

**MHC Plantations Bhd (4060-V)**  
**Condensed Consolidated Statement of Comprehensive Income (Unaudited)**  
**For The Second Quarter Ended 30 June 2019**

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.6.2019 RM' 000	30.6.2018 RM'000	30.6.2019 RM' 000	30.6.2018 RM' 000
Revenue	70,980	90,766	145,843	190,506
Cost of sales	(66,638)	(81,481)	(133,789)	(167,361)
Gross profit	4,342	9,285	12,054	23,145
Other income	2,762	2,799	5,526	5,474
Administrative expenses	(2,917)	(3,529)	(6,167)	(6,343)
Other operating expenses	(1,475)	(1,401)	(3,164)	(2,924)
Operating profit	2,712	7,154	8,249	19,352
Finance costs	(1,816)	(1,754)	(3,431)	(3,399)
Profit/(Loss) before tax	896	5,400	4,818	15,953
Income tax expense	(954)	(1,479)	(2,213)	(4,249)
Profit/(Loss) after tax	(58)	3,921	2,605	11,704
Other comprehensive income				
Exchange difference on translation of foreign operations	13	15	(33)	(312)
Total comprehensive income for the period	(45)	3,936	2,572	11,392
Profit/(Loss) attributable to:				
Owners of the parent	(167)	2,280	1,089	5,410
Non-controlling interests	109	1,641	1,516	6,294
	(58)	3,921	2,605	11,704
Total comprehensive income attributable to:				
Owners of the parent	(159)	2,284	1,067	5,217
Non-controlling interests	114	1,652	1,505	6,175
	(45)	3,936	2,572	11,392
Weighted average number of shares in issue	196,544	196,544	196,544	196,544
Earnings per share in sen				
- Basic	(0.08)	1.16	0.55	2.75

**The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2018.**

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

**Condensed Consolidated Statement of Financial Position**  
**as at 30 June 2019**

	<b>As at 30.6.2019 (Unaudited) RM'000</b>	<b>As at 31.12.2018 (Audited) RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	398,957	397,058
Investment properties	49,250	49,250
Land use rights	1,896	1,910
Deferred tax assets	2,917	3,032
Investment in securities	388	388
Trade and other receivables	139,790	140,836
Goodwill on consolidation	43,867	43,867
	<u>637,065</u>	<u>636,341</u>
<b>Current assets</b>		
Inventories	28,641	30,691
Biological assets	1,386	1,386
Trade and other receivables	25,153	24,989
Tax recoverable	3,375	3,391
Short term investments	13,531	14,421
Fixed deposits with licensed banks	8,137	9,193
Cash and bank balances	13,398	14,199
	<u>93,621</u>	<u>98,270</u>
<b>TOTAL ASSETS</b>	<u>730,686</u>	<u>734,611</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	196,544	196,544
Reserves	49,554	51,503
	<u>246,098</u>	<u>248,047</u>
<b>Non-controlling interests</b>	264,966	266,956
<b>Total equity</b>	<u>511,064</u>	<u>515,003</u>

**Condensed Consolidated Statement of Financial Position  
as at 30 June 2019 (Contd.)**

	<b>As at 30.6.2019 (Unaudited) RM'000</b>	<b>As at 31.12.2018 (Audited) RM'000</b>
<b>EQUITY AND LIABILITIES (CONTD.)</b>		
<b>Non-current liabilities</b>		
Lease rental payable	267	267
Hire purchase payables	2,291	2,535
Borrowings	64,538	61,513
Deferred tax liabilities	49,745	49,169
	<u>116,841</u>	<u>113,484</u>
<b>Current liabilities</b>		
Payables	26,400	29,446
Hire purchase payables	1,070	1,000
Borrowings	74,775	75,629
Taxation	536	49
	<u>102,781</u>	<u>106,124</u>
<b>Total liabilities</b>	<u>219,622</u>	<u>219,608</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>730,686</u>	<u>734,611</u>
<b>Net Tangible Asset Per Share (RM)</b>	<u>1.03</u>	<u>1.04</u>
<b>Net Asset Per Share (RM)</b>	<u>1.25</u>	<u>1.26</u>

