

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THIRD QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2017**

| | Quarter ended | | | Year-to-date ended | | |
|---|---------------------|---------------------|-------------------------|---------------------|---------------------|-------------------------|
| | 30.9.2017 RM'000 | 30.9.2016 RM'000 | Increase/ (Decrease) | 30.9.2017 RM'000 | 30.9.2016 RM'000 | Increase/ (Decrease) |
| Revenue | 113,580 | 160,166 | -29% | 391,190 | 374,884 | 4% |
| Operating expenses | (81,470) | (104,886) | | (278,992) | (272,274) | |
| Other operating income | 2,317 | 1,612 | | 7,334 | 5,158 | |
| Profit before tax | 34,427 | 56,892 | -39% | 119,532 | 107,768 | 11% |
| Tax expense | (8,522) | (14,190) | | (30,660) | (28,623) | |
| Profit for the period representing total comprehensive income for the period | <u>25,905</u> | <u>42,702</u> | -39% | <u>88,872</u> | <u>79,145</u> | 12% |
| Earnings per share (sen) | | | | | | |
| Basic | <u>3.24</u> | <u>5.34</u> | -39% | <u>11.11</u> | <u>9.90</u> | 12% |
| Diluted | <u>N/A</u> | <u>N/A</u> | | <u>N/A</u> | <u>N/A</u> | |

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 2016 and the accompanying explanatory notes attached to the Interim Financial Statements

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2017**

| | As at 30.9.2017 RM'000 | As at 31.12.2016 RM'000 <i>(Audited)</i> |
|---|-------------------------------------|--|
| Non-current assets | | |
| Property, plant and equipment | 683,385 | 673,959 |
| Biological assets | 1,377,864 | 1,377,427 |
| | <u>2,061,249</u> | <u>2,051,386</u> |
| Current assets | | |
| Inventories | 74,633 | 72,087 |
| Receivables | 17,643 | 6,339 |
| Tax recoverable | 370 | 626 |
| Money market deposits | 99,963 | 122,136 |
| Cash and cash equivalents | 24,100 | 39,459 |
| | <u>216,709</u> | <u>240,647</u> |
| TOTAL ASSETS | <u>2,277,958</u> | <u>2,292,033</u> |
| Equity attributable to owners of the Company | | |
| Share capital | 800,000 | 800,000 |
| Reserves | 1,225,870 | 1,240,958 |
| | <u>2,025,870</u> | <u>2,040,958</u> |
| Less: Treasury shares | (824) | (819) |
| TOTAL EQUITY | <u>2,025,046</u> | <u>2,040,139</u> |
| Non-current liabilities | | |
| Deferred tax liabilities | 192,452 | 191,949 |
| Current liabilities | | |
| Payables | 49,225 | 49,821 |
| Tax payable | 11,235 | 10,124 |
| | <u>60,460</u> | <u>59,945</u> |
| TOTAL LIABILITIES | <u>252,912</u> | <u>251,894</u> |
| TOTAL EQUITY AND LIABILITIES | <u>2,277,958</u> | <u>2,292,033</u> |
| Net assets per share (RM) | <u>2.53</u> | <u>2.55</u> |
| Number of shares net of treasury shares ('000) | 799,693 | 799,695 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the Interim Financial Statements

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR YEAR-TO-DATE ENDED 30 SEPTEMBER 2017**

| | ← Attributable to Owners of the Company → | | | | Total Equity RM'000 |
|-------------------------------------|---|---|---|------------------------------|---------------------------|
| | Share Capital RM'000 | Non- distributable Share Premium RM'000 | Distributable Retained Earnings RM'000 | Treasury Shares RM'000 | |
| At 1 January 2017 | 800,000 | 675,578 | 565,380 | (819) | 2,040,139 |
| Comprehensive income for the period | - | - | 88,872 | - | 88,872 |
| Purchase of treasury shares | - | - | - | (5) | (5) |
| Dividend | - | - | (103,960) | - | (103,960) |
| At 30 September 2017 | <u>800,000</u> | <u>675,578</u> | <u>550,292</u> | <u>(824)</u> | <u>2,025,046</u> |
| At 1 January 2016 | 800,000 | 675,578 | 505,238 | (809) | 1,980,007 |
| Comprehensive income for the period | - | - | 79,145 | - | 79,145 |
| Purchase of treasury shares | - | - | - | (5) | (5) |
| Dividend | - | - | (63,976) | - | (63,976) |
| At 30 September 2016 | <u>800,000</u> | <u>675,578</u> | <u>520,407</u> | <u>(814)</u> | <u>1,995,171</u> |

