HAP SENG PLANTATIONS HOLDINGS BERHAD (769962-K)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED) FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2018

	Quarter ended			Year-to-date ended		
	30.6.2018 RM'000	**30.6.2017** RM'000 *(Restated)*	***Increase/ (Decrease)***	**30.6.2018** RM'000	**30.6.2017** RM'000 *(Restated)*	***Increase/ (Decrease)***
Revenue	107,875	133,508	*-19%*	229,075	277,610	*-17%*
Operating expenses	(102,731)	(98,999)		(204,071)	(213,219)	
Other operating income	2,015	2,255		4,548	5,017	
Profit before tax	7,159	36,764	*-81%*	29,552	69,408	*-57%*
Tax expense	(3,218)	(10,458)		(10,130)	(19,057)	
Profit for the period representing total comprehensive income for the period	3,941	26,306	*-85%*	19,422	50,351	*-61%*
Earnings per share (sen)						
Basic	0.49	3.29	*-85%*	2.43	6.30	*-61%*
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 30 JUNE 2018

	As at 30.6.2018 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	1,830,206	1,836,719	1,836,423
Current assets			
Inventories	50,282	67,483	72,087
Biological assets	23,168	18,885	37,002
Receivables	89,386	50,841	6,339
Tax recoverable	3,353	446	626
Money market deposits	39,619	90,990	122,136
Cash and cash equivalents	33,507	44,774	39,459
	239,315	273,419	277,649
TOTAL ASSETS	2,069,521	2,110,138	2,114,072
Equity attributable to owners of the Company			
Share capital	875,577	875,577	800,000
Reserves	761,792	790,351	860,155
	1,637,369	1,665,928	1,660,155
Less: Treasury shares	(834)	(829)	(819)
TOTAL EQUITY	1,636,535	1,665,099	1,659,336
Non-current liabilities			
Deferred tax liabilities	387,049	391,253	394,791
Current liabilities			
Payables	44,546	48,781	49,821
Tax payable	1,391	5,005	10,124
	45,937	53,786	59,945
TOTAL LIABILITIES	432,986	445,039	454,736
TOTAL EQUITY AND LIABILITIES	2,069,521	2,110,138	2,114,072
Net assets per share (RM)	2.05	2.08	2.07
Number of shares net of treasury shares ('000)	799,689	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 30 JUNE 2018

	Attributable to Owners of the Company					
		Non-distributable		Distributable		
	Share Capital RM'000	**Share Premium** RM'000	**Merger Reserves** RM'000	**Retained Earnings** RM'000	**Treasury Shares** RM'000	**Total Equity** 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	-	-	-	19,422	-	19,422
Purchase of treasury shares	-	-	-	-	(5)	(5)
Dividends	-	-	-	(47,981)	-	(47,981)
At 30 June 2018	875,577	-	(747,760)	1,509,552	(834)	1,636,535
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	-	-	-	62,967	-	62,967
- Effects on adoption of MFRS	-	-	-	(12,616)	-	(12,616)
- As restated	-	-	-	50,351	-	50,351
Purchase of treasury shares	-	-	-	-	(5)	(5)
Dividends	-	-	-	(63,976)	-	(63,976)
At 30 June 2017 *(Restated)*	875,577	-	(747,760)	1,518,713	(824)	1,645,706

* *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 30 JUNE 2018

	Year-to-date ended	
	30.6.2018	**30.6.2017**
	RM'000	RM'000
		(Restated)
Cash flows from operating activities		
Profit before tax	29,552	69,408
Adjustments for:		
Non-cash items	34,506	46,904
Non-operating items	(270)	(829)
Dividend income	(917)	(1,457)
Interest income	(554)	(503)
Operating profit before working capital changes	62,317	113,523
Net changes in working capital	(25,682)	(13,177)
Net tax paid	(20,855)	(16,722)
Interest received	554	503
Net cash generated from operating activities	16,334	84,127
Cash flows from investing activities		
Dividend received from money market deposits	1,020	1,457
Decrease in money market deposits	51,371	24,443
Proceeds from disposal of property, plant and equipment	2,116	2,157
Purchase of property, plant and equipment	(34,122)	(37,552)
Net cash generated from/(used in) investing activities	20,385	(9,495)
Cash flows from financing activities		
Shares repurchased at cost	(5)	(5)
Dividends paid to shareholders	(47,981)	(63,976)
Net cash used in financing activities	(47,986)	(63,981)
Net change in cash and cash equivalents	(11,267)	10,651
Cash and cash equivalents at beginning of period	44,774	39,459
Cash and cash equivalents at end of period	33,507	50,110

Cash and cash equivalents comprise the following amounts:

Deposits with licensed banks	29,508	41,548
Cash in hand and at bank	3,999	8,562
	33,507	50,110

