



NPC RESOURCES BERHAD (Registration No: 199901027413 (502313-P))
INTERIM FINANCIAL STATEMENTS ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2023
The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31/03/2023 RM'000	Preceding Year Corresponding Quarter Ended 31/03/2022 RM'000	Current Year- To-Date Ended 31/03/2023 RM'000	Preceding Year Corresponding Period Ended 31/03/2022 RM'000
Revenue	100,686	90,858	100,686	90,858
Operating expenses	(96,060)	(75,851)	(96,060)	(75,851)
Other operating income	1,465	2,254	1,465	2,254
Profit from operations	6,091	17,261	6,091	17,261
Finance costs	(7,610)	(6,460)	(7,610)	(6,460)
Net foreign exchange gain/(loss)	902	(1,312)	902	(1,312)
(Loss)/profit before tax – (Note 19)	(617)	9,489	(617)	9,489
Income tax benefit/(expenses) – (Note 20)	845	(431)	845	(431)
Profit for the period	228	9,058	228	9,058
Other comprehensive income, net of tax:				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operation	9,903	1,005	9,903	1,005
Items that will not be reclassified subsequently to profit or loss				
Revaluation reserve	30,272	1,720	30,272	1,720
Transfer of revaluation reserve to retained earnings	(2,920)	(1,720)	(2,920)	(1,720)
Total comprehensive income for the period	37,483	10,063	37,483	10,063
(Loss)/income for the period attributable to:				
Equity holders of the parent	(32)	6,130	(32)	6,130
Non-controlling interests	260	2,928	260	2,928
	228	9,058	228	9,058
Total comprehensive income for the period attributable to:				
Equity holders of the parent	26,087	7,578	26,087	7,578
Non-controlling interests	11,396	2,485	11,396	2,485
	37,483	10,063	37,483	10,063
(Loss)/profit per share attributable to equity holders of the parent:-				
(a) Basic, for (loss)/profit for the period (sen) - (Note 26)	(0.03)	5.25	(0.03)	5.25
(b) Diluted, for (loss)/profit 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 2022 and the accompanying explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at current period ended 31/03/2023 RM'000	Audited 31/12/2022 RM'000
Non-current assets		
Property, plant and equipment	1,174,745	1,113,487
Investment properties	14,532	14,657
Other receivables	11,823	14,818
Goodwill on consolidation	32,501	32,418
	<u>1,233,601</u>	<u>1,175,380</u>
Current assets		
Inventories	26,989	33,022
Biological assets	8,738	7,941
Trade and other receivables	49,241	82,919
Tax refundable	2,815	1,950
Cash and bank balances	9,544	34,660
	<u>97,327</u>	<u>160,492</u>
Current liabilities		
Trade and other payables	99,699	168,925
Borrowings – (Note 22)	227,735	233,836
	<u>327,434</u>	<u>402,761</u>
Net current liabilities	(230,107)	(242,269)
	<u>1,003,494</u>	<u>933,111</u>
Share capital	120,000	120,000
Treasury shares	(7,509)	(7,509)
Retained earnings	227,408	198,803
Asset revaluation reserve	278,023	246,045
Foreign currency translation reserve	(12,412)	(24,899)
Equity attributable to equity holders of the parent	<u>605,510</u>	<u>532,440</u>
Non-controlling interests	<u>10,452</u>	<u>32,284</u>
Total equity	<u>615,962</u>	<u>564,724</u>
Non-current liabilities		
Borrowings – (Note 22)	245,539	237,356
Employee benefits	4,937	4,081
Deferred tax liabilities	137,056	126,950
	<u>387,532</u>	<u>368,387</u>
	<u>1,003,494</u>	<u>933,111</u>
Net assets per share attributable to equity holders of the parent (RM) – (Note 27)	<u>5.18</u>	<u>4.56</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW

	Current Year- To-Date Ended 31/03/2023 RM'000	Preceding Year Corresponding Period Ended 31/03/2022 RM'000
(Loss)/profit before tax	(617)	9,489
Adjustments for:-		
Amortisation and depreciation	14,368	12,593
Interest income	(20)	(55)
Fair value changes of biological assets	(797)	(2,761)
Finance costs	7,610	6,460
Gain on disposal of property, plant and equipment	(31)	-
Net unrealised (gain)/loss on foreign exchange	(902)	1,312
Property, plant and equipment written off	1	1
Operating cash flows before changes in working capital	<u>19,612</u>	<u>27,039</u>
Changes in working capital		
Net change in inventories	7,159	(12,942)
Net change in receivables	41,315	(8,576)
Net change in payables	(75,214)	(47,172)
Interest received	20	55
Net taxes paid	(1,130)	(936)
Finance costs paid	(7,500)	(6,351)
Net cash flows used in operating activities	<u>(15,738)</u>	<u>(48,883)</u>
Investing Activities		
Withdrawal of fixed deposits	-	(4,444)
Purchase of property, plant and equipment	(5,428)	(3,833)
Net proceeds from disposal of property, plant and equipment	105	-
Net cash flows used in investing activities	<u>(5,323)</u>	<u>(8,277)</u>
Financing Activities		
Dividends paid to non-controlling interest	-	(4,200)
Repayment of borrowings	(43,276)	(16,327)
Proceeds from drawdown of bank borrowings	44,840	19,957
Net repayment of hire purchase liabilities	(823)	(696)
Net cash flows generated from/(used in) financing activities	<u>741</u>	<u>(1,266)</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW (CONTD.)

	Current Year-To- Date Ended 31/03/2023 RM'000	Preceding Year Corresponding Period Ended 31/03/2023 RM'000
Net change in cash and cash equivalents	(20,320)	(58,426)
Effect of exchange rate changes on cash and cash equivalents	258	(2,748)
Cash and cash equivalents at beginning of financial period	19,389	66,804
Cash and cash equivalents at end of financial period (Note A)	<u>(673)</u>	<u>5,630</u>

Note:

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

Fixed deposits with licensed bank	5,972	7,270
Cash and bank balances	3,572	8,134
Bank overdraft	(4,251)	(2,504)
	<u>5,293</u>	<u>12,900</u>
Short term fixed deposits with licensed banks with maturity more than 3 months	(5,966)	(7,270)
	<u>(673)</u>	<u>5,630</u>

The condensed consolidated statement of cashflow should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital RM'000	Treasury Shares RM'000	Attributable to equity holders of the parent			Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
			Distributable Retained Earnings RM'000	Foreign Currency Translation Reserve RM'000	Asset Revaluation Reserve RM'000			
Preceding year corresponding period 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
Total comprehensive loss for the period	-	-	293	1,093	(233)	1,153	(148)	1,005
Realisation of revaluation reserve	-	-	1,720	-	(1,425)	295	(295)	-
Transactions with owner								
Dividend paid to non-controlling interest	-	-	-	-	-	-	(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

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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 2023								
Balance as at 1 January 2023	120,000	(7,509)	198,803	(24,899)	246,045	532,440	32,284	564,724
(Loss)/profit for the period	-	-	(32)	-	-	(32)	260	228
Other comprehensive income/ (loss)	-	-	(7,511)	12,487	5,293	10,269	(366)	9,903
Revaluation reserve	-	-	2,920	-	26,685	29,605	11,502	41,107
<i>Transactions with owners</i>								
Acquisition of shares from non- controlling interest	-	-	33,228	-	-	33,228	(33,228)	-
Balance as at 31 March 2023	120,000	(7,509)	227,408	(12,412)	278,023	605,510	10,452	615,962

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial report.

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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 2022. 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 2022.

2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2022 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2023. 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 16, Leases: Lease Liability in a Sale and Leaseback 1 January 2024	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024

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 2022 was unqualified.

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4. Seasonality or cyclicity of operations

The Group's operational performance are mainly affected by seasonal and cyclical factors such as the seasonal pattern in the production of fresh fruit bunches (FFB), the seasonal weather conditions and the movement in commodity prices. 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 2023.