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 2016 and the accompanying explanatory notes attached to the Interim Financial Statements

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR YEAR-TO-DATE ENDED 30 SEPTEMBER 2017**

| | Year-to-date ended | |
|---|---------------------------|------------------|
| | 30.9.2017 | 30.9.2016 |
| | RM'000 | RM'000 |
| Cash flows from operating activities | | |
| Profit before tax | 119,532 | 107,768 |
| Adjustments for: | | |
| Non-cash items | 27,958 | 24,399 |
| Non-operating items | (986) | (113) |
| Dividend income | (2,730) | (1,982) |
| Interest income | (804) | (991) |
| Operating profit before working capital changes | 142,970 | 129,081 |
| Net changes in working capital | (14,446) | 2,684 |
| Net tax paid | (28,790) | (22,285) |
| Interest received | 804 | 991 |
| Net cash generated from operating activities | 100,538 | 110,471 |
| Cash flows from investing activities | | |
| Dividend received from money market deposits | 2,730 | 1,982 |
| Decrease in money market deposits | 22,173 | 683 |
| Proceeds from disposal of property, plant and equipment | 3,410 | 2,588 |
| Purchase of property, plant and equipment | (39,808) | (73,936) |
| Additions to biological assets | (437) | (16,440) |
| Net cash used in investing activities | (11,932) | (85,123) |
| Cash flows from financing activities | | |
| Shares repurchased at cost | (5) | (5) |
| Dividend paid to shareholders | (103,960) | (63,976) |
| Net cash used in financing activities | (103,965) | (63,981) |
| Net change in cash and cash equivalents | (15,359) | (38,633) |
| Cash and cash equivalents at beginning of period | 39,459 | 79,051 |
| Cash and cash equivalents at end of period | 24,100 | 40,418 |
| | | |
| Cash and cash equivalents comprise the following amounts: | | |
| Deposits with licensed banks | 18,354 | 35,086 |
| Cash in hand and at bank | 5,746 | 5,332 |
| | 24,100 | 40,418 |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 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 2016.

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 2016, 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 2017 which do not have material impact on the financial statements of the Group on the initial adoption.

Malaysian Financial Reporting Standards [“MFRS”]

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. Accordingly, the consolidated financial statements could be different if prepared under the MFRS framework.

3. Comments on the seasonality or cyclicity 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 interim period of the current financial year or 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. Accordingly, the total number of shares bought back and retained as treasury shares during the interim period remained unchanged at 2,000.

As at 30 September 2017, the Company held a total of 306,800 ordinary shares as treasury shares and the issued share capital of the Company remained unchanged at 800,000,000 ordinary shares.

7. Dividend

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 | |
|--|---------------------------|------------------|
| | 30.9.2017 | 30.9.2016 |
| | RM'000 | RM'000 |
| 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 |
| Dividend in respect of financial year ended 31 December 2016: | | |
| - First interim (3 sen) under the single tier system approved by the Directors on 24 August 2016 and paid on 27 September 2016 | - | 23,991 |
| - Second interim (8 sen) under the single tier system approved by the Directors on 22 February 2017 and paid on 23 March 2017 | 63,976 | - |
| Dividend in respect of financial year ending 31 December 2017: | | |
| - First interim (5 sen) under the single tier system approved by the Directors on 23 August 2017 and paid on 26 September 2017 | 39,984 | - |
| | 103,960 | 63,976 |
| | 103,960 | 63,976 |

8. Segment information

The Group has only one reportable segment. All information on segment assets and operating results can be directly obtained from the statement of financial position and statement of profit or loss and other comprehensive income. The total revenue is derived primarily from external customers.

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 and up to 15 November 2017.