**The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2018.**

**MHC Plantations Bhd (4060-V)**  
**Condensed Consolidated Statements of Changes in Equity (Unaudited)**  
**For The Second Quarter Ended 30 June 2019**

	I-----Equity attributable to owners of the Company-----I									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		
<b>Opening balance at 1 Jan 2018</b>	196,544	5,737	(29,451)	789	173	45	8	73,359	247,204	267,724	514,928
Total comprehensive income for the period	-	-	-	-	-	(192)	-	5,410	5,218	6,175	11,393
Dividends	-	-	-	-	-	-	-	(3,931)	(3,931)	-	(3,931)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4,603)	(4,603)
<b>Closing balance at 30 June 2018</b>	<b>196,544</b>	<b>5,737</b>	<b>(29,451)</b>	<b>789</b>	<b>173</b>	<b>(147)</b>	<b>8</b>	<b>74,838</b>	<b>248,491</b>	<b>269,296</b>	<b>517,787</b>
<b>Opening balance at 1 Jan 2019</b>	196,544	5,737	(32,100)	789	45	(289)	8	77,313	248,047	266,956	515,003
Total comprehensive income for the period	-	-	-	-	-	(22)	-	1,089	1,067	1,505	2,572
Dividends	-	-	-	-	-	-	-	(2,948)	(2,948)	-	(2,948)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(3,452)	(3,452)
Effect of subsidiary's treasury share transaction	-	-	(68)	-	-	-	-	-	(68)	(43)	(111)
<b>Closing balance at 30 June 2019</b>	<b>196,544</b>	<b>5,737</b>	<b>(32,168)</b>	<b>789</b>	<b>45</b>	<b>(311)</b>	<b>8</b>	<b>75,454</b>	<b>246,098</b>	<b>264,966</b>	<b>511,064</b>

**The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2018.**

**MHC Plantations Bhd (4060-V)**  
**Condensed Consolidated Statement of Cash Flows (Unaudited)**  
**For The Second Quarter Ended 30 June 2019**

	<b>6 months ended</b>	
	<b>30.6.2019</b>	<b>30.6.2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RM' 000</b>	<b>RM' 000</b>
<b>Operating activities</b>		
Profit before taxation	4,818	15,953
Adjustments for:		
Depreciation and amortisation	9,190	10,164
Interest expense	3,431	3,399
(Gain)/Loss on disposal of property, plant and equipment	(2)	-
(Gain)/Loss on fair value of biological assets	-	89
Property, plant and equipment written off	31	79
Provision for doubtful debts no longer required	(115)	-
Unrealised loss/(gain) on foreign exchange	5	-
Interest income	(3,875)	(4,170)
Dividend income	(1)	(1)
Total adjustments	8,664	9,559
<b>Operating cash flows before changes in working capital</b>	<b>13,482</b>	<b>25,512</b>
Changes in working capital:		
Inventories	2,050	3,526
Receivables	5,369	8,070
Payables	(3,919)	(8,501)
Total changes in working capital	3,500	3,095
Cash generated from operations	16,982	28,608
Interest received	372	408
Interest paid	(3,431)	(3,399)
Tax paid	(1,018)	(4,165)
<b>Net cash flows from/(used in) operating activities</b>	<b>12,905</b>	<b>21,453</b>
<b>Investing activities</b>		
Dividend received	1	1
Proceeds from disposal of property, plant and equipment	5	-
Purchase of property, plant and equipment	(10,776)	(7,941)
Net redemption/(investment in) of short term investments	890	3,496
<b>Net cash flows (used in)/from investing activities</b>	<b>(9,880)</b>	<b>(4,444)</b>
<b>Financing activities</b>		
Drawdown of revolving credit	-	2,500
Drawdown of term loan	14,400	3,779
Repayment of revolving credit	(1,000)	(6,250)
Repayment of term loan	(11,229)	(10,805)
Repayment of hire purchase obligations	(506)	(530)
Dividends paid to shareholders	(2,948)	(3,931)
Dividends paid to non-controlling shareholders	(3,452)	(4,603)
Purchase of treasury shares in a subsidiary company	(111)	-
<b>Net cash flows from/(used in) financing activities</b>	<b>(4,846)</b>	<b>(19,839)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,821)</b>	<b>(2,831)</b>
Effect on exchange rate changes on cash and cash equivalents	(31)	(319)
<b>Cash and cash equivalents as at 1 January</b>	<b>20,166</b>	<b>24,568</b>
<b>Cash and cash equivalents as at 30 June</b>	<b>18,314</b>	<b>21,418</b>
<b>Cash and cash equivalents :</b>		
Fixed deposits with licensed banks	8,137	9,683
Cash and bank balances	13,398	14,676
	21,535	24,359
Less : Fixed deposits pledged	(3,221)	(2,941)
	18,314	21,418

