HAP SENG PLANTATIONS HOLDINGS BERHAD (769962-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE FIRST QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2016

	Quarter ended		Year-to-date ended	
	31.3.2016	**31.3.2015**	**31.3.2016**	**31.3.2015**
	RM'000	RM'000	RM'000	RM'000
Revenue	104,162	113,812	104,162	113,812
Operating expenses	(83,643)	(85,901)	(83,643)	(85,901)
Other operating income	2,406	1,168	2,406	1,168
Profit before tax	22,925	29,079	22,925	29,079
Tax expense	(6,276)	(7,586)	(6,276)	(7,586)
Profit for the period representing total comprehensive income for the period	16,649	21,493	16,649	21,493
Earnings per share (sen)				
Basic	2.08	2.69	2.08	2.69
Diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the Interim Financial Statements

HAP SENG PLANTATIONS HOLDINGS BERHAD (769962-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 31 MARCH 2016

	As at 31.3.2016 RM'000	As at 31.12.2015 RM'000 *(Audited)*
Non-current assets		
Property, plant and equipment	656,693	614,480
Biological assets	1,360,903	1,360,883
	2,017,596	1,975,363
Current assets		
Inventories	51,765	64,247
Receivables	27,369	13,875
Tax recoverable	456	419
Money market deposits	58,825	98,636
Cash and cash equivalents	35,956	79,051
	174,371	256,228
TOTAL ASSETS	2,191,967	2,231,591
Equity attributable to owners of the Company		
Share capital	800,000	800,000
Reserves	1,157,480	1,180,816
	1,957,480	1,980,816
Less: Treasury shares	(809)	(809)
TOTAL EQUITY	1,956,671	1,980,007
Non-current liabilities		
Deferred tax liabilities	186,614	187,763
Current liabilities		
Payables	36,799	55,371
Tax payable	11,883	8,450
	48,682	63,821
TOTAL LIABILITIES	235,296	251,584
TOTAL EQUITY AND LIABILITIES	2,191,967	2,231,591
Net assets per share (RM)	2.45	2.48
Based on number of shares net of treasury shares ('000)	799,699	799,699

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the Interim Financial Statements

HAP SENG PLANTATIONS HOLDINGS BERHAD (769962-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR YEAR-TO-DATE ENDED 31 MARCH 2016

	Attributable to Owners of the Company				
	Share Capital RM'000	Non-distributable Share Premium RM'000	Distributable Retained Earnings RM'000	Treasury Shares RM'000	Total Equity RM'000
At 1 January 2016	800,000	675,578	505,238	(809)	1,980,007
Comprehensive income for the period	-	-	16,649	-	16,649
Dividend	-	-	(39,985)	-	(39,985)
At 31 March 2016	800,000	675,578	481,902	(809)	1,956,671
At 1 January 2015	800,000	675,578	472,766	(799)	1,947,545
Comprehensive income for the period	-	-	21,493	-	21,493
Dividend	-	-	(39,985)	-	(39,985)
At 31 March 2015	800,000	675,578	454,274	(799)	1,929,053

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the Interim Financial Statements

HAP SENG PLANTATIONS HOLDINGS BERHAD (769962-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR YEAR-TO-DATE ENDED 31 MARCH 2016

	Year-to-date ended	
	31.3.2016	**31.3.2015**
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	22,925	29,079
Adjustments for:		
Non-cash items	7,861	7,464
Non-operating items	(8)	110
Interest income	(372)	(672)
Dividend income	(825)	(235)
Operating profit before working capital changes	29,581	35,746
Net changes in working capital	(19,550)	(6,163)
Net tax paid	(4,029)	(11,199)
Interest received	372	672
Net cash generated from operating activities	6,374	19,056
Cash flows from investing activities		
Dividend received from money market deposits	791	235
Decrease/(Increase) in money market deposits	39,811	(235)
Proceeds from disposal of property, plant and equipment	368	927
Purchase of property, plant and equipment	(50,434)	(6,868)
Additions to biological assets	(20)	(294)
Net cash used in investing activities	(9,484)	(6,235)
Cash flows from financing activities		
Dividend paid to shareholders	(39,985)	(39,985)
Net cash used in financing activities	(39,985)	(39,985)
Net decrease in cash and cash equivalents	(43,095)	(27,164)
Cash and cash equivalents at beginning of period	79,051	93,421
Cash and cash equivalents at end of period	35,956	66,257

