

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018**

	Quarter ended			Year ended		
	31.12.2018 RM'000	31.12.2017 RM'000 <i>(Restated)</i>	<i>Increase/ (Decrease)</i>	31.12.2018 RM'000	31.12.2017 RM'000 <i>(Restated)</i>	<i>Increase/ (Decrease)</i>
Revenue	96,094	163,882	<i>(41%)</i>	390,756	555,072	<i>(30%)</i>
Operating expenses	(89,732)	(138,532)		(365,197)	(419,291)	
Other operating income	3,627	4,798		11,592	12,132	
Profit before tax	9,989	30,148	<i>(67%)</i>	37,151	147,913	<i>(75%)</i>
Tax expense	(3,910)	(6,836)		(8,042)	(37,815)	
Profit for the period representing total comprehensive income for the period	<u>6,079</u>	<u>23,312</u>	<i>(74%)</i>	<u>29,109</u>	<u>110,098</u>	<i>(74%)</i>
Earnings per share (sen)						
Basic	<u>0.76</u>	<u>2.92</u>	<i>(74%)</i>	<u>3.64</u>	<u>13.77</u>	<i>(74%)</i>
Diluted	<u>N/A</u>	<u>N/A</u>		<u>N/A</u>	<u>N/A</u>	

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the Interim Financial Statements

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 DECEMBER 2018**

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000 <i>(Restated)</i>	As at 1.1.2017 RM'000 <i>(Restated)</i>
Non-current assets			
Property, plant and equipment	1,843,167	1,848,029	1,847,253
Current assets			
Inventories	82,878	67,483	72,087
Biological assets	15,772	18,885	37,002
Receivables	15,225	50,841	6,339
Tax recoverable	11,503	446	626
Money market deposits	66,518	90,990	122,136
Cash and cash equivalents	40,311	44,774	39,459
	<u>232,207</u>	<u>273,419</u>	<u>277,649</u>
TOTAL ASSETS	<u>2,075,374</u>	<u>2,121,448</u>	<u>2,124,902</u>
Equity attributable to owners of the Company			
Share capital	875,577	875,577	800,000
Reserves	768,073	798,941	868,380
	<u>1,643,650</u>	<u>1,674,518</u>	<u>1,668,380</u>
Less: Treasury shares	(838)	(829)	(819)
TOTAL EQUITY	<u>1,642,812</u>	<u>1,673,689</u>	<u>1,667,561</u>
Non-current liabilities			
Deferred tax liabilities	390,413	393,973	397,396
Current liabilities			
Payables	41,804	48,781	49,821
Tax payable	345	5,005	10,124
	<u>42,149</u>	<u>53,786</u>	<u>59,945</u>
TOTAL LIABILITIES	<u>432,562</u>	<u>447,759</u>	<u>457,341</u>
TOTAL EQUITY AND LIABILITIES	<u>2,075,374</u>	<u>2,121,448</u>	<u>2,124,902</u>
Net assets per share (RM)	<u>2.05</u>	<u>2.09</u>	<u>2.09</u>
Number of shares net of treasury shares ('000)	799,687	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 ENDED 31 DECEMBER 2018**

	← Attributable to Owners of the Company →					Total Equity RM'000
	Share Capital RM'000	Non-distributable Share Premium RM'000	Merger Reserves RM'000	Distributable Retained Earnings RM'000	Treasury Shares 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)	950,458	-	(397,303)
- As restated	875,577	-	(747,760)	1,546,701	(829)	1,673,689
Comprehensive income for the period	-	-	-	29,109	-	29,109
Purchase of treasury shares	-	-	-	-	(9)	(9)
Dividends	-	-	-	(59,977)	-	(59,977)
At 31 DECEMBER 2018	875,577	-	(747,760)	1,515,833	(838)	1,642,812
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)	975,183	-	(372,578)
- As restated	800,000	75,577	(747,760)	1,540,563	(819)	1,667,561
Transition to no-par value regime under the Companies Act 2016*	75,577	(75,577)	-	-	-	-
Comprehensive income for the period						
- As previously reported	-	-	-	134,823	-	134,823
- Effects on adoption of MFRS	-	-	-	(24,725)	-	(24,725)
- As restated	-	-	-	110,098	-	110,098
Purchase of treasury shares	-	-	-	-	(10)	(10)
Dividends	-	-	-	(103,960)	-	(103,960)
At 31 DECEMBER 2017 (Restated)	875,577	-	(747,760)	1,546,701	(829)	1,673,689

