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

	Current quarter 3 months ended		Cumalative quarter 9 months ended	
	30.9.2018 RM' 000	30.9.2017 RM'000 (Restated)	30.9.2018 RM' 000	30.9.2017 RM' 000 (Restated)
Revenue	71,966	96,682	262,472	283,418
Cost of sales	(67,073)	(80,642)	(234,434)	(234,274)
Gross profit	4,893	16,040	28,038	49,144
Other income	2,534	3,422	8,007	9,313
Administrative expenses	(3,069)	(3,297)	(9,412)	(9,758)
Other operating expenses	(1,410)	(1,474)	(4,334)	(3,799)
Operating profit	2,948	14,691	22,299	44,900
Finance costs	(1,796)	(1,944)	(5,195)	(5,758)
Profit/(Loss) before tax	1,152	12,747	17,104	39,142
Income tax expense	(162)	(3,262)	(4,411)	(10,053)
Profit/(Loss) after tax	990	9,485	12,693	29,089
Other comprehensive income				
Exchange difference on translation of foreign operations	5	8	(307)	105
Total comprehensive income for the period	995	9,493	12,386	29,194
Profit/(Loss) attributable to:				
Owners of the parent	1,845	5,086	7,254	13,740
Non-controlling interests	(855)	4,399	5,439	15,349
	990	9,485	12,693	29,089
Total comprehensive income attributable to:				
Owners of the parent	1,845	5,087	7,065	13,796
Non-controlling interests	(850)	4,406	5,321	15,398
	995	9,493	12,386	29,194
Weighted average number of shares in issue	196,544	196,544	196,544	196,544
Earnings per share in sen - Basic	0.94	2.59	3.69	6.99

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 September 2018

	As at 30.9.2018 (Unaudited) RM'000	As at 31.12.2017 (Audited) (Restated) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	392,623	392,878
Investment properties	49,250	49,250
Land use rights	1,917	1,939
Deferred tax assets	5,498	5,434
Investment in securities	559	559
Trade and other receivables	145,565	142,918
Goodwill on consolidation	43,867	43,867
	639,279	636,845
Current assets		
Inventories	30,688	31,386
Biological assets	3,114	3,114
Trade and other receivables	23,991	32,954
Tax recoverable	3,028	1,215
Short term investments	14,592	17,606
Fixed deposits with licensed banks	9,243	9,879
Cash and bank balances	13,757	17,632
	98,413	113,786
TOTAL ASSETS	737,692	750,631
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	196,544	196,544
Reserves	53,793	50,660
	250,337	247,204
Non-controlling interests	268,442	267,724
Total equity	518,779	514,928

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

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

	As at 30.9.2018 (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	1,848	534
Borrowings	57,671	65,479
Deferred tax liabilities	48,881	48,256
	108,667	114,536
Current liabilities		
Payables	29,188	37,034
Hire purchase payables	790	499
Borrowings	79,129	81,625
Taxation	1,139	2,010
	110,246	121,168
Total liabilities	218,913	235,704
TOTAL EQUITY AND LIABILITIES	737,692	750,631
Net Tangible Asset Per Share (RM)	1.05	1.03
Net Asset Per Share (RM)	1.27	1.26

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

Condensed Consolidated Statements of Changes in Equity (Unaudited)
For The Third Quarter Ended 30 September 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	-	-	-	-	-	55	-	13,740	13,795	15,398	29,193
Dividends	-	-	-	-	-	-	-	(2,948)	(2,948)	-	(2,948)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(3,652)	(3,652)
Closing balance at 30 September 2017	196,544	5,737	(29,451)	789	138	208	8	72,931	246,904	268,668	515,572
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	-	-	-	-	-	(190)	-	7,254	7,064	5,321	12,385
Dividends	-	-	-	-	-	-	-	(3,931)	(3,931)	-	(3,931)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4,603)	(4,603)
Closing balance at 30 September 2018	196,544	5,737	(29,451)	789	173	(145)	8	76,682	250,337	268,442	518,779

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 Third Quarter Ended 30 September 2018

