HAP SENG

Hap Seng Consolidated Berhad 197601000914 (26877-W)

Creating Value Together

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (UNAUDITED) FOR THE THIRD QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2022

	Quarter ended			Year-to-date ended		
	30.9.2022	**30.9.2021**	***Increase/***	**30.9.2022**	**30.9.2021**	***Increase/***
	RM'000	RM'000	***(Decrease)***	RM'000	RM'000	***(Decrease)***
Revenue	1,973,154	1,633,478	*21%*	5,319,450	4,173,431	*27%*
Operating expenses	(1,756,127)	(1,066,662)		(4,605,964)	(3,211,029)	
Other operating income	34,510	24,686		107,622	87,027	
Operating profit	251,537	591,502	*(57%)*	821,108	1,049,429	*(22%)*
Finance costs	(37,448)	(37,522)		(124,817)	(133,777)	
Other gain items	425,099	2,992		425,099	2,992	
Share of results of associates and joint ventures	8,140	4,550		24,051	16,726	
Profit before tax	647,328	561,522	*15%*	1,145,441	935,370	*22%*
Tax expense	(55,419)	(155,553)		(204,954)	(265,614)	
Profit for the period	591,909	405,969	*46%*	940,487	669,756	*40%*
Profit attributable to:						
Owners of the Company	563,746	381,554	*48%*	852,632	599,902	*42%*
Non-controlling interests	28,163	24,415		87,855	69,854	
	591,909	405,969		940,487	669,756	
Earnings per share (sen)						
Basic	22.64	15.33	*48%*	34.25	24.10	*42%*
Diluted	N/A	N/A		N/A	N/A	

The Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the Interim Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THIRD QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2022

	Quarter ended		Year-to-date ended	
	30.9.2022	**30.9.2021**	**30.9.2022**	**30.9.2021**
	RM'000	RM'000	RM'000	RM'000
Profit for the period	591,909	405,969	940,487	669,756
Other comprehensive (expense)/income net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	13,438	(4,411)	(6,459)	13,380
Share of foreign currency translation differences of associates and joint ventures	308	(3,593)	784	(5,724)
Foreign currency translation differences for foreign operations reclassified to profit or loss	(14,898)	(22)	(14,898)	(22)
Change in fair value of cash flow hedge	(15,265)	(3,989)	(14,501)	(8,038)
Total other comprehensive expense for the period	(16,417)	(12,015)	(35,074)	(404)
Total comprehensive income for the period	575,492	393,954	905,413	669,352
Total comprehensive income attributable to:				
Owners of the Company	545,743	369,809	813,194	597,487
Non-controlling interests	29,749	24,145	92,219	71,865
	575,492	393,954	905,413	669,352

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the Interim Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2022

	As at 30.9.2022 RM'000	**As at 31.12.2021** RM'000 *(Audited)*
Non-current assets		
Property, plant and equipment	4,284,972	4,050,333
Investment properties	2,379,465	2,171,695
Investment in associates	493,687	477,634
Investment in joint ventures	8,959	8,652
Land held for property development	1,175,217	1,398,923
Intangible assets	37,860	37,936
Trade and other receivables	1,684,184	1,719,638
Other financial assets	73,155	17,995
Deferred tax assets	66,088	73,865
	10,203,587	9,956,671
Current assets		
Inventories	1,976,072	2,014,558
Property development costs	177,761	325,534
Biological assets	41,670	57,721
Trade and other receivables	3,075,921	1,949,777
Contract assets	16,408	26,814
Tax recoverable	130,461	56,274
Other financial assets	31,631	189
Money market deposits	1,452,347	1,867,729
Cash and bank balances	1,560,106	1,225,957
	8,462,377	7,524,553
TOTAL ASSETS	18,665,964	17,481,224

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED) (Continued)
AS AT 30 SEPTEMBER 2022

	As at 30.9.2022 RM'000	As at 31.12.2021 RM'000 *(Audited)*
Equity attributable to owners of the Company		
Share capital	3,519,554	3,519,554
Reserves	4,554,413	3,987,950
	8,073,967	7,507,504
Less: Treasury shares	(113)	(113)
	8,073,854	7,507,391
Non-controlling interests	1,307,408	1,197,368
TOTAL EQUITY	9,381,262	8,704,759
Non-current liabilities		
Trade and other payables	191,312	183,672
Contract liabilities	82,788	82,788
Employee benefits	3,178	2,691
Borrowings	4,358,038	3,955,643
Lease liabilities	113,212	112,976
Other financial liabilities	-	4,268
Deferred tax liabilities	492,141	491,206
	5,240,669	4,833,244
Current liabilities		
Trade and other payables	1,066,251	1,099,245
Contract liabilities	49,169	36,947
Provisions	318,495	318,121
Tax payable	68,169	92,413
Borrowings	2,516,126	2,360,674
Lease liabilities	25,660	29,336
Other financial liabilities	163	6,485
	4,044,033	3,943,221
TOTAL LIABILITIES	9,284,702	8,776,465
TOTAL EQUITY AND LIABILITIES	18,665,964	17,481,224
Net assets per share (RM)	3.24	3.02
Number of shares net of treasury shares ('000)	2,489,670	2,489,670

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the Interim Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED) FOR THE YEAR-TO-DATE ENDED 30 SEPTEMBER 2022

	← Attributable to Owners of the Company →						
	Share capital RM'000	Non-distributable reserves RM'000	Distributable reserves RM'000	Treasury shares RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2022	3,519,554	158,374	3,829,576	(113)	7,507,391	1,197,368	8,704,759
Profit for the period	-	-	852,632	-	852,632	87,855	940,487
Total other comprehensive expense for the period	-	(39,438)	-	-	(39,438)	4,364	(35,074)
Total comprehensive income for the period	-	(39,438)	852,632	-	813,194	92,219	905,413
Changes in ownership interest in subsidiaries	-	-	2,236	-	2,236	78,569	80,805
Dividend	-	-	(248,967)	-	(248,967)	-	(248,967)
Dividends paid to non-controlling interests	-	-	-	-	-	(60,748)	(60,748)
At 30 September 2022	3,519,554	118,936	4,435,477	(113)	8,073,854	1,307,408	9,381,262
At 1 January 2021	3,519,554	157,756	3,807,131	(113)	7,484,328	1,173,265	8,657,593
Profit for the period	-	-	599,902	-	599,902	69,854	669,756
Total other comprehensive expense for the period	-	(2,415)	-	-	(2,415)	2,011	(404)
Total comprehensive income for the period	-	(2,415)	599,902	-	597,487	71,865	669,352
Changes in ownership interest in subsidiaries	-	-	(3,412)	-	(3,412)	(29,522)	(32,934)
Dividend	-	-	(248,967)	-	(248,967)	-	(248,967)
Dividends paid/payables to non-controlling interests	-	-	-	-	-	(34,192)	(34,192)
At 30 September 2021	3,519,554	155,341	4,154,654	(113)	7,829,436	1,181,416	9,010,852

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to the Interim Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE YEAR-TO-DATE ENDED 30 SEPTEMBER 2022

