

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 2022**

	Quarter ended			Year-to-date ended		
	31.3.2022 RM'000	31.3.2021 RM'000	Increase/ (Decrease)	31.3.2022 RM'000	31.3.2021 RM'000	Increase/ (Decrease)
Revenue	242,153	121,322	100%	242,153	121,322	100%
Operating expenses	(148,820)	(91,032)		(148,820)	(91,032)	
Other operating income	* 32,263	9,557		* 32,263	9,557	
Operating profit	125,596	39,847	215%	125,596	39,847	215%
Finance costs	(676)	(610)		(676)	(610)	
Profit before tax	124,920	39,237	218%	124,920	39,237	218%
Tax expense	(23,253)	(9,868)		(23,253)	(9,868)	
Profit and total comprehensive income for the period	101,667	29,369	246%	101,667	29,369	246%
Earnings per share (sen)						
Basic	12.71	3.67	246%	12.71	3.67	246%
Diluted	N/A	N/A		N/A	N/A	

* Other operating income for the current quarter and year-to-date ended 31 March 2022 included the gain on disposal of assets held for sale of RM18.8 million 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 2021 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 2022**

	As at 31.3.2022 RM'000	As at 31.12.2021 RM'000 (Audited)
Non-current assets		
Property, plant and equipment	1,716,276	1,710,570
Current assets		
Inventories	79,988	91,078
Biological assets	66,405	57,721
Receivables	76,703	14,266
Current tax assets	2,057	11,889
Money market deposits	335,790	296,637
Cash and cash equivalents	58,710	121,040
	619,653	592,631
Assets held for sale	-	66,101
	619,653	658,732
TOTAL ASSETS	2,335,929	2,369,302
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	1,733,611	1,755,895
	1,861,428	1,883,712
Less: Treasury shares	(841)	(841)
TOTAL EQUITY	1,860,587	1,882,871
Non-current liabilities		
Deferred tax liabilities	364,607	378,865
Lease liabilities	50,054	43,209
	414,661	422,074
Current liabilities		
Payables	44,110	51,777
Current tax liabilities	8,707	6,303
Lease liabilities	7,864	6,277
	60,681	64,357
TOTAL LIABILITIES	475,342	486,431
TOTAL EQUITY AND LIABILITIES	2,335,929	2,369,302
Net assets per share (RM)	2.33	2.35
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 2021 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 2022**

	← 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 2022	1,475,578	(1,347,761)	1,755,895	(841)	1,882,871
Profit and total comprehensive income for the period	-	-	101,667	-	101,667
Dividends	-	-	(123,951)	-	(123,951)
At 31 March 2022	<u>1,475,578</u>	<u>(1,347,761)</u>	<u>1,733,611</u>	<u>(841)</u>	<u>1,860,587</u>
At 1 January 2021	1,475,578	(1,347,761)	1,587,850	(841)	1,714,826
Profit and 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>

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 2021 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 2022**

	Year-to-date ended	
	31.3.2022	31.3.2021
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	124,920	39,237
Adjustments for:		
Non-cash items	12,191	15,267
Non-operating items	(18,865)	-
Dividend income	(1,167)	(874)
Net interest expense	96	357
Operating profit before working capital changes	117,175	53,987
Net changes in working capital	(59,014)	(4,810)
Net tax paid	(25,275)	(7,840)
Net interest paid	(96)	(357)
Net cash generated from operating activities	32,790	40,980
Cash flows from investing activities		
Dividend received from money market deposits	1,167	874
Increase in money market deposits	(39,153)	(1,374)
Proceeds from disposal of property, plant and equipment	41	-
Proceeds from disposal of assets held for sale	84,925	-
Purchase of property, plant and equipment	(16,066)	(9,800)
Net cash generated from/(used in) investing activities	30,914	(10,300)
Cash flows from financing activities		
Dividends paid	(123,951)	(43,983)
Payment of lease liabilities	(2,083)	(2,577)
Net cash used in financing activities	(126,034)	(46,560)
Net change in cash and cash equivalents	(62,330)	(15,880)
Cash and cash equivalents at beginning of period	121,040	63,655
Cash and cash equivalents at end of period	58,710	47,775
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	38,350	27,570
Cash in hand and at bank	20,360	20,205
	58,710	47,775

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

Basis of Preparation

These interim financial statements have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard [“MFRS”] 134, *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad [“Bursa Securities”], and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2021.

