# HAP SENG CONSOLIDATED BERHAD (26877-W)

*(Incorporated in Malaysia)*

**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**
**FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012**

| | Quarter ended | | Year-to-date ended | |
|---|---|---|---|---|
| | **30.6.2012** | **30.6.2011** | **30.6.2012** | **30.6.2011** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Revenue** | 962,475 | 958,521 | 1,813,027 | 1,709,868 |
| Operating expenses | (805,235) | (783,073) | (1,516,352) | (1,420,204) |
| Other operating income | 16,416 | 14,254 | 35,413 | 60,605 |
| **Operating profit** | 173,656 | 189,702 | 332,088 | 350,269 |
| Financing costs | (23,764) | (22,647) | (50,063) | (42,093) |
| Share of results of associates | 9,646 | 4,077 | 15,673 | 7,941 |
| **Profit before tax** | 159,538 | 171,132 | 297,698 | 316,117 |
| Tax expense | (42,315) | (45,327) | (74,673) | (81,074) |
| **Profit for the period** | 117,223 | 125,805 | 223,025 | 235,043 |
| **Profit attributable to:** | | | | |
| Owners of the Company | 102,877 | 90,533 | 189,038 | 172,707 |
| Non-controlling interests | 14,346 | 35,272 | 33,987 | 62,336 |
| | 117,223 | 125,805 | 223,025 | 235,043 |
| **Earnings per share (sen)** | | | | |
| Basic | 4.74 | 4.82 | 8.69 | 9.35 |
| Diluted | 4.73 | N/A | 8.68 | N/A |

*The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the Interim Financial Statements*

**HAP SENG CONSOLIDATED BERHAD** (26877-W)

*(Incorporated in Malaysia)*

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE SECOND QUARTER AND YEAR TO DATE ENDED 30 JUNE 2012

| | Quarter ended | | Year-to-date ended | |
|---|---|---|---|---|
| | **30.6.2012** | **30.6.2011** | **30.6.2012** | **30.6.2011** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Profit for the period** | 117,223 | 125,805 | 223,025 | 235,043 |
| **Other comprehensive income:** | | | | |
| Exchange difference on translation of foreign operations, net of tax | 1,487 | (1,275) | 954 | (2,379) |
| **Total comprehensive income for the period, net of tax** | 118,710 | 124,530 | 223,979 | 232,664 |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the Company | 104,364 | 89,789 | 189,992 | 171,093 |
| Non-controlling interests | 14,346 | 34,741 | 33,987 | 61,571 |
| | 118,710 | 124,530 | 223,979 | 232,664 |

*The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the Interim Financial Statements*

HAP SENG CONSOLIDATED BERHAD (26877-W)
*(Incorporated in Malaysia)*

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 30 JUNE 2012

| | As at 30.6.2012 RM'000 | As at 31.12.2011 RM'000 *(Audited)* |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | 1,181,976 | 1,156,171 |
| Biological assets | 423,582 | 420,539 |
| Investment properties | 401,557 | 475,153 |
| Associates | 401,428 | 387,303 |
| Other investment | 30,000 | 30,000 |
| Land held for property development | 356,964 | 371,366 |
| Goodwill | 36,736 | 36,736 |
| Long term receivables | 961,456 | 828,747 |
| Deferred tax assets | 70,318 | 71,746 |
| | 3,864,017 | 3,777,761 |
| **Current assets** | | |
| Inventories | 819,301 | 941,461 |
| Property development costs | 374,100 | 249,725 |
| Receivables | 1,197,091 | 1,147,407 |
| Tax recoverable | 42,984 | 43,855 |
| Cash and bank balances | 468,055 | 666,901 |
| | 2,901,531 | 3,049,349 |
| **TOTAL ASSETS** | 6,765,548 | 6,827,110 |
| **Equity attributable to owners of the Company** | | |
| Share capital | 2,186,361 | 2,186,357 |
| Reserves | 1,202,848 | 1,115,343 |
| | 3,389,209 | 3,301,700 |
| Less: Treasury shares | (45,802) | (8,283) |
| | 3,343,407 | 3,293,417 |
| **Non-controlling interests** | 356,794 | 358,631 |
| **TOTAL EQUITY** | 3,700,201 | 3,652,048 |
| **Non-current liabilities** | | |
| Borrowings | 1,277,579 | 1,370,710 |
| Deferred tax liabilities | 167,008 | 168,051 |
| Other payables | 3,535 | 1,648 |
| | 1,448,122 | 1,540,409 |
| **Current liabilities** | | |
| Payables and provisions, including derivatives | 436,384 | 439,779 |
| Tax payable | 31,982 | 20,401 |
| Borrowings | 1,148,859 | 1,174,473 |
| | 1,617,225 | 1,634,653 |
| **TOTAL LIABILITIES** | 3,065,347 | 3,175,062 |
| **TOTAL EQUITY AND LIABILITIES** | 6,765,548 | 6,827,110 |
| **Net assets per share (RM)** | 1.55 | 1.51 |
| Based on number of shares net of treasury shares | 2,158,783,900 | 2,180,927,400 |

