MHC Plantations Bhd (4060-V)
Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For The Second Quarter Ended 30 June 2017

	Current quarter 3 months ended		Cumalative quarter 6 months ended	
	30.6.2017 RM' 000	30.6.2016 RM'000	30.6.2017 RM' 000	30.6.2016 RM' 000
Revenue	96,289	74,031	186,736	132,298
Cost of sales	(79,160)	(63,506)	(153,224)	(118,544)
Gross profit	17,129	10,525	33,512	13,754
Other income	3,201	2,400	5,891	4,886
Administrative expenses	(2,987)	(2,816)	(5,673)	(6,087)
Other operating expenses	(1,262)	(1,139)	(2,325)	(2,122)
Operating profit	16,081	8,970	31,405	10,431
Finance costs	(1,940)	(2,326)	(3,814)	(4,679)
Profit/(Loss) before tax	14,141	6,644	27,591	5,752
Income tax expense	(2,824)	(1,641)	(6,714)	(1,436)
Profit/(Loss) after tax	11,317	5,003	20,877	4,316
Other comprehensive income				
Exchange difference on translation of foreign operations	(122)	(47)	97	(248)
Total comprehensive income for the period	11,195	4,956	20,974	4,068
Profit/(Loss) attributable to:				
Owners of the parent	4,474	1,935	9,147	1,708
Non-controlling interests	6,843	3,068	11,730	2,608
	11,317	5,003	20,877	4,316
Total comprehensive income attributable to:				
Owners of the parent	4,408	1,888	9,201	1,460
Non-controlling interests	6,787	3,068	11,773	2,608
	11,195	4,956	20,974	4,068
Weighted average number of shares in issue	196,544	196,544	196,544	196,544
Earnings per share in sen				
- Basic	2.28	0.98	4.65	0.87
- Diluted	1.77	0.77	3.62	0.68

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

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

Condensed Consolidated Statement of Financial Position
as at 30 June 2017

	As at 30.6.2017 (Unaudited) RM'000	As at 31.12.2016 (Audited) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	440,793	441,655
Investment properties	48,062	48,062
Biological assets	464,786	464,222
Land use rights	13,094	13,184
Deferred tax assets	3,149	3,204
Investment in securities	528	528
Trade and other receivables	154,404	149,501
Goodwill on consolidation	109,017	109,017
	1,233,833	1,229,373
Current assets		
Inventories	26,899	28,018
Trade and other receivables	23,171	26,589
Tax recoverable	1,408	1,457
Short term investments	15,341	13,625
Deposits placed with licensed banks	12,213	11,070
Cash and bank balances	22,946	17,831
	101,978	98,590
TOTAL ASSETS	1,335,811	1,327,963
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	196,544	196,544
Reserves	226,936	220,682
	423,480	417,226
Non-controlling interests	532,443	524,322
Total equity	955,923	941,548

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

Condensed Consolidated Statement of Financial Position as at 30 June 2017 (Contd.)

	As at 30.6.2017 (Unaudited) RM'000	As at 31.12.2016 (Audited) RM'000
EQUITY AND LIABILITIES (CONTD.)		
Non-current liabilities		
Lease rental payable	267	267
Hire purchase payables	464	784
Borrowings	77,067	86,747
Deferred tax liabilities	169,733	167,971
	247,531	255,769
Current liabilities		
Payables	33,247	40,860
Hire purchase payables	870	870
Borrowings	93,525	86,888
Taxation	4,715	2,028
	132,357	130,646
Total liabilities	379,888	386,415
TOTAL EQUITY AND LIABILITIES	1,335,811	1,327,963
Net Tangible Asset Per Share (RM)	1.60	1.57
Net Asset Per Share (RM)	2.15	2.12

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

MHC Plantations Bhd (4060-V)

Condensed Consolidated Statements of Changes in Equity (Unaudited)
For The Second Quarter Ended 30 June 2017

	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 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
Opening balance at 1 Jan 2017	196,544	5,737	(1,943)	789	138	153	8	215,800	417,226	524,322	941,548
Total comprehensive income for the period	-	-	-	-	-	55	-	9,147	9,202	11,773	20,975
Dividends	-	-	-	-	-	-	-	(2,948)	(2,948)	-	(2,948)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(3,652)	(3,652)
Closing balance at 30 June 2017	196,544	5,737	(1,943)	789	138	208	8	221,999	423,480	532,443	955,923

