



NPC RESOURCES BERHAD (Registration No: 199901027413 (502313-P))
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022
The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31/03/2022 RM'000	Preceding Year Corresponding Quarter Ended 31/03/2021 RM'000	Current Year- To-Date Ended 31/03/2022 RM'000	Preceding Year Corresponding Period Ended 31/03/2021 RM'000
Revenue	90,858	51,699	90,858	51,699
Operating expenses	(75,851)	(55,709)	(75,851)	(55,709)
Other operating income	2,254	1,538	2,254	1,538
Profit/(loss) from operations	17,261	(2,472)	17,261	(2,472)
Finance costs	(6,460)	(4,118)	(6,460)	(4,118)
Net foreign exchange loss	(1,312)	(10,268)	(1,312)	(10,268)
Profit/(loss) before tax – (Note 19)	9,489	(16,858)	9,489	(16,858)
Income tax (expenses)/benefit – (Note 20)	(431)	315	(431)	315
Profit/(loss) for the period	9,058	(16,543)	9,058	(16,543)
Other comprehensive (loss)/income, net of tax:				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operation	1,005	(1,136)	1,005	(1,136)
Remeasurement of loss on employee defined benefit liabilities	-	(6)	-	(6)
Items that will not be reclassified subsequently to profit or loss				
Realisation of revaluation reserve	1,720	1,578	1,720	1,578
Transfer of revaluation reserve to retained earnings	(1,720)	(1,578)	(1,720)	(1,578)
Total comprehensive income/(loss) for the period	10,063	(17,685)	10,063	(17,685)
Income/(loss) for the period attributable to:				
Equity holders of the parent	6,130	(12,541)	6,130	(12,541)
Non-controlling interests	2,928	(4,002)	2,928	(4,002)
	9,058	(16,543)	9,058	(16,543)
Total comprehensive income/(loss) for the period attributable to:				
Equity holders of the parent	7,578	(13,348)	7,578	(13,348)
Non-controlling interests	2,485	(4,337)	2,485	(4,337)
	10,063	(17,685)	10,063	(17,685)
Profit/(loss) per share attributable to equity holders of the parent:-				
(a) Basic, for profit/(loss) for the period (sen) - (Note 26)	5.25	(10.73)	5.25	(10.73)
(b) Diluted, for profit/(loss) for the period (sen) - (Note 26)	N/A	N/A	N/A	N/A

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial report.

NPC RESOURCES BERHAD (Registration No: 199901027413 (502313-P))
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at current period ended 31/03/2022 RM'000	Audited 31/12/2021 RM'000
Non-current assets		
Property, plant and equipment	614,415	618,718
Investment properties	19,718	19,837
Right-of-use assets	475,594	476,593
Other receivables	18,377	16,795
Goodwill on consolidation	32,488	32,481
	1,160,592	1,164,424
Current assets		
Inventories	43,544	30,532
Biological assets	9,970	7,209
Trade and other receivables	21,514	14,572
Tax refundable	363	349
Cash and bank balances	15,404	70,883
	90,795	123,196
Current liabilities		
Trade and other payables	117,308	163,431
Borrowings – (Note 22)	192,447	184,790
Provision for taxation	2,420	2,329
	312,175	350,550
Net current liabilities	(221,380)	(227,354)
	939,212	937,070
Share capital	120,000	120,000
Treasury shares	(7,509)	(7,509)
Retained earnings	200,477	192,334
Asset revaluation reserve	217,419	219,077
Foreign currency translation reserve	(12,898)	(13,991)
Equity attributable to equity holders of the parent	517,489	509,911
Non-controlling interests	21,876	23,591
Total equity	539,365	533,502
Non-current liabilities		
Borrowings – (Note 22)	273,990	276,872
Employee benefits	4,876	5,077
Deferred tax liabilities	120,981	121,619
	399,847	403,568
	939,212	937,070
Net assets per share attributable to equity holders of the parent (RM) – (Note 27)	4.43	4.36

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial report.

