MHC Plantations Bhd (4060-V)
Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For The Second Quarter Ended 30 June 2016

	Current quarter 3 months ended		Cumalative quarter 6 months ended	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
	RM' 000	**RM'000**	**RM' 000**	**RM' 000**
Revenue	74,031	73,842	132,298	134,070
Cost of sales	(63,506)	(63,675)	(118,544)	(116,135)
Gross profit	10,525	10,167	13,754	17,935
Other income	2,400	2,267	4,886	4,600
Administrative expenses	(2,816)	(4,066)	(6,087)	(6,910)
Other operating expenses	(1,139)	(1,638)	(2,122)	(2,892)
Operating profit	8,970	6,730	10,431	12,733
Finance costs	(2,326)	(2,106)	(4,679)	(4,101)
Profit before tax	6,644	4,624	5,752	8,632
Income tax expense	(1,641)	(1,165)	(1,436)	(1,957)
Profit after tax	5,003	3,459	4,316	6,675
Other comprehensive income				
Available-for-sale financial assets:				
Exchange difference on translation of foreign operations	(47)	13	(248)	21
Total comprehensive income for the period	4,956	3,472	4,068	6,696
Profit attributable to:				
Owners of the parent	1,935	1,746	1,708	3,215
Non-controlling interests	3,068	1,713	2,608	3,460
	5,003	3,459	4,316	6,675
Total comprehensive income attributable to:				
Owners of the parent	1,888	1,759	1,460	3,236
Non-controlling interests	3,068	1,713	2,608	3,460
	4,956	3,472	4,068	6,696
Weighted average number of shares in issue	196,544	196,544	196,544	196,544
Earnings per share in sen				
- Basic	0.98	0.89	0.87	1.64
- Diluted	0.77	0.69	0.68	1.27

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

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

Condensed Consolidated Statement of Financial Position (Unaudited) as at 30 June 2016

	As at 30.6.2016 RM'000	As at 31.12.2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	448,705	447,591
Investment properties	48,062	48,062
Biological assets	463,192	462,017
Land use rights	13,261	13,363
Deferred tax assets	3,451	3,422
Investment securities	506	506
Trade and other receivables	140,068	134,538
Goodwill on consolidation	109,017	109,017
	1,226,262	1,218,516
Current assets		
Inventories	29,385	31,501
Trade and other receivables	20,700	19,005
Tax recoverable	1,735	1,147
Short term investments	10,158	11,596
Fixed deposits with licensed banks	11,366	10,225
Cash and bank balances	15,094	20,795
	88,438	94,269
TOTAL ASSETS	1,314,700	1,312,785
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	196,544	196,544
Reserves	211,792	214,399
	408,336	410,943
Non-controlling interests	514,719	515,567
Total equity	923,055	926,510

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

Condensed Consolidated Statement of Financial Position (Unaudited) as at 30 June 2016 (Contd.)

	As at 30.6.2016 RM'000	As at 31.12.2015 RM'000
EQUITY AND LIABILITIES (CONTD.)		
Non-current liabilities		
Lease rental payable	267	267
Hire purchase payables	773	1,094
Borrowings	96,455	97,126
Deferred tax liabilities	165,472	166,115
	262,967	264,602
Current liabilities		
Payables	33,949	30,692
Hire purchase payables	860	1,054
Borrowings	93,450	89,650
Taxation	419	277
	128,678	121,673
Total liabilities	391,645	386,275
TOTAL EQUITY AND LIABILITIES	1,314,700	1,312,785
Net Tangible Asset Per Share (RM)	1.52	1.54
Net Asset Per Share (RM)	2.08	2.09

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

MHC Plantations Bhd (4060-V)

Condensed Consolidated Statements of Changes in Equity (Unaudited)
For The Second Quarter Ended 30 June 2016