*The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the Interim Financial Statements*

**HAP SENG CONSOLIDATED BERHAD** (26877-W)

*(Incorporated in Malaysia)*

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR YEAR-TO-DATE ENDED 30 JUNE 2012

| | Attributable to Owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share Capital RM'000 | Non-distributable Reserves RM'000 | Distributable Reserves RM'000 | Treasury Shares RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total Equity RM'000 |
| **At 1 January 2012** | 2,186,357 | 128,498 | 986,845 | (8,283) | 3,293,417 | 358,631 | 3,652,048 |
| Profit for the period | - | - | 189,038 | - | 189,038 | 33,987 | 223,025 |
| Other comprehensive income | - | 954 | - | - | 954 | - | 954 |
| Total comprehensive income | - | 954 | 189,038 | - | 189,992 | 33,987 | 223,979 |
| Reserves realised upon disposal of assets | - | (1,093) | 1,093 | - | - | - | - |
| Issuance of shares pursuant to the exercise of warrants | 4 | 3 | - | - | 7 | - | 7 |
| Changes in ownership interests in a subsidiary | - | - | - | - | - | 50 | 50 |
| Purchase of treasury shares | - | - | - | (37,519) | (37,519) | - | (37,519) |
| Purchase of treasury shares by subsidiary | - | - | - | - | - | (6) | (6) |
| Dividends to owners of the Company | - | - | (102,490) | - | (102,490) | - | (102,490) |
| Dividends paid by subsidiary | - | - | - | - | - | (35,868) | (35,868) |
| **At 30 June 2012** | 2,186,361 | 128,362 | 1,074,486 | (45,802) | 3,343,407 | 356,794 | 3,700,201 |
| | | | | | | | |
| **At 1 January 2011** | 622,660 | 51,059 | 2,066,962 | (154,467) | 2,586,214 | 330,588 | 2,916,802 |
| Profit for the period | - | - | 172,707 | - | 172,707 | 62,336 | 235,043 |
| Other comprehensive income | - | (1,614) | - | - | (1,614) | (765) | (2,379) |
| Total comprehensive income | - | (1,614) | 172,707 | - | 171,093 | 61,571 | 232,664 |
| Issuance of shares pursuant to the Private Placement | 43,800 | 186,150 | - | - | 229,950 | - | 229,950 |
| Changes in ownership interests in a subsidiary | - | - | (30,452) | - | (30,452) | (10,821) | (41,273) |
| Purchase of treasury shares | - | - | - | (11) | (11) | - | (11) |
| Purchase of treasury shares by subsidiary | - | - | - | - | - | (5) | (5) |
| Dividends to owners of the Company | - | - | (123,894) | - | (123,894) | - | (123,894) |
| Dividends paid by subsidiary | - | - | - | - | - | (25,116) | (25,116) |
| **At 30 June 2011** | 666,460 | 235,595 | 2,085,323 | (154,478) | 2,832,900 | 356,217 | 3,189,117 |

*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 2011 and the accompanying explanatory notes attached to the Interim Financial Statements*

**HAP SENG CONSOLIDATED BERHAD** (26877-W)

*(Incorporated in Malaysia)*

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR YEAR-TO-DATE ENDED 30 JUNE 2012

