

Hap Seng Plantations Holdings Berhad 200701011957 (769962-K)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THIRD QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2020**

	Quarter ended			Year-to-date ended		
	30.9.2020 RM'000	30.9.2019 RM'000	Increase/ (Decrease)	30.9.2020 RM'000	30.9.2019 RM'000	Increase/ (Decrease)
Revenue	128,895	87,489	47%	314,326	293,735	7%
Operating expenses	(101,253)	(92,411)		(277,545)	(301,469)	
Other operating income	6,878	8,006		*23,374	14,426	
Operating profit	34,520	3,084	>100%	60,155	6,692	>100%
Finance costs	(631)	(567)		(1,902)	(1,714)	
Profit before tax	33,889	2,517	>100%	58,253	4,978	>100%
Tax expense	(8,807)	(2,415)		(4,908)	(4,695)	
Profit for the period representing total comprehensive income for the period	<u>25,082</u>	<u>102</u>	>100%	<u>53,345</u>	<u>283</u>	>100%
Earnings per share (sen)						
Basic	<u>3.14</u>	<u>0.01</u>	>100%	<u>6.67</u>	<u>0.04</u>	>100%
Diluted	<u>N/A</u>	<u>N/A</u>		<u>N/A</u>	<u>N/A</u>	

* Other operating income for the year-to-date ended 30 September 2020 included the gain on disposal of property, plant and equipment as disclosed in Note 5, Part B of this report.

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 2019 and the accompanying explanatory notes attached to the Interim Financial Statements

Hap Seng Plantations Holdings Berhad 200701011957 (769962-K)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2020**

	As at 30.9.2020 RM'000	As at 31.12.2019 RM'000 <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	1,806,087	1,894,871
Current assets		
Inventories	60,026	50,790
Biological assets	27,303	25,049
Receivables	39,234	30,017
Current tax assets	2,393	3,628
Money market deposits	164,850	84,027
Cash and cash equivalents	60,936	49,317
	<u>354,742</u>	<u>242,828</u>
TOTAL ASSETS	<u>2,160,829</u>	<u>2,137,699</u>
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	1,550,899	1,525,543
	<u>1,678,716</u>	<u>1,653,360</u>
Less: Treasury shares	(841)	(841)
TOTAL EQUITY	<u>1,677,875</u>	<u>1,652,519</u>
Non-current liabilities		
Deferred tax liabilities	373,183	384,325
Lease liabilities	46,778	50,492
	<u>419,961</u>	<u>434,817</u>
Current liabilities		
Payables	39,217	38,580
Lease liabilities	10,024	9,263
Current tax liabilities	13,752	2,520
	<u>62,993</u>	<u>50,363</u>
TOTAL LIABILITIES	<u>482,954</u>	<u>485,180</u>
TOTAL EQUITY AND LIABILITIES	<u>2,160,829</u>	<u>2,137,699</u>
Net assets per share (RM)	<u>2.10</u>	<u>2.07</u>
Number of shares net of treasury shares ('000)	799,685	799,685

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the Interim Financial Statements

Hap Seng Plantations Holdings Berhad 200701011957 (769962-K)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR-TO-DATE ENDED 30 SEPTEMBER 2020**

	← Attributable to Owners of the Company →				Total equity RM'000
	Non-distributable Share capital RM'000	Merger reserves RM'000	Distributable Retained earnings RM'000	Treasury shares RM'000	
At 1 January 2020	1,475,578	(1,347,761)	1,525,543	(841)	1,652,519
Total comprehensive income for the period	-	-	53,345	-	53,345
Dividends	-	-	(27,989)	-	(27,989)
At 30 September 2020	<u>1,475,578</u>	<u>(1,347,761)</u>	<u>1,550,899</u>	<u>(841)</u>	<u>1,677,875</u>
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	-	-	(5,366)	-	(5,366)
- As restated	<u>1,475,578</u>	<u>(1,347,761)</u>	<u>1,506,089</u>	<u>(838)</u>	<u>1,633,068</u>
Total comprehensive income for the period	-	-	283	-	283
Purchase of treasury shares	-	-	-	(3)	(3)
Dividends	-	-	(11,995)	-	(11,995)
At 30 September 2019	<u>1,475,578</u>	<u>(1,347,761)</u>	<u>1,494,377</u>	<u>(841)</u>	<u>1,621,353</u>

