

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

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM' 000	RM'000	RM' 000	RM' 000
Revenue	101,603	93,051	233,901	227,121
Cost of sales	(80,467)	(82,250)	(199,011)	(198,385)
Gross profit	21,136	10,801	34,890	28,736
Other income	2,191	3,729	7,077	8,329
Administrative expenses	(2,916)	(3,256)	(9,003)	(10,166)
Other operating expenses	(1,560)	(1,644)	(3,682)	(4,536)
Operating profit	18,851	9,630	29,282	22,363
Finance costs	(2,342)	(2,421)	(7,021)	(6,522)
Profit before tax	16,509	7,209	22,261	15,841
Income tax expense	(4,256)	(1,950)	(5,692)	(3,907)
Profit after tax	12,253	5,259	16,569	11,934
Other comprehensive income				
Available-for-sale financial assets:				
- (Loss)/Gain on fair value changes	-	-	-	-
Exchange difference on translation of foreign operations	251	97	3	118
Total comprehensive income for the period	12,504	5,356	16,572	12,052
Profit attributable to:				
Owners of the parent	5,800	3,204	7,508	6,419
Non-controlling interests	6,453	2,055	9,061	5,515
	12,253	5,259	16,569	11,934
Total comprehensive income attributable to:				
Owners of the parent	6,051	3,301	7,511	6,537
Non-controlling interests	6,453	2,055	9,061	5,515
	12,504	5,356	16,572	12,052
Weighted average number of shares in issue	196,544	196,544	196,544	196,544
Earnings per share in sen				
- Basic	2.95	1.63	3.82	3.27
- Diluted	2.30	1.27	2.97	2.54

**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 September 2016**

	As at 30.9.2016 RM'000	As at 31.12.2015 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	452,108	447,591
Investment properties	48,062	48,062
Biological assets	463,624	462,017
Land use rights	13,235	13,363
Deferred tax assets	3,282	3,422
Investment in securities	506	506
Trade and other receivables	141,858	134,538
Goodwill on consolidation	109,017	109,017
	<u>1,231,692</u>	<u>1,218,516</u>
<b>Current assets</b>		
Inventories	29,396	31,501
Trade and other receivables	26,391	19,005
Tax recoverable	1,375	1,147
Short term investments	10,755	11,596
Fixed deposits with licensed banks	11,795	10,225
Cash and bank balances	15,566	20,795
	<u>95,278</u>	<u>94,269</u>
<b>TOTAL ASSETS</b>	<u>1,326,970</u>	<u>1,312,785</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	196,544	196,544
Reserves	217,793	214,399
	<u>414,337</u>	<u>410,943</u>
<b>Non-controlling interests</b>	<u>521,278</u>	<u>515,567</u>
<b>Total equity</b>	<u>935,615</u>	<u>926,510</u>

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

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

	<b>As at 30.9.2016 RM'000</b>	<b>As at 31.12.2015 RM'000</b>
<b>EQUITY AND LIABILITIES (CONTD.)</b>		
<b>Non-current liabilities</b>		
Lease rental payable	267	267
Hire purchase payables	918	1,094
Borrowings	91,780	97,126
Deferred tax liabilities	167,036	166,115
	<u>260,001</u>	<u>264,602</u>
<b>Current liabilities</b>		
Payables	35,993	30,692
Hire purchase payables	874	1,054
Borrowings	93,450	89,650
Taxation	1,037	277
	<u>131,354</u>	<u>121,673</u>
<b>Total liabilities</b>	<u>391,355</u>	<u>386,275</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,326,970</u>	<u>1,312,785</u>
<b>Net Tangible Asset Per Share (RM)</b>	<u>1.55</u>	<u>1.54</u>
<b>Net Asset Per Share (RM)</b>	<u>2.11</u>	<u>2.09</u>