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 is 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 ended 30.6.2017			
	As previously reported RM'000	**MFRS 1** RM'000	**Amendments to MFRS 116 and MFRS 141** RM'000	**As restated** RM'000
Revenue	133,508	-	-	133,508
Operating expenses	(96,099)	(5,196)	2,296	(98,999)
Other operating income	2,255	-	-	2,255
Profit before tax	39,664	(5,196)	2,296	36,764
Tax expense	(10,806)	1,238	(890)	(10,458)
Profit for the period	28,858	(3,958)	1,406	26,306
Earnings per share (sen)				
Basic	3.61	(0.49)	0.17	3.29

	Year-to-date ended 30.6.2017			
	As previously reported RM'000	**MFRS 1** RM'000	**Amendments to MFRS 116 and MFRS 141** RM'000	**As restated** RM'000
Revenue	277,610	-	-	277,610
Operating expenses	(197,522)	(10,391)	(5,306)	(213,219)
Other operating income	5,017	-	-	5,017
Profit before tax	85,105	(10,391)	(5,306)	69,408
Tax expense	(22,138)	2,476	605	(19,057)
Profit for the period	62,967	(7,915)	(4,701)	50,351
Earnings per share (sen)				
Basic	7.87	(0.99)	(0.58)	6.30

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 30.6.2017			
	As previously reported	**MFRS 1** RM'000	**Amendments to MFRS 116 and MFRS 141** RM'000	**As restated** RM'000
Cash flows from operating activities				
Profit before tax	85,105	(10,391)	(5,306)	69,408
Adjustments for:				
Non-cash items	18,398	10,391	18,115	46,904
Cash flows from investing activities				
Purchase of property, plant and equipment	(24,544)	-	(13,008)	(37,552)
Additions to biological assets	(199)	-	199	-

(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 interim period of the current financial year or 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, 2,000 shares were bought back and there was no resale or cancellation of treasury shares. All shares bought back were retained as treasury shares. The monthly breakdown of shares bought back during the current quarter was as follow:

Month	No of shares Purchased	Purchase price per share		Average cost per share	Total cost
		Lowest	Highest		
		RM	RM	RM	RM
April 2018	-	-	-	-	-
May 2018	-	-	-	-	-
June 2018	2,000	2.440	2.500	2.5113	5,022.50
Total	2,000	2.440	2.500	2.5113	5,022.50

As at 30 June 2018, the Company held a total of 310,800 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	
	30.6.2018	**30.6.2017**
	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 23 August 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 23 August 2018, except for the following:

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 ["Datuk Freddy"] 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 ["Santraprise "] 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 would 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 were 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 was conditional upon, amongst others, the approval of the shareholders of the Company to undertake the Proposed MGO. However, the Proposed MGO was conditional upon the SSAs becoming unconditional.

On 14 June 2018, the Company notified Datuk Freddy and Santraprise in writing pursuant to Clause 8.2 of the SSAs that the Company had found the results of the due diligence of KHB and its subsidiaries to be unsatisfactory and unacceptable. Accordingly, the Company had exercised its right pursuant to Clause 8.4 to terminate the SSAs with immediate effect, with which the Company would not extend the Proposed MGO for all the Remaining Shares.

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 30.6.2018 RM'000	As at 31.12.2017 RM'000 (Audited)
Contracted but not provided for	69,902	45,436
Authorised but not contracted for	62,379	104,193
	132,281	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 meetings held on 24 May 2017 and 28 May 2018.

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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 RM107.9 million was 19% lower than the preceding year corresponding quarter mainly due to lower average selling prices and sales volume of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"].

Average selling price per tonne of CPO and PK for the current quarter were RM2,460 and RM1,822 respectively as compared to the preceding year corresponding quarter of RM2,897 for CPO and RM2,142 for PK. CPO sales volume for the current quarter at 37,791 tonnes was 3% lower than the preceding year corresponding quarter whilst PK sales volume was 15% lower at 7,391 tonnes. The lower sales volume of CPO and PK were mainly affected by lower production.

Production of CPO and PK for the current quarter were lower by 19% and 21% respectively as compared to the preceding year corresponding quarter mainly due to lower fresh fruit bunches ["FFB"] production inspite of better extraction rates of CPO and PK. FFB production was 20% below the preceding year corresponding quarter attributable to seasonal yield trend and resulted in higher unit production cost of CPO.

Overall, the current quarter's profit before tax ["PBT"] and profit after tax ["PAT"] at RM7.2 million and RM3.9 million were lower than the preceding year corresponding quarter by 81% and 85% respectively.