Cash and cash equivalents comprise the following amounts:

Deposits with licensed banks	30,927	47,916
Cash in hand and at bank	5,029	18,341
	35,956	66,257

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the Interim Financial Statements

PART A

Explanatory Notes Pursuant to Financial Reporting Standard (FRS) 134, Interim Financial Reporting

1. **Basis of preparation**

These interim financial statements have been prepared in accordance with the requirements of FRS 134, Interim Financial Reporting and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad [“Bursa Securities”], and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2015.

2. **Significant accounting policies**

The accounting policies and presentation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2015, except for changes arising from the adoption of FRS, IC Interpretations and Amendments that are effective for financial period beginning on or after 1 January 2016 which do not have material impact on the financial statements of the Group on the initial adoption.

<u>Malaysian Financial Reporting Standards [“MFRS”]</u>

On 19 November 2011, the Malaysian Accounting Standards Board [“MASB”] issued a new MASB approved accounting framework, the MFRS framework, to be adopted by non-private entities for annual periods beginning on or after 1 January 2012. However, adoption of the MFRS framework by entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer [“Transitioning Entities”] will only be mandatory for annual periods beginning on or after 1 January 2018.

The Group falls within the definition of Transitioning Entities and is currently exempted from adopting the MFRS framework. Accordingly, the Group’s financial statements for annual period beginning on 1 January 2018 will be prepared in accordance with the MFRS and International Financial Reporting Standards. 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.

3. **Comments on the seasonality or cyclicality of operations**

The Group considers the seasonal or cyclical factors affecting the results of the operations of the Group comprising the cultivation of oil palm and processing of fresh fruit bunches to include general climatic conditions, age profile of oil palms, the cyclical nature of annual production and the movements in commodity prices.

4. **Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence**

Save for the information disclosed in this interim financial report, there were no unusual items affecting assets, liabilities, equity, net income or cash flow during the interim period.

5. **Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years**

There were no changes in estimates of amounts reported in prior financial years.

6. **Issues, cancellations, repurchases, resale and repayments of debt and equity securities**

Share buyback by the Company

During the current quarter, there was no buyback of shares, resale or cancellation of treasury shares.

As at 31 March 2016, the Company held a total of 300,800 ordinary shares as treasury shares and the issued and paid up share capital of the Company remained unchanged at 800,000,000 ordinary shares of RM1.00 each.

7. **Dividend**

The dividend paid out of shareholders' equity for the ordinary shares during the interim period and preceding year corresponding period were as follows:

	Year-to-date ended	
	31.3.2016	**31.3.2015**
	RM'000	RM'000
Dividend in respect of financial year ended 31 December 2014:		
- Second interim (5 sen) under the single tier system approved by the Directors on 23 February 2015 and paid on 25 March 2015	-	39,985
Dividend in respect of financial year ended 31 December 2015:		
- Second interim (5 sen) under the single tier system approved by the Directors on 23 February 2016 and paid on 24 March 2016	39,985	-
	39,985	39,985

8. **Segment information**

No segment information has been prepared as the Group is primarily engaged in the cultivation of oil palm and processing of fresh fruit bunches in Malaysia.

9. **Effect of changes in the composition of the Group during the interim period, including business combinations, obtaining or losing control of subsidiaries and long–term investments, restructuring and discontinued operations**

There were no changes in composition of the Group during the interim period.

10. **Significant events and transactions**

There were no events or transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period.

11. **Events after the end of the interim period**

Save for the subsequent events as disclosed in Note 9 of Part B below, there were no events after the interim period and up to 13 May 2016 that have not been reflected in these interim financial statements.

