MHC Plantations Bhd (4060-V)
Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For The Second Quarter Ended 30 June 2018

	Current quarter 3 months ended		Cumalative quarter 6 months ended	
	30.6.2018 RM' 000	30.6.2017 RM'000 (Restated)	30.6.2018 RM' 000	30.6.2017 RM' 000 (Restated)
Revenue	90,766	96,289	190,506	186,736
Cost of sales	(81,481)	(78,235)	(167,361)	(153,632)
Gross profit	9,285	18,054	23,145	33,104
Other income	2,799	3,201	5,474	5,891
Administrative expenses	(3,529)	(3,345)	(6,343)	(6,461)
Other operating expenses	(1,401)	(1,262)	(2,924)	(2,325)
Operating profit	7,154	16,648	19,352	30,209
Finance costs	(1,754)	(1,940)	(3,399)	(3,814)
Profit/(Loss) before tax	5,400	14,708	15,953	26,395
Income tax expense	(1,479)	(3,298)	(4,249)	(6,791)
Profit/(Loss) after tax	3,921	11,410	11,704	19,604
Other comprehensive income				
Exchange difference on translation of foreign operations	15	(122)	(312)	97
Total comprehensive income for the period	3,936	11,288	11,392	19,701
Profit/(Loss) attributable to:				
Owners of the parent	2,280	4,977	5,410	8,654
Non-controlling interests	1,641	6,433	6,294	10,950
	3,921	11,410	11,704	19,604
Total comprehensive income attributable to:				
Owners of the parent	2,284	4,911	5,217	8,708
Non-controlling interests	1,652	6,377	6,175	10,993
	3,936	11,288	11,392	19,701
Weighted average number of shares in issue	196,544	196,544	196,544	196,544
Earnings per share in sen - Basic	1.16	2.53	2.75	4.40

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

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

Condensed Consolidated Statement of Financial Position
as at 30 June 2018

	As at 30.6.2018 (Unaudited) RM'000	As at 31.12.2017 (Audited) (Restated) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	392,060	392,878
Investment properties	49,250	49,250
Land use rights	1,924	1,939
Deferred tax assets	5,215	5,434
Investment in securities	559	559
Trade and other receivables	147,688	142,918
Goodwill on consolidation	43,867	43,867
	640,563	636,845
Current assets		
Inventories	27,771	31,386
Biological assets	3,114	3,114
Trade and other receivables	24,210	32,954
Tax recoverable	1,830	1,215
Short term investments	14,109	17,606
Fixed deposits with licensed banks	9,683	9,879
Cash and bank balances	14,676	17,632
	95,393	113,786
TOTAL ASSETS	735,956	750,631
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	196,544	196,544
Reserves	51,947	50,660
	248,491	247,204
Non-controlling interests	269,296	267,724
Total equity	517,787	514,928

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

Condensed Consolidated Statement of Financial Position as at 30 June 2018 (Contd.)

	As at 30.6.2018 (Unaudited) RM'000	As at 31.12.2017 (Audited) (Restated) RM'000
EQUITY AND LIABILITIES (CONTD.)		
Non-current liabilities		
Lease rental payable	267	267
Hire purchase payables	1,357	534
Borrowings	56,303	65,479
Deferred tax liabilities	49,225	48,256
	107,152	114,536
Current liabilities		
Payables	28,860	37,034
Hire purchase payables	614	499
Borrowings	80,025	81,625
Taxation	1,518	2,010
	111,017	121,168
Total liabilities	218,169	235,704
TOTAL EQUITY AND LIABILITIES	735,956	750,631
Net Tangible Asset Per Share (RM)	1.04	1.03
Net Asset Per Share (RM)	1.26	1.26

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

MHC Plantations Bhd (4060-V)

Condensed Consolidated Statements of Changes in Equity (Unaudited)
For The Second Quarter Ended 30 June 2018