**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 Third Quarter Ended 30 September 2016

	I-----Equity attributable to owners of the Company-----I										Total Equity RM' 000
	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	Non-controlling Interests 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	-	-	-	-	-	114	-	6,419	6,533	5,515	12,048
Dividends	-	-	-	-	-	-	-	(3,931)	(3,931)	-	(3,931)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(4,203)	(4,203)
Arising from reverse takeover exercise	-	-	(1,300)	-	-	-	-	-	(1,300)	(2,231)	(3,531)
Acquisition of non-controlling interest	-	-	(647)	-	-	-	-	-	(647)	(89)	(736)
Closing balance at 30 September 2015	196,544	5,737	(1,947)	789	64	56	8	212,105	413,356	514,678	928,034
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	-	-	-	-	-	3	-	7,508	7,511	9,061	16,572
Dividends	-	-	-	-	-	-	-	(2,948)	(2,948)	-	(2,948)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(3,252)	(3,252)
Fair Value Adjustment	-	-	-	-	58	-	-	-	58	-	58
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(1,227)	(1,227)	(98)	(1,325)
Closing balance at 30 September 2016	196,544	5,737	(1,946)	789	137	91	8	212,977	414,337	521,278	935,615

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 Third Quarter Ended 30 September 2016**

	9 months ended	
	30.9.2016 RM' 000	30.9.2015 RM' 000
<b>Operating activities</b>		
Profit before taxation	22,261	15,841
Adjustments for:		
Depreciation and amortisation	11,316	11,827
Interest expense	7,021	6,522
(Gain)/Loss on disposal of property, plant and equipment	(86)	(469)
Property, plant and equipment written off	39	3
Unrealised loss/(gain) on foreign exchange	37	(530)
Impairment loss on investment in securities	58	-
Interest income	(5,454)	(5,060)
Dividend income	(1)	(456)
Total adjustments	12,930	11,837
<b>Operating cash flows before changes in working capital</b>	<u>35,191</u>	<u>27,678</u>
Changes in working capital:		
Inventories	2,106	(12,578)
Receivables	(8,597)	6,974
Payables	4,144	(6,474)
Total changes in working capital	<u>(2,347)</u>	<u>(12,078)</u>
Cash generated from operations	32,844	15,600
Interest received	501	490
Interest paid	(7,021)	(6,525)
Tax paid	(4,102)	(5,346)
<b>Net cash flows from/(used in) operating activities</b>	<u>22,222</u>	<u>4,219</u>
<b>Investing activities</b>		
Dividend received	1	456
Proceeds from disposal of property, plant and equipment	12	789
Additions to biological assets	(1,607)	(1,348)
Net redemption/(investment in) of short term investments	841	1,833
Net cash flow on acquisition of a subsidiary company	-	(4,662)
Acquisition of non-controlling interest	(1,325)	(1,508)
Purchase of property, plant and equipment	(15,086)	(17,539)
<b>Net cash flows (used in)/from investing activities</b>	<u>(17,164)</u>	<u>(21,979)</u>
<b>Financing activities</b>		
Drawdown of revolving credit	5,500	24,500
Drawdown of term loan	7,000	29,150
Repayment of revolving credit	-	(17,500)
Repayment of term loan	(14,047)	(12,963)
Repayment of hire purchase obligations	(940)	(882)
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	(31)	142
<b>Net cash flows (used in)/from financing activities</b>	<u>(8,718)</u>	<u>14,313</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(3,660)</u>	<u>(3,447)</u>
<b>Cash and cash equivalents as at 1 January</b>	<u>30,383</u>	<u>27,287</u>
<b>Cash and cash equivalents as at 30 September</b>	<u>26,723</u>	<u>23,840</u>
<b>Cash and cash equivalents :</b>		
Fixed deposits with licensed banks	11,795	3,918
Cash and bank balances	15,566	20,532
	<u>27,361</u>	<u>24,450</u>
Less : Fixed deposits pledged	(638)	(610)
	<u>26,723</u>	<u>23,840</u>

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 September 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 Entities: 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 September 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 September 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.

No interim dividend has been paid during the current quarter ended 30 September 2016.