**The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2018.**

## Notes to the condensed consolidated interim financial statements

### 1. Basis of preparation

The condensed consolidated interim financial statements for the financial period ended 30 June 2019 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 2018.

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 2018. 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 2018.

### 2. Changes in 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 2018, except for the adoption of the following new/revised MFRSs and amendments to MFRSs:

Effective for financial periods beginning on or after 1 January 2019:

- MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- MFRS 16 Leases
- MFRS 128: Long term Interest in Associates and Joint Ventures (Amendments to MFRS 128)
- Annual Improvement to MFRS Standards 2015-2017 cycle
- MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)

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

## 2. Changes in accounting policies (Contd.)

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:

MFRS, IC Interpretation and Amendments to IC Interpretations	Effective for annual periods beginning on or after
Amendments to MFRS 3 Definition of a Business	1 Jan 2020
Amendments to MFRS 101 Definition of Material	1 Jan 2020
Amendments to MFRS 108 Definition of Material	1 Jan 2020
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

## 3. Auditors' report

The auditor's report on the preceding annual financial statements was not qualified.

## 4. Seasonal and cyclical factors

The business of the Group is cyclical in nature and the third quarter is normally the peak production season.

## 5. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 30 June 2019.

## 6. Changes in estimates

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

## 7. Equity and debt securities

There were no issuance, cancellation, resale, repurchase and repayment of equity or debt securities during the financial period ended 30 June 2019.

## 8. Dividend paid

A final single-tier dividend of 1.50 sen per share in respect of the financial year ended 31 December 2018 on 196,543,970 ordinary shares, amounting to a dividend payable of RM2,948,160 was paid on 13 June 2019.

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

	Results for 3 months ended 30 June							
	Plantation		Oil Mill		Power Plant		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,355	4,480	58,761	77,603	9,034	8,006	70,150	90,089
Inter-segment revenue	10,558	12,989	-	-	-	-	10,558	12,989
Segment profit/(loss)	(801)	2,540	1,999	3,224	693	686	1,891	6,450

	<b>3 months ended 30.6.2019 (Unaudited)</b>	<b>3 months ended 30.6.2018 (Unaudited)</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Segment profit is reconciled to consolidated profit before tax as follows:</b>		
Segment profit	1,891	6,450
Other non-reportable segments	173	(1)
Amortisation of group land cost	(631)	(613)
Elimination of inter-segment profits	(33)	(48)
Unallocated corporate (expenses)/income	(504)	(388)
Consolidated profit/(loss) before tax	<u>896</u>	<u>5,400</u>



9. Segment information (Contd.)

	Results for 6 months ended 30 June								
	Plantation		Oil Mill		Power Plant		Total		
	2019	2018	2019	2018	2019	2018	2019	2018	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
External revenue	4,842	9,591	124,671	164,787	15,102	15,147	144,615	189,525	
Inter-segment revenue	22,828	27,321	-	-	-	-	22,828	27,321	
Segment profit/(loss)	(54)	9,848	4,667	5,405	2,209	2,947	6,822	18,200	