	Year-to-date ended	
	30.9.2022	**30.9.2021**
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	1,145,441	935,370
Adjustments for:		
Non-cash items	131,575	176,539
Non-operating items	(453,451)	(20,635)
Dividend income	(8,160)	(31,628)
Net interest expense	105,246	124,265
Operating profit before working capital changes	920,651	1,183,911
Net changes in working capital	(1,320,883)	738,617
Net changes in loan receivables	269,700	205,604
Net tax paid	(293,993)	(243,509)
Net interest paid	(143,096)	(145,879)
Net changes in land held for property development	(53,510)	(62,848)
Net cash flows (used in)/generated from operating activities	(621,131)	1,675,896
Cash flows from investing activities		
Dividends received from associates and a joint venture	8,475	11,871
Dividends received from equity investments at fair value through other comprehensive income	1,350	-
Dividends received from equity investments at fair value through profit or loss	-	1,347
Dividends received from money market deposits	7,598	28,040
Profit guarantee shortfall received from holding company	-	179,901
Decrease/(Increase) in money market deposits	428,329	(214,656)
Acquisition of shares from non-controlling interests	(47,543)	(264,093)
Investment in associate	-	(600)
Disposal of subsidiary net of cash disposed	627,442	-
Proceeds from issuance of shares to non-controlling interests	-	229,075
Proceeds from disposal of warrants in an associate	-	2,992
Proceeds from disposal of interest in subsidiary	128,348	2,084
Proceeds from disposal of property, plant and equipment	10,939	1,576
Proceeds from disposal of equity investment at fair value through profit or loss	-	71,429
Purchase of property, plant and equipment	(281,167)	(381,132)
Additions to investment properties	(35,535)	(265,855)
Net cash flows generated from/(used in) investing activities	848,236	(598,021)
Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(312,414)	(278,228)
Net drawdown/(repayment) of borrowings	426,706	(391,628)
Payment of lease liabilities	(20,801)	(23,681)
Net cash flows generated from/(used in) financing activities	93,491	(693,537)
Net increase in cash and cash equivalents	320,596	384,338
Effects on exchange rate changes	13,553	6,824
Cash and cash equivalents at beginning of the period	1,225,957	960,872
Cash and cash equivalents at end of the period	1,560,106	1,352,034
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	1,075,916	1,001,068
Cash in hand and at bank	484,190	350,966
	1,560,106	1,352,034

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 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 2021.

Part A: Explanatory Notes Pursuant to MFRS 134

1. **Significant accounting policies**

The accounting policies and presentation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2021.

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

The seasonal or cyclical factors affecting the results of the operations of the Group are as follows:

(a) The performances of the Group’s Property Division and Building Materials Division were influenced by the slowdown in construction activities in the first quarter of the financial year attributable to the timing of seasonal festive period.

(b) The Group’s Plantation Division performance was influenced by general climatic conditions, age profile of oil palms, the cyclical nature of annual production and 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 amounts reported in prior financial years.

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

During the current quarter, there was no buyback of shares, resale nor cancellation of treasury shares.

As at 30 September 2022, the Company held 12,000 ordinary shares as treasury shares and the issued share capital of the Company remained unchanged at 2,489,681,583 ordinary shares.

6. **Dividends**

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

	Year-to-date ended	
	30.9.2022	**30.9.2021**
	RM'000	RM'000
Dividend in respect of financial year ended 31 December 2021:		
- first interim (10 sen) under the single tier system approved by the Directors on 25 May 2021 and paid on 23 June 2021	-	248,967
Dividend in respect of financial year ending 31 December 2022:		
- first interim (10 sen) under the single tier system approved by the Directors on 27 May 2022 and paid on 23 June 2022	248,967	-
	248,967	248,967

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7. Segment information

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Current quarter ended 30 September 2022									
Revenue									
External revenue	181,987	140,553	45,562	461,794	977,147	166,111	-	-	1,973,154
Inter-segment revenue	-	6,380	11,781	8,594	55,888	26,219	-	(108,862)	-
Total revenue	181,987	146,933	57,343	470,388	1,033,035	192,330	-	(108,862)	1,973,154
Operating profit	18,002	29,720	51,426	22,424	96,563	45,265	2,501	(14,364)	251,537
Finance costs									(37,448)
Other gain item									425,099
Share of results of associates and joint ventures									8,140
Profit before tax									647,328
Preceding year quarter ended 30 September 2021									
Revenue									
External revenue	173,630	561,214	56,355	261,772	463,455	117,052	-	-	1,633,478
Inter-segment revenue	-	5,639	14,609	2,653	28,182	15,986	-	(67,069)	-
Total revenue	173,630	566,853	70,964	264,425	491,637	133,038	-	(67,069)	1,633,478
Operating profit	70,620	442,371	52,650	1,455	24,778	20,645	2,284	(23,301)	591,502
Finance costs									(37,522)
Other gain item									2,992
Share of results of associates and joint ventures									4,550
Profit before tax									561,522

7. Segment information (continued)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Year-to-date ended 30 September 2022									
Revenue									
External revenue	671,002	381,738	140,363	1,227,035	2,474,765	424,547	-	-	5,319,450
Inter-segment revenue	-	18,113	38,506	21,333	149,707	70,581	-	(298,240)	-
Total revenue	671,002	399,851	178,869	1,248,368	2,624,472	495,128	-	(298,240)	5,319,450
Operating profit	238,439	111,673	151,702	47,991	244,163	92,885	(536)	(65,209)	821,108
Finance costs									(124,817)
Other gain item									425,099
Share of results of associates and joint ventures									24,051
Profit before tax									1,145,441
Segment assets	2,390,023	7,714,080	2,816,191	729,763	1,899,721	1,325,486	1,091,505	-	17,966,769
Segment liabilities	59,785	1,109,792	1,002,756	239,343	997,913	830,854	4,483,949	-	8,724,392
Year-to-date ended 30 September 2021									
Revenue									
External revenue	476,023	1,019,414	174,949	831,644	1,314,676	356,725	-	-	4,173,431
Inter-segment revenue	-	16,962	43,274	9,803	77,033	30,031	-	(177,103)	-
Total revenue	476,023	1,036,376	218,223	841,447	1,391,709	386,756	-	(177,103)	4,173,431
Operating profit	173,848	662,294	159,783	304	66,971	46,172	7,172	(67,115)	1,049,429
Finance costs									(133,777)
Other gain item									2,992
Share of results of associates and joint ventures									16,726
Profit before tax									935,370
Segment assets	2,304,436	6,790,066	2,873,776	747,944	1,208,283	1,107,165	1,783,555	-	16,815,225
Segment liabilities	72,022	1,264,370	1,580,910	274,672	579,970	662,846	3,332,150	-	7,766,940

8. **Event after the end of interim period**

Save for the subsequent events disclosed in Note 10 of Part B, there was no other event after the end of the interim period and up to 18 November 2022 that has 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 the composition of the Group during the interim period, except for the following:

(a) On 17 January 2022, Hafary Pte Ltd ["HPL"], a wholly-owned subsidiary of Hafary Holdings Limited ["Hafary"], a 50.82%-owned listed subsidiary of the Company, acquired an additional 30% shareholding in World Furnishing Hub Pte Ltd ["WFHPL"] at a cash consideration of S$3,020,038.07, with which WFHPL became an 81%-owned subsidiary of Hafary on even date. WFHPL is a property investment holding company with leasehold interest of property located at 18 Sungei Kadut Street 2, Singapore 729236.

(b) On 18 March 2022, *Hap Seng Land Development Sdn Bhd entered into a share sale agreement to acquire the remaining 10,050,000 ordinary shares representing 20% of the issued share capital of Hap Seng Land Development (Balakong) Sdn Bhd ["HSLD (Balakong)"] from Jinee Sdn Bhd, for a cash consideration of RM21,357,000.00. HSLD (Balakong) is principally involved in property development. With the completion of the aforesaid acquisition, HSLD (Balakong) became a wholly-owned subsidiary of the Company.

