

MHC Plantations Bhd (4060-V)
Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For The First Quarter Ended 31 March 2014

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	RM' 000	RM'000	RM' 000	RM' 000
Revenue	71,829	51,532	71,829	51,532
Cost of sales	(57,781)	(42,845)	(57,781)	(42,845)
Gross profit	14,048	8,687	14,048	8,687
Other income	594	626	594	626
Administrative expenses	(2,692)	(3,242)	(2,692)	(3,242)
Other operating expenses	(1,562)	(1,408)	(1,562)	(1,408)
Operating profit	10,388	4,663	10,388	4,663
Finance costs	(723)	(607)	(723)	(607)
Share of profits in associates, net of tax	-	-	-	-
Profit before tax	9,665	4,056	9,665	4,056
Income tax expense	(2,473)	(1,031)	(2,473)	(1,031)
Profit net of tax	7,192	3,025	7,192	3,025
Other comprehensive income				
Available-for-sale financial assets:				
- Transfer to profit or loss upon disposal	-	(7)	-	(7)
- Gain on fair value changes	-	5	-	5
Exchange difference on translation of foreign operations	(1)	(15)	(1)	(15)
Total comprehensive income for the period	7,191	3,008	7,191	3,008
Profit attributable to:				
Owners of the parent	4,514	984	4,514	984
Non-controlling interests	2,678	2,041	2,678	2,041
	7,192	3,025	7,192	3,025
Total comprehensive income attributable to:				
Owners of the parent	4,513	967	4,513	967
Non-controlling interests	2,678	2,041	2,678	2,041
	7,191	3,008	7,191	3,008
Weighted average number of shares in issue	196,544	196,544	196,544	196,544
Earnings per share in sen				
- Basic	2.30	0.50	2.30	0.50
- Diluted	1.79	0.39	1.79	0.39

The interim financial report should be read in conjunction with the audited financial statements for year ended 31 December 2013.

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

Condensed Consolidated Statement of Financial Position (Unaudited)
as at 31 March 2014

	As at 31.3.2014 RM'000	As at 31.12.2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	545,023	544,272
Investment properties	46,962	46,962
Biological assets	457,754	457,096
Land use rights	13,676	13,721
Investment securities	407	407
Other receivable	6,109	6,036
Goodwill on consolidation	109,017	109,017
	<u>1,178,948</u>	<u>1,177,511</u>
Current assets		
Inventories	25,249	19,442
Trade and other receivables	23,813	21,081
Tax recoverable	2,602	2,239
Short term investments	13,178	12,530
Fixed deposits with licensed banks	8,066	14,761
Cash and bank balances	16,527	15,232
	<u>89,435</u>	<u>85,285</u>
TOTAL ASSETS	<u>1,268,383</u>	<u>1,262,796</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	196,544	196,544
Reserves	209,604	205,091
	<u>406,148</u>	<u>401,635</u>
Non-controlling interests	508,929	506,251
Total equity	<u>915,077</u>	<u>907,886</u>

**Condensed Consolidated Statement of Financial Position (Unaudited)
as at 31 March 2014 (Contd.)**

	As at 31.3.2014 RM'000	As at 31.12.2013 RM'000
EQUITY AND LIABILITIES (CONTD.)		
Non-current liabilities		
Lease rental payable	267	267
Hire purchase payables	1,199	1,390
Borrowings	100,321	104,753
Deferred tax liabilities	164,321	164,159
	266,108	270,569
Current liabilities		
Payables	35,700	37,952
Hire purchase payables	1,416	1,517
Borrowings	48,650	44,206
Taxation	1,432	666
	87,198	84,341
Total liabilities	353,306	354,910
TOTAL EQUITY AND LIABILITIES	1,268,383	1,262,796
Net Tangible Asset Per Share (RM)	1.51	1.49
Net Asset Per Share (RM)	2.07	2.04

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

MHC Plantations Bhd (4060-Y)

Condensed Consolidated Statements of Changes in Equity (Unaudited)
For The First Quarter Ended 31 March 2014

		Equity attributable to owners of the Company							Non-controlling Interests	Total Equity	
		Non-distributable			Distributable						
		Share Capital	Capital Reserve	Revaluation Reserve	Fair value adjustment reserve	Foreign currency translation reserve	Capital Reserve	Retained Profits	Total		
		RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	
Opening balance at 1 Jan 2013		196,544	5,737	789	94	-	8	190,473	393,645	492,837	886,482
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	191,457	394,612	494,878	889,490
Opening balance at 1 Jan 2014		196,544	5,737	789	80	(62)	8	198,539	401,635	506,251	907,886
Total comprehensive income for the period		-	-	-	-	(1)	-	4,514	4,513	2,678	7,191
Closing balance at 31 March 2014		196,544	5,737	789	80	(63)	8	203,053	406,148	508,929	915,077