	6 months ended 30.6.2019 (Unaudited) RM'000	6 months ended 30.6.2018 (Unaudited) RM'000
<b>Segment profit is reconciled to consolidated profit before tax as follows:</b>		
Segment profit	6,822	18,200
Other non-reportable segments	190	(124)
Amortisation of group land cost	(1,261)	(1,226)
Elimination of inter-segment profits	(123)	(55)
Unallocated corporate (expenses)/income	(810)	(842)
Consolidated profit/(loss) before tax	<u>4,818</u>	<u>15,953</u>

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the current financial period except for the wholly owned subsidiary companies, namely Bisikan Gemilang Sdn Bhd (BGSB) and Citarasa Lestari Sdn Bhd, (CLSB), have been struck off from the register and dissolved on 13 February 2019 pursuant to Section 550 of the Companies Act, 2016. As such, BGSB and CLSB have ceased to be the subsidiary company of the Group.

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	3,897
Approved but not contracted for	<u>21,189</u>
	<u>25,086</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 (2nd Quarter)			Cumulative Period (6 months ended)		
	Current year Quarter	Preceding Year Corresponding Quarter	Changes (%)	Current Year To- date	Preceding Year Corresponding Period	Changes (%)
	30.6.2019	30.6.2018		30.6.2019	30.6.2018	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
	RM'000	RM'000		RM'000	RM'000	
Revenue	70,980	90,766	-22%	145,843	190,506	-23%
Operating profit	2,712	7,154	-62%	8,249	19,352	-57%
Profit before tax	896	5,400	-83%	4,818	15,953	-70%
Profit after tax	(58)	3,921	-101%	2,605	11,704	-78%
Profit attributable to ordinary equity holders of the Parent	(167)	2,280	-107%	1,089	5,410	-80%
<b>Operational Statistics</b>						
Production:						
FFB (mt)	37,720	38,418	-2%	79,698	79,051	1%
CPO (mt)	24,833	27,054	-8%	54,020	55,554	-3%
PK (mt)	6,299	7,243	-13%	13,984	14,680	-5%
Average selling price:						
FFB (RM/mt)	331	466	-29%	336	456	-26%
CPO (RM/mt)	1,950	2,367	-18%	1,950	2,403	-19%
PK (RM/mt)	1,073	1,725	-38%	1,187	1,928	-38%
Quantity sold:						
CPO (mt)	26,754	27,388	-2%	55,487	56,537	-2%
PK (mt)	6,135	7,409	-17%	13,874	15,011	-8%
Oil Extraction Rate (%)	19.53	19.74	-1%	19.50	19.54	0%
Electricity Export(MWh)	19,648	18,088	9%	40,479	38,011	6%

1. Review of performance (Cont'd)

**Current Quarter vs. Previous Year Corresponding Quarter**

The Group recorded a revenue of RM70.98 million and profit before tax of RM0.90 million for the current quarter ended 30 June 2019 as compare to a revenue of RM90.77 million and profit before tax of RM5.40 million in the preceding year quarter ended 30 June 2018. The decreases in revenue and profit before tax were mainly due to decreases in selling prices of CPO, PK and FFB by 18%, 38% and 29% respectively.

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 Segment profit by RM3.34 million (>100%) from a segment profit of RM7.31 million to a Segment loss of RM0.80 million was mainly due to a decrease in FFB price by 25%.
- (ii) Oil Mill – The decrease in Segment profit by RM 1.22 million (38%) from RM3.22 million to RM2.00 million was mainly due to a decrease in FFB processed by 7% and a lower milling margin.
- (iii) Power Plant – –Segment profit increased marginally by RM0.01 million (1%) from RM0.68 million to RM0.69 million as the effect of an increase in Power Sales by 1,559MWh (9%) was offset by a decrease in Power sales recognition by RM0.59 million as a result of a change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements in the current quarter under review. The 12MW Biomass Power Plant generated and exported 12,831MWh (2018: 13,608MWh) whereas the 4.0MW Biogas Power Plant generated and exported 6,816MWh (2018: 4,479 MWh) for the current quarter to Sabah Electricity Sdn Bhd (“SESB”).