	I------Equity attributable to owners of the Company------I									Non-controlling Interests	Total Equity
		Non-distrbutable					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 RM' 000	RM' 000	RM' 000
Opening balance at 1 Jan 2017											
As previously stated	196,544	5,737	(1,943)	789	138	153	8	215,800	417,226	524,322	941,548
Effect of change in accounting policies	-	-	(27,508)	-	-	-	-	(156,609)	(184,117)	(271,052)	(455,169)
Restated	196,544	5,737	(29,451)	789	138	153	8	59,191	233,109	253,270	486,379
Total comprehensive income for the period	-	-	-	-	-	224	-	8,654	8,878	10,993	19,871
Dividends	-	-	-	-	-	-	-	(2,948)	(2,948)	-	(2,948)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(3,652)	(3,652)
Closing balance at 30 June 2017	196,544	5,737	(29,451)	789	138	377	8	67,845	241,987	264,263	506,250
Opening balance at 1 Jan 2018											
As previously stated	196,544	5,737	(1,943)	789	173	45	8	230,390	431,743	540,706	972,449
Effect of change in accounting policies	-	-	(27,508)	-	-	-	-	(157,031)	(184,539)	(272,982)	(457,521)
Restated	196,544	5,737	(29,451)	789	173	45	8	73,359	247,204	267,724	514,928
Total comprehensive income for the period	-	-	-	-	-	(192)	-	5,410	5,218	6,175	11,393
Dividends	-	-	-	-	-	-	-	(3,931)	(3,931)	-	(3,931)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4,603)	(4,603)
Closing balance at 30 June 2018	196,544	5,737	(29,451)	789	173	(147)	8	74,838	248,491	269,296	517,787

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

MHC Plantations Bhd (4060-V)
Condensed Consolidated Statement of Cash Flows (Unaudited)
For The Second Quarter Ended 30 June 2018

	6 months ended	
	30.6.2018 (Unaudited) RM' 000	30.6.2017 (Unaudited) RM' 000
Operating activities		
Profit before taxation	15,953	26,395
Adjustments for:		
Depreciation and amortisation	10,164	9,990
Interest expense	3,399	3,814
(Gain)/Loss on disposal of property, plant and equipment	-	(669)
(Gain)/Loss on fair value of biological assets	89	789
Property, plant and equipment written off	79	-
Unrealised loss/(gain) on foreign exchange	-	(49)
Interest income	(4,170)	(4,166)
Dividend income	(1)	(1)
Total adjustments	9,559	9,708
Operating cash flows before changes in working capital	25,512	36,103
Changes in working capital:		
Inventories	3,526	1,120
Receivables	8,070	2,187
Payables	(8,501)	(7,462)
Total changes in working capital	3,095	(4,155)
Cash generated from operations	28,608	31,948
Interest received	408	373
Interest paid	(3,399)	(3,814)
Tax paid	(4,165)	(2,159)
Net cash flows from/(used in) operating activities	21,453	26,348
Investing activities		
Dividend received	1	1
Proceeds from disposal of property, plant and equipment	-	682
Net redemption/(investment in) of short term investments	3,496	(1,721)
Purchase of property, plant and equipment	(7,941)	(9,058)
Net cash flows (used in)/from investing activities	(4,444)	(10,096)
Financing activities		
Drawdown of revolving credit	2,500	8,300
Drawdown of term loan	3,779	-
Repayment of revolving credit	(6,250)	(2,812)
Repayment of term loan	(10,805)	(8,531)
Repayment of hire purchase obligations	(530)	(470)
Dividends paid to shareholders	(3,931)	(2,948)
Dividends paid to non-controlling shareholders	(4,603)	(3,652)
Net cash flows (used in)/from financing activities	(19,839)	(10,113)
Net increase/(decrease) in cash and cash equivalents	(2,831)	6,139
Effect on exchange rate changes on cash and cash equivalents	(319)	115
Cash and cash equivalents as at 1 January	24,568	26,265
Cash and cash equivalents as at 30 June	21,418	32,519

Cash and cash equivalents :

Deposits placed with licensed banks	9,683	12,213
Cash and bank balances	14,676	22,946
	24,359	35,159
Less : Fixed deposits pledged	(2,941)	(2,640)
	21,418	32,519

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The condensed consolidated interim financial statements for the financial period ended 30 June 2018 have been prepared in compliance with Malaysian Financial Reporting Standards ("MFRS") 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 2017.

