

# MANAGEMENT'S DISCUSSION & ANALYSIS

## FINANCIAL RESULTS

The following table sets forth a summary of the results of the Group's continuing operations for the financial years ended 31 December 2020 and 2019:

	2020 RM'000	2019 RM'000	Changes	
			RM'000	%
Revenue	767,126	701,933	65,193	9.3%
Other expenses, net	(10,075)	(6,892)	(3,183)	46.2%
Operating profit	411,339	196,837	214,502	109.0%
Earnings before interest, tax, depreciation and amortisation	510,170	216,269	293,901	135.9%
Profit before tax	388,997	188,404	200,593	106.5%
Profit after tax	378,210	176,420	201,790	114.4%
Profit after tax attributable to owners of the Company	321,359	151,735	169,624	111.8%

<b>Revenue</b>				
Renewable Energy	510,214	470,375	39,839	8.5%
Resources	142,819	143,624	(805)	-0.6%
Packaging	97,775	68,427	29,348	42.9%
Sub-total	750,808	682,426	68,382	10.0%
Investment holding & others	16,318	19,507	(3,189)	-16.3%
Total revenue	767,126	701,933	65,193	9.3%

<b>Profit before tax</b>				
Renewable Energy	372,086	182,482	189,604	103.9%
Resources	18,766	16,460	2,306	14.0%
Packaging	9,461	(501)	9,962	1988.4%
Sub-total	400,313	198,441	201,872	101.7%
Investment holding & others	(11,316)	(10,037)	(1,279)	12.7%
Total profit before tax	388,997	188,404	200,593	106.5%

The Group's revenue expanded 9.3% to RM767.1 million in 2020 from RM701.9 million recorded a year ago. The increase in revenue was mainly attributable to higher energy sales revenue of RM510.2 million (2019: RM35.1 million) and higher revenue contribution from the Packaging Division of RM97.8 million (2019: RM68.4 million). These increases were partially offset by the absence of construction revenue in 2020 upon completion of construction on the Don Sahong Hydropower Plant ("Don Sahong") (2019: RM435.3 million).

Group profit before tax increased by a record 101.7% to RM389.0 million (2019: RM188.4 million) on the back of higher profits across all core divisions. These profits were driven mainly by a 1,389.8% increase in energy sales to RM372.1 million (2019: RM25.0 million), followed by the Packaging Division turning into the black with a profit of RM9.5 million (2019: loss of RM0.5 million) and a 14.0% increase in profit contribution from the Resources Division of RM18.8 million (2019: RM16.5 million). All these increases were partially offset by the absence of construction profit in 2020 upon completion of Don Sahong (2019: RM157.5 million).

## Renewable Energy Division

	2020 RM'000	2019 RM'000	Changes	
			RM'000	%
<b>Revenue</b>				
- Energy	510,214	35,086	475,128	1354.2%
- Construction	-	435,289	(435,289)	-100.0%
	510,214	470,375	39,839	8.5%
<b>Profit before tax</b>				
- Energy	372,086	24,976	347,110	1389.8%
- Construction	-	157,506	(157,506)	-100.0%
	372,086	182,482	189,604	103.9%



The Renewable Energy Division posted a record revenue of RM510.2 million in 2020 consisting of Don Sahong's first full year of hydropower energy sales of RM510.0 million (2019: RM35.1 million) and RM0.2 million (2019: Nil) in solar energy sales from the Group's first 1.5 MW industrial solar project that was commissioned in August 2020.

The Renewable Energy Division posted a 103.9% increase in profit before tax to RM372.1 million (2019: RM182.5 million). This increase was solely attributable to energy sales whereas in the prior year, RM157.5 million of profit before tax was derived from construction profit and RM25.0 million was from energy sales.

Don Sahong was fully commissioned on 7 January 2020 after a 4-year construction period and thus no construction revenue was recorded during the year (2019: RM435.3 million). On the whole, total revenue of the Renewable Energy Division registered an 8.5% year-on-year increase.



## Resources Division



Revenue from the Resources Division declined marginally by 0.6% or RM0.8 million to RM142.8 million (2019: RM143.6 million). While the sale of lime products was posted higher at RM130.3 million (2019: RM129.2 million), there was a decline in the sale of other products (including calcium carbonate powder, quarry by products and cement bricks) to RM12.5 million (2019: RM14.4 million).



The sales volume of lime products increased by 5.1%, driven by higher volume to new contracted customers which more than offset the slower offtake by existing customers impacted by the COVID-19 pandemic. The average selling price of lime products was 4.0% lower on changes in the customer sales mix.

Despite this slight dip in revenue, profit before tax profit increased by 14.0% to RM18.8 million (2019: RM16.6 million) due to lower production costs that was led by lower fuel cost as well as lower finance costs.



## Packaging Division

The Packaging Division's revenue increased 42.9% to RM97.8 million (2019: RM68.4 million) and this was mainly the result of increase in overall orders by both existing and new customers in the paper bag and flexible packaging segments.



Profit before tax was 20 times higher than the previous year at RM9.5 million (2019: loss of RM0.5 million) on account of significantly higher revenue as well as various cost reduction and production optimisation initiatives.