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 2023				
Segment Revenue				
External revenue	98,833	1,853	-	100,686
Inter-segment revenue	-	1	(1)	-
Total	<u>98,833</u>	<u>1,854</u>	<u>(1)</u>	<u>100,686</u>
Segment Results				
Unallocated corporate expenses		(192)	-	(476)
Profit from operation				6,993
Finance costs				<u>(7,610)</u>
Loss before tax				(617)
Income tax benefit				<u>845</u>
Profit for the period				<u><u>228</u></u>

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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	89,912	947	(1)	90,858
Segment Results				
Unallocated corporate expenses		(450)		18,873
Profit from operation				(2,924)
Finance costs				15,949
Profit before tax				(6,460)
Income tax expenses				9,489
Profit for the period				(431)
				9,058

10. Valuations

A class of plantation land under right-of-use asset is revalued by independent registered valuers, C H Williams Talhar & Wong Sdn Bhd and Henry Butcher Malaysia (Sabah) Sdn Bhd.

The asset's carrying amount is increased as a result of the revaluation which is recognised in other comprehensive income and accumulated in equity under the heading of Asset Revaluation Surplus.

Except for the above, there are no valuations of other classes of property, plant and equipment and right-of-use asset 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 RM146,716,000 to certain financial institutions to secure banking facilities granted by them to its subsidiaries. As at 31 March 2023, the total amount owing to these financial institutions amounted to RM93,755,465.

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

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14. Capital commitments

The amount of capital commitments not provided for in the unaudited interim financial report as at 31 March 2023 is as follows:

	RM'000
Approved and contracted	6,661
Approved but not contracted for	35,092
	<u>41,753</u>

15. Review of performance

The Group recorded a loss before tax of RM0.617 million for the current quarter on the back of turnover of RM100.686 million for current quarter. These represent a decrease of 107% in profit before tax but an increase of 11% in revenue as compared to the profit before tax and revenue in the preceding year corresponding quarter ended 31 March 2022 respectively.

The decrease in profit before tax for current quarter as compared to preceding corresponding quarter was mainly due to higher finance cost amounting to RM7.61 million in current quarter which represent an increase of 18% as compared to preceding corresponding quarter. The increase in finance cost was mainly due to hike in the Overnight Policy Rate and Federal Fund Rate by Bank Negara to manage inflation risks while supporting sustainable economic growth in 2023.

The increase in revenue for the current quarter was mainly due to higher FFB production from the plantation segment by 30% as compared to preceding corresponding quarter.

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 was increased by 10% for the current quarter as compared to preceding corresponding quarter was mainly due to higher FFB production from both Sabah and Indonesia:

FFB production by region	31 March 2023	31 March 2022	%
Sabah	25,477 metric ton	19,911 metric ton	+ 28.0
Indonesia	46,423 metric ton	35,241 metric ton	+ 31.7

The plantation segment registered a segment profit of RM7.661 million for the current, which was 60% lower than the preceding year corresponding quarter was mainly due to higher production costs arising mainly from higher fertilizer costs.

Hotel segment

The external revenue of the hotel segment increased by 96% for the current quarter as compared to preceding year corresponding quarter mainly contributed from school holiday seasonality and domestic tourism during the quarter under review.

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16. Variance of the results against the immediate preceding quarter

The Group recorded a loss before tax of RM0.617 million for the current quarter as compared to the profit before tax of RM4.678 million for the immediate preceding quarter ended 31 December 2022. Management attributes the decrease in profit before tax was mainly due to decrease in FFB production and increase in finance cost during the quarter.

17. Prospects

Plantation segment

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 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 expects plantation segment result for the financial year 2023 to be influenced by the movement in commodities prices and rising production costs.

Hotel segment

The prospect of the hotel segment is remained to be extremely challenging in year 2023 due to new minimum wage and unregulated short-term rental accommodation. Nonetheless, the Management of hotel segment will continue to make more use flexible or contract staff so that they can quickly respond to changing business conditions and staff up or down as needed to moderate the overall impacts.

18. Profit forecast

Not applicable.

