



SARAWAK PLANTATION BERHAD

Registration No. 199701035877 (451377-P)

(Incorporated in Malaysia)

INTERIM REPORT FOR 2ND QUARTER ENDED 30 JUNE 2020



SARAWAK PLANTATION BERHAD
Registration No. 199701035877 (451377-P)
(Incorporated in Malaysia - 451377- P)

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INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

(The figures have not been audited)

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Condensed Consolidated Statement of Financial Position
(The figures have not been audited)

		As At End Of Current Financial period 30/6/2020 (Unaudited) RM'000	As At End Of Preceding Financial Year 31/12/2019 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		282,225	287,603
Bearer plants		320,553	312,761
Right-of-use assets		98,264	99,203
Investment properties		4,039	4,123
Total non-current assets		705,081	703,690
Current assets			
Biological assets		36,472	26,358
Inventories		14,610	12,615
Trade and other receivables		13,252	15,660
Prepayments and other assets		6,216	5,733
Current tax recoverable		-	34
Other investments	B6	4,679	1,254
Cash and cash equivalents		77,959	68,652
Total current assets		153,188	130,306
TOTAL ASSETS		858,269	833,996



Condensed Consolidated Statement of Financial Position (continued)

(The figures have not been audited)

	Notes	As At End Of Current Financial Period 30/6/2020 (Unaudited) RM'000	As At End Of Preceding Financial Year 31/12/2019 (Audited) RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	A5	340,969	340,969
Reserves		222,322	211,064
Equity attributable to Owners of the Company		563,291	552,033
Non-controlling interests		(10,470)	(10,639)
Total equity		552,821	541,394
Non-current liabilities			
Deferred tax liabilities		121,040	117,848
Loans and borrowings	B7	51,238	72,232
Lease liabilities		2,029	2,042
Total non-current liabilities		174,307	192,122
Current liabilities			
Trade and other payables		50,066	51,252
Loans and borrowings	B7	60,129	47,144
Dividend Payable		13,952	-
Current tax payable		6,994	2,084
Total current liabilities		131,141	100,480
Total liabilities		305,448	292,602
TOTAL EQUITY AND LIABILITIES		858,269	833,996
Net assets per share attributable to Owners of the Company (RM)		2.02	1.98

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this report)



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
 (The figures have not been audited)

	Notes	Individual Quarter (Q2)		Cumulative Quarter (6 Months)	
		Current Year Quarter 30/6/2020 (Unaudited) RM'000	Preceding Year Corresponding Quarter 30/6/2019 (Unaudited) RM'000	Current Year - Period To Date 30/6/2020 (Unaudited) RM'000	Preceding Year - Period to Date 30/6/2019 (Unaudited) RM'000
Revenue		97,422	75,653	196,303	145,055
Cost of sales		(73,173)	(65,771)	(152,322)	(121,545)
Gross profit		24,249	9,882	43,981	23,510
Other income		105	713	379	1,093
Distribution expenses		(5,463)	(4,604)	(10,849)	(8,788)
Administrative expenses		(5,078)	(4,337)	(9,486)	(8,355)
Results from operating activities		13,813	1,654	24,025	7,460
Finance income		531	545	1,047	1,297
Finance costs		(571)	(1,089)	(1,164)	(2,206)
Net finance costs		(40)	(544)	(117)	(909)
Operating profit before tax		13,773	1,110	23,908	6,551
Change in fair value of biological assets		11,882	1,548	10,113	3,591
Profit before tax	A16	25,655	2,658	34,021	10,142
Taxation	B5	(6,258)	(289)	(8,642)	(3,173)
Profit after tax		19,397	2,369	25,379	6,969
Other comprehensive income, net of tax		-	-	-	-
Profit and total comprehensive income for the period		19,397	2,369	25,379	6,969

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

(The figures have not been audited)

	Notes	Individual Quarter (Q2)		Cumulative Quarter (6 Months)	
		Current Year Quarter 30/6/2020 (Unaudited) RM'000	Preceding Year Corresponding Quarter 30/6/2019 (Unaudited) RM'000	Current Year - Period To Date 30/6/2020 (Unaudited) RM'000	Preceding Year - Period To Date 30/6/2019 (Unaudited) RM'000
Profit attributable to:					
Owners of the Company		19,392	2,424	25,210	7,080
Non-controlling interests		5	(55)	169	(111)
Profit for the period		19,397	2,369	25,379	6,969
Profit and total comprehensive income attributable to:					
Owners of the Company		19,392	2,424	25,210	7,080
Non-controlling interests		5	(55)	169	(111)
Profit and total comprehensive income for the period		19,397	2,369	25,379	6,969
Basic earnings per ordinary share attributable to Owners of the Company (sen):					
Basic	B12	6.95	0.87	9.03	2.54
Diluted	B12	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this report)

**SARAWAK PLANTATION BERHAD**

Registration No. 199701035877 (451377-P)

(Incorporated in Malaysia)

Condensed Consolidated Statement of Changes in Equity

(The figures have not been audited)

	Attributable to Owners of the Company						Non-controlling interests RM'000	Total equity RM'000
	Notes	Non-distributable		Distributable		Total RM'000		
		Share capital RM'000	Equity reserve RM'000	Treasury shares RM'000	Retained earnings RM'000			
At 1 January 2020		340,969	493	(2,105)	212,676	552,033	(10,639)	541,394
Profit and total comprehensive income for the period		-	-	-	25,210	25,210	169	25,379
Less: First interim, single tier exempt dividend in respect of the financial year ending 2020		-	-		(13,952)	(13,952)	-	(13,952)
At 30 June 2020		340,969	493	(2,105)	223,934	563,291	(10,470)	552,821