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

MHC Plantations Bhd (4060-V)
Condensed Consolidated Statement of Cash Flows (Unaudited)
For The Second Quarter Ended 30 June 2017

	6 months ended	
	30.6.2017 (Unaudited) RM' 000	30.6.2016 (Unaudited) RM' 000
Operating activities		
Profit before taxation	27,591	5,752
Adjustments for:		
Depreciation and amortisation	7,831	7,698
Interest expense	3,814	4,679
(Gain)/Loss on disposal of property, plant and equipment	(669)	(54)
Property, plant and equipment written off	-	39
Unrealised loss/(gain) on foreign exchange	(49)	60
Interest income	(4,166)	(3,645)
Dividend income	(1)	(1)
Total adjustments	6,760	8,776
Operating cash flows before changes in working capital	34,351	14,528
Changes in working capital:		
Inventories	1,120	2,110
Receivables	2,187	(2,822)
Payables	(7,462)	2,133
Total changes in working capital	(4,155)	1,420
Cash generated from operations	30,196	15,948
Interest received	373	336
Interest paid	(3,814)	(4,679)
Tax paid	(2,159)	(2,553)
Net cash flows from/(used in) operating activities	24,596	9,053
Investing activities		
Dividend received	1	1
Proceeds from disposal of property, plant and equipment	682	64
Additions to biological assets	(564)	(1,175)
Net redemption/(investment in) of short term investments	(1,721)	1,439
Net cash flow on acquisition of a subsidiary company	-	(621)
Acquisition of non-controlling interest	-	97
Purchase of property, plant and equipment	(6,742)	(8,764)
Net cash flows (used in)/from investing activities	(8,344)	(8,959)
Financing activities		
Drawdown of revolving credit	8,300	4,700
Drawdown of term loan	-	7,000
Repayment of revolving credit	(2,812)	-
Repayment of term loan	(8,531)	(9,371)
Repayment of hire purchase obligations	(470)	(516)
Dividends paid to shareholders	(2,948)	(2,948)
Dividends paid to non-controlling shareholders	(3,652)	(3,252)
Net cash flows (used in)/from financing activities	(10,113)	(4,387)
Net increase/(decrease) in cash and cash equivalents	6,139	(4,293)
Effect on exchange rate changes on cash and cash equivalents	115	(268)
Cash and cash equivalents as at 1 January	26,265	28,411
Cash and cash equivalents as at 30 June	32,519	23,850

Cash and cash equivalents :

Deposits placed with licensed banks	12,213	11,366
Cash and bank balances	22,946	15,094
	35,159	26,460
Less : Fixed deposits pledged	(2,640)	(2,610)
	32,519	23,850

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

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 2017 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 financial year ended 31 December 2016.

   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 2016. 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 2016.

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 2016, except for the adoption of the following new/revised FRSs and amendments to FRSs:

   Effective for financial periods beginning on or after 1 January 2017:
   - Amendments to FRS 107: Disclosure Initiative
   - Amendments to FRS 112: Recognition of Deferred Tax for Unrealised Losses
   - Annual Improvements to FRSs 2014 - 2016 Cycle
     - Amendments to FRS 12: Disclosure of Interests in Other Entities

   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 2017.

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 2017 except for the total of 56,155,420 free Warrants 2012/2017 which had expired on 28 July 2017 and removed from the official list of Bursa Malaysia Securities Berhad on 31 July 2017.

8. Dividend paid

A final single-tier dividend of 1.50% in respect of the financial year ended 31 December 2016 on 196,543,970 ordinary shares, amounting to a dividend payable of RM2,948,160 (1.50 sen per share) was paid on 13 June 2017.

