INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Accounting Policies and Basis of Preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with MFRS 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 2018. 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 2018.

The accounting policies and methods of computation adopted by the Group in this interim financial statement are consistent with those adopted in the financial statements for the year ended 31 December 2018 except for the adoption of the following new MFRS, Amendments to MFRSs, Improvements to MFRS and IC Interpretation (“Standards”) which is effective for financial period beginning on or after 1 January 2019:

Effective for financial periods beginning on or after 1 January 2019

• MFRS 16 Leases
• Amendments to MFRS 9 Financial Instruments
• Amendments to MFRS 119 Employee Benefits
• Annual Improvements to MFRS Standards 2015 – 2017 Cycle
• IC Interpretation 23 Uncertainty over Income Tax Treatments

The initial application of these Standards does not have a material impact on the Group’s financial statements except for the following:-

MFRS 16 Leases

MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 and the lease liability is accreted over time with interest expense recognised in profit or loss.

A1. Accounting Policies and Basis of Preparation (cont'd)

The effect arising from the adoption of MFRS 16 is disclosed as below:

	As previously reported 31 December 2018	Adjustments	As reported under MFRS 16 Leases 1 January 2019
	RM'000	**RM'000**	**RM'000**
Non-current assets			
Right-of-use assets	-	18,689	18,689
Land use rights	17,365	(17,365)	-
Current liabilities			
Lease liabilities	-	639	639
Non-current liabilities			
Lease liabilities	-	685	685

The Group has adopted MFRS 16 Leases on 1 January 2019 in accordance with the transition requirements under the Appendix C, paragraph C5(b) of MFRS 16 which allow comparatives not to be restated. The initial application of MFRS 16 has no impact on the financial results for the current period and did not result in any adjustment to the opening retained earnings as at the date of initial application.

A2. Status of Audit Qualification

Not applicable as the audited financial statements for the year ended 31 December 2018 were not qualified.

A3. Seasonality or Cyclicality of Interim Operations

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

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

There were no other 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 other 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.

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 30 May 2019.

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 2018	2,173,500	-	-	-	7,054,205
Total	2,173,500	-	-	-	7,054,205

There were no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the period ended 31 December 2019.

A7. Dividend paid

a) A final single tier dividend of 6 sen per share (2018: single tier 6 sen per share) in respect of the financial year ended 31 December 2018 was paid on 18 July 2019.

b) A single tier interim dividend of 4 sen per share (2018: single tier 4 sen per share) in respect of financial year ended 31 December 2019 was paid on 14 November 2019.

A8. Segmental Information

Segmental information in respect of the Group's business segments for the period ended 31 December 2019 and its comparative:-

12 months period ended 31/12/2019	Manufacturing RM'000	Hotel and Resort RM'000	Property development & Investment RM'000	Plantations RM'000	Share investment RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE								
External sales	525,883	256,375	184,184	-	12,164	-	-	978,606
Inter-segment sales	57,924	-	1,232	18,134	8,469	-	(85,759)	-
Total revenue	583,807	256,375	185,416	18,134	20,633	-	(85,759)	978,606
RESULTS								
Operating results	21,180	(39,275)	64,832	(494)	14,622	3,283	18,383	82,531
Foreign exchange gain/(loss)	-	-	-	-	-	(1,582)	15	(1,567)
Finance costs	(356)	(721)	-	-	(8,807)	(859)	9,884	(859)
Interest income	-	-	-	-	-	31,665	(9,881)	21,784
Profit before tax	20,824	(39,996)	64,832	(494)	5,815	32,507	18,401	101,889
Income tax expense								(10,125)
Profit for the period								91,764

12 months period ended 31/12/2018	Manufacturing RM'000	Hotel and Resort RM'000	Property development & Investment RM'000	Plantations RM'000	Share investment RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE								
External sales	590,854	250,152	115,065	-	11,206	-	-	967,277
Inter-segment sales	80,881	-	1,458	22,560	10,853	-	(115,752)	-
Total revenue	671,735	250,152	116,523	22,560	22,059	-	(115,752)	967,277
RESULTS								
Operating results	9,637	7,864	30,728	1,336	23,932	(4,076)	(10,110)	59,311
Foreign exchange gain/(loss)	-	-	-	-	-	(9,127)	(343)	(9,470)
Finance costs	(490)	(475)	-	-	(7,474)	(1,026)	8,439	(1,026)
Interest income	-	-	-	-	-	29,185	(8,479)	20,706
Profit before tax	9,147	7,389	30,728	1,336	16,458	14,956	(10,493)	69,521
Income tax expense								(30,352)
Profit for the period								39,169

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 December 2019 up to the date of this report.

