

KRETAM HOLDINGS BERHAD

Company No.: 198801000928 (168285-H)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 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 31 December			12 months ended 31 December		
	2019	2018	Changes	2019	2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
CONTINUING OPERATIONS:-						
Revenue	120,885	73,268	65%	395,596	508,994	-22%
Cost of sales and services	(112,728)	(109,501)		(394,061)	(518,653)	
Gross profit	8,157	(36,233)	123%	1,535	(9,659)	116%
Selling and distribution costs	(70)	23,174		(352)	(646)	
	8,087	(13,059)		1,183	(10,305)	
Other income	5,246	(1,536)		17,360	8,097	
Administrative expenses	(2,491)	(8,110)		(15,456)	(19,243)	
Other expenses	4,680	(6,814)		(1,873)	(11,977)	
Profit/(loss) before interest and Taxation	15,522	(29,519)	153%	1,214	(33,428)	104%
Finance income	84	104		406	767	
Finance costs	(980)	(1,044)		(4,312)	(4,778)	
Profit/(loss) before taxation	14,626	(30,459)	148%	(2,692)	(37,439)	93%
Taxation	(2,870)	1,700		140	(1,063)	
Profit/(loss) after taxation	11,756	(28,759)	141%	(2,552)	(38,502)	93%
Profit/(loss) after taxation attributable to:-						
Shareholders of the Company	11,729	(28,770)	141%	(659)	(38,701)	98%
Non-Controlling Interests	27	11		(1,893)	199	
	11,756	(28,759)	141%	(2,552)	(38,502)	93%
EARNINGS/(LOSS) PER SHARE (EPS):-						
	Sen	Sen		Sen	Sen	
Basic EPS	0.50	(1.24)		(0.03)	(1.66)	
Diluted EPS	0.50	(1.24)		(0.03)	(1.66)	

B. CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	CURRENT QUARTER			CUMULATIVE		
	Quarter ended 31 Dec			12 months ended 31 Dec		
	2019	2018	Changes	2019	2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Profit/(loss) after taxation	11,756	(28,759)	141%	(2,552)	(38,502)	93%
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)	11,756	(28,759)	141%	(2,552)	(38,502)	93%
Total Comprehensive Income/(loss) attributable to:-						
Shareholders of the Company	11,729	(28,770)	141%	(659)	(38,701)	98%
Non-Controlling Interests	27	11		(1,893)	199	
	11,756	(28,759)	141%	(2,552)	(38,502)	93%

C. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	548,516	565,616
Investment property	614	621
Biological assets	3,866	3,576
Intangible assets	42,777	42,777
Trade & other receivables	4,532	4,532
CURRENT ASSETS		
Biological assets	9,188	6,806
Inventories	97,274	112,552
Receivables	44,234	35,933
Tax refundable	21,058	28,662
Derivatives	104	1,907
Cash and bank balances	20,991	20,055
	192,849	205,915
Assets held for sale	0	0
	192,849	205,915
CURRENT LIABILITIES		
Payables	47,958	50,841
Loans and borrowings	59,068	82,445
Derivatives	904	0
Income tax payable	79	6
	108,009	133,292
Liabilities associated with disposal group	0	0
	108,009	133,292
NET CURRENT ASSETS	84,840	72,623
NON-CURRENT LIABILITIES		
Loans and borrowings	8,445	3,198
Deferred taxation	71,821	72,255
	604,879	614,292
EQUITY		
Equity attributable to shareholders of the Company		
Share capital	746,467	746,467
Retained profits /(losses)	(140,814)	(138,743)
	605,653	607,724
Equity attributable to non-controlling interests	(774)	6,568
	604,879	614,292
NET ASSETS PER SHARE	Sen 26.0	Sen 26.1

D. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	EQUITY ATTRIBUTABLE TO:-					TOTAL EQUITY
	Shareholders of the Company				Non- controlling Interests	
	Share Capital	Reserves	Retained Profits	TOTAL		
RM'000	RM'000	RM'000	RM'000	RM'000	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	(659)	(659)	(1,893)	(2,522)
Derecognition of non-controlling interest upon disposal of subsidiary	0	0	0	0	(5,400)	(5,400)
Dividend paid	0	0	0	0	0	0
Dividend paid to non-controlling interests	0	0	0	0	(49)	(49)
At 31 December 2019	746,467	0	(140,814)	605,653	(774)	604,879
<u>PREVIOUS YEAR CORRESPONDING PERIOD:</u>						
At 1 January 2018, as previously stated	746,467	35,362	133,405	915,234	5,777	921,011
Effect of transition from FRS to MFRS		(35,362)	(232,350)	(267,712)	(105)	(267,817)
At 1 January 2018, as restated	746,467	0	(98,945)	647,522	5,672	653,194
Total Comprehensive Income/(loss) for the period	0	0	(38,701)	(38,701)	199	(38,502)
Non-controlling interests on acquisition of a subsidiary	0	0	(1,097)	(1,097)	797	(300)
Dividend paid	0	0	0	0	0	0
Dividend paid to non-controlling interests	0	0	0	0	(100)	(100)
At 31 December 2018	746,467	0	(138,743)	607,724	6,568	614,292

E. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months ended 31 Dec	
	2019	2018
	RM'000	RM'000
Cash flows from operating activities		
Profit/(loss) before taxation from continuing operations	(2,692)	(37,439)
<u>Adjustments for:-</u>		
Depreciation and amortisation	46,592	48,512
Impairment of assets	766	6,025
Plant and Equipment scrapped	408	706
Net fair value loss/ (gain) on biological assets	(2,599)	1,452
Interest income	(406)	(767)
Finance costs	4,312	4,778
Net loss / (gain) on disposal of assets	(48)	(760)
Unrealised loss/ (gain) on derivatives	(2,707)	(1,933)
Net loss / (gain) on disposal of subsidiaries	(7,968)	0
Others	(109)	234
Changes in working capital	11,234	38,642
Income taxes paid, net of refunds	7,383	(17,630)
Interest received	406	767
Interest paid	(4,312)	(4,778)
	50,260	37,809
Cash flows from investing activities		
Purchase of property, plant and equipment	(23,688)	(35,493)
Proceeds from disposal of property plant and equipment	48	779
Addition to Biological Assets	(72)	(166)
Withdrawal/(placement) of fixed deposits of longer-term tenure	1,941	(2,337)
Others	(106)	(300)
	(21,877)	(37,517)
Cash flows from financing activities		
Net drawdown/(repayment) of lease liabilities	(206)	(420)
Net drawdown/(repayment) of revolving credit, term loan & foreign bill of exchange	(25,251)	(58,977)
Payment of dividends to shareholders	0	(23,276)
Payment of dividends to non-controlling interests	(49)	(100)
	(25,506)	(82,773)
Increase/(decrease) in cash and cash equivalents	2,877	(82,481)
Cash and cash equivalents at the beginning of the year	16,981	99,462
Cash and cash equivalents at the end of the period	19,858	16,981
Cash and cash equivalents comprise the following:		
Cash and bank balances	20,991	20,055
less: Fixed deposits with maturity of more than 3 months	(1,133)	(3,074)
	19,858	16,981

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 2019 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 2019.

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) Relied on its assessment of whether leases are onerous immediately before the date of initial applications;
- (c) 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;
- (d) The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- (e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

b. Leases previously classified as finance leases

The Group did not change the initial carrying amount of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right of use assets and lease liabilities equal the lease assets and liabilities recognized under MFRS 117). The requirements of MFRS 16 were applied to these assets from 1 January 2019.

