

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 2023**

	Quarter ended			Year-to-date ended		
	31.3.2023 RM'000	31.3.2022 RM'000	Increase/ (Decrease)	31.3.2023 RM'000	31.3.2022 RM'000	Increase/ (Decrease)
Revenue	159,934	242,153	(34%)	159,934	242,153	(34%)
Operating expenses	(132,638)	(144,415)		(132,638)	(144,415)	
Net other operating income	5,001	* 27,858		5,001	* 27,858	
Operating profit	32,297	125,596	(74%)	32,297	125,596	(74%)
Finance costs	(812)	(676)		(812)	(676)	
Profit before tax	31,485	124,920	(75%)	31,485	124,920	(75%)
Tax expense	(8,070)	(23,253)		(8,070)	(23,253)	
Profit and total comprehensive income for the period	23,415	101,667	(77%)	23,415	101,667	(77%)
Earnings per share (sen)						
Basic	2.93	12.71	(77%)	2.93	12.71	(77%)
Diluted	N/A	N/A		N/A	N/A	

* Net other operating income for the preceding year corresponding 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 2022 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 2023**

	As at 31.3.2023 RM'000	As at 31.12.2022 RM'000 <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	1,730,708	1,732,233
Current assets		
Inventories	124,117	119,545
Biological assets	30,840	28,508
Receivables	8,383	9,204
Current tax assets	23,833	25,117
Money market deposits	310,801	339,586
Cash and cash equivalents	169,714	166,336
	<u>667,688</u>	<u>688,296</u>
TOTAL ASSETS	<u>2,398,396</u>	<u>2,420,529</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	1,769,712	1,802,275
	<u>1,897,529</u>	<u>1,930,092</u>
Less: Treasury shares	(841)	(841)
TOTAL EQUITY	<u>1,896,688</u>	<u>1,929,251</u>
Non-current liabilities		
Deferred tax liabilities	362,059	362,043
Lease liabilities	58,377	57,861
	<u>420,436</u>	<u>419,904</u>
Current liabilities		
Payables	71,303	61,282
Lease liabilities	9,969	10,092
	<u>81,272</u>	<u>71,374</u>
TOTAL LIABILITIES	<u>501,708</u>	<u>491,278</u>
TOTAL EQUITY AND LIABILITIES	<u>2,398,396</u>	<u>2,420,529</u>
Net assets per share (RM)	<u>2.37</u>	<u>2.41</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 2022 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 2023**

	← 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 2023	1,475,578	(1,347,761)	1,802,275	(841)	1,929,251
Profit and total comprehensive income for the period	-	-	23,415	-	23,415
Dividends	-	-	(55,978)	-	(55,978)
At 31 March 2023	<u>1,475,578</u>	<u>(1,347,761)</u>	<u>1,769,712</u>	<u>(841)</u>	<u>1,896,688</u>
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>

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 2022 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 2023**

	Year-to-date ended	
	31.3.2023	31.3.2022
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	31,485	124,920
Adjustments for:		
Non-cash items	19,107	11,155
Non-operating items	(108)	(18,865)
Dividend income	(1,375)	(131)
Net interest (income)/expense	(287)	96
Operating profit before working capital changes	48,822	117,175
Net changes in working capital	6,270	(59,014)
Net tax paid	(6,770)	(25,275)
Net interest received/(paid)	287	(96)
Net cash generated from operating activities	48,609	32,790
Cash flows from investing activities		
Dividend received from money market deposits	1,375	131
Decrease/(Increase) in money market deposits	30,151	(38,117)
Proceeds from disposal of property, plant and equipment	108	41
Proceeds from disposal of assets held for sale	-	84,925
Purchase of property, plant and equipment	(18,082)	(16,066)
Net cash generated from investing activities	13,552	30,914
Cash flows from financing activities		
Dividends paid	(55,978)	(123,951)
Payment of lease liabilities	(2,805)	(2,083)
Net cash used in financing activities	(58,783)	(126,034)
Net change in cash and cash equivalents	3,378	(62,330)
Cash and cash equivalents at beginning of period	166,336	121,040
Cash and cash equivalents at end of period	169,714	58,710
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	134,700	38,350
Cash in hand and at bank	35,014	20,360
	169,714	58,710

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2022 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 2022.

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 2022.

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 securitiesShare buyback by the Company

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

As at 31 March 2023, 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	
	31.3.2023	31.3.2022
	RM'000	RM'000
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
Dividend in respect of financial year ended 31 December 2022:		
- Second interim (7 sen) under the single tier system approved by the Directors on 22 February 2023 and paid on 22 March 2023	55,978	-
	55,978	123,951

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 18 May 2023 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 18 May 2023.

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 interim period 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 31.3.2023	As at 31.12.2022
	RM'000	RM'000 <i>(Audited)</i>
Contracted but not provided for		
- Property, plant and equipment	<u>67,351</u>	<u>26,224</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 meeting held on 25 May 2022.

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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 RM159.9 million was 34% lower than the preceding year corresponding quarter mainly due to lower average selling price of all palm products.

Average selling price of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] for the current quarter at RM4,088 per tonne and RM2,182 per tonne respectively were both lower than the preceding year corresponding quarter of RM6,019 per tonne for CPO and RM4,702 per tonne for PK.

CPO sales volume for the current quarter at 33,906 tonnes was marginally above the preceding year corresponding quarter of 33,607 tonnes whilst PK sales volume was 15% higher at 8,431 tonnes as compared to the preceding year corresponding quarter of 7,319 tonnes.

