

CEPATWAWASAN GROUP BERHAD
(Company No. 536499-K)

Condensed consolidated statement of comprehensive income
For the three-months period ended 31 March 2016

	Current quarter		Cumulative quarter	
	3 months ended 31.03.2016 (Unaudited) RM'000	3 months ended 31.03.2015 (Unaudited) RM'000	3 months ended 31.03.2016 (Unaudited) RM'000	3 months ended 31.03.2015 (Unaudited) RM'000
Revenue	38,891	42,433	38,891	42,433
Cost of sales	(36,528)	(36,051)	(36,528)	(36,051)
Gross profit	2,363	6,382	2,363	6,382
Other operating income	198	792	198	792
Administrative expenses	(2,197)	(1,936)	(2,197)	(1,936)
Other operating expenses	(782)	(1,052)	(782)	(1,052)
Operating profit	(418)	4,186	(418)	4,186
Finance income	1,838	1,389	1,838	1,389
Finance costs	(1,768)	(1,441)	(1,768)	(1,441)
Net finance income	70	(52)	70	(52)
Profit before tax	(348)	4,134	(348)	4,134
Income tax expense	133	(714)	133	(714)
Profit net of tax	(215)	3,420	(215)	3,420
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(201)	4	(201)	4
Other comprehensive income for the period, net of tax	(201)	4	(201)	4
Total comprehensive income for the period	(416)	3,424	(416)	3,424
(Loss)/profit attributable to:				
Owners of the parent	(405)	3,302	(405)	3,302
Non-controlling interests	190	118	190	118
	(215)	3,420	(215)	3,420
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(493)	3,306	(493)	3,306
Non-controlling interests	77	118	77	118
	(416)	3,424	(416)	3,424
Earnings per share (EPS) attributable to owners of the parent (sen per share)				
Basic EPS	(0.13)	1.07	(0.13)	1.07

These condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

CEPATWAWASAN GROUP BERHAD
(Company No. 536499-K)

Condensed consolidated statement of financial position as at 31 March 2016

	31.03.2016	31.12.2015
	(Unaudited)	(Unaudited)
	RM'000	RM'000
ASSETS		
Property, plant and equipment	175,288	174,294
Biological assets	159,801	159,091
Investment properties	42,700	42,700
Intangible assets	92,088	92,088
Land use rights	1,992	1,994
Deferred tax assets	3,540	3,423
Trade and other receivables	140,753	136,077
Total non-current assets	616,162	609,667
Inventories	23,458	29,422
Trade and other receivables	10,877	13,629
Tax recoverable	1,425	883
Short term investments	11,711	11,085
Deposits placed with licensed banks	10,402	9,721
Cash and bank balances	9,584	15,075
Total current assets	67,457	79,815
TOTAL ASSETS	683,619	689,482
EQUITY		
Equity attributable to owners of the parent		
Share capital	318,446	318,446
Treasury shares	(11,097)	(11,097)
Retained earnings	151,293	151,698
Other reserve	(1,946)	(1,946)
Foreign currency translation reserve	62	150
Total equity attributable to owners of the parent	456,758	457,251
Non-controlling interests	17,899	17,823
Total equity	474,657	475,074
LIABILITIES		
Lease rental payable	267	267
Borrowings	70,482	74,045
Deferred tax liabilities	47,632	48,079
Total non-current liabilities	118,381	122,391
Borrowings	71,483	68,624
Trade and other payables	18,934	23,200
Income tax payables	164	193
Total current liabilities	90,581	92,017
Total liabilities	208,962	214,408
TOTAL EQUITY AND LIABILITIES	683,619	689,482
Net assets per share attributable to owner of the parent (RM)	1.48	1.48

These condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated statement of cash flows for the period ended 31 March 2016