* 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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR YEAR ENDED 31 DECEMBER 2018**

	Year ended	
	31.12.2018 RM'000	31.12.2017 RM'000 <i>(Restated)</i>
Cash flows from operating activities		
Profit before tax	37,151	147,913
Adjustments for:		
Non-cash items	81,135	95,038
Non-operating items	(423)	(1,639)
Dividend income	(2,368)	(3,794)
Interest income	(965)	(1,027)
Operating profit before working capital changes	114,530	236,491
Net changes in working capital	13,182	(40,852)
Net tax paid	(27,319)	(46,177)
Interest received	965	1,027
<i>Net cash generated from operating activities</i>	101,358	150,489
Cash flows from investing activities		
Dividend received from money market deposits	2,430	3,708
Decrease in money market deposits	24,472	31,146
Proceeds from disposal of property, plant and equipment	4,003	12,682
Purchase of property, plant and equipment	(76,740)	(88,740)
<i>Net cash used in investing activities</i>	(45,835)	(41,204)
Cash flows from financing activities		
Shares repurchased at cost	(9)	(10)
Dividends paid to shareholders	(59,977)	(103,960)
<i>Net cash used in financing activities</i>	(59,986)	(103,970)
Net change in cash and cash equivalents	(4,463)	5,315
Cash and cash equivalents at beginning of period	44,774	39,459
Cash and cash equivalents at end of period	40,311	44,774
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	30,187	29,318
Cash in hand and at bank	10,124	15,456
	40,311	44,774

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 ended 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 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
Revenue	163,882	-	-	163,882
Operating expenses	(109,554)	(3,238)	(25,740)	(138,532)
Other operating income	4,798	-	-	4,798
Profit before tax	59,126	(3,238)	(25,740)	30,148
Tax expense	(13,175)	768	5,571	(6,836)
Profit for the period	45,951	(2,470)	(20,169)	23,312
Earnings per share (sen)				
Basic	5.75	(0.31)	(2.52)	2.92

	← Year ended 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
Revenue	555,072	-	-	555,072
Operating expenses	(388,546)	(18,824)	(11,921)	(419,291)
Other operating income	12,132	-	-	12,132
Profit before tax	178,658	(18,824)	(11,921)	147,913
Tax expense	(43,835)	4,481	1,539	(37,815)
Profit for the period	134,823	(14,343)	(10,382)	110,098
Earnings per share (sen)				
Basic	16.86	(1.79)	(1.30)	13.77

1. Significant accounting policies (continued)

Effects on Condensed Consolidated Statement of Cash Flows

	←	Year ended 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
Cash flows from operating activities				
Profit before tax	178,658	(18,824)	(11,921)	147,913
Adjustments for:				
Non-cash items	37,599	18,824	38,615	95,038
Cash flows from investing activities				
Purchase of property, plant and equipment	(61,503)	-	(27,237)	(88,740)
Additions to biological assets	(543)	-	543	-

(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 change 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.

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

Standard issued but not yet effective

MFRS 16, Leases

With effect from 1 January 2019, MFRS 16 replaces MFRS 117, Leases and related interpretations.

Under MFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet) and requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116, Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in profit or loss.

MFRS 16 retains most of the requirements in MFRS 117 for lessor. Lessor continues to classify all leases as either operating leases or finance leases and account for them differently.

The Group is currently in the midst of completing its assessment on the financial effects from the adoption of MFRS 16.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS 16 for the financial year ending 31 December 2019.

2. **Comments on the seasonality or cyclicity of operations**

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

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 financial year.

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
October 2018	-	-	-	-	-
November 2018	2,000	1.700	1.700	1.7225	3,445.02
December 2018	-	-	-	-	-
Total	2,000	1.700	1.700	1.7225	3,445.02

Accordingly, a total of 4,000 shares were bought back during the financial year.

As at 31 December 2018, the Company held a total of 312,800 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 financial year and preceding year were as follows:

	Year ended	
	31.12.2018	31.12.2017
	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:		
- First interim (5 sen) under the single tier system approved by the Directors on 23 August 2017 and paid on 26 September 2017	-	39,984
- 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	-
Dividend in respect of financial year ended 31 December 2018:		
- First interim (1.5 sen) under the single tier system approved by the Directors on 28 August 2018 and paid on 28 September 2018	11,996	-
	59,977	103,960

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 financial year and up to 22 February 2019 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 financial year.

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 February 2019, 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.

