

KRETAM HOLDINGS BERHAD

Company No.: 198801000928 (168285-H)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2019

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 2018.

A. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	CURRENT QUARTER			CUMULATIVE		
	Quarter ended 30 September			9 months ended 30 September		
	2019	2018	Changes	2019	2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
CONTINUING OPERATIONS:-						
Revenue	83,833	127,475	-34%	274,711	435,726	-37%
Cost of sales and services	(98,391)	(126,446)		(281,333)	(409,152)	
Gross profit	(14,558)	1,029	-1,515%	(6,622)	26,574	-125%
Selling and distribution costs	13,740	(7,649)		(282)	(23,820)	
	(818)	(6,620)		(6,904)	2,754	
Other income	9,570	3,835		12,114	9,633	
Administrative expenses	(5,816)	(3,443)		(12,965)	(11,133)	
Other expenses	(6,479)	32		(6,553)	(5,163)	
Profit/(loss) before interest and Taxation	(3,543)	(6,196)	43%	(14,308)	(3,909)	-266%
Finance income	81	193		322	663	
Finance costs	(1,363)	(1,104)		(3,332)	(3,734)	
Profit/(loss) before taxation	(4,825)	(7,107)	32%	(17,318)	(6,980)	-148%
Taxation	645	(562)		3,010	(2,763)	
Profit/(loss) after taxation	(4,180)	(7,669)	45%	(14,308)	(9,743)	-47%
Profit/(loss) after taxation attributable to:-						
Shareholders of the Company	(2,271)	(7,630)	70%	(12,388)	(9,931)	-25%
Non-Controlling Interests	(1,909)	(39)		(1,920)	188	
	(4,180)	(7,669)	45%	(14,308)	(9,743)	-47%
EARNINGS/(LOSS) PER SHARE (EPS):-						
	Sen	Sen		Sen	Sen	
Basic EPS	(0.10)	(0.33)		(0.53)	(0.43)	
Diluted EPS	(0.10)	(0.33)		(0.53)	(0.43)	

B. CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	CURRENT QUARTER			CUMULATIVE		
	Quarter ended 30 Sep			9 months ended 30 Sep		
	2019	2018	Changes	2019	2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Profit/(loss) after taxation	(4,180)	(7,669)	45%	(14,308)	(9,743)	-47%
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)	(4,180)	(7,669)	45%	(14,308)	(9,743)	-47%
Total Comprehensive Income/(loss) attributable to:-						
Shareholders of the Company	(2,271)	(7,630)	70%	(12,388)	(9,931)	-25%
Non-Controlling Interests	(1,909)	(39)		(1,920)	188	
	(4,180)	(7,669)	45%	(14,308)	(9,743)	-47%

C. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment and land use rights	553,216	565,616
Investment property	615	621
Biological assets	3,640	3,576
Intangible assets	42,777	42,777
Trade & other receivables	4,532	4,532
CURRENT ASSETS		
Biological assets	9,888	6,806
Inventories	100,739	112,552
Receivables	44,062	35,933
Tax refundable	27,941	28,662
Derivatives	0	1,907
Cash and bank balances	18,572	20,055
	201,202	205,915
Assets held for sale	0	0
	201,202	205,915
CURRENT LIABILITIES		
Payables	45,796	50,841
Loans and borrowings	82,954	82,445
Derivatives	705	0
Income tax payable	0	6
	129,455	133,292
Liabilities associated with disposal group	0	0
	129,455	133,292
NET CURRENT ASSETS	71,747	72,623
NON-CURRENT LIABILITIES		
Payables	0	0
Loans and borrowings	8,868	3,198
Deferred taxation	69,136	72,255
	598,523	614,292
EQUITY		
Equity attributable to shareholders of the Company		
Share capital	746,467	746,467
Revaluation reserve	0	0
Other reserves	0	0
Retained profits /(losses)	(152,543)	(138,743)
	593,924	607,724
Equity attributable to non-controlling interests	4,599	6,568
	598,523	614,292
NET ASSETS PER SHARE	25.5	26.1

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 2019	746,467	0	(138,743)	607,724	6,568	614,292
Adoption of MFRS 16: Lease	0	0	(1,412)	(1,412)	0	(1,412)
Total Comprehensive Income/(loss) for the period	0	0	(12,388)	(12,388)	(1,920)	(14,308)
Dividend paid	0	0	0	0	0	0
Dividend paid to non-controlling interests	0	0	0	0	(49)	(49)
At 30 September 2019	746,467	0	(152,543)	593,924	4,599	598,523
<u>PREVIOUS YEAR CORRESPONDING PERIOD:</u>						
At 1 January 2018	746,467	0	(98,945)	647,522	5,672	653,194
Total Comprehensive Income/(loss) for the period	0	0	(9,931)	(9,931)	188	(9,743)
Non-controlling interests on acquisition of a subsidiary	0	0	0	0	(30)	(30)
Dividend paid	0	0	0	0	0	0
Dividend paid to non-controlling interests	0	0	0	0	(100)	(100)
At 30 September 2018	746,467	0	(108,876)	637,591	5,730	643,321

E. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 months ended 30 Sept	
	2019	2018
	RM'000	RM'000
Cash flows from operating activities		
Profit/(loss) before taxation from continuing operations	(17,318)	(6,980)
<u>Adjustments for:-</u>		
Depreciation and amortisation	34,785	34,059
Impairment of Assets	766	0
Net fair value loss/ (gain) on biological assets	(1,821)	0
Interest income	(322)	(663)
Finance costs	3,332	3,734
Net loss / (gain) on disposal of assets	(21)	(564)
Unrealised loss/ (gain) on derivatives	(2,612)	(1,637)
Others	(111)	(3,418)
Changes in working capital	4,713	36,045
Income taxes paid, net of refunds	608	(16,038)
Interest received	322	660
Interest paid	(3,332)	(4,215)
	18,989	40,983
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,984)	(27,317)
Proceeds from disposal of property plant and equipment	22	1,272
Addition to Biological Assets	(1,324)	0
Withdrawal/(placement) of fixed deposits of longer-term tenure	2,830	(1,508)
Others	0	0
	(16,456)	(27,553)
Cash flows from financing activities		
Net drawdown/(repayment) of finance obligations	(639)	93
Net drawdown/(repayment) of revolving credit, term loan & foreign bill of exchange	(498)	(47,279)
Payment of dividends to shareholders	0	(23,276)
Payment of dividends to non-controlling interests	(49)	(100)
	(1,186)	(70,562)
Increase/(decrease) in cash and cash equivalents	1,347	(57,132)
Cash and cash equivalents at the beginning of the year	16,981	99,462
Cash and cash equivalents at the end of the period	18,328	42,330
Cash and cash equivalents comprise the following:		
Cash and bank balances	18,572	44,874
less: Fixed deposits with maturity of more than 3 months	(244)	(2,544)
	18,328	42,330

1. ACCOUNTING POLICIES

The interim financial statements are prepared as required by Paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements and comply with Malaysian Financial Reporting Standard (MFRS 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 2018 except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRSs”; “MFRS” when referred to in the singular) which became applicable beginning from the Group’s financial year ending 31 December 2019:

The adoption of the new MFRS did not have any material impact on the interim financial report of the Group except the following:

MFRS 16 – Leases

MFRS 16 - Leases supersedes MFRS 117 - Leases and the related interpretations. MFRS 16 eliminated the classification of leases either finance leases or operating leases. MFRS 16 introduces 1 single accounting model, recognizing the “right-of-use” of the underlying assets and the lease liability reflecting future lease payments liabilities in the lessee statement of financial position. While for the “right-of-use” assets are depreciated in accordance with the principles in MFRS 116 – Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognized in the statement of comprehensive income. 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 January 2019 using the simplified transition approach without restated comparatives for the 2019 reporting period, as permitted under the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance of statement of financial position as at 1 January 2019. As permitted by the exemptions under the standard, the Group has not applied the principles of MFRS 16 to short term leases (leases with lease terms of 12 months or less from dates of commencement) and leases for which the underlying assets are of low value.

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

a. 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 Group’s nominal borrowing rate as of 1 January 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 31 December 2018.

In applying MFRS 16 for the first time, the Group has applied the following practical expedients:

- (a) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) The accounting for operating leases with remaining lease terms of less than 12 months as short term leases as at the date of initial application;
- (c) The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- (d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

b. The effects of adoption of MFRS 16 as at 1 January 2019 are as follows:

	Increase/ (Decrease)
	RM’000
Property, Plant & Equipment	5,304
Lease Liabilities (Borrowings)	(6,716)
Retained Earnings	1,412

The impact on the Group's financial performance upon adoption of MFRS 16 in the current financial period is as follows:

(a) Consolidated Statement of Comprehensive Income

Expenses which had included operating lease rental within adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") are now replaced by interest expense on lease liabilities (included within "finance costs") and amortisation of rights-of-use assets (included within "depreciation and amortisation"); and

(b) Consolidated Statement of Cash Flows

Operating lease rental outflows previously recorded within "net cash flows from operating activities" are now classified as "net cash flows from financing activities" for repayment of lease obligations.

(b) Malaysian Financial Reporting Standards ("MFRS") and MFRS Framework

The interim financial statements of the Group for the financial period ended 30 September 2019 was prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") Framework.

