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 2018

	Quarter ended			Year-to-date ended		
	31.3.2018 RM'000	**31.3.2017** RM'000 *(Restated)*	***Increase/ (Decrease)***	**31.3.2018** RM'000	**31.3.2017** RM'000 *(Restated)*	***Increase/ (Decrease)***
Revenue	121,200	144,102	*-16%*	121,200	144,102	*-16%*
Operating expenses	(101,340)	(114,220)		(101,340)	(114,220)	
Other operating income	2,533	2,762		2,533	2,762	
Profit before tax	22,393	32,644	*-31%*	22,393	32,644	*-31%*
Tax expense	(6,912)	(8,599)		(6,912)	(8,599)	
Profit for the period representing total comprehensive income for the period	15,481	24,045	*-36%*	15,481	24,045	*-36%*
Earnings per share (sen)						
Basic	1.94	3.01	*-36%*	1.94	3.01	*-36%*
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 2017 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 2018

	As at 31.3.2018 RM'000	**As at 31.12.2017** RM'000 *(Restated)*	**As at 1.1.2017** RM'000 *(Restated)*
Non-current assets			
Property, plant and equipment	1,831,417	1,836,719	1,836,423
Current assets			
Inventories	64,851	67,483	72,087
Biological assets	15,963	18,885	37,002
Receivables	85,726	50,841	6,339
Tax recoverable	2,791	446	626
Money market deposits	27,308	90,990	122,136
Cash and cash equivalents	38,235	44,774	39,459
	234,874	273,419	277,649
TOTAL ASSETS	2,066,291	2,110,138	2,114,072
Equity attributable to owners of the Company			
Share capital	875,577	875,577	800,000
Reserves	757,851	790,351	860,155
	1,633,428	1,665,928	1,660,155
Less: Treasury shares	(829)	(829)	(819)
TOTAL EQUITY	1,632,599	1,665,099	1,659,336
Non-current liabilities			
Deferred tax liabilities	389,671	391,253	394,791
Current liabilities			
Payables	40,000	48,781	49,821
Tax payable	4,021	5,005	10,124
	44,021	53,786	59,945
TOTAL LIABILITIES	433,692	445,039	454,736
TOTAL EQUITY AND LIABILITIES	2,066,291	2,110,138	2,114,072
Net assets per share (RM)	2.04	2.08	2.07
Number of shares net of treasury shares ('000)	799,691	799,691	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 2017 and the accompanying explanatory notes attached to the Interim Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR YEAR-TO-DATE ENDED 31 MARCH 2018

	Attributable to Owners of the Company					
		Non-distributable		Distributable		
	Share Capital	**Share Premium**	**Merger Reserves**	**Retained Earnings**	**Treasury Shares**	**Total Equity**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018						
- As previously reported	1,475,578	-	-	596,243	(829)	2,070,992
- Effects on adoption of MFRS	(600,001)	-	(747,760)	941,868	-	(405,893)
- As restated	875,577	-	(747,760)	1,538,111	(829)	1,665,099
Comprehensive income for the period	-	-	-	15,481	-	15,481
Dividends	-	-	-	(47,981)	-	(47,981)
At 31 March 2018	875,577	-	(747,760)	1,505,611	(829)	1,632,599
At 1 January 2017						
- As previously reported	800,000	675,578	-	565,380	(819)	2,040,139
- Effects on adoption of MFRS	-	(600,001)	(747,760)	966,958	-	(380,803)
- As restated	800,000	75,577	(747,760)	1,532,338	(819)	1,659,336
Transition to no-par value regime under the Companies Act 2016*	75,577	(75,577)	-	-	-	-
Comprehensive income for the period						
- As previously reported	-	-	-	34,109	-	34,109
- Effects on adoption of MFRS	-	-	-	(10,064)	-	(10,064)
- As restated	-	-	-	24,045	-	24,045
Dividends	-	-	-	(63,976)	-	(63,976)
At 31 March 2017 *(Restated)*	875,577	-	(747,760)	1,492,407	(819)	1,619,405