(c) On 18 March 2022, *Hap Seng Land Development Sdn Bhd entered into a share sale agreement to acquire the remaining 10,250,000 ordinary shares representing 20% of the issued share capital of Hap Seng Land Development (JTR 2) Sdn Bhd ["HSLD (JTR 2)"] from Jinee Sdn Bhd, for a cash consideration of RM16,865,000.00. HSLD (JTR 2) is principally involved in property development. With the completion of the aforesaid acquisition, HSLD (JTR 2) became a wholly-owned subsidiary of the Company.

(d) On 17 June 2022, HPL incorporated a wholly-owned subsidiary namely, Hafary Element Pte Ltd ["Hafary Element"] in Singapore with an issued share capital of S$100.00 comprising 100 ordinary shares. Hafary Element is principally involved in investment holding.

On 13 September 2022, Hafary Element allotted 8,571 and 1,429 ordinary shares at an issued price of S$1.00 per share to HPL and Guangdong ITA Element Building Material Co., Limited respectively. With the aforesaid allotment, Hafary Element became an 85.71%-owned subsidiary of Hafary.

(e) On 17 June 2022, HPL incorporated a wholly-owned subsidiary namely, International Ceramic Manufacturing Hub Pte Ltd ["ICMHPL"] in Singapore with an issued share capital of S$100.00 comprising 100 ordinary shares. ICMHPL is principally involved in investment holding.

On 13 September 2022, Hafary Element acquired 100 ordinary shares representing 100% of the issued share capital of ICMHPL from HPL, for a cash consideration of S$100.00. Subsequently, ICMHPL allotted 69,900 and 30,000 ordinary shares at an issued price of S$1.00 per share to Hafary Element and CNA Pte Ltd respectively. With the aforesaid allotment, ICMHPL became a 70%-owned subsidiary of Hafary.

(f) On 20 June 2022, ICMHPL incorporated a wholly-owned subsidiary namely, International Ceramic Manufacturing Hub Sdn Bhd ["ICMHSB"] in Malaysia with an issued share capital of RM1.00 comprising 1 ordinary share. ICMHSB will be principally involved in manufacture and sale of porcelain and ceramic tiles.

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 (continued)**

(g) On 5 July 2022, HPL incorporated a wholly-owned subsidiary namely, Hafary Flagship Store Pte Ltd ["Hafary Flagship"] in Singapore with an issued share capital of S$100.00 comprising 100 ordinary shares. Hafary Flagship will be principally involved in property investment holding company.

(h) During the interim period, the Company disposed of 42,881,400 ordinary shares representing approximately 5.36% of equity interest in Hap Seng Plantations Holdings Berhad ["HSP"] via the open market, thereby reducing its shareholding in HSP from 74.89% to 69.53%. HSP is the Company's subsidiary listed on Bursa Malaysia Securities Berhad.

* *This is the Company's wholly-owned subsidiary.*

10. **Significant events and transactions**

There were no events or transactions which 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 18 November 2022.

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 interim period 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 30.9.2022 RM'000	**As at 31.12.2021** RM'000 *(Audited)*
Contracted but not provided for		
- property, plant and equipment	467,936	349,368
- investment properties	37,120	8,248
	505,056	357,616

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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 25 May 2021 and 26 May 2022, except for the following:

On 27 May 2022 ["said date"], HSC Birmingham Holding Limited ["HSC Birmingham"], a wholly-owned subsidiary of the Company entered into a shares sale agreement with Lei Shing Hong Capital Limited ["LSHCL"], a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], pursuant to which HSC Birmingham had agreed to dispose 50,000,001 ordinary shares representing 100% of the issued and paid-up share capital of HS Credit (Birmingham) Ltd ["HCBL"] for a cash consideration of GBP127.80 million (translated to RM706.17 million based on the Bank Negara Malaysia's middle exchange rate as at 5.00 p.m. on 26 May 2022 of GBP1.00: RM5.5256) ["Sale Consideration" and "Proposed HCBL Disposal"].

The Proposed HCBL Disposal was deemed a related party transaction. As at the said date, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was deemed to have a 52.92% shareholding in LSH comprising 38.74% shareholding held via Lead Star Business Limited and 14.18% shareholding held via Gek Poh (Holdings) Sdn Bhd ["Gek Poh"] and was a 56.00% major shareholder and a director of Gek Poh.

As at the said date, Gek Poh's aggregate shareholdings in the Company was 62.64%, comprising 54.63% direct shareholding and 8.01% indirect shareholding through Hap Seng Insurance Services Sdn Bhd ["HSIS"], a wholly-owned subsidiary of Gek Poh. Hence, Tan Sri Lau, Gek Poh and HSIS were deemed interested in the Proposed HCBL Disposal.

As at the said date, Datuk Edward Lee Ming Foo was the managing director of both the Company and Gek Poh. Mr Lee Wee Yong was an executive director of the Company and a director of Gek Poh, which held 14.18% equity interest in LSH and therefore a major shareholder of LSH. Premised on the aforesaid, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong were deemed interested in the Proposed HCBL Disposal.

As at the said date, Datuk Simon Shim Kong Yip was a non-independent non-executive director of the Company and a non-executive director of LSH. Premised on Datuk Simon Shim Kong Yip's common directorship in the Company and LSH, he was deemed interested in the Proposed HCBL Disposal.

The interested or deemed interested directors and shareholders had abstained from voting and that they had ensure that persons connected to them have abstained from voting in respect of their direct and/or indirect shareholdings on the resolution in relation to the Proposed HCBL Disposal during the extraordinary general meeting of the Company held on 28 July 2022 ["EGM"].

The Proposed HCBL Disposal was approved by the shareholders during the EGM and completed on 2 August 2022.

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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 RM1.97 billion was 21% higher than the preceding year corresponding quarter of RM1.63 billion mainly attributable to higher revenue contribution from Plantation, Automotive, Trading and Building Materials Divisions. The Group's operating profit for the current quarter at RM251.5 million was 57% lower than the preceding year corresponding quarter of RM591.5 million, affected mainly by the lower profit contribution from Plantation and Property Divisions.

Plantation Division's revenue for the current quarter at RM182 million was 5% higher than the preceding year corresponding quarter of RM173.6 million mainly attributable to higher average selling price of Crude Palm Oil ["CPO"] but dampened by lower sales volume of all palm products. Average selling price of CPO for the current quarter was higher at RM5,219 per tonne as compared to the preceding year corresponding quarter of RM4,341 per tonne whilst average selling price of Palm Kernel ["PK"] per tonne at RM2,543 was lower than the preceding year corresponding quarter of RM2,615. Sales volume of CPO and PK for the current quarter were 31,129 tonnes and 6,524 tonnes respectively, 10% and 9% lower than the preceding year corresponding quarter in tandem with lower production. The current quarter's CPO and PK production were both 8% lower than the preceding year corresponding quarter mainly attributable to lower fresh fruit bunches ["FFB"] production and lower FFB purchased. FFB production in the current quarter was 5% lower than the preceding year corresponding quarter due to lower FFB yield affected by seasonal yield trend, changes in cropping patterns and wet weather conditions. Operating profit for the current quarter at RM18 million was 75% lower than the preceding year corresponding quarter of RM70.6 million mainly affected by higher production costs due to higher fertilizer and diesel costs as well as increase in minimum wage and loss from fair value adjustments of biological assets of RM24.2 million as compared to a gain of RM2.6 million in the preceding year corresponding quarter.

