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## **INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

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### **EXPLANATORY NOTES PURSUANT TO FRS 134**

#### **A1. Accounting Policies and Basis of Preparation**

The interim financial statements of the Group are unaudited and have been prepared in accordance with FRS 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 31 December 2016.

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework)

Transition Entities will be allowed to defer adoption of the new MFRS Framework and continue to use the existing Financial Reporting Standards (FRS) Framework. The adoption of the MFRS Framework by Transition Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group falls within the scope definition of Transitioning Entities and accordingly will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. Adjustments required on transition, if any, will be made retrospectively against opening retained earnings.

#### **A2. Status of Audit Qualification**

Not applicable as the audited financial statements for the year ended 31 December 2016 were not qualified.



### **A3. Seasonality or Cyclicity of Interim Operations**

The operations of the Group were not significantly affected by seasonality and cyclicity factors.

### **A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence for the financial quarter under review.

### **A5. Material Changes in Estimates**

There were no major changes in accounting estimates used in the preparation of the financial statements for the current financial quarter as compared with the previous financial quarters or previous financial year.

### **A6. Debts and Equity Securities**

#### Share Buy-Back / Treasury Shares

The Company's shareholders had on 29 June 1999 approved the share buy-back exercise during the Extraordinary General Meeting ("EGM"). Subsequently, mandates were renewed at the last AGM which was on 27 May 2016.

Summary of the share buy-back / disposal as at the current financial year-to-date are as follows:-

Month	Number Of Shares Repurchased	Highest Price RM	Lowest Price RM	Average Price RM	Total Amount RM
B/F from 2015	1,801,000				5,137,175
Jan 2016	297,500	5.25	5.25	5.25	1,566,203
June 2016	10,000	4.95	4.95	4.95	49,862
Dec 2016	5,000	4.73	4.73	4.73	23,823
Total	2,113,500				6,777,063

There were no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the period ended 31 March 2017.

### **A7. Dividend paid**

There was no dividend paid during the quarter under review.



## A8. Segmental Information

Segmental information in respect of the Group's business segments for the period ended 31 March 2017 and its comparative:-

3 months period ended	Property development & investment							
	Manufacturing	Hotel and Resort	Investment	Plantations	Share investment	Others	Eliminations	Consolidated
31/03/2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>REVENUE</b>								
External sales	222,560	55,292	28,454	-	683	-	-	306,989
Inter-segment sales	28,334	-	364	9,921	-	-	(38,619)	-
<b>Total revenue</b>	<b>250,894</b>	<b>55,292</b>	<b>28,818</b>	<b>9,921</b>	<b>683</b>	<b>-</b>	<b>(38,619)</b>	<b>306,989</b>
<b>RESULTS</b>								
Operating results	(25,030)	(2,491)	6,891	5,208	1,459	-	(310)	(14,273)
Other income	-	-	-	-	-	-	-	-
Foreign exchange gain/(loss)	-	-	-	-	-	4,038	16	4,054
Finance costs	(165)	-	(3)	-	(979)	(210)	1,147	(210)
Interest income	-	-	-	-	-	4,819	(1,163)	3,656
Profit/(Loss) before tax	(25,195)	(2,491)	6,888	5,208	480	8,647	(310)	(6,773)
Income tax expense	-	-	-	-	-	-	-	1,018
<b>Profit/(loss) for the period</b>								<b>(5,755)</b>

3 months period ended	Property development & investment							
	Manufacturing	Hotel and Resort	Investment	Plantations	Share investment	Others	Eliminations	Consolidated
31/03/2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>REVENUE</b>								
External sales	133,556	55,850	29,084	-	738	-	-	219,228
Inter-segment sales	15,155	-	355	6,232	-	-	(21,742)	-
<b>Total revenue</b>	<b>148,711</b>	<b>55,850</b>	<b>29,439</b>	<b>6,232</b>	<b>738</b>	<b>-</b>	<b>(21,742)</b>	<b>219,228</b>
<b>RESULTS</b>								
Operating results	(25,214)	(2,130)	10,923	2,011	12,198	-	208	(2,004)
Other income	-	-	-	-	-	-	-	-
Foreign exchange gain/(loss)	-	-	-	-	-	(33,917)	(57)	(33,974)
Finance costs	(161)	-	(14)	-	(941)	(166)	1,116	(166)
Interest income	-	-	-	-	-	4,513	(1,060)	3,453
Share of profit of associate	-	-	-	-	-	-	-	-
Profit/(Loss) before tax	(25,375)	(2,130)	10,909	2,011	11,257	(29,570)	207	(32,691)
Income tax expense	-	-	-	-	-	-	-	692
<b>Profit/(loss) for the period</b>								<b>(31,999)</b>



