

Hap Seng Plantations Holdings Berhad 200701011957 (769962-K)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE FIRST QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2021**

	Quarter ended			Year-to-date ended		
	31.3.2021 RM'000	31.3.2020 RM'000	Increase/ (Decrease)	31.3.2021 RM'000	31.3.2020 RM'000	Increase/ (Decrease)
Revenue	121,322	101,861	19%	121,322	101,861	19%
Operating expenses	(91,032)	(109,664)		(91,032)	(109,664)	
Other operating income	9,557	1,458		9,557	1,458	
Operating profit/(loss)	39,847	(6,345)	>100%	39,847	(6,345)	>100%
Finance costs	(610)	(647)		(610)	(647)	
Profit/(Loss) before tax	39,237	(6,992)	>100%	39,237	(6,992)	>100%
Tax expense	(9,868)	976		(9,868)	976	
Profit/(Loss) for the period representing total comprehensive income/(expense) for the period	29,369	(6,016)	>100%	29,369	(6,016)	>100%
Earnings/(Loss) per share (sen)						
Basic	3.67	(0.75)	>100%	3.67	(0.75)	>100%
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 2020 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 31 MARCH 2021**

	As at 31.3.2021 RM'000	As at 31.12.2020 RM'000 <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	1,790,062	1,801,508
Current assets		
Inventories	62,007	54,286
Biological assets	40,376	33,889
Receivables	29,250	31,852
Current tax assets	674	1,373
Money market deposits	196,696	195,322
Cash and cash equivalents	47,775	63,655
	<u>376,778</u>	<u>380,377</u>
TOTAL ASSETS	<u>2,166,840</u>	<u>2,181,885</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	1,573,236	1,587,850
	<u>1,701,053</u>	<u>1,715,667</u>
Less: Treasury shares	(841)	(841)
TOTAL EQUITY	<u>1,700,212</u>	<u>1,714,826</u>
Non-current liabilities		
Deferred tax liabilities	372,718	373,180
Lease liabilities	44,395	45,610
	<u>417,113</u>	<u>418,790</u>
Current liabilities		
Payables	33,539	33,230
Current tax liabilities	7,225	5,434
Lease liabilities	8,751	9,605
	<u>49,515</u>	<u>48,269</u>
TOTAL LIABILITIES	<u>466,628</u>	<u>467,059</u>
TOTAL EQUITY AND LIABILITIES	<u>2,166,840</u>	<u>2,181,885</u>
Net assets per share (RM)	<u>2.13</u>	<u>2.14</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 2020 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 31 MARCH 2021**

	← 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 2021	1,475,578	(1,347,761)	1,587,850	(841)	1,714,826
Total comprehensive income for the period	-	-	29,369	-	29,369
Dividends	-	-	(43,983)	-	(43,983)
At 31 March 2021	<u>1,475,578</u>	<u>(1,347,761)</u>	<u>1,573,236</u>	<u>(841)</u>	<u>1,700,212</u>
At 1 January 2020	1,475,578	(1,347,761)	1,525,543	(841)	1,652,519
Total comprehensive expense for the period	-	-	(6,016)	-	(6,016)
Dividends	-	-	(15,994)	-	(15,994)
At 31 March 2020	<u>1,475,578</u>	<u>(1,347,761)</u>	<u>1,503,533</u>	<u>(841)</u>	<u>1,630,509</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 2020 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 31 MARCH 2021**