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

MFRS, IC Interpretation and Amendments to IC Interpretations	Effective for annual periods beginning on or after
MFRS 3 : Definition of a Business (Amendments to MFRS 3)	1 January 2020
MFRS 101 : Definition of Material (Amendments to MFRS 101)	1 January 2020
MFRS 108 : Definition of Material (Amendments to MFRS 108)	1 January 2020
MFRS 17 : Insurance Contracts	1 January 2021
Amendments to FRS 10 and FRS 128 Sale and Contribution of Assets between an Investor and its Associates or Joint Venture	Deferred

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.

The prices for the Group's products are not within the control of the Group and it is mainly determined by the global supply and demand situation for edible oils, and somewhat related to the price of crude oil.

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

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

7. SEGMENT REVENUE AND RESULTS FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2019

	Plantation & Mill	Refinery	Elimination	TOTAL
	RM'000	RM'000	RM'000	RM'000
<u>REVENUES AND RESULTS:-</u>				
Segment Revenue – external	106,543	168,168	0	274,711
Inter-segment revenue	73,158	0	(73,158)	0
	<u>179,701</u>	<u>168,168</u>	<u>(73,158)</u>	<u>274,711</u>
Segment results	<u>(16,579)</u>	<u>1,604</u>	<u>(946)</u>	<u>(15,920)</u>
Unallocated Items:-				
Other income				35
Corporate expenses				(1,433)
Finance costs				0
Profit/(loss) before taxation from continuing operations				(17,318)
Taxation				3,010
Profit/(loss) after taxation from continuing operations				<u>(14,308)</u>
<u>ASSETS:-</u>				
Segment assets	<u>496,438</u>	<u>214,131</u>		710,569
Unallocated assets				95,413
Assets classified as held for sale				0
Total assets				<u>805,982</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 2018).

9. CAPITAL COMMITMENTS

As at 30 September 2019, there were no material capital commitments for capital expenditure, contracted for or known to be contracted for by the Group which might have a material impact on the financial position or business of the Group, except as disclosed below:

	As at 30.09.2019
	RM'000
Approved and contracted for	18,844
Approved but not contracted for	<u>39,729</u>
	<u><u>58,573</u></u>

10. 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.

11. 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.

12. 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 2018.

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

13. REVIEW OF PERFORMANCE

For the 9 months of 2019, the Group achieved a total revenue of RM 274.7 million (2018: RM435.7 million) and incurred a pre-tax loss of RM 17.3 million (2018: pre-tax loss of RM 7.0 million).

Commentary on the performance of the operating segments of the Group for Q3 2019 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 RM 179.7 million (Q1-Q3 2018: RM 204.5 million), and pre-tax loss of RM 16.6 million (Q1-Q3 2018: pre-tax gain of RM 16.1 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	
	2019	2018	2019	2018
January	2,007.50	2,475.50	1,405.00	2,303.00
February	2,085.00	2,500.00	1,259.00	2,079.00
March	1,928.50	2,406.50	1,103.50	1,831.50
April	2,004.50	2,401.50	1,133.00	1,785.00
May	1,936.00	2,368.00	1,056.00	1,726.50
June	1,962.50	2,290.00	1,073.00	1,553.00
July	1,865.50	2,230.00	1,040.00	1,636.00
August	2,068.50	2,143.50	1,131.50	1,780.50
September	2,091.50	2,174.50	1,135.00	1,703.50

Table B: Output indicators, and comparison with industrial average

	3rd Quarter			Year to Date		
	2019	2018	% change	2019	2018	% change
FFB Production (mt)	81,622	77,821	4.9%	240,909	234,532	2.7%
FFB Yield (mt/hectare):						
The Group's estates	4.66	4.35	7.0%	13.76	13.12	4.8%
MPOB* Sabah average	4.20	4.04	4.0%	13.17	12.69	3.8%
CPO Closing Stock at Palm Oil Mills (mt)	5,843	7,489	-22.0%	5,843	7,489	-22.0%
Oil Extraction Rate:						
The Group's palm oil mills	21.03%	20.59%	2.1%	20.52%	20.36%	0.8%
MPOB* Sabah average	21.53%	20.97%	2.7%	20.98%	20.68%	1.5%

* - MPOB: Malaysian Palm Oil Board

The Group results for 2019 are less favourable when compared to 2018. This is due to lower commodity prices throughout the 9 months' period. This was reflected in the Group result of pre-tax losses in 9 months of 2019.

(b) Refinery

Also as shown in Note 7, the Group's refinery operations achieved revenue of RM 168.2 million (2018: RM 366.7 million) and generated a pre-tax gain of RM 1.6 million (2018: pre-tax loss of RM 22.1 million). Refinery's pre-tax gain was generated mainly due to 2018 closing stock (which was produced at a lower commodity price) sold in Q1 2019 at a higher profit margin.