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this report)

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Registration No. 199701035877 (451377-P)

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Condensed Consolidated Statement of Changes in Equity (continued)

(The figures have not been audited)

	Attributable to Owners of the Company						Non-controlling interests RM'000	Total equity RM'000
	Notes	Non-distributable			Distributable			
		Share capital RM'000	Equity reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000		
At 1 January 2019		340,969	493	(1,223)	205,709	545,948	(10,415)	535,533
Profit and total comprehensive income for the period		-	-	-	7,080	7,080	(111)	6,969
Treasury shares acquired for the period		-	-	(879)	-	(879)	-	(879)
Less: First interim, single tier exempt dividend in respect of the financial year ending 2019		-	-	-	(13,952)	(13,952)	-	(13,952)
At 30 June 2019		340,969	493	(2,102)	198,837	538,197	(10,526)	527,671

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to this report)



Condensed Consolidated Statement of Cash Flows
(The figures have not been audited)

	Cumulative Quarter (6 Months)	
	Current Year - Period To Date 30/6/2020 (Unaudited) RM'000	Preceding Year - Period To Date 30/6/2019 (Unaudited) RM'000
Cash flows from operating activities		
Profit before tax	34,021	10,142
<i>Adjustments for:</i>		
Change in fair value of biological assets	(10,113)	(3,591)
Depreciation of property, plant and equipment	7,565	7,424
Depreciation of bearer plants	7,905	5,287
Depreciation of investment properties	83	83
Depreciation of right of- use assets	609	-
Gain on disposal of property, plant and equipment	(115)	-
Property, plant and equipment written off	228	-
Finance income	(1,047)	(1,297)
Finance costs	1,164	2,206
Operating profit before changes in working capital	40,300	20,254
Change in inventories	(1,995)	(2,652)
Change in trade and other receivables, deposits and prepayments	1,734	2,305
Change in trade and other payables	(3,055)	(7,478)
Cash generated from operations	36,984	12,429
Tax paid	(342)	(1,898)
Interest/Profit paid	(2,678)	(2,967)
Hire purchase facility interest/profit paid	(261)	(301)
Interest received	1,074	1,749
Net cash from operating activities	34,777	9,012

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Condensed Consolidated Statement of Cash Flows

(The figures have not been audited)

	Cumulative Quarter (6 Months)	
	Current Year - Period to Date 30/6/2020 (Unaudited) RM'000	Preceding Year - Period to Date 30/6/2019 (Unaudited) RM'000
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,788)	(3,062)
Net movement of deposits with original maturities exceeding three months	(3,425)	602
Bearer plants (net of depreciation)	(11,701)	(8,372)
Proceed from sale of property, plant & equipment	270	-
Net cash used in investing activities	(16,644)	(10,832)
Cash flows from financing activities		
Treasury shares acquired	-	(880)
Proceeds from drawdown of term loans and revolving credits	37,310	13,555
Repayment of term loans and revolving credits	(43,500)	(52,000)
Repayment of hire purchase facilities	(2,636)	(2,570)
Net cash used in financing activities	(8,826)	(41,895)
Net increase/(decrease) in cash and cash equivalents	9,307	(43,715)
Cash and cash equivalents as at 1 January	68,652	101,912
Cash and cash equivalents as at 30 June	77,959	58,197
Represented by:		
Deposits with original maturities not exceeding three months	58,375	54,871
Cash and bank balances	19,584	3,326
Cash and cash equivalents	77,959	58,197

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying notes attached to this report)



Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134

A1. Basis of preparation

1. Statement of compliance

The condensed consolidated interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134, *Interim Financial Reporting*, the International Accounting Standards (“IAS”) 34 *Interim Financial Reporting* and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The condensed consolidated financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2019.

2. Significant accounting policies

2.1 Adoption of new/revised Standards, Amendments and Interpretations

The Group’s financial statements for annual period beginning on 1 January 2020 is prepared in accordance with the Malaysian Financial Reporting Standards (“MFRSs”) issued by the MASB.

The Group adopted the following accounting standards, amendments and interpretations where applicable for the annual period beginning 1 January 2020:

Standards / Amendments / Interpretations

- Amendments to MFRS 3, *Business Combinations*
– *Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
– *Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

The Group adopted the following accounting standards, amendments and interpretations where applicable for the annual period beginning 1 June 2020:

- *Covid – 19 – Related Rent Concessions* (Amendment to MFRS 16 *Leases*)

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

The initial application of the accounting standards, interpretations or amendments that are effective from annual period beginning 1 January 2020 and 1 June 2020 do not have any material financial impacts to the current period and prior period financial statements of the Group and the Company.



Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134

A1. Basis of preparation (continued)

A2. Significant accounting policies (continued)

2.2 Standards issued but not yet effective

Standards / Amendments / Interpretations	Effective date
<ul style="list-style-type: none">• MFRS 17, <i>Insurance Contracts</i>	1 January 2021
<ul style="list-style-type: none">• Amendments to MFRS 101, <i>Presentation of Financial Statements – Classification of Liabilities as Current or Non-current</i>	1 January 2022
<ul style="list-style-type: none">• Amendments to MFRSs contained in the document entitled “<i>Annual Improvements to MFRS Standards 2018 – 2020</i>”	1 January 2022
<ul style="list-style-type: none">• <i>Reference to the Conceptual Framework</i> (Amendments to MFRS 3 <i>Business Combinations</i>)	1 January 2022
<ul style="list-style-type: none">• <i>Property, Plant and Equipment – Proceeds before Intended Use</i> (Amendments to MFRS 116 <i>Property, Plant and Equipment</i>)	1 January 2022
<ul style="list-style-type: none">• <i>Onerous Contracts – Cost of Fulfilling a Contract</i> (Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>)	1 January 2022
<ul style="list-style-type: none">• Amendments to MFRS 10, <i>Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Yet to be determined

The Group will adopt the above except for MFRS 17, where applicable when they become effective in the respective financial periods.