	I------Equity attributable to owners of the Company------I									Non-controlling Interests	Total Equity
		Non-distrbutable					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	RM' 000	RM' 000
Opening balance at 1 Jan 2015	196,544	5,737	-	789	64	(58)	8	209,617	412,701	515,686	928,387
Total comprehensive income for the period	-	-	-	-	-	21	-	3,215	3,236	3,460	6,696
Dividends	-	-	-	-	-	-	-	(3,931)	(3,931)	-	(3,931)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4,203)	(4,203)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	78	78
Closing balance at 30 June 2015	196,544	5,737	-	789	64	(37)	8	208,901	412,006	515,021	927,027
Opening balance at 1 Jan 2016	196,544	5,737	(1,946)	789	79	88	8	209,644	410,943	515,567	926,510
Total comprehensive income for the period	-	-	-	-	-	(140)	-	1,708	1,568	2,502	4,070
Dividends	-	-	-	-	-	-	-	(2,948)	(2,948)	-	(2,948)
Dividend paid to non-controlling shareholders									-	(3,252)	(3,252)
Acquisition of non-controlling interest							-	(1,227)	(1,227)	(98)	(1,325)
Closing balance at 30 June 2016	196,544	5,737	(1,946)	789	79	(52)	8	207,177	408,336	514,719	923,055

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

MHC Plantations Bhd (4060-V)
Condensed Consolidated Statement of Cash Flows (Unaudited)
For The Second Quarter Ended 30 June 2016

	6 months ended	
	30.6.2016	**30.6.2015**
	RM' 000	**RM' 000**
Operating activities		
Profit before taxation	5,752	8,632
Adjustments for:		
Depreciation and amortisation	7,698	8,306
Interest expense	4,679	4,101
(Gain)/Loss on disposal of property, plant and equipment	(54)	(499)
Property, plant and equipment written off	39	3
Unrealised loss/(gain) on foreign exchange	60	(200)
Interest income	(3,645)	(2,849)
Dividend income	(1)	-
Total adjustments	8,776	8,862
Operating cash flows before changes in working capital	14,528	17,494
Changes in working capital:		
Inventories	2,110	(5,944)
Receivables	(2,822)	(5,221)
Payables	2,133	(1,328)
Total changes in working capital	1,420	(12,493)
Cash generated from operations	15,948	5,002
Interest received	336	347
Interest paid	(4,679)	(4,101)
Tax paid	(2,553)	(3,228)
Net cash flows (used in)/from operating activities	9,053	**(1,980)**
Investing activities		
Dividend received	1	-
Proceeds from disposal of property, plant and equipment	64	762
Additions to biological assets	(1,175)	(851)
Net redemption/(investment in) of short term investments	1,439	1,760
Net cash flow on acquisition of a subsidiary company	(621)	(2,788)
Acquisition of non-controlling interest	97	(1,950)
Purchase of property, plant and equipment	(8,764)	(8,208)
Net cash flows (used in)/from investing activities	(8,959)	(11,275)
Financing activities		
Drawdown of revolving credit	4,700	14,000
Drawdown of term loan	7,000	21,650
Repayment of revolving credit	-	(15,000)
Repayment of term loan	(9,371)	(7,975)
Repayment of hire purchase obligations	(516)	(610)
Dividends paid to shareholders	(2,948)	(3,931)
Dividends paid to non-controlling shareholders	(3,252)	(4,203)
Effect on exchange rate changes on cash and cash equivalents	(268)	67
Net cash flows (used in)/from financing activities	(4,655)	3,998
Net (decrease)/increase in cash and cash equivalents	(4,561)	(9,257)
Cash and cash equivalents as at 1 January	30,383	27,287
Cash and cash equivalents as at 30 June	25,822	18,030

Cash and cash equivalents :

Fixed deposits with licensed banks	11,366	3,898
Cash and bank balances	15,094	14,742
	26,460	18,640
Less : Fixed deposits pledged	(638)	(610)
	25,822	18,030

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

   The condensed consolidated interim financial statements for the period ended 30 June 2016 have been prepared in compliance with Financial Reporting Standards ("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 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 2015. 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 2015.

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 2015, except for the adoption of the following new/revised FRSs and amendments to FRSs:

   Effective for financial 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 Acquisition of Interest in Joint Operations
   - Amendments to FRS 127: Equity Method in Separate Financial Statements
   - Amendments to FRS 101: Disclosure Initiative
   - Amendments to FRS 10, FRS 12 and FRS 18: Investment Entitles: Applying the Consolidation Exception
   - FRS 14: Regulatory Deferral Accounts

   Effective for financial periods beginning on or after 1 January 2018:
   - FRS 9: Financial Instruments

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

2. Changes in accounting policies (Contd.)

Malaysian Financial Reporting Standards

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') which will be allowed to defer adoption of the new MFRS Framework for one year. On 30 June 2012, MASB has given an option to Transitioning Entities to defer the adoption of the MFRS Framework for another year. Therefore, the MFRS Framework will be applicable to Transitioning Entities with effect from the annual period beginning on 1 January 2014.

