

MHC Plantations Bhd (4060-V)
Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For The Second Quarter Ended 30 June 2012

	3 months ended		6 months ended	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
	RM' 000	RM'000	RM' 000	RM' 000
Revenue	7,129	8,712	14,291	17,695
Cost of sales	(2,945)	(2,751)	(5,439)	(5,070)
Gross profit	4,184	5,961	8,852	12,625
Other income	99	85	170	168
Administrative expenses	(943)	(1,088)	(1,805)	(1,849)
Operating profit	3,340	4,958	7,217	10,944
Finance costs	(265)	(274)	(564)	(524)
Share of profits in associates, net of tax	2,240	5,542	4,949	8,787
Profit before tax	5,315	10,226	11,602	19,207
Income tax expense	(787)	(1,191)	(1,732)	(2,645)
Profit net of tax	4,528	9,035	9,870	16,562
Other comprehensive income				
Net gain on available-for-sale financial assets				
- Gain on fair value changes	10	14	36	24
Total comprehensive income for the period	4,538	9,049	9,906	16,586
Profit attributable to:				
Owners of the parent	4,517	9,003	9,845	16,493
Non-controlling interests	11	32	25	69
	4,528	9,035	9,870	16,562
Total comprehensive income attributable to:				
Owners of the parent	4,527	9,017	9,881	16,517
Non-controlling interests	11	32	25	69
	4,538	9,049	9,906	16,586
Weighted average number of shares in issue	140,389	140,389	140,389	140,389
Earnings per share in sen	3.22	6.41	7.01	11.75

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2011.

MHC Plantations Bhd (4060-V)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position (Unaudited)
as at 30 June 2012

	As at 30.6.2012 RM'000	As at 31.12.2011 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	67,105	52,165
Investment properties	4,034	4,041
Biological assets	16,536	16,536
Investment in associates	209,554	206,988
Investment securities	509	473
Goodwill on consolidation	16,929	16,929
	<u>314,667</u>	<u>297,132</u>
Current assets		
Inventories	960	645
Trade and other receivables	4,596	5,566
Tax recoverable	544	49
Short term investments	10,713	1,646
Fixed deposits with licensed banks	465	465
Cash and bank balances	1,730	3,078
	<u>19,008</u>	<u>11,449</u>
TOTAL ASSETS	<u>333,675</u>	<u>308,581</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	140,389	140,389
Reserves	141,626	134,904
	<u>282,015</u>	<u>275,293</u>
Non-controlling interests	333	366
Total equity	<u>282,348</u>	<u>275,659</u>

Condensed Consolidated Statement of Financial Position (Unaudited)
as at 30 June 2012 (Contd.)

	As at 30.6.2012 RM'000	As at 31.12.2011 RM'000
EQUITY AND LIABILITIES (CONTD.)		
Non-current liabilities		
Hire purchase payables	486	543
Borrowings	26,350	12,850
Deferred tax liabilities	3,046	3,116
	29,882	16,509
Current liabilities		
Payables	4,108	5,668
Hire purchase payables	188	184
Borrowings	16,800	9,800
Taxation	349	761
	21,445	16,413
Total liabilities	51,327	32,922
TOTAL EQUITY AND LIABILITIES	333,675	308,581
Net Tangible Asset Per Share (RM)	1.89	1.84
Net Asset Per Share (RM)	2.01	1.96

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2011.

MHC Plantations Bhd (4060-V)

Condensed Consolidated Statements of Changes in Equity (Unaudited)
For The Second Quarter Ended 30 June 2012

	I-----Equity attributable to owners of the Company-----I											
	Non-distributable					Distributable					Non-controlling Interests	Total Equity
	Share Capital RM' 000	Share Premium RM' 000	Capital Reserve RM' 000	Revaluation Reserve RM' 000	Fair value adjustment reserve RM'000	Capital Reserve RM' 000	Retained Profits RM' 000	Total	RM' 000	RM' 000		
Opening balance at 1 Jan 2011	84,233	8,213	5,737	557	201	5,198	142,012	246,151	1,368	247,519		
Bonus issue	56,156	(8,213)	-	-	-	-	(47,943)	-	-	-		
Total comprehensive income for the period	-	-	-	-	24	-	16,493	16,517	69	16,586		
Transfer to retained earnings	-	-	-	-	-	(2,496)	2,496	-	-	-		
Dividends	-	-	-	-	-	-	(2,527)	(2,527)	-	(2,527)		
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-		
Closing balance at 30 June 2011	140,389	-	5,737	557	225	2,702	110,531	260,141	(114)	261,464		
Opening balance at 1 Jan 2012	140,389	-	5,737	789	218	2,435	125,725	275,293	366	275,659		
Total comprehensive income for the period	-	-	-	-	36	-	9,845	9,881	25	9,906		
Transfer to retained earnings	-	-	-	-	-	(2,427)	2,427	-	-	-		
Dividends	-	-	-	-	-	-	(3,159)	(3,159)	-	(3,159)		
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(58)	(58)		
Closing balance at 30 June 2012	140,389	-	5,737	789	254	8	134,838	282,015	333	282,348		

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2011.

