

MHC Plantations Bhd (4060-V)
Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For The Fourth Quarter Ended 31 December 2017

| | Current quarter 3 months ended | | Cumulative quarter 12 months ended | |
|--|--------------------------------------|-------------------------------------|---------------------------------------|------------------------------------|
| | 31.12.2017 (Unaudited) RM' 000 | 31.12.2016 (Unaudited) RM'000 | 31.12.2017 (Unaudited) RM' 000 | 31.12.2016 (Audited) RM' 000 |
| Revenue | 106,873 | 107,206 | 390,291 | 341,097 |
| Cost of sales | (92,860) | (92,273) | (326,816) | (291,068) |
| Gross profit | 14,013 | 14,933 | 63,475 | 50,029 |
| Other income | 3,399 | 2,379 | 12,712 | 9,486 |
| Administrative expenses | (5,243) | (4,920) | (13,818) | (13,988) |
| Other operating expenses | (1,680) | (1,388) | (5,479) | (5,070) |
| Operating profit | 10,489 | 11,004 | 56,890 | 40,457 |
| Finance costs | (2,001) | (2,169) | (7,759) | (9,362) |
| Profit/(Loss) before tax | 8,488 | 8,835 | 49,131 | 31,095 |
| Income tax expense | (1,769) | (3,019) | (11,651) | (8,711) |
| Profit/(Loss) after tax | 6,719 | 5,816 | 37,480 | 22,384 |
| Other comprehensive income | | | | |
| Available-for-sale financial assets: | | | | |
| - (Loss)/Gain on fair value changes | - | - | - | 58 |
| Exchange difference on translation of foreign operations | (266) | 130 | (161) | 127 |
| Total comprehensive income for the period | 6,453 | 5,946 | 37,319 | 22,569 |
| Profit/(Loss) attributable to: | | | | |
| Owners of the parent | 3,172 | 1,607 | 17,409 | 9,105 |
| Non-controlling interests | 3,547 | 4,209 | 20,071 | 13,279 |
| | 6,719 | 5,816 | 37,480 | 22,384 |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent | 3,009 | 1,737 | 17,302 | 9,228 |
| Non-controlling interests | 3,444 | 4,209 | 20,017 | 13,341 |
| | 6,453 | 5,946 | 37,319 | 22,569 |
| Weighted average number of shares in issue | 196,544 | 196,544 | 196,544 | 196,544 |
| Basic earnings per share in sen | 1.61 | 0.82 | 8.86 | 4.63 |

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

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

Condensed Consolidated Statement of Financial Position
as at 31 December 2017

| | As at 31.12.2017 (Unaudited) RM'000 | As at 31.12.2016 (Audited) RM'000 |
|---|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 436,302 | 441,655 |
| Investment properties | 49,250 | 48,062 |
| Biological assets | 465,459 | 464,222 |
| Land use rights | 13,005 | 13,184 |
| Deferred tax assets | 2,887 | 3,204 |
| Investment in securities | 559 | 528 |
| Trade and other receivables | 145,895 | 149,501 |
| Goodwill on consolidation | 109,017 | 109,017 |
| | <u>1,222,374</u> | <u>1,229,373</u> |
| Current assets | | |
| Inventories | 30,860 | 28,018 |
| Trade and other receivables | 30,772 | 26,589 |
| Tax recoverable | 1,227 | 1,457 |
| Short term investments | 17,601 | 13,625 |
| Deposits placed with licensed banks | 9,832 | 11,070 |
| Cash and bank balances | 17,372 | 17,831 |
| | <u>107,664</u> | <u>98,590</u> |
| TOTAL ASSETS | <u>1,330,038</u> | <u>1,327,963</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the Company | | |
| Share capital | 196,544 | 196,544 |
| Reserves | 235,036 | 220,682 |
| | <u>431,580</u> | <u>417,226</u> |
| Non-controlling interests | <u>540,677</u> | <u>524,322</u> |
| Total equity | <u>972,257</u> | <u>941,548</u> |