Property Division's property development and investment properties segment registered improved performance in the current quarter. Generally, the property development segment benefitted from higher units sold and higher progress completion in its residential property development projects in East Malaysia. The investment properties segment registered improved occupancy rates and rental yield from most of its major investment properties in Kuala Lumpur City Centre, Kota Kinabalu and Labuan. Inspite of this, the division's revenue for the current quarter at RM146.9 million was 74% lower than the preceding year corresponding quarter of RM566.9 million mainly due to lower land sales. Consequently, the division's operating profit for the current quarter at RM29.7 million was 93% lower than the preceding year corresponding quarter of RM442.4 million.

Credit Financing Division's revenue for the current quarter at RM57.3 million was 19% lower than the preceding year corresponding quarter of RM71 million mainly due to lower loan base of RM2.87 billion as compared to the preceding year corresponding quarter of RM3.56 billion. Loan base was lower as at end of the current quarter, mainly affected by early redemption of loans in the previous quarter and lower loan disbursements in its Malaysian operations as the division exercised prudent lending in view of the uncertainties in the domestic financing landscape against a backdrop of higher interest rates. Non-performing loans ratio was higher at 2.32% at the end of the current quarter as compared to 2.11% at the end of the preceding year corresponding quarter. Overall, the division's operating profit for the current quarter at RM51.4 million was marginally lower than the preceding year corresponding quarter of RM52.7 million.

1. **Review of performance (continued)**

Automotive Division's revenue for the current quarter at RM470.4 million was 78% higher than the preceding year corresponding quarter of RM264.4 million with higher revenue from both its passenger car and commercial vehicle segments. The passenger car segment registered 88% increase in revenue on the back of 95% increase in number of cars sold and 52% increase in throughput from its after sales and services segment. Generally, passenger car sales benefitted from the backlog deliveries of stocks from its principal which enabled it to fulfil some of the orders received prior to the expiry of the sales tax exemption on 30 June 2022 for cars which are to be registered by 31 March 2023. The after sales and services segment registered higher throughput in tandem with higher vehicles usage following the normalising of economic activities as the country transitioned towards COVID-19 endemicity. The commercial vehicle segment registered 45% higher revenue as compared to the preceding year corresponding quarter mainly attributable to higher sales volume and higher average selling prices of Fuso trucks and Actros. Consequently, the division's operating profit for the current quarter at RM22.4 million was significantly higher than the preceding year corresponding quarter of RM1.5 million.

Trading Division's revenue for the current quarter was RM1.03 billion, more than doubled that of the preceding year corresponding quarter of RM491.6 million with higher revenue from all its businesses. Revenue from fertilizers trading business for the current quarter at RM847 million was 124% higher than the preceding year corresponding quarter mainly attributable to higher average selling prices in both its Malaysian and Indonesian markets. The pro-longed geopolitical tension in Europe continued to affect global supply of fertilizers which resulted in fertilizer prices to remain elevated. The general trading and the ceramic tiles businesses registered higher revenue of RM118.7 million and RM67.3 million, 55% and 86% above the preceding year corresponding quarter respectively as activities in the property development and construction sectors continue to normalise towards the pre COVID-19 pandemic level with the improvement in the labour supply situation. Consequently, the division's operating profit for the current quarter was RM96.6 million, more than tripled that of the preceding year corresponding quarter of RM24.8 million.

Building Materials Division comprises the quarry, asphalt and bricks businesses and building materials trading by Hafary Holdings Limited ["Hafary"]. In the current quarter, the division's revenue was RM192.3 million, 45% higher than the preceding year corresponding quarter of RM133 million with higher contribution from both its business segments. Revenue from quarry, asphalt and bricks businesses for the current quarter at RM43 million was 27% higher than the preceding year corresponding quarter mainly attributable to higher sales of aggregate and bricks which continued to benefit from the increase in activities in the Malaysian construction sector. Hafary registered a growth of 50% in revenue at RM149.3 million benefitted from the increase in construction and renovation activities in Singapore. Overall, the division's operating profit for the current quarter was RM45.3 million, more than doubled that of the preceding year corresponding quarter of RM20.6 million, benefitting from higher operating margin by Hafary.

In the current quarter, the Group completed the disposal of 100% equity interest in HS Credit (Birmingham) Ltd ["HCBL"] as disclosed in Note 13 of Part A, resulting in a gain of RM425.1 million.

Overall, Group profit before tax ["PBT"] and profit after tax ["PAT"] for the current quarter at RM647.3 million and RM591.9 million were higher than the preceding year corresponding quarter by 15% and 46% respectively. Group PBT and PAT for the year-to-date at RM1.15 billion and RM940.5 million were higher than the preceding year corresponding period by 22% and 40% respectively.

Consequently, profit attributable to owners of the Company for the year-to-date at RM852.6 million and basic earnings per share for the year-to-date at 34.25 sen were both 42% higher than the preceding year corresponding period.

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

	Current Quarter ended 30.9.2022 RM'000	**Immediate Preceding Quarter ended 30.6.2022** RM'000	***Increase/ (Decrease)***
Revenue	1,973,154	1,700,908	*16%*
Operating profit	251,537	267,717	*(6%)*
Profit before tax	647,328	231,951	*179%*

Group PBT for the current quarter at RM647.3 million was 179% higher than the immediate preceding quarter of RM232 million. The current quarter's Group PBT included the gain of RM425.1 million from the disposal of HCBL as disclosed in Note 13 of Part A. Excluding the gain, Group PBT was RM222.2 million, 4% lower than the immediate preceding quarter attributable to lower contribution from Plantation Division but offset by better performance of all divisions particularly with significant improvement in the Trading and Building Materials Divisions' performance.

Plantation Division's operating profit for the current quarter at RM18 million was 81% below the immediate preceding quarter of RM94.8 million mainly due to lower revenue, higher production costs and higher loss from fair value adjustments of biological assets of RM24.2 million as compared to the immediate preceding quarter loss of RM0.5 million. Revenue in the current quarter was 26% below the immediate preceding quarter mainly due to lower average selling price and lower sales volume of CPO and PK. Current quarter's average selling price per tonne of CPO and PK were 23% and 33% lower than the immediate preceding quarter of RM6,737 and RM3,769 respectively whilst sales volume of CPO and PK were 3% and 5% lower than the immediate preceding quarter of 32,044 tonnes and 6,847 tonnes respectively. Production costs in the current quarter were higher mainly affected by higher manuring costs due to higher fertilizers prices and programme variance in the fertilizers application.

Trading Division's operating profit for the current quarter at RM96.6 million was 33% higher than the immediate preceding quarter of RM72.8 million with higher contribution from all its businesses in particular the fertilizers trading business which benefitted from higher average selling prices.

Building Materials Division's operating profit for the current quarter at RM45.3 million was 68% higher than the immediate preceding quarter of RM27 million, mainly contributed by higher sales with better operating margins from Hafary in tandem with the increase in construction and renovation activities in Singapore.

