

MHC Plantations Bhd (4060-V)
Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For The Fourth Quarter Ended 31 December 2018

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31.12.2018 (Unaudited)	31.12.2017 (Unaudited) (Restated)	31.12.2018 (Unaudited)	31.12.2017 (Unaudited) (Restated)
	RM' 000	RM'000	RM' 000	RM' 000
Revenue	81,067	106,873	343,539	390,284
Cost of sales	(78,962)	(92,555)	(313,396)	(326,829)
Gross profit	2,105	14,318	30,143	63,455
Other income	3,315	3,399	11,323	12,669
Administrative expenses	(4,012)	(5,732)	(13,424)	(15,490)
Other operating expenses	(3,330)	(1,680)	(7,664)	(5,566)
Operating profit	(1,922)	10,305	20,378	55,068
Finance costs	(2,029)	(2,001)	(7,224)	(7,759)
Profit/(Loss) before tax	(3,951)	8,304	13,154	47,309
Income tax expense	(1,956)	(1,744)	(6,367)	(11,797)
Profit/(Loss) after tax	(5,907)	6,560	6,787	35,512
Other comprehensive income				
Available-for-sale financial assets:				
- (Loss)/Gain on fair value changes	(17)	-	(17)	35
Exchange difference on translation of foreign operations	(103)	(266)	(410)	(161)
Total comprehensive income for the period	(6,027)	6,294	6,360	35,386
Profit/(Loss) attributable to:				
Owners of the parent	(2,854)	3,013	4,401	16,962
Non-controlling interests	(3,053)	3,547	2,386	18,550
	(5,907)	6,560	6,787	35,512
Total comprehensive income attributable to:				
Owners of the parent	(2,934)	2,953	4,132	15,383
Non-controlling interests	(3,093)	3,341	2,228	20,003
	(6,027)	6,294	6,360	35,386
Weighted average number of shares in issue	196,544	196,544	196,544	196,544
Earnings per share in sen				
- Basic	(1.45)	1.53	2.24	8.63

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

Condensed Consolidated Statement of Financial Position
as at 31 December 2018

	As at 31.12.2018 (Unaudited) RM'000	As at 31.12.2017 (Audited) (Restated) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	394,237	392,878
Investment properties	49,250	49,250
Land use rights	1,910	1,939
Deferred tax assets	5,262	5,434
Investment in securities	515	559
Trade and other receivables	141,569	142,918
Goodwill on consolidation	43,867	43,867
	<u>636,610</u>	<u>636,845</u>
Current assets		
Inventories	30,421	31,386
Biological assets	1,656	3,114
Trade and other receivables	24,120	32,954
Tax recoverable	2,970	1,215
Short term investments	14,421	17,606
Fixed deposits with licensed banks	9,193	9,879
Cash and bank balances	14,199	17,632
	<u>96,980</u>	<u>113,786</u>
TOTAL ASSETS	<u>733,590</u>	<u>750,631</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	196,544	196,544
Reserves	50,404	50,660
	<u>246,948</u>	<u>247,204</u>
Non-controlling interests	<u>265,339</u>	<u>267,724</u>
Total equity	<u>512,287</u>	<u>514,928</u>

**Condensed Consolidated Statement of Financial Position
as at 31 December 2018 (Contd.)**

	As at 31.12.2018 (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	2,546	534
Borrowings	61,513	65,479
Deferred tax liabilities	51,193	48,256
	115,519	114,536
Current liabilities		
Payables	29,115	37,034
Hire purchase payables	989	499
Borrowings	75,629	81,625
Taxation	51	2,010
	105,784	121,168
Total liabilities	221,303	235,704
TOTAL EQUITY AND LIABILITIES	733,590	750,631
Net Tangible Asset Per Share (RM)	1.03	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 Fourth Quarter Ended 31 December 2018

