

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 first interim single tier dividend of 2 sen per ordinary share amounting to RM9,675,857 in respect of the financial year ended 31 December 2021 was paid on 28 October 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. Segmental information

For the period ended 31 December 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	243,513	14,260	257,773	69,824
- Palm oil plantation	146,800	-	146,800	(239)
- Retrofitting special purpose vehicles	32,136	-	32,136	4,367
- Refinery plant	191,835	-	191,835	7,458
Elimination	-	(14,260)	(14,260)	-
	614,284	-	614,284	81,410
Share of results of associates				14,057
Share of result of joint ventures				8,274
Total	614,284	-	614,284	103,741

For the period ended 31 December 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	298,373	18,107	316,480	88,387
- Palm oil plantation	76,858	-	76,858	(10,947)
- Retrofitting special purpose vehicles	15,455	-	15,455	(7,323)
- Refinery plant	149,695	-	149,695	(3,774)
Elimination	-	(18,107)	(18,107)	-
	540,381	-	540,381	66,343
Share of results of associates				4,375
Share of result of joint ventures				1,992
Total	540,381	-	540,381	72,710

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9. 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

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 3,151,900 of its issued ordinary shares from the open market at an average price of RM1.187 per share. The total consideration paid for the repurchase including transaction costs was RM3,741,553 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.

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 2021 increased by 14% and 43% respectively as compared to the last financial year.

The increase in the Group's revenue was mainly due to higher revenue generated by the special purpose vehicles and palm oil plantation segments. The increase in the Group's profit before taxation was mainly due to higher contribution posted by refinery and special purpose vehicles segments, 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 18% and 21% respectively as compared to the last financial year. The decreases were mainly due to the lower projects billing and implementation resulting from the restriction of movement order following the surge in COVID-19 cases in early of the financial year. A gain on disposal of property had also relatively resulted higher profit in the last financial year.

The special purpose vehicles segment reported higher revenue with a profit of RM4.4 million as compared to a loss of RM7.3 million in the last financial year. The loss in the last financial year was mainly affected by higher operating expenses and underprovided tax in previous years.

The palm oil plantation segment incurred lower loss following an increase in revenue by 91%. 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 result for the current financial year was undermined by an allowance for impairment loss on bearer plants under dispute of RM8 million.

The refinery segment reported a profit before taxation of RM7.5 million with an increase in revenue by 28% as compared to the last financial year. The improved performance was mainly due to increase in production activities during the current financial period.

The associates and joint venture reported a combined share of profit of RM22.3 million as compared to a profit of RM6.4 million in the last financial year. The encouraging improvement was mainly due to higher prices of palm products during the current financial year.

14. Comparison with preceding quarter's result

	Current quarter 31/12/2021 RM'000	Preceding quarter 30/09/2021 RM'000	Changes %
Revenue	136,555	102,779	32.7%
Profit from operations	14,921	13,502	10.5%
Profit/(Loss) before taxation	20,194	17,669	14.3%
Profit/(Loss) after taxation	18,135	15,497	17.0%
Profit attributable to owners of the parent	16,201	15,455	4.8%

Both the Group's revenue and profit before taxation for the current quarter increased 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 segments as well as higher revenue generated by the refinery and palm oil plantation segments.

The increase in the Group's profits before taxation was mainly due to the higher contributions by the palm oil plantation and palm oil equipment and engineering segments following the higher revenue generated by both segments 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 2022.

16. Corporate proposals

There were no corporate proposals announced but not completed as at the date of issue of these interim financial statements other than the following:-

On 9 December 2021, the Company and TPG Oil & Gas Sdn. Bhd., a wholly owned subsidiary entered into an agreement for the sale and purchase of shares (“Agreement”) with Kaashi Visweshwara Minerals Pvt. Ltd for the disposal of 63,670,000 ordinary shares and 6,330,000 ordinary shares, respectively in Gulf Lubes Malaysia Sdn. Bhd. (“GLM”), representing an aggregate 70% of the total issued share capital of GLM for a total cash consideration of RM55,000,000 (“Disposal of Shares”).

The Disposal of Share is pending the fulfilment of the conditions precedent as stated in the Agreements. For further details, please refer to our announcement to Bursa Securities on 9 December 2021.

17. Taxation

	Individual quarter 31/12/2021 RM'000	Cumulative period 31/12/2021 RM'000
Malaysian taxation	3,509	8,175
Foreign taxation	1,139	2,889
Under / (Over) provision in prior year	-	-
Deferred tax	-	-
Total	4,648	11,064

18. 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	31,257	4,447	35,704
Rupiah	2,782	12,102	14,884
US Dollar	6,323	114,937	121,260
Total	40,362	131,486	171,848

19. 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	63,067	(388)

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20. Profit forecast and profit guarantee

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

21. Material litigation

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

22. Dividend payable

A second interim single tier dividend of 2 sen per ordinary share amounting to RM9,610,279 in respect of the financial year ended 31 December 2021 was paid on 26 January 2022.

23. Comprehensive Income Disclosure

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

	Individual quarter		Cumulative period	
	31/12/2021 RM'000	31/12/2020 RM'000	31/12/2021 RM'000	31/12/2020 RM'000
Interest income	(775)	(5,659)	(4,551)	(7,424)
Interest expense	1,906	3,115	7,958	11,035
Depreciation/Amortization	6,052	9,116	22,804	22,862
Bad debts recovered/ Reversal of impairment loss on receivables	(64)	(12,882)	(344)	(13,197)
Allowance for impairment loss on receivables/Bad debts written off	3,542	8,661	3,542	8,661
Allowance for impairment loss on assets	2,310	4,705	8,052	4,705
(Gain)/Loss on disposal of property, plant and equipment	(191)	(519)	(686)	(9,364)
Other investment income	(1,285)	(2,585)	(4,534)	(4,104)
Fair value (gain)/loss on :-				
- Biological assets	(2,168)	(4,304)	(2,456)	(4,401)
(Gain)/Loss on Derivative	534	627	(1,645)	627
(Gain)/Loss on foreign exchange	(2,932)	1,761	(3,978)	209

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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Weighted average number of ordinary shares in issue ('000)	480,641	489,353	480,641	489,353
Basic earnings per share (sen)	7.72	5.73	18.17	11.21
Diluted earnings per share (sen)	7.72	5.73	18.17	11.21

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.

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 24 February 2022.