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 2019 and the accompanying explanatory notes attached to the Interim Financial Statements

Hap Seng Plantations Holdings Berhad 200701011957 (769962-K)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE YEAR-TO-DATE ENDED 30 SEPTEMBER 2020**

	Year-to-date ended	
	30.9.2020 RM'000	30.9.2019 RM'000
Cash flows from operating activities		
Profit before tax	58,253	4,978
Adjustments for:		
Non-cash items	64,690	61,045
Non-operating items	(12,754)	(1,462)
Dividend income	(2,502)	(1,364)
Net interest expense	1,335	1,023
Operating profit before working capital changes	109,022	64,220
Net changes in working capital	(17,816)	17,225
Net tax (paid)/refunded	(3,583)	570
Net interest paid	(1,335)	(800)
Net cash generated from operating activities	86,288	81,215
Cash flows from investing activities		
Dividend received from money market deposits	2,502	1,356
Increase in money market deposits	(80,823)	(8,355)
Proceeds from disposal of property, plant and equipment	77,326	4,283
Purchase of property, plant and equipment	(38,676)	(65,836)
Net cash used in investing activities	(39,671)	(68,552)
Cash flows from financing activities		
Shares repurchased at cost	-	(3)
Dividends paid	(27,989)	(11,995)
Payment of lease liabilities	(7,009)	(6,418)
Net cash used in financing activities	(34,998)	(18,416)
Net change in cash and cash equivalents	11,619	(5,753)
Cash and cash equivalents at beginning of period	49,317	40,311
Cash and cash equivalents at end of period	60,936	34,558
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	37,170	27,900
Cash in hand and at bank	23,766	6,658
	60,936	34,558

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 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 2019.

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 2019.

2. Comments on the seasonality or cyclicity of operations

Seasonal or cyclical factors affecting the operational performance of the Group include general climatic conditions, age profile of oil palms, the cyclical nature of annual production and the movements in commodity prices.

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

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

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

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

5. Issues, cancellations, repurchases, resale and repayments of debt and equity securitiesShare buyback by the Company

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

As at 30 September 2020, 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 interim period and preceding year corresponding period were as follows:

	Year-to-date ended	
	30.9.2020	30.9.2019
	RM'000	RM'000
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
Dividend in respect of financial year ended 31 December 2019:		
- First interim (0.5 sen) under the single tier system approved by the Directors on 28 August 2019 and paid on 27 September 2019	-	3,998
- Second interim (2 sen) under the single tier system approved by the Directors on 24 February 2020 and paid on 24 March 2020	15,994	-
Dividend in respect of financial year ending 31 December 2020:		
- First interim (1.5 sen) under the single tier system approved by the Directors on 26 August 2020 and paid on 24 September 2020	11,995	-
	27,989	11,995

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 20 November 2020 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 20 November 2020.

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 30.9.2020	As at 31.12.2019
	RM'000	RM'000 <i>(Audited)</i>
Contracted but not provided for		
- Property, plant and equipment	64,652	46,675

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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 29 May 2019 and 1 July 2020, except for the following:

On 27 May 2020 ["said date"], Hap Seng Plantations (Ladang Kawa) Sdn Bhd ["HSP (LK)"], a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to dispose of the following eight (8) parcels of agricultural land situated at Jalan Bukit Quion, District of Tawau, State of Sabah together with oil palm trees planted thereon and main structures and infrastructures erected thereon to Future Golden Development Sdn Bhd (the "Purchaser"), a wholly-owned subsidiary of Hap Seng Consolidated Berhad ["HSCB"], for a cash consideration of RM75,987,000.00 ["Proposed HSP (LK) Disposal"]:-

No.	Title Number	Approximate Area (Hectares)
1.	CL 105319775	185.95
2.	CL 105350909	105.46
3.	CL 105334049	80.85
4.	CL 105343762	13.95
5.	PL 106260833	36.82
6.	PL 106261349	34.05
7.	PL 106261330	60.27
8.	CL 105246179	34.95
	Total	552.30

The Proposed HSP (LK) 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 a director and a 56.00% major shareholder of Gek Poh (Holdings) Sdn Bhd ["Gek Poh"]. Gek Poh was the holding company of HSCB with an aggregate shareholding of 60.83%, comprising 54.63% direct shareholding and 6.20% indirect shareholding through Hap Seng Insurance Services Sdn Bhd ["HSIS"], a wholly-owned subsidiary of Gek Poh. HSCB was a major shareholder holding 424,183,300 shares constituting 53.04% of shareholding in the Company. Hence, Tan Sri Lau, Gek Poh, HSIS and HSCB were deemed interested in the Proposed HSP (LK) Disposal.