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

Condensed Consolidated Statement of Financial Position
as at 31 December 2017 (Contd.)

| | As at 31.12.2017 (Unaudited) RM'000 | As at 31.12.2016 (Audited) RM'000 |
|--|--|--|
| EQUITY AND LIABILITIES (CONTD.) | | |
| Non-current liabilities | | |
| Lease rental payable | 267 | 267 |
| Hire purchase payables | 522 | 784 |
| Borrowings | 65,604 | 86,747 |
| Deferred tax liabilities | 170,607 | 167,971 |
| | <u>237,000</u> | <u>255,769</u> |
| Current liabilities | | |
| Payables | 36,868 | 40,860 |
| Hire purchase payables | 510 | 870 |
| Borrowings | 81,500 | 86,888 |
| Taxation | 1,903 | 2,028 |
| | <u>120,781</u> | <u>130,646</u> |
| Total liabilities | <u>357,781</u> | <u>386,415</u> |
| TOTAL EQUITY AND LIABILITIES | <u>1,330,038</u> | <u>1,327,963</u> |
| Net Tangible Asset Per Share (RM) | <u>1.64</u> | <u>1.57</u> |
| Net Asset Per Share (RM) | <u>2.20</u> | <u>2.12</u> |

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

MHC Plantations Bhd (4060-V)

Condensed Consolidated Statements of Changes in Equity (Unaudited)
For The Fourth Quarter Ended 31 December 2017

| | 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 | 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 | RM' 000 | | |
| 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 income for the period | - | - | - | - | 59 | 65 | - | 9,105 | 9,229 | 13,341 | 22,570 | |
| Dividends | - | - | - | - | - | - | - | (2,948) | (2,948) | - | (2,948) | |
| Dividend paid to non-controlling shareholders | - | - | - | - | - | - | - | - | - | (3,262) | (3,262) | |
| Cost of capital raising | - | - | 3 | - | - | - | - | - | 3 | 1 | 4 | |
| Acquisition of non-controlling interest | - | - | - | - | - | - | (1) | (1) | (1) | (1,325) | (1,326) | |
| Closing balance at 31 December 2016 | 196,544 | 5,737 | (1,943) | 789 | 138 | 153 | 8 | 215,800 | 417,226 | 524,322 | 941,548 | |
| Opening balance at 1 Jan 2017 | 196,544 | 5,737 | (1,943) | 789 | 138 | 153 | 8 | 215,800 | 417,226 | 524,322 | 941,548 | |
| Total comprehensive income for the period | - | - | - | - | - | (107) | - | 17,409 | 17,302 | 20,017 | 37,319 | |
| Dividends | - | - | - | - | - | - | - | (2,948) | (2,948) | - | (2,948) | |
| Dividend paid to non-controlling shareholders | - | - | - | - | - | - | - | - | - | - | - | |
| Closing balance at 31 December 2017 | 196,544 | 5,737 | (1,943) | 789 | 138 | 46 | 8 | 230,261 | 431,580 | 540,677 | 972,257 | |

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

MHC Plantations Bhd (4060-V)
Condensed Consolidated Statement of Cash Flows (Unaudited)
For The Fourth Quarter Ended 31 December 2017

