

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 year ended 31 December 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	268,911	14,311	283,222	54,783
- Palm oil plantation	147,761	-	147,761	(12,826)
- Retrofitting special purpose vehicles	46,099	-	46,099	(15,932)
- Refinery	406,321	-	406,321	(42,740)
Elimination	-	(14,311)	(14,311)	-
	869,092	-	869,092	(16,715)
Share of results of associates				12,180
Share of result of joint ventures				5,013
Total	869,092	-	869,092	478

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	243,887	14,651	258,538	58,225
- Palm oil plantation	146,799	-	146,799	6,306
- Retrofitting special purpose vehicles	23,353	-	23,353	2,701
- Refinery	191,999	-	191,999	7,359
Elimination	-	(14,651)	(14,651)	-
	606,038	-	606,038	74,591
Share of results of associates				19,030
Share of result of joint ventures				10,734
Total	606,038	-	606,038	104,355

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.

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 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 profit before taxation for the financial year ended 31 December 2022 decreased by 100% despite an increase in revenue by 43 % 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 special purpose vehicles segments. The Group's loss before taxation was mainly due to losses incurred by the refinery, special purpose vehicles and palm oil plantation segments. Furthermore the palm oil equipment and engineering segment and the share of results of associates and joint venture also posted lower profits as compared to the last financial year.

The palm oil equipment and engineering segment reported lower profit before taxation by 6% despite increase in revenue by 10% as compared to the last financial year. The increase in revenue was mainly due to the higher projects billing and implementation during the current financial year. The profit was lessened by higher impairment loss on receivables, loss on foreign exchange and loss incurred resulting from the poor performance of its other investments during the current financial year.

The special purpose vehicles segment reported a loss of RM15.9 million despite increase in revenue by 97%. The loss was mainly due to allowance for impairment losses on its investments and receivables amounting to RM24 million for the current financial year.

The palm oil plantations segment reported marginally higher revenue with a loss as compared to a profit in the last financial year. The poor performance was mainly due to higher production costs and production disruptions on its plantation and milling operations during the current financial year.

The refinery segment reported a loss of RM42.7 million despite an increase in revenue as compared to the last financial year. The segment's result was impacted by operation and trading losses resulting from a dip in crude palm oil price, further undermined by a loss on derivative of RM16.8 million incurred during the current financial year.

The associates and joint venture reported a combined share of profit of RM17.2 million as compared to a profit of RM29.7 million in the last financial year. The decrease was mainly due to lower production of palm products and higher production costs during the current financial year.

14. Comparison with preceding quarter's result

	Current quarter 31/12/2022 RM'000	Preceding quarter 30/09/2022 RM'000	Changes %
Revenue	230,799	207,333	11.3%
Profit/(Loss) from operations	(18,725)	(24,211)	-22.7%
Profit/(Loss) before taxation	(19,717)	(25,039)	-21.3%
Profit/(Loss) after taxation	(26,682)	(24,035)	11.0%
Profit/(Loss) attributable to owners of the parent	(16,181)	(24,172)	-33.1%

The Group's reported loss before taxation for the current quarter despite an increase in revenue 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 during the current quarter. In addition, the plantation segment also reported higher revenue resulting from increase in milling operation in the current quarter.

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The loss incurred during the current quarter was mainly due to loss reported by the special vehicles segment resulting from the allowance for impairment losses on its investments and receivables. The result was further undermined by losses posted by the refinery and palm oil plantation segments.

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 2023.

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 31/12/2022 RM'000	Cumulative period 31/12/2022 RM'000
Malaysian taxation	6,475	11,646
Foreign taxation	490	1,604
Under / (Over) provision in prior year	-	-
Deferred tax	-	-
Total	6,965	13,250

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	24,721	3,488	28,209
Rupiah	2,697	12,149	14,846
US Dollar	7,592	98,192	105,784
Total	35,010	113,829	148,839

19. Derivative financial instruments

There were no outstanding derivative financial instruments as at the date of issue of these interim financial statements.

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

A first interim single tier dividend of 2 sen per ordinary share amounting to RM9,559,095 in respect of the financial year ended 31 December 2022 was paid on 15 February 2023.

23. Comprehensive Income Disclosure

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

	Individual quarter		Cumulative period	
	31/12/2022 RM'000	31/12/2021 RM'000	31/12/2022 RM'000	31/12/2021 RM'000
Interest income	(552)	(261)	(2,110)	(4,037)
Interest expense	3,510	2,047	10,779	8,099
Depreciation/Amortization	6,338	7,883	23,429	24,635
Bad debts recovered/ Reversal of impairment loss on receivables	(830)	(2,589)	(4,093)	(2,869)
Allowance for impairment loss on receivables/Bad debts written off	14,100	4,177	14,132	4,177
Allowance for impairment loss on assets	21,198	(1,203)	21,198	4,539
(Gain)/Loss on disposal of property, plant and equipment	421	(49)	(252)	(544)
Other investment (income)/loss	(2,390)	(1,919)	9,543	(4,117)
Fair value (gain)/loss on :-				
- Biological assets	(47)	(1,261)	(574)	(1,549)
(Gain)/Loss on Derivative	(35)	533	16,815	(1,646)
(Gain)/Loss on foreign exchange	11,045	(468)	8,432	(1,514)

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	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Weighted average number of ordinary shares in issue (*000)	477,955	480,641	477,955	480,641
Basic earnings per share (sen)	(3.39)	7.58	(1.25)	18.03
Diluted earnings per share (sen)	(3.39)	7.58	(1.25)	18.03

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 February 2023.