A11. Changes in the Composition of the Group

In 4Q 2019, the Company acquired an additional 40% equity interest in Supervitamins Sdn. Bhd. ("Supervitamins") from its non-controlling interest for a cash consideration of RM2,000,000. As a result of this acquisition, Supervitamins Sdn Bhd became a wholly-owned subsidiary of the Company.

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.

A13. Significant Related Party Transactions

The significant related party transactions set out below were carried out in the normal course of business and on terms and conditions not more materially different from those obtainable in transactions with unrelated parties.

		12 months ended 31-Dec	
		2019	2018
		RM'000	RM'000
(i)	Transactions with subsidiaries		
	Purchases	33,867	44,962
	Sales	41,009	53,158
	Rental income	1,232	1,458
	Dividend income	8,470	10,853
	Interest income	9,884	8,722
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(ii)	Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest.		
	- Commission on sales and purchases - Keck Seng (Singapore) Private Limited	4,969	5,501
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ADDITIONAL INFORMATION REQUIRED BY THE BMSB'S LISTING REQUIREMENTS

B1. Taxation

The taxation charge for the current quarter and year to-date ended 31 December 2019 was made up as follows:-

	Current Quarter RM'000	Year To-Date RM'000
Current tax:		
Malaysian income tax	(5,414)	(30,511)
Real property gain tax	(7,316)	(7,316)
Foreign tax	942	(4,862)
	(11,788)	(42,689)
Over/(under) provision in respect of prior years		
Malaysian income tax	(78)	799
Foreign tax	-	-
	(78)	799
Deferred tax		
Transfer from/(to) deferred taxation	32,135	31,765
Total income tax expense	20,269	(10,125)

The Group's effective tax rate of 10% was lower than the statutory tax rate of 24% due mainly to deferred tax assets recognised.

B2. Status of Corporate Proposals

There were no corporate proposals.

B3. Group Borrowings

Details of Group borrowings were as follows:-

	US Dollar "000	Ringgit Equivalent "000
Short term borrowings:-		
Bank overdraft - unsecured	-	36,586
Term loan payable within a year - secured	22,613	92,735
Long term borrowings:-		
Term loan payable after 1 year - secured	25,906	106,242

B4. Derivative Financial Instruments

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

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 December 2019, there were no outstanding currency forward contracts and the fair value loss recognised during the period amounts to RM 45,000.

B5. Changes In Material Litigation

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

B6. Comparison with Preceding Quarter's Results

	4th Quarter 2019	3rd Quarter 2019	<---- Increase/(Decrease)---->	
	RM	RM	RM	%
	'000	'000	'000	
Revenue	252,667	244,326	8,341	3
Profit before taxation	3,395	31,739	(28,344)	(89)

Revenue

The increase in revenue was mainly due to higher price of refined oil sold in 4th Q 2019.

Profit before taxation

The Group recorded a lower profit in 4th Q 2019 as compared to 3rd Q 2019. The following segments had recorded results materially different from 3rd Q 2019:-

Manufacturing

The segment recorded a forex loss in 4th Q 2019 as compared to a forex gain in in 3rd Q 2019. As a result, the segment reported a lower profit in 4th Q 2019 as compared to preceding quarter.

Hotels

The segment recognised an impairment loss on an overseas hotel. As a result, the segment recorded a loss in 4th Q 2019 as compared to a profit in 3rd Q 2019.

Share Investments

The increase in profit was due mainly to a fair value gain recorded in 4th Q 2019 for an unquoted foreign investment held.