	Year-to-date ended	
	31.3.2021	31.3.2020
	RM'000	RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	39,237	(6,992)
Adjustments for:		
Non-cash items	15,267	31,827
Non-operating items	-	(56)
Dividend income	(874)	(426)
Net interest expense	357	437
Operating profit before working capital changes	53,987	24,790
Net changes in working capital	(4,810)	10,834
Net tax (paid)/refunded	(7,840)	859
Net interest paid	(357)	(437)
Net cash generated from operating activities	40,980	36,046
Cash flows from investing activities		
Dividend received from money market deposits	874	426
Increase in money market deposits	(1,374)	(39,426)
Proceeds from disposal of property, plant and equipment	-	56
Purchase of property, plant and equipment	(9,800)	(9,643)
Net cash used in investing activities	(10,300)	(48,587)
Cash flows from financing activities		
Dividends paid	(43,983)	(15,994)
Payment of lease liabilities	(2,577)	(2,285)
Net cash used in financing activities	(46,560)	(18,279)
Net change in cash and cash equivalents	(15,880)	(30,820)
Cash and cash equivalents at beginning of period	63,655	49,317
Cash and cash equivalents at end of period	47,775	18,497
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	27,570	13,340
Cash in hand and at bank	20,205	5,157
	47,775	18,497

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2020 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 2020.

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 2020.

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 financial years.

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

Share buyback by the Company

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

As at 31 March 2021, 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	
	31.3.2021	31.3.2020
	RM'000	RM'000
Dividend in respect of financial year ended 31 December 2019:		
- 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 ended 31 December 2020:		
- Second interim (5.5 sen) under the single tier system approved by the Directors on 24 February 2021 and paid on 24 March 2021	43,983	-
	43,983	15,994

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 19 May 2021 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 19 May 2021.

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 31.3.2021	As at 31.12.2020
	RM'000	RM'000
		<i>(Audited)</i>
Contracted but not provided for		
- Property, plant and equipment	57,953	25,053

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 meeting held on 1 July 2020.

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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 RM121.3 million was 19% higher than the preceding year corresponding quarter mainly attributable to higher average selling prices realisation of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] inspite of lower sales volume of both products.

Average selling price of CPO and PK for the current quarter at RM3,854 per tonne and RM2,585 per tonne respectively were significantly higher than the preceding year corresponding quarter of RM2,814 per tonne for CPO and RM1,702 per tonne for PK.

CPO sales volume for the current quarter at 26,288 tonnes was 16% lower than the preceding year corresponding quarter whilst PK sales volume was 11% lower at 6,763 tonnes, mainly due to lower production and higher closing stocks due to timing of deliveries for both products. Production of CPO and PK for the current quarter were lower than the preceding year corresponding quarter by 9% and 8% respectively due to lower CPO and PK extraction rates, affected by wet weather conditions.

Overall, the Group registered profit before tax ["PBT"] and profit after tax of RM39.2 million and RM29.4 million for the current quarter as compared to preceding year corresponding quarter's loss before tax and loss after tax of RM7 million and RM6 million respectively. Basic earnings per share for the current quarter was 3.67 sen as compared to preceding year corresponding quarter's basic loss per share of 0.75 sen.

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

	Current Quarter ended 31.3.2021	Immediate Preceding Quarter ended 31.12.2020	Increase/ (Decrease)
	RM'000	RM'000	
Revenue	<u>121,322</u>	<u>153,269</u>	(21%)
Profit before tax	<u>39,237</u>	<u>50,147</u>	(22%)
Profit after tax	<u>29,369</u>	<u>36,951</u>	(21%)

The Group's PBT for the current quarter at RM39.2 million was 22% lower than the immediate preceding quarter of RM50.1 million mainly due to lower sales volume of CPO and PK but mitigated by higher average selling prices of both CPO and PK.

Sales volume of CPO and PK for the current quarter were 37% and 28% lower than the immediate preceding quarter of 41,842 tonnes and 9,343 tonnes respectively. This was mainly impacted by lower production of CPO and PK by 29% and 26% respectively, lower fresh fruit bunches ["FFB"] purchased and higher closing stock of CPO due to timing of deliveries. The lower CPO and PK production were in tandem with lower FFB production by 27%, affected by lower FFB yield due to seasonal yield trend and changes in cropping patterns.