	Equity attributable to owners of the Company										Non-controlling Interests	Total Equity
	Non-distributable					Distributable						
	Share Capital RM'000	Capital Reserve RM'000	Other Reserve RM'000	Revaluation Reserve RM'000	Fair value adjustment reserve RM'000	Foreign currency translation reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	Total	RM'000		
Opening balance at 1 Jan 2017	196,544	5,737	(1,943)	789	138	153	8	215,800	417,226	524,322	941,548	
As previously stated	-	-	(27,508)	-	-	-	-	(156,609)	(184,117)	(271,052)	(455,169)	
Effect of change in accounting policies 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	-	-	-	-	35	(107)	-	16,962	16,890	20,003	36,893	
Dividends	-	-	-	-	-	-	-	(2,948)	(2,948)	-	(2,948)	
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(3,662)	(3,662)	
Closing balance at 31 December 2017	196,544	5,737	(29,451)	789	173	46	8	76,153	249,999	273,273	523,272	
Opening balance at 1 Jan 2018	196,544	5,737	(1,943)	789	173	45	8	230,390	431,743	540,706	972,449	
As previously stated	-	-	(27,508)	-	(111)	-	-	(157,376)	(184,995)	(272,982)	(457,977)	
Effect of change in accounting policies Restated	196,544	5,737	(29,451)	789	62	45	8	73,014	246,748	267,724	514,472	
Total comprehensive income for the period	-	-	-	-	(17)	(253)	-	4,401	4,131	2,228	6,359	
Dividends	-	-	-	-	-	-	-	(3,931)	(3,931)	-	(3,931)	
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4,613)	(4,613)	
Closing balance at 31 December 2018	196,544	5,737	(29,451)	789	45	(208)	8	73,484	246,948	265,339	512,287	

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 Fourth Quarter Ended 31 December 2018

	12 months ended	
	31.12.2018 (Unaudited) RM' 000	31.12.2017 (Unaudited) RM' 000
Operating activities		
Profit before taxation	13,154	47,309
Adjustments for:		
Depreciation and amortisation	19,895	22,201
Interest expense	7,224	7,759
(Gain)/Loss on disposal of property, plant and equipment	199	(658)
(Gain)/Loss on fair value of biological assets	1,727	1,623
(Gain)/Loss on fair value of investment properties	-	(1,188)
Property, plant and equipment written off	207	564
Unrealised loss/(gain) on foreign exchange	-	1
Impairment loss on receivables	-	30
Impairment loss on investment in securities	-	3
Provision for doubtful debts written back	(184)	-
Interest income	(8,189)	(8,447)
Dividend income	(25)	(101)
Total adjustments	20,854	21,787
Operating cash flows before changes in working capital	34,008	69,096
Changes in working capital:		
Inventories	696	(3,413)
Receivables	16,462	7,795
Payables	(6,935)	(3,868)
Total changes in working capital	10,222	514
Cash generated from operations	44,230	69,610
Interest received	794	881
Interest paid	(7,224)	(7,759)
Tax paid	(6,835)	(8,625)
Net cash flows from/(used in) operating activities	30,965	54,107
Investing activities		
Dividend received	25	101
Proceeds from disposal of property, plant and equipment	152	2,360
Additional placement of pledged fixed deposits	(283)	(307)
Net redemption/(investment in) of short term investments	3,185	(3,980)
Purchase of property, plant and equipment	(18,901)	(19,750)
Net cash flows (used in)/from investing activities	(15,822)	(21,576)
Financing activities		
Drawdown of revolving credit	4,500	23,800
Drawdown of term loan	20,259	1,500
Repayment of revolving credit	(11,250)	(30,500)
Repayment of term loan	(23,471)	(21,331)
Repayment of hire purchase obligations	(618)	(928)
Dividends paid to shareholders	(3,931)	(2,948)
Dividends paid to non-controlling shareholders	(4,613)	(3,662)
Net cash flows (used in)/from financing activities	(19,124)	(34,069)
Net increase/(decrease) in cash and cash equivalents	(3,982)	(1,538)
Effect on exchange rate changes on cash and cash equivalents	(420)	(159)
Cash and cash equivalents as at 1 January	24,568	26,265
Cash and cash equivalents as at 31 December	20,166	24,568
Cash and cash equivalents :		
Deposits placed with licensed banks	9,193	9,879
Cash and bank balances	14,199	17,632
	23,392	27,511
Less : Fixed deposits pledged	(3,226)	(2,943)
	20,166	24,568

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 year ended 31 December 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 year ended 31 December 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.)

c) Expected Credit Loss

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement.