	3 months ended 31.03.2016 (Unaudited) RM'000	3 months ended 31.03.2015 (Unaudited) RM'000
Operating activities		
(Loss)/Profit before tax	(348)	4,134
Adjustments for:		
Depreciation and amortisation	1,804	2,093
Finance costs	1,769	1,441
Plant and equipment scrapped	-	3
Gain on disposal of property, plant and equipment	(33)	(567)
Finance income	(1,838)	(1,389)
Net loss/(gain) on foreign exchange - unrealised	170	(59)
Operating profit before working capital changes	1,524	5,656
Decrease/(Increase) in inventories	5,960	(1,688)
(Increase)/Decrease in receivables	(102)	2,821
Decrease in payables	(4,498)	(5,459)
Cash generated from operations	2,884	1,330
Interest paid	(1,769)	(1,441)
Income taxes paid	(1,007)	(2,810)
Tax refunded	6	1,700
Interest received	174	169
Net cash flows generated from/(used in) operating activities	288	(1,052)
Investing activities		
Proceeds from disposal of property, plant and equipment	33	643
Purchase of property, plant and equipment	(2,795)	(3,563)
Additions to biological assets	(710)	(432)
Net investment in short term money market funds	(626)	(867)
Acquisition of non-controlling interests	(1)	-
Net cash flows used in investing activities	(4,099)	(4,219)
Financing activities		
Drawdown of revolving credits	3,000	-
Repayment of term loans	(3,438)	(2,437)
Repayment of obligations under finance leases	(266)	(228)
Net cash flows used in financing activities	(704)	(2,665)
Net decrease in cash and cash equivalents	(4,515)	(7,936)
Net foreign exchange difference	(295)	1
Cash and cash equivalents at beginning of financial period	24,796	23,433
Cash and cash equivalents at end of financial period	19,986	15,498
Cash and cash equivalents at the end of the financial period comprise the following:		
	As at 31.03.2016 (Unaudited) RM'000	As at 31.03.2015 (Unaudited) RM'000
Deposits placed with licensed banks	10,402	6,893
Cash and bank balances	9,584	8,605
	19,986	15,498

These condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

CEPATWAWASAN GROUP BERHAD
(Company No. 536499-K)

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

These condensed consolidated interim financial statements for the year ended 31 March 2016, have been prepared in accordance with Financial Reporting Standard (“FRS”) 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 year ended 31 December 2015.

The accounting policies used in the preparation of interim financial statements are consistent with those previously adopted in the audited financial statements of the Group for the year ended 31 December 2015. These explanatory notes attached to the 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 2015.

2. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2015, except for the adoption of the following new/revised FRSs and amendments to FRSs:

Effective for annual periods beginning on or after 1 January 2016:

Annual Improvements to FRSs 2012 – 2014 Cycle

Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to FRS 127: Equity Method in Separate Financial Statements

Amendments to FRS 101: Disclosure Initiatives

Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception

FRS 14: Regulatory Deferral Accounts

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

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”).

The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (“MFRS 141”) and IC Interpretation 15 Agreements for Construction of Real Estate (“IC 15”), including its parent, significant investor and venturer (herein called ‘Transitioning Entities’).

2. Significant accounting policies (Contd.)

Transitioning Entities are allowed to defer adoption of the new MFRS Framework and continue to use the existing Financial Reporting Standards framework until the MFRS Framework is mandated by the MASB. According to an announcement made by the MASB on 8 September 2015, all Transitioning Entities shall adopt the MFRS framework and prepare their first MFRS financial statements for annual periods beginning on or after 1 January 2018.

The Group falls within the definition of Transitioning Entities and accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements of the Group for the year ended 31 December 2015 was not qualified.

4. 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

	Results for the 3 months ended 31 March							
	Plantation		Oil Mill		Power Plant		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,599	2,305	31,435	36,441	4,506	3,205	38,540	41,951
Inter-segment revenue	7,154	9,525	-	-	555	476	7,709	10,001
Segment profit	328	3,424	78	1,385	(379)	(694)	27	4,115
Segment assets	356,864	350,653	80,378	83,306	160,241	149,647	597,483	583,606
Segment liabilities	4,888	5,121	27,576	31,577	67,870	77,102	100,334	113,800

4. Segment information (Contd.)

	3 months ended 31.03.2016 (Unaudited) RM'000	3 months ended 31.03.2015 (Unaudited) RM'000
Segment profit is reconciled to consolidated profit before tax as follows:		
Segment profit	27	4,115
Other non-reportable segments	187	283
Elimination of inter-segment profits	(46)	(107)
Unallocated corporate expenses	(516)	(157)
Consolidated profit before tax	<u>(348)</u>	<u>4,134</u>

5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial year under review.

