

Hap Seng Plantations Holdings Berhad 200701011957 (769962-K)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2022**

	Quarter ended			Year-to-date ended		
	30.6.2022 RM'000	30.6.2021 RM'000	Increase/ (Decrease)	30.6.2022 RM'000	30.6.2021 RM'000	Increase/ (Decrease)
Revenue	246,862	181,071	36%	489,015	302,393	62%
Operating expenses	(157,112)	(121,347)		(305,932)	(207,684)	
Other operating income	5,091	3,657		* 37,354	8,519	
Operating profit	94,841	63,381	50%	220,437	103,228	114%
Finance costs	(720)	(582)		(1,396)	(1,192)	
Profit before tax	94,121	62,799	50%	219,041	102,036	115%
Tax expense	(27,219)	(15,377)		(50,472)	(25,245)	
Profit and total comprehensive income for the period	66,902	47,422	41%	168,569	76,791	120%
Earnings per share (sen)						
Basic	8.37	5.93	41%	21.08	9.60	120%
Diluted	N/A	N/A		N/A	N/A	

* Other operating income for the year-to-date ended 30 June 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 30 JUNE 2022**

	As at 30.6.2022 RM'000	As at 31.12.2021 RM'000 <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	1,715,849	1,710,570
Current assets		
Inventories	78,938	91,078
Biological assets	65,865	57,721
Receivables	10,186	14,266
Current tax assets	1,666	11,889
Money market deposits	450,367	296,637
Cash and cash equivalents	110,482	121,040
	717,504	592,631
Assets held for sale	-	66,101
	717,504	658,732
TOTAL ASSETS	2,433,353	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	1,800,513	1,755,895
	1,928,330	1,883,712
Less: Treasury shares	(841)	(841)
TOTAL EQUITY	1,927,489	1,882,871
Non-current liabilities		
Deferred tax liabilities	363,993	378,865
Lease liabilities	52,538	43,209
	416,531	422,074
Current liabilities		
Payables	58,114	51,777
Current tax liabilities	22,568	6,303
Lease liabilities	8,651	6,277
	89,333	64,357
TOTAL LIABILITIES	505,864	486,431
TOTAL EQUITY AND LIABILITIES	2,433,353	2,369,302
Net assets per share (RM)	2.41	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 30 JUNE 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	-	-	168,569	-	168,569
Dividends	-	-	(123,951)	-	(123,951)
At 30 June 2022	<u>1,475,578</u>	<u>(1,347,761)</u>	<u>1,800,513</u>	<u>(841)</u>	<u>1,927,489</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	-	-	76,791	-	76,791
Dividends	-	-	(43,983)	-	(43,983)
At 30 June 2021	<u>1,475,578</u>	<u>(1,347,761)</u>	<u>1,620,658</u>	<u>(841)</u>	<u>1,747,634</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 30 JUNE 2022**

	Year-to-date ended	
	30.6.2022	30.6.2021
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	219,041	102,036
Adjustments for:		
Non-cash items	33,740	41,697
Non-operating items	(18,900)	(39)
Dividend income	(2,684)	(1,795)
Net interest expense	392	677
Operating profit before working capital changes	231,589	142,576
Net changes in working capital	22,557	(7,383)
Net tax paid	(38,856)	(12,567)
Net interest paid	(392)	(677)
Net cash generated from operating activities	214,898	121,949
Cash flows from investing activities		
Dividend received from money market deposits	2,684	1,795
Increase in money market deposits	(153,730)	(46,297)
Proceeds from disposal of property, plant and equipment	93	39
Proceeds from disposal of assets held for sale	84,925	-
Purchase of property, plant and equipment	(31,063)	(26,228)
Net cash used in investing activities	(97,091)	(70,691)
Cash flows from financing activities		
Dividends paid	(123,951)	(43,983)
Payment of lease liabilities	(4,414)	(5,189)
Net cash used in financing activities	(128,365)	(49,172)
Net change in cash and cash equivalents	(10,558)	2,086
Cash and cash equivalents at beginning of period	121,040	63,655
Cash and cash equivalents at end of period	110,482	65,741
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	35,400	26,000
Cash in hand and at bank	75,082	39,741
	110,482	65,741

