

Hap Seng Plantations Holdings Berhad 200701011957 (769962-K)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THIRD QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2023**

	Quarter ended			Year-to-date ended		
	30.9.2023 RM'000	30.9.2022 RM'000	Increase/ (Decrease)	30.9.2023 RM'000	30.9.2022 RM'000	Increase/ (Decrease)
Revenue	164,555	181,987	(10%)	493,276	671,002	(26%)
Operating expenses	(132,493)	(142,045)		(418,692)	(439,169)	
Net other operating income/(expense)	17,897	(21,940)		21,630	* 6,606	
Operating profit	49,959	18,002	178%	96,214	238,439	(60%)
Finance costs	(776)	(771)		(2,363)	(2,167)	
Profit before tax	49,183	17,231	185%	93,851	236,272	(60%)
Tax expense	(11,336)	5,645		(23,168)	(44,827)	
Profit and total comprehensive income for the period	37,847	22,876	65%	70,683	191,445	(63%)
Earnings per share (sen)						
Basic	4.73	2.86	65%	8.84	23.94	(63%)
Diluted	N/A	N/A		N/A	N/A	

* Net other operating income for the preceding year-to-date ended 30 September 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 30 SEPTEMBER 2023**

	As at 30.9.2023 RM'000	As at 31.12.2022 RM'000 <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	1,732,566	1,732,233
Current assets		
Inventories	105,894	119,545
Biological assets	41,567	28,508
Receivables	47,861	9,204
Current tax assets	34,176	25,117
Money market deposits	418,078	339,586
Cash and cash equivalents	63,747	166,336
	<u>711,323</u>	<u>688,296</u>
TOTAL ASSETS	<u>2,443,889</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	1,804,985	1,802,275
	<u>1,932,802</u>	<u>1,930,092</u>
Less: Treasury shares	(841)	(841)
TOTAL EQUITY	<u>1,931,961</u>	<u>1,929,251</u>
Non-current liabilities		
Deferred tax liabilities	365,190	362,043
Lease liabilities	57,140	57,861
	<u>422,330</u>	<u>419,904</u>
Current liabilities		
Payables	80,333	61,282
Lease liabilities	9,265	10,092
	<u>89,598</u>	<u>71,374</u>
TOTAL LIABILITIES	<u>511,928</u>	<u>491,278</u>
TOTAL EQUITY AND LIABILITIES	<u>2,443,889</u>	<u>2,420,529</u>
Net assets per share (RM)	<u>2.42</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 30 SEPTEMBER 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	-	-	70,683	-	70,683
Dividends	-	-	(67,973)	-	(67,973)
At 30 September 2023	<u>1,475,578</u>	<u>(1,347,761)</u>	<u>1,804,985</u>	<u>(841)</u>	<u>1,931,961</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	-	-	191,445	-	191,445
Dividends	-	-	(163,935)	-	(163,935)
At 30 September 2022	<u>1,475,578</u>	<u>(1,347,761)</u>	<u>1,783,405</u>	<u>(841)</u>	<u>1,910,381</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 30 SEPTEMBER 2023**

	Year-to-date ended	
	30.9.2023	30.9.2022
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	93,851	236,272
Adjustments for:		
Non-cash items	45,903	73,354
Non-operating items	(224)	(18,894)
Dividend income	(2,267)	(316)
Net interest (income)/expense	(695)	712
Operating profit before working capital changes	136,568	291,128
Net changes in working capital	(5,955)	13,225
Net tax paid	(29,080)	(85,460)
Net interest received/(paid)	695	(712)
Net cash generated from operating activities	102,228	218,181
Cash flows from investing activities		
Dividend received from money market deposits	2,267	316
Increase in money market deposits	(71,714)	(109,492)
Proceeds from disposal of property, plant and equipment	224	413
Proceeds from disposal of assets held for sale	-	84,925
Purchase of property, plant and equipment	(59,200)	(57,460)
Net cash used in investing activities	(128,423)	(81,298)
Cash flows from financing activities		
Dividends paid	(67,973)	(163,935)
Payment of lease liabilities	(8,421)	(6,882)
Net cash used in financing activities	(76,394)	(170,817)
Net change in cash and cash equivalents	(102,589)	(33,934)
Cash and cash equivalents at beginning of period	166,336	121,040
Cash and cash equivalents at end of period	63,747	87,106
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	-	39,420
Cash in hand and at bank	63,747	47,686
	63,747	87,106

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 interim periods 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 securities

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

As at 30 September 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 ordinary shares during the interim period and preceding year corresponding period were as follows:

	Year-to-date ended	
	30.9.2023	30.9.2022
	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:		
- first interim (5 sen) under the single tier system approved by the Directors on 24 August 2022 and paid on 22 September 2022	-	39,984
- 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	-
Dividend in respect of financial year ending 31 December 2023:		
- first interim (1.5 sen) under the single tier system approved by the Directors on 23 August 2023 and paid on 21 September 2023	11,995	-
	<u>67,973</u>	<u>163,935</u>

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 15 November 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 which 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 15 November 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 30.9.2023 RM'000	As at 31.12.2022 RM'000 <i>(Audited)</i>
Contracted but not provided for - property, plant and equipment	47,129	26,224

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 25 May 2022 and 24 May 2023.