3. **Current year prospects**

The Malaysian economy registered a strong growth of 14.2% in the third quarter of 2022 and expanded by 9.3% in the first three quarters of 2022 driven primarily by robust domestic demand. On 3 November 2022, the Monetary Policy Committee of Bank Negara Malaysia [“BNM”] raised the Overnight Policy Rate [“OPR”] by another 25 basis points to 2.75%. Cumulatively the OPR has increased by a total of 100 basis points since 11 May 2022. BNM’s governor in her press conference on 11 November 2022 mentioned that: *“Malaysia’s growth would continue to be supported by firm domestic demand amid the continued expansion in employment and income levels. The implementation of existing and new infrastructure projects such as ECRL and LRT3 will also lend support to growth. Meanwhile, higher tourism activity will also aid the recovery of the tourism-related sectors. Given these factors, the Malaysian economy is projected to expand between 4.0% – 5.0% in 2023.”*

Malaysian palm oil inventories at the end of October 2022 increased by 3.74% month-on-month to 2.40 million tonnes, the highest in three years since September 2019 as Malaysia’s CPO production rose for the fifth consecutive month amid the peak harvest season to 1.81 million tonnes, an increase of 2.44% month-on-month. Palm oil exports were 5.66% higher month-on-month at 1.50 million tonnes supported by higher imports from China, Pakistan and the European Union. Monthly average CPO price per tonne has soften from its highest of RM6,873 in May 2022 to RM3,682 in October 2022, its lowest in 2022. In the first ten days of November 2022, daily average CPO prices per tonne were higher at between RM4,042.50 and RM4,212.50. CPO prices in the near term are expected to be influenced by Indonesia’s CPO export tax policy, China’s zero COVID-19 policy affecting CPO demand, the uncertainties in the geopolitical development in Europe, the price gap between palm oil and soybean oil and the triple-dip La Nina weather phenomenon affecting the production of CPO, soybean oil and other edible oils. The higher fertilizer prices and increase in the minimum wage to RM1,500 under the Malaysian Minimum Wage Order 2022 with effect from 1 May 2022 continue to push production costs higher. The Plantation Division expects its performance to be mainly affected by the movements in the commodities prices amid rising production costs. To mitigate this, the division is focused on improving FFB yield and extraction rates whilst making concerted efforts to improve overall cost efficiencies.

The Malaysian property market is expected to continue to be subdued notwithstanding the gradual easing of the residential property overhang. The Property Division will continue to put concerted efforts in monitoring its on-going projects to protect margins and to drive property sales with innovative packages and sales promotion amid inflationary pressures, rising building materials costs and higher interest rates. The division’s investment properties segment with relatively stable tenant portfolio is expected to continue to perform favourably. The division’s hospitality segment’s first 5-star hotel, Hyatt Centric Kota Kinabalu has commenced operations in October 2022 whilst development of three other hotels in the Klang Valley are in progress.

The Credit Financing Division expects the current economic conditions surrounding its sectors of financing to remain challenging in view of rising inflation, higher interest rates and uncertainties in the domestic and global economies. Nevertheless, the division will focus on its pre-selected sectors of financing and existing quality customers to maintain a stable and quality loan portfolio whilst constantly reviewing its lending policies and product offerings to cater to the changes in the financing landscape. To mitigate market and credit risks and to minimise non-performing loans, the division will continue to be cautious in its loan approval process with emphasis on stringent credit risk assessment and put concerted efforts to strengthen its loan recovery and rehabilitation process to mitigate loan impairment.

The automotive industry continues to face challenges in the global supply chain. The ongoing shortage of semiconductors, high prices of vital raw materials and energy shortage continue to plague automobile manufacturers, affecting production and supply of cars. Nevertheless, the Group’s Automotive Division expects its strong order books partly from the backlog orders arising from the sales tax exemption for cars booked before 30 June 2022 which are be registered before 31 March 2023 to contribute favourably to its performance, subject to the availability of stocks. The division’s body and paint repair centre in Shah Alam commenced operations in the third quarter of 2021 and the newly launched Setia Alam 3S Autohaus in the second quarter of 2022 are expected to further broaden the division’s market coverage. The division expects the business environment to continue to be challenging and competitive. It will continue to focus on strengthening its dealership and increase efficiency of its after sales and services segment to improve profitability.

3. **Current year prospects (continued)**

The Trading Division expects fertilizers demand to slow down in the final quarter of 2022 due to the peak FFB production cycle and also the year end wet weather conditions. Fertilizers prices are expected to ease but remain elevated in the near term as global supply of fertilizers, particularly potash and phosphates continue to be tight due to the prolonged Russia-Ukraine war affecting global potash supply whilst export restrictions imposed by China have caused supply constraints on phosphates. The general trading and ceramic tiles businesses are expected to benefit from the increase in property development and construction activities. The construction sector recorded a higher growth of 15.3% in the third quarter of 2022 as all subsectors recorded improvements in activities. The division will continue to focus on managing inventories and receivables.

The Building Materials Division anticipates its quarry, asphalt and bricks businesses to perform favourably inspite of the competitive business environment supported by the increase in construction activities in the major infrastructure projects, in particular the Pan Borneo Highway. Hafary expects to benefit from the increase in construction and renovation activities in Singapore. In the third quarter of 2022, the Singapore's construction sector grew 3.9% quarter-on-quarter whilst HDB resale transactions were 10.7% higher than the previous quarter. On 26 October 2022, Hafary obtained approval from its shareholders to diversify its business into the manufacturing of tile and ceramic surfacing enabling it to broaden its supply and market distribution capabilities.

Based on the foregoing and despite the uncertainties in the domestic and global economies, the Board is cautiously optimistic of achieving satisfactory results for the financial year ending 31 December 2022.

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.

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5. Profit before tax

	Quarter ended		Year-to-date ended	
	30.9.2022	30.9.2021	30.9.2022	30.9.2021
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after crediting/(charging):				
Interest income	9,839	3,615	19,571	9,512
Dividend income from equity investment at fair value through other comprehensive income	187	187	562	625
Dividend income from equity investment at fair value through profit or loss	-	-	-	2,963
Dividend income from money market deposits	3,568	10,122	7,598	28,040
Gain/(Loss) on equity investment at fair value through profit or loss	-	2,112	-	(425)
Gain on money market deposits at fair value	4,505	553	12,947	101
Interest expense	(37,448)	(37,522)	(124,817)	(133,777)
Depreciation and amortisation	(48,458)	(48,412)	(144,232)	(143,241)
Net reversal/(allowance) of impairment losses - trade receivables	3,638	(6,392)	3,547	(24,900)
Net reversal of inventories written down/ (Net inventories written down)	4,992	(912)	1,986	(11,708)
Gain on disposal of property, plant and equipment	2,549	191	4,301	892
Property, plant and equipment written off	(94)	(132)	(132)	(775)
Biological asset written off	-	(71)	-	(71)
Investment properties written off	(15)	(18)	(17)	(18)
Bad debts written off	-	-	(86)	(84)
Net foreign exchange gain/(loss)	4,493	(363)	8,901	2,270
(Loss)/Gain on non-hedging derivative instruments	(1,552)	(6,425)	3,992	(2,229)
(Loss)/Gain from fair value adjustments of biological assets	(24,195)	2,571	(16,051)	4,363
Recovery of bad debts	111	162	328	350
Other gain items				
- Gain on disposal of a subsidiary	425,099	-	425,099	-
- Gain on disposal of warrants in an associate	-	2,992	-	2,992

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

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6. **Tax expense**

	Quarter ended		Year-to-date ended	
	30.9.2022	**30.9.2021**	**30.9.2022**	**30.9.2021**
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	53,483	156,145	197,267	275,182
- deferred tax	9,664	(4,739)	7,232	(13,715)
	63,147	151,406	204,499	261,467
In respect of prior periods				
- income tax	(8,720)	4,031	(240)	4,031
- deferred tax	992	116	695	116
	(7,728)	4,147	455	4,147
	55,419	155,553	204,954	265,614

The Group's effective tax rate (excluding tax in respect of prior periods) for the current quarter and year-to-date were lower than the statutory tax rate mainly due to capital gain not subjected to tax.