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

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Condensed Consolidated Statement of Cash Flows (Unaudited)
For The First Quarter Ended 31 March 2014

	3 months ended	
	31.3.2014 RM' 000	31.3.2013 RM' 000
Operating activities		
Profit before taxation	9,665	4,056
Adjustments for:		
Bad debts written off	-	250
Depreciation and amortisation	4,057	3,334
Gain on disposal of investment securities	-	(8)
Interest expense	723	607
Property, plant and equipment written off	16	-
Unrealised gain on foreign exchange	(2)	-
Interest income	(174)	(171)
Dividend income	(35)	(4)
Total adjustments	4,585	4,008
Operating cash flows before changes in working capital	<u>14,250</u>	<u>8,064</u>
Changes in working capital:		
Inventories	(5,789)	(86)
Receivables	(2,795)	(2,364)
Payables	(2,259)	1,871
Total changes in working capital	<u>(10,843)</u>	<u>(579)</u>
Cash generated from operations	3,407	7,485
Interest received	174	171
Interest paid	(723)	(607)
Tax paid	(1,911)	(2,993)
Net cash flows from operating activities	<u>947</u>	<u>4,056</u>
Investing activities		
Dividend received	35	4
Net cash inflow arising from adoption of FRS 10	-	35,304
Proceeds from disposal of investment in securities	-	20
Purchase of biological assets	(658)	-
Purchase of property, plant and equipment	(4,668)	(14,900)
Purchase of property, plant and equipment	-	(75)
Net cash flows (used in)/from investing activities	<u>(5,291)</u>	<u>20,353</u>
Financing activities		
Drawdown of revolving credit	1,500	500
Drawdown of term loan	-	6,520
Repayment of term loan	(1,487)	(1,167)
Repayment of hire purchase obligations	(425)	(366)
Effect on exchange rate changes on cash and cash equivalents	3	(15)
Net cash flows (used in)/from financing activities	<u>(409)</u>	<u>5,472</u>
Net increase in cash and cash equivalents	<u>(4,753)</u>	<u>29,881</u>
Cash and cash equivalents as at 1 January	<u>41,923</u>	<u>4,415</u>
Cash and cash equivalents as at 31 December	<u>37,170</u>	<u>34,296</u>
Cash and cash equivalents :		
Fixed deposits with licensed banks	8,066	24,251
Short term investments	13,178	1,169
Cash and bank balances	16,527	9,315
	<u>37,771</u>	<u>34,735</u>
Less : Fixed deposits pledged	(600)	(439)
	<u>37,171</u>	<u>34,296</u>

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

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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 2014 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 2013.

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 2013. 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 2013.

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 2013, except for the adoption of the following new/revised FRSs and amendments to FRSs:

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

Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities

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

Amendments to FRS 136: Recoverable Amount Disclosures for Non-Financial Assets

Amendments to FRS 139: Novation of Derivatives and Continuation of Hedge Accounting

IC Interpretation 21 Levies

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

Amendments to FRS 119: Defined Benefit Plans: Employee Contributions

Annual Improvements to FRSs 2010 – 2012 Cycle

Annual Improvements to FRSs 2011 – 2013 Cycle

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

FRS 9: Financial Instruments

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

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2. Changes in accounting policies (Contd.)

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 2015.

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 2015. 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 2015.

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 2014.

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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 2014.

8. Dividend paid

No dividend was paid out during the current quarter ended 31 March 2014.

9. Segment information

The Group has three reportable segments, as described below, which are the Group's strategies 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
- c. Power Plant - Power Generation

Information about reportable segments

	Results for 3 months ended 31 March							
	Plantation		Oil Mill		Power Plant		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	5,217	4,811	65,332	46,010	-	-	70,549	50,821
Inter-segment revenue	18,720	13,959	-	-	240	-	18,960	13,959
Segment profit	11,088	3,971	583	1,097	(1,046)	(76)	10,625	4,992

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9. Segment information (Contd.)