* *The new Companies Act 2016 ("Act"), which was effective from 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, amount standing to the credit of the share premium account became part of the share capital pursuant to the transitional provisions as set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.*

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 2017 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 2018

	Year-to-date ended	
	31.3.2018	**31.3.2017**
	RM'000	RM'000
		(Restated)
Cash flows from operating activities		
Profit before tax	22,393	32,644
Adjustments for:		
Non-cash items	22,849	27,887
Non-operating items	(186)	(676)
Dividend income	(481)	(833)
Interest income	(273)	(283)
Operating profit before working capital changes	44,302	58,739
Net changes in working capital	(41,119)	(304)
Net tax paid	(11,823)	(9,469)
Interest received	273	283
Net cash (used in)/ generated from operating activities	(8,367)	49,249
Cash flows from investing activities		
Dividend received from money market deposits	566	833
Decrease in money market deposits	63,682	25,046
Proceeds from disposal of property, plant and equipment	476	1,990
Purchase of property, plant and equipment	(14,915)	(20,942)
Net cash generated from investing activities	49,809	6,927
Cash flows from financing activities		
Dividends paid to shareholders	(47,981)	(63,976)
Net cash used in financing activities	(47,981)	(63,976)
Net change in cash and cash equivalents	(6,539)	(7,800)
Cash and cash equivalents at beginning of period	44,774	39,459
Cash and cash equivalents at end of period	38,235	31,659

Cash and cash equivalents comprise the following amounts:

Deposits with licensed banks	27,713	21,195
Cash in hand and at bank	10,522	10,464
	38,235	31,659

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the Interim Financial Statements

Basis of Preparation

These interim financial statements have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ["MFRS"] 134, Interim Financial Reporting and paragraph 9.22 of 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 2017.

Part A: Explanatory Notes Pursuant to MFRS 134

1. **Significant accounting policies**

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 was within the definition of Transitioning Entities and was exempted from adopting the MFRS framework prior to 1 January 2018.

In the current financial year ending 31 December 2018, the Group will be adopting the MFRS framework for the first time. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of the MFRS framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

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 2017 except for changes arising from the adoption of MFRS as disclosed below:

(a) MFRS 1, First-Time Adoption of Malaysian Financial Reporting Standards

(i) Common control transactions

Upon adoption of the MFRS framework, MFRS 1 allows a first-time adopter to determine the accounting policies that it will apply. The Group has reassessed the significant accounting policies currently adopted by the Group, especially in relation to business combination, which is currently accounted for using acquisition method.

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties or both before and after the combination, and that control is not transitory. Business combinations under common control transactions can be accounted using the book value accounting. The application of the book value accounting will result in the profit or loss and other comprehensive income to include the results of each of the combining entities from the date when these entities came under the control of the common controlling party. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The component of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

1. **Significant accounting policies (continued)**

(a) MFRS 1, First-Time Adoption of Malaysian Financial Reporting Standards (continued)

(ii) Optional exemption to use fair value or revaluation as deemed cost

As provided in MFRS 1, first-time adopter can elect optional exemptions from full retrospective application of MFRS. The 'fair value or revaluation as deemed cost' optional exemption permits the carrying amount of an item of property, plant and equipment to be measured at the date of transition based on a deemed cost. Any surplus arising from revaluation at the date of transition is transferred to retained earnings.

A first-time adopter does not have to apply the deemed cost exemption to all classes of property, plant and equipment or to all items within a class of property, plant and equipment; instead, the exemption may be applied to individual items. In addition, the election of the deemed cost exemption is independent of the first-time adopter's accounting policy choice for the subsequent measurement of property, plant and equipment.