B7. Review of Performance

	To 4th Quarter 2019 RM '000	To 4th Quarter 2018 RM '000	< -- Increase/(Decrease)-- > RM '000	%
Revenue	978,606	967,277	11,329	1
Profit before taxation	101,889	69,521	32,368	47

Revenue

The Group's revenue in 2019 was slightly higher than 2018. The following segments had recorded revenue in 2019 materially different from 2018:-

Manufacturing

The segment recorded a lower revenue in 2019 as compared to preceding year corresponding period. The decrease in revenue was mainly due to lower selling price of refined oil sold in 2019.

Property Development

A higher revenue was recorded by the segment in 2019 as compared to 2018. The increase was due to higher percentage of completion recognized from both residential and commercial properties in Bandar Baru Kangkar Pulai. The segment also recorded a higher number of units sold for residential properties at Bandar Baru Kangkar Pulai, Tanjong Puteri Resort and Taman Daya as compared to preceding year corresponding period.

Profit before taxation

The Group recorded a higher profit in 2019 as compared to 2018. The results of the following segments in 2019 were materially different from 2018:-

Manufacturing

The selling pressure for CPO spot delivery due to high stock enabled the segment to achieve a positive refining margin in 2019. As a result, the segment recorded a higher profit compared to 2018.

Property Development

The segment recorded a higher profit due to increase in number of units sold for residential properties and higher gross margin in 2019 as compared to 2018.

Hotels

The segment recorded a loss in 2019 as compared to a profit in 2018 due mainly to an impairment loss recognised on an overseas hotel in 2019.

B7. Review of Performance (cont'd)

Profit before taxation (cont'd)

Share Investments

The increase in profit was due mainly to a fair value gain recorded in 2019 for an unquoted foreign investment held.

B8. Prospects for 2020

Plantation and Manufacturing

The 2 distinct drought spell in 2019 has affected the FFB production. The production in 2020 is expected to be similar to 2019. With the recent improvement of CPO price as compared to 2019, the performance of Plantation is expected to be better.

As a result of the dry weather, the FFB intake by Palm Oil Mill is expected to be lower. The increase in statutory compliance, sustainability and environmental costs will affect the performance of the Mill.

Refinery has demand concerns over the sales of refined palm oil due to India's import restrictions and the European Union's justification to ban palm oil, palm oil biofuel as allegedly due to environmental and biodiversity concerns. As production gradually peaks, we are hopeful that performance for Refinery in 2H 2020 will improve.

Property Development

The property division launched a new phase in Bandar Baru Kangkar Pulai ("BBKP"), Phase 4B comprising 138 units of double storey terrace houses – Adenia II in mid 1Q 2020 and currently actively promoting the sales. We will continue to sell the remaining completed units in Phase 4A (double storey terrace houses - Sapphire Hills). Sales activities are carried out to sell the remaining units in Phase 4A1 (single storey terrace houses - Arelia), Phase 4C (double storey terrace houses- Adenia I), Phase 5B1 & Phase 5B2 (single storey cluster houses) and Phase 5A (double storey shop offices) currently under construction.

In Tanjong Puteri Resort ("TPR"), we have sold approximately 90% of Phase 4E launched in September 2018, comprising 129 units of single storey terrace houses and currently under construction. We will continue to market Phase 5B, double storey terrace houses launched in January 2019 and currently under construction. For the completed double storey shop offices, we are marketing the balance units for sales and rental.

B8. Prospects for 2020 (cont'd)

Property Development (cont'd)

In Taman Daya, we will continue to pursue with "Cawangan Perumahan" on sales of the remaining unsold units of the Johor affordable (RMMJ) houses, under bumi quota eligibility. For the completed three storey shop offices, we are continuing to market them for sales and rental. On TD Point Retail Mall, comprising 40 units double storey and single storey shops, more than 95% of the units have been rented.

Property Investment

At Menara Keck Seng, our office building in Kuala Lumpur, occupancies are expected to increase slightly as we sign up new tenants and as existing tenants take up more office space.

There is an oversupply of residential apartments in the City Centre all competing for a limited pool of expatriate tenants. At Regency Tower, our residential building at Kuala Lumpur, we expect business to trend down over the next few months.