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 2017 except as disclosed in the changes in accounting policies below. 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 2017.

2. Changes in accounting policies

The financial statements of the Group for the financial period ended 30 June 2018 are the first set of financial statements prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") Framework. The date of transition to the MFRS Framework was on 1 January 2017.

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017 and throughout all comparable interim periods presented, as if these policies had always been in effect. Comparative information in these interim financial statements have been restated to give effect to these changes and the financial impact on transition from Financial Reporting Standards in Malaysia to MFRS as disclosed as follows:

a) MFRS 16: Property, Plant and Equipment and MFRS 141: Agriculture

Upon adoption of MFRS 141, biological assets/bearer plants are within the scope of MFRS 16: Property, Plant and Equipment and the Group will measure the bearer plants using the cost model. Whereas the unripe fresh fruit bunch ("FFB") on bearer plant is within the scope of MFRS 141: Agriculture. The unripe FFB will be measure at fair value less cost to sell with the changes in fair value recognised in profit or loss and will be classified as current assets as the unripe FFB will be harvested within a year from the reporting date.

Prior to adoption of MFRS 141, bearer plants were measured using the capital maintenance method and are not amortised. Replanting expenditure are recognised in profit or loss in the year of which the expenditure are incurred. Under MFRS 141, replanting expenditure will be capitalised. On maturity, these expenditures are amortised over the useful life of the bearer plants.

2. Changes in accounting policies (Contd.)

b) Business combinations

The Group has elected to apply MFRS 3 Business Combination retrospective from the Group's first business combination, which would require restatement of all business combination.

During the financial year 2001, the Group undertook a restructuring exercise involving S & P Food Industries (M) Bhd ("SPF"), Cepatwawasan Group Berhad ("CGB"), Cepatwawasan Sdn. Bhd. ("Cepat") and others. The Group identified CGB as the acquirer and accounted for the restructuring using the acquisition method resulting in the recognition of goodwill of approximately RM92 million and the corresponding deferred tax liabilities.

Under MFRS 3 Business Combination, Cepat was assessed to be the accounting acquirer in the above restructuring instead of CGB as CGB was a non-trading shell company. When Cepat was identified as the acquirer, the consolidated financial statements of CGB will reflect the assets and liabilities of Cepat Group at their respective book values. As a result, there will be no goodwill arising from the 'acquisition' of Cepat Group and neither will there be a corresponding deferred tax arising.

On 1 January 2013, the directors considered that the Group has control of CGB even though it has less than 50% of the voting rights. 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 assessed that the Group has had control over CGB since July 2006.

The Group has accounted for investments in CGB as investment in subsidiary company in accordance with the relevant transitional provisions as set out in FRS 10 as if the acquisition of CGB has been accounted for in accordance with FRS 3 as at 1 January 2013.

On 1 January 2013, the Company had engaged an independent valuer to measure all the assets and liabilities of CGB at their fair values and the valuation surplus on Property, plant and Equipment and Bearer Plants were reflected in the consolidated financial statements. Under the application of MFRS Framework on 1 January 2018, the application of MFRS 10 is applied retrospectively from the day when the Group has control of CGB. Therefore, CGB has become a subsidiary company of the Company since 31 July 2006. Accordingly, the Group engaged an independent valuer to measure all the assets and liabilities of CGB at their fair value as at 31 July 2006. This valuation is lower as compared to the valuation performed in 2013 and the reduction of fair value on Property, plant and Equipment and Bearer Plants were reflected in consolidated financial statement accordingly.

2. Changes in accounting policies (Contd.)

The effects of the change in accounting policy on the comparatives are as follows:

Condensed Consolidated Statement of Financial Position

	As at 1 January 2017 Under FRS RM'000	Adjustments RM'000	As at 1 January 2017 Under MFRS RM'000
Non-current assets			
Property, plant and equipment	441,655	(39,390)	402,265
Biological assets	464,222	(464,222)	-
Deferred tax assets	3,204	1,832	5,036
Land use rights	13,184	(11,217)	1,967
Goodwill on consolidation	109,017	(65,150)	43,867
Current assets			
Biological assets	-	4,925	4,925
Equity and liabilities			
Equity attributable to owners of the Company			
Reserves	220,682	(184,117)	36,565
Non-controlling interest	524,322	(271,052)	253,270
Non-current liabilities			
Deferred tax liabilities	167,971	(121,684)	46,287