10. Significant events and transactions (continued)

The Proposed Acquisition was subject to amongst others, the following conditions:

- (i) approval of the shareholders of the Company at an extraordinary general meeting to be convened; and
- (ii) the due diligence findings of KHB and its subsidiaries being satisfactory and acceptable to the Company.

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 rights 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	As at
	31.12.2018	31.12.2017
	RM'000	RM'000
		<i>(Audited)</i>
Contracted but not provided for	33,883	45,436
Authorised but not contracted for	128,322	104,193
	<u>162,205</u>	<u>149,629</u>

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.

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 RM96.1 million was 41% lower than the preceding year corresponding quarter, affected by lower average selling price realization of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] as well as lower sales volume of CPO but mitigated somewhat by higher sales volume of PK.

Average selling price of CPO and PK for the current quarter were RM1,922 per tonne and RM1,485 per tonne respectively as compared to the preceding year corresponding quarter of RM2,676 per tonne for CPO and RM2,595 per tonne for PK. CPO sales volume for the current quarter at 40,230 tonnes was 19% lower than the preceding year corresponding quarter mainly attributable to timing of deliveries. PK sales volume was 7% higher at 11,445 tonnes.

Production of CPO and PK for the current quarter were higher by 7% and 8% respectively as compared to the preceding year corresponding quarter mainly due to higher fresh fruit bunches ["FFB"] production. FFB production for the current quarter was 12% above the preceding year corresponding quarter, benefitted from higher FFB yield attributable to seasonal yield trend.

Overall, profit before tax ["PBT"] and profit after tax ["PAT"] at RM10 million and RM6.1 million for the current quarter were lower than the preceding year corresponding quarter by 67% and 74% respectively. PBT and PAT for the financial year ended 31 December 2018 was RM37.2 million and RM29.1 million, 75% and 74% lower than the preceding year respectively, attributable to lower average selling price as well as lower sales volume of CPO and PK. Accordingly, basic earnings per share for the financial year at 3.64 sen was 74% lower than last year's 13.77 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 31.12.2018 RM'000	Immediate Preceding Quarter ended 30.9.2018 RM'000	Increase/ (Decrease)
Revenue	<u>96,094</u>	<u>65,587</u>	47%
Profit/(Loss) before tax	<u>9,989</u>	<u>(2,390)</u>	>100%
Profit after tax	<u>6,079</u>	<u>3,608</u>	68%

The Group registered PBT of RM10 million for the current quarter as compared to the immediate preceding quarter's loss before tax ["LBT"] of RM2.4 million, benefitted from higher sales volume of CPO and PK as well as lower unit production cost of CPO per tonne but offset somewhat by lower average selling price of CPO and PK. Production cost per tonne of CPO was lower in the current quarter mainly attributable to higher CPO production and lower total production costs due to timing variance of certain costs.

Sales volume of CPO and PK for the current quarter were 73% and 70% above the immediate preceding quarter of 23,279 tonnes and 6,742 tonnes respectively mainly attributable to higher FFB production which was 48% above the immediate preceding quarter. Average selling price per tonne of CPO and PK were 13% and 19% lower than the immediate preceding quarter of RM2,217 and RM1,827 respectively.

3. Current year prospects

The high Malaysian palm oil inventories, negative sentiments from the European Union on the use of palm oil and declining prices of rival edible oils, especially soybean oil are factors negatively affecting the palm oil market. The recent strengthening of Ringgit against the United States dollar has made palm oil more expensive for importers as compared to other edible oils.

Malaysia's palm oil inventories are projected to decline in line with the current historically low seasonal production period and increase in exports particularly to India, due to its declining domestic oil seed production, which may help to support higher palm oil prices in the near future. As at end January 2019, Malaysia's palm oil inventories eased 6.7% to 3.0 million tonnes from 3.2 million tonnes in December 2018, with 3.9% decline in palm oil production and 21.2% increase in exports month-on-month. Average CPO prices recovered by 13.5% to RM2,037 per tonne in January 2019 after a record low in December 2018 of RM1,794 per tonne.

In addition, higher biodiesel blend mandates in both Malaysia and Indonesia are positive developments to boost domestic consumption and are expected to help support the palm oil market in the longer term. Malaysia is targeting to increase the blending percentage from B10 to B20 for the transportation sector, and from B7 to B10 for industrial diesel use, which could take up about 1.3 million tonnes of CPO per annum. The Indonesian government has expanded the mandatory use of B20 biodiesel for all vehicles and heavy machineries with effect from September 2018 and has plans to further boost domestic biodiesel consumption in Indonesia to B30 to absorb more CPO.

