

MHC Plantations Bhd (4060-V)
Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For The First Quarter Ended 31 March 2013

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012
	RM' 000	RM'000	RM' 000	RM' 000
Revenue	51,532	7,162	51,532	7,162
Cost of sales	(42,845)	(2,494)	(42,845)	(2,494)
Gross profit	8,687	4,668	8,687	4,668
Other income	626	71	626	71
Administrative expenses	(3,242)	(862)	(3,242)	(862)
Other operating expenses	(1,408)	-	(1,408)	-
Operating profit	4,663	3,877	4,663	3,877
Finance costs	(607)	(299)	(607)	(299)
Share of profits in associates, net of tax	-	2,709	-	2,709
Profit before tax	4,056	6,287	4,056	6,287
Income tax expense	(1,031)	(945)	(1,031)	(945)
Profit net of tax	3,025	5,342	3,025	5,342
Other comprehensive income				
Available-for-sale financial assets:				
- Transfer to profit or loss upon disposal	(7)	-	(7)	-
- Gain on fair value changes	5	26	5	26
Exchange difference on translation of foreign operations	(15)	-	(15)	-
Total comprehensive income for the period	3,008	5,368	3,008	5,368
Profit attributable to:				
Owners of the parent	984	5,328	984	5,328
Non-controlling interests	2,041	14	2,041	14
	3,025	5,342	3,025	5,342
Total comprehensive income attributable to:				
Owners of the parent	967	5,354	967	5,354
Non-controlling interests	2,041	14	2,041	14
	3,008	5,368	3,008	5,368
Weighted average number of shares in issue	196,544	140,389	196,544	140,389
Earnings per share in sen	0.50	3.80	0.50	3.80

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

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

Condensed Consolidated Statement of Financial Position (Unaudited)
as at 31 March 2013

	As at 31.3.2013 RM'000	As at 31.12.2012 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	522,818	82,825
Investment properties	41,022	4,026
Biological assets	455,461	16,536
Land use rights	13,855	-
Investment in associates	-	211,805
Investment securities	318	333
Deferred tax assets	2,741	-
Other receivable	5,411	-
Goodwill on consolidation	109,017	16,929
	<u>1,150,643</u>	<u>332,454</u>
Current assets		
Inventories	21,911	1,326
Trade and other receivables	19,035	2,635
Tax recoverable	4,681	852
Short term investments	1,169	953
Fixed deposits with licensed banks	24,251	474
Cash and bank balances	9,315	3,427
	<u>80,362</u>	<u>9,667</u>
TOTAL ASSETS	<u>1,231,005</u>	<u>342,121</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	196,544	196,544
Reserves	225,522	91,780
	<u>422,066</u>	<u>288,324</u>
Non-controlling interests	538,568	353
Total equity	<u>960,634</u>	<u>288,677</u>

Condensed Consolidated Statement of Financial Position (Unaudited)
as at 31 March 2013 (Contd.)

	As at 31.3.2013 RM'000	As at 31.12.2012 RM'000
EQUITY AND LIABILITIES (CONTD.)		
Non-current liabilities		
Lease rental payable	267	-
Hire purchase payables	1,413	570
Borrowings	114,321	35,150
Deferred tax liabilities	100,762	3,089
	216,763	38,809
Current liabilities		
Payables	32,573	7,878
Hire purchase payables	1,414	242
Borrowings	19,152	6,300
Taxation	469	215
	53,608	14,635
Total liabilities	270,371	53,444
TOTAL EQUITY AND LIABILITIES	1,231,005	342,121
Net Tangible Asset Per Share (RM)	1.59	1.38
Net Asset Per Share (RM)	2.15	1.47

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

MHC Plantations Bhd (4060-V)

Condensed Consolidated Statements of Changes in Equity (Unaudited)
For The First Quarter Ended 31 March 2013