As at the said date, Datuk Edward Lee Ming Foo was the managing director of the Company, HSCB and Gek Poh. Mr Lee Wee Yong was an executive director of the Company and HSCB as well as a director of Gek Poh. Ms Cheah Yee Leng was an executive director of both the Company and HSCB. Premised on the aforesaid, they were deemed interested in the Proposed HSP (LK) Disposal. As such, they had abstained from all board deliberations and voting in respect of the Proposed HSP (LK) Disposal.

As at the said date, Datuk Simon Shim Kong Yip was a non-independent non-executive deputy chairman of the Company and a non-independent non-executive director of the HSCB. Premised on Datuk Simon Shim Kong Yip's common directorship in the Company and HSCB, he was deemed interested in the Proposed HSP (LK) Disposal. As such, he had abstained from all board deliberations and voting in respect of the Proposed HSP (LK) Disposal.

The Proposed HSP (LK) Disposal was completed on 1 June 2020 with the cash purchase consideration paid by the Purchaser in full.

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 RM128.9 million was 47% higher than the preceding year corresponding quarter mainly attributable to higher average selling prices realisation and higher sales volume of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"].

Average selling price of CPO and PK for the current quarter were higher at RM2,753 per tonne and RM1,560 per tonne respectively as compared to the preceding year corresponding quarter of RM2,038 per tonne for CPO and RM1,198 per tonne for PK. CPO sales volume for the current quarter at 41,057 tonnes was 9% above the preceding year corresponding quarter whilst PK sales volume was 19% higher at 9,020 tonnes, mainly benefitted from higher CPO and PK production.

Production of CPO and PK for the current quarter were higher by 7% and 12% respectively as compared to the preceding year corresponding quarter attributable to higher fresh fruit bunches ["FFB"] production as well as higher FFB purchased but offset slightly by lower extraction rate for CPO. Current quarter's FFB production was 9% higher than the preceding year corresponding quarter with improvement in FFB yield due to seasonal yield trend. The higher production has also resulted in lower unit production cost for CPO.

Consequently, profit before tax ["PBT"] and profit after tax ["PAT"] for the current quarter at RM33.9 million and RM25.1 million were significantly higher than the preceding year corresponding quarter of RM2.5 million and RM102,000 respectively.

Overall, PBT and PAT for the year to date at RM58.3 million and RM53.3 million were significantly higher than the preceding year corresponding period of RM5 million and RM283,000 respectively. Correspondingly, basic earnings per share for the year to date at 6.67 sen was significantly higher than the preceding year corresponding period of 0.04 sen.

The Group's year to date PBT and PAT included a gain of RM12.9 million and RM20.3 million (net of real property gains tax of RM6.6 million and reversal of deferred tax of RM14 million) respectively arising from the Proposed HSP (LK) Disposal as disclosed in Note 13 of Part A.

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

	Current Quarter ended 30.9.2020 RM'000	Immediate Preceding Quarter ended 30.6.2020 RM'000	<i>Increase/ (Decrease)</i>
Revenue	128,895	83,570	54%
Profit before tax	33,889	31,356	8%
Profit after tax	25,082	34,279	(27%)

The Group's PBT for the current quarter at RM33.9 million was 8% higher than the immediate preceding quarter of RM31.4 million which included the gain arising from the Proposed HSP (LK) Disposal as disclosed in Note 13 of Part A. Excluding the aforesaid gain, the Group PBT for the current quarter was 83% higher than the immediate preceding quarter. The significant improvement in the current quarter was due to higher sales volume and higher average selling price for CPO and PK.

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

Sales volume of CPO and PK for the current quarter were 33% and 16% higher than the immediate preceding quarter of 30,821 tonnes and 7,744 tonnes respectively mainly attributable to higher production of CPO and PK in tandem with higher FFB production. FFB production for the current quarter was 14% above the immediate preceding quarter attributable to improved FFB yield due to seasonal yield trend.

Average selling price per tonne of CPO and PK were 19% and 13% higher than the immediate preceding quarter of RM2,321 and RM1,382 respectively.