MFRS 9 introduces a forward looking expected credit loss model that replaces the incurred loss impairment model used in MFRS 139. The new impairment model will apply to financial assets measured at amortised cost or fair value through other comprehensive income, except for investments in equity instruments and to contract assets. The expected credit loss model eliminates the need for a trigger event to have occurred before credit losses are recognised. The changes have been accounted for retrospectively however exemptions are applied and there are no restatements of comparative with the difference being recorded in opening retained earnings.

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			As at
	1 January 2017			1 January 2017
	Under FRS	Adjustments		Under MFRS
	RM'000	RM'000		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			As at
	31 December 2017			31 December 2017
	Under FRS	Adjustments		Under MFRS
	RM'000	RM'000		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
Non-current liabilities				
Deferred tax liabilities	170,855	(122,599)		48,256

2. Changes in accounting policies (Contd.)

Condensed Consolidated Statement of Comprehensive Income				
	As at		As at	
	31 December 2017		31 December 2017	
	Under FRS	Adjustments	Under MFRS	
	RM'000	RM'000	RM'000	
<u>Quarter ended 31 December 2017</u>				
Cost of sales	(92,860)	305	(92,555)	
Administrative expenses	(5,243)	(489)	(5,732)	
Profit before tax	8,488	(184)	8,304	
Income tax expense	(1,769)	25	(1,744)	
Profit after tax	6,719	(159)	6,560	
Profit attributable to :-				
Owners of the Parent	3,172	(159)	3,013	
Non-Controlling interest	3,547	-	3,547	
	6,719	(159)	6,560	
<u>Twelve months ended 31 December 2017</u>				
Cost of sales	(326,542)	(287)	(326,829)	
Administrative expenses	(13,912)	(1,578)	(15,490)	
Profit before tax	49,174	(1,865)	47,309	
Income tax expense	(11,536)	(261)	(11,797)	
Profit after tax	37,638	(2,126)	35,512	
Profit attributable to :-				
Owners of the Parent	17,539	(577)	16,962	
Non-Controlling interest	20,099	(1,549)	18,550	
	37,638	(2,126)	35,512	

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 year ended 31 December 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 was no issuance, cancellation, resale, repurchase and repayment of equity or debt securities during the financial year ended 31 December 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 31 December 2018.

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

9. Segment information (Contd.)

	Results for 3 months ended 31 December								
	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	RM'000
		(Restated)							(Restated)
External revenue	3,530	7,400	68,539	93,010	8,622	6,104	80,691	106,514	
Inter-segment revenue	12,054	17,261	-	-	-	-	12,054	17,261	
Segment profit	(3,425)	6,239	2,797	3,264	(2,039)	(901)	(2,667)	8,602	

Segment profit is reconciled to consolidated profit before tax as follows:	3 months ended 31.12.2018 (Unaudited) RM'000	3 months ended 31.12.2017 (Unaudited) (Restated) RM'000
Segment profit	(2,667)	8,602
Other non-reportable segments	(61)	(512)
Amortisation of group land cost	(631)	(474)
Elimination of inter-segment profits	(81)	(7)
Unallocated corporate (expenses)/income	(511)	695
Consolidated profit/(loss) before tax	<u>(3,951)</u>	<u>8,304</u>

	Results for 12 months ended 31 December								
	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	RM'000
		(Restated)							(Restated)
External revenue	15,842	28,178	299,999	334,566	25,986	26,070	341,827	388,814	
Inter-segment revenue	51,615	67,454	-	-	-	-	51,615	67,454	
Segment profit	6,510	36,462	11,144	9,231	(28)	5,103	17,626	50,796	

