

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

1. Accounting policies and method of computation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards (“FRS”) 134 : Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of changes in the financial position and performance of the Group since the financial year ended 31 December 2014.

On 19 November 2011, the Malaysian Accounting Standards Board (“MASB”) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS”). The MFRSs are to be applied by all entities Other Than The Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation 15 (Agreement for Construction of Real Estate), including its parent, significant investor and venture (herein called “Transitioning Entities”).

With the issuance of MFRS 15 : Revenue from Contracts with Customers and Agriculture : Bearer Plants (Amendments to MFRS 116 and MFRS 141), all Transitioning Entities would be required to adopt the MFRS framework latest by 1 January 2017. On 28 October 2015, the MASB notified that the effective date of MFRS 15 is deferred to annual periods beginning on or after 1 January 2018. The Group falls within the definition of Transitioning Entities and has elected to present its first Malaysian Financial Reporting Standards (“MFRS”) financial statements when MFRS framework become mandatory.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2014. The adoption of the new, revised Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations with effect from 1 January 2015, are expected to have no significant impact on the Group’s financial statements.

2. Auditors’ report on preceding annual financial statements

The auditors’ report on the audited financial statements for the year ended 31 December 2014 was not qualified.

3. Seasonal and cyclical factors

Except for the production of fresh fruit bunches (“FFB”) which is cyclical in nature, the Group’s operations were not significantly affected by seasonal or cyclical factors.

4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter.

5. Changes in estimates

There were no changes in estimates of amounts reported in prior financial year that have a material effect in the current quarter.

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6. Dividends paid

A second interim single tier dividend of 3 sen per ordinary share amounting to RM15,777,804.75 in respect of the financial year ended 31 December 2015 was paid on 6 January 2016.

7. Segmental information

12 months ended 31 December 2015				
Revenue			Profit/(loss) before tax	
External	Inter- segment	Total		
RM'000	RM'000	RM'000	RM'000	
<u>Business segments</u>				
- Palm oil mill equipment and related products & Contracting works	428,593	16,368	444,961	114,181
- Oil palm plantation	2,132	-	2,132	(6,796)
- Retrofitting special purpose vehicles	123,363	-	123,363	25,797
Elimination		(16,368)	(16,368)	-
	554,088	-	554,088	133,182
Share of results of associates				6,359
Share of result of joint venture				53
Total	554,088	-	554,088	139,594

12 months ended 31 December 2014				
Revenue			Profit/(loss) before tax	
External	Inter- segment	Total		
RM'000	RM'000	RM'000	RM'000	
<u>Business segments</u>				
- Palm oil mill equipment and related products & Contracting works	447,428	24,383	471,811	92,286
- Oil palm plantation	1,042	-	1,042	(11,015)
- Retrofitting special purpose vehicles	152,423	-	152,423	20,885
Elimination		(24,383)	(24,383)	-
	600,893	-	600,893	102,156
Share of results of associates				6,523
Share of result of joint venture				(233)
Total	600,893	-	600,893	108,446

8. Carrying amount of revalued assets

The valuations of property, plant and equipment have been brought forward without amendment from the audited financial statements for the year ended 31 December 2014.

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9. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter other than the following:-

On 28 May 2015, the shareholders of the Company approved the renewal of authority for the Company's plan to repurchase its own shares. During the current quarter, the Company repurchased 1,416,100 of its issued ordinary shares from the open market at an average price of RM2.03 per share. The total consideration paid for the repurchase including transaction costs was RM2,877,854 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

10. Material subsequent events

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

11. Changes in composition of the Group

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

12. Changes in contingent liabilities or contingent assets

There were no significant changes in contingent liabilities or assets of the Company since the last audited statement of financial position as at 31 December 2014 other than the following:-

The issuance of corporate guarantees of RM24 million to a financial institution in respect of banking facilities granted to subsidiaries of the Company.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

13. Review of performance

The Group's profit before taxation for the financial year ended 31 December 2015 increased by 29% despite a lower Group's revenue by 8% as compared to the last financial year.

The decrease in the Group's revenue was mainly due to lower project billing by the special purposes vehicles and palm oil equipment segments during the financial year. Both the special purposes vehicles and palm oil equipment segments posted higher contributions despite lower revenue. In addition, the oil palm plantation segment also incurred a lower loss as compared to the last financial year.

The palm oil mill equipment segment reported higher profit before taxation by 24% as compared to the last financial year. The increase was mainly due to the improvement in profit margin resulting from a favorable foreign exchange and higher project implementation during the financial year.

The profit before taxation of the special purpose vehicles segment increased by 24% despite lower revenue by 19% as compared to the last financial year. The increase was mainly due to improvement in project management and delivery during the financial year.