MHC Plantations Bhd (4060-V)

Condensed Consolidated Statement of Cash Flows (Unaudited)
For The Second Quarter Ended 30 June 2012

	6 months ended	
	30.6.2012 RM' 000	30.6.2011 RM' 000
Operating activities		
Profit before taxation	11,602	19,207
Adjustments for:		
Depreciation of property, plant and equipment	526	492
Depreciation of investment property	7	6
Interest expense	564	524
Loss on disposal of property, plant and equipment	40	180
Share of profits in associated companies, net of tax	(4,949)	(8,787)
Tax exempt interest from short term investments	(5)	(67)
Interest income	(4)	(2)
Dividend income	(58)	(9)
Total adjustments	(3,879)	(7,663)
Operating cash flows before changes in working capital	<u>7,723</u>	<u>11,544</u>
Changes in working capital:		
Inventories	(316)	(295)
Receivables	969	(6,947)
Payables	(1,561)	(594)
Total changes in working capital	<u>(908)</u>	<u>(7,836)</u>
Cash generated from/(used in) operations	6,815	3,708
Interest received	9	69
Interest paid	(564)	(524)
Tax paid	(2,705)	(1,659)
Net cash flows from/(used in) operating activities	<u>3,555</u>	<u>1,594</u>
Investing activities		
Dividend received	2,440	1,874
Proceed from disposal of property, plant and equipment	40	360
Purchase of property, plant and equipment	(15,494)	(2,519)
Net cash flows (used in)/from investing activities	<u>(13,014)</u>	<u>(285)</u>
Financing activities		
Drawdown of revolving credit	20,400	10,500
Repayment of revolving credit	(13,400)	(7,000)
Drawdown of term loan	14,600	-
Repayment of term loan	(1,100)	(1,100)
Repayment of hire purchase obligations	(105)	(251)
Dividends paid to shareholders	(3,159)	(2,527)
Dividends paid to non-controlling shareholders	(58)	(72)
Net cash flows from/(used in) financing activities	<u>17,178</u>	<u>(450)</u>
Net increase/(decrease) in cash and cash equivalents	<u>7,719</u>	<u>859</u>
Cash and cash equivalents as at 1 January	<u>4,759</u>	<u>7,400</u>
Cash and cash equivalents as at 31 December	<u>12,478</u>	<u>8,259</u>
Cash and cash equivalents :		
Fixed deposits with licensed banks	465	456
Short term investments	10,713	5,987
Cash and bank balances	1,730	2,237
	<u>12,908</u>	<u>8,680</u>
Less : Fixed deposits pledged	(430)	(421)
	<u>12,478</u>	<u>8,259</u>

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2011.

MHC Plantations Bhd (4060-V)

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The condensed consolidated interim financial statements have been prepared in compliance with FRS 134 *Interim Financial Reporting* and Listing Requirements of Bursa Securities and it should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2011.

The accounting policies used in the preparation of condensed consolidated interim financial statements are consistent with those previously adopted in the audited financial statements of the Group for the year ended 31 December 2011. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2011.

2. Changes in accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2011, except for the adoption of the following:

Effective for financial periods beginning on or after 1 July 2011:

IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement

Effective for financial periods beginning on or after 1 January 2012:

Amendments to FRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7: Disclosures – Transfers of Financial Assets
Amendments to FRS 112: Deferred Tax: Recovery of Underlying Assets

The adoption of the above revised FRSS, IC Interpretation and Amendments do not have any significant financial impact on the Group.

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venture (herein called 'Transitioning Entities').

2. Changes in accounting policies (Contd.)

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

On 30 June 2012, MASB has decided to allow agriculture and real estate companies (Transitioning Entities) to defer the adoption of the MFRS Framework for another year. MFRS will therefore be mandated for all companies for annual periods beginning on or after 1 January 2014. This decision comes after an extensive deliberation by the Board and taking into account both local and international developments affecting these standards.

The Group falls within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2014. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2014.

3. Auditors' report

The auditor's report on the preceding annual financial statements was not qualified.

4. Seasonal and cyclical factors

The business of the Group is cyclical in nature and the third quarter is normally the peak production season.

5. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 30 June 2012.

6. Changes in estimates

There were no changes in estimates that have had a material effect in the current quarter results.

7. Equity and debt securities

There were no issuance, cancellation, resale, repurchase and repayment of equity or debt securities during the financial period ended 30 June 2012.

8. Dividend paid

A final single-tier dividend of 2.25% in respect of the current financial year ended 31 December 2011 on 140,388,550 ordinary shares, amounting to a dividend payable of RM3,158,742 (2.25 sen per share) was paid on 8 June 2012.

No interim dividend was declared and paid for the current quarter.

9. Segment information

Segment information is not presented as the Group operates solely in Malaysia and the combined revenues, profit or loss and assets employed of business segments other than the plantation segment represent less than 10% of the Group's combined revenues, profit or loss and assets employed respectively.

10. Changes in the composition of the Group

There were no changes in the composition of the Group since the end of the reporting quarter.