The Group has elected to use the 'fair value or revaluation as deemed cost' optional exemption to measure certain leasehold land, buildings, roads and infrastructures at the date of transition. Accordingly, the surplus arising from the fair value or revaluation net of deferred tax was recognised in retained earnings as at 1 January 2017. The election of the optional exemption using the fair value or revaluation of property, plant and equipment as deemed cost has resulted in additional annual depreciation on property, plant and equipment which is charged to profit or loss.

(b) Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*

Prior to the adoption of the Amendments to MFRS 116 and MFRS 141, all the new planting expenditure incurred from land clearing, planting, field upkeep and maintenance to the point of maturity was capitalised under plantation development expenditure and was not amortised. Replanting expenditure which represents cost incurred in replanting old planted areas, was charged to profit or loss as and when incurred. Biological assets-agricultural produce which form part of the bearer plants were not recognised separately.

With the adoption of the Amendments to MFRS 116 and MFRS 141, new planting expenditure and replanting expenditure are accounted for as property, plant and equipment in accordance with MFRS 116 and measured at cost less accumulated depreciation whereas biological assets-agricultural produce within the scope of MFRS 141 are measured at fair value less costs to sell.

The adoption of the Amendments will result in additional depreciation on property, plant and equipment and replanting expenditure that were charged to profit or loss prior to the adoption of the Amendments will be reversed and capitalised under property, plant and equipment. Changes in fair value less costs to sell of the biological assets-agricultural produce will be recognised in profit or loss.

1. **Significant accounting policies (continued)**

The impact of the adjustments to the financial statements of the Group on initial application of MFRS 1 and Amendments to MFRS 116 and MFRS 141 are tabulated below. Where applicable, comparative figures in these interim financial statements have been restated to give effect to these changes to reflect the financial position as at 1 January 2017, being the transition date, and throughout all periods presented, as if these policies had always been in effect.

Effects on Condensed Consolidated Statements of Profit or Loss

	Quarter/Year-to-date ended 31.3.2017			
	As previously reported	**MFRS 1**	**Amendments to MFRS 116 and MFRS 141**	**As restated**
	RM'000	RM'000	RM'000	RM'000
Revenue	144,102	-	-	144,102
Operating expenses	(101,423)	(5,195)	(7,602)	(114,220)
Other operating income	2,762	-	-	2,762
Profit before tax	45,441	(5,195)	(7,602)	32,644
Tax expense	(11,332)	1,238	1,495	(8,599)
Profit for the period	34,109	(3,957)	(6,107)	24,045
Earnings per share (sen)				
Basic	4.27	(0.50)	(0.76)	3.01

	Immediate Preceding Quarter ended 31.12.2017			
	As previously reported	**MFRS 1**	**Amendments to MFRS 116 and MFRS 141**	**As restated**
	RM'000	RM'000	RM'000	RM'000
Revenue	163,882	-	-	163,882
Operating expenses	(109,554)	(5,197)	(24,261)	(139,012)
Other operating income	4,798	-	-	4,798
Profit before tax	59,126	(5,197)	(24,261)	29,668
Tax expense	(13,175)	1,238	5,216	(6,721)
Profit for the period	45,951	(3,959)	(19,045)	22,947
Earnings per share (sen)				
Basic	5.75	(0.50)	(2.38)	2.87

1. **Significant accounting policies (continued)**

Effects on Condensed Consolidated Statements of Financial Position

	As at 1.1.2017			
	As previously reported RM'000	**MFRS 1** RM'000	**Amendments to MFRS 116 and MFRS 141** RM'000	**As restated** RM'000
Non-current assets				
Property, plant and equipment	673,959	918,402	244,062	1,836,423
Biological assets	1,377,427	(901,356)	(476,071)	-
Current assets				
Biological assets	-	-	37,002	37,002
Non-current liabilities				
Deferred tax liabilities	191,949	219,142	(16,300)	394,791
Equity attributable to owners of the Company				
Share capital	800,000	-	-	800,000
Reserves	1,240,958	(202,096)	(178,707)	860,155
	2,040,958	(202,096)	(178,707)	1,660,155
Less: Treasury shares	(819)	-	-	(819)
	2,040,139	(202,096)	(178,707)	1,659,336
Net assets per share (RM)	2.55	(0.25)	(0.23)	2.07