| | Year-to-date ended | |
|---|---|---|
| | **30.6.2012** | **30.6.2011** |
| | RM'000 | RM'000 |
| **Cash flows from operating activities** | | |
| Profit before tax | 297,698 | 316,117 |
| Adjustments for: | | |
| Non-cash items | 33,297 | 35,501 |
| Non-operating items | (18,145) | (40,700) |
| Net interest expense | 43,826 | 39,100 |
| Operating profit before working capital changes | 356,676 | 350,018 |
| Net changes in working capital | 69,577 | (422,917) |
| Net changes in loan receivables | (147,466) | (189,227) |
| Net tax paid | (61,764) | (45,822) |
| Net interest paid | (43,826) | (39,100) |
| Additions to land held for property development | (2,281) | (13,930) |
| ***Net cash generated from/(used in) operating activities*** | 170,916 | (360,978) |
| **Cash flows from investing activities** | | |
| Dividends received from associates | 1,548 | 2,587 |
| Acquisition of non-controlling interests | - | (41,273) |
| Proceeds from issuance of shares to non-controlling interests | 50 | - |
| Proceeds from disposal of property, plant and equipment | 3,694 | 57,919 |
| Proceeds from disposal of investment properties | 7,000 | - |
| Proceeds from disposal of land held for property development | - | 2,972 |
| Purchase of property, plant and equipment | (67,042) | (109,084) |
| Additions to biological assets | (3,043) | (2,497) |
| Additions to investment properties | (17,541) | (8,408) |
| ***Net cash used in investing activities*** | (75,334) | (97,784) |
| **Cash flows from financing activities** | | |
| Dividends paid to owners of the Company and non-controlling interests | (138,358) | (149,010) |
| Net (repayment)/drawdown of borrowings | (108,489) | 681,566 |
| Proceed from issuance of shares pursuant to the Private Placement | - | 229,950 |
| Proceed from issuance of shares pursuant to the exercise of warrants | 7 | - |
| Shares repurchase at cost | (37,525) | (16) |
| ***Net cash (used in)/generated from financing activities*** | (284,365) | 762,490 |
| **Net (decrease)/increase in cash and cash equivalents** | (188,783) | 303,728 |
| Effects on exchange rate changes | 241 | (572) |
| **Cash and cash equivalents at beginning of the period** | 654,928 | 185,429 |
| **Cash and cash equivalents at end of the period** | 466,386 | 488,585 |

For purposes of Statement of Cash Flows, cash and cash equivalents are presented net of bank overdrafts and comprise the following:

| | | |
|---|---|---|
| Deposits with licensed banks | 372,641 | 365,270 |
| Cash in hand and at bank | 95,414 | 129,735 |
| Bank overdrafts | (1,669) | (6,420) |
| | 466,386 | 488,585 |

*The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the Interim Financial Statements*

## PART A

### Explanatory Notes Pursuant to Financial Reporting Standard (FRS) 134, Interim Financial Reporting

1. **Basis of preparation**

These interim financial statements have been prepared in accordance with the requirements of FRS 134, Interim Financial Reporting and 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 2011.

2. **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 2011, except for the changes arising from the adoption of revised Financial Reporting Standards (FRSs), IC Interpretations and Amendments that are effective for financial period beginning on or after 1 July 2011 and 1 January 2012 as follows:

IC Interpretations and Amendments effective for financial periods beginning on or after 1 July 2011

- IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement

FRSs and Amendments effective for financial periods beginning on or after 1 January 2012

- Amendments to FRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to FRS 7: Transfer of Financial Assets
- Amendments to FRS 112: Deferred Tax: Recovery of Underlying Assets
- FRS 124 Related Party Disclosures

The adoption of the above revised FRSs, IC Interpretation and Amendments do not have any significant financial impact on the Group.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional two years. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group falls within the definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare its financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 December 2014. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

At the date of these interim financial statements, the Group has not completed its quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework due to the ongoing assessment by the project team.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2014.

3. **Comments on the seasonality or cyclicality of operations**

The seasonal or cyclical factors affecting the results of the operations of the Group are as follows:

(a) The performance of the Group's Property Development Division and Quarry and Building Materials Division were influenced by a slowdown in construction activity in the first quarter attributable to the timing of seasonal festive period.

(b) The Group's Plantation Division performance was influenced by general climatic conditions, age profile of oil palms, the cyclical nature of annual production and movements in commodity prices.

4. **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.

5. **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.

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

(a) Issuance of shares pursuant to the exercise of warrants

During the current quarter, 600 warrants were exercised which resulted in 600 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities. Accordingly, a total of 4,200 warrants were exercised during the current financial period and the issued and paid-up share capital of the Company increased to RM2,186,361,600 comprising 2,186,361,600 ordinary shares of RM1.00 each. As at 30 June 2012, 364,388,700 warrants remained unexercised.

Subsequent to the end of the interim period and up to 24 August 2012, another 2,400 warrants were exercised which resulted in 2,400 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities. Accordingly, the issued and paid-up share capital of the Company increased to RM2,186,364,000 comprising 2,186,364,000 ordinary shares of RM1.00 each and 364,386,300 warrants remained unexercised.

(b) Share buyback by the Company

During the current quarter, 17,550,700 shares were bought back and there was no resale or cancellation of treasury shares. Accordingly, a total of 22,147,700 shares were bought back and retained as treasury shares during the current financial period. The monthly breakdown of shares bought back during the current quarter is as follows:

| Month | No of shares Repurchased | Purchase price per share | | Average cost Per share | Total cost |
|---|---|---|---|---|---|
| | | Lowest | Highest | | |
| | | RM | RM | RM | RM |
| April 2012 | 4,060,000 | 1.6400 | 1.7100 | 1.6728 | 6,791,728.51 |
| May 2012 | 4,990,000 | 1.6100 | 1.6900 | 1.6566 | 8,266,625.17 |
| June 2012 | 8,500,000 | 1.6400 | 1.8300 | 1.7461 | 14,841,974.06 |
| Total | 17,550,000 | 1.6100 | 1.8300 | 1.7037 | 29,900,327.74 |

As at 30 June 2012, the Company has 27,577,700 ordinary shares held as treasury shares and the issued and paid up share capital of the Company remained at 2,186,361,600 ordinary shares of RM1.00 each.