NPC RESOURCES BERHAD (Registration No: 199901027413 (502313-P))
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022
The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW

	Current Year- To-Date Ended 31/03/2022 RM'000	Preceding Year Corresponding Period Ended 31/03/2021 RM'000
Profit/ (loss) before tax	9,489	(16,858)
Adjustments for:-		
Amortisation and depreciation	12,593	13,869
Fair value changes of biological assets	(2,761)	(2,015)
Finance costs	6,460	4,118
Interest income	(55)	(18)
Fair value change of derivative instruments	-	179
Net unrealised loss on foreign exchange	1,312	10,268
Property, plant and equipment written off	1	37
Operating cash flows before changes in working capital	<u>27,039</u>	<u>9,580</u>
Changes in working capital		
Net change in inventories	(12,942)	(4,264)
Net change in receivables	(8,576)	(3,588)
Net change in payables	(47,172)	10,609
Interest received	55	18
Net taxes paid	(936)	(911)
Finance costs paid	(6,351)	(4,192)
Net cash flows (used in)/generated from operating activities	<u>(48,883)</u>	<u>7,252</u>
Investing Activities		
Placement of fixed deposits	(4,444)	(84)
Purchase of property, plant and equipment	(3,833)	(3,993)
Net proceeds from disposal of property, plant and equipment	-	1
Net cash flows used in investing activities	<u>(8,277)</u>	<u>(4,076)</u>
Financing Activities		
Dividends paid to non-controlling interest	(4,200)	-
Repayment of borrowings	(16,327)	(11,679)
Proceeds from drawdown of bank borrowings	19,957	408
Net repayment of hire purchase liabilities	(696)	21
Net cash flows used in financing activities	<u>(1,266)</u>	<u>(11,250)</u>

NPC RESOURCES BERHAD (Registration No: 199901027413 (502313-P))
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022
The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW (CONTD.)

	Current Year-To- Date Ended 31/03/2022 RM'000	Preceding Year Corresponding Period Ended 31/03/2021 RM'000
Net change in cash and cash equivalents	(58,426)	(8,074)
Effect of exchange rate changes on cash and cash equivalents	(2,748)	764
Cash and cash equivalents at beginning of financial period	66,804	(301)
Cash and cash equivalents at end of financial period (Note A)	<u>5,630</u>	<u>(7,611)</u>

Note:

A : Cash and cash equivalents at the end of the financial period comprise the following:

Fixed deposits with licensed bank	7,270	5,915
Cash and bank balances	8,134	5,920
Bank overdraft	(2,504)	(13,531)
	<u>12,900</u>	<u>(1,696)</u>
Short term fixed deposits with licensed banks with maturity more than 3 months	(7,270)	(5,915)
	<u>5,630</u>	<u>(7,611)</u>

The condensed consolidated statement of cashflow should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial report.

NPC RESOURCES BERHAD (Registration No: 199901027413 (502313-P))
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							
	Share Capital RM'000	Treasury Shares RM'000	Distributable Retained Earnings RM'000	Foreign Currency Translation Reserve RM'000	Asset Revaluation Reserve RM'000	Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
Preceding year corresponding period ended 31 March 2021								
Balance as at 1 January 2021	120,000	(7,509)	148,008	(20,287)	242,290	482,502	27,980	510,482
Total comprehensive loss for the period	-	-	(12,541)	(1,136)	-	(13,677)	(4,008)	(17,685)
Realisation of revaluation reserve	-	-	1,907	-	(1,578)	329	(329)	-
Balance as at 31 March 2021	120,000	(7,509)	137,374	(21,423)	240,712	469,154	23,643	492,797

NPC RESOURCES BERHAD (Registration No: 199901027413 (502313-P))
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022
The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTD.)

	Attributable to equity holders of the parent					Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Distributable Retained Earnings RM'000	Foreign Currency Translation Reserve RM'000	Asset Revaluation Reserve RM'000			
Current year to date ended 31 March 2022								
Balance as at 1 January 2022	120,000	(7,509)	192,334	(13,991)	219,077	509,911	23,591	533,502
Profit for the financial year	-	-	6,130	-	-	6,130	2,928	9,058
Other comprehensive income/ (loss)	-	-	293	1,093	(233)	1,153	(148)	1,005
Realisation of revaluation reserve	-	-	1,720	-	(1,425)	295	(295)	-
<i>Transactions with owners</i>								
Dividend paid to non-controlling interests	-	-	-	-	-	-	(4,200)	(4,200)
Balance as at 31 March 2022	120,000	(7,509)	200,477	(12,898)	217,419	517,489	21,876	539,365

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial report.

NPC RESOURCES BERHAD (Registration No: 199901027413 (502313-P))
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022
The figures have not been audited

1. Basis of preparation

The unaudited interim financial statements have been prepared in accordance with the requirements of *MFRS 134: Interim Financial Reporting* and *paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”)*.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2021. The explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2021.