In light of the development and the revisions of the project timelines by the IASB, the Board has decided to extend the transitions period for another year, ie. the adoption of the MFRS Framework by all Transitioning Entities with effect from annual periods beginning on or after 1 January 2015.

On 8 September 2015, MASB announced that Transitioning Entities shall be required to apply the MFRS Framework for annual periods beginning on or after 1 January 2018.

The Group falls within the scope 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

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 2016.

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 2016.

8. Dividend paid

A final single-tier dividend of 1.50% in respect of the financial year ended 31 December 2015 on 196,543,970 ordinary shares, amounting to a dividend payable of RM2,948,160 (1.50 sen per share) was paid on 2 June 2016.

9. Segment information

The Group has three reportable segments, as described below, which are the Group's strategies 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**	
	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	4,614	2,723	63,238	67,302	5,726	3,526	73,578	73,551
Inter-segment revenue	15,664	18,195	-	-	517	462	16,181	18,657
Segment profit/(loss)	8,138	6,577	(1,509)	955	1,215	(1,333)	7,844	6,199

9. Segment information (Contd.)

Segment profit is reconciled to consolidated profit before tax as follows:	**3 months ended 30.6.2016 (Unaudited) RM'000**	**3 months ended 30.6.2015 (Unaudited) RM'000**
Segment profit	7,844	6,199
Other non-reportable segments	(28)	(25)
Amortisation of group land cost	(1,046)	(1,102)
Elimination of inter-segment profits	(54)	(36)
Unallocated corporate income	24	105
Unallocated corporate expenses	(96)	(517)
Consolidated profit before tax	6,644	4,624

	Results for 6 months ended 30 June							
	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	7,595	5,659	113,553	120,774	10,232	6,731	131,380	133,164
Inter-segment revenue	26,198	31,556	-	-	1,073	938	27,271	32,494
Segment profit/(loss)	8,683	10,932	(1,064)	2,369	836	(2,027)	8,455	11,274

Segment profit is reconciled to consolidated profit before tax as follows:	**6 months ended 30.6.2016 (Unaudited) RM'000**	**6 months ended 30.6.2015 (Unaudited) RM'000**
Segment profit	8,455	11,274
Other non-reportable segments	(56)	(45)
Amortisation of group land cost	(2,147)	(2,168)
Elimination of inter-segment profits	(100)	(143)
Unallocated corporate income	212	388
Unallocated corporate expenses	(612)	(674)
Consolidated profit before tax	5,752	8,632

10. Changes in the composition of the Group

a) On 21 June 2016, the Company acquired 44,001 ordinary shares of RM 1.00 each in Mah Hock Company Sendirian Berhad., representing its remaining 31.88% of the equity interest for a total consideration of RM 1,320,338, resulting in the latter becoming a wholly-owned subsidiary of the Company.

b) On 3 May 2016, Carbon Asia Pacific Pty Ltd ("CAP"), a wholly-owned subsidiary of Cepatwawasan Group Berhad, has deregistered by The Australian Securities and Investments Commission.

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	15,281
Approved but not contracted for	8,498
	23,779

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

<u>Current Quarter vs. Previous Year Corresponding Quarter</u>

For this quarter under review, the Group recorded a revenue of RM74.03 million, which is an increase of RM0.19 million as compared to the preceding year corresponding quarter mainly due to higher sales of power generated by the Biomass Power Plant.

The Group reported a profit before tax of RM 6.64 million for this quarter under review as compare to profit before tax of RM 4.62 million in the preceding year corresponding quarter mainly due to an increase in power sales by 44% and lower operating costs.

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

(i) Plantation – The increase in profit before tax by RM 1.56 million (24%) from RM 6.58 million to RM 8.14 million was mainly due to higher FFB price by 34% despite a lower FFB production by 22%.

(ii) Oil Mill – The decrease in profit before tax by RM 2.47 million (> 100%) from profit before tax of RM 0.96 million to a loss before tax of RM1.51 million was mainly due to lower oil extraction rate ("OER") as well as lower milling margin as a result of stiff competition on sourcing for FFB and lower CPO and PK sales volume by 25% and 27% respectively despite higher CPO and PK price by 19% and 60% respectively.