9. Segment information (Contd.)

Segment profit is reconciled to consolidated profit before tax as follows:	12 months ended 31.12.2018 (Unaudited) RM'000	12 months ended 31.12.2017 (Unaudited) (Restated) RM'000
Segment profit	17,626	50,796
Other non-reportable segments	(207)	(770)
Amortisation of group land cost	(2,523)	(2,453)
Elimination of inter-segment profits	(200)	(90)
Unallocated corporate (expenses)/income	(1,542)	(174)
Consolidated profit/(loss) before tax	<u>13,154</u>	<u>47,309</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 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	4,459
Approved but not contracted for	<u>6,587</u>
	<u>11,046</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

	Individual Period				Cumulative Period		
	(4th Quarter)				(12 months ended)		
	Current	Preceding	Changes	Current	Preceding Year	Changes	
	year	Year					Year To-
Quarter	Corresponding	Quarter	date	Period	(%)		
31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2017			
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
	Restated			Restated			
	RM'000	RM'000		RM'000	RM'000		
Revenue	81,067	106,873	-24%	343,539	390,284	-12%	
Operating profit/(loss)	(1,922)	10,305	-119%	20,378	55,068	-63%	
Profit/(Loss) before tax	(3,951)	8,304	-148%	13,154	47,309	-72%	
Profit/(Loss) after tax	(5,907)	6,560	-190%	6,787	35,512	-81%	
Profit/(Loss) attributable to ordinary equity holders of the Parent	(2,854)	3,013	-195%	4,401	16,962	-74%	
Operational Statistics							
Production:							
FFB	(mt)	46,133	46,573	-1%	161,100	171,219	-6%
CPO	(mt)	30,377	29,507	3%	111,702	99,109	13%
PK	(mt)	8,156	7,602	7%	29,720	25,914	15%
Average selling price:							
FFB	(RM/mt)	329	504	-35%	408	536	-24%
CPO	(RM/mt)	1,914	2,617	-27%	2,226	2,756	-19%
PK	(RM/mt)	1,420	2,548	-44%	1,748	2,475	-29%
Quantity sold:							
CPO	(mt)	29,732	28,210	5%	111,286	98,327	13%
PK	(mt)	8,188	7,533	9%	29,912	25,672	17%
Oil Extraction Rate (%)		19.09	19.84	-4%	19.45	19.55	-1%
Electricity Export(MWh)		14,856	21,447	-31%	69,054	75,622	-9%

1. Review of performance (Cont'd)

Current Quarter vs. Previous Year Corresponding Quarter

The Group recorded a revenue of RM81.07 million and loss before tax of RM3.95 million for the current quarter ended 31 December 2018 as compared to a revenue of RM106.87 million and profit before tax of RM8.30 million in the preceding year quarter ended 31 December 2017. The decreases in revenue and profit before tax were mainly due to:

- a) Decreases in selling prices of CPO, PK and FFB by 27%, 44% and 35% respectively;
- b) Decrease in oil extraction rate ("OER") by 5%; and
- c) Decrease in electricity export by 31% and decrease in average selling price of Empty Fruit Bunches ("EFB") oil by 40%.

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 RM9.66 million (>100%) from a profit before tax of RM6.24 million to a loss before tax of RM3.42 million was mainly due to a decrease in FFB selling price by 36% and a fair value loss on biological assets of RM0.76 million.
- (ii) Oil Mill – The decrease in profit before tax by RM0.46 million (14%) from RM3.26 million to RM2.80 million was mainly due to a lower OER margin by 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 decreases in electricity export by 31% and average selling price of EFB oil by 40%. The decline in profit was partly attributed to higher maintenance and repair charges incurred on the existing biogas engines amounting to RM1,362,726, as compared to the lower gas engine maintenance and repair charges of RM774,456 incurred during the preceding year period. The 12MW Biomass Power Plant generated and exported 10,008 MWh (2017: 16,760 MWh) whereas the 3.8MW Biogas Power Plant generated and exported 4,847MWh (2017: 4,687MWh) for the current quarter to Sabah Electricity Sdn Bhd (SESB). The decrease in power generation during the period was mainly due to the shutdown of the Biomass Plant for 27 days to carry out major overhaul and maintenance. As the plant approaches the end of the operating cycle before the shutdown for overhaul, it begins to decline in efficiency and productivity.