#### **A9. Carrying Amount of Revalued Assets**

The valuations of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

#### **A10. Material Events Subsequent to the End of the Interim Period**

There were no material events subsequent to the current quarter ended 31 March 2017 up to the date of this report.

#### **A11. Changes in the Composition of the Group**

There were no changes in the composition of the Group for the current quarter.

#### **A12. Changes in Contingent Liabilities**

At the date of this announcement, there were no material changes in contingent liabilities since the last balance sheet date.

### **ADDITIONAL INFORMATION REQUIRED BY THE BMSB'S LISTING REQUIREMENTS**

#### **B1. Taxation**

The taxation charge for the current quarter and year to-date ended 31 March 2017 is made up as follows:-

	<u>Current Quarter</u> RM'000	<u>Year To-Date</u> RM'000
Current tax:		
Malaysian income tax	(1,797)	(1,797)
Foreign tax	(1,968)	(1,968)
	<u>(3,765)</u>	<u>(3,765)</u>
Over/(under) provision in respect of prior years		
Malaysian income tax	-	-
Foreign tax	-	-
	<u>-</u>	<u>-</u>
Deferred tax		
Transfer from/(to) deferred taxation	4,783	4,783
Total income tax expense	<u>1,018</u>	<u>1,018</u>



## B2. Status of Corporate Proposals

There were no corporate proposals.

## B3. Group Borrowings

Details of Group borrowings are as follows:-

	US Dollar '000	RM Equivalent '000
Short term borrowings:-		
Bank overdraft - unsecured	-	8,037
Term loan payable within a year - secured	59,837	264,688

## B4. Derivative Financial Instruments

The Group uses forward foreign exchange contracts and currency swap contracts to manage its exposure to various financial risks.

### a. Forward foreign exchange contracts

Forward foreign exchange currencies contracts were entered to hedge its exposure to fluctuations in foreign currency arising from sales.

As at 31 March 2017, the notional amount, fair value and maturity period of the forward foreign exchange contracts are as follows:-

Type of derivatives	Contract/Notional amount RM'000	Fair Value gain/(loss) RM'000
Currency forward contracts - less than 1 year	6,604	(34)



#### **B4. Derivative Financial Instruments (cont'd)**

##### b. Cross currency swap contract

A cross currency swap contract was entered to exchange the principal payments of a foreign currency denominated loan into another currency to reduce the Group's exposure from adverse fluctuations in foreign currency and interest rate.

As at 31 March 2017, the notional amount, fair value and maturity period of the cross currency swap contract are as follows:

Type of derivatives	Contract/Notional amount RM'000	Fair Value gain/(loss) RM'000
Cross currency swap contract - less than 1 year	88,470	4,483

#### **B5. Changes In Material Litigation**

There was no material litigation pending at the date of this announcement.

#### **B6. Comparison with Preceding Quarter's Results**

	<u>1st Quarter 2017</u>	<u>4th Quarter 2016</u>	<----- Decrease ----->	
	RM '000	RM '000	RM '000	%
Revenue	306,989	321,036	(14,047)	(4)
(Loss)/Profit before taxation	(6,773)	88,353	(95,126)	(108)

##### **Revenue**

Revenue was lower as compared to previous corresponding period and the followings are the segments considered as having significant variance:-

##### Manufacturing

The decrease in revenue was mainly due to lower quantity of refined oil sold in 1stQ 2017.

##### Hotel

The decrease in revenue was mainly due to lower occupancy rate and average room rate in 1stQ 2017 as compared to 4thQ 2016.



**B6. Comparison with Preceding Quarter's Results (cont'd)**

**(Loss)/Profit before taxation**

1stQ 2017 recorded a loss as compared to a profit in 4thQ 2016. The following segments had recorded results materially different from previous quarter:-

**Manufacturing**

The weakening of USD against MYR had resulted in a loss in 1stQ 2017 as compared to a profit in 4thQ 2016.