Average selling price per tonne of CPO and PK were 22% and 28% higher than the immediate preceding quarter of RM3,148 and RM2,027 respectively.

3. Current year prospects

In view of the recent surge in the COVID-19 cases and increase in infectivity rate, the Malaysian government has imposed Movement Control Order 3.0 for Peninsular Malaysia which commenced on 12 May 2021 to 7 June 2021. However, this is not expected to materially affect the operations in the plantation sector as it is categorized as an essential economic sector and is allowed to operate under strict standard operating procedures. The National Covid-19 Immunisation Programme in Malaysia which commenced towards end of February 2021 is currently in its second phase.

CPO prices continue on the uptrend and surpassed RM4,000 per tonne in March 2021, a level last seen 13 years ago in March 2008. CPO price closed at a high of RM4,400 per tonne in end April 2021 with an average price of RM4,220 per tonne for the month. On 18 May 2021, CPO price recorded the highest price in the palm oil industry history at RM4,773.50 per tonne.

Palm oil production is expected to increase in the second half of the year. Global demand of edible oils may slow down with the rising COVID-19 cases globally amid discovery of new variants that have prompted many countries to reinstate lockdown measures. The alarmingly high COVID-19 infections in India, the world's largest palm oil importer has also caused uncertainties in the global demand outlook of palm oil. Accordingly, global palm oil stocks are likely to increase which may lower CPO prices to below RM4,000 per tonne.

The stable workforce will enable the Group to sustain the expected rise in palm oil production.

Overall, the Group expects its results for the financial year ending 31 December 2021 to be influenced by movements in commodities prices and the uncertainties in the global economic environment caused by the prolonged COVID-19 pandemic.

4. Variances between actual profit and forecast profit

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

5. Profit/(Loss) before tax

	Quarter ended		Year-to-date ended	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax is arrived at after crediting/(charging):				
Interest income	253	210	253	210
Dividend income from money market deposits	874	426	874	426
Interest expense	(610)	(647)	(610)	(647)
Depreciation and amortisation	(21,711)	(22,205)	(21,711)	(22,205)
Property, plant and equipment written off	(43)	(134)	(43)	(134)
Net gain on disposal of property, plant and equipment	-	56	-	56
Gain/(loss) from fair value of biological assets	6,487	(9,488)	6,487	(9,488)

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	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	10,330	2,999	10,330	2,999
- deferred tax	(462)	(3,975)	(462)	(3,975)
	<u>9,868</u>	<u>(976)</u>	<u>9,868</u>	<u>(976)</u>

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 and deferred tax assets not recognised on business losses in certain subsidiaries. The Group's tax credit on its Loss Before Tax for the preceding year corresponding quarter was lower than the statutory tax rate due to the same reason.

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 19 May 2021.

8. Borrowings and debt securities

The Group does not have any borrowing nor debt security.

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

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

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

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

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

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

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

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

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

On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB's application ["Consolidated RESB Suit"]. The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018, 7 to 11 January 2019, 28 February 2019, 8 March 2019, 19 September 2019 and 7 February 2020. The Consolidated RESB Suit has been fixed for continued hearing from 14 June to 25 June 2021.

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

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

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

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

SYC is claiming for the following in the KK Suit:

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

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

The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018, 7 to 11 January 2019, 28 February 2019, 8 March 2019, 19 September 2019 and 7 February 2020. The Consolidated RESB Suit has been fixed for continued hearing from 14 June to 25 June 2021.

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/(Loss) per share ["EPS"]

- (a) The basic EPS is calculated by dividing the profit/(loss) 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	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
Profit/(Loss) attributable to owners of the Company (RM'000)	29,369	(6,016)	29,369	(6,016)
Weighted average number of ordinary shares in issue (excluding treasury shares) ('000)	799,685	799,685	799,685	799,685
Basic EPS (sen)	3.67	(0.75)	3.67	(0.75)

- (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 2020 was not subject to any qualification.

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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
24 May 2021