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 September							
	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	6,686	2,924	88,392	56,156	6,186	33,621	101,264	92,701
Inter-segment revenue	20,577	17,176	-	-	361	639	20,938	17,815
Segment profit/(loss)	13,043	6,232	3,050	1,481	2,144	154	18,237	7,867



9. Segment information (Contd.)

	<b>3 months ended 30.9.2016 (Unaudited) RM'000</b>	<b>3 months ended 30.9.2015 (Unaudited) RM'000</b>
<b>Segment profit is reconciled to consolidated profit before tax as follows:</b>		
Segment profit	18,237	7,867
Other non-reportable segments	(675)	141
Amortisation of group land cost	(1,019)	(1,101)
Elimination of inter-segment profits	100	(28)
Unallocated corporate (expenses)/income	(134)	330
Consolidated profit before tax	<u>16,509</u>	<u>7,209</u>

	<b>Results for 9 months ended 30 September</b>							
	<b>Plantation</b>		<b>Oil Mill</b>		<b>Power Plant</b>		<b>Total</b>	
	<b>2016 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>	<b>2015 RM'000</b>
External revenue	14,281	8,583	201,945	176,930	16,418	40,352	232,644	225,865
Inter-segment revenue	46,775	48,732	-	-	1,435	1,577	48,210	50,309
Segment profit/(loss)	<u>21,726</u>	<u>17,164</u>	<u>1,986</u>	<u>3,850</u>	<u>2,980</u>	<u>(1,873)</u>	<u>26,692</u>	<u>19,141</u>

	<b>9 months ended 30.9.2016 (Unaudited) RM'000</b>	<b>9 months ended 30.9.2015 (Unaudited) RM'000</b>
<b>Segment profit is reconciled to consolidated profit before tax as follows:</b>		
Segment profit	26,692	19,141
Other non-reportable segments	(519)	484
Amortisation of group land cost	(3,166)	(3,269)
Elimination of inter-segment profits	-	(171)
Unallocated corporate expenses	(746)	(344)
Consolidated profit before tax	<u>22,261</u>	<u>15,841</u>

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	12,890
Approved but not contracted for	<u>7,959</u>
	<u>20,849</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**

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

For this quarter under review, the Group recorded a revenue of RM101.60 million, which is an increase of RM8.55 million as compared to the preceding year corresponding quarter mainly due to an increase in both sale volume and prices of CPO and PK, despite a RM29.95 million decrease in construction income arising from the recognition of IC Interpretation 12 Service Concession Agreements for the Power Plant segment as compared to the preceding year corresponding quarter. Sales volume of CPO and PK increased by 17% and 14 % respectively whereas price of CPO and PK increased by 26% and 89% respectively.

The Group reported a profit before tax of RM16.51 million for this quarter under review as compare to profit before tax of RM7.21 million in the preceding year corresponding quarter mainly due to an increase in CPO and PK price by 26% and 89% respectively and a corresponding increase in FFB price by 45% despite a decrease in FFB production by 4%.

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 RM6.81 million (> 100%) from RM6.23 million to RM13.04 million was mainly due to higher FFB price by 45%.
- (ii) Oil Mill – The increase in profit before tax by RM 1.57 million (> 100%) from RM1.48 million to RM3.05 million was mainly due to higher milling margin and higher CPO and PK sales volume by 17% and 14% respectively as well as higher CPO and PK price by 26% and 89%.
- (iii) Power Plant – The increase in profit before tax by RM 1.99 million (>100%) from RM0.15 million to RM2.14 million was mainly due to increase in efficiency and export of electricity by 29%. The 12MW Biomass Power Plant generated and exported 15,715,635 kwh for this current quarter as compare to 12,170,697 kwh in the corresponding preceding quarter.

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

For this financial period under review, the Group recorded revenue of RM233.90 million, which is an increase of RM6.78 million as compared to the previous financial period mainly due to an increase in CPO and PK prices by 17% and 55% respectively, despite a RM29.95 million decrease in construction income arising from the recognition of IC Interpretation 12 Service Concession Agreements for the Power Plant segment as compared to the previous financial period and a decrease in CPO and PK sales volume by 5% and 15% respectively.

## 1. Review of performance (Cont'd)

### **Current Year-to-date vs. Previous Year-to-date (Cont'd)**

The Group reported a profit before tax of RM22.26 million for this financial period under review, which is an increase of 41% from the previous financial period mainly due to an increase in CPO and PK price by 17% and 55% respectively and a corresponding increase in FFB price by 30% and higher sale of power by 38% despite a decrease in FFB production by 16%.