| | 12 months ended | |
|---|--------------------------------------|------------------------------------|
| | 31.12.2017 (Unaudited) RM' 000 | 31.12.2016 (Audited) RM' 000 |
| Operating activities | | |
| Profit before taxation | 49,131 | 31,095 |
| Adjustments for: | | |
| Depreciation and amortisation | 16,067 | 15,558 |
| Bad debts written off | - | 20 |
| Interest expense | 7,759 | 9,362 |
| (Gain)/Loss on disposal of property, plant and equipment | (81) | 70 |
| Fair value gain of investment properties | (1,188) | - |
| Fair value gain on investment in securities | (31) | (11) |
| Property, plant and equipment written off | - | 74 |
| Unrealised loss/(gain) on foreign exchange | (49) | (44) |
| Impairment loss on receivables | - | 54 |
| Impairment loss on investment in securities | - | 47 |
| Interest income | (8,392) | (7,304) |
| Dividend income | (102) | (1) |
| Total adjustments | 13,984 | 17,825 |
| Operating cash flows before changes in working capital | 63,115 | 48,920 |
| Changes in working capital: | | |
| Inventories | (2,842) | 3,483 |
| Receivables | 6,865 | (16,072) |
| Payables | (3,844) | 10,159 |
| Total changes in working capital | 178 | (2,430) |
| Cash generated from operations | 63,293 | 46,490 |
| Interest received | 826 | 754 |
| Interest paid | (7,759) | (9,362) |
| Tax paid | (8,586) | (5,196) |
| Net cash flows from/(used in) operating activities | 47,774 | 32,686 |
| Investing activities | | |
| Dividend received | 102 | 1 |
| Proceeds from disposal of property, plant and equipment | 2,397 | 61 |
| Additional placement of pledged fixed deposits | (5) | (27) |
| Additions to biological assets | (1,237) | (2,205) |
| Net redemption/(investment in) of short term investments | (3,980) | (2,029) |
| Acquisition of non-controlling interest | - | (1,325) |
| Purchase of property, plant and equipment | (12,702) | (9,041) |
| Net cash flows (used in)/from investing activities | (15,426) | (14,565) |
| Financing activities | | |
| Drawdown of revolving credit | 23,800 | 3,000 |
| Drawdown of term loan | 1,500 | 7,000 |
| Repayment of revolving credit | (30,500) | (8,500) |
| Repayment of term loan | (21,332) | (14,640) |
| Repayment of hire purchase obligations | (772) | (1,101) |
| Cost of capital raising | - | 3 |
| Dividends paid to shareholders | (2,948) | (2,948) |
| Dividends paid to non-controlling shareholders | (3,662) | (3,262) |
| Net cash flows (used in)/from financing activities | (33,913) | (20,448) |
| Net increase/(decrease) in cash and cash equivalents | (1,565) | (2,327) |
| Effect on exchange rate changes on cash and cash equivalents | (136) | 181 |
| Cash and cash equivalents as at 1 January | 26,265 | 28,411 |
| Cash and cash equivalents as at 31 December | 24,564 | 26,265 |
| Cash and cash equivalents : | | |
| Deposits placed with licensed banks | 9,832 | 11,070 |
| Cash and bank balances | 17,372 | 17,830 |
| | 27,204 | 28,900 |
| Less : Fixed deposits pledged | (2,640) | (2,635) |
| | 24,564 | 26,265 |

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The condensed consolidated interim financial statements for the financial year ended 31 December 2017 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 financial year ended 31 December 2016.

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 2016. 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 2016.

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 2016, except for the adoption of the following new/revised FRSs and amendments to FRSs:

Effective for financial periods beginning on or after 1 January 2017:

Amendments to FRS 107: Disclosure Initiative

Amendments to FRS 112: Recognition of Deferred Tax for Unrealised Losses

Annual Improvements to FRSs 2014 - 2016 Cycle

- Amendments to FRS 12: Disclosure of Interests in Other Entities

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 year ended 31 December 2017.

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 year ended 31 December 2017 except for the total of 56,155,420 free Warrants 2012/2017 which had been expired on 28 July 2017 and removed from the official list of Bursa Malaysia Securities Berhad on 31 July 2017.

8. Dividend paid

A final single-tier dividend of 1.50% in respect of the financial year ended 31 December 2016 on 196,543,970 ordinary shares, amounting to a dividend payable of RM2,948,160 (1.50 sen per share) was paid on 13 June 2017.

No interim dividend has been paid during the current quarter ended 31 December 2017.