A2. Seasonality or Cyclicity of Interim Operations

The Group's performance is affected by the cropping pattern of fresh fruit bunches (“FFB”) which normally reaches its peak in the second half of the year, that will be reflected accordingly in the crude palm oil (“CPO”) and palm kernel (“PK”) production of the Group. The performance is also affected by the prices of CPO and PK which are determined by global supply and demand situation for edible oils and fats.

A3. Unusual Items Affecting Assets, Liabilities, Equity, Net income or Cash Flows

There were no items affecting assets, liabilities, equity, net income, or cash flows, which were unusual in nature, size or incidence during the current interim financial period.

A4. Material Changes in Estimates

There were no changes in the estimates of amounts reported in prior financial years and preceding interim periods, which have a material effect in the current interim financial period.

A5. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity in the current interim financial period.

A6. Dividends Paid

There was no dividend paid during the current interim financial period.

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Part A – Explanatory Notes Pursuant to MFRS 134**A7. Disaggregation of revenue****Individual Quarter (Q2)**

	Oil palm operation		Management / Agronomic services		Total	
	Current Year Quarter 30/6/2020 RM'000	Preceding Year Corresponding Quarter 30/6/2019 RM'000	Current Year Quarter 30/6/2020 RM'000	Preceding Year Corresponding Quarter 30/6/2019 RM'000	Current Year Quarter 30/6/2020 RM'000	Preceding Year Corresponding Quarter 30/6/2019 RM'000
Major products and service lines						
Sales of oil palm products	97,200	75,440	-	-	97,200	75,440
Management/Agronomic services income	-	-	73	75	73	75
	97,200	75,440	73	75	97,273	75,515
Other revenue	-	-	149	138	149	138
Total revenue	97,200	75,440	222	213	97,422	75,653
Major products and service lines						
Geographical markets						
Malaysia	97,200	75,440	73	75	97,273	75,515
Timing and recognition						
At a point in time	97,200	75,440	54	56	97,254	75,496
Over time	-	-	19	19	19	19
	97,200	75,440	73	75	97,273	75,515



Part A – Explanatory Notes Pursuant to MFRS 134

A7. Disaggregation of revenue

Cumulative Quarter (6 Months)

	Oil palm operation		Management / Agronomic services		Total	
	Current Year - Period To Date 30/6/2020 RM'000	Preceding Year - Period To Date 30/6/2019 RM'000	Current Year - Period To Date 30/6/2020 RM'000	Preceding Year - Period To Date 30/6/2019 RM'000	Current Year - Period To Date 30/6/2020 RM'000	Preceding Year - Period To Date 30/6/2019 RM'000
Major products and service lines						
Sales of oil palm products	195,845	144,642	-	-	195,845	144,642
Management/Agronomic services income	-	-	167	164	167	164
	195,845	144,642	167	164	196,012	144,806
Other revenue	-	-	291	249	291	249
Total revenue	195,845	144,642	458	413	196,303	145,055
Major products and service lines						
Geographical markets						
Malaysia	195,845	144,642	167	164	196,012	144,806
Timing and recognition						
At a point in time	195,845	144,642	129	126	195,974	144,768
Over time	-	-	38	38	38	38
	195,845	144,642	167	164	196,012	144,806



Part A – Explanatory Notes Pursuant to MFRS 134

A8. Segment Information

The Group's business segments mainly comprise the following three major business segments:-

- (i) **Investment holding**
Investment holding company
- (ii) **Oil palm operations**
 - Estate operations (Cultivation of oil palm)
 - Mill operations (processing of fresh fruit bunches)
- (iii) **Management services and rental**
Provision of management service and rental of investment properties



Part A – Explanatory Notes Pursuant to MFRS 134

A8. Segment Information (continued)

Individual Quarter (Q2)

	Investment holding	Management services and rental	Oil palm operations		Consolidated	
			Estate operations	Mill operations	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30/6/2020						
Revenue						
Segment revenue	4,500	488	34,003	90,539	124,542	129,530
Inter-segment	(4,500)	(266)	-	-	(27,342)	(32,108)
External revenue	-	222	34,003	90,539	97,200	97,422
Cost of sales						
Segment cost of sales	-	(374)	(23,927)	(76,241)	(100,168)	(100,542)
Inter-segment	-	20	-	-	27,349	27,369
External cost of sales	-	(354)	(23,927)	(76,241)	(72,819)	(73,173)
Gross (loss)/profit	-	(132)	10,076	14,298	24,381	24,249
Distribution expenses	-	-	-	(5,463)	(5,463)	(5,463)
Segment (loss)/profit	-	(132)	10,076	8,835	18,918	18,786
Other income including finance income	655	27			584	1,266
Inter-segment	(323)	(44)			(263)	(630)
External other income	332	(17)			321	636
Other expenses including finance costs	(432)	(206)			(5,507)	(6,145)
Inter-segment	(8)	151			353	496
External other expenses	(440)	(55)			(5,154)	(5,649)
Operating profit/(loss) before tax	(108)	(204)			14,085	13,773
Change in fair value of biological assets	-	-			11,882	11,882
Profit/(Loss) before tax	(108)	(204)			25,967	25,655



Part A – Explanatory Notes Pursuant to MFRS 134

A8. Segment Information (continued)

Individual Quarter (Q2)