	I-----Equity attributable to owners of the Company-----I										Total Equity	
	Non-distributable					Distributable						Non-controlling Interests
	Share Capital RM' 000	Capital Reserve RM' 000	Revaluation Reserve RM' 000	Fair value adjustment reserve RM'000	Foreign currency translation reserve RM'000	Capital Reserve RM' 000	Retained Profits RM' 000	Total	RM' 000	RM' 000		
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	-	-	-	26	-	-	5,328	5,354		14	5,368	
Transfer to retained earnings	-	-	-	-	-	(2,427)	2,427	-		-	-	
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-		-	-	
Closing balance at 31 March 2012	140,389	5,737	789	244	-	8	133,480	280,647		(58)	280,969	
Opening balance at 1 Jan 2013	196,544	5,737	789	94	-	8	85,152	288,324		353	288,677	
Effects of adopting FRS 10	196,544	5,737	789	94	-	8	132,775	132,775		536,174	668,949	
Total comprehensive income for the period	-	-	-	(2)	(15)	-	984	967		2,041	3,008	
Closing balance at 31 March 2013	196,544	5,737	789	92	(15)	8	218,911	422,066		538,568	960,634	

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

MHC Plantations Bhd (4060-V)

Condensed Consolidated Statement of Cash Flows (Unaudited)
For The First Quarter Ended 31 March 2013

	3 months ended	
	31.3.2013 RM' 000	31.3.2012 RM' 000
Operating activities		
Profit before taxation	4,056	6,287
Adjustments for:		
Bad debts written off	250	-
Depreciation and amortisation	3,334	267
Gain on disposal of investment insecurities	(8)	-
Interest expense	607	299
Share of profits in associated companies, net of tax	-	(2,709)
Interest income	(171)	(6)
Dividend income	(4)	-
Total adjustments	4,008	(2,149)
Operating cash flows before changes in working capital	8,064	4,138
Changes in working capital:		
Inventories	(86)	146
Receivables	(2,364)	8
Payables	1,871	(1,051)
Total changes in working capital	(579)	(897)
Cash generated from operations	7,485	3,241
Interest received	171	6
Interest paid	(607)	(299)
Tax paid	(2,993)	(1,686)
Net cash flows from operating activities	4,056	1,262
Investing activities		
Dividend received	4	-
Net cash inflow arising from adoption of FRS 10	35,304	-
Proceeds from disposal of investment in securities	20	-
Purchase of property, plant and equipment	(14,900)	(4,692)
Purchase of property, plant and equipment	(75)	-
Net cash flows from/(used in) investing activities	20,353	(4,692)
Financing activities		
Drawdown of revolving credit	500	6,000
Drawdown of term loan	6,520	-
Repayment of term loan	(1,167)	(550)
Repayment of hire purchase obligations	(366)	(58)
Dividends paid to non-controlling shareholders	-	(58)
Effect on exchange rate changes on cash and cash equivalents	(15)	-
Net cash flows from financing activities	5,472	5,334
Net increase in cash and cash equivalents	29,881	1,904
Cash and cash equivalents as at 1 January	4,415	4,759
Cash and cash equivalents as at 31 December	34,296	6,663
Cash and cash equivalents :		
Fixed deposits with licensed banks	24,251	465
Short term investments	1,169	5,654
Cash and bank balances	9,315	974
	34,735	7,093
Less : Fixed deposits pledged	(439)	(430)
	34,296	6,663

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

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Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The condensed consolidated interim financial statements for the period ended 31 March 2013 have been prepared in compliance with Financial Reporting Standards (“FRS”) 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

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 2012. 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 2012.

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 2012, except for the adoption of the following:

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

Amendments to FRS 101: Presentation of Items of Other Comprehensive Income

Effective for financial periods beginning on or after 1 January 2013:

FRS 10 : Consolidated Financial Statements

FRS 11 : Joint Arrangements

FRS 12 : Disclosure of Interests in Other Entities

FRS 13 : Fair Value Measurement

FRS 119 : Employee Benefits

FRS 127 : Separate Financial Statements

FRS 128 : Investment in Associates and Joint Ventures

IC Interpretation 20 : Stripping Costs in the Production Phase of a Surface Mine

Amendments to FRS 1: Government Loans

Amendments to FRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities

Amendments to FRS 10, FRS 11 and FRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - Transition Guidance

Improvements to FRSs (2012)

Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2014:

Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities

Effective for financial periods beginning on or after 1 January 2015:

FRS 9: Financial Instruments

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2. Changes in accounting policies (Contd.)

