

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 2016. 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 2016.

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; 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”).

As further announced by MASB, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2018.

The Group falls within the definition of transitioning entities and has elected to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 31 December 2018. The Group is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still on going.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016. The adoption of the new, revised accounting standards and interpretations (including the consequential amendments, if any) is 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 2016 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

There were no dividends paid during the current quarter.

7. Segmental information

6 months ended 30 June 2017				
Revenue			Profit/(loss) before tax	
External	Inter-segment	Total		
RM'000	RM'000	RM'000	RM'000	
<u>Business segments</u>				
- Palm oil equipment, related products and engineering works	179,212	10,938	190,150	39,242
- Palm oil plantations	3,981	-	3,981	(1,453)
- Retrofitting special purpose vehicles	93,809	-	93,809	15,505
Elimination	-	(10,938)	(10,938)	-
	277,002	-	277,002	53,294
Share of results of associates				8,414
Share of result of joint venture				1,584
Total	277,002	-	277,002	63,292

6 months ended 30 June 2016				
Revenue			Profit/(loss) before tax	
External	Inter-segment	Total		
RM'000	RM'000	RM'000	RM'000	
<u>Business segments</u>				
- Palm oil equipment, related products and engineering works	208,331	9,630	217,961	40,723
- Palm oil plantations	1,001	-	1,001	(4,872)
- Retrofitting special purpose vehicles	41,650	-	41,650	5,153
Elimination	-	(9,630)	(9,630)	-
	250,982	-	250,982	41,004
Share of results of associates				3,090
Share of result of joint venture				(2,001)
Total	250,982	-	250,982	42,093

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 2016.

9. 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.

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10. 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 30 May 2017, 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 863,000 of its issued ordinary shares from the open market at an average price of RM2.102 per share. The total consideration paid for the repurchase including transaction costs was RM1,814,009 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

11. Changes in composition of the Group

There were no changes in the composition of the Group during the current quarter other than the following:-

- i) On 23 June 2016, the following subsidiaries of the Company entered into three (3) conditional agreements of sale and purchase of shares with PT Jhonlin Agro Mandiri ("JAM") for the disposal of shares in its subsidiaries ("Disposal of Shares"), as detailed below:
 - a) Conditional agreement of sale and purchase of shares between Midas Portfolio Sdn. Bhd. ("MPSB"), a wholly-owned subsidiary of the Company and JAM for the disposal of 29,600 shares of Rp.1,000,000 each or 74% of the total issued shares of PT Gumas Alam Subur ("PT GAS"), a 94% owned subsidiary of MPSB, together with the receivables of MPSB against PT GAS with an amount of Rp.30,964,999,594 (equivalent to RM9,475,214), for a total cash consideration of Rp.49,201,072,278 (equivalent to RM15,055,408);
 - b) Conditional agreement of sale and purchase of shares between Accent Hectares Sdn. Bhd. ("AHSB"), a wholly-owned subsidiary of the Company and JAM for the disposal of 29,600 shares of Rp.1,000,000 each or 74% of the total issued shares of PT Kurun Sumber Rezeki ("PT KSR"), a 94% owned subsidiary of AHSB, together with the receivables of AHSB against PT KSR with an amount of Rp.31,033,038,596 (equivalent to RM9,496,034), for a total cash consideration of Rp. 49,269,111,280 (equivalent to RM15,076,227); and
 - c) Conditional agreement of sale and purchase of shares between Benar Optima Sdn. Bhd. ("BOSB"), a wholly-owned subsidiary of the Company and JAM for the disposal of 29,600 shares of Rp.1,000,000 each or 74% of the total issued shares of PT Manyangan Jaya ("PT MJ"), a 94% owned subsidiary of BOSB, together with the receivables of BOSB against PT MJ with an amount of Rp.6,781,243,757 (equivalent to RM2,074,998), for a total cash consideration of Rp. 25,017,316,441 (equivalent to RM7,655,192).

The Disposal of Shares have been completed following the fulfillment of the conditions precedent and the full settlement of the total considerations on 26 May 2017; and

- ii) On 24 April 2017, CB Industrial Product Sdn. Bhd. ("CBIPSB"), a wholly owned subsidiary of the Company incorporated a new subsidiary in Republic of Guatemala, Modipalma Latin America, Sociedad Anonima (Modipalma"). CBIPSB subscribed 548 shares of DTQ100 each for a total consideration of GTQ54,800 (equivalent to RM32,272), representing 99.6% of the issued and paid-up capital of Modipalma. For further details, please refer to our announcements to Bursa Securities on 4 May 2017.

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 2016.

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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 revenue and profit before taxation for the financial period ended 30 June 2017 increased by 10% and 50% respectively as compared to the same period last year.

The increase in the Group's revenue was mainly due to higher project billings by the special purposes vehicles segments during the financial period. The increase in the Group's profit before taxation was mainly due to higher contribution posted by the special purposes segment and improvement from the share of results of associates and joint ventures.

