

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 2021. 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 2021.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2021. 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 2021:-

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 2021.

Further, the total advances to GLM as at 31 December 2020 amounted to RM51.0 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 and receivables totaling RM8.5 million in respect of advances made to GLM.

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.

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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 2021.

8. Segmental information

For the period ended 30 June 2022				
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	129,139	6,980	136,119	34,301
- Palm oil plantation	94,219	-	94,219	3,528
- Retrofitting special purpose vehicles	29,987	-	29,987	3,496
- Refinery plant	177,615	-	177,615	(8,816)
Elimination	-	(6,980)	(6,980)	-
	430,960	-	430,960	32,509
Share of results of associates				9,465
Share of result of joint ventures				3,260
Total	430,960	-	430,960	45,234

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

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

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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 May 2022, 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 131,200 of its issued ordinary shares from the open market at an average price of RM1.66 per share. In addition, the Company resold 908,300 treasury shares in open market at an average price of RM1.48 per share.

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 other than the following:-

On 9 June 2022, the Company completed the acquisition of 30,000,000 ordinary shares in Gulf Lubes Malaysia Sdn. Bhd. Bhd. ("GLM"), representing the remaining 30% equity interest in GLM not already owned by the Company for a total cash consideration of RM24,000,000. In consequence thereof, GLM become a wholly owned subsidiary of the Company. For further details, please refer to our announcements to Bursa Securities on 10 March 2022.

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 2021.

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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 2022 increased by 66% and 16% respectively as compared to the last financial period.

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 the palm oil plantation and special purpose vehicles segments, as well as the palm oil equipment and engineering segment.

The palm oil equipment and engineering segment reported revenue and higher profit before taxation by 25% and 46% respectively as compared to the last financial period. The increase in revenue was mainly due to the higher projects billing and implementation during the current financial period. The increase in profit was mainly due to higher project margin and other income.

The special purpose vehicles segment reported higher profit of RM3.5 million with an improved revenue of RM 30.0 million as compared to a marginal profit and lower revenue of RM5.0 million in the last financial period. The improved performance was mainly due to increase in project billing and higher investment income during the current financial period.

The palm oil plantations segment reported higher revenue with a profit of RM3.5 million as compared to a loss of RM0.2 million in the last financial period. The increases were mainly due to higher revenue resulting from higher prices of palm products.

The refinery segment reported a loss of RM8.8 million despite an increase in revenue as compared to a profit of RM5.6 million in the last financial period. The segment's result was undermined by a loss on derivative of RM13 million incurred during the current financial period.

The associates and joint venture reported a combined share of profit of RM12.7 million as compared to a profit of RM10.0 million in the last financial period. 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 30/06/2022 RM'000	Preceding quarter 31/03/2022 RM'000	Changes %
Revenue	245,885	185,075	32.9%
Profit from operations	16,972	20,422	-16.9%
Profit/(Loss) before taxation	21,323	23,911	-10.8%
Profit/(Loss) after taxation	17,831	20,114	-11.4%
Profit attributable to owners of the parent	15,973	18,389	-13.1%

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 revenue generated by the refinery segment as well as an increase in project billings by the palm oil equipment and engineering segment.

The decrease in the Group's profits before taxation was mainly due to losses incurred by the palm oil plantation segment following the decrease in prices of palm products resulting from the palm oil export ban imposed by Indonesian government during the current quarter. In addition, the palm oil equipment and engineering segment reported lower contribution mainly due to higher project implementation expenditure 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.

17. Taxation

	Individual quarter 30/06/2022 RM'000	Cumulative period 30/06/2022 RM'000
Malaysian taxation	2,742	5,889
Foreign taxation	750	1,400
Under / (Over) provision in prior year	-	-
Deferred tax	-	-
Total	3,492	7,289

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	89,773	3,963	93,736
Rupiah	2,808	14,861	17,669
US Dollar	7,640	105,717	113,357
Total	100,221	124,541	224,762

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	19,616	(2,123)

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.

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22. Dividend payable

No dividend has been proposed or declared for the current quarter.

23. Comprehensive Income Disclosure

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

	Individual quarter		Cumulative period	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Interest income	(850)	(755)	(1,482)	(1,089)
Interest expense	2,126	2,077	4,587	4,222
Depreciation/Amortization	5,699	4,402	11,405	9,440
Bad debts recovered/ Reversal of impairment loss on receivables	(749)	-	(1,508)	(242)
Allowance for impairment loss on receivables/Bad debts written off	-	-	-	-
Allowance for impairment loss on assets	-	(556)	-	(565)
(Gain)/Loss on disposal of property, plant and equipment	(160)	-	(246)	-
Other investment income	6,640	(1,990)	5,541	(2,198)
Fair value (gain)/loss on :-				
- Biological assets	(88)	(86)	(527)	(86)
(Gain)/Loss on Derivative	68	(904)	13,121	(526)
(Gain)/Loss on foreign exchange	(1,456)	344	(1,450)	(625)

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	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Weighted average number of ordinary shares in issue ('000)	477,955	485,398	477,955	485,398
Basic earnings per share (sen)	3.34	3.18	7.19	7.01
Diluted earnings per share (sen)	3.34	3.18	7.19	7.01

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 August 2022.