HAP SENG PLANTATIONS

Hap Seng Plantations Holdings Berhad (769962-K)

Creating Value Together

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED) FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2019

	Quarter ended			Year-to-date ended		
	30.6.2019	**30.6.2018**	***Increase/***	**30.6.2019**	**30.6.2018**	***Increase/***
	RM'000	RM'000	***(Decrease)***	RM'000	RM'000	***(Decrease)***
Revenue	79,976	107,875	*(26%)*	206,246	229,075	*(10%)*
Operating expenses	(87,286)	(102,731)		(209,058)	(204,071)	
Other operating income	3,246	2,015		6,420	4,548	
Operating (loss)/profit	(4,064)	7,159	*(>100%)*	3,608	29,552	*(88%)*
Finance costs	(580)	-		(1,147)	-	
(Loss)/Profit before tax	(4,644)	7,159	*(>100%)*	2,461	29,552	*(92%)*
Tax expense	357	(3,218)		(2,280)	(10,130)	
(Loss)/Profit for the period representing total comprehensive income for the period	(4,287)	3,941	*(>100%)*	181	19,422	*(99%)*
Earnings per share (sen)						
Basic	(0.54)	0.49	*(>100%)*	0.02	2.43	*(99%)*
Diluted	N/A	N/A		N/A	N/A	

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the Interim Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2019

	As at 30.6.2019 RM'000	As at 31.12.2018 RM'000 (*Audited*)
Non-current assets		
Property, plant and equipment	1,834,689	1,837,769
Right-of-use assets	46,851	-
	1,881,540	1,837,769
Current assets		
Inventories	65,220	82,878
Biological assets	14,012	15,772
Receivables	8,506	15,304
Current tax assets	5,001	11,503
Money market deposits	79,463	66,518
Cash and cash equivalents	52,213	40,311
	224,415	232,286
TOTAL ASSETS	2,105,955	2,070,055
Equity attributable to owners of the Company		
Share capital	1,475,578	1,475,578
Merger reserves	(1,347,761)	(1,347,761)
Retained earnings	1,498,925	1,511,455
	1,626,742	1,639,272
Less: Treasury shares	(841)	(838)
TOTAL EQUITY	1,625,901	1,638,434
Non-current liabilities		
Deferred tax liabilities	385,594	389,251
Lease liabilities	42,985	-
	428,579	389,251
Current liabilities		
Payables	40,433	42,025
Lease liabilities	9,202	-
Current tax liabilities	1,840	345
	51,475	42,370
TOTAL LIABILITIES	480,054	431,621
TOTAL EQUITY AND LIABILITIES	2,105,955	2,070,055
Net assets per share (RM)	2.03	2.05
Number of shares net of treasury shares ('000)	799,685	799,687

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the Interim Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR YEAR-TO-DATE ENDED 30 JUNE 2019

	Attributable to Owners of the Company				
		Non-distributable	Distributable		
	Share capital	Merger reserves	Retained earnings	Treasury shares	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019					
- As previously stated	1,475,578	(1,347,761)	1,511,455	(838)	1,638,434
- Effect of adoption of MFRS 16	-	-	(4,714)	-	(4,714)
- As restated	1,475,578	(1,347,761)	1,506,741	(838)	1,633,720
Total comprehensive income for the period	-	-	181	-	181
Purchase of treasury shares	-	-	-	(3)	(3)
Dividends	-	-	(7,997)	-	(7,997)
At 30 June 2019	1,475,578	(1,347,761)	1,498,925	(841)	1,625,901
At 1 January 2018	1,475,578	(1,347,761)	1,542,323	(829)	1,669,311
Total comprehensive income for the period	-	-	19,422	-	19,422
Purchase of treasury shares	-	-	-	(5)	(5)
Dividends	-	-	(47,981)	-	(47,981)
At 30 June 2018	1,475,578	(1,347,761)	1,513,764	(834)	1,640,747

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 2018 and the accompanying explanatory notes attached to the Interim Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR YEAR-TO-DATE ENDED 30 JUNE 2019

