



## **INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2020**

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### **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 2019. 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 2019.

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 2019 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 2020:

#### **Effective for financial periods beginning on or after 1 January 2020**

- Amendments to MFRS 3: Definition of a Business
- Amendments to MFRS 101 and 108: Definition of Material
- Amendments to references to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
- Amendments to MFRS 101: Classification of Liabilities as Current or Non-current

The initial application of these Standards does not have a material impact on the financial statements.

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

Not applicable as the audited financial statements for the year ended 31 December 2019 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 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 2019	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 March 2020.

#### **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 2020 and its comparative:-

3 months period ended 31/03/2020	Manufacturing	Hotel and Resort	Property development & Investment	Plantations	Share investment	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>REVENUE</b>								
External sales	142,226	52,634	45,492	-	656	-	-	241,008
Inter-segment sales	16,670	-	342	6,483	-	-	(23,495)	-
<b>Total revenue</b>	<b>158,896</b>	<b>52,634</b>	<b>45,834</b>	<b>6,483</b>	<b>656</b>	<b>-</b>	<b>(23,495)</b>	<b>241,008</b>
<b>RESULTS</b>								
Operating results	11,658	(10,982)	16,022	2,175	(722)	(29)	(1,682)	16,440
Foreign exchange gain/(loss)	-	-	-	-	-	7,495	13	7,508
Finance costs	(69)	(180)	-	-	(2,020)	(469)	2,269	(469)
Interest income	-	-	-	-	-	7,416	(2,283)	5,133
<b>Profit before tax</b>	<b>11,589</b>	<b>(11,162)</b>	<b>16,022</b>	<b>2,175</b>	<b>(2,742)</b>	<b>14,413</b>	<b>(1,683)</b>	<b>28,612</b>
Income tax expense								(5,104)
<b>Profit for the period</b>								<b>23,508</b>

3 months period ended 31/03/2019	Manufacturing	Hotel and Resort	Property development & Investment	Plantations	Share investment	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>REVENUE</b>								
External sales	130,710	58,009	41,650	-	1,042	-	-	231,411
Inter-segment sales	16,074	-	291	5,818	-	-	(22,183)	-
<b>Total revenue</b>	<b>146,784</b>	<b>58,009</b>	<b>41,941</b>	<b>5,818</b>	<b>1,042</b>	<b>-</b>	<b>(22,183)</b>	<b>231,411</b>
<b>RESULTS</b>								
Operating results	3,383	(2,795)	14,214	542	(34)	1,935	(367)	16,878
Foreign exchange gain/(loss)	-	-	-	-	-	(4,838)	9	(4,829)
Finance costs	(101)	(173)	-	-	(2,222)	(163)	2,496	(163)
Interest income	-	-	-	-	-	7,815	(2,488)	5,327
<b>Profit before tax</b>	<b>3,282</b>	<b>(2,968)</b>	<b>14,214</b>	<b>542</b>	<b>(2,256)</b>	<b>4,749</b>	<b>(350)</b>	<b>17,213</b>
Income tax expense								(6,125)
<b>Profit for the period</b>								<b>11,088</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 2020 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.

#### **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.

	3 months ended	
	31-Mar	
	2020	2019
	<u>RM'000</u>	<u>RM'000</u>
(i) Transactions with subsidiaries		
Purchases	11,094	10,510
Sales	11,771	10,908
Rental income	342	291
Interest income	2,282	2,488
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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	1,307	1,229
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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 March 2020 was made up as follows:-

	<u>Current Quarter</u> RM'000	<u>Year To-Date</u> RM'000
Current tax:		
Malaysian income tax	(4,333)	(4,333)
Real property gain tax	-	-
Foreign tax	(378)	(378)
	<u>(4,711)</u>	<u>(4,711)</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	(393)	(393)
	<u>(393)</u>	<u>(393)</u>
Total income tax expense	<u>(5,104)</u>	<u>(5,104)</u>

The Group's effective tax rate of 18% was lower than the statutory tax rate of 24% due mainly to certain income not subject to tax.