	As at 31 December 2017 Under FRS RM'000	Adjustments RM'000	As at 31 December 2017 Under MFRS RM'000
Non-current assets			
Property, plant and equipment	436,472	(43,594)	392,878
Biological assets	465,459	(465,459)	-
Deferred tax assets	3,399	2,035	5,434
Land use rights	13,005	(11,066)	1,939
Goodwill on consolidation	109,017	(65,150)	43,867
Current assets			
Biological assets	-	3,114	3,114
Equity and liabilities			
Equity attributable to owners of the Company			
Reserves	235,199	(184,539)	50,660
Non-controlling interest	540,706	(272,982)	267,724

2. Changes in accounting policies (Contd.)

Condensed Consolidated Statement of Comprehensive Income

	As at 30 June 2017 Under FRS RM'000	Adjustments RM'000	As at 30 June 2017 Under MFRS RM'000
Quarter ended 30 June 2017			
Cost of sales	(79,160)	925	(78,235)
Administrative expenses	(2,987)	(358)	(3,345)
Profit before tax	14,141	567	14,708
Income tax expense	(2,824)	(474)	(3,298)
Profit after tax	11,317	93	11,410
Profit attributable to :-			
Owners of the Parent	4,474	503	4,977
Non-Controlling interest	6,843	(410)	6,433
	11,317	93	11,410
Six months ended 30 June 2017			
Cost of sales	(153,224)	(408)	(153,632)
Administrative expenses	(5,673)	(788)	(6,461)
Profit before tax	27,591	(1,196)	26,395
Income tax expense	(6,714)	(77)	(6,791)
Profit after tax	20,877	(1,273)	19,604
Profit attributable to :-			
Owners of the Parent	9,147	(493)	8,654
Non-Controlling interest	11,730	(780)	10,950
	20,877	(1,273)	19,604

At the date of authorisation of these interim financial statements, the following MFRS, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not been applied by the Group:

FRS, IC Interpretation and Amendments to IC Interpretations	Effective for annual periods beginning on or after
MFRS 16 Leases	1 Jan 2019
MFRS 128: Long term Interest in Associates and Joint Ventures (Amendments to MFRS 128)	1 Jan 2019
MFRS 17: Insurance Contracts	1 Jan 2021
Amendments to FRS 10 and FRS 128 Sale and Contribution of Assets between an Investor and its Associates or Joint Venture	Deferred

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

3. Auditors' report

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

4. Seasonal and cyclical factors

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

5. Unusual items

   There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 30 June 2018.

6. Changes in estimates

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

7. Equity and debt securities

   There were no issuance, cancellation, resale, repurchase and repayment of equity or debt securities during the financial period ended 30 June 2018.

8. Dividend paid

   A final single-tier dividend of 2.00 sen per share in respect of the financial year ended 31 December 2017 on 196,543,970 ordinary shares, amounting to a dividend payable of RM3,930,879 was paid on 31 May 2018.

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 and sales of biomass by-products

   Information about reportable segments

9. Segment information (Contd.)

	Results for 3 months ended 30 June							
	Plantation		Oil Mill		Power Plant		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		(Restated)						(Restated)
External revenue	4,480	6,650	77,603	81,799	8,006	7,488	90,089	95,937
Inter-segment revenue	12,989	16,322	-	-	-	-	12,989	16,322
Segment profit	2,540	11,404	3,224	1,687	686	2,733	6,450	15,824

Segment profit is reconciled to consolidated profit before tax as follows:	3 months ended 30.6.2018 (Unaudited) RM'000	3 months ended 30.6.2017 (Unaudited) (Restated) RM'000
Segment profit	6,450	15,824
Other non-reportable segments	(1)	(51)
Amortisation of group land cost	(613)	(613)
Elimination of inter-segment profits	(48)	(21)
Unallocated corporate (expenses)/income	(388)	(431)
Consolidated profit/(loss) before tax	5,400	14,708