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 December | | | | | | | |
|-----------------------|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Plantation | | Oil Mill | | Power Plant | | Total | |
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| External revenue | 7,400 | 5,822 | 93,010 | 77,991 | 6,104 | 22,971 | 106,514 | 106,784 |
| Inter-segment revenue | 17,261 | 21,698 | - | - | - | 250 | 17,261 | 21,948 |
| Segment profit | 6,968 | 10,034 | 3,264 | (941) | (901) | 1,525 | 9,331 | 10,618 |

9. Segment information (Contd.)

| | 3 months ended 31.12.2017 (Unaudited) RM'000 | 3 months ended 31.12.2016 (Unaudited) RM'000 |
|---|---|---|
| Segment profit is reconciled to consolidated profit before tax as follows: | | |
| Segment profit | 9,331 | 10,618 |
| Other non-reportable segments | (512) | 354 |
| Amortisation of group land cost | (1,019) | (1,019) |
| Elimination of inter-segment profits | (7) | (71) |
| Unallocated corporate (expenses)/income | 695 | (1,047) |
| Consolidated profit/(loss) before tax | <u>8,488</u> | <u>8,835</u> |

| | Results for 12 months ended 31 December | | | | | | | |
|-----------------------|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | Plantation | | Oil Mill | | Power Plant | | Total | |
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| External revenue | 28,178 | 20,103 | 334,566 | 279,936 | 26,070 | 39,389 | 388,814 | 339,428 |
| Inter-segment revenue | 67,454 | 68,473 | - | - | - | 1,685 | 67,454 | 70,158 |
| Segment profit/(loss) | <u>39,907</u> | <u>31,759</u> | <u>9,231</u> | <u>1,045</u> | <u>5,103</u> | <u>4,505</u> | <u>54,241</u> | <u>37,309</u> |

| | 12 months ended 31.12.2017 (Unaudited) RM'000 | 12 months ended 31.12.2016 (Audited) RM'000 |
|---|--|--|
| Segment profit is reconciled to consolidated profit before tax as follows: | | |
| Segment profit | 54,241 | 37,309 |
| Other non-reportable segments | (770) | (163) |
| Amortisation of group land cost | (4,076) | (4,186) |
| Elimination of inter-segment profits | (90) | (72) |
| Unallocated corporate expenses | (174) | (1,793) |
| Consolidated profit before tax | <u>49,131</u> | <u>31,095</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 December 2017 other than the strike off of Richester Pte. Ltd. ("RPL") with effect from 4 December 2017 following an application made to the Register of Companies of Singapore.

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 | 14,013 |
| Approved but not contracted for | <u>5,068</u> |
| | <u>19,081</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

Financial review for current quarter and financial year to date

| | (Fourth Quarter) | | | (12 months ended) | | |
|--|--|---|----------------|--|--|----------------|
| | Current year Quarter 31.12.2017 (Unaudited) RM'000 | Preceding Year Corresponding Quarter 31.12.2016 (Unaudited) RM'000 | Changes (%) | Current Year To- date 31.12.2017 (Unaudited) RM'000 | Preceding Year Corresponding Period 31.12.2016 (Audited) RM'000 | Changes (%) |
| Revenue | 106,873 | 107,206 | 0% | 390,291 | 341,097 | 14% |
| Operating profit | 10,489 | 11,004 | -5% | 56,890 | 40,457 | 41% |
| Profit before tax | 8,488 | 8,835 | -4% | 49,131 | 31,095 | 58% |
| Profit after tax | 6,719 | 5,816 | 16% | 37,480 | 22,384 | 67% |
| Profit attributable to ordinary equity holders of the Parent | 3,172 | 1,607 | 97% | 17,409 | 9,105 | 91% |
| Operational Statistics | | | | | | |
| Production: | | | | | | |
| FFB (mt) | 46,573 | 44,140 | 6% | 171,219 | 162,202 | 6% |
| CPO (mt) | 29,507 | 21,813 | 35% | 99,109 | 85,095 | 16% |
| PK (mt) | 7,602 | 5,543 | 37% | 25,914 | 21,334 | 21% |
| Average selling price: | | | | | | |
| FFB (RM/mt) | 504 | 592 | -15% | 536 | 513 | 4% |
| CPO (RM/mt) | 2,617 | 2,838 | -8% | 2,756 | 2,592 | 6% |
| PK (RM/mt) | 2,548 | 2,896 | -12% | 2,475 | 2,527 | -2% |
| Quantity sold: | | | | | | |
| CPO (mt) | 28,210 | 21,579 | 31% | 98,327 | 87,171 | 13% |
| PK (mt) | 7,533 | 5,783 | 30% | 25,672 | 21,380 | 20% |
| Oil Extraction Rate (%) | 19.84 | 19.91 | 0% | 19.55 | 19.72 | -1% |
| Electricity Export(MWh) | 21,447 | 13,844 | 55% | 75,622 | 58,280 | 30% |