	Year-to-date ended	
	30.6.2019	**30.6.2018**
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	2,461	29,552
Adjustments for:		
Non-cash items	46,308	34,506
Non-operating items	(1,306)	(270)
Dividend income	(952)	(917)
Net interest expense/(income)	694	(554)
Operating profit before working capital changes	47,205	62,317
Net changes in working capital	21,972	(25,682)
Net tax refunded/(paid)	2,060	(20,855)
Net interest (paid)/received	(157)	554
Net cash generated from operating activities	71,080	16,334
Cash flows from investing activities		
Dividend received from money market deposits	945	1,020
(Increase)/Decrease in money market deposits	(12,945)	51,371
Proceeds from disposal of property, plant and equipment	2,764	2,116
Purchase of property, plant and equipment	(38,093)	(34,122)
Net cash (used in)/generated from investing activities	(47,329)	20,385
Cash flows from financing activities		
Shares repurchased at cost	(3)	(5)
Dividends paid	(7,997)	(47,981)
Payment of lease liabilities	(3,849)	-
Net cash used in financing activities	(11,849)	(47,986)
Net change in cash and cash equivalents	11,902	(11,267)
Cash and cash equivalents at beginning of period	40,311	44,774
Cash and cash equivalents at end of period	52,213	33,507

Cash and cash equivalents comprise the following amounts:

Deposits with licensed banks	48,130	29,508
Cash in hand and at bank	4,083	3,999
	52,213	33,507

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 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 2018.

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 2018 except for changes arising from the adoption of MFRS 16, *Leases* as disclosed below.

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. 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. A lessor continues to classify all leases as either operating leases or finance leases using similar principles as in MFRS 117.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ["short-term leases"], and lease contracts for which the underlying asset is low value ["low-value assets"].

The effects of adoption of MFRS 16 as at 1 January 2019 are as follows:

	Increase/ (Decrease) RM'000
Right-of-use assets	49,006
Lease liabilities	53,720
Retained earnings	(4,714)

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

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

3. **Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence**

Save for the information disclosed in this interim financial report, there were no unusual items affecting assets, liabilities, equity, net income or cash flow during the interim period.

4. **Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years**

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.

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

Share buyback by the Company

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

Month	No of shares Purchased	Purchase price per share		Average cost per share	Total cost
		Lowest	Highest		
		RM	RM	RM	RM
April 2019	-	-	-	-	-
May 2019	-	-	-	-	-
June 2019	2,000	1.60	1.60	1.6217	3,243.36
Total	2,000	1.60	1.60	1.6217	3,243.36

As at 30 June 2019, the Company held a total of 314,800 ordinary shares as treasury shares and the issued share capital of the Company remained unchanged at 800,000,000 ordinary shares.

6. **Dividends**

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

	Year-to-date ended	
	30.6.2019	**30.6.2018**
	RM'000	RM'000
Dividend in respect of financial year ended 31 December 2017:		
- Second interim (6 sen) under the single tier system approved by the Directors on 27 February 2018 and paid on 28 March 2018	-	47,981
Dividend in respect of financial year ended 31 December 2018:		
- Second interim (1 sen) under the single tier system approved by the Directors on 26 February 2019 and paid on 27 March 2019	7,997	-
	7,997	47,981

7. **Segment information**

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

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

Save for the subsequent events as disclosed in Note 9 of Part B, there were no events after the end of the interim period and up to 23 August 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 interim period.

10. **Significant events and transactions**

There were no events or transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period and up to 23 August 2019.

11. **Changes in contingent liabilities or contingent assets since the end of the last annual reporting period**

Since the end of the last annual reporting period, the Group does not have any contingent liability or contingent asset as at the end of the financial year which is expected to have an operational or financial impact on the Group.

12. **Capital commitments**

The Group has the following capital commitments:

	As at 30.6.2019 RM'000	As at 31.12.2018 RM'000 *(Audited)*
Contracted but not provided for		
- Property, plant and equipment	81,389	34,221

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 28 May 2018 and 29 May 2019.

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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 RM80 million was 26% lower than the preceding year corresponding quarter, mainly affected by lower average selling price realization of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] as well as lower sales volume of CPO. Consequently, the Group registered a loss before tax ["LBT"] and loss after tax for the current quarter of RM4.6 million and RM4.3 million respectively as compared to the preceding year corresponding quarter's profit before tax ["PBT"] of RM7.2 million and profit after tax ["PAT"] of RM3.9 million.

Average selling price of CPO and PK for the current quarter were RM2,017 per tonne and RM1,178 per tonne respectively as compared to the preceding year corresponding quarter of RM2,460 per tonne for CPO and RM1,822 per tonne for PK. CPO sales volume for the current quarter at 34,647 tonnes was 8% below the preceding year corresponding quarter due to timing of deliveries. PK sales volume was 3% higher at 7,596 tonnes, benefitted from higher production.