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19. Profit for the period

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31/03/2023 RM'000	Preceding Year Corresponding Quarter Ended 31/03/2022 RM'000	Current Year- To-Date Ended 31/03/2023 RM'000	Preceding Year Corresponding Period Ended 31/03/2022 RM'000
Amortisation and depreciation	14,368	12,593	14,368	12,593
Interest expenses	7,610	6,460	7,610	6,460
Interest income	(20)	(55)	(20)	(55)
Other income	(1,414)	(2,199)	(1,414)	(2,199)
Net unrealised (gain)/loss on foreign exchange	(902)	1,312	(902)	1,312
Gain on disposal of property, plant and equipment	(31)	-	(31)	-
Property, plant and equipment written off	1	1	1	1

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 31/03/2023 RM'000	Preceding Year Corresponding Quarter Ended 31/03/2022 RM'000	Current Year- To-Date Ended 31/03/2023 RM'000	Preceding Year Corresponding Period Ended 31/03/2022 RM'000
Tax expense for the period:				
- Malaysian Income Tax	265	953	265	953
- relating to origination and reversal of temporary differences	(1,097)	(566)	(1,097)	(566)
- Real Property Gain Tax	-	60	-	60
	(832)	447	(832)	447
Over provided in prior years:				
- Deferred taxation	(13)	(16)	(13)	(16)
	(845)	431	(845)	431

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21. Status of corporate proposals

There were no other corporate proposals which were announced but not completed as at 26 May 2023.

22. Group's borrowings and debt securities

Particulars of the Group's borrowings as at 31 March 2023 are as follows: -

	Secured RM'000
Short term borrowings	
Revolving credits	129,103
Bankers' acceptance	37,788
Bank overdraft	4,251
Term loans	54,120
	<u>225,262</u>
Hire purchase and lease payables	2,473
Sub-total	<u>227,735</u>
	Secured RM'000
Long term borrowings	
Term loan	243,013
Hire purchase and lease payables	2,526
Sub-total	<u>245,539</u>
Total Borrowings	<u>473,274</u>

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

	Foreign Currencies USD'000	RM Equivalent RM'000
USD – Revolving credit @ 4.4170	12,860	56,803
	IDR'000	
IDR – Term loan @ 0.000295	674,500,000	198,978
		<u>255,781</u>

There are no debt securities issued as at 31 March 2023.

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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 2023, 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.

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24. Changes in material litigation

There was no pending material litigation as at 20 May 2023, 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 trial was held from 4 July 2022 to 6 July 2022 in the Sandakan High Court. The “Plaintiffs” and the “Defendants” has filed and served their written submissions to the Court after trial. The High Court delivered its decision on the matter on 01 December 2022 as follow:

- The High Court Judge dismissed the Plaintiffs’ claim for an injunction, general and exemplary damages claim, and interest;
- The High Court Judge ordered Berkat Setia to pay costs of RM50,000 to the Plaintiffs subject to allocator at 4% - a total of RM52,000.

However, our legal counsel have filed the Notice of Appeal for Berkat Setia on 22 December 2022 and currently pending the Court of Appeal to fix the first case management. 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.

25. Proposed dividend

No dividend was proposed for the current period.

26. (Loss)/profit per share

(a) Basic

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

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26. (Loss)/profit per share

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31/03/2023 RM'000	Preceding Year Corresponding Quarter Ended 31/03/2022 RM'000	Current Year- To-Date Ended 31/03/2023 RM'000	Preceding Year Corresponding Period Ended 31/03/2022 RM'000
(a) (Loss)/profit attributable to equity holders of the parent	<u>(32)</u>	<u>6,130</u>	<u>(32)</u>	<u>6,130</u>
(b) Weighted average number of shares	<u>116,863</u>	<u>116,863</u>	<u>116,863</u>	<u>116,863</u>
(c) Basic (loss)/profit per share (sen)	<u>(0.03)</u>	<u>5.25</u>	<u>(0.03)</u>	<u>5.25</u>

(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 26 May 2023.

By Order of the Board
Dorothy Luk Wei Kam
Company Secretary
Kota Kinabalu, Sabah
26 May 2023