11. Contingent Assets and Liabilities

There were no contingent assets and contingent liabilities at the end of this quarter and as at the date of this report.

12. Capital commitments

	RM'000
Capital expenditure	
Approved and contracted for	21,794
Approved but not contracted for	<u> </u>
	<u>21,794</u>

13. Subsequent event

There was no material event subsequent to the end of the reporting quarter.

MHC Plantations Bhd (4060-V)
Information required by BMSB Listing Requirements

1. Review of performance

The Group's revenue for the current quarter ended 30 June 2012 and the cumulative quarter ended 30 June 2012 declined by 18% and 19% respectively from the preceding year quarter ended 30 June 2011 and the preceding year cumulative quarter ended 30 June 2011 mainly due to decrease in prices of Fresh Fruit Bunches ("FFB") by 8% and 13% respectively and lower FFB production by 11% and 7% respectively.

Profit before tax for the current quarter and the current cumulative quarter decreased by 48% and 40% respectively as a result of lower FFB prices, yield and contribution from the associated companies as compare to the preceding year quarter and the preceding year cumulative quarter. The lower contribution from the associated companies is also mainly due to lower FFB prices and yield, resulting from tree stress.

2. Variation of results against preceding quarter

The profitability for the current quarter is lower than the immediate preceding quarter mainly due to higher upkeep and maintenance expenditure and lower contribution from the associated companies.

3. Current year prospects

Barring any unforeseen circumstances, the Board is confident that the Group's prospects are still satisfactory in view of favourable palm oil prices and strong demand of palm oil.

4. Profit forecast

Not applicable as there was no profit forecast published.

5. Profit before taxation

This is arrived at after crediting/ (charging):

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.6.2012 RM'000	30.6.2011 RM'000	30.6.2012 RM'000	30.6.2011 RM'000
Interest income	2	42	9	69
Interest expense	(265)	(274)	(564)	(524)
Depreciation and amortisation	(266)	(247)	(533)	(498)
Loss on disposal of proprty, plant and equipment	(40)	(180)	(40)	(180)
Dividend	58	9	58	9
Rental income	39	41	78	82

Save as disclosed above, the other items as required under Appendix 9B, Part A (16) of the Bursa Listing Requirements are not applicable.

6. Income tax expense

Taxation is provided at the prevailing statutory rate based on the operating profit for the quarter as follows.

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.6.2012 RM'000	30.6.2011 RM'000	30.6.2012 RM'000	30.6.2011 RM'000
Malaysian income tax	807	1,195	1,758	2,655
Deferred tax	(64)	(4)	(70)	(10)
	<u>743</u>	<u>1,191</u>	<u>1,688</u>	<u>2,645</u>
Under/(Over) provision in prior year - Malaysian income tax	44	-	44	-
	<u>787</u>	<u>1,191</u>	<u>1,732</u>	<u>2,645</u>

The effective tax rate for the current quarter and cumulative quarter was approximate to the statutory tax rate of 25%.

7. Corporate proposal

At the Extraordinary General Meeting held on 9 May 2012, the Company obtained the approval from the shareholders of the Company to undertake the following:

- i. a bonus issue of 56,155,420 new MHC Shares to be credited as fully paid-up on the basis of two (2) Bonus Shares for every five (5) existing MHC Shares held on an entitlement date to be determined later ("Entitlement Date"); and
- ii. a bonus issue of 56,155,420 Warrants on the basis of two (2) free Warrants for every five (5) existing MHC Shares held on the Entitlement Date.

Barring any unforeseen, the Board expects the Bonus Issue will be completed by the beginning of August 2012.

8. Borrowings

The total borrowings incurred by the Group and outstanding as at end of the current quarter are as follows

<u>Current - Secured</u>	<u>RM'000</u>
Revolving credit	14,600
Term loan	2,200

	<u>16,800</u>
 <u>Non-current - Secured</u>	 <u>RM'000</u>
Term loan	<u>26,350</u>
 Total borrowings	 <u>43,150</u>

9. Disclosure of derivatives

The Group did not enter into any derivative contract and accordingly there were no outstanding derivatives (including financial instruments designated as hedging instruments) as at 30 June 2012.

10. Changes in material litigation

There was no pending material litigation as at end of this quarter and as at the date of this report.

11. Dividend payable

No interim ordinary dividend has been declared for the financial period ended 30 June 2012 (30 June 2011: Nil).

12. Basic earnings per share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares of 140,388,550 in issue during the financial period.

13. Breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	As at 30.6. 2012 RM' 000	As at 30.6.2011 RM' 000
Total retained profits of the Company and its subsidiaries		
- Realised	71,690	58,579
- Unrealised	(3,104)	(3,062)
	<hr/> 68,586	<hr/> 55,517
Total retained profits of associated companies		
- Realised	56,962	82,268
- Unrealised	(18,498)	(16,841)
Consolidation adjustments	27,788	(10,413)
Total group retained profits as per consolidation accounts	<hr/> 134,838	<hr/> 110,531

14. Authorisation for issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 26 July 2012.