CPO and PK production for the current quarter were higher than the preceding year corresponding quarter by 24% and 15% respectively, in tandem with the increase in fresh fruit bunches ["FFB"] production by 15% due to seasonal yield trend and changes in cropping patterns as well as higher volume of FFB purchased, and higher CPO extraction rates.

Production costs continued to be affected by higher fertilizer and diesel prices, and the increase in minimum wage from RM1,100 to RM1,500 effective from 31 May 2022.

Overall, the Group's profit before tax ["PBT"] and profit after tax ["PAT"] for the current quarter of RM31.5 million and RM23.4 million were lower than the preceding year corresponding quarter by 75% and 77% respectively, also affected by lower gain from fair value adjustments of biological assets. In the preceding year corresponding quarter, 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 disposal of assets held for sale disclosed in Note 5 below.

Consequently, basic earnings per share for the current quarter was lower at 2.93 sen, 77% below preceding year corresponding quarter of 12.71 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 31.3.2023	Immediate Preceding Quarter ended 31.12.2022	Increase/ (Decrease)
	RM'000	RM'000	
Revenue	<u>159,934</u>	<u>143,552</u>	11%
Profit before tax	<u>31,485</u>	<u>27,701</u>	14%
Profit after tax	<u>23,415</u>	<u>18,870</u>	24%

The Group's PBT for the current quarter at RM31.5 million was 14% above the immediate preceding quarter of RM27.7 million, benefitted from higher revenue and gain from fair value adjustments of biological assets of RM2.3 million as compared to a loss of RM13.2 million in the immediate preceding quarter but reduced by higher operating expenses.

Revenue in the current quarter was 11% above the immediate preceding quarter attributable to higher average selling price and higher sales volume of CPO. Average selling price per tonne of CPO was 2% higher than the immediate preceding quarter of RM4,019 whilst CPO sales volume was 13% above the immediate preceding quarter of 30,066 tonnes.

3. Current year prospects

Malaysia's palm oil inventories at the end of April 2023 decreased by 10.5% month-on-month to 1.5 million tonnes. In April 2023, Malaysia's CPO production was 7.1% lower month-on-month at 1.196 million tonnes in tandem with the lower FFB production. Average CPO price per tonne in April 2023 was RM4,217.50 and in the first ten days of May 2023, daily prices ranged between RM3,965.50 to RM4,117 per tonne.

CPO prices are expected to be under pressure in the near term with the uncertainties over the import policies on palm oil and soft oils by India, one of the major palm oil importing countries and also the palm oil export policy by Indonesia. The recent narrowing of discounts on palm oil to soft oils and the situation of palm oil trading at a premium over sunflower oil have prompted importers in India to switch from palm oil to soyoil and sunflower oil. The palm oil export policy in Indonesia continues to be a major influence on palm oil prices and as the country's production is forecast to increase in the second half of the year, the Indonesian government may lower the CPO export reference price to normalise palm oil exports.

High production costs continued to be a challenge for the Group due to inflationary pressures and the high prices of fertilizer, diesel and other input materials as well as higher labour cost. Nevertheless, to mitigate this, the Group continues to focus on improving the overall cost efficiencies of its operations and put concerted efforts to improve FFB yield and oil extraction rates.

Based on the foregoing, the Group expects its results for the financial year ending 31 December 2023 to be influenced by movements in commodities prices, high production costs and uncertainties in the global economies.

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	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after crediting/(charging):				
Interest income	1,099	580	1,099	580
Dividend income from money market deposits	1,375	131	1,375	131
Gain on money market deposits at fair value	1,366	1,036	1,366	1,036
Interest expense	(812)	(676)	(812)	(676)
Depreciation and amortisation	(21,933)	(20,875)	(21,933)	(20,875)
Property, plant and equipment written off	(872)	-	(872)	-
Gain on disposal of property, plant and equipment	108	41	108	41
Gain on disposal of assets held for sale	-	18,824	-	18,824
Gain from fair value adjustments of biological assets	2,332	8,684	2,332	8,684

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	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	8,054	37,511	8,054	37,511
- deferred tax	16	(14,258)	16	(14,258)
	<u>8,070</u>	<u>23,253</u>	<u>8,070</u>	<u>23,253</u>

The Group's effective tax rate for the current quarter was 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.

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

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 18 May 2023.

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 trial of the Consolidated RESB Suit commenced on 13 September 2017 and concluded on 17 January 2023. The Court has given directions for the filing and exchange of written submissions among the parties. A mention date has been fixed on 16 June 2023 to monitor status of the written submissions as well as to fix new dates for oral submission, if necessary.

The Company has been advised by its solicitors, Messrs Jayasuriya Kah & Co., that RESB is likely to receive a favourable court decision 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 trial of the Consolidated RESB Suit commenced on 13 September 2017 and concluded on 17 January 2023. The Court has given directions for the filing and exchange of written submissions among the parties. A mention date has been fixed on 16 June 2023 to monitor status of the written submissions as well as to fix new dates for oral submission, if necessary.

The Company has been advised by its solicitors, Messrs Jayasuriya Kah & Co., that RESB is likely to receive a favourable court decision 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 interim period.

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	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
Profit attributable to owners of the Company (RM'000)	23,415	101,667	23,415	101,667
Weighted average number of ordinary shares in issue (excluding treasury shares) ('000)	799,685	799,685	799,685	799,685
Basic EPS (sen)	2.93	12.71	2.93	12.71

(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 2022 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 agreed 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 its compliance with the SC 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, a 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 2023