Production of CPO and PK for the current quarter were both higher by 3% as compared to the preceding year corresponding quarter mainly attributable to higher fresh fruit bunches ["FFB"] production and higher extraction rate. FFB production for the current quarter was 6% above the preceding year corresponding quarter, benefitted from improved FFB yield due to seasonal yield trend.

Overall, year to date PBT and PAT at RM2.5 million and RM181,000 were lower than preceding year corresponding period by 92% and 99% respectively mainly attributable to lower average selling price for CPO and PK inspite of higher year to date sales volume of both products. Basic earnings per share for the year to date at 0.02 sen was 99% lower than preceding year corresponding period of 2.43 sen.

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

	Current Quarter ended 30.6.2019 RM'000	**Immediate Preceding Quarter ended 31.3.2019** RM'000	***Increase/ (Decrease)***
Revenue	79,976	126,270	*(37%)*
(Loss)/Profit before tax	(4,644)	7,105	*(>100%)*
(Loss)/Profit after tax	(4,287)	4,468	*(>100%)*

The Group's LBT for the current quarter of RM4.6 million as compared to the immediate preceding quarter's PBT of RM7.1 million was mainly due to lower average selling price and lower sales volume for both CPO and PK as well as higher unit production cost of CPO per tonne.

Average selling price per tonne of CPO was 4% lower than the immediate preceding quarter of RM2,099 per tonne whilst average selling price of PK was 14% below the immediate preceding quarter of RM1,370 per tonne.

Sales volume of CPO and PK for the current quarter were 34% and 30% lower than the immediate preceding quarter of 52,409 tonnes and 10,805 tonnes respectively, mainly attributable to lower FFB production by 26% due to seasonal yield trend.

Production cost per tonne of CPO was higher in the current quarter due to lower CPO production in tandem with the lower FFB production.

3. **Current year prospects**

Malaysian palm oil inventories declined for five consecutive months to a one-year low of 2.39 million tonnes at end of July 2019. The lower Malaysian palm oil inventories lend support to palm oil prices which are currently at a three-month high. In the first half of August 2019, daily average prices recovered to above RM2,000 per tonne as compared to July 2019 average CPO price of RM1,879 per tonne. The higher palm oil prices were also influenced by the gains on soybean oil prices and the weaker Ringgit vis-à-vis the US Dollar.

The prolonged US-China trade war continues to negatively impact the global edible oils market as the reduced purchases by China in the US soybean market is expected to cause an over-supply situation with U.S. farmers facing difficulties in seeking alternative markets for their crops. The African swine fever that continues to affect China's hog industry, a major consumer of American soybeans, would further dampen the global soybean market and soybean oil prices. This will also influence prices of other edible oils including palm oil.

Notwithstanding the uncertainties in the global economic environment influencing the prices of edible oils and in view of the expected improvement in CPO prices, the Group expects the second half year results to improve and the overall results of the Group for the year ending 31 December 2019 to be positive.

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. **(Loss)/Profit before tax**

	Quarter ended		**Year-to-date ended**	
	30.6.2019	**30.6.2018**	**30.6.2019**	**30.6.2018**
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before tax is arrived at after crediting/(charging):				
Interest income	270	281	453	554
Dividend income from money market deposits	503	436	952	917
Interest expense	(580)	-	(1,147)	-
Depreciation and amortisation	(22,259)	(18,861)	(44,333)	(38,716)
Property, plant and equipment written off	(16)	(1)	(215)	(73)
Gain on disposal of property, plant and equipment	238	84	1,306	270
Gain/(Loss) on fair value of biological assets	1,714	7,205	(1,760)	4,283

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

6. **Tax expense**

	Quarter ended		Year-to-date ended	
	30.6.2019	**30.6.2018**	**30.6.2019**	**30.6.2018**
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	702	5,840	5,937	14,334
- deferred tax	(1,059)	(2,622)	(3,657)	(4,204)
	(357)	3,218	2,280	10,130

The Group's effective tax credit for the current quarter was lower than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes and deferred tax assets not recognised on business losses by certain subsidiaries. The effective tax rate for the year to date was higher than the statutory tax rate due to the same reason.

The Group's effective tax rate for the preceding year corresponding quarter and period were higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes.