The combined share of results of the associates and joint venture improved marginally as compared to the last financial year, mainly due to higher production of palm products.

14. Comparison with preceding quarter's result

Both the Group's revenue and profit before taxation for the current quarter improved as compared to the immediate preceding quarter.

The increase in the Group's revenue was mainly due to higher project billing and completion by the special purpose vehicles and palm oil mill equipment segments.

The increase in the Group's profit before taxation was mainly attributable to improvement in project implementation and management by the special purpose vehicles and palm oil mill equipment segments, and a favorable foreign exchange during the current quarter.

The share of results of associates improved by 21% whereas the joint venture performed marginally the same as compared to the immediate preceding quarter.

15. Commentary on prospects

In view of the progress in the implementation of the projects secured in hand and the current challenging environment, the Board expects the Group to achieve satisfactory results driven by the palm oil mill equipment and special purpose vehicles segments for the financial year ending 31 December 2016.

16. Profit forecast and profit guarantee

No profit forecast and profit guarantee were issued by the Company during the current financial period.

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17. Corporate proposals

There were no corporate proposals announced but not completed as at the date of issue of these interim financial statements.

18. Taxation

	Individual quarter 31/12/2015 RM'000	Cumulative quarter 31/12/2015 RM'000
Malaysian taxation	18,623	35,029
Foreign taxation	1,062	1,863
Under / (Over) provision in prior year	(7)	(7)
Deferred tax	-	-
Total	19,678	36,885

The effective tax rate for the financial year ended 31 December 2015 is lower than the statutory tax rate mainly due to the tax exemption granted under pioneer status to a subsidiary of which expired in March 2015.

19. Borrowings and debt securities

Group borrowings as at 31 December 2015:-

	Current RM'000	Non-current RM'000	Total RM'000
<u>Secured borrowings</u>			
Ringgit Malaysia	5,018	14,710	19,728
US Dollar	-	-	-
Total	5,018	14,710	19,728

20. Material litigation

There were no material litigations as at the date of issue of these interim financial statements.

21. Derivative financial instruments

There were no outstanding derivative financial instruments as at the date of issue of these interim financial statements.

22. Dividend payable

On 4 February 2016, the Board of Directors proposed a single tier special dividend of 4 sen per ordinary share in respect of the financial year ended 31 December 2015. The interim dividend is to be paid on 15 March 2016.

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23. Comprehensive Income Disclosure

Profit before taxation is arrived at after charging/(crediting):-

	Individual quarter		Cumulative quarter	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Interest income	(1,670)	(5,493)	(8,117)	(6,545)
Interest expense	336	313	1,089	583
Depreciation/Amortization	1,464	2,437	5,866	6,561
Bad debts recovered/ Reversal of allowance for doubtful debts	-	(329)	-	(329)
Allowance for doubtful debts/Bad debts written off	5,000	12,624	5,664	12,624
(Gain)/Loss on disposal of property, plant and equipment	(57)	173	(997)	(52)
Inventories written down	-	-	-	-
Plant and equipment written off	-	9	-	9
Fair value (gain)/loss on :-				
- Derivative instruments	-	-	-	-
- Short term investments	(3,815)	4,896	2,021	1,178
(Gain)/Loss on foreign exchange	3,922	(7,108)	829	(3,963)

24. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to the shareholders by the weighted average number of ordinary shares of RM0.50 each in issue during the period, excluding treasury shares held by the Company. The diluted earnings per share is calculated based on the weighted average number of ordinary shares in issue during the period after the adjustment for the effect of dilutive potential ordinary shares (Adjusted for bonus shares and on assumption that all warrants are exercised).

	Individual quarter		Cumulative quarter	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
i) <u>Basic</u>				
Weighted average number of ordinary shares in issue ('000)	525,616	531,339	525,616	531,339
Basic earnings per share (sen)	7.42	4.55	17.82	17.17
ii) <u>Diluted</u>				
Weighted average number of ordinary shares outstanding ('000)	613,015	618,738	613,015	618,738
Basic earnings per share (sen)	6.36	3.91	15.28	14.74

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25. Realized and unrealized profits/losses

	31/12/2015 RM'000	31/12/2014 RM'000
Total retained profits of the Company and its subsidiaries:-		
- Realized	470,230	370,945
- Unrealized	(517)	5,034
	469,713	375,979
Total share of retained profits from associated companies:-		
- Realized	46,791	44,091
- Unrealized	(5,507)	(5,216)
	41,284	38,875
Total share of accumulated losses from a joint venture:-		
- Realized	3,922	4,045
- Unrealized	(339)	(237)
	3,583	3,808
Less : Consolidation adjustments	(89,960)	(55,983)
Total group retained profits as per consolidated accounts	424,620	362,679

26. Authorization for issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors dated 23 February 2016.