Year to date PBT and PAT at RM29.6 million and RM19.4 million were lower than the preceding year corresponding period by 57% and 61% respectively mainly due to lower average selling price of CPO and PK. Basic earnings per share for the year to date at 2.43 sen was 61% lower than the preceding year corresponding period of 6.30 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 30.6.2018 RM'000	**Immediate Preceding Quarter ended 31.3.2018** RM'000	***Increase/ (Decrease)***
Revenue	107,875	121,200	*-11%*
Profit before tax	7,159	22,393	*-68%*
Profit after tax	3,941	15,481	*-75%*

Group PBT for the current quarter at RM7.2 million was 68% lower than the immediate preceding quarter mainly due to lower average selling prices and sales volume of CPO and PK.

Average selling price per tonne of CPO was 5% lower than the immediate preceding quarter of RM2,590 per tonne whilst average selling price of PK was 19% below the immediate preceding quarter of RM2,262 per tonne.

Sales volume of CPO and PK for the current quarter were 2% and 17% lower than the immediate preceding quarter of 38,391 tonnes and 8,874 tonnes respectively, mainly affected by lower FFB production which was 19% below the immediate preceding quarter due to seasonal yield trend.

3. **Current year prospects**

The financial crisis in Turkey which caused the Turkish lira to plunge recently is raising fears of a contagion effect in the European and emerging markets' currencies and may affect demand and prices of palm oil.

India, one of the largest importers of palm oil, has been affected by the weakening of its currency and tightening of credit. Hence, it has imposed higher import duty which resulted in lower palm oil imports, adversely affecting palm oil exports from Malaysia.

In addition, palm oil prices are expected to be under pressure due to high palm oil inventories. Although Malaysia's palm oil inventories level has declined to 2.21 million tonnes at end of July 2018 from the end of last year of 2.73 million tonnes, Malaysia's palm oil inventories remained high as compared to the same period last year of 1.78 million tonnes.

Overall, the global macroeconomic factors affecting the palm oil market will continue to influence the Group's prospects for the current financial year ending 31 December 2018.

Based on the foregoing, Group results for the current financial year ending 31 December 2018 are expected to be lower than the previous financial year.

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**	
	30.6.2018	**30.6.2017**	**30.6.2018**	**30.6.2017**
	RM'000	RM'000	RM'000	RM'000
		(Restated)		*(Restated)*
Profit before tax is arrived at after crediting/(charging):				
Interest income	281	220	554	503
Dividend income from money market deposits	436	624	917	1,457
Depreciation and amortisation	(18,861)	(19,578)	(38,716)	(39,015)
Property, plant and equipment written off	(1)	(133)	(73)	(250)
Gain on disposal of property, plant and equipment	84	153	270	829
Gain/(loss) on fair value of biological assets	7,205	694	4,283	(7,639)

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	
	30.6.2018	**30.6.2017**	**30.6.2018**	**30.6.2017**
	RM'000	RM'000	RM'000	RM'000
		(Restated)		*(Restated)*
In respect of current period				
- income tax	5,840	11,136	14,334	23,170
- deferred tax	(2,622)	(678)	(4,204)	(4,113)
	3,218	10,458	10,130	19,057

The Group's effective tax rate for the current quarter and year to date as well as preceding year corresponding quarter and period were higher than the statutory tax rate mainly 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 23 August 2018.

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 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"].

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, 25 to 26 April 2018 and 11 to 14 June 2018. The Consolidated RESB Suit has been fixed for continued hearing from 12 to 14 September 2018.

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 then 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 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018 and 11 to 14 June 2018. The Consolidated RESB Suit has been fixed for continued hearing from 12 to 14 September 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	
	30.6.2018	**30.6.2017**	**30.6.2018**	**30.6.2017**
		(Restated)		*(Restated)*
Profit attributable to owners of the Company (RM'000)	3,941	26,306	19,422	50,351
Weighted average number of ordinary shares in issue	799,691	799,694	799,691	799,695
Basic EPS (sen)	0.49	3.29	2.43	6.30

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

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13. **Dividends**

(a) The Board of Directors has on even date approved the following interim dividend for the year ending 31 December 2018:

(i)	Amount per ordinary share - First interim dividend	1.5 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders
(ii)	Previous year corresponding period: Amount per ordinary share - First interim dividend	5 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders
(iii)	Total dividends approved to date for the current financial year: Amount per ordinary share	1.5 sen (2017: 5 sen) per ordinary share under the single tier system which is tax exempt in the hands of the shareholders

(b) The dividend will be payable in cash on 28 September 2018; and

(c) In respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 14 September 2018.

NOTICE OF INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that the first interim dividend of 1.5 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967 in respect of the financial year ending 31 December 2018, will be payable in cash on 28 September 2018 to the shareholders whose names appear on the Company's Record of Depositors at the close of business on 14 September 2018.

A depositor shall qualify for entitlement to the dividend only in respect of:

(a) shares transferred into the depositor's securities account before 4.00 p.m. on 14 September 2018 in respect of transfers; and
(b) shares bought on the Bursa Malaysia Securities Berhad ["Bursa Securities"] on a cum entitlement basis according to the Rules of the Bursa Securities.

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.

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 August 2018