The adoption of the above revised FRSs, IC Interpretation and Amendments do not have any significant financial impact on the Group except as disclosed below:

2.1 FRS 10 Consolidated Financial Statements

FRS 10 replaces part of FRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under FRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under FRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

FRS 10 includes detailed guidance to explain when an investor has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances.

The application of FRS 10 affect the accounting for the Group's equity interest in Cepatwawasan Group Berhad ("CGB") which is previously treated as an associated company of the Group and accounted for using the equity method of accounting, as discussed below:

As at 1 January 2013, the Group is the majority shareholder of CGB with a 38.46% equity interest. All other shareholders individually own less than 3% of the equity shares of CGB. Historically, the other shareholders did not form a group to exercise their votes collectively. The directors have assessed that the Group has had control over CGB since the acquisition in October 2005. In accordance with the requirements of FRS 10, if measuring of the investee's assets, liabilities and non-controlling interest is impracticable, the deemed acquisition date shall be the beginning of the earliest period for which application of FRS 3 is practicable, which may be the current period.

Therefore, CGB has been accounted for as a subsidiary company of the Company on 1 January 2013.

The change in accounting of the Group's investments in CGB has been applied in accordance with the relevant transitional provisions as set out in FRS 10 as if the acquisitions of CGB had been accounted for in accordance with FRS 3 Business Combinations at 1 January 2013.

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2. Changes in accounting policies (Contd.)

- (i) Increase in net assets and equity of the Group as at 1 January 2013 arising from the application of FRS 10

	FRS 10 adjustments RM'000
Property, plant and equipment	428,346
Biological assets	438,850
Investment properties	37,000
Intangible assets	92,088
Land use rights	13,900
Deferred tax assets	2,443
Other receivables	5,222
Investment in associated companies	(211,806)
Inventories	20,467
Trade and other receivables	14,481
Tax recoverable	2,854
Short term investments	13,596
Deposits placed with licensed banks	15,233
Cash and bank balances	6,476
Non- controlling interest	536,173
Retained earnings	132,775
Lease rental payable	267
Long term hire purchase payables	1,127
Long term borrowings	73,898
Deferred tax liabilities	98,125
Short term hire purchase payables	1,062
Short term borrowings	12,399
Trade and other payables	22,833
Income tax payable	491

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2. Changes in accounting policies (Contd.)

(ii) Impact of the application of FRS 10 on profit of the Group for the period ended 31 March 2013

Increase in revenue	28,335
Increase in cost of sales	(23,936)
Increase in other operating income	320
Increase in administrative expenses	(1,345)
Increase in other operating expenses	(845)
Increase in finance costs	(50)
Increase in income tax expense	(560)
Increase in profit for the year	1,919
Increase in profit for the year attributable to:	
Owners of the Company	-
Non- controlling interests	1,919

(iii) Impact of the application of FRS 10 on cash flows of the Group as at 1 January 2013

	MFRS 10 adjustments RM'000
Net cash flow from operating activities	234,140
Net cash outflow from investing activities	(287,323)
Net cash flow from financing activities	88,487
Net cash inflow	<u>35,304</u>

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2.2 Malaysian Financial Reporting Standards

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').

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 31 March 2013.

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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 31 March 2013.

8. Dividend paid

No dividend was paid out during the current quarter ended 31 March 2013.

9. Segment information

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- a. Plantation - Cultivation of oil palm
- b. Oil Mill - Milling and sales of oil palm products

Information about reportable segments

	Plantation	Oil Mill	Total
	31.3.2013	31.3.2013	31.3.2013
	RM'000	RM'000	RM'000
External revenue	4,811	46,010	50,821
Inter-segment revenue	13,959	-	13,959
Segment profit	3,971	1,097	5,068

Segment profit is reconciled to consolidated profit before tax as follows:	31.3.2013
	RM'000
Segment profit	5,068
Other non-reportable segments	304
Amortisation of group land cost	(1,132)
Elimination of inter-segment profits	(79)
Unallocated corporate expenses	(105)
Consolidated profit before tax	<u>4,056</u>

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9. Segment information (contd.)

Segment information is not presented for the preceding year corresponding quarter 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 except as disclosed in Note 2.1 to the condensed consolidated interim financial statements.