Subsequent to end of the interim period and up to 24 August 2012, the Company bought back another 7,169,500 shares which were also retained as treasury shares, thereby increasing the total treasury shares held to 34,747,200 shares.

7. **Dividends paid**

The total dividend paid out of shareholders' equity for the ordinary shares during the interim period is as follows:

| | Year-to-date 30.6.2012 RM'000 | Year-to-date 30.6.2011 RM'000 |
|---|---|---|
| Dividend in respect of financial year ended 31 December 2010: | | |
| - final ( 20.4 sen) under the single tier system approved by shareholders on 7 June 2011 and paid on 24 June 2011 | - | 123,894 |
| Dividend in respect of financial year ended 31 December 2011: | | |
| - second interim (4.7 sen) under the single tier system) approved by the Board of Directors on 14 February 2012 and paid on 13 March 2012 | 102,490 | - |
| | 102,490 | 123,894 |

8. **Segment information**

| | Plantation RM'000 | Property RM'000 | Credit financing RM'000 | Fertilizer trading RM'000 | Quarry and building materials RM'000 | Automotive RM'000 | Other non-reportable segments RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Year-to-date ended 30 June 2012** | | | | | | | | | |
| **Revenue** | | | | | | | | | |
| External revenue | 241,468 | 226,933 | 56,172 | 660,703 | 292,808 | 297,974 | 36,969 | - | 1,813,027 |
| Inter-segment revenue | - | 4,779 | - | 26,537 | 12,529 | 7,625 | - | (51,470) | - |
| Total revenue | 241,468 | 231,712 | 56,172 | 687,240 | 305,337 | 305,599 | 36,969 | (51,470) | 1,813,027 |
| **Operating profit** | 102,709 | 142,619 | 44,472 | 32,912 | 8,901 | 7,088 | (2,859) | (3,754) | 332,088 |
| Financing costs | | | | | | | | | (50,063) |
| Share of results of associates | | | | | | | | | 15,673 |
| **Profit before tax** | | | | | | | | | 297,698 |
| **Segment assets** | 962,949 | 1,609,187 | 1,478,036 | 917,173 | 675,116 | 319,478 | 288,879 | - | 6,250,818 |
| **Year-to-date ended 30 June 2011** | | | | | | | | | |
| **Revenue** | | | | | | | | | |
| External revenue | 326,447 | 161,916 | 44,889 | 518,490 | 248,410 | 363,544 | 46,172 | - | 1,709,868 |
| Inter-segment revenue | - | 4,969 | - | 22,749 | 13,084 | 7,726 | 191 | (48,719) | - |
| Total revenue | 326,447 | 166,885 | 44,889 | 541,239 | 261,494 | 371,270 | 46,363 | (48,719) | 1,709,868 |
| **Operating profit** | 181,291 | 79,978 | 36,183 | 38,173 | 12,141 | 12,304 | (2,979) | (6,822) | 350,269 |
| Financing costs | | | | | | | | | (42,093) |
| Share of results of associates | | | | | | | | | 7,941 |
| **Profit before tax** | | | | | | | | | 316,117 |
| **Segment assets** | 945,373 | 1,696,162 | 1,224,515 | 843,845 | 607,620 | 280,922 | 319,520 | - | 5,917,957 |

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, except for the following:

(a) On 27 April 2012, Estet Perkasa Sdn Bhd ["Estet"] issued and allotted 249,998 ordinary shares of RM1.00 each fully paid at par to the following:

| | **Number of shares allotted and fully paid** | **Cash consideration** |
|---|---|---|
| | | RM |
| Hap Seng Land Development Sdn Bhd ["HSLD"] | 199,997 | 199,997 |
| Hap Seng Land Sdn Bhd | 1 | 1 |
| Jinee Sdn Bhd | 50,000 | 50,000 |
| | -------------- | -------------- |
| | 249,998 | 249,998 |
| | ========= | ======== |

Accordingly, the issued and paid-up share capital of Estet after the completion of the aforesaid allotment comprise 250,000 ordinary shares of RM1.00 each.

Prior to this, 100% of the issued and paid-up share capital of Estet comprising 2 ordinary shares of RM1.00 each were held by HSLD, the wholly-owned subsidiary of the Company. With the completion of the aforesaid allotment, Estet has became a 80% owned subsidiary of the Company.