11. Events after the end of the interim period

Save for the subsequent events as disclosed in Note 9 of Part B, there were no events after the end of the interim period and up to 15 November 2017 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 30.9.2017 | As at 31.12.2016 |
|-----------------------------------|----------------------------|-----------------------------|
| | RM'000 | RM'000 <i>(Audited)</i> |
| Contracted but not provided for | 64,591 | 37,984 |
| Authorised but not contracted for | 26,701 | 99,424 |
| | <u>91,292</u> | <u>137,408</u> |

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 or exceeded by 10% of the estimated value which had been mandated by the shareholders at the extraordinary general meeting held on 18 May 2016 and annual general meeting held on 24 May 2017.

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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 RM113.6 million was 29% below the preceding year corresponding quarter mainly due to lower sales volume of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] as well as lower average selling price realization of PK but mitigated somewhat by higher average selling price realization of CPO.

Average selling price per tonne of CPO and PK for the current quarter were RM2,765 and RM2,327 respectively as compared to the preceding year corresponding quarter of RM2,644 for CPO and RM2,669 for PK. CPO sales volume for the current quarter at 33,376 tonnes was 32% lower than the preceding year corresponding quarter whilst PK sales volume was 19% lower at 8,331 tonnes. The lower sales volume of CPO and PK were mainly due to lower production.

CPO and PK production were affected by lower Fresh fruit bunches ["FFB"] production for the current quarter which was 15% lower than the preceding year corresponding quarter mainly due to the lingering effect of El-Nino which has affected the seasonal yield trend and cropping patterns. The lower production has also resulted in higher unit production cost of CPO.

Consequently, profit before tax ["PBT"] and profit after tax ["PAT"] for the current quarter at RM34.4 million and RM25.9 million respectively were both lower than the preceding year corresponding quarter by 39%.

Nevertheless, year to date PBT and PAT at RM119.5 million and RM88.9 million were higher than the preceding year corresponding period by 11% and 12% respectively, benefitting from the higher average selling price realization of CPO and PK. In tandem with this, basic earnings per share for the year to date at 11.11 sen was 12% higher than previous year corresponding period of 9.90 sen.

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

| | Current Quarter ended 30.9.2017 RM'000 | Immediate Preceding Quarter ended 30.6.2017 RM'000 | Increase/ (Decrease) |
|-------------------|---|---|---------------------------------|
| Revenue | <u>113,580</u> | <u>133,508</u> | -15% |
| Profit before tax | <u>34,427</u> | <u>39,664</u> | -13% |
| Profit after tax | <u>25,905</u> | <u>28,858</u> | -10% |

Group PBT for the current quarter at RM34.4 million was 13% lower than the immediate preceding quarter of RM39.7 million mainly due to lower revenue, affected by lower sales volume of CPO and PK as well as lower average selling price of CPO.

Sales volume of CPO and PK for the current quarter were 14% and 4% lower than the immediate preceding quarter of 39,009 tonnes and 8,693 tonnes respectively. Average selling price per tonne of CPO was 5% lower than the immediate preceding quarter of RM2,897 per tonne whilst average selling price of PK was 9% above the immediate preceding quarter of RM2,142 per tonne.

3. Current year prospects

Malaysia's palm oil inventories as at end of October were 2.2 million tonnes, the highest since January 2016. This was partly due to palm oil crop production recovery which was previously affected by the El-Nino weather phenomenon. The expectation of global production of palm oil exceeding consumption may exert downward pressure on palm oil prices in the near term.

However, such expectation could be dampened by meteorologists' forecast of the possibility of the La-Nina weather phenomenon occurring in the months ahead. The La-Nina phenomenon impacts the global climate and disrupts normal weather patterns which can cause heavy rainfall and lead to intense storms in some regions whilst others may experience droughts or much colder climate. This phenomenon may affect the yield of global production of vegetable oils, including soybean oil and palm oil. Heavy rainfall caused by La Nina could potentially reduce palm oil yields due to disruption to harvesting and formation of healthy fruit bunches.

Notwithstanding the foregoing, the Group is optimistic of achieving better results for the current financial year ending 31 December 2017.

