdrawal/(placement) of fixed deposits of longer-term tenure	6,295	310
Others	0	600
	(19,134)	(17,084)
Cash flows from financing activities		
Net drawdown/(repayment) of finance lease obligations	(725)	(1,418)
Net drawdown/(repayment) of revolving credit and term loan	(20,376)	41,124
Payment of dividends to shareholders	(23,276)	0
Payment of dividends to non-controlling interests	(49)	(79)
Payment of dividends on ICPS	0	(1,800)
	(44,426)	37,827
Increase/(decrease) in cash and cash equivalents	5,984	35,941
Cash and cash equivalents at the beginning of the year	94,618	58,677
Cash and cash equivalents at the end of the period	100,602	94,618
Cash and cash equivalents comprise the following:		
Cash and bank balances	100,625	95,536
less: Fixed deposits with maturity of more than 3 months	(23)	(918)
	100,602	94,618

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 2016 except for the adoption of the following new and revised Financial Reporting Standards (“FRSs”; “FRS” when referred to in the singular) which became applicable beginning from the Group’s financial year ending 31 December 2017:

FRS 107: Disclosures Initiatives (Amendments to FRS 107)

FRS 112: Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)

Annual Improvements to FRS Standards 2014-2016 Cycle:

- FRS 12: Disclosures of Interests in Other Entities (Amendments to FRS 12)

The new and revised FRSs 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 (“IC 15”)*, 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

There were no items or events which arose, which affected assets, liabilities, equity, net income or cash flows, which are unusual by reason of their nature, size or incidence.

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

During the year the Company paid an interim dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2017 amounting to RM 23,276,271.35. The dividend was paid on 16 January 2018.

7. SEGMENT REVENUE AND RESULTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2017

	Plantation & Mill	Refinery	Elimination	TOTAL
	RM'000	RM'000	RM'000	RM'000
<u>REVENUES AND RESULTS:-</u>				
Segment Revenue – external	72,133	565,434		637,567
Inter-segment revenue	145,627	0	(145,627)	0
	<u>217,760</u>	<u>565,434</u>	<u>(145,627)</u>	<u>637,567</u>
Segment results	<u>43,446</u>	<u>(29,998)</u>	<u>7,504</u>	<u>20,952</u>
Unallocated Items:-				
Other income				24,170
Corporate expenses				(9,946)
Finance costs				0
Profit before taxation from continuing operations				35,176
Taxation				(14,327)
Profit after taxation from continuing operations				<u>20,849</u>
<u>ASSETS:-</u>				
Segment assets	<u>879,581</u>	<u>307,322</u>		1,186,903
Unallocated assets				34,047
Assets classified as held for sale				0
Total assets				<u>1,220,950</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 2016).

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 the group has initiated voluntary winding-up of dormant subsidiaries on 22 December 2017. The list of subsidiaries involved are:

- a. Syarikat Kretam Ladang Sdn Bhd
- b. KM Plantations Sdn Bhd
- c. KHB-Jeffa Project Management Sdn Bhd

On 28 December 2017, the disposal of Sri Timbul Sdn Bhd has been finalized. As a result, Sri Timbul Sdn Bhd ceased to be a subsidiary of Kretam Holdings Berhad.

There were no discontinued operations during the period under review.

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 2016.

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

12. REVIEW OF PERFORMANCE

The Group achieved a total revenue of RM637.6 million (2016: RM378.5 million) and a pre-tax gain of RM35.2 million (2016: pre-tax gain of RM32.7 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 revenue (including inter-segment revenue) of RM217.8 million (2016: RM254.7 million), and pre-tax gain of RM43.4 million (2016 pre-tax gain: RM54.7 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	
	2017	2016	2017	2016
January	3,213.00	2,181.00	3,447.50	1,795.00
February	3,218.00	2,385.50	3,377.50	1,900.50
March	2,911.50	2,583.00	2,450.50	2,117.50
April	2,669.50	2,617.50	1,853.50	2,319.00
May	2,762.50	2,594.00	2,037.00	2,241.00
June	2,595.00	2,541.00	1,916.00	2,400.50
July	2,612.00	2,304.00	1,882.50	2,281.50
August	2,626.50	2,567.50	2,134.50	2,510.50
September	2,779.50	2,824.50	2,508.00	2,741.50
October	2,735.50	2,739.50	2,584.50	2,437.00
November	2,648.00	2,831.00	2,618.00	2,845.00
December	2,386.00	3,131.50	2,367.00	3,291.00

Table B: Output indicators, and comparison with industrial average

	4th Quarter			Year to Date		
	2017	2016	% change	2017	2016	% change
FFB Production (mt)	99,416	82,122	21.1%	343,902	298,731	15.1%
FFB Yield (mt/hectare):						
The Group's estates	5.45	4.46	22.3%	18.86	16.21	16.3%
MPOB Sabah average	5.27	5.03	4.8%	18.35	17.12	7.2%
CPO Closing Stock at Palm Oil Mills (mt)	5,767	5,019	14.9%	5,767	5,019	14.9%
Oil Extraction Rate:						
The Group's palm oil mills	20.45%	20.72%	-1.3%	20.37%	20.86%	-2.4%
MPOB Sabah average	20.73%	21.13%	-1.9%	20.60%	21.11%	-2.4%

* - MPOB: Malaysian Palm Oil Board

Although FFB production was higher compared to the corresponding period, it did not manage to generate higher revenue. This is mainly due to lower CPO and PK prices, and lower Oil extraction rate compared to corresponding period. While for 2017 lower pre-tax profit, the higher commodities prices at the beginning of the year were not capitalized as the crops production were normally lower. Hence, the pre-tax profit in 2017 were seen lower compared to 2016.