(b) As part of the Group's re-organisation, the Company has on 17 May 2012 transferred the 2 ordinary shares representing the entire issued and paid-up capital of Hap Seng Fertilizers Holdings Pte Ltd ["HSFHPL"] held by the Company to Hap Seng Building Materials Holdings Sdn Bhd, the wholly-owned subsidiary of the Company for a cash consideration of Singapore Dollar Two (SGD2.00) only. HSFHPL is the Company's dormant wholly-owned subsidiary in Singapore.

(c) As announced on 23 May 2012, the Company has been advised on even date that the transfer of the charter share capital of USD 11,000,000 representing the entire equity interest in Vietnam Star Automobile Limited from Hap Seng Star Vietnam Limited ["HSSVL"] to Hap Seng Star (Vietnam) Sdn Bhd ["HSSVSB"] has been approved by the relevant authority in Vietnam. Both HSSVL and HSSVSB are wholly-owned subsidiaries of the Company.

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.

11. **Events after the interim period**

Save for the subsequent events disclosed in Note 6 above and Note 9 and Note 15 of Part B below, events after the interim period and up to 24 August 2012 that have not been reflected in these interim financial statements are as follows:

(a) On 6 July 2012, Hap Seng Clay Products Sdn Bhd, a wholly-owned subsidiary of the Company acquired the entire issued and paid-up capital share of Kao Fu Bricks Sdn Bhd ["KFBSB"] comprising 13,300,000 ordinary shares of RM1.00 each at the cash consideration of Ringgit Malaysia Seventeen Million and Five Hundred Thousand Only (RM17,500,000). KFBSB is a private limited company incorporated in Malaysia which is principally involved in manufacturing and sales of bricks for the domestic market in Sabah.

(b) In the approval letter from Securities Commission ["SC"] dated 23 July 2007 approving the initial public offering of Hap Seng Plantations Holdings Berhad ["HSP"], the 55.16%-owned listed subsidiary of the Company, SC requires, inter alia, HSP to resolve the issue on the requirement to transfer 30% of Litang Estate/equity in Hap Seng Plantations (Wecan) Sdn Bhd ["Wecan"], the wholly-owned subsidiary of HSP, to natives within the time period stipulated therein ["SC Condition"].

As announced by HSP on 31 July 2012, the Land and Survey Department in Kota Kinabalu had granted to the Company a further extension of time to July 2017 for the transfer of 30% of the undivided share of the Litang Estate or 30% equity in Wecan to natives. On behalf of HSP, CIMB Investment Bank Berhad had on even date submitted an application to the SC to seek a similar extension of time to July 2017 for compliance with the SC Condition, the decision of which is currently pending.

12. **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 has no material contingent liabilities or contingent assets as at the end of the interim period which are expected to have an operational or financial impact on the Group.

13. **Capital commitments**

The Group has the following capital commitments:

| | As at 30.6.2012 RM'000 | As at 31.12.2011 RM'000 |
|---|---|---|
| Approved and contracted for | 231,890 | 60,023 |
| Approved but not contracted for | 72,087 | 103,999 |
| | 303,977 | 164,022 |

14. **Significant related party transactions**

During the interim period, the Company and its subsidiaries did not enter into any Related Party Transactions ["RPT"] or Recurrent Related Party Transactions of a revenue or trading nature ["RRPT"] that had not been included or exceeded by 10% the estimated value which had been mandated by the shareholders during the extraordinary general meeting held on 7 June 2011 and has expired on 29 May 2012.

As at the extraordinary general meeting on 29 May 2012, the Company obtained a renewed shareholders' mandate for RRPT and from the date thereof up to the end of the interim period, the Company and its subsidiaries did not enter into any RPT or RRPT that were not included or exceeded by 10% the estimated value which had been mandated by the shareholders on 29 May 2012.

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**PART B**
**Explanatory Notes Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

1. **Review of performance**

Group revenue for the current quarter at RM962.5 million was marginally higher than the preceding year corresponding quarter attributable to higher revenue from Property, Credit Financing, Fertilizers Trading and Quarry and Building Materials Divisions. However, Group operating profit for the current quarter at RM173.7 million was 8.5% lower than the preceding year corresponding quarter impacted by lower operating profit from Plantation, Fertilizers Trading, Automotive and Quarry and Building Materials Divisions mitigated somewhat by improved operating profit from Property and Credit Financing Divisions.