	Results for 6 months ended 30 June							
	Plantation		Oil Mill		Power Plant		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		(Restated)						(Restated)
External revenue	9,591	12,988	164,787	159,179	15,147	13,842	189,525	186,009
Inter-segment revenue	27,321	33,930	-	-	-	-	27,321	33,930
Segment profit	9,848	20,879	5,405	2,938	2,947	4,509	18,200	28,326

9. Segment information (Contd.)

Segment profit is reconciled to consolidated profit before tax as follows:	6 months ended 30.6.2018 (Unaudited) RM'000	6 months ended 30.6.2017 (Unaudited) (Restated) RM'000
Segment profit	18,200	28,326
Other non-reportable segments	(124)	(103)
Amortisation of group land cost	(1,226)	(1,226)
Elimination of inter-segment profits	(55)	(78)
Unallocated corporate (expenses)/income	(842)	(524)
Consolidated profit/(loss) before tax	15,953	26,395

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter ended 30 June 2018.

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	14,947
Approved but not contracted for	5,040
	19,987

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

		Individual Period (2nd Quarter)			Cumulative Period (6 months ended)		
		Current year Quarter 30.6.2018 (Unaudited) RM'000	Preceding Year Corresponding Quarter 30.6.2017 (Unaudited) Restated RM'000	Changes (%)	Current Year To-date 30.6.2018 (Unaudited) RM'000	Preceding Year Corresponding Period 30.6.2017 (Unaudited) Restated RM'000	Changes (%)
Revenue		90,766	96,289	-6%	190,506	186,736	2%
Operating profit		7,154	16,648	-57%	19,352	30,209	-36%
Profit before tax		5,400	14,708	-63%	15,953	26,395	-40%
Profit after tax		3,921	11,410	-66%	11,704	19,604	-40%
Profit attributable to ordinary equity holders of the Parent		2,280	4,977	-54%	5,410	8,654	-37%
Operational Statistics							
Production:							
FFB	(mt)	38,418	43,335	-11%	79,051	79,780	-1%
CPO	(mt)	27,054	24,703	10%	55,554	44,069	26%
PK	(mt)	7,243	6,497	11%	14,680	11,639	26%
Average selling price:							
FFB	(RM/mt)	466	520	-10%	456	566	-19%
CPO	(RM/mt)	2,367	2,731	-13%	2,403	2,913	-18%
PK	(RM/mt)	1,725	2,067	-17%	1,928	2,597	-26%
Quantity sold:							
CPO	(mt)	27,388	25,316	8%	56,537	44,588	27%
PK	(mt)	7,409	6,125	21%	15,011	11,289	33%
Oil Extraction Rate (%)		19.74	19.36	2%	19.54	19.23	2%
Electricity Export(MWh)		18,088	20,650	-12%	38,011	37,687	1%

1. Review of performance (Cont'd)

<u>**Current Quarter vs. Previous Year Corresponding Quarter**</u>

The Group recorded a revenue of RM90.77 million and profit before tax of RM5.40 million for the current quarter ended 30 June 2018 as compare to a revenue of RM96.29 million and profit before tax of RM14.71 million in the preceding year quarter ended 30 June 2017. The decrease in revenue and profit before tax was mainly due to:

a) Decrease in selling price of CPO, PK and FFB by 13%, 17% and 10% respectively;
b) Decrease in FFB production by 11%; and
c) Decrease in electricity sales as a result of a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements and a decrease in electricity export by 12%.

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

(i) Plantation – The decrease in profit before tax by RM8.86 million (78%) from RM11.40 million to RM2.54 million was mainly due to a decrease in FFB production and selling price by 11% and 10% respectively.

(ii) Oil Mill – The increase in profit before tax by RM 1.53 million (91%) from RM1.69 million to RM3.22 million was mainly due to an increase in milling productivity by 7% in the current quarter under review.

(iii) Power Plant – The decrease in profit before tax by RM2.05 million (75%) from RM2,73 million to RM0.69 million was mainly due to a decrease in electricity sales as a result of a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements and also a decrease in electricity export by 12% . In addition, the decrease in average EFB Oil selling price by 32% caused a further decrease in the profit for the current quarter under review. The 12MW Biomass Power Plant exported 13,608 MWh (2017: 16,556MWh) to Sabah Electricity Sdn Bhd whereas the 3.8MW Biogas Power Plant exported 4,480MWh (2017: 4,094MWh) for the current quarter under review.