### **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	-	31,021
Term loan payable within a year - secured	47,116	203,942

### 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 March 2020, the notional amount, fair value and maturity period of the forward foreign exchange contracts were as follows:-

Type of derivatives	Contract/Notional amount RM'000	Fair value gain/(loss) RM'000
Currency forward contracts - less than 1 year	13,031	104

### 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 2020</u>	<u>4th Quarter 2019</u>	<---- Increase/(Decrease)---->	
	RM	RM	RM	%
	'000	'000	'000	
Revenue	241,008	252,667	(11,659)	(5)
Profit before taxation	28,612	3,395	25,217	743

### Revenue

The decrease in revenue was mainly due to lower revenue recorded in hotels segment. The lower revenue in 1st Q 2020 as compared to preceding quarter was due to lower occupancy and average room rate.

### Profit before taxation

The Group recorded a higher profit in 1st Q 2020 as compared to 4th Q 2019. The following segments had recorded results materially different from 4th Q 2019:-

#### Manufacturing

The segment recorded a forex gain in 1st Q 2020 as compared to a forex loss in 4th Q 2019. As a result, the segment reported a higher profit in 1st Q 2020 as compared to preceding quarter.

#### Hotels

The segment recorded a lower loss in 1st Q 2020 as compared to 4th Q 2019. The loss in 4th Q 2019 included an impairment loss. Excluding the impairment loss, 4th Q 2019 recorded a profit as compared to a loss in 1st Q 2020.

#### Share Investments

The segment recorded a loss in 1st Q 2020 as compared to a profit in 4th Q 2019. In 4th Q 2019, there was a gain on fair value change of unquoted foreign investment. The dividend income in 4th Q 2019 was also higher than 1st Q 2020.

#### Forex as Unallocated Item

The appreciation of USD against MYR in 1st Q 2020 had resulted in a forex gain on the foreign currencies on hand as compared to a forex loss 4th Q 2019.



## B7. Review of Performance

	To 1st Quarter <u>2020</u> RM '000	To 1st Quarter <u>2019</u> RM '000	< -- Increase/(Decrease)-- >	
			RM '000	%
Revenue	241,008	231,411	9,597	4
Profit before taxation	28,612	17,213	11,399	66

### Revenue

The Group's revenue in 1Q 2020 was higher than 1Q 2019. The increase was mainly contributed by manufacturing segment due to higher selling price of refined oil sold in 1Q 2020.

### Profit before taxation

The Group recorded a higher profit in 1Q 2020 as compared to 1Q 2019. The results of the following segments in 1Q 2020 were materially different from 1Q 2019:-

#### Manufacturing

The segment recorded a higher profit in 1Q 2020 as compared to 1Q 2019. The higher profit was due to forex gain recorded in 1Q 2020 as compared to a forex loss in preceding year corresponding period.

#### Forex as Unallocated Item

The appreciation of USD against MYR in 1Q 2020 had resulted in forex gains on the foreign currencies on hand as compared to a loss in 1Q 2019.





## **B8. Prospects for 2020**

### Plantation and Manufacturing

The 2 distinct drought spells in 2019 had 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, the European Union's justification to ban palm oil, palm oil biofuel as allegedly due to environmental and biodiversity concerns and the global Covid-19 pandemic. As production gradually peaks, we are hopeful that performance for Refinery in 2H 2020 will improve.

### Property Development

The recent outbreak of the COVID-19 pandemic has adversely affected and disrupted many aspects of the property development. Our construction activities had to stop completely during the Movement Control Period ("MCO"). As a result, revenue is being affected in tandem. Purchase sentiments and sales post MCO is also expected to be poor. However, the current lower mortgage rates may help purchase sentiments.

In Bandar Baru Kangkar Pulai ("BBKP"), we are actively promoting the sales of Phase 4B comprising 138 units of double storey terrace houses – Adenia II launched in early 2020. 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 will continue to sell the remaining completed units in Phase 4E (single storey terrace houses) and to market the remaining units in Phase 5B, double storey terrace houses currently under construction.

For the completed double storey shop offices in TPR and three storey shop offices in Taman Daya, we are marketing the balance units for sales and rental.

On TD Point Retail Mall, comprising 40 units double storey and single storey shops, all our tenants' business are affected by the MCO. We have granted rental rebates to assist them through this difficult period to sustain and retain their continued tenancy with us.