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	28,184
Approved but not contracted for	<u>10,435</u>
	<u>38,619</u>

13. Subsequent event

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

Information required by BMSB Listing Requirements

1. Review of performance

The Group recorded higher revenue for the current quarter as compare to the preceding year corresponding quarter due to the consolidation of Cepatwawsan Group Berhad (“CGB”) as a subsidiary company on 1 January 2013 as a result of the adoption of FRS 10 Consolidated Financial Statements as disclosed in Note 2.1 to the condensed consolidated interim financial statements.

Profit before tax for the current quarter is lower than the preceding year corresponding quarter mainly due to lower CPO and PK prices by approximately 30% and 41% respectively, higher application of fertilisers, accelerated replanting activities and amortisation of group land cost of RM1.13 million arising from the consolidation of CGB.

Performance of the respective operating business segments for this quarter under review as compared to the previous corresponding quarter is analysed as follows:

- (i) Plantation – Generally, the plantation segment recorded lower profit before tax for the current quarter mainly due to prices of FFB falling by approximately 35%, higher application of fertilisers and accelerated replanting activities.
- (ii) Oil Mill – The oil mill segment recorded a profit before tax of RM1.10 million for the current quarter as compare to RMNil in the preceding year corresponding quarter. The oil mill segment is derived from the consolidation of CGB and commencement of the operation of a new oil mill during the current quarter.

2. Variation of results against preceding quarter

The profitability for the current quarter is slightly lower than the immediate preceding quarter mainly due to decrease in FFB production by 17% because of seasonal factor and amortisation of group land cost arising from the consolidation of CGB.

3. Current year prospects

Barring any unforeseen circumstances, the Board is optimistic on the Group’s prospects in view that the palm oil prices has currently stabilised to around RM2,300 per MT.

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		Cumulative quarter	
	3 months ended		3 months ended	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012
	RM'000	RM'000	RM'000	RM'000
Bad debts written off	250	-	250	-
Gain on disposal of investment in securities	8	-	8	-
Interest income	171	6	171	6
Interest expense	607	(299)	607	(299)
Depreciation and amortisation	3,334	(267)	3,334	(267)
Dividend	4	-	4	-
Loss on foreign exchange	75	-	75	-

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		Cumulative quarter	
	3 months ended		3 months ended	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	1,769	951	1,769	951
Deferred tax	(738)	(6)	(738)	(6)
	1,031	945	1,031	945

The effective tax rate for the current quarter was higher than the statutory tax rate of 25% principally due to certain expenses was disallowed for tax purposes.

7. Corporate proposal

There was no corporate proposal for the current quarter under review.

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	4,552

	<u>19,152</u>
<u>Non-current - Secured</u>	<u>RM'000</u>
Term loan	<u>114,321</u>
Total borrowings	<u>133,473</u>

9. Disclosure of derivatives

The Group did not enter into any derivative contact and accordingly there were no outstanding derivatives (including financial instruments designated as hedging instruments) as at 31 March 2013.

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 31 March 2013 (31 March 2012: Nil).

12. Basic earnings per share

(a) Basic

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 196,543,970 (2012 – on the enlarged share capital of 196,543,970 after the bonus issue of 56,155,420 ordinary shares of RM1 each) in issue during the financial period.

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012
	RM'000	RM'000	RM'000	RM'000
Profit attributable to the owners of the Company	984	5,328	984	5,328
Weighted average number of ordinary shares in issue	196,544	196,544	196,544	196,544
Basic earnings per share (sen)	0.50	3.80	0.50	3.80

(b) Diluted

The Group has no potential ordinary shares in issue as at balance sheet and therefore, diluted earnings per share have not been presented.

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	As at
	31.3. 2013	31.3.2012
	RM' 000	RM' 000
Total retained profits of the Company and its subsidiaries		
- Realised	183,486	70,102
- Unrealised	(15,510)	(3,110)
	167,976	66,992
Total retained profits of associated companies		
- Realised	-	56,969
- Unrealised	-	(18,440)
Consolidation adjustments	50,935	27,959
Total group retained profits as per consolidation accounts	218,911	133,480

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 April 2013.