1. Review of performance (Cont'd)

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

For this financial period under review, the Group recorded a revenue of RM190.51 million as compared to a revenue of RM186.74 million in the preceding year corresponding quarter. The increase in revenue was mainly due to an increase in CPO sales by 27% and the recognition of Construction Income of RM2.4 million arising from the IC Interpretation 12 Service Concession Agreements for the Power Plant segment in the current period.

However, profit before taxation for this financial period under review decreased by RM10.45 million from RM26.40 million to RM15.95 million mainly due to :-

i) Decrease in selling price of CPO, PK and FFB by 18%, 26% and 19% respectively.

ii) Decrease in Power Plant sales recognition by RM1.15 million due to a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements.

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

(i) Plantation – The decrease in profit before tax by RM11.03 million (53%) from RM20.88 million to RM9.85 million was mainly due to lower FFB price by 20%.

(ii) Oil Mill – The increase in profit before tax by RM 2.47 million (84%) from RM2.94 million to RM5.41 million was mainly due to an increase in milling productivity by 24% in the current period.

(iii) Power Plant – The decrease in profit before tax by RM1.56 million (35%) from RM4.51 million to RM2.95 million was mainly due to a decrease in Power Plant sales recognition by RM1.15 million arising from the change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements and higher scheduled plant maintenance cost. The 12MW Biomass Power Plant exported 29,002 MWh (2017: 30,928 MWh) to Sabah Electricity Sdn Bhd whereas the 3.8MW Biogas Power Plant exported 9,009 MWh (2017: 6,759 MWh) for this current period

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

		Current quarter 30.6.2018 (Unaudited) RM'000	Immediate Preceding Quarter 31.3.2018 (Unaudited) RM'000	Changes (%)
Revenue		90,766	99,740	-9.0%
Operating profit		7,154	12,197	-41%
Profit before tax		5,400	10,552	-49%
Profit after tax		3,921	7,656	-49%
Profit attributable to ordinary equity holders of the Parent		2,280	3,003	-24%
Operational Statistics				
Production:				
FFB	(mt)	38,418	40,632	-5%
CPO	(mt)	27,054	28,500	-5%
PK	(mt)	7,243	7,437	-3%
Average selling price:				
FFB	(RM/mt)	466	446	4%
CPO	(RM/mt)	2,367	2,437	-3%
PK	(RM/mt)	1,725	2,126	-19%
Quantity sold:				
CPO	(mt)	27,388	29,149	-6%
PK	(mt)	7,409	7,602	-3%
Oil Extraction Rate (%)		19.74	19.35	2%
Electricity Export(MWh)		18,088	19,924	-9%

The Group recorded a profit before tax of RM5.40 million in the quarter under review as compared to a profit before tax of RM10.55 million in the immediate preceding quarter. The decrease in profit before tax was mainly due to:

a) Decrease in selling price of CPO and PK by 3% and 19% respectively;
b) Decrease in sales volume of CPO and PK by 6% and 3% respectively;
c) Decrease in FFB production by 5%; and
d) Decrease in electricity sales by 9% and lower selling price of EFB oil by 17%.

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.

Recently, CPO prices have been declining to approximately RM2,200 as compared to an average selling price of RM2,756 in 2017. Assuming CPO prices remain at the current level, the Group's profit is expected to be significantly lower 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 3 months ended		**Cumulative quarter 6 months ended**	
	30.6.2018 (Unaudited)	**30.6.2017 (Unaudited) (Restated)**	**30.6.2018 (Unaudited)**	**30.6.2017 (Unaudited) (Restated)**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Gain/(Loss) on disposal of plant and equipment	-	669	-	669
Fair value gain/(loss) on biological assets	(89)	(469)	(89)	(789)
Interest income	2,140	2,093	4,170	4,166
Interest expense	(1,754)	(1,940)	(3,399)	(3,814)
Depreciation and amortisation	(5,096)	(4,922)	(10,164)	(9,990)
Dividend	-	-	1	1
Property, plant and equipment written off	(68)	-	(79)	-
Realised gain/(loss) on foreign exchange	-	-	-	77
Unrealised (loss)/gain on foreign exchange	-	(16)	-	49

