

MHC Plantations Bhd (4060-V)
Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For The First Quarter Ended 31 March 2016

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	RM' 000	RM'000	RM' 000	RM' 000
Revenue	58,267	60,228	58,267	60,228
Cost of sales	(55,038)	(52,460)	(55,038)	(52,460)
Gross profit	3,229	7,768	3,229	7,768
Other income	2,486	2,333	2,486	2,333
Administrative expenses	(3,271)	(2,844)	(3,271)	(2,844)
Other operating expenses	(983)	(1,254)	(983)	(1,254)
Operating profit	1,461	6,003	1,461	6,003
Finance costs	(2,353)	(1,995)	(2,353)	(1,995)
(Loss)/Profit before tax	(892)	4,008	(892)	4,008
Income tax expense	205	(792)	205	(792)
(Loss)/Profit after tax	(687)	3,216	(687)	3,216
Other comprehensive income				
Available-for-sale financial assets:				
Exchange difference on translation of foreign operations	(201)	8	(201)	8
Total comprehensive income for the period	(888)	3,224	(888)	3,224
(Loss)/Profit attributable to:				
Owners of the parent	(227)	1,469	(227)	1,469
Non-controlling interests	460	1,747	460	1,747
	(687)	3,216	(687)	3,216
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(1,461)	1,477	(1,461)	1,477
Non-controlling interests	(573)	1,747	(573)	1,747
	(888)	3,224	(888)	3,224
Weighted average number of shares in issue	196,544	196,544	196,544	196,544
Earnings per share in sen				
- Basic	(0.12)	0.75	(0.12)	0.75
- Diluted	(0.09)	0.58	(0.09)	0.58

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

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

Condensed Consolidated Statement of Financial Position (Unaudited)
as at 31 March 2016

	As at 31.3.2016 RM'000	As at 31.12.2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	447,234	447,591
Investment properties	48,062	48,062
Biological assets	462,727	462,017
Land use rights	13,323	13,363
Deferred tax assets	3,540	3,422
Investment securities	506	506
Trade and other receivables	140,753	134,538
Goodwill on consolidation	109,017	109,017
	<u>1,225,162</u>	<u>1,218,516</u>
Current assets		
Inventories	26,505	31,501
Trade and other receivables	15,856	19,005
Tax recoverable	1,543	1,147
Short term investments	12,226	11,596
Fixed deposits with licensed banks	10,906	10,225
Cash and bank balances	14,293	20,795
	<u>81,329</u>	<u>94,269</u>
TOTAL ASSETS	<u>1,306,491</u>	<u>1,312,785</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	196,544	196,544
Reserves	214,084	214,399
	<u>410,628</u>	<u>410,943</u>
Non-controlling interests	514,994	515,567
Total equity	<u>925,622</u>	<u>926,510</u>

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

Condensed Consolidated Statement of Financial Position (Unaudited)
as at 31 March 2016 (Contd.)

	As at 31.3.2016 RM'000	As at 31.12.2015 RM'000
EQUITY AND LIABILITIES (CONTD.)		
Non-current liabilities		
Lease rental payable	267	267
Hire purchase payables	944	1,094
Borrowings	94,130	97,126
Deferred tax liabilities	165,428	166,115
	<u>260,769</u>	<u>264,602</u>
Current liabilities		
Payables	26,439	30,692
Hire purchase payables	861	1,054
Borrowings	92,650	89,650
Taxation	150	277
	<u>120,100</u>	<u>121,673</u>
Total liabilities	<u>380,869</u>	<u>386,275</u>
TOTAL EQUITY AND LIABILITIES	<u>1,306,491</u>	<u>1,312,785</u>
Net Tangible Asset Per Share (RM)	<u>1.53</u>	<u>1.54</u>
Net Asset Per Share (RM)	<u>2.09</u>	<u>2.09</u>

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

MHC Plantations Bhd (4060-V)

Condensed Consolidated Statements of Changes in Equity (Unaudited)
For The First Quarter Ended 31 March 2016