## **B8. Prospects for 2020 (cont'd)**

### Property Investment

The businesses of our tenants at Menara Keck Seng, our office building in Kuala Lumpur, have been adversely affected by the COVID19 Pandemic and the MCO. To assist them through this difficult period, we have provided some rental rebates to our SME tenants. For the rest of 2020, we expect occupancy to trend lower.

Similarly, at Regency Tower, our residential building at Kuala Lumpur, we expect business to trend down over the next few months.

### Hotels & Resort

The New York City (“NYC”) hospitality market deteriorated sharply in the 2nd Q due to widespread shutdowns caused by the coronavirus pandemic and compulsory shelter-in-place measures on restricting movement and restrictions in air travel. With occupancy well into the low single digits, operations at the Springhill Suites Hotel (“SHS”) were suspended to save costs. Most hotels in NYC were also shut down from April. The SHS is planning to resume operations sometime in July or August when travel restrictions are lifted. Management will put in all effort to ensure hygiene and safety of our guests and staff as a priority, as well as focus on expenses control in preparation for resuming operations.

Due to the COVID19 pandemic, the “Doubletree by Hilton Hotel Alana - Waikiki Beach” was shut down with effect from April 2020. Where possible, we have implemented strict cost containment strategies. As the lock down eases, we will monitor the volume of future booking and will gradually but safely reopen the hotel.

Our Canadian hotel, the “Delta Hotels by Marriott – Toronto Airport” is in the same predicament as the USA hotels. It is currently closed, and we are making preparations to re-open the hotel as business travel resumes. However, we expect the pickup in business activities for the remainder of the year is likely to be very slow and anaemic.

In general, there is great uncertainty about the duration of the coronavirus pandemic, and it is very challenging to quantify the impact of the pandemic on business performance for 2020 for our Group’s Hotels. It is expected that the recovery for our Hotels will be slow and gradual, with most industry projections reflecting normalization only in 2 to 3 years time.

For Tanjong Puteri Golf Resort, the rest of the year remains challenging due to coronavirus outbreak which has affected tourism industry globally to a standstill during 2nd Q 2020. The Resort was closed in March 2020 and opens partially for business in May 2020. The Management has re-structured, downsize and streamline operations to eliminate redundancies caused by the Covid pandemic, and allow the Resort to manage costs better in view of the low business activities during this period. The Resort will continue to save on utilities, control consumption cost during this outbreak and introduce training programs for staff during off peak period. With the easing of CMCO measures, the Resort will continue its effort to develop unique offerings and 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 does not recommend any dividend for the current quarter under review.

## **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:-

	<u>Current Quarter</u>	<u>Year To-Date</u>
Profit attributable to owners of the parent (RM'000)	22,868	22,868
Weighted average number of ordinary shares in issue ('000)	359,314	359,314
Basic earnings per share (sen)	6.36	6.36

### *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		Cumulative Quarter	
	3 months ended		3 months ended	
	31-Mar		31-Mar	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
a) Interest income	5,133	5,327	5,133	5,327
b) Dividend income	656	1,042	656	1,042
c) Other income	825	596	825	596
d) Interest expenses	(1,917)	(2,217)	(1,917)	(2,217)
e) Depreciation and amortisation	(11,783)	(9,424)	(11,783)	(9,424)
f) (Allowance for)/(write-off)/write back of receivables	(18)	(5)	(18)	(5)
g) (Allowance for)/(write-off)/write-back of inventories	0	144	0	144
h) Gain /(Loss) on disposal of properties, plant & equipment	1	0	1	0
i) Gain /(Loss) on disposal of investment properties	0	0	0	0
j) Impairment of assets	287	0	287	0
k) Realised exchange gain/(loss)	(737)	(570)	(737)	(570)
l) Unrealised exchange gain/(loss)	17,359	(9,418)	17,359	(9,418)
m) Assets (written off)/write-back	(1)	(4)	(1)	(4)
n) Gain/(Loss) on derivatives	104	5	104	5
o) Gain/(Loss) on disposal of Land from compulsory acquisition	0	0	0	0
p) Fair value gain/(loss) on biological assets	71	(295)	71	(295)
q) Provision for land held for development	0	0	0	0
r) Fair value gain/(loss) on short term funds	(29)	1,935	(29)	1,935
s) Gain/(Loss) on redemption of short term fund	0	0	0	0
t) Fair value change on unquoted investment	0	0	0	0