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 RM343.59 million and profit before tax of RM13.15 million as compared to a revenue of RM390.29 million and profit before tax of RM47.31 million in the preceding year. The decreases in revenue and profit before tax were mainly due to:

- a) Decreases in selling prices of CPO, PK and FFB by 19%, 29% and 24% respectively;
- b) Decrease in FFB production by 6%; and
- c) Decrease in Power Plant sales recognition by RM2.84 million due to a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements and a decrease in electricity export by 9%. In addition, the decrease in average selling price of EFB oil by 32% caused a further decrease in the Group's Profit before taxation estimated at about RM 4.8 million.

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 RM29.95 million (82%) from RM36.46 million to RM6.51 million was mainly due to decreases in FFB production and selling price by 6% and 24% respectively.
- (ii) **Oil Mill** – The increase in profit before tax by RM1.91 million (21%) from RM9.23 million to RM11.14 million was mainly due to an increase in milling productivity by 13% and higher OER margin.
- (iii) **Power Plant** – The decrease in profit before tax by RM5.13 million (>100%) from a profit before tax of RM5.10 million to a loss before tax RM0.03 million was mainly due to decreases in Power sales recognition by RM2.84 million due to a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements and a decrease in electricity export to SESB by 9%. In addition, the decrease in average selling price of EFB oil by 32% caused a further decrease in the segment profit. The decline in profit was also partly attributed to higher maintenance and repair charges incurred on the existing biogas engines amounting to RM1,362,726, as compared to the lower gas engine maintenance and repair charges of RM774,456 incurred during the preceding year period. The 12MW Biomass Power Plant generated and exported 51,106 MWh (2017: 60,288 MWh) whereas the 3.8MW Biogas Power Plant generated and exported 17,947 MWh (2017: 15,333 MWh) to SESB. The decrease in power generation during the year was mainly due to the shutdown of the Biomass Plant for 27 days to carry out major overhaul and maintenance. As the plant approaches the end of the operating cycle before the shutdown for overhaul, it begins to decline in efficiency and productivity.

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

		Current quarter 31.12.2018 (Unaudited) RM'000	Immediate Preceding Quarter 30.9.2018 (Unaudited) RM'000	Changes (%)
Revenue		81,067	71,966	12.6%
Operating profit		(1,922)	2,948	-165%
Profit before tax		(3,951)	1,152	-443%
Profit after tax		(5,907)	990	-697%
Profit attributable to ordinary equity holders of the Parent		(2,854)	1,845	-255%
<i>Operational Statistics</i>				
Production:				
FFB	(mt)	46,133	35,916	28%
CPO	(mt)	30,377	25,771	18%
PK	(mt)	8,156	6,883	18%
Average selling price:				
FFB	(RM/mt)	329	388	-15%
CPO	(RM/mt)	1,914	2,196	-13%
PK	(RM/mt)	1,420	1,748	-19%
Quantity sold:				
CPO	(mt)	29,732	25,018	19%
PK	(mt)	8,188	6,714	22%
Oil Extraction Rate (%)		19.09	19.7	-3%
Electricity Export(MWh)		14,856	16,186	-8%

The Group recorded a loss before tax of RM3.95 million in the quarter under review as compared to a profit before tax of RM1.15 million in the immediate preceding quarter. The decrease in profit before tax was mainly due to:

- a) Decreases in selling prices of CPO, PK and FFB by 13%, 19% and 15% respectively;
 - b) Decrease in Power Plant sales recognition by RM2.36 million due to a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements;
 - c) Fair value loss on biological assets of RM0.97 million; and
 - d) Decrease in electricity sales by 8%.
3. Commentary on prospects

The Group expects CPO prices to remain volatile in 2019 in view of the uncertainty in the global economy, over hanging stocks and weak demand.

The Group expects its FFB production to increase in 2019 due to more replanted areas reaching maturity and a recovery in the FFB production from the estates in Sabah which have experienced unusually low production in 2018.