Plantation Division revenue and operating profit were lower than the preceding year corresponding quarter by RM64.9 million (36%) and RM59.3 million (57%) respectively. The Division's performance was mainly impacted by lower production of Fresh Fruit Bunches ["FFB"], lower sales volume and lower average selling prices of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] as well as higher replanting expenditure and higher production cost per metric ton of CPO. FFB production for the current quarter was lower by 33% affected by adverse seasonal yield trend and cropping pattern due to tree stress. Consequently, CPO production was lower by 32%. CPO sales volume was 30% lower at 30,811 tonnes whilst PK sales volume was 35% lower at 6,790 tonnes. CPO and PK average selling price realisation for the current quarter were RM3,208 per tonne and RM1,852 per tonne as compared to the preceding year corresponding quarter of RM3,372 per tonne and RM2,497 per tonne respectively. Production costs were mainly affected by higher manuring costs due to higher fertilizer prices and higher replanting expenditure in tandem with the increase in replanted area. As at the end of the current quarter 3,518 hectares were under replanting as compared to the preceding year corresponding quarter of 2,594 hectares.

Property Division recorded improvement in revenue and operating profit over the preceding year corresponding quarter by RM22.6 million (20%) and RM52.1 million (153%) respectively. Project sales were impacted by the timing of completion and launches of new projects whilst investment properties recorded improvement in occupancy and rental rates. During the current quarter, the Division realised a total gain of RM61.6 million from the sale of 2 parcels of land held for development in Kota Kinabalu.

Credit Financing Division recorded an improvement in revenue by RM5.7 million (24%) and operating profit by RM4.9 million (26%) over the preceding year corresponding quarter. The Division benefited from higher loan portfolio of approximately RM1.5 billion as compared to RM1.3 billion at the end of the preceding year corresponding quarter and improvement in non-performing loans ratio at 0.73% as compared to 1.61% in the same period last year.

The Fertilizer Trading Division's revenue increased by RM67.2 million (22%) over the preceding corresponding quarter contributed mainly by improved performance in Malaysia which benefited from higher average selling prices and higher volume of fertilisers sold whilst the Indonesian market was impacted by the severe competitive environment and recorded lower sales volume albeit at higher average selling prices. Inspite of the higher revenue, the Division's operating profit was RM4.9 million (21%) below the preceding year corresponding quarter mainly impacted by lower margins in Indonesia due to the competitive environment there and foreign exchanges losses due to the weakening of Indonesian Rupiah against the US Dollar.

Quarry and Building Materials Division's revenue was higher than the preceding year corresponding quarter by RM22.0 million (16%) benefiting mainly from the improvement in quarries, asphalt and bricks operations although dampened somewhat by lower revenue from the building materials trading operations. Overall, operating profit was RM2.2 million (30%) lower than the preceding year corresponding quarter impacted mainly by lower margins from building materials trading and higher production costs of certain new plants which have not reached its optimum production level yet.

The Automotive Division's operations in Malaysia recorded higher sales of Mercedes Benz passenger vehicles and higher services and spare parts sales from its Service Centre in Kinrara, Puchong. The Kinrara Service Centre benefited from the expansion of another 26 work bays which was completed in the first quarter of the year. In Vietnam, performance continued to be impacted by the soft market condition with significantly lower vehicle sales. Accordingly, the Automotive Division's revenue and operating profit for the current quarter were both lower than the preceding year corresponding quarter by RM40.5 million (21%) and RM5.1 million (79%) respectively.

Overall, Group profit before tax and profit after tax for the year to date at RM297.7 million and RM223.0 million were 5.8% and 5.1% lower than the preceding year corresponding quarter. Nevertheless, profit attributable to owners of the Company for the current quarter at RM189.0 million was 9.5% higher than the preceding year corresponding quarter. Basic earnings per share for the year to date was 8.69 sen which was based on a higher weighted average number of shares of 2,174,732,000 shares and was lower than the preceding year of 9.35 sen which was based on 1,847,006,000 shares.

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

Group profit before tax for the current quarter at RM159.5 million was 15% above the preceding quarter of RM138.2 million. Improvement was mainly attributable to higher contribution from Property Division which benefitted from the gain from disposal of 2 parcels of land held for development in Kota Kinabalu but dampened by lower results from the Plantation Division due to adverse seasonal yield trend which affected FFB production and consequently sales of CPO and PK.

3. **Current year prospects**

The Plantation Division will continue to be influenced by movements in commodity prices, fertilizer prices and weather conditions. Generally, FFB production in Sabah where our Group's plantations are situated recorded significantly lower production in the first half of 2012 due to adverse seasonal yield trend mainly caused by tree stress. In the second half of 2012, FFB production is expected to improve but may be impacted if weather condition changes with the possibility of El Nino returning which will affect FFB yield. The global oilseeds and vegetable oils supply situation affected by the drought in U.S. Midwest, the prolonged Euro zone crisis as well as the demand from major emerging economies in Asia like China and India will influence the movements in CPO prices.