2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2021 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2022. 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:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

3. Auditors’ report on preceding annual financial statements

The auditors’ report on the financial statements for the year ended 31 December 2021 was unqualified.

NPC RESOURCES BERHAD (Registration No: 199901027413 (502313-P))
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022
The figures have not been audited

4. Seasonality or cyclicity of operations

The Group's operations are mainly affected by seasonal and cyclical factors such as the seasonal pattern in the production of fresh fruit bunches (FFB) and the seasonal weather conditions. Consistent with the industry FFB production trend, the first half of the year is usually the low FFB production period whereas, the second half of the year is expected to be the high FFB production period.

5. Unusual items

There were no items affecting assets, liabilities, equity, net income, or cash flows for the current period that are unusual because of their nature, size, or incidence.

6. Changes in estimates

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

7. Debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year-to-date. None of the treasury shares has been resold or distributed as share dividends during the financial period ended 31 March 2022.

8. Dividends paid

No dividend was paid during the current period.

9. Segmental reporting

	Plantation and milling RM'000	Hotel RM'000	Elimination RM'000	Total RM'000
For three months ended 31 March 2022				
Segment Revenue				
External revenue	89,912	946	-	90,858
Inter-segment revenue	-	1	(1)	
Total	<u>89,912</u>	<u>947</u>	<u>(1)</u>	<u>90,858</u>
Segment Results				
Unallocated corporate expense		(450)	-	18,873
Profit from operation				<u>(2,924)</u>
Finance costs				15,949
Profit before tax				<u>(6,460)</u>
Income tax benefit				9,489
Profit for the period				<u>(431)</u> <u>9,058</u>

NPC RESOURCES BERHAD (Registration No: 199901027413 (502313-P))
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022
The figures have not been audited

9. Segmental reporting

	Plantation and milling RM'000	Hotel RM'000	Elimination RM'000	Total RM'000
For three months ended 31 March 2021				
Segment Revenue				
External revenue	51,115	584	-	51,699
Inter-segment revenue	-	1	(1)	-
Total	51,115	585	(1)	51,699
Segment Results				
Unallocated corporate expenses	(1,119)	(11)	-	(1,130)
Loss from operation				(11,610)
Finance costs				(12,740)
Loss before tax				(4,118)
Income tax benefit				(16,858)
Loss for the period				315
				<u>(16,543)</u>

10. Valuations

There are no new valuations of property, plant and equipment for the current financial year-to-date.

11. Material subsequent events not reflected in the financial statements

There were no material subsequent events as at the date of this report.

12. Changes in the composition of the Group

There was no change in the composition of the Group for the current quarter and financial year-to-date.

13. Contingent liabilities or contingent assets

The Company provided corporate guarantees amounting to RM138,716,000 to certain financial institutions to secure banking facilities granted by them to its subsidiaries. As at 31 March 2022, the total amount owing to these financial institutions amounted to RM89,027,073.

There are no other contingent liabilities or contingent assets to be disclosed during the current quarter under review.

NPC RESOURCES BERHAD (Registration No: 199901027413 (502313-P))
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022
The figures have not been audited

14. Capital commitments

The amount of capital commitments not provided for in the unaudited interim financial report as at 31 March 2022 is as follows:

	RM'000
Approved and contracted	2,389
Approved but not contracted for	37,010
	<u>39,399</u>

15. Review of performance

The Group recorded a profit before tax of RM9.489 million for the current quarter on the back of turnover of RM90.858 million for the current quarter. These represent an increase of 156% in profit before tax and 76% in revenue as compared to the loss before tax and revenue in the preceding year corresponding quarter ended 31 March 2021.

The increase in profit before tax and revenue for current quarter as compared to preceding corresponding quarter was mainly due to higher realised CPO and PK prices rose to 57.57% and 95.28% to an average of RM4,661 and RM4,144 per metric tonne respectively amid CPO tight supply worries.

The detailed analysis of the respective operating segments of the Group with reference to the segmental information as disclosed in note 9 are discussed below: -

Plantation segment

The external revenue of the plantation segment increased by 76% for the current quarter as compared to preceding corresponding quarter mainly due to higher realised CPO and PK prices as per below statistic:

Quarter ended	31 March 2022	31 March 2021	%
Average CPO price	RM4,661 /metric ton	RM2,958 /metric ton	+ 57.57
Average PK price	RM4,144 /metric ton	RM2,122 /metric ton	+ 95.28

The plantation segment registered a segment profit of RM19.323 million, which was 100% greater than the previous year corresponding quarter mainly due to the surge in CPO and PK prices.