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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**

Group's revenue for the current quarter at RM164.6 million was 10% lower than the preceding year corresponding quarter mainly due to lower average selling price but mitigated by higher sales volume of all the palm products.

Average selling price of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] for the current quarter at RM3,924 per tonne and RM2,142 per tonne respectively were both lower than the preceding year corresponding quarter of RM5,219 per tonne for CPO and RM2,543 per tonne for PK. CPO sales volume for the current quarter at 36,726 tonnes was 18% above the preceding year corresponding quarter whilst PK sales volume was 25% higher at 8,167 tonnes, benefitted from higher production.

Current quarter's CPO and PK production were higher by 17% and 21% respectively as compared to the preceding year corresponding quarter mainly attributable to higher fresh fruit bunches ["FFB"] production, higher volume of FFB purchased and higher extraction rates. FFB production in the current quarter was 12% above the preceding year corresponding quarter due to seasonal yield trend and changes in cropping patterns. Accordingly, unit production cost was lower in the current quarter.

In the current quarter, the Group benefitted from a gain from fair value adjustments of biological assets of RM15 million as compared to a loss of RM24.2 million in the preceding year corresponding quarter. Consequently, Group's profit before tax ["PBT"] and profit after tax ["PAT"] for the current quarter at RM49.2 million and RM37.8 million were significantly higher than the preceding year corresponding quarter by 185% and 65% respectively.

Year-to-date Group's PBT and PAT at RM93.9 million and RM70.7 million were lower than the preceding year corresponding period by 60% and 63% respectively mainly due to lower average selling price of all palm products and higher production costs but mitigated by the gain from fair value adjustments of biological assets of RM13.1 million as compared to a loss of RM16.1 million in the preceding year corresponding period. In the preceding year corresponding period, PBT and PAT also 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.

Correspondingly, basic earnings per share for the year-to-date was 8.84 sen, 63% below the preceding year corresponding period of 23.94 sen.

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

	Current Quarter ended 30.9.2023	Immediate Preceding Quarter ended 30.6.2023	Increase/ (Decrease)
	RM'000	RM'000	
Revenue	<u>164,555</u>	<u>168,787</u>	(3%)
Profit before tax	<u>49,183</u>	<u>13,183</u>	273%
Profit after tax	<u>37,847</u>	<u>9,421</u>	302%

The Group's PBT for the current quarter was RM49.2 million, 273% above the immediate preceding quarter of RM13.2 million mainly attributable to lower operating expenses and gain from fair value adjustments of biological assets of RM15 million as compared to a loss of RM4.3 million in the immediate preceding quarter.

Current quarter's revenue was 3% below the immediate preceding quarter mainly due to lower average selling price for CPO of RM3,924 per tonne as compared to the immediate preceding quarter of RM3,978 per tonne and lower CPO sales volume which was 2% below the immediate preceding quarter of 37,635 tonnes.

3. **Current year prospects**

Malaysia's palm oil inventories at the end of September 2023 increased 9.6% month-on-month to 2.31 million tonnes, an 11-month high on the back of higher palm oil production and lower palm oil exports. Palm oil inventories at the end of October 2023 rose further to 2.45 million, an increase of 6% month-on-month. Palm oil inventories are expected to continue to be high for the balance of the year as lower demand is expected from major palm oil importers, India and China due to high inventories in these countries and also competition from rival edible oils, soyoil and sunflower oil.

Sunflower oil prices have fallen drastically since the Ukraine-Russia war and are currently trading at a discount to soyoil. Soyoil price premium over palm oil has narrowed recently with higher soybean crops in South America, particularly Brazil and higher quarterly soybean stocks reported in the United States of America. CPO prices in the forthcoming months are expected to be influenced by the seasonally high production of palm oil in tandem with the high cropping season of FFB and competition from rival edible oils, soyoil and sunflower oil. Average CPO price in October 2023 was RM3,640 per tonne, the lowest in 4 months. In November 2023, daily prices up to 9 November 2023 ranged from RM3,606 to RM3,662.50 per tonne.