	Investment holding	Management services and rental	Oil palm operations		Consolidated	
			Estate operations	Mill operations	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30/6/2019						
Revenue						
Segment revenue	-	554	20,493	71,058	91,551	92,105
Inter-segment	-	(341)	-	-	(16,111)	(16,452)
External revenue	-	213	20,493	71,058	75,440	75,653
Cost of sales						
Segment cost of sales	-	(477)	(20,231)	(61,238)	(81,469)	(81,946)
Inter-segment	-	45	-	-	16,130	16,175
External cost of sales	-	(432)	(20,231)	(61,238)	(65,339)	(65,771)
Gross (loss)/profit	-	(219)	262	9,820	10,101	9,882
Distribution expenses	-	-	-	(4,604)	(4,604)	(4,604)
Segment (loss)/profit	-	(219)	262	5,216	5,497	5,278
Other income including finance income	1,000	63			1,150	2,213
Inter-segment	(694)	(4)			(257)	(955)
External other income	306	59			893	1,258
Other expenses including finance costs	(541)	(249)			(5,754)	(6,544)
Inter-segment	19	163			936	1,118
External other expenses	(522)	(86)			(4,818)	(5,426)
Operating profit/(loss) before tax	(216)	(246)			1,572	1,110
Change in fair value of biological assets	-	-			1,548	1,548
Profit/(Loss) before tax	(216)	(246)			3,120	2,658



Part A – Explanatory Notes Pursuant to MFRS 134

A8. Segment Information (continued)

Cumulative Quarter (6 Months)

	Investment holding	Management services and rental	Oil palm operations		Consolidated	
			Estate operations	Mill operations	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30/6/2020						
Revenue						
Segment revenue	4,500	990	64,706	183,206	247,912	253,402
Inter-segment	(4,500)	(532)	-	-	(52,067)	(57,099)
External revenue	-	458	64,706	183,206	195,845	196,303
Cost of sales						
Segment cost of sales	-	(720)	(44,476)	(159,242)	(203,718)	(204,438)
Inter-segment	-	40	-	-	52,076	52,116
External cost of sales	-	(680)	(44,476)	(159,242)	(151,642)	(152,322)
Gross (loss)/profit	-	(222)	20,230	23,964	44,203	43,981
Distribution expenses	-	-	-	(10,849)	(10,849)	(10,849)
Segment (loss)/profit	-	(222)	20,230	13,115	33,354	33,132
Other income including finance income	1,405	51			1,269	2,725
Inter-segment	(718)	(46)			(535)	(1,299)
External other income	687	5			734	1,426
Other expenses including finance costs	(758)	(446)			(10,508)	(11,712)
Inter-segment	20	326			716	1,062
External other expenses	(738)	(120)			(9,792)	(10,650)
Operating profit/(loss) before tax	(51)	(337)			24,296	23,908
Change in fair value of biological assets	-	-			10,113	10,113
Profit/(Loss) before tax	(51)	(337)			34,409	34,021



Part A – Explanatory Notes Pursuant to MFRS 134

A8. Segment Information (continued)

Cumulative Quarter (6 Months)

	Investment holding	Management services and rental	Oil palm operations		Consolidated	
			Estate operations	Mill operations	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30/6/2019						
Revenue						
Segment revenue	-	1,118	41,295	137,288	178,583	179,701
Inter-segment	-	(705)	-	-	(33,941)	(34,646)
External revenue	-	413	41,295	137,288	144,642	145,055
Cost of sales						
Segment cost of sales	-	(970)	(36,542)	(118,083)	(154,625)	(155,595)
Inter-segment	-	90	-	-	33,960	34,050
External cost of sales	-	(880)	(36,542)	(118,083)	(120,665)	(121,545)
Gross (loss)/profit	-	(467)	4,753	19,205	23,977	23,510
Distribution expenses	-	-	-	(8,788)	(8,788)	(8,788)
Segment (loss)/profit	-	(467)	4,753	10,417	15,189	14,722
Other income including finance income	1,911	105			2,080	4,096
Inter-segment	(1,206)	(9)			(491)	(1,706)
External other income	705	96			1,589	2,390
Other expenses including finance costs	(909)	(499)			(11,226)	(12,634)
Inter-segment	70	353			1,650	2,073
External other expenses	(839)	(146)			(9,576)	(10,561)
Operating profit/(loss) before tax	(134)	(517)			7,202	6,551
Change in fair value of biological assets	-	-			3,591	3,591
Profit/(Loss) before tax	(134)	(517)			10,793	10,142



Part A – Explanatory Notes Pursuant to MFRS 134

A8. Segment Information (continued)
Segment assets and liabilities

	As At End Of Current Financial
	30/6/2020
	RM'000
Segment assets:	
Investment holding	410,395
Oil palm operations	761,841
Management services/Rental	28,290
Others	7
	<hr/> 1,200,533
Elimination	<hr/> (342,264)
Total assets	<hr/> 858,269 <hr/>
Segment liabilities:	
Investment holding	23,647
Oil palm operations	342,459
Management services/Rental	14,332
Others	178
	<hr/> 380,616
Elimination	<hr/> (75,168)
Total liabilities	<hr/> 305,448 <hr/>

A9. Impairment of Assets

There was neither impairment loss nor reversal of such impairment loss recognised during the current financial period.

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

There were no material events subsequent to the end of the current interim financial period that have not been reflected in the financial statements for the current interim financial period.



Part A – Explanatory Notes Pursuant to MFRS 134

A11. Changes in the Composition of the Group

As at 30 June 2020, there were no changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiary companies and long-term investments, restructurings and discontinued operations.

