

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 2018. 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 2018.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2018. 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 independent auditors reported the following qualified opinion on the audited financial statements for the year ended 31 December 2018:-

The audited financial statements of the Group have been consolidated using the unaudited management accounts of the associates and joint venture for the financial year ended 31 December 2018. The audited financial statements and auditors’ report of the associates and joint venture were not available to the Group’s auditors.

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

A first interim single tier dividend of 2 sen per ordinary share amounting to RM10,100,731 in respect of the financial year ended 31 December 2019 was paid on 8 January 2020.

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 2018.

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8. Material subsequent events

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

9. Segmental information

For the period ended 31 December 2019				
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	395,812	20,630	416,442	78,712
- Palm oil plantations	48,714	-	48,714	(28,505)
- Retrofitting special purpose vehicles	5,737	-	5,737	976
Elimination	-	(20,630)	(20,630)	-
	450,263	-	450,263	51,183
Share of results of associates				(1,174)
Share of result of joint venture				(5,681)
Total	450,263	-	450,263	44,328

For the period ended 31 December 2018				
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	340,274	57,712	397,986	58,341
- Palm oil plantations	17,105	-	17,105	(8,771)
- Retrofitting special purpose vehicles	120,707	-	120,707	43,896
Elimination	-	(57,712)	(57,712)	-
	478,086	-	478,086	93,466
Share of results of associates				(812)
Share of result of joint venture				(4,102)
Total	478,086	-	478,086	88,552

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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 31 May 2019, 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 1,433,800 of its issued ordinary shares from the open market at an average price of RM0.888 per share. The total consideration paid for the repurchase including transaction costs was RM1,273,239 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 significant 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 2018.

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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 year ended 31 December 2019 decreased by 6% and 50% respectively as compared to the last financial year.

The decrease in the Group's revenue was mainly due to decrease in project billings by the special purpose vehicles segment despite an increase in revenue by the palm oil plantation segment. The decrease in the Group's profit before taxation was mainly due to lower contribution by special purpose vehicles segment and loss incurred by palm oil plantations segment.

The palm oil equipment and engineering segment reported higher revenue and profit before taxation by 16% and 35% respectively as compared to the last financial year. The increase in profit was mainly due to higher project margin resulting from lower production costs and higher other income attributable to gain on disposal of a vacant property.

The revenue and profit before taxation of the special purpose vehicles segment decreased by 95% and 98% respectively as compared to the last financial year. The decreases were mainly due to lack of replenishment of new project following the completion of projects implementation in last financial year.

The palm oil plantations segment reported higher revenue by 185% following the commencement of its palm oil milling operation during the current financial year. The segment remain in losses despite the increase in revenue mainly due to the low prices of palm products, higher operating and financial expenses. In addition, an allowance for impairment loss on other receivable further enlarged its losses.

The associates and joint venture incurred a combined share of loss of RM5.5 million as compared to a combined loss of RM4.9 million in the last financial year. The losses were mainly due to higher production cost and lower production of palm products during the current financial year.

14. Comparison with preceding quarter's result

	Current quarter 31/12/2019 RM'000	Preceding quarter 30/09/2019 RM'000	Changes %
Revenue	170,020	101,916	66.8%
Profit from operations	33,282	6,252	432.3%
Profit/(Loss) before taxation	30,379	2,237	1258.0%
Profit after taxation	21,860	829	2536.9%
Profit attributable to owners of the parent	22,539	746	2921.3%

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 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 increase in the Group's profits before taxation was mainly due to higher contributions by the palm oil equipment and engineering segment resulting from lower production costs and higher other income during the current quarter.

The Group posted higher operating expenses for current quarter mainly due to allowances for impairment losses on receivables and investment in associates. It was partially mitigated by higher other income resulting from gain on disposal of a vacant property and gain on foreign exchange during the current quarter.

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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 be able to achieve satisfactory results mainly driven by the palm oil equipment and engineering segment for the financial year ending 31 December 2020.

16. Profit forecast and profit guarantee

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

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 31/12/2019 RM'000	Cumulative period 31/12/2019 RM'000
Malaysian taxation	4,674	8,369
Foreign taxation	1,345	2,490
Under / (Over) provision in prior year	-	(53)
Deferred tax	2,500	-
Total	8,519	10,806

19. Borrowings and debt securities

Group borrowings as at the date of issue of these interim financial statements:-

	Current RM'000	Non-current RM'000	Total RM'000
Ringgit Malaysia	36,546	10,495	47,041
Rupiah	108	30,558	30,666
US Dollar	-	95,735	95,735
Total	36,654	136,788	173,442

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

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	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Interest income	(1,204)	(419)	(2,532)	(2,197)
Interest expense	3,515	6,017	10,488	8,226
Depreciation/Amortization	5,176	5,695	12,921	10,490
Bad debts recovered/ Reversal of impairment loss on receivables	-	(10,548)	-	(10,548)
Allowance for impairment loss on receivables/Bad debts written off	20,333	8,885	20,333	8,885
Impairment loss on investment in associates	10,000	3,946	10,000	3,946
(Gain)/Loss on disposal of property, plant and equipment	(9,041)	(2,139)	(9,117)	(2,171)
Reversal of provision of warranty cost	-	(4,195)	-	(4,195)
Other investment income	(3,619)	(876)	(4,886)	(2,474)
Fair value (gain)/loss on :-				
- Biological assets	(3)	(547)	(232)	(547)
- Short term investments	121	299	121	2,180
(Gain)/Loss on foreign exchange	(3,775)	2,472	(3,808)	8,566

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	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Weighted average number of ordinary shares in issue ('000)	505,037	531,167	505,037	531,167
Basic earnings per share (sen)	4.46	(0.57)	7.04	7.77
Diluted earnings per share (sen)	4.46	(0.57)	7.04	7.77

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 27 February 2020.