Hotel segment

The external revenue of the hotel segment increased by 62% for the current quarter as compared to previous year corresponding quarter mainly due to higher occupancy rate during the quarter under review.

NPC RESOURCES BERHAD (Registration No: 199901027413 (502313-P))
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022
The figures have not been audited

16. Variance of the results against the immediate preceding quarter

The Group recorded a profit before tax of RM9.489 million for the current quarter as compared to the profit before tax of RM25.051 million for the immediate preceding quarter ended 31 December 2021. Management attributes the decrease in profit before tax was mainly due to higher interest income of RM14.076 million and one-off gain on disposal of plantation to Syarikat Kretam Plantations Sdn Bhd of RM6.496 million in the preceding quarter.

17. Prospects

Plantation segment

Looking ahead, the current strong CPO & PK prices are expected to moderate in the second half of 2022 as FFB production recover with the normalisation of weather conditions. Notwithstanding this, the Group remains positive on the palm oil industry's long run outlook given the continuous growth in global population and household incomes which will continue to drive and sustain the demand of palm oil given its unrivalled versatility as a superior resource for both food and non-food applications.

The Group will continue its dedicated focus on yearly manuring programme, harvesting and fruits evacuation as well as increased mechanisation to achieve greater operational efficiencies and drive performance to a higher level. The Group is confident that with the continuous improvements in productivity and implementation of best plantation management practices together with cost effective strategies, it would be able ride out the challenges ahead. The Group's plantation segment is expected to register a better result for the financial year performance 2022.

Further, there are significant revenue and profit contribution to be generated from the Indonesia operation as most of the plantation areas are matured and the rest reaching maturity stage.

Hotel segment

The hospitality industry in Sabah is recording moderate growing key performance indicators as the hotel segment of the industry, is facing a tough time to record profits year on year. The emerging services in global online hospitality services and several online travel agencies and various attractive offers offered by them is making it hard for most of the segment hotels in Sabah, which are not technologically sound and are dependent on walk-in customers.

Though the inbound travel within the country is increasing, these drawbacks are inhibiting them to gain profits, as the majority of the travel group is being youngsters and are preferring online hospitality services.

In overall, the prospect of the hotel segment is remained to be extremely challenging in year 2022. Nonetheless, the Management of hotel segment will continue to make more use flexible or contract staff, or third-party service providers so that they can quickly respond to changing business conditions and staff up or down as needed to moderate the overall impacts.

NPC RESOURCES BERHAD (Registration No: 199901027413 (502313-P))
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022
The figures have not been audited

18. Profit forecast

Not applicable.

19. Profit/(loss) for the period

Profit/(loss) for the period is arrived at after charging/(crediting):

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31/03/2022 RM'000	Preceding Year Corresponding Quarter Ended 31/03/2021 RM'000	Current Year- To-Date Ended 31/03/2022 RM'000	Preceding Year Corresponding Period Ended 31/03/2021 RM'000
Amortisation and depreciation	12,593	13,869	12,593	13,869
Finance cost	(6,460)	(4,118)	(6,460)	(4,118)
Loss on crude palm oil pricing swap	-	7,486	-	7,486
Interest income	(55)	(18)	(55)	(18)
Other income	(2,199)	(1,520)	(2,199)	(1,520)
Net unrealised loss on foreign exchange	1,312	10,268	1,312	10,268
Property, plant and equipment written off	1	37	1	37

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

20. Income tax expense/(benefit)

Income tax benefit comprises :-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31/03/2022 RM'000	Preceding Year Corresponding Quarter Ended 31/03/2021 RM'000	Current Year- To-Date Ended 31/03/2022 RM'000	Preceding Year Corresponding Period Ended 31/03/2021 RM'000
Tax expense for the period:				
- Malaysian Income Tax	953	398	953	398
- relating to origination and reversal of temporary differences	(566)	(731)	(566)	(731)
- Real Property Gain Tax	60	-	60	-
	447	(333)	447	(333)
Under provided in prior years:				
- Deferred taxation	(16)	18	(16)	18
	431	(315)	431	(315)

NPC RESOURCES BERHAD (Registration No: 199901027413 (502313-P))
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022
The figures have not been audited

21. Status of corporate proposals

There were no other corporate proposals which were announced but not completed as at 27 May 2022.