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

- (i) Plantation – The increase in profit before tax by RM4.56 million (27%) from RM17.17 million to RM21.73 million was mainly due to higher FFB price by 30% despite a lower FFB production by 16%.
- (ii) Oil Mill – The decrease in profit before tax by RM1.86 million (48%) from a profit before tax of RM3.85 million to a profit before tax of RM1.99 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 5% and 15% respectively despite a higher CPO and PK price by 17% and 55% respectively.
- (iii) Power Plant – The increase in profit before tax by RM4.85 million (> 100%) from a loss before tax of RM1.87 million to a profit before tax of RM2.98 million was mainly due to an increase in efficiency and export of electricity by 38%. The 12MW Biomass Power Plant generated and exported 44,435,274 kWh in this financial period under review as compare to 32,233,362 kWh in the corresponding preceding period.

## 2. Variation of results against preceding quarter

The Group recorded a profit before tax of RM16.51 million in the quarter under review as compared to a profit before tax of RM6.64 million in the immediate preceding quarter mainly due to an increase in FFB production by 33% and a higher CPO and PK sales volume by 36% and 47% respectively.

## 3. Current year prospects

Barring any unforeseen circumstances, the Board is optimistic on the Group's prospects in view of favourable palm oil prices and the improvement in operational efficiency of the 12MW Biomass Power Plant which will continue to contribute positively to the result of the Group.

## 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		9 months ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM'000	RM'000	RM'000	RM'000
Gain/(Loss) on disposal of plant and equipment	32	(34)	86	469
Interest income	1,809	2,210	5,454	5,060
Interest expense	(2,342)	(2,421)	(7,021)	(6,522)
Depreciation and amortisation	(3,618)	(3,521)	(11,316)	(11,827)
Dividend	-	456	1	456
Realised gain/(loss) on foreign exchange	68	282	68	127
Unrealised (loss)/gain on foreign exchange	22	471	(37)	530
Impairment loss on investment in securities	(58)	-	(58)	-
Property, plant and equipment written off	-	-	(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		Cumulative quarter	
	3 months ended		6 months ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM'000	RM'000	RM'000	RM'000
Current tax:				
-Malaysian income tax	3,729	1,284	5,831	4,313
-Under/(over) provision of tax	(3)	107	(3)	107
	3,726	1,391	5,828	4,420
Deferred tax				
- relating to origination and reversal of temporary differences	530	297	78	(776)
- under/(over) provision of tax	-	262	(214)	263
	530	559	(136)	(513)
Total income tax expense	4,256	1,950	5,692	3,907

The Group's effective tax rate for the current quarter and cumulative quarter 30 September 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

<u>Current - Secured</u>	<u>RM'000</u>
Revolving credit	73,500
Term loan	19,950
	-----
	<u>93,450</u>
<u>Non-current - Secured</u>	<u>RM'000</u>
Term loan	<u>91,780</u>
Total borrowings	<u>185,230</u>

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 30 September 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 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 Sui No. SDK-22NCvC-39/11-2014. Both parties were unable to resolve the dispute through mediation on 19 October 2015. The trial commenced from 1 August 2016 to 5 August 2016 and was adjourned to 7 November 2016 to 8 November 2016.

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

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

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.

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.

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 Group as the Group expects that pursuant to the facts of the case, the documents presently available and the advice of its solicitors, the Group 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 September 2016 (30 September 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 9 months ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM'000	RM'000	RM'000	RM'000
Profit attributable to the owners of the Company	5,800	3,204	7,508	6,419
Weighted average number of ordinary shares in issue	196,544	196,544	196,544	196,544
Basic earnings per share (sen)	2.95	1.63	3.82	3.27

### (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 9 months ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM'000	RM'000	RM'000	RM'000
Profit attributable to the owners of the Company	5,800	3,204	7,508	6,419
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	2.30	1.27	2.97	2.54



### 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.

	<b>As at 30.9.2016 RM' 000</b>	<b>As at 31.12.2015 RM' 000</b>
Total retained profits of the Company and its subsidiaries		
- Realised	157,115	156,429
- Unrealised	25,556	23,749
	<hr/> 182,671	<hr/> 180,178
Consolidation adjustments	30,306	29,466
	<hr/>	<hr/>
Total group retained profits as per consolidation accounts	212,977	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 20 October 2016.