The Property Division will continue to be a significant contributor to the Group's results for 2012 coupled with anticipated improvement in project sales although dampened somewhat by the "Guidelines on Responsible Financing" issued by Bank Negara.

Credit Financing Division is expected to focus in the pre-selected loan sectors which have shown resilience and continue to be robust.

Fertilizer Trading Division anticipates the competitive environment in Indonesia to continue amidst movements in global fertilizer prices and foreign currency fluctuations.

The Quarry and Building Materials Division is expected to benefit from improved operating efficiencies and broader market share in both the East and Peninsula Malaysia markets.

The Automotive Division expects contribution from its Malaysian operation to strengthen, benefitting from its expanded Service Centre in Kinrara and launches of new models of Mercedes Benz vehicles although the soft market conditions in Vietnam will continue to have a bearing on the Division's full year prospects.

The Group anticipates its prospects for the financial year ending 31 December 2012 to remain satisfactory.

4. **Variances between actual profit and forecast profit**

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

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5. **Profit for the period**

| | Quarter ended | | Year-to-date ended | |
|---|---|---|---|---|
| | **30.6.2012** | **30.6.2011** | **30.6.2012** | **30.6.2011** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the period is arrived at after crediting/(charging): | | | | |
| Interest income | 1,810 | 2,403 | 6,237 | 2,993 |
| Interest expense | (23,764) | (22,647) | (50,063) | (42,093) |
| Depreciation and amortisation | (19,372) | (18,467) | (38,320) | (35,452) |
| Net (allowance)/reversal of impairment losses | | | | |
| - trade receivables | (3) | (270) | (902) | 746 |
| Net (write down)/reversal of write down on inventories | (205) | (300) | (161) | 823 |
| Gain/(loss) on disposal of: | | | | |
| - property, plant and equipment | 199 | 440 | 652 | 32,580 |
| - investment properties | 1,820 | - | 1,820 | - |
| - land held for property development | - | 216 | - | 179 |
| Property, plant and equipment written off | (4) | (47) | (50) | (49) |
| Bad debts written off | - | (9) | (4) | (9) |
| Foreign exchange (loss)/gain (net) | (3,165) | 753 | (2,401) | 2,380 |
| Gain/(loss) on hedging activities | (3) | - | (3) | - |
| Gain/(loss) on non-hedging derivative instruments | - | 101 | 7 | (117) |
| Gain from fair value adjustments of investment properties | 5,073 | - | 5,073 | - |
| Recovery of bad debts | 245 | 120 | 330 | 239 |

Save as disclosed above and Note 6 of Part A, the other items as required under Appendix 9B, Part A(16) of the Bursa Listing Requirements are not applicable.

6. **Tax expense**

| | Quarter Ended | | Year-to-date ended | |
|---|---|---|---|---|
| | **30.6.2012** | **30.6.2011** | **30.6.2012** | **30.6.2011** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| In respect of current period | | | | |
| - income tax | 41,598 | 45,019 | 74,237 | 79,943 |
| - deferred tax | (163) | (486) | (444) | (100) |
| | 41,435 | 44,533 | 73,793 | 79,843 |
| In respect of prior year | | | | |
| - income tax | 2 | 101 | 2 | 547 |
| - deferred tax | 878 | 693 | 878 | 684 |
| | 880 | 794 | 880 | 1,231 |
| | 42,315 | 45,327 | 74,673 | 81,074 |

The Group's effective tax rate for the current quarter excluding the under provision of tax in respect of prior year was higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes. The effective tax rate for the preceding year corresponding quarter was also higher than the statutory tax rate due to the same reason. The effective tax rates for the year to date and preceding year corresponding period were in line with the statutory 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**

(a) There was no corporate proposal announced but not completed as at 24 August 2012.

(b) The status of the utilisation of proceeds from the Private Placement and Rights Issue with Warrants are as follows:

(i) Private Placement

| Purpose | Proposed Utilisation RM'mil | * Adjusted Proposed Utilisation RM'mil | As at 30 June 2012 Utilisation RM'mil | As at 30 June 2012 Balance Unutilised RM'mil | Intended Timeframe for Utilisation | Deviation under/(over) spent RM'mil | Deviation under/(over) spent % | Explanation |
|---|---|---|---|---|---|---|---|---|
| Capital expenditure for expansion of the existing business operations of our Group | 240.00 | 72.18 | 61.02 | 11.16 | Within 3 years from completion | - | - | Not fully utilised. As such, deviation is not computed. |
| Repayment of borrowings | 300.00 | 90.22 | 90.22 | - | - | - | - | - |
| General working capital | 204.63 | 61.54 | 61.94 | - | - | (0.40) | (1) | Under spent in expenses have been utilised for general working capital |
| Estimated expenses | 20.00 | 6.01 | 5.61 | - | - | 0.40 | 7 | |
| | 764.63 | 229.95 | 218.79 | 11.16 | | - | - | |