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

6. Income tax expense

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

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.6.2018 (Unaudited)	30.6.2017 (Unaudited) (Restated)	30.6.2018 (Unaudited)	30.6.2017 (Unaudited) (Restated)
	RM'000	RM'000	RM'000	RM'000
Current tax:				
-Malaysian income tax	1,795	2,451	3,654	6,621
Deferred tax				
- relating to origination and reversal of temporary differences	(316)	909	585	232
- under/(over) provision of tax	-	(62)	10	(62)
	(316)	847	595	170
Total income tax expense	1,479	3,298	4,249	6,791

The Group's effective tax rate for the current quarter 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	
	30.6.2018 (Unaudited)	30.6.2017 (Unaudited)
	RM'000	RM'000
Short term borrowings		
Secured:		
Term loans	23,875	21,125
Short term revolving credits	55,050	71,300
Unsecured:		
Short term revolving credits	1,100	1,100
	80,025	93,525
Long term borrowings		
Secured:		
Term loans	56,303	77,067
Total borrowings		
Secured:		
Term loans	80,178	98,192
Short term revolving credits	55,050	71,300
Unsecured:		
Short term revolving credits	1,100	1,100
	136,328	170,592

9. Trade and Other Receivables

	As at	
	30.6.2018 (Unaudited) RM'000	31.12.2017 (Audited) RM'000
Current		
Trade receivables:		
- Non-related parties	10,326	18,647
-Amount due from customer		
on service concession	5,667	8,046
	15,993	26,693
Less:Allowance for doubtful debts	(343)	(343)
	15,650	26,350
Other receivables, net	8,560	6,604
	24,210	32,954
Non-current		
Trade receivables:		
-Amount due from customer		
on service concession	147,688	142,918

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	
	30.6.2018 (Unaudited) RM'000	31.12.2017 (Audited) RM'000
Neither past due nor impaired	162,731	169,214
1 - 30 days past due not impaired		-
31 - 60 days past due not impaired	70	53
61- 90 days past due not impaired	68	-
More than 90 days past due not impaired	469	-
	163,338	169,267
Impaired	343	343
	163,681	169,610

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 30 June 2018.

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. The Suit was fixed for ruling on 24 April 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 postponed from 18 July 2018 to a date to be fixed by the 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 Company and Group as the Company expects that pursuant to the facts of the case, having been successful in the High Court, will be able to advance a cogent rebuttal defence to BESB's appeal.

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 said appeal was heard and dismissed by the Court of Appeal with no order as to costs on 17th November 2017.

SB and the Company have on12 December 2017 filed a motion for leave to appeal to the Federal Court against the decision of the Court of Appeal. The application for leave to appeal to the Federal Court was heard and allowed by the Federal Court on 13th April 2018.

In the light of the leave granted by the Federal Court, SB and the Company are now allowed to proceed with the striking out of the Suit on the ground that it was filed out of the limitation period. SB and the Company will now proceed with the substantive appeal on the striking out in the Federal Court to be heard at a date to be fixed.

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 Federal Court had also ordered a stay of the trial of the Suit in the High Court pending the hearing and disposal of the 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 Company and Group as the Company expects that pursuant to the facts of the case, the documents presently available and the advice of its solicitors, the Company has a good defence against the Plaintiff's claim.

12. Dividend payable

No interim ordinary dividend has been declared for the current quarter ended 31 March 2018 (31 March 2017: 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**	
	30.6.2018 (Unaudited)	**30.6.2017 (Unaudited) (Restated)**	**30.6.2018 (Unaudited)**	**30.6.2017 (Audited) (Restated)**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) attributable to the owners of the Company	2,280	4,977	5,410	8,654
Weighted average number of ordinary shares in issue	196,544	196,544	196,544	196,544
Basic earnings per share (sen)	1.16	2.53	2.75	4.40

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 26 July 2018.