	9 months ended	
	30.9.2018 (Unaudited) RM' 000	**30.9.2017 (Unaudited) RM' 000**
Operating activities		
Profit before taxation	17,104	39,142
Adjustments for:		
Depreciation and amortisation	15,351	12,139
Interest expense	5,195	5,758
(Gain)/Loss on disposal of property, plant and equipment	199	(653)
(Gain)/Loss on fair value of biological assets	289	1,183
Property, plant and equipment written off	101	-
Unrealised loss/(gain) on foreign exchange	-	(72)
Interest income	(6,173)	(6,275)
Dividend income	-	(1)
Total adjustments	14,963	12,079
Operating cash flows before changes in working capital	32,067	51,221
Changes in working capital:		
Inventories	409	504
Receivables	11,990	4,182
Payables	(7,966)	(8,583)
Total changes in working capital	4,433	(3,897)
Cash generated from operations	36,500	47,324
Interest received	626	601
Interest paid	(5,195)	(5,758)
Tax paid	(6,533)	(5,000)
Net cash flows from/(used in) operating activities	25,398	37,167
Investing activities		
Dividend received	-	1
Proceeds from disposal of property, plant and equipment	152	1,102
Additions to biological assets	-	(1,004)
Net redemption/(investment in) of short term investments	3,013	(2,749)
Purchase of property, plant and equipment	(13,356)	(8,852)
Net cash flows (used in)/from investing activities	(10,191)	(11,502)
Financing activities		
Drawdown of revolving credit	2,500	23,800
Drawdown of term loan	10,779	1,500
Repayment of revolving credit	(6,250)	(25,000)
Repayment of term loan	(17,334)	(16,067)
Repayment of hire purchase obligations	(564)	(691)
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	(19,402)	(23,058)
Net increase/(decrease) in cash and cash equivalents	(4,195)	2,607
Effect on exchange rate changes on cash and cash equivalents	(314)	137
Cash and cash equivalents as at 1 January	24,568	26,265
Cash and cash equivalents as at 30 September	20,059	29,009

Cash and cash equivalents :

Deposits placed with licensed banks	9,243	11,242
Cash and bank balances	13,757	20,407
	23,000	31,649
Less : Fixed deposits pledged	(2,941)	(2,640)
	20,059	29,009

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 September 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 September 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 September 2017 Under FRS RM'000	Adjustments RM'000	As at 30 September 2017 Under MFRS RM'000
Quarter ended 30 September 2017			
Cost of sales	(80,732)	90	(80,642)
Administrative expenses	(2,902)	(395)	(3,297)
Profit before tax	13,052	(305)	12,747
Income tax expense	(3,168)	(94)	(3,262)
Profit after tax	9,884	(399)	9,485
Profit attributable to :-			
Owners of the Parent	5,083	3	5,086
Non-Controlling interest	4,801	(402)	4,399
	9,884	(399)	9,485
Nine months ended 30 September 2017			
Cost of sales	(233,956)	(318)	(234,274)
Administrative expenses	(8,575)	(1,183)	(9,758)
Profit before tax	40,643	(1,501)	39,142
Income tax expense	(9,882)	(171)	(10,053)
Profit after tax	30,761	(1,672)	29,089
Profit attributable to :-			
Owners of the Parent	14,237	(497)	13,740
Non-Controlling interest	16,524	(1,175)	15,349
	30,761	(1,672)	29,089

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 September 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 September 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.

   No interim dividend has been paid during the current quarter ended 30 September 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 September							
	Plantation		Oil Mill		Power Plant		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000 (Restated)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000 (Restated)
External revenue	2,721	7,790	66,673	82,377	2,217	6,124	71,611	96,291
Inter-segment revenue	12,240	16,263	-	-	-	-	12,240	16,263
Segment profit	87	9,344	2,942	3,029	(936)	1,495	2,093	13,868

Segment profit is reconciled to consolidated profit before tax as follows:	**3 months ended 30.9.2018 (Unaudited)**	**3 months ended 30.9.2017 (Unaudited) (Restated)**
	RM'000	**RM'000**
Segment profit	2,093	13,868
Other non-reportable segments	(22)	(155)
Amortisation of group land cost	(666)	(617)
Elimination of inter-segment profits	(64)	(5)
Unallocated corporate (expenses)/income	(189)	(344)
Consolidated profit/(loss) before tax	1,152	12,747

	Results for 9 months ended 30 September							
	Plantation		Oil Mill		Power Plant		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000 (Restated)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000 (Restated)
External revenue	12,312	20,778	231,460	241,556	17,364	19,966	261,136	282,300
Inter-segment revenue	39,561	50,193	-	-	-	-	39,561	50,193
Segment profit	9,935	30,224	8,347	5,967	2,011	6,004	20,293	42,195

9. Segment information (Contd.)

Segment profit is reconciled to consolidated profit before tax as follows:	**9 months ended 30.9.2018 (Unaudited) RM'000**	**9 months ended 30.9.2017 (Unaudited) (Restated) RM'000**
Segment profit	20,293	42,195
Other non-reportable segments	(147)	(258)
Amortisation of group land cost	(1,892)	(1,843)
Elimination of inter-segment profits	(119)	(83)
Unallocated corporate (expenses)/income	(1,031)	(869)
Consolidated profit/(loss) before tax	17,104	39,142

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter ended 30 September 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	12,904
Approved but not contracted for	5,175
	18,079