The Group also expects a better contribution from its Sandakan Biogas plant following the replacement of the existing gas engines with more efficient and reliable engines scheduled to be completed in the second quarter of 2019. Upon successful commissioning, the Group will receive an additional Feed-in Tariff (“FiT”) bonuses totalling RM0.0699/KWh, and with this 17.6% increase in the selling price, the Group is expected to generate higher electricity sales revenue. Besides, the Group is also upgrading its Biogas Power Plant in Teluk Intan for the purpose of supplying up to 1MW of electricity to Tenaga Nasional Berhad starting on 3 July 2019 at a FiT rate of RM0.4669/kWh.

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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
	RM'000	RM'000	RM'000	RM'000
Gain/(Loss) on disposal of plant and equipment	101	(572)	199	(658)
Fair value gain on investment in securities	-	31	-	31
Fair value gain on investment properties	-	1,188	-	1,188
Fair value gain/(loss) on biological assets	(1,169)	(406)	(1,458)	(1,623)
Interest income	2,016	2,117	8,189	8,392
Interest expense	(2,029)	(2,011)	(7,224)	(7,759)
Depreciation and amortisation	(4,545)	(5,779)	(19,895)	(22,201)
Dividend	24	101	25	101
Property, plant and equipment written off	(207)	-	(101)	(564)
Provision for doubtful debts written back	184	-	184	-
Unrealised (loss)/gain on foreign exchange	-	23	-	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 12 months ended	
	31.12.2018 (Unaudited) RM'000	31.12.2017 (Unaudited) (Restated) RM'000	31.12.2018 (Unaudited) RM'000	31.12.2017 (Unaudited) (Restated) RM'000
Current tax:				
-Malaysian income tax	(272)	2,724	2,899	12,860
-under/(over) provision of tax	(25)	22	(277)	252
	(297)	2,746	2,622	13,112
Deferred tax				
- relating to origination and reversal of temporary differences	1,505	(572)	2,926	(441)
- under/(over) provision of tax	748	(430)	819	(874)
	2,253	(1,002)	3,745	(1,315)
Total income tax expense	1,956	1,744	6,367	11,797

The Group's effective tax rate for the current quarter and the financial year under review was higher than the statutory tax rate of 24% principally due to a reversal of deferred tax assets previously recognised on unutilised tax losses as a result of change in the income tax legislation and 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	
	31.12.2018 (Unaudited) RM'000	31.12.2017 (Unaudited) RM'000
Short term borrowings		
Secured:		
Term loans	26,979	21,125
Short term revolving credits	47,550	64,300
Unsecured:		
Short term revolving credits	1,100	1,100
	75,629	86,525
Long term borrowings		
Secured:		
Term loans	61,513	70,892
Total borrowings		
Secured:		
Term loans	88,492	92,467
Short term revolving credits	47,550	64,300
Unsecured:		
Short term revolving credits	1,100	1,100
	137,142	157,867

9. Trade and Other Receivables

	As at	
	31.12.2018	31.12.2017
	(Unaudited)	(Audited)
	RM'000	RM'000
Current		
Trade receivables:		
- Non-related parties	12,280	18,647
-Amount due from customer on service concession	5,667	8,046
	17,947	26,693
Less: Allowance for impairment	(484)	(343)
	17,463	26,350
Other receivables, net	6,657	6,604
	24,120	32,954
Non-current		
Trade receivables:		
-Amount due from customer on service concession	141,569	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	
	31.12.2018	31.12.2017
	(Unaudited)	(Audited)
	RM'000	RM'000
Neither past due nor impaired	158,341	169,214
1 - 30 days past due not impaired		-
31 - 60 days past due not impaired	122	53
61 - 90 days past due not impaired	37	-
More than 90 days past due not impaired	531	-
	159,031	169,267
Impaired	484	343
	159,515	169,610

10. Disclosure of derivatives

The Group did not enter into any derivative contract and accordingly there were no outstanding derivatives (including financial instruments designated as hedging instruments) as at 31 December 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 19 March 2019.

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 on 12 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 December 2018 (31 December 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		Cumulative quarter	
	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to the owners of the Company	(2,854)	3,013	4,401	16,962
Weighted average number of ordinary shares in issue	196,544	196,544	196,544	196,544
Basic earnings/(loss) per share (sen)	(1.45)	1.53	2.24	8.63

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 26 February 2019.