A12. Changes in Contingent Liabilities and Contingent Assets

As at 30 June 2020, there were no material contingent liabilities or contingent assets, which upon being enforced might have a material impact on the financial position or business of the Group, except as disclosed below:

	At 30/6/2020
	RM'000
As at that date, the Company has contingent liabilities as follows:	
Corporate guarantees for banking facilities granted to a subsidiary	230,000
	<hr/>

A13. Capital Expenditure Commitments

As at 30 June 2020, 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:

	At 30/6/2020
	RM'000
Contracted but not provided for	
Property, plant and equipment	2,129
Bearer plants	5,187
	<hr/>
	7,316
	<hr/> <hr/>

A14. Unfulfilled Contract Obligation

As at 30 June 2020, unfulfilled contract obligation of the Group is as disclosed below:

	At 30/6/2020
	RM'000
Sale Contracts	1,561
	<hr/> <hr/>



Part A – Explanatory Notes Pursuant to MFRS 134

A15. Significant Related Party Transactions

The significant related party transactions during the financial period as set out below represent significant transactions with companies having common directorship or in which certain Directors or person connected to a Director have interests.

	Cumulative Quarter (6 Months)	
	Current Year - Period To Date 30/6/2020 RM'000	Preceding Year - Period To Date 30/6/2019 RM'000
a. KUB Sepadu Sdn. Bhd.		
- Purchase of fresh fruit bunches	8,195	4,404
b. Danawa Resources Sdn. Bhd.		
- Rental and annual support for satellite broadband services	99	86
c. Intuitive Systems Sdn. Bhd.		
- Software support, customisation, maintenance fee	299	309
- Purchase of software	-	50
d. Stonehead Sdn. Bhd.		
- Purchase of material	-	208
e. Ironhead Sdn. Bhd.		
- Purchase of equipments	332	663
- Services of equipment	17	-
f. Manis Oil Sdn. Bhd.		
- Sale of fresh fruit bunches	(6,583)	(3,106)
g. Butrasemari Sdn. Bhd.		
- Purchase of fresh fruit bunches	683	4,098
- Purchase of seedlings	-	118
h. Ta Ann Plywood Sdn. Bhd.		
- Field maintenance work and rental of machineries	93	60
- Purchase of seedlings	60	-
- Agronomics service fee income	(2)	-
- Sales of store items	-	(100)
i. Mega Bumimas Sdn. Bhd.		
- Purchase of fresh fruit bunches	661	838
j. PSS Oil Mill		
- Purchase of fresh fruit bunches	2,043	-
k. Ta Ann Pelita Silas Plantation Sdn. Bhd.		
- Purchase of fresh fruit bunches	561	1,081



Part A – Explanatory Notes Pursuant to MFRS 134

A15. Significant Related Party Transactions (continued)

	Cumulative Quarter (6 Months)	Preceding Year - Period To Date
	Current Year - Period To Date 30/6/2020 RM'000	30/6/2019 RM'000
I. Ta Ann Pelita Assan Sdn. Bhd.		
- Purchase of seedlings	-	1
m. Ta Ann Igan Sdn. Bhd.		
- Transportation of fresh fruit bunches	1	-
n. Ta Ann Pelita Ngemah Sdn. Bhd.		
- Sales of Seedlings	-	(90)
o. Lik Shen Sawmill Sdn. Bhd.		
- Purchase of material	25	97
p. Sebbubu Sdn. Bhd.		
- Purchase of fresh fruit bunches	273	-
q. TBS Oil Mill Sdn. Bhd.		
- Sale of fresh fruit bunches	(3,071)	-
r. TABM Sdn Bhd		
- Sale of palm kernel shell	(146)	-
s. Eagle Forest Sdn. Bhd.		
- Rental of office space	8	-
t. AcoSAFE Sdn Bhd		
- Purchase of insurance premium	421	398
u. Key Ta Trading Sdn. Bhd.		
- Purchase of spare parts, lubricants and fertilisers	1,218	275
v. Key Jaya Sdn. Bhd.		
- Purchase of diesel	1,438	-
w. Key Group Sdn. Bhd.		
- Purchase of equipments	163	-

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and they are effected on terms not materially different from those obtainable in transactions with unrelated parties.



Part A – Explanatory Notes Pursuant to MFRS 134

A16. Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income Disclosures

	Individual Quarter (Q2)		Cumulative Quarter (6 Months)	
	Current Year Quarter 30/6/2020 RM'000	Preceding Year Corresponding Quarter 30/6/2019 RM'000	Current Year - Period To Date 30/6/2020 RM'000	Preceding Year - Period To Date 30/6/2019 RM'000
Profit before tax is arrived at after charging:				
Depreciation of property, plant and equipment	3,932	3,725	7,565	7,424
Depreciation of right of- use assets	104	-	609	-
Depreciation of bearer plants	4,767	2,568	7,905	5,287
Depreciation of investment properties	41	41	83	83
Property, plant and equipment written off	24	-	228	-
Finance costs	571	1,089	1,164	2,206
Profit before tax is arrived at after crediting:				
Change in fair value of biological assets	11,882	1,548	10,113	3,591
Gain on disposal of Property, plant and equipment	-	-	115	-
Other income	105	713	379	1,093
Finance income	531	545	1,047	1,297

Other items not applicable to the Group are foreign exchange gain or loss and gain or loss on derivatives.



Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”)

B1. Review of Performance

Quarter 2, 2020 vs Quarter 2, 2019

The Group recorded revenue of RM97.4 million in the current interim quarter ended 30 June 2020 compared with RM75.6 million reported in the corresponding period of the preceding year.

The Group's operating profit before tax was RM13.8 million for the current interim quarter compared to operating profit before tax of RM1.1 million for the corresponding period of the preceding year. The increase in operating profit was principally due to the effect of higher sales volume of CPO and PK and higher realised average selling price of CPO and PK during the current interim quarter.