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 (3rd Quarter)			Cumulative Period (9 months ended)		
		Current year Quarter 30.9.2018 (Unaudited) RM'000	Preceding Year Corresponding Quarter 30.9.2017 (Unaudited) Restated RM'000	Changes (%)	Current Year To-date 30.9.2018 (Unaudited) RM'000	Preceding Year Correspondin g Period 30.9.2017 (Unaudited) Restated RM'000	Changes (%)
Revenue		71,966	96,682	-26%	262,472	283,418	-7%
Operating profit		2,948	14,691	-80%	22,299	44,900	-50%
Profit before tax		1,152	12,747	-91%	17,104	39,142	-56%
Profit after tax		990	9,485	-90%	12,693	29,089	-56%
Profit attributable to ordinary equity holders of the Parent		1,845	5,086	-64%	7,254	13,740	-47%
Operational Statistics							
Production:							
FFB	(mt)	35,916	44,865	-20%	114,967	124,645	-8%
CPO	(mt)	25,771	25,532	1%	81,325	69,602	17%
PK	(mt)	6,883	6,673	3%	21,564	18,312	18%
Average selling price:							
FFB	(RM/mt)	388	519	-25%	439	548	-20%
CPO	(RM/mt)	2,196	2,638	-17%	2,339	2,813	-17%
PK	(RM/mt)	1,748	2,195	-20%	1,872	2,445	-23%
Quantity sold:							
CPO	(mt)	25,018	25,529	-2%	81,555	70,117	16%
PK	(mt)	6,714	6,850	-2%	21,724	18,138	20%
Oil Extraction Rate (%)		19.7	19.77	0%	19.59	19.42	1%
Electricity Export(MWh		16,186	16,486	-2%	54,197	54,174	0%

1. Review of performance (Cont'd)

Current Quarter vs. Previous Year Corresponding Quarter

The Group recorded a revenue of RM71.97 million and profit before tax of RM1.15 million for the current quarter ended 30 September 2018 as compare to a revenue of RM96.68 million and profit before tax of RM12.75 million in the preceding year quarter ended 30 September 2017. The decrease in revenue and profit before tax was mainly due to:

a) Decrease in selling price of CPO, PK and FFB by 17%, 20% and 25% respectively;
b) Decrease in FFB production by 20%; and
c) Decrease in electricity sales by RM0.94 million 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 2%.

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 RM9.25 million (99%) from RM9.34 million to RM0.09 million was mainly due to a decrease in FFB production and selling price by 20% and 25% respectively.

(ii) Oil Mill – The slight decrease in profit before tax by RM 0.09 million (3%) from RM3.03 million to RM2.94 million was mainly due to a lower OER margin by 0.4%.

(iii) Power Plant – The decrease in profit before tax by RM2.43 million (>100%) from a profit before tax of RM1.49 million to a loss before tax of RM 0.94 million was mainly due to a decrease in Power sales recognition by RM0.94 million 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 Power export by 2%. In addition, the decrease in average EFB Oil selling price by 33% caused a further decrease in the profit for the current quarter. The 12MW Biomass Power Plant generated and exported 12,095 MWh (2017: 12,600 MWh) whereas the 3.8MW Biogas Power Plant generated and exported 4,091MWh (2017: 3,887MWh) for the current quarter to Sabah Electricity Sdn Bhd (SESB).

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 RM262.47 million and profit before tax of RM17.10 million as compare to a revenue of RM283.42 million and profit before tax of RM39.14 million in the preceding year corresponding period. The decrease in revenue and profit before tax was mainly due to:

a) Decrease in selling price of CPO, PK and FFB by 17%, 23% and 20% respectively;
b) Decrease in FFB production by 8%; and
c) 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 RM20.28 million (67%) from RM30.22 million to RM9.94 million was mainly due to a decrease in FFB production and selling price by 8% and 20% respectively.

(ii) Oil Mill – The increase in profit before tax by RM 2.38 million (40%) from RM5.97 million to RM8.35 million was mainly due to an increase in milling productivity by 16% and higher OER margin by 0.9% in the current period.

(iii) Power Plant – The decrease in profit before tax by RM3.99 million (67%) from RM6.00 million to RM2.01 million was mainly due to a decrease in Power sales recognition by RM2.09 million due to a 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 generated and exported 41,098 MWh (2017: 43,528 MWh) whereas the 3.8MW Biogas Power Plant generated and exported 13,100 MWh (2017: 10,646 MWh) for this current period to SESB.