	As at 31.12.2017			
	As previously reported RM'000	**MFRS 1** RM'000	**Amendments to MFRS 116 and MFRS 141** RM'000	**As restated** RM'000
Non-current assets				
Property, plant and equipment	686,820	897,619	252,280	1,836,719
Biological assets	1,377,970	(901,356)	(476,614)	-
Current assets				
Biological assets	-	-	18,885	18,885
Non-current liabilities				
Deferred tax liabilities	194,546	214,191	(17,484)	391,253
Equity attributable to owners of the Company				
Share capital	1,475,578	(600,001)	-	875,577
Reserves	596,243	382,073	(187,965)	790,351
	2,071,821	(217,928)	(187,965)	1,665,928
Less: Treasury shares	(829)	-	-	(829)
	2,070,992	(217,928)	(187,965)	1,665,099
Net assets per share (RM)	2.59	(0.27)	(0.24)	2.08

1. **Significant accounting policies (continued)**

Effects on Condensed Consolidated Statement of Cash Flows

	Year-to-date ended 31.3.2017			
	As previously reported	**MFRS 1**	**Amendments to MFRS 116 and MFRS 141**	**As restated**
		RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before tax	45,441	(5,195)	(7,602)	32,644
Adjustments for:				
Non-cash items	9,121	5,195	13,571	27,887
Cash flows from investing activities				
Purchase of property, plant and equipment	(14,895)	-	(6,047)	(20,942)
Additions to biological assets	(78)	-	78	-

(c) MFRS 9, Financial Instruments

MFRS 9 (effective from 1 January 2018), in conjunction with the adoption of the MFRS framework, replaces MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset.

MFRS 9 retains most of the MFRS 139 requirements for liabilities. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than in profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The adoption of MFRS 9 does not have any material impact to the financial statement of the Group.

(d) MFRS 15, Revenue from Contracts with Customers

MFRS 15 (effective from 1 January 2018), in conjunction with the adoption of the MFRS framework, replaces MFRS 111, Construction Contracts, MFRS 118, Revenue and related interpretations.

Prior to the adoption of MFRS 15, revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer. Upon adoption of MFRS 15, revenue is recognised when a performance obligation is satisfied, such as "control" of goods or services underlying the particular performance obligation is transferred to the customer.

The adoption of MFRS 15 does not have any material impact to the financial statement of the Group.

2. **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.

3. **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.

4. **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.

5. **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 nor cancellation of treasury shares.

As at 31 March 2018, the Company held a total of 308,800 ordinary shares as treasury shares and the issued share capital of the Company remained unchanged at 800,000,000 ordinary shares.

6. **Dividends**

Dividends 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	
	31.3.2018	**31.3.2017**
	RM'000	RM'000
Dividend in respect of financial year ended 31 December 2016:		
- 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 ended 31 December 2017:		
- Second interim (6 sen) under the single tier system approved by the Directors on 27 February 2018 and paid on 28 March 2018	47,981	-
	47,981	63,976

7. **Segment information**

The Group has only one reportable segment. All information on segment assets, segment liabilities 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.

8. **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 22 May 2018 that have not been reflected in these interim financial statements.

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 22 May 2018.

11. **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.

12. **Capital commitments**

The Group has the following capital commitments:

	As at 31.3.2018 RM'000	**As at 31.12.2017** RM'000 *(Audited)*
Contracted but not provided for	65,127	45,436
Authorised but not contracted for	91,860	104,193
	156,987	149,629

13. **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 annual general meeting held on 24 May 2017.