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 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 June 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	
	30.6.2022	30.6.2021
	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 19 August 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 19 August 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 30.6.2022 RM'000	As at 31.12.2021 RM'000 <i>(Audited)</i>
Contracted but not provided for - Property, plant and equipment	<u>52,273</u>	<u>20,416</u>

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 24 May 2021 and 25 May 2022, 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 RM246.9 million was 36% above the preceding year corresponding quarter mainly attributable to higher average selling prices realisation inspite of lower sales volume of all palm products. Consequently, Group's profit before tax ["PBT"] for the current quarter at RM94.1 million was 50% higher than the preceding year corresponding quarter of RM62.8 million whilst profit after tax ["PAT"] was RM66.9 million, 41% above the preceding year corresponding quarter of RM47.4 million.

Average selling price per tonne of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] for the current quarter were significantly higher at RM6,737 and RM3,769 respectively as compared to the preceding year corresponding quarter of RM4,365 for CPO and RM2,709 for PK. Sales volume of CPO and PK for the current quarter were 32,044 tonnes and 6,847 tonnes respectively, 10% and 14% lower than the preceding year corresponding quarter mainly due to lower production.

Production of CPO and PK for the current quarter were lower than the preceding year corresponding quarter by 16% and 14% respectively due to lower fresh fruit bunches ["FFB"] production and lower FFB purchased. FFB production in the current quarter was 13% below the preceding year corresponding quarter, affected by lower FFB yield due to seasonal yield trend and changes in cropping patterns.

Overall, Group's PBT and PAT for the year-to-date at RM219 million and RM168.6 million were higher than the preceding year corresponding period by 115% and 120% respectively. The year-to-date PBT and PAT 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.

Basic earnings per share for the year-to-date at 21.08 sen was 120% higher than the preceding year corresponding period of 9.60 sen.

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

	Current Quarter ended 30.6.2022 RM'000	Immediate Preceding Quarter ended 31.3.2022 RM'000	Increase/ (Decrease)
Revenue	<u>246,862</u>	<u>242,153</u>	2%
Profit before tax	<u>94,121</u>	<u>124,920</u>	(25%)
Profit after tax	<u>66,902</u>	<u>101,667</u>	(34%)

The Group's PBT for the current quarter at RM94.1 million was 25% lower than the immediate preceding quarter of RM124.9 million inspite of higher revenue by 2%. The immediate preceding quarter's operating profit included the gain arising from the HSP (LK) Disposal of RM18.8 million as disclosed in Note 10 of Part A and a gain from fair value of biological assets of RM8.7 million as compared to a loss of RM0.5 million in the current quarter. Revenue in the current quarter benefitted from higher average selling price per tonne of CPO but dampened by lower average selling price per tonne of PK and lower sales volume of both CPO and PK as compared to the immediate preceding quarter.

Average selling price per tonne of CPO was 12% higher than the immediate preceding quarter of RM6,019 whilst average selling price per tonne of PK was 20% below the immediate preceding quarter of RM4,702. Sales volume of CPO and PK for the current quarter were 5% and 6% lower than the immediate preceding quarter of 33,607 tonnes and 7,319 tonnes respectively.

3. Current year prospects

Malaysian palm oil inventories at the end of July 2022 increased by 7.7% month-on-month to 1.77 million tonnes, the highest in the last twelve months. Malaysia's crude palm oil production in July 2022 increased by 1.84% month-on-month to 1.57 million tonnes whilst palm oil exports were 10.72% higher month-on-month at 1.32 million tonnes.

CPO prices have softened subsequent to the lifting of the CPO export ban by the Indonesian government on 23 May 2022. Monthly average price per tonne of CPO in July 2022 was RM4,063, the lowest to-date in 2022. In the first half of 2022, monthly average price per tonne of CPO ranged between RM5,354.50 and RM6,873.

On 9 August 2022, the Indonesian government changed its palm oil export policy again with the lowering of its reference threshold price for CPO export tax to accelerate exports to reduce its CPO inventories. This is expected to affect Malaysia's CPO exports and prices in the short term until the situation in Indonesia normalises.