14. 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	83,833	86,387	-3%
Cost of sales and services, including distribution	(84,651)	(94,836)	
	(818)	(8,449)	
Other income	9,570	340	
Administrative and other expenses	(12,295)	(3,356)	
Profit/(loss) before interest and taxation	(3,543)	(11,465)	69%
Interest income	81	201	
Interest costs	(1,363)	(1,142)	
Profit/(loss) before taxation	(4,825)	(12,406)	61%
Taxation	645	1,719	
Profit/(loss) after taxation	(4,180)	(10,687)	61%
Profit/(loss) after taxation attributable to:			
Shareholders of the Company	(2,271)	(10,654)	79%
Non-Controlling Interests	(1,909)	(33)	
	(4,180)	(10,687)	61%

The decrease in Q3 2019 pre-tax loss as compared to previous quarter pre-tax loss was mainly due to increase in commodity prices throughout Q3 2019 which translated to better revenue generated.

15. 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 FY 2019, the CPO prices have been gradually decreasing. The lower CPO prices in 9 months of 2019 was partly reflected by lower revenue generated.

Nevertheless, the palm oil market has received support by both the Indonesian and Malaysian Government policy in increasing the Biodiesel mandate in 2019. The gradual reduction in the stock of palm oil products (from 3.06 million mt in Feb 2019 to 2.45 million mt in Sep 2019) has provided an indication of higher demand for palm oil products. With the increase in demand for palm oil products, it will subsequently provide further support for improvement in the CPO prices.

Going in final quarter of 2019, the CPO prices have since rebounded from RM 2,079 in Oct 1st to RM 2,410 in Nov 7th. With such improvement in commodity prices and demand for palm oil products, the Group is confident it can reverse most of the deficit and provide a better outlook for the Group's results for FY 2019.

16. 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.

17. 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.

18. TAXATION

	Quarter ended <u>30.09.2019</u> RM'000	9 months ended <u>30.09.2019</u> RM'000
Provision in respect of results for the current quarter/period	(22)	108
Overprovision for taxation in respect of previous years	0	0
Deferred taxation	(623)	(3,118)
	<u>(645)</u>	<u>(3,010)</u>

The Group's effective rate of taxation is lower than the 24% statutory rate mainly due to deferred tax assets on refinery unabsorbed losses previously not recognized, for which deferred tax assets have been utilized in current year.

19. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT YET COMPLETED

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

On 7 July 2014, Usaha Dimega Sdn Bhd ("UDSB"), a wholly-owned subsidiary of the Group, 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	Done
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.

20. GROUP BORROWINGS

	<u>As at</u> <u>30.09.2019</u> RM'000	<u>As at</u> <u>31.12.2018</u> RM'000
Short term secured:		
Bankers' acceptances	63,737	55,997
Revolving credit	15,000	15,000
Term loans	3,446	10,981
Lease	771	467
	82,954	82,445
Long term secured:		
Term loans	2,109	2,812
Lease	6,759	386
	8,868	3,198
TOTAL BORROWINGS	91,822	85,643

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

21. ADDITIONAL DISCLOSURES

(a) Financial Derivatives

Outstanding financial derivatives held by the Group as at 30 September 2019 are as follows:

	<u>Currency</u>	<u>Contract/ Notional Amount</u> '000	<u>Fair Value</u>	
			<u>Assets</u> RM'000	<u>Liabilities</u> RM'000
US Dollar forward contracts - less than 1 year	USD	0	0	0
Palm oil futures contracts - less than 1 year	RM	12,753	0	690
Olein price swap contracts - less than 1 year	USD	2,120	0	15

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

For the period ended 30 September 2019, there were no gains or losses arising from changes to fair values of the Group's financial liabilities.

22. CHANGES IN STATUS OF MATERIAL LITIGATION UP TO 20 NOVEMBER 2019

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

23. DIVIDENDS DECLARED

No dividend has been declared or recommended in respect of the period under review.

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

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

	<u>Quarter ended 30.09.2019</u>	<u>9 months ended 30.09.2019</u>
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	(4,180)	(14,308)
less: (profit)/loss after taxation from continuing operations attributable to non-controlling interests	1,909	1,920
Profit/(loss) after taxation from continuing operations attributable to shareholders of the Company	<u>(2,271)</u>	<u>(12,388)</u>
EPS:	<u>Sen</u>	<u>Sen</u>
- Basic	(0.10)	(0.53)
- Diluted	(0.10)	(0.53)

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".

25. 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 2018 was not qualified.

26. AUDITOR'S LIMITED REVIEW ON INTERIM FINANCIAL STATEMENTS

The auditor has performed a limited review on the interim financial for the period ending 30 September 2019.

27. AUTHORISED FOR ISSUE

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board on 28 November 2019.

By Order of the Board,

**WONG LEN KEE
EXECUTIVE DIRECTOR
28th November 2019**