Production costs are expected to remain high due to inflationary pressures and the high prices of fertilizer, diesel and other input materials as well as higher labour cost. Nevertheless, the Group continues to put concerted efforts to improve the overall cost efficiencies of its operations whilst practising good plantation husbandry to improve FFB yield and extraction rates to mitigate unit production cost.

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

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

5. Profit before tax

	Quarter ended		Year-to-date ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after crediting/(charging):				
Interest income	872	451	3,058	1,455
Dividend income from money market deposits	538	99	2,267	316
Gain on money market deposits at fair value	2,630	3,276	6,778	5,743
Interest expense	(776)	(771)	(2,363)	(2,167)
Depreciation and amortisation	(21,318)	(21,126)	(64,843)	(63,010)
Property, plant and equipment written off	(1)	(36)	(897)	(36)
Net (loss)/gain on disposal of property, plant and equipment	-	(6)	224	70
Gain on disposal of assets held for sale	-	-	-	18,824
Net gain/(loss) from fair value adjustments of biological assets	15,023	(24,195)	13,059	(16,051)

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

6. Tax expense

	Quarter ended		Year-to-date ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	7,881	6,912	20,836	63,776
- deferred tax	4,270	(2,113)	3,147	(16,688)
	12,151	4,799	23,983	47,088
In respect of prior periods				
- income tax	(815)	(11,431)	(815)	(2,951)
- deferred tax	-	987	-	690
	(815)	(10,444)	(815)	(2,261)
	11,336	(5,645)	23,168	44,827

The Group's effective tax rate (excluding tax in respect of prior periods) for the current quarter and year-to-date were 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 (excluding tax in respect of prior periods) for the preceding year corresponding quarter was higher than the statutory tax rate mainly due to certain expenses non-deductible for tax purposes, deferred tax assets not recognised on business losses in certain subsidiaries and the provision of Cukai Makmur (Prosperity Tax) at 33% on chargeable income exceeding RM100 million for the year of assessment 2022 only as provided in the Finance Act 2021. The effective tax rate for the preceding year corresponding period 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.

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 15 November 2023.

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.

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

(a) (continued)

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. Parties have filed their written submissions to the Court and are currently exchanging their respective reply submissions. A case management has been fixed on 28 November 2023 to monitor the status of reply submissions and/or to set new dates for clarification by oral submissions if necessary.

On a separate note, HCH was charged in the Kota Kinabalu Sessions Court for four counts of cheating and forgery in respect of the Alleged PA. The criminal proceedings against HCH began on 27 October 2014. On 16 May 2016, the Kota Kinabalu Sessions Court found HCH guilty of cheating and forgery under sections 420 and 471 of the Penal Code with which HCH was sentenced to twelve months of imprisonment and imposed a fine of RM40,000, and in default thereof eight months of imprisonment. HCH appealed to KKHC against the said conviction as well as the consequent sentence and fine.

On 1 March 2018, in addition to affirming the said conviction, the KKHC substituted the sentence of twelve months of imprisonment with the sentence of five years of imprisonment. HCH appealed to the Court of Appeal against the KKHC decision, which appeal was struck out on 23 May 2022.

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.

(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.

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) (continued)

On 27 July 2016, the KKHC, upon application of RESB, granted an order converting the KK Suit from an originating summons 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. Parties have filed their written submissions to the Court and are currently exchanging their respective reply submissions. A case management has been fixed on 28 November 2023 to monitor the status of reply submissions and/or to set new dates for clarification by oral submissions if necessary.

On a separate note, HCH was charged in the Kota Kinabalu Sessions Court for four counts of cheating and forgery in respect of the Alleged PA. The criminal proceedings against HCH began on 27 October 2014. On 16 May 2016, the Kota Kinabalu Sessions Court found HCH guilty of cheating and forgery under sections 420 and 471 of the Penal Code with which HCH was sentenced to twelve months of imprisonment and imposed a fine of RM40,000, and in default thereof eight months of imprisonment. HCH appealed to KKHC against the said conviction as well as the consequent sentence and fine.

On 1 March 2018, in addition to affirming the said conviction, the KKHC substituted the sentence of twelve months of imprisonment with the sentence of five years of imprisonment. HCH appealed to the Court of Appeal against the KKHC decision, which appeal was struck out on 23 May 2022.

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.

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12. Earnings per share [“EPS”]

- (a) The basic EPS is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding treasury shares held by the Company as follows:

	Quarter ended		Year-to-date ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
Profit attributable to owners of the Company (RM'000)	37,847	22,876	70,683	191,445
Weighted average number of ordinary shares in issue (excluding treasury shares) ('000)	799,685	799,685	799,685	799,685
Basic EPS (sen)	4.73	2.86	8.84	23.94

- (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.

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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 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
20 November 2023