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 before tax

| | Quarter ended | | Year-to-date ended | |
|---|---------------|-----------|--------------------|-----------|
| | 30.9.2017 | 30.9.2016 | 30.9.2017 | 30.9.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before tax is arrived at after crediting/(charging): | | | | |
| Interest income | 301 | 323 | 804 | 991 |
| Dividend income from money market deposits | 1,273 | 660 | 2,730 | 1,982 |
| Foreign exchange gain/(loss) | - | 33 | - | (558) |
| Depreciation and amortisation | (9,555) | (8,412) | (27,703) | (24,391) |
| Property, plant and equipment written off | (5) | (1) | (255) | (8) |
| Gain on disposal of property, plant and equipment | 157 | 177 | 986 | 113 |

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

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6. **Tax expense**

| | Quarter ended | | Year-to-date ended | |
|------------------------------|---------------|---------------|--------------------|---------------|
| | 30.9.2017 | 30.9.2016 | 30.9.2017 | 30.9.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| In respect of current period | | | | |
| - income tax | 7,273 | 10,813 | 30,443 | 27,339 |
| - deferred tax | 1,535 | 3,371 | 503 | 1,278 |
| | <u>8,808</u> | <u>14,184</u> | <u>30,946</u> | <u>28,617</u> |
| In respect of prior periods | | | | |
| - income tax | (286) | 6 | (286) | 6 |
| | <u>8,522</u> | <u>14,190</u> | <u>30,660</u> | <u>28,623</u> |

The Group's effective tax rates for the current quarter and year to date as well as the preceding year corresponding quarter and period excluding (over)/under provision of tax in respect of prior periods 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 15 November 2017.

8. **Borrowings and debt securities**

The Group does not have any borrowing nor debt security.

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9. **Changes in material litigations (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 than 7 days from the date of issue of the quarterly report**

Except for the following, there were no other changes in 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 commenced a legal suit [“KL RESB Suit”] vide a writ of summon at Kuala Lumpur High Court [“KLHC”] against EISB [“1st Defendant”] and HCH was added as the second defendant [“2nd Defendant”] to the KL RESB Suit on 16 June 2012.

On 10 August 2012, upon the 1st Defendant’s application, the KL RESB Suit was transferred to the High Court of Sabah and Sarawak at Kota Kinabalu [“KKHC”]. On 7 April 2016, 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. On the basis of such ruling, the KKHC had on 19 April 2016 struck off the KL RESB Suit with no order as to costs.

On 8 April 2016, RESB commenced a fresh legal suit against the 1st and 2nd Defendants through its solicitors in Sabah, Messrs Jayasuriya Kah & Co. in KKHC vide writ of summon no. BKI-22NCvC-39/4-2016 [“KK RESB Suit”].

RESB is claiming for the following in the KK RESB Suit:

- (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 KK RESB Suit; and
- (vii) Such further or other relief as the Court deems fit and just.

Pending disposal of the KK RESB Suit, the KKHC had on 27 July 2016 granted an interlocutory injunction in favour of RESB pursuant to which the 1st and 2nd Defendants have been restrained from effecting dealings as set out in terms (iv) and (v) above [“KK Interlocutory Injunction”].

On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB’s application [“Consolidated RESB Suit”]. The Consolidated RESB Suit was part heard from 13 to 15 September, 20 to 21 September 2017, 12 and 25 October 2017.

The Consolidated RESB Suit has been fixed for continued hearing on 24 November 2017.

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

9. **Changes in material litigations (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 than 7 days from the date of issue of the quarterly report (continued)**

- (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 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.

On 27 July 2016, the KKHC, upon application of RESB, granted an order converting the KK Suit from an originating summon to a writ action. On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB’s application [“Consolidated RESB Suit”].

The Consolidated RESB Suit was part heard from 13 to 15 September, 20 to 21 September 2017, 12 and 25 October 2017. The Consolidated RESB Suit has been fixed for continued hearing on 24 November 2017.