1. Review of performance (Cont'd)

Current Quarter vs. Previous Year Corresponding Quarter

The Group recorded a revenue of RM106.87 million and profit before tax of RM8.49 million for the current quarter ended 31 December 2017 as compare to a revenue of RM107.21 million and profit before tax of RM8.84 million in the preceding year quarter ended 31 December 2017. The decrease in revenue and profit before tax is mainly due to a decrease in Construction Income of RM15.73 million arising from the IC Interpretation 12 Service Concession Agreements for the Power Plant segment and also a once-off downward adjustment of RM2.51 million in Power Plant sale caused by a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements for the Biomass Plant despite the followings:

- a) Increase in sales volume of CPO and PK by 31% and 30% respectively;
- b) Increase in FFB production by 5%;
- c) Increase in milling productivity by 36%; and
- d) Increase in electricity export by 55%.

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 RM3.06 million (31%) from RM10.03 million to RM6.97 million was mainly due a decrease in FFB price by 15%.
- (ii) Oil Mill – The increase in profit before tax by RM 4.20 million (> 100%) from a loss before taxation of RM0.94 million to a profit before taxation of RM3.26 million was mainly due to an increase in milling productivity by 35% and higher milling margin in the current quarter under review.
- (iii) Power Plant – The decrease in profit before tax by RM2.42 million (>100%) from profit before tax of RM1.52 million to a loss before taxation of RM0.90 million was mainly due to a once-off downward adjustment of RM2.51 million caused by a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements for the Biomass Plant coupled with a higher schedule maintenance cost during the quarter under review. The 12MW Biomass Power Plant exported 16,760 MWh (2016: 13,844 MWh) to Sabah Electricity Sdn Bhd (“SESB”) whereas the 3.8MW Biogas Power Plant exported 4,687 MWh (2016: Nil) for the current quarter.

1. Review of performance (Cont'd)

Current Year-to-date vs. Previous Year-to-date

For this financial year under review, the Group recorded a revenue of RM390.29 million and a profit before tax of RM49.13 million as compared to a revenue of RM341.10 million and profit before tax of RM31.10 million in the previous financial corresponding period. The increase in revenue and profit before tax is mainly due to an increase in:

- a) CPO and FFB prices by 6% and 4% respectively;
- b) sales volume of CPO, PK and FFB by 13%, 20% and 34% respectively;
- c) FFB production by 6%;
- d) milling productivity by 18% and higher milling margin; and
- d) electricity export by 30% and the selling prices of Empty Fruit Bunches (“EFB”) oil by 36%.

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

- (i) Plantation – The increase in profit before tax by RM8.15 million (26%) from RM31.76 million to RM39.91 million was mainly due to higher FFB price by 2% and an increase in FFB production by 6%.
- (ii) Oil Mill – The increase in profit before tax by RM 8.19 million (> 100%) from RM1.05 million to RM9.23 million was mainly due to an increase in milling productivity by 18% and higher milling margin in the financial year under review.
- (iii) Power Plant – The increase in profit before tax by RM0.60 million (12%) from profit before taxation of RM4.50 million to a profit before taxation of RM5.10 million despite a once-off downward adjustment of RM2.51 million caused by a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements for the Biomass Plant was mainly due to an increase in exporting electricity by 27% and higher EFB oil selling price by 36%. The 12MW Biomass Power Plant exported 60,288 MWh (2016: 58,280 MWh) to SESB whereas the 3.8MW Biogas Power Plant exported 15,333 MWh (2016: Nil) for this current year.