The Group's effective tax rate (excluding tax in respect of prior periods) for the preceding year corresponding quarter and period were higher than the statutory tax rate mainly due to certain expenses non-deductible for tax purposes.

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

Saved as disclosed below, there were no other corporate proposals announced but not completed as at 18 November 2022:

(a) On 23 December 2021, *Positive Sunland Sdn Bhd [“Positive Sunland”] entered into a conditional sale and purchase agreement [“Platinum Park SPA”] with Sovereign Towers Sdn Bhd [“Sovereign Towers”], the beneficial proprietor, and Profound Reliance Sdn Bhd [“Profound Reliance”], the registered proprietor, to acquire all that parcel of vacant commercial land known as Plot No. 5, Lorong Kuda, Platinum Park, Kuala Lumpur identified as Lot No. 387, Seksyen 63 held under Title No. Geran 71978, Bandar Kuala Lumpur, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, measuring approximately 74,346 sq. ft. [“Platinum Park Land”] for a cash consideration of RM265,786,950 [“Platinum Park Acquisition Consideration”]. Sovereign Tower is the wholly-owned subsidiary of Naza Corporation Holdings Sdn Bhd [“NCH”] whilst Profound Reliance is a 70%-owned subsidiary of NCH. Upon execution of the Platinum Park SPA, 10% of the Platinum Park Acquisition Consideration [“Platinum Park Deposit”] was paid to Sovereign Towers [“Proposed Platinum Park Acquisition”]. Completion of the Proposed Platinum Park Acquisition was conditional upon the approval of the Economic Planning Unit of the Prime Minister’s Department, Malaysia [“EPU Approval”] to be obtained within 12 months from the date of the Platinum Park SPA which will expire on 22 December 2022 [“Platinum Park Conditional Period”].

The Platinum Park SPA shall become unconditional on the date EPU Approval is obtained [“Platinum Park Unconditional Date”].

On 20 June 2022, Positive Sunland entered into a supplemental agreement with Sovereign Towers and Profound Reliance [“Platinum Park SA”] to vary the terms of the Platinum Park SPA as follows:

(i) At the request of Sovereign Towers, notwithstanding that the Platinum Park SPA has not become unconditional, Positive Sunland shall pay the Platinum Park Acquisition Consideration (after deducting the Platinum Park Deposit) in the manner set out below:

(a) firstly, Positive Sunland shall pay the redemption sum of the Platinum Park Land [“Platinum Park Redemption Sum”] within ten (10) business days from the date of Positive Sunland’s solicitors’ receipt of the redemption statement;

(b) within ten (10) business days from the date of Sovereign Towers’s solicitors’ written notice to Positive Sunland’s solicitors of their receipt of the discharge documents which shall include the original title of Platinum Park Land [collectively, “Platinum Park Discharge Documents”], Positive Sunland shall pay a further 70% of the Platinum Park Acquisition Consideration [“Platinum Park 70% Payment”] in exchange for the delivery of the Platinum Park Discharge Documents together with an irrevocable power of attorney in respect of the Platinum Park Land [“Platinum Park PA”] to Positive Sunland’s solicitors’ to be held by them as stakeholders; and

(c) the balance of the Platinum Park Acquisition Consideration after deducting the Platinum Park Deposit, the Platinum Park Redemption Sum and the Platinum Park 70% Payment shall be paid within one (1) month from Platinum Park Unconditional Date.

(ii) In the event the EPU Approval could not be obtained for any reason whatsoever on expiry of the Platinum Park Conditional Period, Sovereign Towers shall refund to Positive Sunland all monies paid pursuant to the Platinum Park SPA and the Platinum Park SA, free of interest within 20 business days of termination of the Platinum Park SPA, in exchange for the return of all documents delivered to Positive Sunland pursuant to the Platinum Park SPA and the Platinum Park SA, including the Platinum Park Discharge Documents and the Platinum Park PA.

The Platinum Park Redemption Sum was paid on 23 August 2022.

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 (continued)**

(b) On 3 January 2022, *Sierra Positive Sdn Bhd ["Sierra Positive"] entered into a conditional sale and purchase agreement ["Met 3 SPA"] with TTDI KL Metropolis Sdn Bhd ["TKLM"], the wholly-owned subsidiary of Naza TTDI Sdn Bhd, which in turn is the 80%-owned subsidiary of NCH, pursuant to which TKLM agreed to dispose of all that parcel of vacant commercial land known as Met 3, Plot 7A, KL Metropolis identified as Lot No. 80929 held under Title No. Pajakan Negeri 52355, Locality of Jalan Duta, Mukim Batu, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, measuring approximately 668,212.79 sq. ft. ["Met 3 Land"] to Sierra Positive for a cash consideration of RM868,676,627 ["Met 3 Acquisition Consideration"]. Upon execution of the Met 3 SPA, 10% of the Met 3 Acquisition Consideration ["Met 3 Deposit"] was paid to TKLM ["Proposed Met 3 Acquisition"]. Completion of the Proposed Met 3 Acquisition was conditional upon the following authorities' approvals to be obtained within 12 months from the date of the SPA which will expire on 2 January 2023 ["Met 3 Conditional Period"], namely:

(i) the EPU Approval; and

(ii) the approval of Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur for the transfer of the Met 3 Land in favour of Sierra Positive [collectively, "Authorities' Approvals"].

The Met 3 SPA shall become unconditional on the date all the Authorities' Approvals are obtained ["Met 3 Unconditional Date"].

On 12 January 2022, Sierra Positive entered into a supplemental agreement with TKLM ["Met 3 SA"] to vary the terms of the Met 3 SPA as follows:

(i) At the request of TKLM, notwithstanding that the Met 3 SPA has not become unconditional, Sierra Positive had agreed to pay the Met 3 Acquisition Consideration (after deducting the Met 3 Deposit) in the manner set out below:-

(a) firstly, Sierra Positive shall pay the redemption sum of the Met 3 Land ["Met 3 Redemption Sum"] within 10 business days from the date of Sierra Positive's solicitors' receipt of the redemption statement; and

(b) within 10 business days of the date of TKLM's solicitors' written notice to Sierra Positive's solicitors of their receipt of the discharge documents which shall include the original title of Met 3 Land [collectively, "Met 3 Discharge Documents"], Sierra Positive shall pay a further 70% of the Met 3 Acquisition Consideration ["Met 3 70% Payment"] in exchange for the delivery of the Met 3 Discharge Documents together with an irrevocable power of attorney in respect of the Met 3 Land ["Met 3 PA"] to Sierra Positive's solicitors' to be held by them as stakeholders; and

(c) the balance of the Met 3 Acquisition Consideration after deducting the Met 3 Deposit, the Met 3 Redemption Sum and the Met 3 70% Payment shall be paid within 1 month from the Met 3 Unconditional Date.

(ii) In the event that the Authorities' Approvals could not be fulfilled for any reason whatsoever on the expiry of the Met 3 Conditional Period, TKLM shall refund to Sierra Positive all monies paid pursuant to the Met 3 SPA and the Met 3 SA, free of interest within 20 business days of termination of the Met 3 SPA, in exchange for the return of all documents delivered to Sierra Positive pursuant to the Met 3 SPA and the Met 3 SA, including the Met 3 Discharge documents and the Met 3 PA.