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**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
External revenue	6,650	4,614	81,799	63,238	7,488	5,726	95,937	73,578
Inter-segment revenue	16,322	15,664	-	-	-	517	16,322	16,181
Segment profit	11,245	8,138	1,687	(1,509)	2,733	1,215	15,665	7,844

9. Segment information (Contd.)

Segment profit is reconciled to consolidated profit before tax as follows:	**3 months ended 30.6.2017 (Unaudited) RM'000**	**3 months ended 30.6.2016 (Unaudited) RM'000**
Segment profit	15,665	7,844
Other non-reportable segments	(53)	(28)
Amortisation of group land cost	(1,019)	(1,046)
Elimination of inter-segment profits	(21)	(54)
Unallocated corporate (expenses)/income	(431)	(72)
Consolidated profit/(loss) before tax	14,141	6,644

Results for 6 months ended 30 June

	Plantation		**Oil Mill**		**Power Plant**		**Total**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
External revenue	12,988	7,595	159,179	113,553	13,842	10,232	186,009	131,380
Inter-segment revenue	33,930	26,198	-	-	-	1,073	33,930	27,271
Segment profit/(loss)	22,887	8,683	2,938	(1,064)	4,509	836	30,334	8,455

Segment profit is reconciled to consolidated profit before tax as follows:	**6 months ended 30.6.2017 (Unaudited) RM'000**	**6 months ended 30.6.2016 (Unaudited) RM'000**
Segment profit	30,334	8,455
Other non-reportable segments	(103)	(56)
Amortisation of group land cost	(2,038)	(2,147)
Elimination of inter-segment profits	(78)	(100)
Unallocated corporate income	-	212
Unallocated corporate expenses	(524)	(612)
Consolidated profit before tax	27,591	5,752

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter ended 30 June 2017.

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	12,195
Approved but not contracted for	5,570
	17,765

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>

The Group recorded a revenue of RM96.29 million and profit before tax of RM14.14 million for the current quarter ended 30 June 2017 as compare to a revenue of RM74.03 million and profit before tax of RM6.64 million in the preceding year quarter ended 30 June 2016. The increase in revenue and profit before tax is mainly due to an increase in:

a) sales volume of CPO, PK and FFB by 26%, 28% and 42% respectively;
b) FFB production by 12%;
c) milling margin and kernel rate; and
d) exporting electricity by 41% and higher selling price of Empty Fruit Bunches ("EFB") oil by 32%.

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 RM3.11 million (> 38%) from RM8.14 million to RM11.25 million was mainly due an increase in FFB production by 12%.

(ii) Oil Mill – The increase in profit before tax by RM 3.20 million (> 100%) from a loss before taxation of RM1.51 million to a profit before taxation of RM1.69 million was mainly due to higher milling margin and kernel rate in the current quarter under review.

(iii) Power Plant – The increase in profit before tax by RM1.51 million (>100%) from RM1.22 million to RM2.73 million was mainly due to increase in exporting electricity by 41% and higher EFB oil selling price by 32%. The 12MW Biomass Power Plant generated and exported 16,556,691 kWh (2016: 14,662,949 kWh) whereas the 3.8MW Biogas Power Plant generated and exported 4,094,267 kWh (2016: Nil) for this current quarter to Sabah Electricity Sdn Bhd ("SESB").

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

For this financial period under review, the Group recorded a revenue of RM186.74 million and a profit before tax of RM27.59 million as compared to a revenue of RM132.30 million and profit before tax of RM5.75 million in the previous financial corresponding period. The increase in revenue and profit before tax is mainly due to an increase in:

a) CPO, PK and FFB prices by 18%, 17% and 18% respectively;
b) sales volume of CPO, PK and FFB by 17%, 31% and 45% respectively;
c) FFB production by 20%;
d) milling margin; and
d) exporting electricity by 31% and higher selling price of Empty Fruit Bunches ("EFB") oil by 56%.

1. Review of performance (Cont'd)

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

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

(i) Plantation – The increase in profit before tax by RM14.20 million (> 100%) from RM8.68 million to RM22.89 million was mainly due to higher FFB price by 16% and higher FFB production by 20%.

(ii) Oil Mill – The increase in profit before tax by RM 4.00 million (> 100%) from a loss before taxation of RM1.06 million to a profit before taxation of RM2.94 million was mainly due to higher milling margin and kernel rate in the financial period under review.

(iii) Power Plant – The increase in profit before tax by RM3.67 million (>100%) from RM0.84 million to RM4.51 million was mainly due to increase in exporting electricity by 31% and higher EFB oil selling price by 56%. The 12MW Biomass Power Plant generated and exported 30,928,183 kWh (2016: 28,719,639 kWh) whereas the 3.8MW Biogas Power Plant generated and exported 6,759,177 kWh (2016: Nil) for this current quarter to SESB.