12. **Changes in contingent liabilities or contingent assets since the end of the last annual reporting period**

Since the end of the last annual reporting period, the Group does not have any contingent liability or contingent asset as at the end of the financial year which is expected to have an operational or financial impact on the Group.

13. **Capital commitments**

The Group has the following capital commitments:

	As at 31.3.2016	**As at 31.12.2015**
	RM'000	RM'000
Contracted but not provided for	57,794	76,013
Authorised but not contracted for	70,746	102,770
	128,540	178,783

14. **Significant related party transactions**

During the interim period, the Company and its subsidiaries did not enter into any Related Party Transactions or Recurrent Related Party Transactions of a revenue or trading nature that had not been included in or exceeded by 10% of the estimated value which had been mandated by the shareholders at the extraordinary general meeting held on 25 May 2015.

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PART B

Explanatory Notes Pursuant to the Main Market Listing Requirements of Bursa Securities

1. **Review of performance**

The Group's revenue for the current quarter at RM104.2 million was 8% below the preceding year corresponding quarter whilst profit before tax and profit after tax at RM22.9 million and RM16.6 million were lower than the preceding year corresponding quarter by 21% and 23% respectively.

Generally, the Group's current quarter performance was affected by lower sales volume of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] as well as higher unit production cost but mitigated somewhat by the higher average selling price realization of CPO and PK.

CPO and PK sales volume at 37,041 tonnes and 6,978 tonnes were lower than preceding year corresponding quarter by 12% and 19% respectively mainly affected by lower production.

Average selling price realization of CPO and PK for the current quarter were RM2,375 and RM2,029 per tonne respectively as compared to the preceding year corresponding quarter of RM2,216 per tonne for CPO and RM1,801 per tonne for PK.

CPO and PK production for the current quarter were below the preceding year corresponding quarter by 18% and 13% respectively mainly due to lower fresh fruit bunches ["FFB"] yield which was affected by the severe dry weather in Sabah caused by the El Nino weather phenomenon.

Overall, basic earnings per share for the current quarter decreased to 2.08 sen from 2.69 sen in the preceding year corresponding quarter.

2. **Comments on material changes in the profit before tax for the quarter reported as compared with the preceding quarter**

Group PBT for the current quarter was 40% lower than the preceding quarter of RM38 million, affected by lower sales volume and higher unit production cost but somewhat mitigated by higher average selling price.

The lower sales volume was mainly due to lower CPO production as the El Nino weather phenomenon has negatively impacted FFB output. CPO and PK sales volume for the current quarter were 15% and 43% lower than the preceding quarter of 43,657 tonnes and 12,229 tonnes respectively whilst average selling price per tonne of CPO and PK were 8% and 22% higher than the preceding quarter of RM2,189 and RM1,669 respectively.

3. **Current year prospects**

CPO prices had somewhat strengthened since the beginning of this year underpinned by lower global palm oil supplies which were negatively impacted by the most severe El Nino weather phenomenon in nearly two decades that has caused a dry spell across South-East Asia. However, the increase in palm oil prices may be capped by the high global soybean stocks, the potential release of rapeseed oil stocks by the Chinese government and slower global economic growth.

Although the El Nino weather phenomenon is expected to end in the second half of the year, its negative impact on FFB yield and CPO production will continue beyond this period.

The increase in the minimum wage of employees with effect from July 2016, labour shortage and the volatility of the Ringgit vis-à-vis the US Dollar are expected to be ongoing challenges faced by the plantation industry in Malaysia.

Notwithstanding the foregoing, the Group is cautiously optimistic of achieving satisfactory results for the current financial year ending 31 December 2016.

4. **Variances between actual profit and forecast profit**

Variances between actual profit and forecast profit are not applicable as the Company has not provided any profit forecast in any public document.