(iii) Power Plant – The increase in profit before tax by RM 2.55 million (>100%) from a loss before tax of RM 1.33 million to a profit before tax of RM1.22 million was mainly due to increase in export of electricity by 37% and lower operating costs. The 12MW Biomass Power Plant generated and exported 14,662,949 kwh for this current quarter as compare to 10,724,435 kwh in the corresponding preceding quarter.

<u>Current Year-to-date vs. Previous Year-to-date</u>

For this financial period under review, the Group recorded revenue of RM 132.30 million, which is a decrease of RM 1.77 million as compared to the previous financial period mainly due to a decrease in CPO and PK sales volume by 17% and 30% respectively despite an increase in CPO and PK prices by 13% and 36%.

The Group reported a profit before tax of RM 5.75 million for this financial period under review, which is a decrease of 33% from the previous financial period mainly due to lower oil extraction rate ("OER") as well as lower milling margin as a result of stiff competition on sourcing for FFB and lower FFB production by 23%.

Performance of the respective operating business segments for the period ended 30 June 2016 as compared to the previous period is analysed as follows:

(i) Plantation – The decrease in profit before tax by RM 2.25 million (21%) from RM 10.93 million to RM 8.68 million was mainly due to lower FFB production by 23% despite an increase in FFB price by 21%.

(ii) Oil Mill – The decrease in profit before tax by RM 3.43 million (> 100%) from profit before tax of RM 2.37 million to a loss before tax of RM1.06 million was mainly due to lower oil extraction rate ("OER") as well as lower milling margin as a result of stiff competition on sourcing for FFB and lower CPO and PK sales volume by 17% and 30% respectively despite higher CPO and PK price by 13% and 36% respectively.

(iii) Power Plant – The increase in profit before tax by RM2.87 million (> 100%) from a loss before tax of RM2.03 million to a profit before tax of RM 0.84 million was mainly due to an increase in export of electricity by 43% and lower operating costs. The 12MW Biomass Power Plant generated and exported 28,716,639 kWh in this financial period under review as compare to 20,062,665 kwh in the corresponding preceding period.

2. Variation of results against preceding quarter

The Group recorded a profit before tax of RM 6.64 million in the quarter under review as compared to a loss before tax of RM 0.89 million in the immediate preceding quarter mainly due to an increase in FFB production and price by 38% and 17% respectively and a higher CPO and PK sales volume by 12% and 25% respectively.

3. Current year prospects

The effect of the EI Nino phenomenon has adversely affected the FFB production of the Group in the first quarter. For the current quarter, the Group experiences a steady increase in crop production suggesting that the worst of the El Nino impact on yield may be over. Furthermore,the 12MW Biomass Power Plant has reported a significant increase in profit mainly due to improvement in the operational efficiency. With that, barring any unforeseen circumstances, the Board is confident that the Group's prospects remain satisfactory for the current financial year.

4. Profit forecast

Not applicable as there was no profit forecast published.

5. (Loss)/Profit before taxation

This is arrived at after crediting/ (charging):

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Gain/(Loss) on disposal of plant and equipment	21	(68)	54	499
Interest income	1,799	1,438	3,645	2,849
Interest expense	(2,326)	(2,106)	(4,679)	(4,101)
Depreciation and amortisation	(3,809)	(4,149)	(7,698)	(8,306)
Dividend	1	-	1	-
Realised gain/(loss) on foreign exchange	102	109	33	(46)
Unrealised (loss)/gain on foreign exchange	110	141	60	200
Property, plant and equipment written off	(39)	-	(39)	(3)

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

6. Income tax expense

Taxation is provided at the prevailing statutory rate based on the operating profit for the quarter as follows.

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysian income tax	1,782	1,482	2,102	2,904
Deferred tax				
- relating to origination and reversal of temporary differences	73	(317)	(452)	(947)
- under/(over) provision of tax	(214)	-	(214)	-
	1,641	1,165	1,436	1,957

The Group's effective tax rate for the current quarter and cumulative quarter 30 June 2016 was higher than the statutory tax rate of 24% principally due to 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 - Secured	RM'000
Revolving credit	73,500
Term loan	19,950
	93,450

Non-current - Secured	RM'000
Term loan	96,455
Total borrowings	189,905

9. Disclosure of derivatives

The Group did not enter into any derivative contact and accordingly there were no outstanding derivatives (including financial instruments designated as hedging instruments) as at 30 June 2016.