2. Variation of results against preceding quarter

The Group recorded a profit before tax of RM14.14 million in the quarter under review as compared to a profit before tax of RM13.45 million in the immediate preceding quarter mainly due to an increase in export of electricity by 21% and higher milling margin.

3. Commentary on prospects

The Group expects a recovery of FFB production in the second half of 2017 as the Ei-Nino effect that reduced production from 2015 onwards is expected to fade in 2017. Palm oil prices are also expected to remain stable in 2017.

The Group also expects a better contribution from its power plant division in line with the completion of the upgrading of the Biogas plant from 3.0MWh to 3.8MWh in February 2017.

On the whole, the Board is confident that, barring any unforeseen circumstances, the Group will continue to perform satisfactorily in 2017.

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 3 months ended		Cumulative quarter 6 months ended	
	30.6.2017 (Unaudited) RM'000	30.6.2016 (Unaudited) RM'000	30.6.2017 (Unaudited) RM'000	30.6.2016 (Unaudited) RM'000
Gain/(Loss) on disposal of plant and equipment	669	21	669	54
Interest income	2,093	1,799	4,166	3,645
Interest expense	(1,940)	(2,326)	(3,814)	(4,679)
Depreciation and amortisation	(3,925)	(3,809)	(7,831)	(7,698)
Dividend	-	1	1	1
Realised gain/(loss) on foreign exchange	-	102	77	33
Unrealised (loss)/gain on foreign exchange	(16)	110	49	(60)
Property, plant and equipment written off	-	(39)	-	(39)

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	
	30.6.2017 (Unaudited) RM'000	30.6.2016 (Unaudited) RM'000	30.6.2017 (Unaudited) RM'000	30.6.2016 (Unaudited) RM'000
Current tax:				
-Malaysian income tax	2,451	1,782	6,621	2,102
Deferred tax				
- relating to origination and reversal of temporary differences	435	73	155	(452)
- under/(over) provision of tax	(62)	(214)	(62)	(214)
	373	(141)	93	(666)
Total income tax expense	2,824	1,641	6,714	1,436

The Group's effective tax rate for the current quarter was lower than the statutory tax rate of 24% principally due to over-provision of tax in prior quarter which has been rectified in the current quarter.

6. Income tax expense (Cont'd)

The Group's effective tax rate for the financial period under review was slightly 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	72,400
Term loan	21,125

	93,525
Non-current - Secured	RM'000
Term loan	77,067
Total borrowings	170,592

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 2017.

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

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)

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)

The Trial was concluded on 8 December 2016 and closing submission has been made on 3 February 2017 followed by a submission in reply on 20 February 2017.

On 2 May 2017, the High Court in Sabah and Sarawak at Sandakan had allowed SBSB's claim against BESB and dismissed BESB's counterclaim against SBSB with costs of RM100,000.00 to SBSB subject to allocatur fee of 4% of the costs. BESB had on 26 May 2017 filed an appeal to the Court of Appeal against the said decision.

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 solicitor, 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.

10. Changes in material litigation (Cont'd)

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

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 however as at to date the appeal has yet to be heard.

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 June 2017 (30 June 2016: 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**	
	30.6.2017 (Unaudited) RM'000	**30.6.2016 (Unaudited) RM'000**	**30.6.2017 (Unaudited) RM'000**	**30.6.2016 (Unaudited) RM'000**
Profit/(Loss) attributable to the owners of the Company	4,474	1,935	9,147	1,708
Weighted average number of ordinary shares in issue	196,544	196,544	196,544	196,544
Basic earnings per share (sen)	2.28	0.98	4.65	0.87

12. Basic earnings per share (Cont'd)

(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	
	30.6.2017 (Unaudited) RM'000	30.6.2016 (Unaudited) RM'000	30.6.2017 (Unaudited) RM'000	30.6.2016 (Unaudited) RM'000
Profit/(Loss) attributable to the owners of the Company	4,474	1,935	9,147	1,708
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	1.77	0.77	3.62	0.68

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. 2017 RM' 000	As at 31.12.2016 RM' 000
Total retained profits of the Company and its subsidiaries		
- Realised	185,292	172,403
- Unrealised	29,137	26,937
	214,429	199,340
Consolidation adjustments	7,570	16,460
Total group retained profits as per consolidation accounts	221,999	215,800

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 10 August 2017.