	Equity attributable to owners of the Company										Non-controlling Interests	Total Equity
	Non-distributable					Distributable						
	Share Capital RM' 000	Capital Reserve RM' 000	Other 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	Total RM' 000		
Opening balance at 1 Jan 2015	196,544	5,737	-	789	64	(58)	8	209,617	412,701	515,686	928,387	
Total comprehensive income for the period	-	-	-	-	-	8	-	1,469	1,477	1,747	3,224	
Closing balance at 31 March 2015	196,544	5,737	-	789	64	(50)	8	211,086	414,178	517,433	931,611	
Opening balance at 1 Jan 2016	196,544	5,737	(1,946)	789	79	88	8	209,644	410,943	515,567	926,510	
Total comprehensive (loss)/income for the period	-	-	-	-	-	(88)	-	(227)	(315)	(573)	(888)	
Closing balance at 31 March 2016	196,544	5,737	(1,946)	789	79	-	8	209,417	410,628	514,994	925,622	

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

MHC Plantations Bhd (4060-V)
Condensed Consolidated Statement of Cash Flows (Unaudited)
For The First Quarter Ended 31 March 2016

	3 months ended	
	31.3.2016 RM' 000	31.3.2015 RM' 000
Operating activities		
(Loss)/Profit before taxation	(892)	4,008
Adjustments for:		
Depreciation and amortisation	3,889	4,157
Interest expense	2,353	1,995
(Gain)/Loss on disposal of property, plant and equipment	(33)	(567)
Property, plant and equipment written off		3
Unrealised loss/(gain) on foreign exchange	170	(59)
Interest income	(1,846)	(1,411)
Dividend income	(1)	-
Total adjustments	4,532	4,120
Operating cash flows before changes in working capital	<u>3,640</u>	<u>8,128</u>
Changes in working capital:		
Inventories	4,993	(2,043)
Receivables	(739)	1,713
Payables	(4,992)	(6,225)
Total changes in working capital	(738)	(6,555)
Cash generated from operations	2,902	1,572
Interest received	182	191
Interest paid	(2,353)	(1,995)
Tax paid	(1,125)	(1,071)
Net cash flows (used in)/from operating activities	<u>(394)</u>	<u>(1,303)</u>
Investing activities		
Dividend received	1	-
Proceeds from disposal of property, plant and equipment	33	644
Additions to biological assets	(710)	(432)
Net redemption/(investment in) of short term investments	(630)	316
Purchase of property, plant and equipment	(3,490)	(3,698)
Net cash flows (used in)/from investing activities	<u>(4,796)</u>	<u>(3,170)</u>
Financing activities		
Drawdown of revolving credit	4,700	2,700
Repayment of term loan	(4,696)	(3,988)
Repayment of hire purchase obligations	(343)	(240)
Effect on exchange rate changes on cash and cash equivalents	(295)	1
Net cash flows (used in)/from financing activities	<u>(633)</u>	<u>(1,526)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(5,822)</u>	<u>(5,999)</u>
Cash and cash equivalents as at 1 January	<u>30,383</u>	<u>27,287</u>
Cash and cash equivalents as at 31 March	<u>24,561</u>	<u>21,288</u>
Cash and cash equivalents :		
Fixed deposits with licensed banks	10,906	7,387
Cash and bank balances	14,293	14,511
	<u>25,199</u>	<u>21,898</u>
Less : Fixed deposits pledged	(638)	(610)
	<u>24,561</u>	<u>21,288</u>

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The condensed consolidated interim financial statements for the period ended 31 March 2016 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 2015.

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 2015. 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 2015.

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 2015, except for the adoption of the following new/revised FRSs and amendments to FRSs:

Effective for financial periods beginning on or after 1 January 2016:

- Annual Improvements to FRSs 2012 – 2014 Cycle
- Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to FRS 11: Accounting for Acquisition of Interest in Joint Operations
- Amendments to FRS 127: Equity Method in Separate Financial Statements
- Amendments to FRS 101: Disclosure Initiative
- Amendments to FRS 10, FRS 12 and FRS 18: Investment Entities: Applying the Consolidation Exception
- FRS 14: Regulatory Deferral Accounts

Effective for financial periods beginning on or after 1 January 2018:

- FRS 9: Financial Instruments

The adoption of the above new/revised FRSs and Amendments do not have any significant financial impact on the Group.