Based on the foregoing, the Group results for the current financial year ending 31 December 2019 are expected to be better than the financial year ended 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 ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Profit before tax is arrived at after crediting/(charging):				
Interest income	201	223	965	1,027
Dividend income from money market deposits	654	1,064	2,368	3,794
Depreciation and amortisation	(19,324)	(17,617)	(77,638)	(76,620)
Property, plant and equipment written off	(193)	(46)	(384)	(301)
(Loss)/Gain on disposal of property, plant and equipment	(158)	653	423	1,639
Loss on fair value of biological assets	(9,423)	(27,339)	(3,113)	(18,117)

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 ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
In respect of current period				
- income tax	4,691	11,081	18,416	41,524
- deferred tax	(781)	(3,992)	(3,560)	(3,170)
	<u>3,910</u>	<u>7,089</u>	<u>14,856</u>	<u>38,354</u>
In respect of prior periods				
- income tax	-	-	(6,814)	(286)
- deferred tax	-	(253)	-	(253)
	<u>-</u>	<u>(253)</u>	<u>(6,814)</u>	<u>(539)</u>
	<u>3,910</u>	<u>6,836</u>	<u>8,042</u>	<u>37,815</u>

The Group's effective tax rate (excluding over provision of tax in respect of prior periods) for the current quarter and year were higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes.

The effective tax rate for the preceding year corresponding quarter was close to the statutory tax rate whilst the effective tax rate for the preceding year was higher than the statutory tax rate due to certain expenses disallowed for tax purposes.

The over provision of income tax in respect of prior periods for the year was mainly attributable to the tax benefit derived from the investment tax allowance on the Group's biogas plant.

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 22 February 2019.

8. Borrowings and debt securities

The Group does not have any borrowing nor debt security.

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

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

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

On 23 May 2012, RESB commenced a legal suit ["KL RESB Suit"] vide a writ of summon at Kuala Lumpur High Court ["KLHC"] against EISB ["1st Defendant"] and HCH was added as the second defendant ["2nd Defendant"] to the KL RESB Suit on 16 June 2012.

On 10 August 2012, upon the 1st Defendant's application, the KL RESB Suit was transferred to the High Court of Sabah and Sarawak at Kota Kinabalu ["KKHC"]. On 7 April 2016, the Federal Court held that the KLHC has no jurisdiction to transfer a civil suit filed in the High Court of Malaya to the High Court of Sabah and Sarawak. On the basis of such ruling, the KKHC had on 19 April 2016 struck off the KL RESB Suit with no order as to costs.

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

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

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

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

On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB's application ["Consolidated RESB Suit"]. The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018 and 7 to 11 January 2019. The Consolidated RESB Suit has been fixed for continued hearing on 28 February 2019.

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

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

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

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

SYC is claiming for the following in the KK Suit:

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

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

The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018 and 7 to 11 January 2019. The Consolidated RESB Suit has been fixed for continued hearing from on 28 February 2019.

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

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

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

A writ of summon was filed on 7 August 2014 in the High Court 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 said Plaintiffs failed to proceed with the Second Suit during the court trial held on 3 December 2018. Accordingly, the KKHC dismissed the Second Suit with no liberty to file afresh and with no order as to costs.

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 ended	
	31.12.2018	31.12.2017 (Restated)	31.12.2018	31.12.2017 (Restated)
Profit attributable to owners of the Company (RM'000)	6,079	23,312	29,109	110,098
Weighted average number of ordinary shares in issue	799,688	799,692	799,690	799,694
Basic EPS (sen)	0.76	2.92	3.64	13.77

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

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13. Dividends

Dividends for the current financial year 31 December 2018 are as follows:

- (a) First interim dividend of 1.5 sen (2017: 5 sen) per ordinary share under the single tier system which is tax exempt in the hands of the shareholders. The said first interim dividend was approved by Board of Directors on 28 August 2018 and paid on 28 September 2018;
- (b) The Board of Directors has on even date approved the following interim dividend for the year ended 31 December 2018:
- | | |
|--|---|
| (i) Amount per ordinary share
- Second interim dividend | 1 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
- Second interim dividend | 6 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 | 2.5 sen (2017: 11 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 27 March 2019; and
- (c) In respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 13 March 2019.

NOTICE OF INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that the second interim dividend of 1 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 ended 31 December 2018, will be payable in cash on 27 March 2019 to the shareholders whose names appear on the Company's Record of Depositors at the close of business on 13 March 2019.

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 13 March 2019 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
26 February 2019