The Met 3 Redemption Sum and the Met 3 70% Payment were paid on 13 January 2022 and 19 January 2022 respectively.

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 (continued)**

(b) (continued)

On 30 August 2022, Sierra Positive entered into a supplemental agreement with TKLM ["Met 3 Second SA"] pursuant to which TKLM has agreed to deliver the Met 3 Land title with freehold status on completion of the Proposed Met 3 Acquisition and in consideration thereof, Sierra Positive shall pay to TKLM the sum of RM65,000,000 ["Met 3 Conversion Sum"] in addition to the Met 3 Acquisition Consideration in the following manner:-

(a) upon the execution of the Met 3 Second SA, Sierra Positive shall pay to TKLM 15% of the Met 3 Conversion Sum amounting to RM9,750,000 ["Met 3 Conversion Deposit"]; and

(b) within 30 days thereof, Sierra Positive shall pay to TKLM, the balance 85% of the Met 3 Conversion Sum amounting to RM55,250,000 ["Met 3 Balance Conversion Sum"].

Accordingly, the Met 3 Acquisition Consideration has increased from RM868,676,627 to RM933,676,627 which revised consideration was arrived after taking into consideration valuation report dated 30 August 2022 of Met 3 Land by IM Global Property Consultants Sdn Bhd on the assumption that the Met 3 Land title is freehold in nature. The Met 3 Conversion Deposit and the Met 3 Balance Conversion Sum were paid on 30 August 2022 and 26 September 2022 respectively.

* *These are the Company's wholly-owned subsidiaries.*

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8. Status of the utilisation of proceeds from corporate proposals

On 2 August 2022, HSC Birmingham Holding Limited, a wholly-owned subsidiary of the Company completed the disposal of its 100% equity interest in HS Credit (Birmingham) Ltd to Lei Shing Hong Capital Limited ["HCBL Disposal"]. The status of the utilisation of proceeds from HCBL Disposal is as follows:

Purpose	Proposed Utilisation Per *Circular RM'000	Proposed Utilisation **Adjusted RM'000	As at 30 September 2022 Utilisation RM'000	As at 30 September 2022 Balance Unutilised RM'000	Intended Timeframe for Utilisation	Deviation under/(over) spent RM'000	Deviation under/(over) spent %	Explanation
Repayment of borrowings	560,000	560,000	260,000	300,000	Within 24 months from completion	-	-	Not fully utilised yet and within intended timeframe for utilisation. As such, deviation was not computed
Working capital requirements:								
Purchase of inventories								
(a) fertilizers	70,000	70,000	-	70,000		-	-	
(b) automobiles	50,000	50,000	50,000	-		-	-	
(c) building materials such as steel bars and cement	25,022	12,829	-	# 12,866		-	-	
	145,022	132,829	50,000	82,866		-	-	
Estimated expenses	1,150	1,150	1,113	-	Within 1 month from completion	37	3	Under spent has increased the balance unutilised for working capital requirement under item (c) #
	706,172	693,979	311,113	382,866		37		

* *Circular to Shareholders dated 5 July 2022.*

** *The proposed utilisation was adjusted to reflect the actual proceeds in RM based on the actual foreign exchange rate at completion date. This resulted in reduction proceeds of RM12.193 million which was deducted from the proposed utilisation for working capital requirement of item (c).*

9. Borrowings and debt securities

On 30 July 2018, Hap Seng Management Sdn Bhd ["HSM"], a wholly-owned subsidiary of the Company lodged with the Securities Commission Malaysia ["SC"] to establish an unrated medium term notes ["MTN"] programme of up to RM5.0 billion in nominal value ["MTN Programme"] and an unrated commercial papers ["CP"] programme of up to RM1.0 billion in nominal value ["CP Programme"], which have a combined limit of RM5.0 billion in nominal value. The tenures of the MTN and CP Programmes are twenty (20) years and seven (7) years respectively from the date of first issuance on 29 August 2018. The MTN Programme and the CP Programme are collectively referred to as the Programmes. The proceeds from the Programmes will be utilised by HSM for advances to the Group for general corporate purposes and working capital.

On 30 September 2022, HSM has upsized the existing MTN Programme to RM10.0 billion in nominal value and extended its tenure to perpetual. The Programmes shall have a new combined limit of up to RM10.0 billion in nominal value.

The Group's borrowings are as follows:

	As at 30.9.2022					
	Denominated in					
	RM RM'000	USD RM'000	SGD RM'000	Euro RM'000	IDR RM'000	Total RM'000
Current						
Secured						
- Term loans	-	-	34,963	-	-	34,963
- Revolving credits	-	-	100,301	-	-	100,301
	-	-	135,264	-	-	135,264
Unsecured						
- Term loans	125,368	129,919	19,413	-	-	274,700
- Revolving credits	305,000	357,201	-	-	42,657	704,858
- Trust receipts	-	-	47,533	40,971	-	88,504
- Bankers' acceptances	382,800	-	-	-	-	382,800
- Medium term notes	930,000	-	-	-	-	930,000
	1,743,168	487,120	66,946	40,971	42,657	2,380,862
Total current borrowings	1,743,168	487,120	202,210	40,971	42,657	2,516,126
Non-current						
Secured						
- Term loans	-	-	368,857	-	-	368,857
Unsecured						
- Term loans	400,630	585,018	48,533	-	-	1,034,181
- Medium term notes	2,955,000	-	-	-	-	2,955,000
	3,355,630	585,018	48,533	-	-	3,989,181
Total non-current borrowings	3,355,630	585,018	417,390	-	-	4,358,038
Total borrowings	5,098,798	1,072,138	619,600	40,971	42,657	6,874,164

Note: All secured borrowings are in respect of foreign subsidiaries' borrowings.

9. **Borrowings and debt securities (continued)**

	As at 31.12.2021 *(Audited)* Denominated in					
	RM RM'000	USD RM'000	SGD RM'000	Euro RM'000	IDR RM'000	Total RM'000
<u>Current</u>						
Secured						
- Term loans	-	-	32,857	-	-	32,857
- Revolving credits	-	-	75,595	-	-	75,595
	-	-	108,452	-	-	108,452
Unsecured						
- Term loans	157,826	-	18,513	-	-	176,339
- Revolving credits	812,499	345,795	-	-	89,998	1,248,292
- Trust receipts	-	-	40,210	21,478	-	61,688
- Bankers' acceptances	252,497	43,406	-	-	-	295,903
- Medium term notes	470,000	-	-	-	-	470,000
	1,692,822	389,201	58,723	21,478	89,998	2,252,222
Total current borrowings	1,692,822	389,201	167,175	21,478	89,998	2,360,674
<u>Non-current</u>						
Secured						
- Term loans	-	-	348,427	-	-	348,427
Unsecured						
- Term loans	504,765	392,655	64,796	-	-	962,216
- Medium term notes	2,645,000	-	-	-	-	2,645,000
	3,149,765	392,655	64,796	-	-	3,607,216
Total non-current borrowings	3,149,765	392,655	413,223	-	-	3,955,643
Total borrowings	4,842,587	781,856	580,398	21,478	89,998	6,316,317

Note: All secured borrowings are in respect of foreign subsidiaries' borrowings.