10. Changes in material litigation

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

The Company's subsidiary, SESB had commenced legal proceedings against BESB in the Sessions Court at Sandakan vide Suit No. SDK-A 52-63/7-2013 ("Suit") on 19 July 2013 to claim for the sum of RM115,169.66, being the amount due and owing by BESB to SBSB in respect of block stones and crusher run A stones ("Stones") supplied by SBSB to BESB. In defending the Suit, BESB contends, among others, that the Stones supplied by SBSB did not fit the description of stones ordered by BESB, were not of merchantable quality, and were not fit for the purpose they were ordered for. BESB has also filed a counterclaim against SBSB, among others, a sum of RM5,612,850 in respect of BESB's purported loss of profitallegedly caused by SBSB's alleged breach. The Suit was subsequently transferred to the High Court of Sabah and Sarawak at Sandakan on 13 October 2014 and registered as Sui No. SDK-22NCvC-39/11-2014. Both parties were unable to resolve the dispute through mediation on 19 October 2015. The Suit is now rescheduled for trial from 1August 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.

b) Yuh @ Abdul Salleh Bin Pompulu ("AYU") Vs Suwaya Bte Buang ("SUWAYA"),Suara Baru Sdn Bhd ("SBSB")and Cepatwawasan Group Berhad ("CGB")

The Company's subsidiary, CGB and its wholly owned subsidiary, SBSB have been served with a Writ of Summons issued in the High Court in Sabah and Sarawak at Sandakan vide Suit No. SDK-22NCvC-12/6-2016 (HC) on 14.06.2016. SBSB is the sub-lessee of 33 lots of land ("the land") totalling approximately 337.949 acres situated in Sungai Sekong in the District of Sandakan, Sabah. The lands had been leased from SUWAYA to SBSB for a term of 99 years. The lease commenced in the year 1997 and expires in the year 2096.The lands had been transferred to SUWAYA by their previous 33 owners, including AYU. AYU, on his behalf and the other 32 previous owners, allege that the transfer of the land to SUWAYA was through forged documents and therefore the said transfer is null and void. AYU further alleges that as the transfer to SUWAYA is null and void, therefore the sublease by the 1st SUWAYA to SBSB is likewise null and void. AYU therefore seeks an order of the High Court to set aside the said transfer to the SUWAYA and also the sub-lease to SBSB.

Suara and the Company had filed their Defence ("Defence") in the High Court in Sabah and Sarawak at Sandakan on 11 July 2016. The Suit is fixed for mention on 3 August 2016 before the High Court in Sabah and Sarawak at Sandakan.

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.

11. Dividend payable

No interim ordinary dividend has been declared for the financial period ended 30 June 2016 (30 June 2015: Nil).

12. Basic earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares of 196,543,970 (2013 – 196,543,970) in issue during the financial period.

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit attributable to the owners of the Company	1,935	1,746	1,708	3,215
Weighted average number of ordinary shares in issue	196,544	196,544	196,544	196,544
Basic earnings per share (sen)	0.98	0.89	0.87	1.64

(b) Diluted

Diluted earnings per share is calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year after adjustment for the effects of dilutive potential ordinary shares, calculated as follows:

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.6.2016	**30.6.2015**	**30.6.2016**	**30.6.2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit attributable to the owners of the Company	1,935	1,746	1,708	3,215
Number of ordinary shares for basic earnings per share computation	196,544	196,544	196,544	196,544
Effect of dilution				
- on assumption that all warrants are exercised	56,155	56,155	56,155	56,155
Number of ordinary shares for diluted earnings per share computation	252,699	252,699	252,699	252,699
Diluted earnings per share	0.77	0.69	0.68	1.27

13. Breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group into realised and unrealised profits is presented in accordance with the directive 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 30.6. 2016 RM' 000	**As at 31.12.2015 RM' 000**
Total retained profits of the Company and its subsidiaries		
- Realised	156,186	156,429
- Unrealised	23,573	23,749
	179,759	180,178
Consolidation adjustments	27,418	29,466
Total group retained profits as per consolidation accounts	207,177	209,644

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 28 July 2016.