2. Financial review for current quarter compared with immediate preceding quarter

| | | Current quarter 31.12.2017 (Unaudited) RM'000 | Immediate Preceding Quarter 30.9.2017 (Unaudited) RM'000 | Changes (%) |
|--|---------|--|---|------------------------|
| Revenue | | 106,873 | 96,682 | 10.5% |
| Operating profit | | 10,489 | 14,996 | -30% |
| Profit before tax | | 8,488 | 13,052 | -35% |
| Profit after tax | | 6,719 | 9,884 | -32% |
| Profit attributable to ordinary equity holders of the Parent | | 3,172 | 5,083 | -38% |
| Operational Statistics | | | | |
| Production: | | | | |
| FFB | (mt) | 46,573 | 44,865 | 4% |
| CPO | (mt) | 29,507 | 25,532 | 16% |
| PK | (mt) | 7,602 | 6,673 | 14% |
| Average selling price: | | | | |
| FFB | (RM/mt) | 504 | 519 | -2.9% |
| CPO | (RM/mt) | 2,617 | 2,638 | -1% |
| PK | (RM/mt) | 2,548 | 2,195 | 16% |
| Quantity sold: | | | | |
| CPO | (mt) | 28,210 | 25,529 | 11% |
| PK | (mt) | 7,533 | 6,850 | 10% |
| Oil Extraction Rate (%) | | 19.84 | 19.77 | 0% |
| Electricity Export(MWh) | | 21,448 | 16,486 | 30% |

The Group recorded a profit before tax of RM8.49 million in the quarter under review as compared to a profit before tax of RM13.05 million in the immediate preceding quarter. The decrease in profit before tax by RM4.56 million is mainly due to a once-off downward adjustment of RM2.51 million caused by a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements for the Biomass Plant and higher operating and administrative expenses.

3. Commentary on prospects

The Group expects FFB production to increase in 2018 due to the recovery in yield after the end of the El-Nino dry spell which started two years ago and with more replanted areas reaching maturity. However, palm oil prices would be weakened by stiff market competition posed by other oil seeds, and increasing anti-palm oil campaigns in the Western Countries.

The Group will continue to face challenges from the increase in production costs and shortage of foreign labour in the palm oil industry. As such, the Group will continue to improve its operating efficiency and productivity in order to maintain a low operating cost.

The Group also expects a better contribution from its power plant division following the completion of the upgrading of its Biogas Power Plant in Sandakan in the previous year.

On the whole, your Board is confident that, barring any unforeseen circumstances, the Group will continue to perform satisfactorily in 2018.

4. Profit forecast

Not applicable as there was no profit forecast published.

5. Profit/(Loss) before taxation

This is arrived at after crediting/ (charging):

| | Current quarter | | Cumulative quarter | |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-----------------------------------|
| | 3 months ended | | 12 months ended | |
| | 31.12.2017 (Unaudited) RM'000 | 31.12.2016 (Unaudited) RM'000 | 31.12.2017 (Unaudited) RM'000 | 31.12.2016 (Audited) RM'000 |
| Bad debts written off | - | - | - | (20) |
| Gain/(Loss) on disposal of plant and equipment | (572) | (131) | 81 | 69 |
| Fair value gain on investment in securities | 31 | - | 31 | 11 |
| Fair value gain on investment properties | 1,188 | - | 1,188 | - |
| Interest income | 2,117 | 1,852 | 8,392 | 7,304 |
| Interest expense | (2,001) | (2,169) | (7,759) | (9,362) |
| Depreciation and amortisation | (4,246) | (7,674) | (16,067) | (15,558) |
| Dividend | 101 | 399 | 102 | 1 |
| Realised gain/(loss) on foreign exchange | - | (68) | - | 1 |
| Unrealised (loss)/gain on foreign exchange | (23) | (45) | 49 | 44 |
| Impairment loss on investment in securities | - | - | - | (47) |
| Impairment loss on receivables | - | (1,035) | - | (54) |
| Property, plant and equipment written off | - | - | - | (74) |