CPO prices are expected to ease further in the second half of 2022 due to weaker growth in global demand and expectations of higher palm oil supplies. Palm oil industry analysts expect average CPO price for 2022 to remain in the range of RM4,500 to RM5,600, supported by the tight supply situation of other vegetable oils and the wide price gaps between CPO and these oils. The higher fertilizer costs and increase in the minimum wage to RM1,500 under the Malaysian Minimum Wage Order 2022 with effect from 1 May 2022 will continue to 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, uncertainties in the global economies and the global shift 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.

5. Profit before tax

	Quarter ended		Year-to-date ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after crediting/(charging):				
Interest income	424	262	1,004	515
Dividend income from money market deposits	1,517	921	2,684	1,795
Interest expense	(720)	(582)	(1,396)	(1,192)
Depreciation and amortisation	(21,009)	(21,735)	(41,884)	(43,446)
Property, plant and equipment written off	-	-	-	(43)
Net gain on disposal of property, plant and equipment	35	39	76	39
Gain on disposal of assets held for sale	-	-	18,824	-
Net (loss)/gain from fair value adjustments of biological assets	(540)	(4,695)	8,144	1,792

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

6. Tax expense

	Quarter ended		Year-to-date ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	27,807	17,005	65,318	27,335
- deferred tax	(614)	(1,628)	(14,872)	(2,090)
	<u>27,193</u>	<u>15,377</u>	<u>50,446</u>	<u>25,245</u>
In respect of prior periods				
- income tax	26	-	26	-
	<u>27,219</u>	<u>15,377</u>	<u>50,472</u>	<u>25,245</u>

The Group's effective tax rate (excluding under provision of tax in respect of prior periods) for the current quarter was higher than the statutory tax rate mainly due to certain expenses non-deductible for tax purposes and the provision of Cukai Makmur (Prosperity Tax) at 33% on chargeable income exceeding RM100 million for year of assessment 2022 only as provided in the Finance Act 2021. 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 disposal of assets held for sale taxed at the lower real property gains tax rate and the reversal of deferred tax provision at income tax rate.

The Group's effective rate for the preceding year corresponding quarter and year-to-date were marginally higher than the statutory tax rate mainly due to certain expenses 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 19 August 2022.

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, 7 February 2020, 20 to 23 December 2021, 18 April 2022, 20 May 2022, 24 June 2022 and 4 August 2022. The Consolidated RESB Suit has been fixed for continued hearing on 19 September 2022 and 25 to 27 October 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, 20 May 2022, 24 June 2022 and 4 August 2022. The Consolidated RESB Suit has been fixed for continued hearing on 19 September 2022 and 25 to 27 October 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	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
Profit attributable to owners of the Company (RM'000)	66,902	47,422	168,569	76,791
Weighted average number of ordinary shares in issue (excluding treasury shares) ('000)	799,685	799,685	799,685	799,685
Basic EPS (sen)	8.37	5.93	21.08	9.60

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

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13. Dividends

- (a) The Board of Directors has on even date approved the following interim dividend for the year ending 31 December 2022:
- | | |
|--|--|
| (i) Amount per ordinary share
- First interim dividend | 5 sen (2021: 1.5 sen) per ordinary share under the single tier system which is tax exempt in the hands of the shareholders |
| (ii) Total dividends approved to date for the current financial year:
Amount per ordinary share | 5 sen (2021: 1.5 sen) per ordinary share under the single tier system which is tax exempt in the hands of the shareholders |
- (b) The dividend will be payable in cash on 22 September 2022; and
- (c) In respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 9 September 2022.

NOTICE OF INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that the first interim dividend of 5 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967 in respect of the financial year ending 31 December 2022, will be payable in cash on 22 September 2022 to the shareholders whose names appear on the Company's Record of Depositors at the close of business on 9 September 2022.

A depositor shall qualify for entitlement to the dividend only in respect of:

- (a) shares transferred into the depositor's securities account before 4.30 p.m. on 9 September 2022 in respect of transfers; and
- (b) shares bought on the Bursa Malaysia Securities Berhad ["Bursa Securities"] on a cum entitlement basis according to the Rules of the Bursa Securities.

14. Auditors' report on preceding annual financial statements

The auditors' report in respect of the financial statements of the Company for the preceding financial year ended 31 December 2021 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 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
24 August 2022