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

		Current quarter 30.9.2018 (Unaudited) RM'000	Immediate Preceding Quarter 30.6.2018 (Unaudited) RM'000	Changes (%)
Revenue		71,966	90,766	-20.7%
Operating profit		2,948	7,154	-59%
Profit before tax		1,152	5,400	-79%
Profit after tax		990	3,921	-75%
Profit attributable to ordinary equity holders of the Parent		1,845	2,280	-19%
Operational Statistics				
Production:				
FFB	(mt)	35,916	38,418	-7%
CPO	(mt)	25,771	27,054	-5%
PK	(mt)	6,883	7,243	-5%
Average selling price:				
FFB	(RM/mt)	388	466	-17%
CPO	(RM/mt)	2,196	2,367	-7%
PK	(RM/mt)	1,748	1,725	1%
Quantity sold:				
CPO	(mt)	25,018	27,388	-9%
PK	(mt)	6,714	7,409	-9%
Oil Extraction Rate (%)		19.70	19.74	0%
Electricity Export(MWh)		16,186	18,088	-11%

The Group recorded a profit before tax of RM1.15 million in the quarter under review as compared to a profit before tax of RM5.40 million in the immediate preceding quarter. The decrease in profit before tax was mainly due to:

a) Decrease in selling price of CPO and FFB by 7% and 17% respectively;
b) Decrease in sales volume of CPO and PK by 9%;
c) Decrease in FFB production by 7%; and
d) Decrease in electricity sales by 11%.

3. Commentary on prospects

The Group expects its FFB production to increase in the fourth quarter of FY2018 in comparison to the unusually low production in the third quarter of FY2018. However, palm oil prices have recently declined drastically to a three-year low over worries of stiff market competition posed by other oil seeds, weaker CPO export and high palm oil inventories.

Overall, the Group expects its financial performance for the fourth quarter of FY2018 to be weaker than the previous quarter due to the depressed CPO price.

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 9 months ended**	
	30.9.2018 (Unaudited)	**30.9.2017 (Unaudited) (Restated)**	**30.9.2018 (Unaudited)**	**30.9.2017 (Unaudited) (Restated)**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Gain/(Loss) on disposal of plant and equipment	(199)	(16)	(199)	653
Fair value gain/(loss) on biological assets	(200)	(394)	(289)	(1,183)
Interest income	2,003	2,109	6,173	6,275
Interest expense	(1,796)	(1,944)	(5,195)	(5,758)
Depreciation and amortisation	(5,187)	(3,901)	(15,351)	(12,139)
Dividend	-	-	1	1
Property, plant and equipment written off	(22)	-	(101)	-
Unrealised (loss)/gain on foreign exchange	-	23	-	72

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 9 months ended	
	30.9.2018 (Unaudited)	**30.9.2017 (Unaudited) (Restated)**	**30.9.2018 (Unaudited)**	**30.9.2017 (Unaudited) (Restated)**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax:				
-Malaysian income tax	379	3,515	3,171	10,136
-Under/(over) provision of tax	(252)	230	(252)	230
	127	3,745	2,919	10,366
Deferred tax				
- relating to origination and reversal of temporary differences	(26)	(101)	1,421	130
- under/(over) provision of tax	61	(382)	71	(443)
	35	(483)	1,492	(313)
Total income tax expense	162	3,262	4,411	10,053

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	
	30.9.2018 (Unaudited)	**30.9.2017 (Unaudited)**
	RM'000	**RM'000**
Short term borrowings		
Secured:		
Term loans	22,979	21,125
Short term revolving credits	55,050	64,300
Unsecured:		
Short term revolving credits	1,100	1,100
	79,129	86,525
Long term borrowings		
Secured:		
Term loans	57,671	70,892
Total borrowings		
Secured:		
Term loans	80,650	92,467
Short term revolving credits	55,050	64,300
Unsecured:		
Short term revolving credits	1,100	1,100
	136,800	157,867

9. Trade and Other Receivables

	As at	
	30.9.2018 (Unaudited) RM'000	31.12.2017 (Audited) RM'000
Current		
Trade receivables:		
- Non-related parties	10,107	18,647
-Amount due from customer on service concession	5,667	8,046
	15,774	26,693
Less:Allowance for doubtful debts	(343)	(343)
	15,431	26,350
Other receivables, net	8,560	6,604
	23,991	32,954
Non-current		
Trade receivables:		
-Amount due from customer on service concession	145,565	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	
	30.9.2018 (Unaudited) RM'000	31.12.2017 (Audited) RM'000
Neither past due nor impaired	160,735	169,214
1 - 30 days past due not impaired		-
31 - 60 days past due not impaired	39	53
61- 90 days past due not impaired	9	-
More than 90 days past due not impaired	556	-
	161,339	169,267
Impaired	343	343
	161,682	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 September 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 30 September 2018 (30 September 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 9 months ended**	
	30.9.2018 (Unaudited)	**30.9.2017 (Unaudited) (Restated)**	**30.9.2018 (Unaudited)**	**30.9.2017 (Audited) (Restated)**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) attributable to the owners of the Company	1,845	5,086	7,254	13,740
Weighted average number of ordinary shares in issue	196,544	196,544	196,544	196,544
Basic earnings per share (sen)	0.94	2.59	3.69	6.99

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 28 November 2018.