Part A: Explanatory Notes Pursuant to MFRS 134

1. Significant accounting policies

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

2. Comments on the seasonality or 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 financial year.

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

There were no changes in estimates of amounts reported in prior 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 2022, 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	
	31.3.2022	31.3.2021
	RM'000	RM'000
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
Dividend in respect of financial year ended 31 December 2021:		
- Second interim (15.5 sen) under the single tier system approved by the Directors on 23 February 2022 and paid on 23 March 2022	123,951	-
	123,951	43,983

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 May 2022 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 May 2022, except for the following:

As announced on 24 November 2021 [“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 on even date to dispose of the following seven (7) parcels of agricultural land planted with oil palm trees thereon situated at Jalan Muul Hill, off Jalan Bukit Kawa, Off Km 35, Jalan Tawau-Kunak-Lahad Datu Highway, 91000 Tawau, Sabah together with buildings, 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 RM84,925,000.00 [“HSP (LK) Disposal”]:

No.	Title Number	Approximate Area (Hectares)
1.	CL 105315955	90.312
2.	CL 105320161	194.067
3.	CL 105315900	87.009
4.	CL 105316032	39.696
5.	CL 105342550	12.100
6.	CL 105351915	180.777
7.	CL 105342532	19.798
	Total	623.759

The 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 62.64%, comprising 54.63% direct shareholding and 8.01% indirect shareholding through Hap Seng Insurance Services Sdn. Bhd. [“HSIS”], a wholly-owned subsidiary of Gek Poh. HSCB was a major shareholder holding 598,889,400 shares constituting 74.89% of shareholding in the Company. Hence, Tan Sri Lau, Gek Poh, HSIS and HSCB were deemed interested in the 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 HSP (LK) Disposal. As such, they had abstained from all board deliberations and voting in respect of the 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 HSP (LK) Disposal. As such, he had abstained from all board deliberations and voting in respect of the HSP (LK) Disposal.

The HSP (LK) Disposal was completed on 24 January 2022 with the purchase consideration paid in full by the Purchaser resulted in a gain of approximately RM18.8 million to the Group.

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 31.3.2022 RM'000	As at 31.12.2021 RM'000 <i>(Audited)</i>
Contracted but not provided for - Property, plant and equipment	49,776	20,416

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 24 May 2021, other than as disclosed in Note 10 above.

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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 RM242.2 million approximately doubled that of the preceding year corresponding quarter mainly benefitted from higher average selling prices realisation as well as higher sales volume of all palm products.

Average selling price of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] for the current quarter at RM6,019 per tonne and RM4,702 per tonne respectively were significantly higher than the preceding year corresponding quarter of RM3,854 per tonne for CPO and RM2,585 per tonne for PK.

CPO sales volume for the current quarter at 33,607 tonnes was 28% above the preceding year corresponding quarter whilst PK sales volume was 8% higher at 7,319 tonnes mainly attributable to higher CPO and PK production and favourable inventory movements in the current quarter.

CPO and PK production for the current quarter were higher by 6% and 7% respectively as compared to the preceding year corresponding quarter, benefitted from higher fresh fruit bunches ["FFB"] production as well as higher CPO and PK extraction rates. FFB production for current quarter was 5% higher than the preceding year corresponding quarter with higher FFB yield due to seasonal yield trend and changes in cropping patterns.

Overall, profit before tax ["PBT"] and profit after tax for the current quarter at RM124.9 million and RM101.7 million were higher than the preceding year corresponding quarter by 218% and 246% respectively.

The PBT and PAT for the current quarter included a gain of RM18.8 million and RM26.5 million (net of real property gains tax of RM7.8 million and reversal of deferred tax of RM15.5 million) respectively arising from the completion of the HSP (LK) Disposal as disclosed in Note 10 of Part A.

Consequently, basic earnings per share for the current quarter was also significantly higher at 12.71 sen, 246% above preceding year corresponding quarter of 3.67 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 31.3.2022 RM'000	Immediate Preceding Quarter ended 31.12.2021 RM'000	Increase/ (Decrease)
Revenue	242,153	194,828	24%
Profit before tax	124,920	118,160	6%
Profit after tax	101,667	94,307	8%

The Group's PBT for the current quarter at RM124.9 million was 6% above the immediate preceding quarter of RM118.2 million mainly attributable to higher sales of palm products and gain from the disposal of assets held for sale of RM18.8 million but reduced by lower gain from fair value of biological assets of RM8.7 million as compared to the immediate preceding quarter of RM19.5 million.

Revenue was 24% higher than the immediate preceding quarter, benefitted from higher average selling price per tonne of all palm products and higher sales volume of CPO. Average selling price per tonne of CPO and PK were 18% and 25% higher than the immediate preceding quarter of RM5,103 and RM3,762 respectively. Sales volume of CPO for the current quarter was 9% above the immediate preceding quarter of 30,972 tonnes benefitted from favourable inventory movements in the current quarter.