Part B: Explanatory Notes Pursuant to paragraph 9.22 of the Main Market Listing Requirements of Bursa Securities

1. **Review of performance**

The Group's revenue for the current quarter at RM121.2 million was 16% lower than the preceding year corresponding quarter mainly due to lower average selling prices of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] inspite of higher sales volume.

Average selling price per tonne of CPO and PK for the current quarter were RM2,590 and RM2,262 respectively as compared to the preceding year corresponding quarter of RM3,268 for CPO and RM3,282 for PK.

CPO sales volume for the current quarter was 38,391 tonnes, 6% higher than the preceding year corresponding quarter whilst PK sales volume was 24% higher at 8,874 tonnes. The higher sales volume of CPO and PK were mainly attributable to better extraction rates and higher production in tandem with higher fresh fruit bunches ["FFB"] production. FFB production was 22% above the preceding year corresponding quarter attributable to seasonal yield trend.

Overall, profit before tax ["PBT"] and profit after tax for the current quarter at RM22.4 million and RM15.5 million were lower than the preceding year corresponding quarter by 31% and 36% respectively. Consequently, basic earnings per share for the current quarter at 1.94 sen was 36% lower than the preceding year corresponding quarter of 3.01 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 31.3.2018 RM'000	**Immediate Preceding Quarter ended 31.12.2017** RM'000 *(Restated)*	***Increase/ (Decrease)***
Revenue	121,200	163,882	*-26%*
Profit before tax	22,393	29,668	*-25%*
Profit after tax	15,481	22,947	*-33%*

Group PBT for the current quarter at RM22.4 million was 25% lower than the immediate preceding quarter mainly due to lower average selling price and lower sales volume of CPO and PK.

Average selling price per tonne of CPO was 3% lower than the immediate preceding quarter of RM2,676 per tonne whilst average selling price of PK was 13% below the immediate preceding quarter of RM2,595 per tonne.

Sales volume of CPO and PK for the current quarter were 23% and 17% lower than the immediate preceding quarter of 49,907 tonnes and 10,718 tonnes respectively. The lower sales volume was affected by lower CPO and PK extraction rates and lower FFB production which was 16% below the immediate preceding quarter due to seasonal yield trend and more young palms coming into maturity.

3. **Current year prospects**

Malaysia's palm oil inventories level has been declining since the end of last year. The closing inventories at the end of April 2018 was 2.17 million tonnes, significantly lower than 2.73 million tonnes as at end of 2017.

Demand by India, the world's biggest consumer of palm oil was lower in April 2018 and is expected to reduce further in May 2018 with the increase in import duty by the Indian Government on both refined and crude palm oil by 14% to 54% and 44% respectively from 1 March 2018, in its attempt to protect its domestic edible oil crushing industry and oilseed farmers in India. However, this may be mitigated by the expected increase in palm oil demand during Ramadan (commenced in mid May) which would support CPO prices in the short term.

China's possible move to impose 25% tariff on soybean imports from the United States may lead to higher soybean prices in China. It would reduce soybean crushing activities and hence lower soybean oil supplies in China. This could benefit palm oil as it is one of the edible oil substitutes in China and thus boost palm oil prices in the medium term.

Based on the foregoing, the Group is optimistic of achieving satisfactory results for the current financial year ending 31 December 2018.

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	
	31.3.2018	**31.3.2017**	**31.3.2018**	**31.3.2017**
	RM'000	RM'000	RM'000	RM'000
		(Restated)		*(Restated)*
Profit before tax is arrived at after crediting/(charging):				
Interest income	273	283	273	283
Dividend income from money market deposits	481	833	481	833
Depreciation and amortisation	(19,855)	(19,437)	(19,855)	(19,437)
Property, plant and equipment written off	(72)	(117)	(72)	(117)
Gain on disposal of property, plant and equipment	186	676	186	676
Loss on fair value of biological assets	(2,922)	(8,333)	(2,922)	(8,333)