## FINANCIAL POSITION

### Assets and Liabilities

Changes in key assets and liabilities during the financial year 2020 are explained below:

Asset / Liability Items	As At 31.12.2020 RM'000	As At 31.12.2019 RM'000	Changes RM'000	Explanation
Intangible asset	1,932,044	2,048,137	(116,093)	Decrease was due to RM81.7 million amortisation charge for the financial year and foreign currency translation loss of RM34.4 million.
Property, plant and equipment ("PPE")	250,229	222,770	27,459	Increase was due to RM44.5 million capital expenditure, comprising mainly:  (a) RM19.1 million on plantation development in Cambodia; (b) RM15.7 million on solar photovoltaic power projects; (c) RM5.0 million on facility improvement for Resources Division; and (d) RM4.5 million to expand production capacity of Packaging Division.  Partially offset by RM15.7 million depreciation charge for the financial year and foreign currency translation losses.
Right-Of-Use ("ROU") Assets	104,298	95,989	8,309	Increase was due to RM14.0 million capital expenditure, mainly consist of:  (a) RM8.4 million on facility improvement for Resources Division; and (b) RM4.4 million to expand production capacity of Packaging Division.  Partially offset by RM5.6 million depreciation charge for the financial year.
Investment properties	177,212	177,212	-	No movement in the current financial year.
Inventories (non-current)	43,443	43,443	-	No movement in the current financial year.
Investment in quoted shares	98,790	49,385	49,405	Increase was mainly due to fair value gain in quoted securities during the financial year.
Inventories (current)	61,802	66,974	(5,172)	Decrease was mainly due to a lower inventory level held by the Resources Division.

Asset / Liability Items	As At 31.12.2020 RM'000	As At 31.12.2019 RM'000	Changes RM'000	Explanation
Receivables	306,995	97,347	209,648	209,648 was mainly due to a RM188.7 million increase in trade receivables from Electricite Du Laos ("EDL") which in turn was due to higher energy sales and a momentary increase in receivable turnover from the normal 3-4 months to 4-5 months. Trade receivable turnover however has normalised to 3-4 months as at mid-February 2021.
Deferred tax liabilities	100,536	95,935	4,601	4,601 was mainly due to deferred tax liability provided on intangible asset following a change in the income tax rate from 20% to 24%.
Payables (current)	125,055	314,899	(189,844)	(189,844) was mainly due to RM190.3 million partial settlement of amount owing to Don Sahong's EPCC (Engineering, Procurement, Construction and Commissioning) contractor.

## Group Borrowings and Debt Securities

As at 31 December 2020, total borrowings (excluding lease liabilities) declined RM88.2 million to RM657.9 million (2019: RM746.1 million). The table below sets out the salient information on the Group's bank borrowings:

	Long-term		Short-term		Total
	USD RM'000	RM RM'000	USD RM'000	RM RM'000	As At 31.12.2020 RM'000
<b>Secured</b>					
Bankers' acceptances	-	-	-	14,693	14,693
Term loans	-	28,262	-	9,370	37,632
Revolving credits	-	-	-	3,000	3,000
	-	28,262	-	27,063	55,325
<b>Unsecured</b>					
Term loan	506,142	-	96,408	-	602,550
Total borrowings	506,142	28,262	96,408	27,063	657,875

The decrease in total borrowings was primarily attributable to loan repayments using cash flow from operations and the proceeds from the issue of new shares from the exercise of ESOS options and warrant conversion.

Interest rate on the Group's bank borrowings is floating in nature.

The Group has no debt securities as at 31 December 2020.

## CASH FLOW ANALYSIS

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The Group generated RM294.5 million cash from its operating activities during the financial year, a marked increase from RM41.9 million reported in the previous year. This increase was mainly due to the commencement of commercial operation of Don Sahong and the corresponding revenue collections from EDL.

The Group raised RM124.0 million in new capital in 2020 from the issue of new ordinary shares arising from the exercise of ESOS options and Warrants 2016/2020 conversion.

The funds generated from operating activities and new equity during the financial year were mainly applied in the following areas:

1. RM190.3 million partial settlement of amount owing to Don Sahong's EPCC contractor;
2. RM102.5 million for interests and principal repayment (net) of borrowings;
3. RM60.9 million to defray capital expenditure incurred for the purchase of PPE and ROU assets; and
4. RM59.2 million as dividend payments.

Accordingly, the Group's cash and cash equivalents for the financial year ended at RM89.9 million (2019: RM88.0 million).

## FOREIGN CURRENCY EXPOSURE

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The Group's main exposure to foreign currency exchange fluctuation is from Don Sahong since the Group's results are reported in Ringgit Malaysia while the functional currency of Don Sahong is the US Dollar.

The Group has benefitted from a stronger US Dollar in terms of reported earnings for financial year 2020. The average RM:USD exchange rate for the year was 4.20 (2019: 4.14).

## DIVIDEND POLICY

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The Company does not maintain a fixed long-term dividend policy. In deciding the dividend payout for each year, the Board considers the strength of the Group's cash flow from operating activities, the cash outlay commitments and future plans of the Group. For the financial year under review, the Company has declared a total dividend of 12.5 sen per ordinary share, a 6.5 sen increase from 6.0 sen for the financial year ended 31 December 2019.

## FORWARD-LOOKING STATEMENT

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The Group's prospects and future plans can be found in the Chairman's Statement.