3. Current year prospects

Malaysian palm oil inventories at end of April 2022 rose 11.5% month-on-month to 1.642 million tonnes from 1.473 million tonnes in the previous month in tandem with higher production by 3.6% and lower exports by 17.7%. Monthly average prices per tonne of CPO from January to March 2022 ranged between RM5,354.50 and RM6,867 with the average price for April 2022 at RM6,678 per tonne.

The Indonesian government, in its attempt to control the domestic supply of vegetable oils and their prices, had instituted a complete ban on palm oil exports from 28 April to 22 May 2022. This had affected the global palm oil supply and its prices. It resulted in major importers of Indonesian palm oil namely India, China and Spain seeking for alternative sources which caused a surge in Malaysia's palm oil exports. According to data from cargo surveyor Intertek, Malaysia's palm oil exports surged 40 per cent in the first 10 days of May 2022 as compared with the same period in the previous month.

Concerns on Indonesia's previous palm oil exports' ban coupled with the drought in South America which affected soybean supplies have also pushed global prices of soybean oil to record highs. In addition, major importers of sunflower oil in Europe, India and China are turning to palm oil as an alternative as the recent Russia-Ukraine crisis has caused a global shortage of sunflower oil with both Russia and Ukraine accounted for more than half of the global sunflower oil supply.

Palm oil industry analysts expect CPO prices to remain buoyant at the current level in the near term, supported by the global shortages of edible oils and the geopolitical tension in Europe but expect prices to moderate in the second half of 2022 as CPO production enters its peak production cycle subject to the resolution of the labour shortage situation in Malaysia with the re-entry of migrant workers.

The favourable impact from the strong CPO prices will however be dampened by the rising prices of fertilizers and fuel coupled with the increase in minimum wage under the Malaysian Minimum Wage Order 2022 effective May 2022 which will push production costs higher.

Based on the foregoing, the Group expects its results for the financial year ending 31 December 2022 to be influenced by movements in commodities prices, rising production costs, the geopolitical tension in Europe, uncertainties in the global economies as the world shifts from the COVID-19 pandemic to endemic stage.

4. Variances between actual profit and forecast profit

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

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5. Profit before tax

	Quarter ended		Year-to-date ended	
	31.3.2022	31.3.2021	31.3.2022	31.3.2021
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after crediting/(charging):				
Interest income	580	253	580	253
Dividend income from money market deposits	1,167	874	1,167	874
Interest expense	(676)	(610)	(676)	(610)
Depreciation and amortisation	(20,875)	(21,711)	(20,875)	(21,711)
Property, plant and equipment written off	-	(43)	-	(43)
Net gain on disposal of property, plant and equipment	41	-	41	-
Gain on disposal of assets held for sale	18,824	-	18,824	-
Gain from fair value of biological assets	8,684	6,487	8,684	6,487

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	
	31.3.2022	31.3.2021	31.3.2022	31.3.2021
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	37,511	10,330	37,511	10,330
- deferred tax	(14,258)	(462)	(14,258)	(462)
	<u>23,253</u>	<u>9,868</u>	<u>23,253</u>	<u>9,868</u>

The Group's effective tax rate for the current quarter was lower than the statutory tax rate mainly due to the capital gain arising from the disposal of assets held for sale been taxed at lower real property gains tax rate and the reversal of deferred tax provision at income tax rate.

The Group's effective tax rate for the preceding year corresponding quarter was higher than the statutory tax rate mainly due to certain expenses being non-deductible for tax purposes and deferred tax assets not recognised on business losses in 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 May 2022.

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”].

On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB’s application [“Consolidated RESB Suit”]. The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018, 7 to 11 January 2019, 28 February 2019, 8 March 2019, 19 September 2019, 7 February 2020, 20 to 23 December 2021, 18 April 2022 and 20 May 2022. The Consolidated RESB Suit has been fixed for continued hearing on 24 June 2022.

The Company has been advised by its solicitors, Messrs Jayasuriya Kah & Co., that RESB has good grounds to succeed in the Consolidated 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, 7 February 2020, 20 to 23 December 2021, 18 April 2022 and 20 May 2022. The Consolidated RESB Suit has been fixed for continued hearing on 24 June 2022.

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

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	
	31.3.2022	31.3.2021	31.3.2022	31.3.2021
Profit attributable to owners of the Company (RM'000)	101,667	29,369	101,667	29,369
Weighted average number of ordinary shares in issue (excluding treasury shares) ('000)	799,685	799,685	799,685	799,685
Basic EPS (sen)	12.71	3.67	12.71	3.67

- (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 2021 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 17 May 2022, the Land and Survey Department in Kota Kinabalu had granted a further extension of time to July 2027 [“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
25 May 2022