**Hotel**

The loss in current quarter was due to lower occupancy rate and average room rate. It was also due to currency swap giving rise to a loss as compared to a gain in previous quarter.

**Forex as Unallocated Item**

The lower gain for the foreign currencies in current quarter as compared to a gain in previous quarter was mainly due to a loss on USD in current quarter.

**B7. Review of Performance**

	To 1st Quarter <u>2017</u> RM '000	To 1st Quarter <u>2016</u> RM '000	< ----- Increase----- >	
			RM '000	%
Revenue	306,989	219,228	87,761	40
Loss before taxation	(6,773)	(32,691)	25,918	79

**Revenue**

The Group's revenue in 1Q 2017 was higher than 1Q 2016. The higher revenue for the Group was attributed to manufacturing segment which recorded a higher selling price and higher quantity of refined oil sold.



## **B7. Review of Performance (cont'd)**

### **Loss before taxation**

The loss in 1Q 2017 was much lower than in 1Q 2016. The following segments had recorded results materially different from previous corresponding period:-

#### Share Investments

Profit was lower in 1Q 2017 as compared to 1Q 2016 due mainly to the higher gain on disposal of quoted investments in prior year.

#### Forex as Unallocated Item

1Q 2017 recorded a gain as compared to a loss in 1Q 2016. On SGD, it was a gain as compared to a loss and for USD, the loss in 1Q 2017 was lower than the previous corresponding period.

## **B8. Prospects for 2017**

### Plantation and Manufacturing

FFB production for 2017 is expected to be marginally higher than 2016. The higher rainfall and the expected arrival of additional workers to ease the shortage of workers should help increase production. The minimum wage of RM 1,000 from July 2016 and other higher operating cost will have negative effect on the performance of the segments. The performance of manufacturing segment will also be affected by the volatility of exchange rate.

### Property Development

The property division is planning to launch new phases of single and double storey terrace houses in Bandar Baru Kangkar Pulai, double storey shop offices, cluster and semi-detached industrial units in Tanjong Puteri Resort in the second half year of 2017.

The division will continue to market and sell the completed units, namely Johor affordable (RMMJ) houses and three storey shop office in Taman Daya, single storey terrace houses in Tanjong Puteri Resort, double storey semi-detached houses and double storey cluster houses of Fortune Hills in Bandar Baru Kangkar Pulai in 2017.

The current weak property market is expected to persist in 2017. The weakened Ringgit has resulted in higher material and construction cost. Bank's stringent lending conditions are making it more difficult for purchasers to get loans. Owing to these negative factors, the property market will remain challenging.





## **B8. Prospects for 2017 (cont'd)**

### Property Investment

Despite the soft office rental market in Kuala Lumpur, we are cautiously optimistic that the occupancy at Menara Keck Seng will be maintained at a relatively high level. Depreciation expense will be higher due to completed renovation and equipment upgrades.

There is an oversupply of new residential apartments in the City Centre all competing for a limited pool of expatriate tenants. The downsizing of the oil and gas industry has also adversely affected Regency Tower our residential building at Kuala Lumpur. The operating environment will be very challenging in 2017. Nevertheless, Regency Tower is expected to contribute positively to the Group.

### Hotels & Resort

We are cautiously optimistic that the performance of the International Plaza Hotel in Toronto, Canada will continue to improve as the depreciation of the Canadian dollar encourages Canadians to travel domestically within the country while also making it attractive for inbound tourist from USA to visit Canada. The Hotel is presently undergoing renovations with the objective to re-brand as the "Delta Hotels by Marriott Toronto Airport" in mid-2017. In joining the Marriott system, the Hotel will be able to capitalize on the additional contribution from Marriott's central reservation system, its loyalty program and its various sale initiatives.

We expect Hawaii's hospitality industry to continue to be healthy in 2017. As such, the Doubletree Alana Waikiki Hotel is expected to maintain its high occupancies and room rates in 2017.