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

	Increase/ (Decrease)
	RM'000
Property, Plant & Equipment	5,314
Lease Liabilities (Borrowings)	6,726
Accumulated Losses	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 profit/(loss) before taxation ("PBT") 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 31 December 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 MFRS 7, MFRS 9 and MFRS 139 Interest Rate Benchmark Reform	1 January 2020
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 12 MONTHS ENDED 31 DECEMBER 2019

	Plantation & Mill	Refinery	Elimination	TOTAL
	RM'000	RM'000	RM'000	RM'000
<u>REVENUES AND RESULTS:-</u>				
Segment Revenue – external	148,506	247,090	0	395,596
Inter-segment revenue	105,966	0	(105,966)	0
	<u>254,472</u>	<u>247,090</u>	<u>(105,966)</u>	<u>395,596</u>
Segment results	<u>(4,843)</u>	<u>1,951</u>	<u>(5,683)</u>	<u>(8,575)</u>
Unallocated Items:-				
Other income				8,017
Corporate expenses				(2,133)
Finance costs				0
Profit/(loss) before taxation from continuing operations				<u>(2,692)</u>
Taxation				140
Profit/(loss) after taxation from continuing operations				<u>(2,552)</u>
<u>ASSETS:-</u>				
Segment assets	<u>568,840</u>	<u>198,577</u>		767,417
Unallocated assets				25,737
Assets classified as held for sale				0
Total assets				<u>793,154</u>

8. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There was no revaluation of property, plant and equipment for the current quarter.

9. CAPITAL COMMITMENTS

As at 31 December 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 31.12.2019 RM'000
Approved and contracted for	15,202
Approved but not contracted for	66,781
	<u>81,983</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, KHB Development Sdn Bhd and KHB Management Sdn Bhd disposed of its combined 51% issued and paid-up capital of Jeffa Construction Sdn Bhd and its subsidiary Pandan Place Development Sdn Bhd for a cash consideration of RM 2.00 On 29 November 2019. As a result, both Jeffa Construction Sdn Bhd and Pandan Place Development ceased to be a subsidiary of Kretam Holdings Berhad.

On 3 December 2019, the group has initiated voluntary winding-up of several dormant subsidiaries. The list of subsidiaries involved are:

- a. Innosabah Equity Management Sdn Bhd
- b. Innosabah Resources Sdn Bhd
- c. Innosabah Development Sdn Bhd
- d. Innosabah Ventures Sdn Bhd

There were no discontinued operations during the period under review.

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 2019.

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

13. REVIEW OF PERFORMANCE

For the 12 months of 2019, the Group achieved a total revenue of RM 395.6 million (2018: RM509.0 million) and incurred a pre-tax loss of RM 2.6 million (2018: pre-tax loss of RM 37.4 million).

Commentary on the performance of the operating segments of the Group for Q4 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 254.5 million (2018: RM 274.4 million), and pre-tax loss of RM 4.8 million (2018: pre-tax gain of RM 6.0 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
October	2,086.50	2,055.50	1,108.50	1,515.00
November	2,454.50	1,778.50	1,328.50	1,260.50
December	2,757.00	1,762.50	1,797.00	1,328.50

Table B: Output indicators, and comparison with industrial average

	4th Quarter			Year to Date		
	2019	2018	% change	2019	2018	% change
FFB Production (mt)	88,888	103,673	-14.3%	329,797	338,204	-2.5%
FFB Yield (mt/hectare):						
The Group's estates	5.08	5.80	-12.5%	18.83	18.92	-0.5%
MPOB* Sabah average	4.53	5.46	-17.0%	17.66	18.15	-2.7%
CPO Closing Stock at Palm Oil Mills (mt)	5,929	10,102	-41.3%	5,929	10,102	-41.3%
Oil Extraction Rate:						
The Group's palm oil mills	20.63%	19.94%	3.5%	20.55%	20.23%	1.6%
MPOB* Sabah average	20.95%	20.41%	2.7%	20.97%	20.60%	1.8%

* - 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 first 10 months' period. Although the commodity prices have rebounded for the final 2 months, it managed to reduce the losses incurred for FY 2019. This is mainly due to lower crop production than expected in Q4 2019.