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 venturer (herein called 'Transitioning Entities') which will be allowed to defer adoption of the new MFRS Framework for one year. On 30 June 2012, MASB has given an option to Transitioning Entities to defer the adoption of the MFRS Framework for another year. Therefore, the MFRS Framework will be applicable to Transitioning Entities with effect from the annual period beginning on 1 January 2014.

In light of the development and the revisions of the project timelines by the IASB, the Board has decided to extend the transitions period for another year, ie. the adoption of the MFRS Framework by all Transitioning Entities with effect from annual periods beginning on or after 1 January 2015.

On 8 September 2015, MASB announced that Transitioning Entities shall be required to apply the MFRS Framework for annual periods beginning on or after 1 January 2018.

The Group falls within the scope definition of Transitioning Entities and 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 2018. 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 earnings.

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 2018.

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 2016.

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 2016.

8. Dividend paid

No interim dividend has been paid during the current quarter ended 31 March 2016.

9. Segment information

The Group has three 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
- c. Power Plant - Power Generation and sales of biomass by-products

Information about reportable segments

	Results for 3 months ended 31 March							
	Plantation		Oil Mill		Power Plant		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,981	2,936	50,315	53,472	4,506	3,205	57,802	59,613
Inter-segment revenue	10,534	13,361	-	-	555	476	11,089	13,837
Segment profit/(loss)	545	4,355	445	1,414	(379)	(694)	611	5,075

9. Segment information (Contd.)

Segment profit is reconciled to consolidated profit before tax as follows:	3 months ended 31.03.2016 (Unaudited) RM'000	3 months ended 31.03.2015 (Unaudited) RM'000
Segment profit	611	5,075
Other non-reportable segments	(28)	(20)
Amortisation of group land cost	(1,100)	(1,066)
Elimination of inter-segment profits	(46)	(107)
Unallocated corporate income	187	283
Unallocated corporate expenses	(516)	(157)
Consolidated (loss)/profit before tax	<u>(892)</u>	<u>4,008</u>

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 March 2016.

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	15,401
Approved but not contracted for	<u>17,583</u>
	<u>32,984</u>

13. Subsequent event

There were no material subsequent events to the end of the current quarter.

Information required by BMSB Listing Requirements

1. Review of performance

Current Quarter vs. Previous Year Corresponding Quarter

For this quarter under review, the Group recorded a revenue of RM58.27 million, which is a decrease of RM1.96 million as compared to the preceding year corresponding quarter mainly due to lower CPO and PK sales volume by 6% and 34% respectively despite an increase in CPO and PK prices by 5% and 13% respectively.

The Group reported a losst before tax of RM 0.89 million for this quarter under review as compare to profit before tax of RM 4.01 million in the preceding year corresponding quarter mainly due to a decrease in FFB production by 24% and lower CPO sales volume and PK sales volume by 6% and 34% 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 decrease in profit before tax by RM 3.81 million (87%) from RM 4.35 million to RM 0.55 million was mainly due to a lower FFB production by 24% despite higher FFB price by 8%.
- (ii) Oil Mill – The decrease in profit before tax by RM 0.97 million (68%) from RM 1.41 million to RM 0.45 million was mainly due to lower milling margin as a result of stiff competition on sourcing for FFB and lower CPO and PK sales volume by 6% and 34% respectively despite higher CPO and PK price by 5% and 13% respectively.
- (iii) Power Plant – The decrease in loss before tax by RM 0.32 million (45%) from RM0.70 million to RM 0.38 million was mainly due to a lower operating cost. The 12MW Biomass Power Plant generated and exported 14,056,690 kw for this current quarter as compare to 9,338,232 kw in the corresponding preceding quarter.

2. Variation of results against preceding quarter

The Group recorded a loss before tax of RM 0.89 million in the quarter under review as compared to a profit before tax of RM 1.22 million in the immediate preceding quarter mainly due to a decrease in FFB production by 41%, a lower CPO and PK sales volume by 28% and 37% respectively and also a lower milling margin as a result of stiff competition.