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

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9. Changes in material litigations (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 than 7 days from the date of issue of the quarterly report (continued)

- (c) Pelipikan Plantation Sdn Bhd ["PPSB"], the wholly-owned subsidiary of the Company is the registered sub-lessee of all those 251 pieces of land measuring approximately 1,364.91 hectares situated in Kg. Natu in the district of Kota Marudu, Sabah ["Pelipikan Sub-Leased Lands"].

A writ of summon was filed on 7 August 2014 in the High Court in Sabah & Sarawak at Kota Kinabalu ["KKHC"] vide suit no. BKI-22NCvC66/8-2014 ["First Suit"] by 94 natives of Sabah ["First Suit Plaintiffs"] claiming interest and ownership, legal and beneficial, in respect of 113 titles which form part of the Pelipikan Sub-Leased Lands ["First Suit Disputed Titles"] against one Hatija Binti Hassan as the first defendant, one Juniah @ Rubiah Bt. Okk Zainal as second defendant and PPSB as the third defendant. Pursuant to a consent order ["said Consent Order"] recorded before the KKHC on 15 May 2015, the First Suit was struck off with no order as to costs.

PPSB was informed by its solicitors, Messrs Shim Pang & Co. on 20 April 2017 that it has been served with a writ of summon filed in KKHC vide suit no. BKI-22NCvC51/4-2017 ["Second Suit"] by 70 natives of Sabah, who form part of the First Suit Plaintiffs ["said Plaintiffs"] claiming legal and beneficial ownership in respect of 86 titles, which form part of the First Suit Disputed Titles ["said 86 Titles"]. The said Plaintiffs named one Sugumar Balakrishnan as the first defendant, Sugumar & Co (Firm) as the second defendant, Hatija Binti Hassan as the third defendant, Juniah @ Rubiah Bt. Okk Zainal as the fourth defendant and PPSB as the fifth defendant. The first and second defendants were the solicitors acting for the First Suit Plaintiffs in the First Suit.

In the Second Suit, the said Plaintiffs alleged, inter alia that the said Consent Order was fraudulently obtained by their previous solicitors, i.e. the first and second defendants without the informed consent and/or instruction of the First Suit Plaintiffs.

The said Plaintiffs are claiming for the following reliefs in the Second Suit:

- (i) a declaration that the said Consent Order was null and void and of no effect;
- (ii) a declaration that all acts, actions, proceedings including land enquiry proceedings, decisions, dealings and/or transactions with the said 86 Titles and any consequential matters relying on or consequential to the said Consent Order are invalid, null and void;
- (iii) an order that the said Consent Order be set aside;
- (iv) an order that the First Suit shall continue and proceed to trial;
- (v) in the alternative, damages against the first and second defendant in the Second Suit jointly and severally to be assessed;
- (vi) costs to the said Plaintiffs; and
- (vii) such further or other relief as the KKHC deems fit and just.

The Company has been advised by its solicitors that the Second 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 financial year.

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 30.9.2017 | As at 31.12.2016 |
|--|--------------------|----------------------------|
| | RM'000 | RM'000 <i>(Audited)</i> |
| Total retained earnings of the Company and its subsidiaries: | | |
| - Realised | 943,754 | 956,152 |
| - Unrealised | (138,607) | (137,579) |
| | <u>805,147</u> | <u>818,573</u> |
| Less: Consolidation adjustments | (254,855) | (253,193) |
| Total Group retained earnings as per consolidated financial statements | <u>550,292</u> | <u>565,380</u> |

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 | |
|---|----------------|----------------|--------------------|----------------|
| | 30.9.2017 | 30.9.2016 | 30.9.2017 | 30.9.2016 |
| Profit attributable to owners of the Company (RM'000) | <u>25,905</u> | <u>42,702</u> | <u>88,872</u> | <u>79,145</u> |
| Weighted average number of ordinary shares in issue | <u>799,693</u> | <u>799,697</u> | <u>799,694</u> | <u>799,698</u> |
| Basic EPS (sen) | <u>3.24</u> | <u>5.34</u> | <u>11.11</u> | <u>9.90</u> |

- (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 2016 was not subject to any qualification.

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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”].

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”.

As announced on 31 July 2017, the Land and Survey Department in Kota Kinabalu had granted a further extension of time to July 2022 [“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.

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

20 November 2017