5. **Profit for the period**

	Quarter ended		Year-to-date ended	
	31.3.2016	**31.3.2015**	**31.3.2016**	**31.3.2015**
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging):				
Interest income	372	672	372	672
Dividend income	825	235	825	235
Foreign exchange loss	(68)	-	(68)	-
Depreciation and amortisation	(7,861)	(7,424)	(7,861)	(7,424)
Property, plant and equipment written off	-	(40)	-	(40)
Gain/(loss) on disposal of property, plant and equipment	8	(110)	8	(110)

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

6. **Tax expense**

	Quarter ended		Year-to-date ended	
	31.3.2016	**31.3.2015**	**31.3.2016**	**31.3.2015**
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	7,425	9,011	7,425	9,011
- deferred tax	(1,149)	(1,425)	(1,149)	(1,425)
	6,276	7,586	6,276	7,586

The Group's effective tax rates for the current quarter and preceding year corresponding quarter were above the statutory tax rate due to certain expenses being disallowed for tax purposes.

7. **Status of corporate proposals announced but not completed at the latest practicable date which must not be earlier than 7 days from the date of issue of the quarterly report**

There was no corporate proposal announced but not completed as at 13 May 2016.

8. **Borrowings and debt securities**

The Group does not have any borrowing nor debt security.

9. **Changes in material litigation (including status of any pending material litigation) since the date of the last annual statement of financial position which must be made up to a date not earlier then 7 days from the date of issue of the quarterly report**

Except for the following, there was no other material litigation since the date of the last annual statement of financial position:

(a) Hap Seng Plantations (River Estates) Sdn Bhd ["RESB"], the wholly-owned subsidiary of the Company, is the registered and beneficial proprietor of all that parcel of land held under CL095310017, District of Kinabatangan, State of Sabah measuring approximately 6,454 acres ["said Land"]. On 16 January 2012, a purported sale and purchase agreement in respect of the said Land was entered into between Mr. Heng Chin Hing @ Wong Chin Hing (NRIC No. H0699157/570811-12-5731) ["HCH"] as the purported vendor and Excess Interpoint Sdn Bhd ["EISB"] as the purported purchaser ["Purported SPA"]. HCH alleged that he is the donee of a power of attorney dated 8 February 1977 allegedly created in respect of the said Land ["Alleged PA"]. On the basis of the Purported SPA, EISB entered a private caveat on the said Land on 3 April 2012.

On 23 May 2012, RESB filed a writ of summon and an application for interlocutory injunction ["KL Interlocutory Injunction Application"] through its solicitors in Kuala Lumpur, Messrs Wong Kian Kheong, against EISB ["1st Defendant"] at the Kuala Lumpur High Court ["KLHC"] vide civil suit no. 22NCVC-631-05/2012 ["KL RESB Suit"]. On 14 June 2012, the KLHC granted an ad interim injunction in favour of RESB ["KL Ad Interim Injunction"] pending disposal of the hearing of the KL Interlocutory Injunction Application subject to RESB's undertaking to pay damages to the 1st Defendant for losses suffered by the 1st Defendant resulting from the KL Ad Interim Injunction in the event that the KL Ad Interim Injunction is subsequently discharged or set aside. Upon RESB's application, HCH was added as the second defendant ["2nd Defendant"] to the KL RESB Suit on 16 June 2012.

RESB is claiming for the following in the KL RESB Suit ["said Reliefs"]:
- (i) That RESB be declared as the registered and beneficial owner of the said Land;
- (ii) That the Purported SPA be declared null and void;
- (iii) That the Alleged PA be declared null and void;
- (iv) An injunction restraining the 1st Defendant from:-
  - (a) effecting any further dealings including but not limited to disposal, assignment, transfer, mortgage, charge, lease, tenancy over the said Land with any third party;
  - (b) taking any actions to fulfill the terms and conditions in the Purported SPA; and
  - (c) taking any further action to complete the Purported SPA.
- (v) An injunction restraining the 2nd Defendant from effecting any steps, actions and/or representations in respect of the Alleged PA;
- (vi) Costs of the KL RESB Suit; and
- (vii) Such further or other relief as the Court deems fit and just.

Upon the 1st Defendant's application, the KL RESB Suit was transferred to the High Court of Sabah & Sarawak at Kota Kinabalu ["KKHC"] on 10 August 2012, subject to the KL Ad Interim Injunction continuing to be in effect with RESB being represented by the law firm of Messrs Jayasuriya Kah & Co. in Kota Kinabalu.