The Group recorded a profit before tax of RM25.6 million for the current interim quarter, as compared to a profit before tax of RM2.7 million in the corresponding period of the preceding year in line with the increase in operating profit and gain arising from changes in fair value of biological assets of RM11.9 million for the current interim quarter.

The performance of the respective major business segments of the Group are as follows:

Oil palm operations

The oil palm operations comprise estate and mill operations. During the current interim quarter, estate operations recorded a revenue and segment profit of RM34.0 million and RM10.1 million respectively, whereas mill operations recorded a revenue and segment profit of RM90.5 million and RM8.8 million respectively.

For the current interim quarter, the oil palm operations segment contributed 99.7% of the Group revenue of RM97.4 million.

Revenue of the oil palm operations increased by RM21.8 million to RM97.2 million in the current interim quarter compared with RM75.4 million reported in the corresponding period of the preceding year. The increase was principally attributed to the effect of higher sales volumes of CPO and PK and higher realised average selling prices of CPO and PK during the current interim quarter.

Average selling prices of CPO and PK had increased approximately by 20.1% and 24.5% whereas sales volumes of CPO and PK had increased by approximately 4.7% and 11.9% respectively for the current interim quarter.

The operating profit before tax for the oil palm operations (after deducting administrative and finance cost) was RM14.1 million for the current quarter as compared to operating profit before tax of RM1.6 million for the corresponding period of the preceding year. The increase in operating profit before tax was in line with the increase in revenue.

Other segments

Other segments' results for the current financial period are insignificant to the Group.



Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. Review of Performance (continued)

Six Months ended 30 June 2020 vs Six Months ended 30 June 2019

The Group recorded revenue of RM196.3 million in the current financial period ended 30 June 2020 compared with RM145.1 million reported in the corresponding period of the preceding year.

The Group's operating profit before tax was RM23.9 million for the current financial period compared to operating profit before tax of RM6.6 million for the corresponding period of the preceding year. The increase in operating profit was principally due to the effect of higher sales volume of CPO and PK and higher realised average selling price of CPO and PK during the current financial period.

The Group recorded a profit before tax of RM34.0 million for the current financial period, as compared to a profit before tax of RM10.1 million in the corresponding period of the preceding year in line with the increase in operating profit and gain arising from changes in fair value of biological assets of RM10.1 million for the current financial period.

The performance of the respective major business segments of the Group are as follows:

Oil palm operations

The oil palm operations comprise estate and mill operations. During the current financial period, estate operations recorded a revenue and segment profit of RM64.7 million and RM20.2 million respectively, whereas mill operations recorded a revenue and segment profit of RM183.2 million and RM13.1 million respectively.

For the current financial period, the oil palm operations segment contributed 99.7% of the Group revenue of RM196.3 million.

Revenue of the oil palm operations increased by RM51.2 million to RM195.8 million in the current financial period compared with RM144.6 million reported in the corresponding period of the preceding year. The increase was principally attributed to the effect of higher sales volumes of CPO and PK and higher realised average selling prices of CPO and PK during the current financial period.

Average selling prices of CPO and PK had increased approximately by 26.0% and 31.9% whereas sales volumes of CPO and PK had increased by approximately 4.9% and 7.7% respectively for the current financial period.

The operating profit before tax for the oil palm operations (after deducting administrative and finance cost) was RM24.3 million for the current financial period as compared to operating profit before tax of RM7.2 million for the corresponding period of the preceding year. The increase in operating profit before tax was in line with the increase in revenue.

Other segments

Other segments' results for the current financial period are insignificant to the Group.



Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B2. Material Changes in Profit Before Tax for the Current Quarter as compared with the Immediate Preceding Quarter

For the quarter under review, the Group recorded an operating profit before tax of RM13.8 million for the current quarter compared with an operating profit before tax of RM10.1 million in the preceding quarter, mainly due to the effect of higher sale volume of CPO and PK and lower cost of sales despite lower realised average selling prices of CPO and PK for the current quarter.

The sales volume of CPO and PK had increased approximately by 12.1% and 11.2% whereas the average realised selling prices of CPO and PK decreased by 11.7% and 21.4% respectively during the current quarter.

The Group recorded a profit before tax of RM25.6 million for the current quarter, as compared to profit before tax of RM8.4 million in the preceding quarter principally due to lower cost of sales and gain arising from changes in fair value of biological assets of RM11.9 million for the current interim quarter.

B3. Prospects for the Current Financial Year

The widespread threat of COVID 19 had resulted in lockdowns and movement restrictions in many countries since the beginning of this year. To curb the spread of COVID 19, Malaysia implemented a Movement Control Order (“MCO”) on 18 March 2020, followed by a Conditional Movement Control Order (“CMCO”) and thereafter a Recovery Movement Control Order (“RMCO”) which will end on 31 August 2020.

COVID 19 pandemic has brought adverse impact to the global and Malaysia’s economy. The International Monetary Fund (“IMF”) projected a negative growth for global and Malaysia’s economy in 2020. Malaysia’s Gross Domestic Product (GDP) growth is projected at -3.8%.

Nevertheless, the global palm oil demand is expected to recover in the second half of the year following anticipated partial economic recovery when movement controls are eased globally assuming the threat of COVID 19 is under reasonable control.

Crude palm oil (“CPO”) price rose above RM2,800 per metric tonne since beginning of August 2020. There were increasing exports particularly to China and India and Malaysia’s palm oil inventories is also down to a three year historical low level.