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	
	31.3.2018	**31.3.2017**	**31.3.2018**	**31.3.2017**
	RM'000	RM'000	RM'000	RM'000
		(Restated)		*(Restated)*
In respect of current period				
- income tax	8,494	12,034	8,494	12,034
- deferred tax	(1,582)	(3,435)	(1,582)	(3,435)
	6,912	8,599	6,912	8,599

The Group's effective tax rate for the current and preceding year corresponding quarter were higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes. However, the current quarter's effective tax rate was higher than the preceding year corresponding quarter mainly due to lower non-taxable income and higher expenses 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**

Saved as disclosed below, there were no other corporate proposals announced but not completed as at 22 May 2018.

On 21 February 2018, the Company entered into the following agreements in connection with the proposed acquisition of 1,280,194,500 ordinary shares in Kretam Holdings Berhad ["KHB"] ["KHB Shares"], representing approximately 55.0% equity interest in KHB for a cash consideration of RM1,177,778,940 or RM0.92 per KHB Share ["Proposed Acquisition"]:

(i) conditional share sale agreement with Datuk Lim Nyuk Sang @ Freddy Lim for the purchase of 779,336,900 KHB Shares, representing approximately 33.5% equity interest in KHB, for a cash consideration of RM716,989,948 or RM0.92 per KHB Share ["SSA 1"]; and

(ii) conditional share sale agreement with Santraprise Sdn Bhd for the purchase of 500,857,600 KHB Shares, representing approximately 21.5% equity interest in KHB, for a cash consideration of RM460,788,992 or RM0.92 per KHB Share ["SSA 2"].

(SSA 1 and SSA 2 are collectively referred to as "SSAs").

Upon completion of the Proposed Acquisition, the Company's shareholding in KHB will increase from nil to approximately 55.0%. Accordingly, pursuant to Section 218(2) of the Capital Markets & Services Act, 2007 and Paragraph 4.01(a) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions ["Rules"], the Company would be obliged to extend the proposed mandatory general offer ["MGO"] for all the remaining KHB Shares not already owned by the Company and persons acting in concert with it, if any, after the Proposed Acquisition ["Remaining Shares"] for a cash consideration of RM0.92 per KHB Share ["Proposed MGO"]. Upon the SSAs becoming unconditional, the Company will serve the notice of MGO on the Board of Directors of KHB, in accordance with Paragraph 9.10 of the Rules.

The Proposed Acquisition and Proposed MGO are subject to the terms and conditions of the SSAs and the following approvals being obtained:

(i) approval of the shareholders of the Company at an extraordinary general meeting to be convened; and

(ii) any other relevant authorities or parties, if required.

The Proposed Acquisition is conditional upon, amongst others, the approval of the shareholders of the Company to undertake the Proposed MGO. However, the Proposed MGO is conditional upon the SSAs becoming unconditional.

8. **Borrowings and debt securities**

The Group does not have any borrowing nor debt security.

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 then 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"].

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 then 7 days from the date of issue of the quarterly report (continued)**

(a) (continued)

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 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018 and 25 to 26 April 2018. The Consolidated RESB Suit has been fixed for continued hearing from 11 to 14 June 2018.

The Company has been advised by 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 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 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018 and 25 to 26 April 2018. The Consolidated RESB Suit has been fixed for continued hearing from 11 to 14 June 2018.

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

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 then 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 of 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. **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	
	31.3.2018	**31.3.2017**	**31.3.2018**	**31.3.2017**
		(Restated)		*(Restated)*
Profit attributable to owners of the Company (RM'000)	15,481	24,045	15,481	24,045
Weighted average number of ordinary shares in issue	799,691	799,695	799,691	799,695
Basic EPS (sen)	1.94	3.01	1.94	3.01

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

13. **Dividends**

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

14. **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 2017 was not subject to any qualification.

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15. **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 Extension"] 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
28 May 2018