3. **Current year prospects**

CPO prices continue to be on the uptrend in October 2020 ranging from RM2,841 per tonne to a high of RM3,250 per tonne at the end of October 2020 driven by concerns that palm oil supply from Malaysia may be lower than expected due to the Covid-19 pandemic situation in Sabah and the La-Nina weather phenomenon which may disrupt the supply of soybean and other oilseeds in 2021 leading to buyers switching to palm oil.

According to the update by the World Meteorological Organization published on 29 October 2020, La Nina has developed and is expected to be moderate to strong, affecting temperatures, precipitation and storm patterns in many parts of the world with 90% probability that it will continue to January 2021.

Generally, the La Nina weather phenomenon will bring above-normal rainfall to Southeast Asia, South Africa, India, and Australia whilst drier weather will be experienced in Argentina, Europe, Brazil, and the southern US. The increased rainfall in the principal crude palm oil producing regions of Indonesia and Malaysia is expected to benefit palm oil production in 2021. In Brazil and other parts of South America, which are major soybean producing regions, the drier weather has delayed soybean planting and may potentially affects yields. This would support soybean oil prices and benefit palm oil prices as these crops are highly correlated to one another.

Industry analysts expect CPO prices will continue to be well supported with expectations of lower global palm oil production in 2020 caused by the dry weather between August to November last year and the wet weather conditions due to the La Nina phenomenon from September this year which may hamper harvesting and crop evacuation activities. In addition, the re-stocking activities by most key palm oil importing countries before the end of the year are expected to lower the global palm oil stocks carryover to 2021 which will further support palm oil prices in the fourth quarter and moving into early 2021.

Due to the implementation of various stringent measures to curb the Covid-19 spread, it is unlikely that the pandemic would impact the FFB production of the Group.

Based on the foregoing, the Group expects its results for the financial year ending 31 December 2020 to be better than the previous financial year.

4. **Variations between actual profit and forecast profit**

Variations between actual profit and forecast profit are not applicable as the Company has not provided any profit forecast in any public document.

5. Profit before tax

	Quarter ended		Year-to-date ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after crediting/(charging):				
Interest income	201	238	567	691
Dividend income from money market deposits	1,215	412	2,502	1,364
Interest expense	(631)	(567)	(1,902)	(1,714)
Depreciation and amortisation	(22,142)	(22,235)	(66,345)	(66,568)
Property, plant and equipment written off	(413)	(25)	(599)	(240)
(Loss)/Gain on disposal of property, plant and equipment	(109)	156	12,754	1,462
Gain on fair value of biological assets	4,150	7,523	2,254	5,763

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	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	1,737	(658)	16,050	5,279
- deferred tax	7,070	3,461	(11,142)	(196)
	8,807	2,803	4,908	5,083
In respect of prior periods				
- income tax	-	(388)	-	(388)
	8,807	2,415	4,908	4,695

The Group's effective tax rate for the current quarter was higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes whilst the effective tax rate for the year-to-date was lower than the statutory tax rate mainly due to the capital gain arising from the Proposed HSP (LK) Disposal taxed at the lower real property gains tax rate and the reversal of deferred tax provision at income tax rate.

The Group's effective tax rate (excluding over provision of tax in respect of prior period) 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 and deferred tax assets not recognised on business losses by certain subsidiaries.

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 20 November 2020.

8. Borrowings and debt securities

The Group does not have any borrowing nor debt security.

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

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

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

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

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

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

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

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

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

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

(a) (continued)

On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB's application ["Consolidated RESB Suit"]. The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 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 and 7 February 2020. The KKHC was yet to fix further hearing dates.

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

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

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

SYC is claiming for the following in the KK Suit:

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

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

The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 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 and 7 February 2020. The KKHC was yet to fix further hearing dates.

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 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	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Profit attributable to owners of the Company (RM'000)	25,082	102	53,345	283
Weighted average number of ordinary shares in issue (excluding treasury shares) ('000)	799,685	799,685	799,685	799,686
Basic EPS (sen)	3.14	0.01	6.67	0.04

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

13. Dividends

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

14. Auditors' report on preceding annual financial statements

The auditors' report in respect of the financial statements of the Company for the preceding financial year ended 31 December 2019 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
Company Secretaries

Kuala Lumpur
26 November 2020