Hotels & Resort

After a few years of good growth, the hospitality market in Toronto has stabilized. Our hotel, the "Delta Hotels by Marriott – Toronto Airport" benefited from this trend as well as our recent renovations and affiliation with Marriott. Looking ahead, we expect the hotel to generate stable cash flow to the Group.

Business at the "Doubletree by Hilton Hotel Alana - Waikiki Beach" is stable despite strong competition from newly renovated hotels. Waikiki remains a popular vacation destination, and the hotel should achieve satisfactory occupancy and room rates.

The Springhill Suites Hotel's (SHS) Midtown Manhattan market outlook is increasingly competitive for 2020, with several new hotels within the vicinity due to open in 2020. These are resulting in an overall decline in room rates. That said, New York's overall occupancy remains stable, and Management will actively engage Marriott Sales teams to optimise room rates and improve market share.

While our 3 North American hotels have not seen major cancellations, cancellations cannot be ruled out as the situation is still fluid and developing. Therefore, we are monitoring the coronavirus outbreak carefully.

For Tanjong Puteri Golf Resort, 2020 remains challenging due to price competition from new and existing resorts and higher operating costs particularly labour wages where revised minimum wages took place in Feb 2020. The coronavirus outbreak has affected the tourism industry globally and it is anticipated to impact Malaysia's tourism sector. Major functions planned to be held in the resort were cancelled and year round senior Korean golfers decreased their bookings due to the Korean travel warnings to Malaysia. The Resort will continue to save on utilities, control consumption cost during this outbreak and introduce training programs for staff during off peak period. The Resort will continue its effort to build long term business relationships with industrial players in the region. The management team remains diligently committed to achieving the objectives for the year.

B8. Prospects for 2020 (cont'd)

Conclusion

The on-going coronavirus outbreak, US-China trade war, geopolitical events, global climate change and volatility of currency exchange will continue to have impacts on the performance of the Group in 2020.

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

Not applicable.

B10. Dividends

The Board will announce their recommendation on the dividend at a later date.

B11. Earnings Per Share

a) Basic Earnings Per Share

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

	Current Quarter	Year To-Date
Profit attributable to owners of the parent (RM'000)	23,943	88,440
Weighted average number of ordinary shares in issue ('000)	359,314	359,314
Basic earnings per share (sen)	6.66	24.61

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 before tax:-

		Individual Quarter 3 months ended 31-Dec		Cumulative Quarter 12 months ended 31-Dec	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
a)	Interest income	5,430	6,218	21,784	20,706
b)	Dividend income	3,440	3,431	12,164	11,206
c)	Other income	865	1,621	2,628	7,068
d)	Interest expenses	(1,879)	(2,435)	(8,265)	(8,488)
e)	Depreciation and amortisation	(10,821)	(10,589)	(40,074)	(37,655)
f)	(Allowance for)/(write-off)/write back of receivables	(61)	(118)	(96)	(66)
g)	(Allowance for)/(write-off)/write-back of inventories	110	29	394	278
h)	Gain /(Loss) on disposal of properties, plant & equipment	(2)	(4)	(22)	125
i)	Gain /(Loss) on disposal of investment properties	0	0	(18)	(3)
j)	Impairment of assets	(45,400)	0	(45,400)	0
k)	Realised exchange gain/(loss)	137	743	29	(5,355)
l)	Unrealised exchange gain/(loss)	(5,830)	(5,024)	(6,615)	20
m)	Assets (written off)/write-back	(9)	(2)	(64)	(290)
n)	Gain/(Loss) on derivatives	(13)	45	(45)	(160)
o)	Gain/(Loss) on disposal of Land from compulsory acquisition	0	0	854	0
p)	Fair value gain/(loss) on biological assets	132	38	(55)	120
q)	Provision for land held for development	454	(63)	454	(63)
r)	Fair value gain/(loss) on short term funds	(9)	(4,012)	2,052	(4,012)
s)	Gain/(Loss) on redemption of short term fund	0	0	1,231	0
t)	Fair value change on unquoted investment	21,858	0	21,858	0