22. Group's borrowings and debt securities

Particulars of the Group's borrowings as at 31 March 2022 are as follows: -

	Secured RM'000
Short term borrowings	
Revolving credits	126,081
Bankers' acceptance	38,271
Bank overdraft	2,505
Term loans	22,920
	<hr/>
	189,777
Hire purchase and lease payables	2,670
	<hr/>
Sub-total	192,447
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	Secured RM'000
Long term borrowings	
Term loan	270,310
Hire purchase and lease payables	3,680
	<hr/>
Sub-total	273,990
	<hr/>
Total Borrowings	466,437

All borrowings are denominated in Ringgit Malaysia, except for the following borrowings:

	Foreign Currencies USD'000	RM Equivalent RM'000
USD – Revolving credit @ 4.206	15,716	66,101
		<hr/>
	IDR'000	
IDR – Term loan @ 0.000293	592,000,000	173,456
		<hr/>
		239,557

There are no debt securities issued as at 31 March 2022.

NPC RESOURCES BERHAD (Registration No: 199901027413 (502313-P))
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022
The figures have not been audited

23. Financial Instruments

(a) Fair Value of Financial Instruments

The following hierarchies were applied to determine the fair value of all the financial instruments carried at fair value:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 March 2022, there were no outstanding derivatives (including financial instruments designated as hedging derivatives).

(b) Derivative Financial Instruments

The Group entered into Crude Palm Oil (“CPO”) pricing swap contracts offered by certain reputable banks in Malaysia to mitigate the exposure to fluctuations in the price of CPO in accordance with the guidelines set by the Management.

As at the date of the statement of financial position, there are no outstanding the CPO pricing swap contracts.

The fair value change is due to the difference between fixed CPO prices as per the swap contracts and the average future CPO prices quoted on the Bursa Malaysia Derivative Exchange for the specific contracted periods.

Fair value gain is recorded when the average future CPO prices quoted on the Bursa Malaysia Derivative Exchange is lower than the contracted fixed CPO prices. Conversely, a fair value loss will be recorded when the average future CPO prices quoted on the Bursa Malaysia Derivative Exchange are higher than the contracted fixed CPO prices.

24. Changes in material litigation

There was no pending material litigation as at 21 May 2022, being a date not earlier than 7 days from the date of the quarterly report, except for, on 10 May 2021, a subsidiary of the Company, Berkat Setia Sdn Bhd (“Berkat Setia”) received a Writ and Statement of Claim from the residents of Kampung Segaliud in Sandakan who sued Berkat Setia and another third party for negligence and breach of duty for alleged discharge of industrial effluent from their palm oil mill and thereby causing pollution to the nearby Sungai Segaliud. Berkat Setia has strongly denied the said claim as they maintain that at all material times they had set up and operated a safe and adequate industrial effluent treatment system duly approved and licensed by the relevant authorities and in compliance with the terms and conditions of the said license and all applicable relevant laws and regulations.

The Sandakan High Court has fixed the trial of this claim on 4 July 2022 to 8 July 2022. Our legal counsel is of the opinion that Berkat Setia has a meritorious defence to this claim. Meanwhile, the burden is on the plaintiffs to prove their claim against Berkat Setia.

NPC RESOURCES BERHAD (Registration No: 199901027413 (502313-P))
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2022
The figures have not been audited

25. Proposed dividend

No dividend was proposed for the current period.

26. Profit/(Loss) per share

(a) Basic

Basic profit/(loss) per share amounts are calculated by dividing the net profit/(loss) for the period by the weighted average number of ordinary shares in issue during the period excluding treasury shares held by the Company.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31/03/2022 RM'000	Preceding Year Corresponding Quarter Ended 31/03/2021 RM'000	Current Year- To-Date Ended 31/03/2022 RM'000	Preceding Year Corresponding Period Ended 31/03/2021 RM'000
(i) Profit/(Loss) attributable to equity holders of the parent	6,130	(12,541)	6,130	(12,541)
(ii) Weighted average number of shares	116,863	116,863	116,863	116,863
(iii) Basic profit/(loss) per share (sen)	5.25	(10.73)	5.25	(10.73)

(b) Diluted

The Group has no potential ordinary shares in issue as at end of current quarter and therefore, diluted earnings per share has not been presented.

27. Net assets per share attributable to equity holders of the parent

The net assets per share attributable to equity holders of the parent is calculated by dividing the total equity attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period excluding treasury shares as at end of current quarter.

28. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 May 2022.

By Order of the Board
Dorothy Luk Wei Kam
Company Secretary
Kota Kinabalu, Sabah
27 May 2022