On 7 April 2016, the Federal Court in deciding on a question of law referred to it by way of a special case stated for the opinion of the Federal Court held that the KLHC has no jurisdiction to transfer a civil suit filed in the High Court of Malaya to the High Court of Sabah and Sarawak. The effect of this decision is that the KL RESB Suit continues to exist and remains effective.

On 8 April 2016, RESB filed a fresh writ of summon and an application for interlocutory injunction ["KK Interlocutory Injunction Application"] against the 1st and 2nd Defendants praying for the said Reliefs through its solicitors in Sabah, Messrs Jayasuriya Kah & Co. in KKHC vide civil suit no. BKI-22NCvC-39/4-2016 ["KK RESB Suit"].

9. **Changes in material litigation (including status of any pending material litigation) since the date of the last annual statement of financial position which must be made up to a date not earlier then 7 days from the date of issue of the quarterly report (continued)**

(a) (continued)

On 11 April 2016, the KKHC granted an ex-parte injunction in favour of RESB [“KK Ad Interim Injunction”], subject to RESB’s undertaking to pay damages to the 1st and 2nd Defendants should they suffer any damages arising from the KK Ad Interim Injunction. On 25 April 2016 which was fixed for inter-partes hearing of the KK Interlocutory Injunction Application, the KKHC ordered parties to file in written submissions and fixed 27 July 2016 for decision subject to the KK Ad Interim Injunction continuing to be in effect.

On 19 April 2016, the KKHC upon being informed of the Federal Court’s ruling on 7 April 2016, took the view that since the transfer of the KL RESB Suit to KKHC was unconstitutional, the KL RESB Suit was struck off with no order as to costs.

The Company has been advised by both Messrs Wong Kian Kheong and Messrs Jayasuriya Kah & Co., that RESB has good grounds to succeed in the KK RESB Suit.

(b) Chee Ah Nun @ Sia Yi Chan (NRIC No. 550808-12-5663) [“SYC” or the “Plaintiff”] has filed a separate legal suit against RESB in respect of the said Land in the High Court of Sabah & Sarawak at Kota Kinabalu [“KKHC”] vide originating summon no. BKI-24-127/5-2012, and the same was served on RESB on 11 June 2012 [the “KK Suit”].

The KK Suit is premised on a purported deed of appointment of substitute by attorney dated 24 June 2010 [“Alleged Deed of Substitute”] allegedly executed by HCH pursuant to which HCH had allegedly divested to SYC all his interests or claims on the said Land pursuant to the Alleged PA.

SYC is claiming for the following in the KK Suit:

(i) that by virtue of the Alleged PA, RESB had allegedly divested its ownership and all interests or claims to the said Land to HCH;
(ii) that pursuant to the Alleged Deed of Substitute, SYC is the beneficial owner and has rights to take possession of the said Land;
(iii) an order that RESB forthwith deliver vacant possession of the said Land to SYC free of encumbrances with all fixtures and crops planted thereon;
(iv) an injunction restraining RESB, its servants and/or employees or agents from harvesting crops on the said Land or removing anything thereon and/or otherwise from doing anything or interfering with SYC’s rights thereon;
(v) costs of the KK Suit; and
(vi) such further or other relief as the Court deems fit and just.

The application by RESB to convert the KK Suit into a writ action [“Conversion Application”] was heard on both 23 October 2012 and 26 November 2012 and is currently pending decision.

Consistent with the KK RESB Suit stated in Note 9(a) above, the KK Suit was stayed pending determination by the Federal Court on the constitutionality of the transfer of civil suits from the High Court of Malaya to the High Court of Sabah and Sarawak and vice versa. On 7 April 2016, the Federal Court in deciding on a question of law referred to it by way of a special case stated for the opinion of the Federal Court held that, the High Court of Malaya has no jurisdiction to transfer a civil suit filed in the High Court of Malaya to the High Court of Sabah and Sarawak.

On 11 May 2016, the KKHC fixed a new mention date on 1 August 2016 pending decision of the inter-partes hearing of the KK Interim Injunction Application in the KK RESB Suit.