3. Current year prospects

The effect of the EI Nino phenomenon has adversely affected the FFB production of the Group. Hence, the Group expects a lower profit for the current financial year in view of lower FFB production..

4. Profit forecast

Not applicable as there was no profit forecast published.

5. (Loss)/Profit before taxation

This is arrived at after crediting/ (charging):

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of plant and equipment	33	567	33	567
Interest income	1,846	1,411	1,846	1,411
Interest expense	(2,353)	(1,995)	(2,353)	(1,995)
Depreciation and amortisation	(3,889)	(4,157)	(3,889)	(4,157)
Dividend	1	-	1	-
Realised loss on foreign exchange	(69)	(155)	(69)	(155)
Unrealised (loss)/gain on foreign exchange	(170)	59	(170)	59
Property, plant and equipment written off	-	(3)	-	(3)

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 3 months ended	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	320	1,422	320	1,422
Deferred tax				
- relating to origination and reversal of temporary differences	(311)	(630)	(311)	(630)
- under/(over) provision of tax	(214)	-	(214)	-
	(205)	792	(205)	792

The Group's effective tax rate for the current quarter 31 March 2016 was higher than the statutory tax rate of 24% 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	72,700
Term loan	19,950

	<u>92,650</u>
<u>Non-current - Secured</u>	<u>RM'000</u>
Term loan	94,130
Total borrowings	<u>186,780</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 2016.

10. Changes in material litigation

Suara Baru Sdn Bhd. (“SESB”) vs. Borhill Estates Sdn Bhd (“BESB”) (Suit No. SDK-22NCvC-39/11-2014)

The Company’s subsidiary, SESB had commenced legal proceedings against BESB in the Sessions Court at Sandakan vide Suit No. SDK-A 52-63/7-2013 (“Suit”) on 19 July 2013 to claim for the sum of RM115,169.66, being the amount due and owing by BESB to SBSB in respect of block stones and crusher run A stones (“Stones”) supplied by SBSB to BESB. In defending the Suit, BESB contends, among others, that the Stones supplied by SBSB did not fit the description of stones ordered by BESB, were not of merchantable quality, and were not fit for the purpose they were ordered for. BESB has also filed a counterclaim against SBSB, among others, a sum of RM5,612,850 in respect of BESB’s purported loss of profit allegedly caused by SBSB’s alleged breach. The Suit was subsequently transferred to the High Court of Sabah and Sarawak at Sandakan on 13 October 2014 and registered as Sui No. SDK-22NCvC-39/11-2014. Both parties were unable to resolve the dispute through mediation on 19 October 2015. The Suit is now rescheduled for trial from 1 August 2016 to 5 August 2016.

10. Changes in material litigation (Cont'd)

The Board of Directors of the Company is of the view that the Suit will have no immediate material financial and operational impact on the Company and Group as the Company expects that pursuant to the facts of the case, the documents presently available and advice of its solicitors, the Company will be able to advance a cogent defence to BESB's counterclaim.

11. Dividend payable

No interim ordinary dividend has been declared for the financial period ended 31 March 2016 (31 March 2015: 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 (2013 – 196,543,970) in issue during the financial period.

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
(Loss)/Profit attributable to the owners of the Company	(227)	1,469	(227)	1,469
Weighted average number of ordinary shares in issue	196,544	196,544	196,544	196,544
Basic (loss)/earnings per share (sen)	(0.12)	0.75	(0.12)	0.75

12. Basic earnings per share (Cont'd)

(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		Cumulative quarter	
	3 months ended		3 months ended	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit attributable to the owners of the Company	(227)	1,469	(227)	1,469
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(loss)/earnings per share	(0.09)	0.58	(0.09)	0.58

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. 2016	31.12.2015
	RM' 000	RM' 000
Total retained profits of the Company and its subsidiaries		
- Realised	156,900	156,429
- Unrealised	23,183	23,749
	180,083	180,178
Consolidation adjustments	29,334	29,466
Total group retained profits as per consolidation accounts	209,417	209,644

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 29 April 2016.