6. Changes in estimates

There was no estimation of amount used in the preceding reporting quarter having a material impact in the current reporting quarter.

7. Comments about seasonal or cyclical factors

In line with the trend of Fresh Fruit Bunches (FFB) production in the oil palm industry, the Group expects 'low' crop in the beginning of the year and 'high' crop towards the second half of the year.

8. Dividend paid

There was no dividend paid during the financial period-to-date.

9. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period under review.

10. Changes in composition of the Group

There were no changes in the composition of the Group during the quarter ended 31 March 2016.

11. Capital commitments

The amount of capital commitments not provided for in the unaudited interim financial statements as at 31 March 2016 is as follows:

	RM'000
Approved and contracted for	13,684
Approved but not contracted for	<u>16,172</u>
	<u>29,856</u>

12. Changes in contingent liabilities and contingent assets

There were no changes in other contingent liabilities or contingent assets since the last annual statement of financial position as at 31 December 2015.

13. Subsequent events

There were no material subsequent events to the end of the current quarter.

CEPATWAWASAN GROUP BERHAD
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Information required by Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. Review of performance

Current Quarter vs. Previous Year Corresponding Quarter

For this quarter under review, the Group recorded a revenue of RM 38.89 million, which is a decrease of RM 3.54 million as compared to the preceding year corresponding quarter mainly due to decrease in CPO sales volume and PK sales volume by 9% and 48% respectively.

The Group reported a loss before tax of RM 0.35 million for this quarter under review as compare to profit before tax of RM 4.13 million on the preceding year corresponding quarter mainly due to a decrease in FFB production by 24% and lower CPO sales volume and PK sales volume by 9% and 48% respectively.

Performance of the respective operating business segments for this quarter under review as compared to the preceding year corresponding quarter is analysed as follows:

- i) Plantation – The decrease in profit before tax by RM 3.10 million (90%) from RM 3.42 million to RM 0.33 million was mainly due to lower FFB production by 24%.
- ii) Oil Mill – The decrease in profit before tax by RM 1.31 million (94%) from RM 1.38 million to RM 0.08 million was mainly due to lower milling margin as a result of stiff competition on sourcing for FFB and lower CPO and PK sales volume by 9% and 48% respectively despite higher CPO and PK price by 3% and 8% respectively.
- iii) Power Plant – The decrease in loss before tax by RM 0.32 million (45%) from RM 0.70 million to RM 0.38 million was mainly due to a lower operating cost. The 12MW Biomass Power Plant generated and exported 14,056,690 kw for this current quarter as compare to 9,338,232 kw in the corresponding preceding quarter.

2. Comment on material change in profit before tax against immediate preceding quarter

The Group recorded a loss before tax of RM 0.35 million in the quarter under review as compared to profit before tax RM 3.53 million in the immediate preceding quarter mainly due to a decrease in FFB production by 45%, a lower CPO and PK sales volume by 38% and 56% respectively and also a lower milling margin as a result of stiff competition.

3. Commentary on prospects

The effect of the EI Nino weather pattern has adversely impacted the overall crop production of the Group and as a result, the Group expects a challenging financial year ahead.

4. Profit forecast or profit guarantee

Not applicable as there was no profit forecast or guarantee published.

5. Profit for the period/year

	Current quarter		Cumulative quarter	
	3 months ended 31.03.2016 (Unaudited) RM'000	3 months ended 31.03.2015 (Unaudited) RM'000	3 months ended 31.03.2016 (Unaudited) RM'000	3 months ended 31.03.2015 (Unaudited) RM'000
Profit for the period is arrived at after charging / (crediting):				
Depreciation and amortisation	1,804	2,093	1,804	2,093
Plant and equipment scrapped	-	3	-	3
Gain on disposal of property, plant and equipment	(33)	(567)	(33)	(567)
Net loss on foreign exchange - realised	69	155	69	155
Net loss / (gain) on foreign exchange - unrealised	170	(59)	170	(59)

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.