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10. **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 Hap Seng Plantations Holdings Berhad ["HSP"], 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, 7 to 11 January 2019, 28 February 2019, 8 March 2019, 19 September 2019, 7 February 2020, 20 to 23 December 2021, 18 April 2022, 20 May 2022, 24 June 2022, 4 August 2022, 19 September 2022 and 25 to 27 October 2022. The Consolidated RESB Suit has been fixed for continued hearing on 28 November 2022, 30 November 2022 and 1 to 2 December 2022.

HSP has been advised by its solicitors, Messrs Jayasuriya Kah & Co., that RESB has good grounds to succeed in the Consolidated RESB Suit.

10. **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, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018, 7 to 11 January 2019, 28 February 2019, 8 March 2019, 19 September 2019, 7 February 2020, 20 to 23 December 2021, 18 April 2022, 20 May 2022, 24 June 2022, 4 August 2022, 19 September 2022 and 25 to 27 October 2022. The Consolidated RESB Suit has been fixed for continued hearing on 28 November 2022, 30 November 2022 and 1 to 2 December 2022.

HSP has been advised by its solicitors, Messrs Jayasuriya Kah & Co., that RESB has good grounds to succeed in the Consolidated RESB Suit.

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11. **Derivatives**

The Group entered into forward currency contracts and cross currency interest rate swaps where appropriate to minimise its exposure on receivables, payables, borrowings and firm commitments denominated in foreign currencies. Derivatives are stated at fair value which is equivalent to the marking of the derivatives to market, using prevailing market rates.

Details of derivative financial instruments outstanding (including financial instruments designated as hedging instruments) as at 30 September 2022 are as follows:

	Contract/ Notional Value	**Fair Value: Assets/ (Liabilities)**	**Gain/(loss) On Derivative Instruments**	**Gain/(loss) On Hedged Items**	**Net Gain/(loss)**
	RM'000	RM'000	RM'000	RM'000	RM'000
Forward currency contracts of less than 1 year (USD/Euro/JPY)					
- Designated as hedging instruments*	22,437	881	1,559	(1,295)	264
- Not designated as hedging instruments	421,357	10,093	15,045	(11,053)	3,992
	443,794	10,974	16,604	(12,348)	4,256
Cross currency interest rate swaps on foreign currency borrowings of less than 2 years (USD)					
- Designated as hedging instruments*	937,705	77,537	80,537	(95,302)	(14,765)

* *The hedging relationship is classified as cash flow hedge where the gain/(loss) is recognised in other comprehensive income which flow into cash flow hedge reserve.*

The Group has no significant concentration of credit and market risks in relation to the above derivative financial instruments as the forward currency contracts and cross currency interest rate swaps are entered into with reputable financial institutions and are not used for speculative purposes. The cash requirement for settling these forward currency contracts and cross currency interest rate swaps is solely from the Group's working capital.

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

As at the end of the interim period, the Group does not have any financial liabilities that are measured at fair value through profit or loss other than the derivative financial instruments as disclosed in Note 11 above.

13. **Provision of financial assistance**

Moneylending operations

(i) The Group moneylending operations are undertaken by the Company's subsidiaries, Hap Seng Credit Sdn Bhd and HS Credit (Manchester) Ltd in the ordinary course of their moneylending businesses. The aggregate amount of outstanding loans as at 30 September 2022 given by the Company's moneylending subsidiaries are as follows:

		Secured RM'000	**Unsecured** RM'000	**Total** RM'000
(a)	To companies	2,014,004	-	2,014,004
(b)	To individuals	326,596	1,192	327,788
(c)	To companies within the listed issuer group	487,099	42,970	530,069
(d)	To related parties	-	-	-
		2,827,699	44,162	2,871,861

(ii) The total borrowings of the moneylending subsidiaries are as follows:

		As at 30.9.2022 RM'000
(a)	Loans given by corporations within the Group to the moneylending subsidiaries	-
(b)	Borrowings which are secured by corporations within the Group in favour of the moneylending subsidiaries	-
(c)	Other borrowings	953,550
		953,550

(iii) The aggregate amount of loans in default for 3 months or more are as follows:-

		RM'000
(a)	Balance as at 1.1.2022	70,345
(b)	Loans classified as in default during the financial year	24,482
(c)	Loans reclassified as performing during the financial year	(9,801)
(d)	Amount recovered	(18,400)
(e)	Amount written off	-
(f)	Loans converted to securities	-
(g)	Balance as at 30.9.2022	66,626
(h)	Ratio of net loans in default to net loans	2.32%

13. **Provision of financial assistance (continued)**

Moneylending operations (continued)

(iv) The top 5 loans are as follows:-

Ranking	Type of Facility	Limit RM'000	Outstanding Amount RM'000	Security Provided (Yes/No)	Value of Security RM'000	Related Party (Yes/No)	Term of Repayment (month)
1st	Term Loan	420,000	419,850	Yes	467,834	Yes*	3 - 72
2nd	Term Loan	201,183	#213,986	Yes	376,040	No	116
3rd	Term Loan	81,295	#82,356	Yes	300,000	No	27
4th	Term Loan	191,000	67,249	Yes	67,000	Yes*	60
5th	Term Loan	61,594	#61,754	Yes	87,992	No	60

** Companies within the listed issuer group.*

 # The outstanding amount is higher than the limit mainly due to unpaid interest.

14. **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.

	Quarter ended		**Year-to-date ended**	
	30.9.2022	**30.9.2021**	**30.9.2022**	**30.9.2021**
Profit attributable to owners of the Company (RM'000)	563,746	381,554	852,632	599,902
Weighted average number of ordinary shares in issue (excluding treasury shares) ('000)	2,489,670	2,489,670	2,489,670	2,489,670
Basic EPS (sen)	22.64	15.33	34.25	24.10

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

15. **Dividend**

Dividends for the current financial year ending 31 December 2022 are as follows:

(a) first interim dividend of 10 sen (2021: 10 sen) per ordinary share under the single tier system which was tax exempt in the hands of the shareholders. The said interim dividend was approved by the Directors on 27 May 2022 and paid on 23 June 2022;

(b) the Board of Directors has on even date approved the following second interim dividend for the financial year ending 31 December 2022:

(i)	Amount per ordinary share - Second Interim Dividend	20 sen (2021: 25 sen) per ordinary share under the single tier system which is tax exempt in the hands of the shareholders.
(ii)	Total dividend approved to date for the current financial year: Amount per ordinary share	30 sen comprising first interim dividend of 10 sen and second interim dividend of 20 sen (2021: 35 sen comprising first interim dividend of 10 sen and second interim dividend of 25 sen) per ordinary share under the single tier system which is tax exempt in the hands of the shareholders.

(c) The dividend will be payable in cash on 21 December 2022; and

(d) In respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 8 December 2022.

NOTICE OF SECOND INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that a second interim dividend of 20 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 2022, will be payable in cash on 21 December 2022 to the shareholders whose names appear on the Company's Register of Members and/or Record of Depositors at the close of business on 8 December 2022. A depositor shall qualify for entitlement to the dividend only in respect of:

(a) shares deposited into the depositor's securities account before 12.30 p.m. on 6 December 2022 (in respect of shares which are exempted from mandatory deposit);
(b) shares transferred into the depositor's securities account before 4.30 p.m. on 8 December 2022 in respect of transfers; and
(c) shares bought on the Bursa Malaysia Securities Berhad (Bursa Securities) on a cum entitlement basis according to the rules of the Bursa Securities.

16. **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 2021 was not subject to any qualification.

BY ORDER OF THE BOARD

LIM GUAN NEE
Company Secretary
Kuala Lumpur
24 November 2022