The palm oil equipment and engineering segment reported lower revenue and profit before taxation by 14% and 4% respectively as compared to the last financial period. The decreases in revenue and profit before taxation were mainly due to the lower projects billing and implementation in the current financial period. The other operating income had improved as a result of the recovery from a loss to a gain by the investment in asset management while the unfavorable foreign exchange during the current financial period had resulted a higher loss in foreign exchange.

The revenue and profit before taxation of the special purpose vehicles segment increased by 125% and 201% respectively as compared to the last financial period. The increases were mainly due to higher projects implementation and completion in the current quarter resulting from the substantial projects order-book brought forward from the last financial year.

The share of results of associates improved by 172% whereas the joint ventures recovered from a loss incurred in the last financial period to a profit in the current financial period. The improved performance was mainly due to higher prices of palm products as compare to the same period last year.

14. Comparison with preceding quarter's result

	Current quarter 30/06/2017 RM'000	Preceding quarter 31/03/2017 RM'000	Changes %
Revenue	144,665	132,337	9.3%
Profit from operations	25,924	28,358	-8.6%
Profit before taxation	29,122	34,170	-14.8%
Profit after taxation	22,097	26,792	-17.5%
Profit attributable to owners of the parent	18,334	24,571	-25.4%

The Group's profit before taxation for the current quarter decreased by 15% despite an increase in revenue by 9% as compared to the immediate preceding quarter.

The increase in the Group's revenue was mainly due to higher project billings and implementation by the special purpose vehicles and palm oil equipment and engineering segments during the current quarter.

The lower Group's profits before taxation was mainly attributable to the higher operating expenses resulting from the foreign exchange loss incurred during the current quarter.

In addition, the combined share of results of the associates and joint ventures decreased by 40% as compared to the immediate preceding quarter. The decrease was mainly due to lower prices of palm products during the current quarter.

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15. Commentary on prospects

In view of the progress of the projects secured in hand and the current challenging environment, the Board expects the Group to achieve satisfactory results mainly driven by the special purpose vehicles and palm oil equipment and engineering segments for the financial year ending 31 December 2017.

16. Profit forecast and profit guarantee

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

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 30/06/2017 RM'000	Cumulative period 30/06/2017 RM'000
Malaysian taxation	6,795	13,918
Foreign taxation	230	485
Under / (Over) provision in prior year	-	-
Deferred tax	-	-
Total	7,025	14,403

19. Borrowings and debt securities

Group borrowings as at 30 June 2017:-

	Current RM'000	Non-current RM'000	Total RM'000
<u>Secured borrowings</u>			
Ringgit Malaysia	54,149	12,342	66,491
US Dollar	-	-	-
Total	54,149	12,342	66,491

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

A first second interim single tier dividend of 3 sen per ordinary share amounting to RM15,697,816.74 in respect of the financial year ending 31 December 2017 was paid on 16 August 2017.

No dividend has been proposed or declared for the current quarter

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23. Comprehensive Income Disclosure

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

	Individual quarter		Cumulative period	
	30/06/2017 RM'000	30/06/2016 RM'000	30/06/2017 RM'000	30/06/2016 RM'000
Interest income	(550)	(301)	(1,056)	(507)
Interest expense	391	189	662	388
Depreciation/Amortization	1,709	1,486	3,175	3,006
Bad debts recovered/ Reversal of allowance for doubtful debts	-	-	-	-
Allowance for doubtful debts/Bad debts written off	-	-	-	82
(Gain)/Loss on disposal of property, plant and equipment	(40)	-	148	(100)
Inventories written down	-	-	-	-
Plant and equipment written off	-	-	-	-
Fair value (gain)/loss on :-				
- Derivative instruments	-	-	-	-
- Short term investments	(519)	1,380	(2,462)	4,428
(Gain)/Loss on foreign exchange	7,092	594	6,948	5,382

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.

	Individual quarter		Cumulative period	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Weighted average number of ordinary shares in issue ('000)	523,261	524,229	523,261	524,229
Basic earnings per share (sen)	3.50	3.43	8.20	5.21
Diluted earnings per share (sen)	3.50	3.43	8.20	5.21

The potential conversion of warrants is anti-dilutive as their exercise prices are higher than the average market price of the Company's shares during the current financial period. Accordingly, the exercise of warrants has been ignored in the calculation of diluted earnings per share.

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25. Realized and unrealized profits/losses

	30/06/2017 RM'000	30/06/2016 RM'000
Total retained profits of the Company and its subsidiaries:-		
- Realized	552,712	461,506
- Unrealized	2,639	(3,433)
	555,351	458,073
Total share of retained profits from associated companies:-		
- Realized	60,152	49,078
- Unrealized	(5,886)	(5,632)
	54,266	43,446
Total share of accumulated losses from a joint venture:-		
- Realized	7,748	1,819
- Unrealized	(421)	(236)
	7,327	1,583
Less : Consolidation adjustments	(111,069)	(83,468)
Total group retained profits as per consolidated accounts	505,875	419,634

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 August 2017.