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

There was no corporate proposal announced but not completed as at 23 August 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 then 7 days from the date of issue of the quarterly report**

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

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

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

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

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

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

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

On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB's application ["Consolidated RESB Suit"]. The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018, 7 to 11 January 2019, 28 February 2019 and 8 March 2019. The Consolidated RESB Suit has been fixed for continued hearing on 19 September 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 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 and 8 March 2019. The Consolidated RESB Suit has been fixed for continued hearing on 19 September 2019.

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

10. **Derivatives**

The Group did not enter into any derivative contract and accordingly there was no outstanding derivative as at the end of the financial year.

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

There was no gain/loss arising from fair value changes of financial liabilities for the current quarter under review as all the Group's financial liabilities are measured at amortised cost.

12. **Earnings per share ["EPS"]**

(a) The basic EPS is calculated by dividing the (loss)/profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding treasury shares held by the Company as follows:

	Quarter ended		**Year-to-date ended**	
	30.6.2019	**30.6.2018**	**30.6.2019**	**30.6.2018**
(Loss)/Profit attributable to owners of the Company (RM'000)	(4,287)	3,941	181	19,422
Weighted average number of ordinary shares in issue (excluding treasury shares) ('000)	799,686	799,691	799,687	799,691
Basic EPS (sen)	(0.54)	0.49	0.02	2.43

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

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13. **Dividends**

(a) The Board of Directors has on even date approved the following interim dividend for the year ending 31 December 2019:

(i)	Amount per ordinary share - First interim dividend	0.5 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders
(ii)	Previous year corresponding period: Amount per ordinary share - First interim dividend	1.5 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders
(iii)	Total dividends approved to date for the current financial year: Amount per ordinary share	0.5 sen (2018: 1.5 sen) per ordinary share under the single tier system which is tax exempt in the hands of the shareholders

(b) The dividend will be payable in cash on 27 September 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 September 2019.

NOTICE OF INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that the first interim dividend of 0.5 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967 in respect of the financial year ending 31 December 2019, will be payable in cash on 27 September 2019 to the shareholders whose names appear on the Company's Record of Depositors at the close of business on 13 September 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 September 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 2018 was not subject to any qualification.

15. **Others**

In its approval letter dated 23 July 2007 approving the initial public offering of the Company, the Securities Commission ["SC"] requires, inter alia, the Company to resolve the issue on the requirement to transfer 30% of Litang Estate/equity in Hap Seng Plantations (Wecan) Sdn Bhd to natives within the time period stipulated therein ["SC Condition"].

SC had via its letter dated 3 September 2012 resolved not to impose time stipulation on the Company to resolve the issue on SC Condition. However, the Company is to continue to pursue the matter with the relevant authority subject to the following:

(i) the Company is to disclose the efforts taken and the status of the compliance with the Litang Estate Condition in the annual report until such time the condition is fulfilled;

(ii) the Company and/or CIMB Investment Bank Berhad ["CIMB"] is/are to make quarterly announcements to Bursa Malaysia Securities Berhad until such time the condition is fulfilled; and

(iii) the Company and/or CIMB is/are to update the SC when such disclosure is made in the annual report.

It is a condition of the Litang Estate that "Transfer and sublease of this title is prohibited until such time as the said land has been fully developed in accordance with the terms and conditions herein except as provided above".

As announced on 31 July 2017, the Land and Survey Department in Kota Kinabalu had granted a further extension of time to July 2022 ["said Extension"] for the transfer of 30% of the undivided share of the Litang Estate or 30% equity in Hap Seng Plantations (Wecan) Sdn Bhd, the wholly-owned subsidiary of the Company to natives.

To the best of the Company's knowledge, the said Extension was granted on the basis that frequent floods had hindered the full development or planting up of the Litang Estate in accordance with the title conditions.

As part of its effort to comply with the SC condition, the Company has taken the following steps to fully develop the Litang Estate:

(i) constructing of a drain for every 4 rows of palms;
(ii) regular de-silting of drains in and around the affected region;
(iii) protect and maintain riparian reserves to prevent and reduce the rate of siltation of drains and rivers through soil erosion;
(iv) re-supply palms killed after every flood event until such time the palms are able to survive through the floods;
(v) specially formulated fertilizer recommendations provided to affected areas; and
(vi) palms planted on platforms for lower lying areas.

BY ORDER OF THE BOARD

CHEAH YEE LENG
LIM GUAN NEE
Secretaries

Kuala Lumpur
28 August 2019