

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 2019. 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 2019.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2019. 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 2019:-

Audit of joint venture - Gulf Lubes Malaysia Sdn. Bhd. (“GLM”)

The audited financial statements and auditors’ report of GLM are not available and the Group has not performed a Purchase Price Allocation for the acquisition of the joint venture. The audited financial statements of the Group have been consolidated using the unaudited management accounts of the joint venture for the financial year ended 31 December 2019.

Further, the total advances to GLM as at 31 December 2019 amounted to RM49.2 million which has been classified as other receivables. The Group is unable to reliably perform impairment assessment on the said other receivables.

Audit of associates and joint ventures

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 2019. The audited financial statements and auditors’ report of the associates and joint venture were not available to the Group’s auditors.

Impairment loss on bearer plants

PT Sawit Lamandau Raya (“SLR”), a subsidiary of the Group is in dispute with Koperasi Karang Indah Cahaya Taba over a portion of the planted area of 353.73 ha which is outside the Hak Guna Usaha area granted to SLR. The amount of plantation costs of RM7.69 million included in the property, plant and equipment as bearer plants. No impairment loss is being provided on the said bearer plant under dispute as at 31 December 2019.

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.

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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 2019.

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 30 June 2020				
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	144,945	4,158	149,103	29,688
- Palm oil plantations	27,683	-	27,683	(7,378)
- Retrofitting special purpose vehicles	8,174	-	8,174	616
- Refinery plant	31,474	-	31,474	(883)
Elimination	-	(4,158)	(4,158)	-
	212,276	-	212,276	22,043
Share of results of associates				280
Share of result of joint venture				(2,272)
Total	212,276	-	212,276	20,051

For the period ended 30 June 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	164,272	10,573	174,845	33,430
- Palm oil plantations	12,930	-	12,930	(14,400)
- Retrofitting special purpose vehicles	1,125	-	1,125	(1,335)
Elimination	-	(10,573)	(10,573)	-
	178,327	-	178,327	17,695
Share of results of associates				(2,185)
Share of result of joint venture				(3,798)
Total	178,327	-	178,327	11,712

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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 July 2020, 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 3,481,200 of its issued ordinary shares from the open market at an average price of RM0.887 per share. The total consideration paid for the repurchase including transaction costs was RM3,088,354 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 2019.

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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 2020 increased by 19% and 71% respectively as compared to the same financial period last year.

The increase in the Group's revenue was mainly due to a new stream of revenue generated by the refinery segment as well as the increase in revenue by the palm oil plantations and special purpose vehicles segments. The increase in the Group's profit before taxation was mainly due to lower loss incurred by the palm oil plantations segment along with the profit recovery by the special purpose vehicles segment.

The palm oil equipment and engineering segment reported lower revenue and profit before taxation by 12% and 11% respectively as compared to the same financial period last year. The decrease was mainly due to the lower projects billing and implementation resulting from the restriction of global movement following the outbreak of COVID-19 during the current financial period.

The special purpose vehicles segment reported higher revenue mainly due to higher projects implementation in the current financial period. The segment also reported a slight profit as compared to a loss incurred in the same financial period last year.

The palm oil plantations segment reported higher revenue mainly due to the higher revenue generated from its palm oil milling operation. The segment incurred lower loss of RM7.4 million as compared to a loss of RM14.4 million in the same financial period last year. The improvement was mainly due to higher prices and production of palm products during the current financial period.

The new refinery segment incurred a loss of RM0.9 million with a revenue of RM31.5 million following the commencement of its palm oil pre-treatment plant operation in the current financial period.

The associates and joint venture improved with a combined share of losses of RM2.0 million as compared to a combined share of losses of RM6.0 million in the same financial period last year. The improvement was mainly due to higher prices of palm products during the current financial period.

14. Comparison with preceding quarter's result

	Current quarter 30/06/2020 RM'000	Preceding quarter 31/03/2020 RM'000	Changes %
Revenue	104,251	108,025	-3.5%
Profit from operations	8,382	19,068	-56.0%
Profit/(Loss) before taxation	5,092	14,959	-66.0%
Profit after taxation	4,025	12,633	-68.1%
Profit attributable to owners of the parent	3,855	12,287	-68.6%

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

The decrease in the Group's revenue was mainly due to lower revenue generated by the special purpose vehicles and refinery segments resulting from the restriction of global movement following the outbreak of COVID-19.

The decrease in the Group's profits before taxation was mainly due to the losses incurred by the palm oil plantations and refinery segments in the current quarter.

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The associates and joint venture incurred a combined share of losses of RM0.5 million as compared to losses of RM1.5 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 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 30/06/2020 RM'000	Cumulative period 30/06/2020 RM'000
Malaysian taxation	601	2,461
Foreign taxation	466	932
Under / (Over) provision in prior year	-	-
Deferred tax	-	-
Total	1,067	3,393

The effective tax rate of the Group is lower than the statutory tax rate mainly due to the availability of tax exemption granted under pioneer status to a subsidiary of the Company.

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	45,745	9,450	55,195
Rupiah	449	29,739	30,188
US Dollar	-	95,735	95,735
Total	46,194	134,924	181,118

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.

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22. Dividend payable

The Board of Directors proposed a first interim single tier dividend of 2 sen per ordinary share in respect of the financial year ending 31 December 2020. 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	
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
Interest income	(601)	(424)	(1,310)	(707)
Interest expense	2,766	2,326	5,339	4,608
Depreciation/Amortization	4,608	2,251	8,549	4,968
Bad debts recovered/ Reversal of impairment loss on receivables	51	-	(90)	-
Allowance for impairment loss on receivables/Bad debts written off	-	-	-	-
Impairment loss on investment in associates	-	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	(4)	(76)	(24)	(76)
Reversal of provision of warranty cost	-	-	-	-
Other investment income	(379)	(572)	(450)	(1,399)
Fair value (gain)/loss on :-				
- Biological assets	(265)	(12)	(265)	(115)
- Short term investments	-	5	-	10
(Gain)/Loss on foreign exchange	(1,889)	(98)	(1,681)	21

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	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
Weighted average number of ordinary shares in issue ('000)	492,896	509,747	492,896	509,747
Basic earnings per share (sen)	0.78	0.24	3.27	2.40
Diluted earnings per share (sen)	0.78	0.24	3.27	2.40

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 28 August 2020.