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 12 months ended | |
|---|-------------------------------------|-------------------------------------|---------------------------------------|-----------------------------------|
| | 31.12.2017 (Unaudited) RM'000 | 31.12.2016 (Unaudited) RM'000 | 31.12.2017 (Unaudited) RM'000 | 31.12.2016 (Audited) RM'000 |
| | Current tax: | | | |
| -Malaysian income tax | 2,724 | 2,105 | 12,860 | 6,618 |
| -Under/(over) provision of tax | 22 | 48 | 252 | 19 |
| | <u>2,746</u> | <u>2,153</u> | <u>13,112</u> | <u>6,637</u> |
| Deferred tax | | | | |
| - relating to origination and reversal of temporary differences | (547) | 321 | (587) | 1,741 |
| - under/(over) provision of tax | (430) | 545 | (874) | 333 |
| | <u>(977)</u> | <u>866</u> | <u>(1,461)</u> | <u>2,074</u> |
| Total income tax expense | <u>1,769</u> | <u>3,019</u> | <u>11,651</u> | <u>8,711</u> |

The Group's effective tax rate for the current quarter and the financial period under review 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

| | Current quarter 3 months ended | |
|------------------------------|-------------------------------------|-----------------------------------|
| | 31.12.2017 (Unaudited) RM'000 | 31.12.2016 (Audited) RM'000 |
| | Short term borrowings | |
| Secured: | | |
| Term loans | 21,600 | 20,288 |
| Short term revolving credits | 58,800 | 65,500 |
| Unsecured: | | |
| Short term revolving credits | 1,100 | 1,100 |
| | <u>81,500</u> | <u>86,888</u> |
| Long term borrowings | | |
| Secured: | | |
| Term loans | 65,604 | 86,747 |
| Total borrowings | | |
| Secured: | | |
| Term loans | 87,204 | 107,035 |
| Short term revolving credits | 58,800 | 65,500 |
| Unsecured: | | |
| Short term revolving credits | 1,100 | 1,100 |
| | <u>147,104</u> | <u>173,635</u> |

9. Trade and Other Receivables

| | As at | |
|--|-------------------------------------|-----------------------------------|
| | 31.12.2017 (Unaudited) RM'000 | 31.12.2016 (Audited) RM'000 |
| Current | | |
| Trade receivables: | | |
| - Non-related parties | 18,548 | 14,747 |
| -Amount due from customer on service concession | 5,667 | 5,510 |
| | 24,215 | 20,257 |
| Less: Allowance for doubtful debts | (343) | (343) |
| | 23,872 | 19,914 |
| Other receivables, net | 6,414 | 6,675 |
| Other assets, net | 486 | |
| | 30,772 | 26,589 |
| Non-current | | |
| Trade receivables: | | |
| -Amount due from customer on service concession | 145,895 | 149,501 |

The credit period of trade receivables is generally for a period of one month.

The ageing analysis of trade receivables is as follows:

| | As at | |
|---|-------------------------------------|-----------------------------------|
| | 31.12.2017 (Unaudited) RM'000 | 31.12.2016 (Audited) RM'000 |
| Neither past due nor impaired | 169,199 | 169,395 |
| 1 - 30 days past due not impaired | - | - |
| 31 - 60 days past due not impaired | 35 | 20 |
| 61- 90 days past due not impaired | 31 | - |
| More than 90 days past due not impaired | 502 | - |
| | 169,767 | 169,415 |
| Impaired | 343 | 343 |
| | 170,110 | 169,758 |

10. 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 December 2017.

11. Changes in material litigation

- a) 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 trial commenced from 1 August 2016 to 5 August 2016 and was adjourned to 7 November 2016 to 8 November 2016.

The Trial was concluded on 8 December 2016 and closing submission has been made on 3 February 2017 followed by a submission in reply on 20 February 2017.

