PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Accounting policies and method of computation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 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 2017. 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 2017.

The financial statements of the Group for the financial period ended 31 March 2018 are the first set of financial statements prepared in accordance with the MFRS Framework. The date of transition to the MFRS Frameworks was on 1 January 2017.

The Group has consistently applied the same accounting policies in its opening MFRS statement of the financial position as at 1 January 2017 and throughout all comparable interim periods presented, as if these policies has always been in effect. Comparative information in theses interim financial statements have been restated to give effect to these changes and the financial impact on the transition from Financial Reporting Standards to MFRS as disclosed as follows :-

<u>MFRS 116 : Property, Plant and Equipment and MFRS 141 : Agriculture</u>
Biological assets that meet the definition of bearer plants will be within the scope of MFRS 116. Bearer plants will now be measured under MFRS 116 at accumulated cost using either the cost or revaluation model. The Group is currently measuring the bearer plants/plantation development expenditure at cost less amortisation, the change of accounting policies is limited to reclassification of accounts and will not impact comprehensive income or equity.

The unripe fresh fruit bunch ("FFB") on bearer plant is within the scope of MFRS 141. Prior to the adoption of 141, biological assets which form part of the bearer plants were not recognised. With the adoption of the MFRS, the biological assets are measured at fair value less cost to sell with the changes in fair value recognised in profit and loss.

The effect of the changes in accounting policy on comparatives are as follows :-

<u>Condensed Consolidated Statement of Financial Position</u>

	As at 31 December 2017			As at 1 January 2017		
	Under FRS RM'000	Effects RM'000	Under MFRS RM'000	Under FRS RM'000	Effects RM'000	Under MFRS RM'000
Non-Current assets						
Property, plant & equipment	342,679	(68,424)	274,255	350,127	(67,621)	282,506
Land use rights	-	68,424	68,424	238,676	67,621	171,055
Current assets						
Biological assets	-	3,765	3,765	-	1,922	1,922
Equity						
Reserves	491,224	2,753	493,797	590,746	1,288	591,034
Non-controlling interests	61,131	251	61,382	48,436	154	48,590
Non-current liabilities						
Deferred tax liabilities	267	941	1,208	715	481	1,196

Condensed Consolidated Statement of Comprehensive Income

	For the period ended 31 December 2017		
	Under FRS RM'000	Effects RM'000	Under MFRS RM'000
Other operating income	19,717	1,843	21,560
Profit before taxation	101,026	1,843	102,869
Taxation	(35,431)	(461)	(35,892)
Profit after taxation	65,595	1,382	66,977
Profit attributable to :-			
Owners of the parent	51,409	1,285	52,694
Non-controlling interests	14,186	97	14,283
	65,595	1,382	66,977

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017. 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 2017 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.

6. Dividends paid

There were no dividends paid during the current quarter.

7. 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 2017.

8. 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.

9. Segmental information

	For the year ended 31 December 2018			
	Revenue			Profit/(loss) before tax
	External RM'000	Inter-segment RM'000	Total RM'000	RM'000
<u>Business segments</u>				
- Palm oil equipment, related products and engineering works	343,305	53,467	396,772	51,422
- Palm oil plantations	17,105	-	17,105	(1,374)
- Retrofitting special purpose vehicles	120,707	-	120,707	44,322
Elimination	-	(53,467)	(53,467)	-
	481,117	-	481,117	94,370
Share of results of associates				2,125
Share of result of joint venture				(4,014)
Total	481,117	-	481,117	92,481

	For the year ended 31 December 2017			
	Revenue			Profit/(loss) before tax
	External RM'000	Inter-segment RM'000	Total RM'000	RM'000
<u>Business segments</u>				
- Palm oil equipment, related products and engineering works	366,175	20,073	386,248	58,819
- Palm oil plantations	10,043	-	10,043	(8,400)
- Retrofitting special purpose vehicles	327,840	-	327,840	35,798
Elimination	-	(20,073)	(20,073)	-
	704,058	-	704,058	86,217
Share of results of associates	,			15,888
Share of result of joint venture				764
Total	704,058	-	704,058	102,869

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 28 May 2018, 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 10,854,600 of its issued ordinary shares from the open market at an average price of RM1.086 per share. The total consideration paid for the repurchase including transaction costs was RM11,788,796 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.

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 2017.

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 year ended 31 December 2018 decreased by 32% and 10% respective as compared to the last financial year.