(b) Refinery

Also as shown in Note 7, the Group's refinery operations achieved revenue of RM565.4 million (2016: RM260.5 million) and a pre-tax loss of RM30.0 million (2016: pre-tax loss of RM14.4 million). Refinery's higher pre-tax loss when compared to previous year's pre-tax loss was a result from the downtrend in commodity prices for the year, where products were sold at a lower 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	Changes %
<u>CONTINUING OPERATIONS:-</u>			
Revenue	179,433	168,537	6%
Cost of sales and services, including distribution	(164,685)	(157,701)	
	14,748	10,836	
Other income	4,184	3,191	
Administrative, finance and other expenses	(15,524)	(5,980)	
Profit/(loss) before interest and taxation	3,408	8,047	(58%)
Interest income	760	209	
Interest costs	(1,953)	(1,410)	
Profit/(loss) before taxation	2,215	6,846	(68%)
Taxation	(2,401)	(3,589)	
Profit/(loss) after taxation	(186)	3,257	(106%)
Profit/(loss) after taxation attributable to:			
Shareholders of the Company	(3,657)	3,230	(213%)
Non-Controlling Interests	3,471	27	
	(186)	3,257	(106%)

The lower Q4 2017 pre-tax profit as compared to previous quarter was mainly due to lower commodity prices which have translated to lower pre-tax profit. Although the Group managed to generate higher revenue than the previous quarter, the Group has to bear with lower margin in Q4 2017.

14. CURRENT YEAR PROSPECTS

The Group's performance is closely tied with the movements in the prices of CPO and refined palm products. Since the start of 2017, the CPO prices have gradually declined from RM3,200 level, stabilizing at around RM 2,600 from April to August 2017, and a huge decline in December 2017 (from RM 2,648 in November to RM2,386).

With current stock level of 2.548 million mt of Palm Oil Products as at 31 January 2018, the CPO prices are quite subdued. The outlook for the CPO prices might fall further in 2018 especially as the overall market is expecting higher FFB production in FY 2018.

In view of the broader market expectation, the Board has taken the view that FY 2018 will be a year of low commodity prices which will be cushioned by higher FFB production. Hence, the overall impact on 2018 financial will be minimal if the commodity prices are maintained around RM2,400 and any improvement in commodity prices will further strengthen the Group's results for FY 2018.

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>31.12.2017</u> RM'000	12 months ended <u>31.12.2017</u> RM'000
Provision in respect of results for the current quarter/period	2,919	16,788
Overprovision for taxation in respect of previous years	(109)	(63)
Deferred taxation	(409)	(2,398)
	2,401	14,327
	2,401	14,327

The Group's effective rate of taxation is 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 Bulkiers 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	In progress
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 RSB 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.

On 28 December 2017, the disposal of Sri Timbul Sdn Bhd was completed with the final payment of RM5,400,000 being made to KHB Realty Sdn Bhd.

19. GROUP BORROWINGS

	As at 31.12.2017 RM'000	As at 30.12.2016 RM'000
Short term secured:		
Hire purchases	203	717
Bankers' acceptances	105,754	105,163
Revolving credit	0	10,000
Term loans	11,017	11,055
Long term unsecured		
Liability component of ICPS	0	0
	116,974	126,935
Long term secured:		
Hire purchases	601	803
Term loans	13,750	24,688
	14,351	25,491
TOTAL BORROWINGS	131,325	152,426

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 2017 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	7,422	426	0
Palm oil futures contracts – less than 1 year	RM	11,523	0	215
Olein price swap contracts - less than 1 year	USD	12,278	0	237

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

For the period ended 31 December 2017, 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 31.12.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits of the Company and its subsidiaries		
- Realized	185,856	183,208
- Unrealized	(26,186)	(33,159)
	<u>159,670</u>	<u>150,049</u>
less: Consolidation adjustments	(6,161)	(11,922)
Total retained profits	<u><u>153,509</u></u>	<u><u>138,127</u></u>

21. CHANGES IN STATUS OF MATERIAL LITIGATION UP TO 19 FEBRUARY 2018

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

22. DIVIDENDS DECLARED

On 5 December 2017, the Company proposed an interim dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2017 amounting to RM 23,276,271.35. The dividend was subsequently paid on 16 January 2018.

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

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

	Quarter ended 31.12.2017	12 months ended 31.12.2017
Weighted average number of shares in issue	2,327,627,135	2,327,627,135
Number of shares used in calculating diluted EPS	2,327,627,135	2,327,627,135
	<u>RM'000</u>	<u>RM'000</u>
Profit/(loss) after taxation from continuing operations	(186)	20,849
less: (profit)/loss after taxation from continuing operations attributable to non-controlling interests	(3,471)	(3,609)
Profit/(loss) after taxation from continuing operations attributable to shareholders of the Company	<u>(3,657)</u>	<u>17,240</u>
EPS:	<u>Sen</u>	<u>Sen</u>
- Basic	(0.16)	0.74
- Diluted	<u>(0.16)</u>	<u>0.74</u>

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 2016 was not qualified.

25. STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income includes the following items:

	Quarter ended <u>31.12.2017</u> RM'000	12 months Ended <u>31.12.2017</u> RM'000
Interest income	760	1,449
Other income, including investment income	273	4,467
Interest expense	1,953	6,395
Depreciation and amortization	8,717	34,331
Provision for and write-off of receivables	(1)	0
Realised foreign exchange gain/(loss)	1,000	4,097
Provision for and write-off of inventories	7,653	7,653
Gain/(loss) on disposal of quoted or unquoted investments or properties	0	0
Impairment of assets	4,391	4,391
Realised gain/(loss) on derivatives	1,153	112
Exceptional items	0	0

By Order of the Board,

DATUK LIM NYUK SANG @ FREDDY LIM
Chief Executive Officer
27 February 2018