(b) Refinery

Also as shown in Note 7, the Group's refinery operations achieved revenue of RM 247.1 million (2018: RM 396.1 million) and generated a pre-tax gain of RM 2.0 million (2018: pre-tax loss of RM 36.8 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	120,885	83,833	45%
Cost of sales and services, including distribution	(112,798)	(84,651)	
	8,087	(818)	
Other income	5,246	9,570	
Administrative and other expenses	2,189	(12,295)	
Profit/(loss) before interest and taxation	15,522	(3,543)	538%
Interest income	84	81	
Interest costs	(980)	(1,363)	
Profit/(loss) before taxation	14,626	(4,825)	403%
Taxation	(2,870)	645	
Profit/(loss) after taxation	11,756	(4,180)	381%
Profit/(loss) after taxation attributable to:			
Shareholders of the Company	11,729	(2,271)	616%
Non-Controlling Interests	27	(1,909)	
	11,756	(4,180)	381%

The turnaround from pre-tax loss to pre-tax gain as compared to previous quarter was mainly due to increase in commodity prices in Q4 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 12 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 and further increase in 2020. The gradual reduction in the stock of palm oil products (from 3.06 million mt in Feb 2019 to 1.76 million mt in Jan 2020) has provided an indication of higher demand and lower production for palm oil products. With the increase in demand and lower production for palm oil, it will subsequently provide further support for improvement in the CPO prices.

On 31st January 2020, the World Health Organisation (WHO) declared the outbreak of novel-coronavirus in China as a public health emergency. The market has reacted negatively to the epidemic and expect the overall demand for edible oil especially in China will be impacted. Since the outbreak, the CPO commodity prices have fallen to around RM2,700 in mid-February 2020.

In Summary, the CPO prices have started the year 2020 strongly and manage to go above RM 3,000. This has been short-lived due to the emergence of novel-coronavirus. The Group expect the demand for edible oil will return when the epidemic subside, and confident with the new Biodiesel Mandate in 2020, the demand of CPO for Bio-diesel blending will be able to offset the lower demand of edible oil from China.

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>31.12.2019</u> RM'000	12 months ended <u>31.12.2019</u> RM'000
Provision in respect of results for the current quarter/period	178	285
Overprovision for taxation in respect of previous years	(70)	(70)
Deferred taxation	2,762	(355)
	<u>2,870</u>	<u>(140)</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 such unrecognized 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 Bulkurs 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 lessor) 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

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
Short term secured:		
Hire Purchase	530	467
Bankers' acceptances	43,387	55,997
Revolving credit	14,000	15,000
Term loans	938	10,981
Lease	213	467
	59,068	82,912
Long term secured:		
Hire Purchase	263	386
Term loans	1,875	2,812
Lease	6,307	386
	8,445	3,584
TOTAL BORROWINGS	67,513	86,496

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 31 December 2019 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	2,042	104	0
Palm oil futures contracts - less than 1 year	USD	2,028	0	904
Olein price swap contracts - less than 1 year	USD	0	0	0

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

For the period ended 31 December 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 FEBRUARY 2020

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:

	Quarter ended <u>31.12.2019</u>	12 months ended <u>31.12.2019</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	11,756	(2,552)
less: (profit)/loss after taxation from continuing operations attributable to non-controlling interests	(27)	1,893
Profit/(loss) after taxation from continuing operations attributable to shareholders of the Company	<u>11,729</u>	<u>(659)</u>
EPS:	<u>Sen</u>	<u>Sen</u>
- Basic	<u>0.50</u>	<u>(0.03)</u>
- Diluted	<u>0.50</u>	<u>(0.03)</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”.

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 31 December 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 27 February 2020.

By Order of the Board,

DATUK LIM NYUK SANG @ FREDDY LIM
Chief Executive Officer

27th February 2020