6. Income tax expense

	Current quarter		Cumulative quarter	
	3 months ended 31.03.2016 (Unaudited) RM'000	3 months ended 31.03.2015 (Unaudited) RM'000	3 months ended 31.03.2016 (Unaudited) RM'000	3 months ended 31.03.2015 (Unaudited) RM'000
Income tax				
- Current provision	430	935	430	935
Deferred tax				
- Relating to origination and reversal of temporary differences	(349)	(222)	(349)	(222)
- Under/(over)provision of tax in prior years	(214)	1	(214)	1
Total income tax expense	(133)	714	(133)	714

The Group's effective tax rate for the current quarter was higher than the statutory tax rate of 24% principally due to certain expenses which are not deductible for tax purpose.

7. Corporate proposals

There was no corporate proposal for the current quarter under review.

8. Borrowings

	As at 31.03.2016 (Unaudited) RM'000	As at 31.12.2015 (Unaudited) RM'000
Short term borrowings - Secured		
Obligation under finance leases	733	874
Revolving credit	57,000	54,000
Term loans	13,750	13,750
	<u>71,483</u>	<u>68,624</u>
Long term borrowings - Secured		
Obligation under finance leases	811	936
Term loans	69,671	73,109
	<u>70,482</u>	<u>74,045</u>
Total borrowings	<u>141,965</u>	<u>142,669</u>

The Group's total borrowings included an amount of RM 56.11 million (31.12.2015: RM 56.11 million) that was obtained under the Green Technology Financing Scheme for the renewable power plant.

9. 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 March 2016.

10. Material litigation

Suara Baru Sdn Bhd. ("SESB") vs. Borhill Estates Sdn Bhd ("BESB") (Suit No. SDK-22NCvC-39/11-2014)

The Company's wholly owned 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 RM 115,169.66, 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 RM 5,612,850.00 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 Suit No. SDK-22NCvC-39/11-2014. Both parties were unable to resolve the dispute through mediation on 19 October 2015. The Suit is now rescheduled for trial from 1 August 2016 to 5 August 2016.

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 advice of its solicitors, the Company will be able to advance a cogent defence to BESB's counterclaim.

11. Breakdown of realised and unrealised profits or losses

The breakdown of the retained profits of the Group as at 31 March 2016 and 31 December 2015 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	As at 31.03.2016 (Unaudited) RM'000	As at 31.12.2015 (Unaudited) RM'000
Realised retained earnings	196,476	193,520
Unrealised retained earnings	7,652	7,200
	<u>204,128</u>	<u>200,720</u>
Less: consolidation adjustments	(52,835)	(49,072)
Total group retained earnings	<u>151,293</u>	<u>151,698</u>

12. Dividend payable

No interim dividend has been declared during the current quarter ended 31 March 2016. (31 March 2015 : Nil).

13. Earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing the Group's profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period/year excluding treasury shares held by the Company.

	Current quarter		Cumulative quarter	
	3 months ended 31.03.2016 (Unaudited)	3 months ended 31.03.2015 (Unaudited)	3 months ended 31.03.2016 (Unaudited)	3 months ended 31.03.2015 (Unaudited)
(Loss)/profit for the period/year attributable to owners of the parent used in computation of earnings per share (RM'000)	<u>(405)</u>	<u>3,302</u>	<u>(405)</u>	<u>3,302</u>
Weighted average number of ordinary shares in issue ('000)	<u>308,967</u>	<u>308,967</u>	<u>308,967</u>	<u>308,967</u>
Basic (loss)/earnings per share (sen per share)	<u>(0.13)</u>	<u>1.07</u>	<u>(0.13)</u>	<u>1.07</u>

(b) Diluted

The Group has no potential ordinary shares in issue as at balance sheet and therefore, diluted earnings per share have not been presented.

14. Authorisation for issue

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 April 2016.