The Group has been able to continue its operations during the lockdown periods by complying fully with the standard operating procedures issued by the Government. Since the COVID 19 outbreak, the Group had refined its operational strategies to minimise disruptions to its business and operations. Despite recent rise in CPO price, the Group continues to manage its financial and operational risks in a prudent and cautious manner considering that the current economic situation due to COVID 19 pandemic is still unpredictable.

Barring any unforeseen circumstances and subject to the sustainability of the current CPO price, the Board anticipates a satisfactory financial performance for the current financial year.

B4. Profit Forecast or Profit Guarantee

Not applicable



Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B5. Taxation

	Individual Quarter (Q2)		Cumulative Quarter (6 Months)	
	Current Year Quarter 30/6/2020 RM'000	Preceding Year Corresponding Quarter 30/6/2019 RM'000	Current Year - Period To Date 30/6/2020 RM'000	Preceding Year - Period To Date 30/6/2019 RM'000
Current tax expense	3,258	(111)	5,450	1,473
Deferred tax expenses	3,000	400	3,192	1,700
	<u>6,258</u>	<u>289</u>	<u>8,642</u>	<u>3,173</u>

The Group's effective tax rate for the financial period ended 30 June 2020 is slightly higher than the statutory tax rate principally due to non deductible expenditure.

B6. Other Investments

There was no material purchase or disposal of quoted securities for the current financial period.

The investments as at 30 June 2020 are as follows:

	At 30/6/2020 RM'000
<u>Current</u>	
Deposits with original maturities exceeding three months	4,679

B7. Loans and Borrowings - Secured

	At 30/6/2020 RM'000
<u>Non-current</u>	
Term Loan (Term Financing -i)	48,763
Hire purchase facility	1,810
Hire purchase facility (Islamic)	665
	<u>51,238</u>
<u>Current</u>	
Revolving credit	-
Revolving credit - i	18,900
Term Loan (Term Financing -i)	36,000
Hire purchase facility	1,482
Hire purchase facility (Islamic)	3,747
	<u>60,129</u>
Total loans and borrowings	<u><u>111,367</u></u>



Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B7. Loans and Borrowings (continued)

Revolving Credit

This revolving credit facility of RM40 million is secured by way of the Company's corporate guarantee and legal charge over certain land and buildings of a subsidiary.

The effective interest rate of revolving credit is 4.61% per annum.

Revolving Credit (Revolving Credits – *i*)

The revolving credit facility of RM30 million is an Islamic facility under Bai' Inah contract, is secured by way of legal charge over certain land and buildings of a subsidiary and a corporate guarantee from the Company.

The Revolving Credit – *i* bears profit rate of 12% per annum, which is equivalent to effective profit rate of 0.60% per annum above the Bank's *i*-cost of funds.

Term Loan (Term Financing – *i*)

The term loan facility of RM150 million is an Islamic facility under Bai' Inah contract, is secured by way of legal charge over certain land and buildings of a subsidiary and a corporate guarantee from the Company. The loan is for a tenure of 8 years from the date of first drawdown in November 2014 and is repayable by 16 quarterly installments commencing 51th month after date of first drawdown of TF-*i*.

The Term Financing – *i*, bears profit rate of 12% per annum, which is equivalent to effective profit rate of 0.75% per annum above the Bank's *i*-cost of funds.

Hire purchase facilities

The hire purchase facilities are secured on property, plant and equipment under the hire purchase.

Hire purchase facility and Hire purchase facility (Islamic) carry interest/profit rates ranged between 5.09% - 5.22% per annum.

The above borrowings are denominated in Ringgit Malaysia.

B8. Corporate Proposals

Status of Corporate Proposals Announced

There was no corporate proposal being announced during the current interim financial period.

B9. Gains/Losses from Fair Value Changes of Financial Liabilities

There were no gains/losses arising from fair value changes of financial liabilities during the current interim financial period.



Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B10. Changes in Material Litigation

As at 12 August 2020 (*being the latest practicable date which is not earlier than 7 days from the date of the issue of this quarterly report*), there were no changes to the status of material litigation or arbitration in which the Company and/or any of its subsidiaries were involved either as plaintiff or defendant which has a material effect on the Group's financial position except as disclosed below:

- (a) A subsidiary of the Group, SPB Pelita Suai Sdn. Bhd. ("SP Suai") sued 6 individuals ("Defendants"), seeking injunctive and declaratory relief against the Defendants for various acts of trespass over 2 parcels of Native Communal Reserve Land which the Defendants had given consent for development into an oil palm estate. SP Suai also seeks to claim damages from the Defendants.

On 18 September 2013, the learned Judge decided as follows:

- (i) There is no concluded contract between the Defendants and SP Suai;
- (ii) It has not been shown by the parties that the Defendants were members of the Penan community for which the land was gazetted for their exclusive use;
- (iii) That the gazette to allow SP Suai to deal with native land has no retrospective effect;
- (iv) Generally, parties have not proven their case against each other.

SP Suai filed a Notice of Appeal against the whole of the learned Judge's decision on 14 October 2013. The Defendants also filed a Notice of Appeal against the whole of the learned Judge's decision on the same date. SP Suai had filed and served the Record of Appeal on 2 December 2013. The Court of Appeal heard the appeal on 10 December 2015, and ordered that the case be remitted back to the High Court (before a different Judge) for a retrial. They were of the view that there was a mistrial in respect of the High Court's finding. There was no order as to costs.

The retrial of the case proceeded on 26 July 2016.