1. Review of performance (Cont'd)

**Current Year-to-date vs. Previous Year-to-date**

For this financial period under review, the Group recorded a revenue of RM145.84 million and profit before tax of RM4.82 million as compared to a revenue of RM190.51 million and profit before tax of RM15.93 in the preceding year corresponding period. The decreases in revenue and profit before tax were mainly due to decreases in selling prices of CPO, PK and FFB by 19%, 38% and 26% respectively.

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 Segment profit by RM9.90 million (>100%) from a segment profit of RM9.98 million to a Segment loss of RM0.05 million was mainly due to a decrease in FFB price by 26%.
- (ii) Oil Mill – The decrease in Segment profit by RM 0.74 million (14%) from RM5.41 million to RM4.67 million was mainly due to a decrease in FFB processed by 2% and a lower milling margin.
- (iii) Power Plant – The decrease in Segment profit by RM0.74 million (25%) from RM2.95 million to RM2.21 million was mainly due to a decrease in Power sales recognition by RM1.11 million arising from the change in the estimate used for Power sales recognition under IC Interpretation 12 Service Concession Agreements and a lower average EFB oil selling price by 15%. The 12MW Biomass Power Plant generated and exported 26,988 MWh (2018: 29,002 MWh) whereas the 4.0 MW Biogas Power Plant generated and exported 13,491 MWh (2018: 9,009 MWh) for this current period to SESB

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

			<b>Current quarter 30.6.2019 (Unaudited) RM'000</b>	<b>Immediate Preceding Quarter 31.3.2019 (Unaudited) RM'000</b>	<b>Changes (%)</b>
Revenue			70,980	74,863	-5.2%
Operating profit			2,712	5,536	-51%
Profit before tax			896	3,921	-77%
Profit after tax			(58)	2,662	-102%
Profit attributable to ordinary equity holders of the Parent			(167)	1,255	-113%
<b><i>Operational Statistics</i></b>					
<b>Production:</b>					
FFB	(mt)		37,720	41,978	-10%
CPO	(mt)		24,833	29,187	-15%
PK	(mt)		6,299	7,685	-18%
<b>Average selling price:</b>					
FFB	(RM/mt)		331	342	-3.2%
CPO	(RM/mt)		1,950	1,950	0%
PK	(RM/mt)		1,073	1,277	-16%
<b>Quantity sold:</b>					
CPO	(mt)		26,754	28,733	-7%
PK	(mt)		6,135	7,739	-21%
Oil Extraction Rate (%)			19.53	19.47	0%
Electricity Export(MWh)			19,648	20,831	-6%

The Group recorded a profit before tax of RM0.90 million in the quarter under review as compared to a profit before tax of RM3.92 million in the immediate preceding quarter. The decrease in profit before tax was mainly due to:

- a) Decrease in FFB production by 10%;
- b) Decreases in sales volume of CPO and PK by 7% and 21% respectively;
- c) Decrease in selling price of PK by 16%;
- d) Decrease in FFB processed by 15%; and
- e) Decrease in electricity sales by 6%.

### 3. Commentary on prospects

The Group expects CPO prices to remain volatile in the remainder of 2019 in view of the uncertainty in the global economy and the fluctuation in exchange rates.

The Group remains focused on enhancing its operating efficiency and productivity in order to maintain a low operating cost.