On 2 May 2017, the High Court in Sabah and Sarawak at Sandakan had allowed SBSB’s claim against BESB and dismissed BESB’s counterclaim against SBSB with costs of RM100,000.00 to SBSB subject to allocatur fee of 4% of the costs. BESB had on 26 May 2017 filed an appeal to the Court of Appeal against the said decision. The hearing has been fixed on 18 July 2018.

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 solicitor, the Company will be able to advance a cogent defence to BESB’s counterclaim.

11. Changes in material litigation (Cont'd)

- b) Yuh @ Abdul Salleh Bin Pompulu (“AYU”) Vs Suwaya Bte Buang (“SUWAYA”), Suara Baru Sdn Bhd (“SBSB”) and Cepatwawasan Group Berhad (“CGB”)

The Company’s subsidiary, CGB and its wholly owned subsidiary, SBSB have been served with a Writ of Summons issued in the High Court in Sabah and Sarawak at Sandakan vide Suit No. SDK-22NCvC-12/6-2016 (HC) on 14.06.2016. SBSB is the sub-lessee of 33 lots of land (“the land”) totalling approximately 337.949 acres situated in Sungai Sekong in the District of Sandakan, Sabah. The lands had been leased from SUWAYA to SBSB for a term of 99 years. The lease commenced in the year 1997 and expires in the year 2096. The lands had been transferred to SUWAYA by their previous 33 owners, including AYU. AYU, on his behalf and the other 32 previous owners, allege that the transfer of the land to SUWAYA was through forged documents and therefore the said transfer is null and void. AYU further alleges that as the transfer to SUWAYA is null and void, therefore the sublease by the 1st SUWAYA to SBSB is likewise null and void. AYU therefore seeks an order of the High Court to set aside the said transfer to the SUWAYA and also the sub-lease to SBSB.

SBSB and CGB had filed their Defence (“Defence”) in the High Court in Sabah and Sarawak at Sandakan on 11 July 2016 and followed by an application in the High Court in Sabah and Sarawak at Sandakan on 26th August 2016 to strike out the Suit on the ground that the Suit is frivolous or vexatious or is otherwise an abuse of the process of the Court.

The striking out application came up for hearing on 26th September 2016 where the Court directed the parties to file their respective written submissions and the Court will give its decision on the said application on 24th November 2016. On 1 December 2016, the application to strike out was dismissed by the High Court in Sabah and Sarawak at Sandakan (“Sandakan High Court”) with costs, on the ground that it was not a proper case to be disposed of by way of affidavit evidence and the Suit is fixed for trial on 17 April 2017 to 21 April 2017 before the Sandakan High Court.

On 28 December 2016, SB filed an appeal to the Court of Appeal against the decision of the High Court. The Court of Appeal has fixed the appeal to be heard on 17 November 2017.

SB and the Company have on 12 December 2017 filed a motion for leave to appeal to the Federal Court against the decision of the Court of Appeal.

In the interim, SB and the Company has instructed its solicitors to apply for a stay of proceedings in the High Court in Sabah and Sarawak at Sandakan pending the disposal of the motion for leave to appeal to the Federal Court.

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 Group as the Group expects that pursuant to the facts of the case, the documents presently available and the advice of its solicitors, the Group has a good defence against the Plaintiff’s claim.

12. Dividend payable

No interim ordinary dividend has been declared for the financial period ended 30 September 2017 (30 September 2016: Nil).

13. 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 6 months ended | |
|---|-------------------------------------|-------------------------------------|--------------------------------------|-----------------------------------|
| | 31.12.2017 (Unaudited) RM'000 | 31.12.2016 (Unaudited) RM'000 | 31.12.2017 (Unaudited) RM'000 | 31.12.2016 (Audited) RM'000 |
| Profit/(Loss) attributable to the owners of the Company | 3,172 | 1,607 | 17,409 | 9,105 |
| Weighted average number of ordinary shares in issue | 196,544 | 196,544 | 196,544 | 196,544 |
| Basic earnings per share (sen) | 1.61 | 0.82 | 8.86 | 4.63 |

b) Diluted

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

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 27 February 2018.