	3 months ended 31.03.2014 (Unaudited) RM'000	3 months ended 31.03.2013 (Unaudited) RM'000
Segment profit is reconciled to consolidated profit before tax as follows:		
Segment profit	10,625	4,992
Other non-reportable segments	535	380
Amortisation of group land cost	(1,160)	(1,132)
Elimination of inter-segment profits	(268)	(79)
Unallocated corporate expenses	(67)	(105)
Consolidated profit before tax	<u>9,665</u>	<u>4,056</u>

10. Changes in the composition of the Group

On 10 February 2014, the subsidiary company, Cepatwawasan Group Berhad ("CGB"), acquired 2 ordinary shares of RM 1.00 each in Aspenglade Sdn. Bhd. and Equiti Etika Sdn. Bhd., representing the entire equity interest for a total consideration of RM 2 respectively, resulting in these companies becoming wholly-owned subsidiary companies of CGB.

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	12,153
Approved but not contracted for	<u>7,696</u>
	<u>19,849</u>

13. Subsequent event

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

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Information required by BMSB Listing Requirements

1. Review of performance

Current Quarter vs. Previous Year Corresponding Quarter

The Group recorded a revenue of RM71.83 million and profit before tax of RM9.67 million for the current quarter ended 31 March 2014 as compare to a revenue of RM51.53 million and profit before tax of RM4.06 million in the preceding year quarter ended 31 March 2013. The increase in revenue and profit before tax is mainly due to higher prices of CPO and kernel by 21% and 77% respectively and higher sales volume of CPO and kernel by 6% and 46% respectively.

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 – – The increase in profit before tax by RM 7.12 million (179%) to RM 11.09 million was due to a 27% increase in FFB price despite a 2% decrease in FFB production.
- (ii) Oil Mill – The decrease in profit before tax by RM 0.51 million (47%) to RM 0.58 million was mainly due to lower margin as a result of stiff competition on sourcing the fresh fruit bunches.
- (iii) Power Plant – The increase in loss before tax by RM 0.97 million (1,276%) to RM 1.05 million was due to higher operating cost incurred as a result of the commencement of the operation.

2. Variation of results against preceding quarter

The profitability for the current quarter is lower than the immediate preceding quarter mainly due to a gain of RM 4.66 million from fair value adjustment of investment properties was recorded in the immediate preceding quarter.

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 RM2,650 per MT.

4. Profit forecast

Not applicable as there was no profit forecast published.

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5. Profit before taxation

This is arrived at after crediting/ (charging):

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	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	174	171	174	171
Interest expense	723	607	723	607
Depreciation and amortisation	4,057	3,334	4,057	3,334
Dividend	35	4	35	4
Realised loss on foreign exchange	13	75	13	75
Unrealised gain on foreign exchange	2	-	2	-
Property, plant and equipment written off	16	-	16	-

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	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	2,244	1,769	2,244	1,769
Deferred tax	229	(738)	229	(738)
	<u>2,473</u>	<u>1,031</u>	<u>2,473</u>	<u>1,031</u>

The effective tax rate for the current quarter was slightly 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.

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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	35,200
Term loan	13,450

	<u>48,650</u>
<u>Non-current - Secured</u>	<u>RM'000</u>
Term loan	<u>100,321</u>
Total borrowings	<u>148,971</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 31 March 2014.

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 2014 (31 March 2013: Nil).

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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 (2013 – 196,543,970) in issue during the financial period.

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	31.3.2014 RM'000	31.3.2013 RM'000	31.3.2014 RM'000	31.3.2013 RM'000
Profit attributable to the owners of the Company	4,513	984	4,513	984
Weighted average number of ordinary shares in issue	196,544	196,544	196,544	196,544
Basic earnings per share (sen)	2.30	0.50	2.30	0.50

(b) Diluted

Diluted earnings per share is calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year after adjustment for the effects of dilutive potential ordinary shares, calculated as follows:

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	31.3.2014 RM'000	31.3.2013 RM'000	31.3.2014 RM'000	31.3.2013 RM'000
Profit attributable to the owners of the Company	4,513	984	4,513	984
Number of ordinary shares for basic earnings per share computation	196,544	196,544	196,544	196,544
Effect of dilution - on assumption that all warrants are exercised	56,155	56,155	56,155	56,155
Number of ordinary shares for diluted earnings per share computation	252,699	252,699	252,699	252,699
Diluted earnings per share	1.79	0.39	1.79	0.39

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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 31.3. 2014 RM' 000	As at 31.3.2013 RM' 000
Total retained profits of the Company and its subsidiaries		
- Realised	203,626	183,486
- Unrealised	5,377	(15,510)
	<hr/> 209,003	<hr/> 167,976
Consolidation adjustments	(5,950)	23,481
	<hr/>	<hr/>
Total group retained profits as per consolidation accounts	203,053	191,457

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 30 April 2014.