The Group also expects a better contribution from its Sandakan Biogas plant following the completion of the replacement of the 3 Biogas engines in March 2019. 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 in the third quarter of 2019 at the 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		6 months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Gain/(Loss) on disposal of plant and equipment	2	-	2	-
Fair value gain/(loss) on biological assets	-	(89)	-	(89)
Interest income	1,928	2,140	3,875	4,170
Interest expense	(1,816)	(1,754)	(3,431)	(3,399)
Depreciation and amortisation	(4,042)	(5,096)	(9,190)	(10,164)
Dividend	-	-	1	1
Property, plant and equipment written off	(31)	(68)	(31)	(79)
Realised gain/(loss) on foreign exchange		-		-
Provision for doubtful debts no longer required	115		115	
Unrealised (loss)/gain on foreign exchange	(5)	-	(5)	-

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		Cumulative quarter	
	3 months ended		6 months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Current tax:				
-Malaysian income tax	245	1,795	873	3,654
Deferred tax				
- relating to origination and reversal of temporary differences	709	(316)	1,340	585
- under/(over) provision of tax	-	-	-	10
	709	(316)	1,340	595
<b>Total income tax expense</b>	<b>954</b>	<b>1,479</b>	<b>2,213</b>	<b>4,249</b>

The Group's effective tax rate for the current quarter and cumulative quarter was higher than the statutory tax rate of 24% principally due to certain deferred tax assets was not recognised on business loss for the current period 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	
	6 months ended	
	30.6.2019	31.3.2018
	(Unaudited)	(Unaudited)
	RM'000	RM'000
<b>Short term borrowings</b>		
Secured:		
Term loans	22,625	21,075
Short term revolving credits	51,050	58,550
Unsecured:		
Short term revolving credits	1,100	1,100
	74,775	80,725
<b>Long term borrowings</b>		
Secured:		
Term loans	64,538	60,871
<b>Total borrowings</b>		
Secured:		
Term loans	87,163	81,946
Short term revolving credits	51,050	58,550
Unsecured:		
Short term revolving credits	1,100	1,100
	139,313	141,596

9. Trade and Other Receivables

			As at	
			30.6.2019	31.12.2018
			(Unaudited)	(Audited)
			RM'000	RM'000
<b>Current</b>				
Trade receivables:				
- Non-related parties			10,615	8,977
-Amount due from customer on service concession			8,175	9,783
			18,790	18,760
Less: Allowance for doubtful debts			(333)	(486)
			18,457	18,274
Other receivables, net			6,696	6,715
			25,153	24,989
<b>Non-current</b>				
Trade receivables:				
-Amount due from customer on service concession			139,790	140,836

The credit period of trade receivables is generally for a period of one month.

The ageing analysis of trade receivables is as follows:

			As at	
			30.6.2019	31.12.2018
			(Unaudited)	(Audited)
			RM'000	RM'000
Neither past due nor impaired			157,687	158,975
1 - 30 days past due not impaired			157	51
31 - 60 days past due not impaired			56	37
61- 90 days past due not impaired			41	44
More than 90 days past due not impaired			306	3
			560	135
Impaired			333	486
			158,580	159,596



## 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 30 June 2019.

## 11. Changes in material litigation

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.

#### 11. Changes in material litigation (Cont'd)

The appeal to Federal Court was heard on 24 June 2019 and dismissed by Federal Courts with costs of RM10,000 awarded to AYU. Following the decision by Federal Court, the High Court at Sandakan, Sabah has fixed the trial date on 29 October 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, the documents presently available and the advice of its solicitors, the Company has a good defence against the Plaintiff's claim.

#### 12. Dividend payable

No interim ordinary dividend has been declared for the current quarter ended 30 June 2019 (30 June 2018: 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 (2018 – 196,543,970) in issue during the financial period.

	Current quarter		Cumulative quarter	
	3 months ended		6 months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to the owners of the Company	(167)	2,280	1,089	5,410
Weighted average number of ordinary shares in issue	196,544	196,544	196,544	196,544
Basic earnings per share (sen)	(0.08)	1.16	0.55	2.75

##### 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 25 July 2019.