

**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 2020. 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 2020.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2020. 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 2020:-

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 2020.

Further, the total advances to GLM as at 31 December 2020 amounted to RM50.5 million which has been classified as other receivables. The Group is unable to reliably perform impairment assessment on the said other receivables.

Investment in GLM – Company Level

No impairment assessment has been performed on the carrying amount of the investment in GLM amounting to RM4.0 million.

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 RM7.5 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 2020.

**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**

A second interim single tier dividend of 2 sen per ordinary share amounting to RM9,715,963 in respect of the financial year ended 31 December 2020 was paid on 10 May 2021.

**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 2020.

**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 2021				
Revenue			Profit/(loss) before tax	
External	Inter- segment	Total		
RM'000	RM'000	RM'000	RM'000	
<u>Business segments</u>				
- Palm oil equipment and engineering works	103,453	3,621	107,074	23,466
- Palm oil plantation	63,936	-	63,936	(170)
- Retrofitting special purpose vehicles	5,072	-	5,072	186
- Refinery plant	87,634	-	87,634	5,565
Elimination	-	(3,621)	(3,621)	-
	260,095	-	260,095	29,047
Share of results of associates				6,030
Share of result of joint ventures				3,975
Total	260,095	-	260,095	39,052

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 and engineering works	144,945	4,158	149,103	29,688
- Palm oil plantation	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 ventures				(2,272)
Total	212,276	-	212,276	20,051

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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 28 June 2021, 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 400,300 of its issued ordinary shares from the open market at an average price of RM1.273 per share. The total consideration paid for the repurchase including transaction costs was RM509,390 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 2020.

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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 2021 increased by 23% and 95% respectively as compared to the same financial period last year.

The increase in the Group's revenue was mainly due to higher revenue generated by the refinery and palm oil plantation segments. The increase in the Group's profit before taxation was mainly due to higher contribution posted by refinery segment, lower loss by the palm oil plantation segment as well as the improved share of results of associates and joint ventures.

The palm oil equipment and engineering segment reported lower revenue and profit before taxation by 29 and 21% 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 movement order following the surge in COVID-19 cases during the current financial period.

The special purpose vehicles segment reported lower revenue and profit before taxation by 38% and 70% respectively. The decrease in revenue was mainly due to lack of new project resulting from the enforcement of movement restriction following the outbreak of COVID-19 in early last year.

The palm oil plantation segment reported higher revenue by 131% while the loss before taxation decreased by 98%. The increase in revenue was mainly due to higher revenue generated from its palm oil milling operation along with higher prices and production of palm products.

The refinery segment reported a profit before taxation of RM5.6 million with an increase in revenue by 178% as compared to the same financial period last year. The improved performance was mainly due to higher operational margin together with increase in production activities during the current financial period.

The associates and joint venture reported a combined share of profit of RM10.0 million over a combined loss of RM2.0 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 30/06/2021 RM'000	Preceding quarter 31/03/2021 RM'000	Changes %
Revenue	102,779	157,316	-34.7%
Profit from operations	13,502	19,931	-32.3%
Profit/(Loss) before taxation	17,669	21,383	-17.4%
Profit/(Loss) after taxation	15,497	19,198	-19.3%
Profit attributable to owners of the parent	15,455	18,578	-16.8%

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 project billings and implementation by the palm oil equipment and engineering segment as well as lower revenue generated by the special purpose vehicles and refinery segments. The decrease was mainly due to the restriction of movement control order following the surge in COVID-19 cases during the current quarter.

The decrease in the Group's profits before taxation was mainly due to the lower contribution by the palm oil equipment and engineering segment along with a loss incurred by the palm oil plantation segment.

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The associates and joint venture reported a higher combined share of profit of RM6.4 million as compared to a combined profit of RM3.6 million in the immediate preceding quarter. The higher profit was mainly due to higher production and prices 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 2021.

### 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 30/06/2021 RM'000	Cumulative period 30/06/2021 RM'000
Malaysian taxation	2,057	3,675
Foreign taxation	115	682
Under / (Over) provision in prior year	-	-
Deferred tax	-	-
Total	2,172	4,357

### 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	27,785	5,038	32,823
Rupiah	2,774	19,794	22,568
US Dollar	6,219	107,931	114,150
Total	36,778	132,763	169,541

### 20. Derivative financial instruments

There were no outstanding derivative financial instruments as at the date of issue of these interim financial statements other than the following:-

	Contract/Notional value RM'000	Fair value assets/(liabilities) RM'000
Commodity Future contracts - Less than 1 year	17,618	447

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**21. Material litigation**

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

**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 2021. 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	
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Interest income	(755)	(601)	(1,089)	(1,310)
Interest expense	2,077	2,766	4,222	5,339
Depreciation/Amortization	4,402	4,608	9,440	8,549
Bad debts recovered/ Reversal of impairment loss on receivables	-	51	(242)	(90)
Allowance for impairment loss on receivables/Bad debts written off	-	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	(556)	(4)	(565)	(24)
Reversal of provision of warranty cost	-	-	-	-
Other investment income	(1,990)	(379)	(2,198)	(450)
Fair value (gain)/loss on :-				
- Biological assets	(86)	(265)	(86)	(265)
(Gain)/Loss on Derivative	(904)	-	(526)	-
(Gain)/Loss on foreign exchange	344	(1,889)	(625)	(1,681)

**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	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
Weighted average number of ordinary shares in issue ('000)	485,398	492,896	485,398	492,896
Basic earnings per share (sen)	3.18	0.78	7.01	3.27
Diluted earnings per share (sen)	3.18	0.78	7.01	3.27

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 26 August 2021.