The decrease in the Group's revenue was mainly due to lower project billings by the special purpose vehicles segment during the current financial year. The decrease in the Group's profit before taxation was mainly due to lower contribution by the palm oil equipment and engineering segment and the associates together with share of losses incurred by the joint venture.

The palm oil equipment and engineering segment reported lower revenue and profit before taxation by 6% and 12% respectively as compared to the last financial year. The decrease in revenue was mainly due to the lower project billings and higher elimination of inter-segment revenue as the Group is constructing its maiden palm oil mill for the palm oil plantations segment during the current financial year. The decrease in profit was mainly due to higher production costs and losses incurred by the investment in asset management resulting from the poor performance in the equity market during the current financial year.

The revenue of the special purpose vehicles segment decreased by 63% whereas the profit before taxation increased by 24% as compared to the last financial year. The decrease in revenue was mainly due to lower projects implementation and completion in the current financial year. The increase in profit was mainly due to higher project margin resulting from lower production costs.

The share of results of associates and joint venture incurred losses of RM1.9 million as compared to a combined profits of RM16.7 million in the same period last year. The losses were mainly due to lower prices and production of palm products during the current financial year.

14. Comparison with preceding quarter's result

	Current quarter 31/12/2018 RM'000	Preceding quarter 30/09/2018 RM'000	Changes %
Revenue	108,124	83,598	29.3%
Profit from operations	9,277	23,194	-60.0%
Profit before taxation	8,217	21,227	-61.3%
Profit after taxation	2,756	13,327	-79.3%
Profit attributable to owners of the parent	2,020	9,021	-77.6%

The Group's profit before taxation for the current quarter decreased despite an increase in revenue 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 palm oil equipment and engineering segment despite lower billing posted by the special purpose vehicles segment during the current quarter.

The decrease in the Group's profits before taxation was mainly due to lower contributions by both the palm oil equipment and engineering and special purpose vehicles segments resulting from higher production costs and operating expenses during the current quarter.

The combined share of results of the associates and joint ventures improved to a profit of RM0.9 million as compared to a loss of RM0.6 million in the immediate preceding quarter. The improvement was mainly due to higher production of palm products during the current quarter.

15. Commentary on prospects

Considering the progress of the projects secured in hand and the current challenging environment, the Board is optimistic that the Group will able to achieve satisfactory results mainly driven by the palm oil equipment and engineering segment for the financial year ending 31 December 2019.

16. Profit forecast and profit guarantee

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

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 31/12/2018 RM'000	Cumulative period 31/12/2018 RM'000
Malaysian taxation	4.091	25,415
Foreign taxation	527	2,375
Under / (Over) provision in prior year	-	-
Deferred tax	843	874
Total	5,461	28,664

19. Borrowings and debt securities

Group borrowings as at 31 December 2018:-

<u>Secured borrowings</u>	Current RM'000	Non-current RM'000	Total RM'000
Ringgit Malaysia	27,111	13,852	40,963
Rupiah	2,799	26,937	29,736
US Dollar	-	53,060	53,060
Total	29,910	93,849	123,759

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

The Board of Directors proposed a second interim single tier dividend of 2 sen per ordinary share in respect of the financial year ending 31 December 2018. The interim dividend is to be paid on a date to be announced later.

23. Comprehensive Income Disclosure

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

	Individual quarter		Cumulative period	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Interest income	(301)	(664)	(2,079)	(2,674)
Interest expense	1,854	760	4,063	1,904
Depreciation/Amortization	1,802	5,262	6,597	10,162
Bad debts recovered/ Reversal of allowance for doubtful debts	-	(7,032)	-	(7,032)
Allowance for impairment of receivables/Bad debts written off	20	8,735	20	8,827
(Gain)/Loss on disposal of property, plant and equipment	(2,079)	266	(2,111)	409
Reversal of provision of warranty cost	-	-	-	-
Other investment income	(208)	(558)	(2,682)	(1,588)
Fair value (gain)/loss on :-				
- Biological assets	(3,708)	(1,087)	(3,664)	(1,843)
- Short term investments	261	(764)	2,142	(3,188)
(Gain)/Loss on foreign exchange	878	5,288	6,972	22,026

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	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Weighted average number of ordinary shares in issue ('000)	511,721	522,781	511,721	522,781
Basic earnings per share (sen)	0.39	0.55	9.05	10.08
Diluted earnings per share (sen)	0.39	0.55	9.05	10.08

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.

25. 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 25 February 2019.