The Company has been advised by its solicitors, Messrs Jayasuriya Kah & Co., that the KK Suit is unlikely to succeed.

10. **Derivatives**

The Group did not enter into any derivative contract and accordingly there was no outstanding derivative as at the end of the interim period.

11. **Gains/Losses arising from fair value changes of financial liabilities**

There was no gain/loss arising from fair value changes of financial liabilities for the current quarter under review as all the Group's financial liabilities are measured at amortised cost.

12. **Disclosure of realised and unrealised profits or losses (unaudited)**

	As at 31.3.2016 RM'000	**As at 31.12.2015** RM'000 *(Audited)*
Total retained earnings of the Company and its subsidiaries:		
- Realised	869,342	893,097
- Unrealised	(131,715)	(132,689)
	737,627	760,408
Less: Consolidation adjustments	(255,725)	(255,170)
Total Group retained earnings as per consolidated financial statements	481,902	505,238

13. **Earnings per share ["EPS"]**

(a) The basic EPS is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding treasury shares held by the Company as follows:

	Quarter Ended		**Year-to-date ended**	
	31.3.2016	**31.3.2015**	**31.3.2016**	**31.3.2015**
Profit attributable to owners of the Company (RM'000)	16,649	21,493	16,649	21,493
Weighted average number of ordinary shares in issue	799,699	799,703	799,699	799,703
Basic EPS (sen)	2.08	2.69	2.08	2.69

(b) The Company does not have any diluted EPS.

14. **Dividend**

The Directors do not recommend any interim dividend for the period under review.

15. **Auditors' report on preceding annual financial statements**

The auditors' report in respect of the financial statements of the Company for the preceding financial year ended 31 December 2015 was not subject to any qualification.

16. **Others**

In its approval letter dated 23 July 2007 approving the initial public offering of the Company, the Securities Commission ["SC"] requires, inter alia, the Company to resolve the issue on the requirement to transfer 30% of Litang Estate/equity in Hap Seng Plantations (Wecan) Sdn Bhd to natives within the time period stipulated therein ["SC Condition"].

As announced on 31 July 2012, the Land and Survey Department in Kota Kinabalu had granted a further extension of time to July 2017 ["said Extention"] for the transfer of 30% of the undivided share of the Litang Estate or 30% equity in Hap Seng Plantations (Wecan) Sdn Bhd, the wholly-owned subsidiary of the Company to natives.

SC had via its letter dated 3 September 2012 resolved not to impose time stipulation on the Company to resolve the issue on SC Condition. However, the Company is to continue to pursue the matter with the relevant authority subject to the following:

(i) the Company is to disclose the efforts taken and the status of the compliance with the Litang Estate Condition in the annual report until such time the condition is fulfilled;

(ii) the Company and/or CIMB Investment Bank Berhad ["CIMB"] is/are to make quarterly announcements to Bursa Malaysia Securities Berhad until such time the condition is fulfilled; and

(iii) the Company and/or CIMB is/are to update the SC when such disclosure is made in the annual report.

It is a condition of the Litang Estate that "Transfer and sublease of this title is prohibited until such time as the said land has been fully developed in accordance with the terms and conditions herein except as provided above".

To the best of the Company's knowledge, the said Extension was granted on the basis that frequent floods had hindered the full development or planting up of the Litang Estate in accordance with the title conditions.

As part of its effort to comply with the SC condition, the Company has taken the following steps to fully develop the Litang Estate:

(i) constructing of a drain for every 4 rows of palms;
(ii) regular de-silting of drains in and around the affected region;
(iii) protect and maintain riparian reserves to prevent and reduce the rate of siltation of drains and rivers through soil erosion;
(iv) re-supply palms killed after every flood event until such time the palms are able to survive through the floods;
(v) specially formulated fertilizer recommendations provided to affected areas; and
(vi) palms planted on platforms for lower lying areas.

BY ORDER OF THE BOARD

CHEAH YEE LENG
LIM GUAN NEE
Secretaries

Kuala Lumpur
18 May 2016