At the conclusion of the proceedings, the Court directed as follows:

- (1) The parties are to file and exchange Written Submissions;
- (2) Thereafter, the parties are to file Written Reply; and
- (3) Counsels for the parties are to appear before the Court to go through their Submissions on 25 August 2016

The Court allowed the Counsel for the Defendants' application for an extension of 2 weeks from 27 October 2016 to file the Written Submission and the same has to be filed on or before 10 November 2016. Thereafter, the parties may file Reply (if any) by 17 November 2016. Hearing of the Submissions is fixed on 28 November 2016.

The Court delivered its Judgement on 23 February 2017 as follows:

- (i) Dismissed SP Suai's claim;
- (ii) Allowed part of the Defendants' claim, namely SP Suai is prohibited from entering the 2 parcels of NCR Land and SP Suai has to vacate and remove its machineries, equipments and structures existing on the Defendants' 2 parcels of NCR land.

SP Suai filed a Notice of Appeal against the whole of the learned Judge's decision on 9 March 2017 and an application for a stay of execution on 11 April 2017. The Court heard and allowed the application for a stay of execution on 9 June 2017. The Appeal came up for Case Management on 6 September 2017. The Court of Appeal fixed the hearing of the Appeal on 27 June 2018.

At the hearing of the Appeal on 27 June 2018, the Court of Appeal adjourned the same for Case Management to 10 July 2018. On 10 July 2018, the Court of Appeal directed the 1st Respondent's Advocates to file an application to substitute the deceased 1st Respondent within one month.



Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B10. Changes in Material Litigation (continued)

- (a) The Court of Appeal has fixed hearing date of the Appeal on 15 April 2020 regardless of whether or not the deceased's 1st Respondent's family has decided on their representative to substitute the deceased.

The hearing fixed on 15 April 2020 had to be vacated in view of the COVID-19 Movement Control Order. Instead the case was fixed for case management by way of e-Review on 14 April 2020. On 14 April 2020, the Deputy Registrar of the Court of Appeal fixed the hearing of the Appeal on 23 September 2020 regardless of whether or not the deceased's 1st Respondent's family has decided on their representative to substitute the deceased.

The Respondents' Advocates, Messrs Harrison Ngau & Co, had on 16 June 2020 filed a Notice of Motion to substitute the deceased 1st Respondent. At the hearing of the Notice of Motion on 15 July 2020, the Court granted an order in terms.

The Court of Appeal then fixed the Appeal for Case Management on 23 September 2020.

- (b) On 13 July 2016, the Company and SPAD were served with legal proceedings. Amongst other things, the Plaintiffs sought a declaration to the effect that they have acquired native customary rights and/or are the customary owners over land situated at/around all of the Kampung Melugu Sri Aman.

The Company and SPAD had on 20 July 2016 entered appearance. On 10 August 2016, an application to strike out the Plaintiffs' Writ and Statement of Claim was filed and served the Plaintiffs. On 17 October 2016, the Court dismissed SPAD's application to strike out the Plaintiff's Statement of Claim. SPAD filed its appeal against the Court's said decision on 9 November 2016.

On 14 July 2017, the Court Appeal dismissed the Company and SPAD's appeal with costs in the cause.

On 18 July 2017, the parties informed the Court of the verdict of the appeal hearing. The Company and SPAD also informed the Court of their intention to amend the 'Defence of the 1st and 2nd Defendants'.

The Court fixed 18 August 2017 as the next mention date to monitor the progress of the application for amendment of the Defence of the 1st and 2nd Defendants.

On 28 August 2017, the Court had allowed the 1st and 2nd Defendants' application for amendment of the Defence. The Court on 20 September 2017 had given directions for the parties to file the bundle of documents and documents pertinent to the trial. The Court fixed the case for trial from 21 May 2018 to 25 May 2018.

The Court gave its decision on 16 July 2018 as follows:-

1. The Plaintiffs' action against the 1st, 2nd, 3rd and 4th Defendants is dismissed.
2. Costs of RM40,000.00 is awarded to the 1st & 2nd Defendants and RM40,000.00 to the 3rd and 4th Defendants, all subject to payment of Allocatur fees.

On 3 August 2018, the Plaintiffs filed their appeal against the whole of the Court's decision delivered on 16 July 2018.

At the last hearing date fixed on 21 February 2020, the Court of Appeal adjourned the matter to be heard on 15 September 2020.

The Directors, in consultation with the Company's and SPAD's advocates, are of the opinion that the Company and SPAD have strong merits in the case.



Part B – Explanatory Notes Pursuant to Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B11. Dividend Declared

On 28 May 2020, the Board of Directors had declared a first interim, single tier dividend of 5 sen per share, totalling approximately RM14 million, in respect of the financial year ending 31 December 2020, paid to shareholders on 6 August 2020.

B12. Earnings per Share

	Individual Quarter (Q2)		Cumulative Quarter (6 Months)	
	Current Year Quarter 30/6/2020 RM'000	Preceding Year Corresponding Quarter 30/6/2019 RM'000	Current Year - Period To Date 30/6/2020 RM'000	Preceding Year - Period To Date 30/6/2019 RM'000
Profit attributable to Owners of the Company (RM)	19,392	2,424	25,210	7,080
Weighted average number of ordinary shares in issue (unit)	279,032	279,033	279,032	279,033
Basic earnings per share (sen)	6.95	0.87	9.03	2.54
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

Basic earnings per share

The calculation of basic earnings per share for the interim quarter and financial period is based on the profit attributable to owners of the Company and on the weighted average number of ordinary shares in issue less the weighted average number of treasury shares held by the Company.

Diluted earnings per share

The diluted earnings per share for the interim quarter and financial period were not computed as the Company does not have any potentially dilutive ordinary shares as at 30 June 2020.

B13. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2019 was unqualified.

B14. 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 18 August 2020.

By Order of the Board

Company Secretary
Kuching

18 August 2020