The New York market for the limited-service hotel segment will remain very competitive in 2017 with average room rates under continued pressure as hotels vie for increased market share. Despite new rulings to regulate the advertising of short term rentals of multiple-room residential apartments such as AirBnb, competition from this segment continues to pressure existing room rates for SpringHill Suites Hotel. The general strength of the US dollar will also continue to have a detrimental effect on international travel to the USA especially from Europe and Canada. That said, New York's overall occupancy remains very resilient.

The first quarter's result at Tanjong Puteri Golf Resort for 2017 was challenging due to increased competition from golf clubs slashing rates, higher operating costs particularly in the area of labour and minimum wages, land assessments and increases in toll charges and Vehicle Entry Permit for Singaporean cars. The results will also be affected by the extreme weather condition such as heavy rain and the declining interest in golf by the present younger generation. Nevertheless, the Resort will continue its efforts to improve its business such as seeking new golfing markets, offering attractive and value added promotions for accommodation and F&B selections. The management team remains diligently committed to achieving these objectives.



## **B8. Prospects for 2017 (cont'd)**

### Conclusion

2017 is expected to be a challenging year given the increasing business costs, the uncertainty of global economy, the continuing effect of global climate change and the volatility of currency exchange.

## **B9. Explanatory Notes for Variance of Actual Profit from Forecast Profit / Profit Guarantee**

Not applicable.

## **B10. Dividends**

The Board does not recommend any dividend for the current quarter under review.

## **B11. Earnings Per Share**

### *a) Basic Earnings/(Loss) Per Share*

The basic earnings per share for the current quarter and year-to-date had been calculated as follows:-

	<u>Current Quarter</u>	<u>Year To-Date</u>
Profit/(Loss) attributable to owners of the parent	(6,112)	(6,112)
Weighted average number of ordinary shares in issue	359,364	359,364
Basic earnings/(loss) per share (sen)	(1.70)	(1.70)

### *b) Diluted Earnings Per Share*

There were no potential dilutive ordinary shares outstanding as at the end of the reporting period. Hence, the diluted earnings per share is the same as the basic earnings per share.



## B12. Notes to the Condensed Consolidated Statement of Comprehensive Income

The following amounts have been credited /(charged) in arriving at profit/(loss) before tax:-

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31-Mar		31-Mar	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
a) Interest income	3,656	3,453	3,656	3,453
b) Dividend income	683	738	683	738
c) Other income	1,812	1,777	1,812	1,777
d) Interest expenses	(1,774)	(1,596)	(1,774)	(1,596)
e) Depreciation and amortisation	(8,312)	(8,225)	(8,312)	(8,225)
f) (Allowance for)/(write-off)/write back of receivables	(2,631)	135	(2,631)	135
g) (Allowance for)/(write-off)/write-back of inventories	55	(28)	55	(28)
h) Gain /(Loss) on disposal of properties, plant & equipment	0	(1)	0	(1)
i) Gain /(Loss) on disposal of quoted or unquoted of investment or properties	9	10,737	9	10,737
j) Impairment on quoted investments	0	0	0	0
k) Impairment of assets	0	0	0	0
l) Realised exchange gain/(loss)	(18,055)	(20,912)	(18,055)	(20,912)
m) Unrealised exchange gain/(loss)	68	(58,538)	68	(58,538)
n) Assets (written off)/write-back	(3)	(3)	(3)	(3)
o) Gain/(Loss) on derivatives	(1,236)	15,925	(1,236)	15,925
p) Additional compensation on disposal of land	0	0	0	0
	<u>(25,728)</u>	<u>(56,538)</u>	<u>(25,728)</u>	<u>(56,538)</u>

## PART C: DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the Group's retained earnings as at 31 March 2017 and 31 December 2016 into realised and unrealised profits is as follows: -

	As at End of 31/03/17 <u>RM'000</u>	As at End of 31/12/16 <u>RM'000</u>
Total retained earnings of the Company and the subsidiaries:-		
- Realised	1,661,542	1,650,740
- Unrealised	(19,777)	(2,105)
	<u>1,641,765</u>	<u>1,648,635</u>
Total share of retained earnings from associated company:		
- Realised	-	661
- Unrealised	-	-
	<u>1,649,296</u>	<u>1,649,296</u>
Less: Consolidation adjustments	(53,460)	(54,879)
Total group retained earnings as per consolidated accounts	<u>1,588,305</u>	<u>1,594,417</u>