** The Proposed Utilisation was adjusted using the same fraction of the Proposed Utilisation as per the Circular to Shareholders dated 21 February 2011 to reflect the actual proceeds from the Private Placement.*

(ii) Rights Issue with Warrants

| Purpose | Proposed Utilisation RM'mil | As at 30 June 2012 Utilisation RM'mil | As at 30 June 2012 Balance Unutilised RM'mil | Intended Timeframe for Utilisation | Deviation under/(over) spent RM'mil | Deviation under/(over) spent % | Explanation |
|---|---|---|---|---|---|---|---|
| Capital expenditure for expansion of the existing business operations of our Group and acquisition of potential land for development | 220.00 | - | 220.00 | Within 3 years from completion | - | - | No utilisation yet. |
| General working capital | 159.00 | 159.56 | - | - | (0.56) | - | Under spent in expenses have been utilised for general working capital |
| Estimated expenses | 3.61 | 3.05 | - | - | 0.56 | 16 | |
| | 382.61 | 162.61 | 220.00 | | - | - | |

8. **Borrowings and debt securities**

The Group does not have any debt securities. The Group borrowings are as follows:

| | As at 30.6.2012 | | | | | As at 31.12.2011 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Denominated in | | | | | Denominated in | | | | |
| | RM | USD | SGD | VND | Total | RM | USD | SGD | VND | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Current</u> | | | | | | | | | | |
| Unsecured | | | | | | | | | | |
| - Bankers acceptances | 181,191 | 1,894 | - | - | 183,085 | 123,914 | - | - | - | 123,914 |
| - Bank overdrafts | 1,669 | - | - | - | 1,669 | 11,973 | - | - | - | 11,973 |
| - Revolving credits | 503,668 | 169,269 | - | 9,132 | 682,069 | 287,600 | 174,540 | - | 22,486 | 484,626 |
| - Term loans | 196,819 | - | - | - | 196,819 | 139,852 | - | - | - | 139,852 |
| - Foreign currency loan | - | 85,217 | - | - | 85,217 | - | 257,655 | 156,453 | - | 414,108 |
| | 883,347 | 256,380 | - | 9,132 | 1,148,859 | 563,339 | 432,195 | 156,453 | 22,486 | 1,174,473 |
| <u>Non-current</u> | | | | | | | | | | |
| Unsecured | | | | | | | | | | |
| - Term loans | 770,271 | - | - | - | 770,271 | 863,448 | - | - | - | 863,448 |
| - Foreign currency loan | - | 12,663 | 494,645 | - | 507,308 | - | 12,617 | 494,645 | - | 507,262 |
| | 770,271 | 12,663 | 494,645 | - | 1,277,579 | 863,448 | 12,617 | 494,645 | - | 1,370,710 |
| | 1,653,618 | 269,043 | 494,645 | 9,132 | 2,426,438 | 1,426,787 | 444,812 | 651,098 | 22,486 | 2,545,183 |

9. **Changes in material litigation (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 then 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) On 24 October 2002, the Company was served with a Writ of Summons [“said Writ”] in the High Court in Sabah and Sarawak at Kota Kinabalu [“Tongod Suit”] wherein the Company was named as the First Defendant, Genting Plantations Berhad *(formerly known as Asiatic Development Berhad)* [“GPB”] as the Second Defendant, Tanjung Bahagia Sdn Bhd as the Third Defendant, Director of Department of Lands and Surveys, Sabah as the Fourth Defendant and the Government of the State of Sabah as the Fifth Defendant. The Tongod Suit was instituted by certain natives of Sabah claiming Native Customary Rights [“NCR”] over all that parcel of land held under Title No. CL095330724 situated in Sungai Tongod, District of Kinabatangan, Sandakan [the "Tongod Land”] or part thereof. The Company had on 9 May 2002 completed its disposal of the Tongod Land to Tanjung Bahagia Sdn Bhd, the wholly-owned subsidiary of GPB.

The Company filed its Statement of Defence and an application to strike out the said Writ on 11 February 2003 [“Striking-out Application”]. The Deputy Registrar dismissed the Striking-out Application on 13 June 2003, which decision was appealed against by the Company [“said Striking-out Appeal”].

The Plaintiffs had earlier filed an application for injunction restraining the Second Defendant and the Third Defendant from carrying out, inter alia, planting activities on the Tongod Land or part thereof [“Injunction Application”]. During the 5 July 2004 High Court hearing on the Injunction Application, the Defendants raised a preliminary objection to the High Court’s jurisdiction to determine Native Customary Rights. The preliminary objection was upheld by the High Court on 20 June 2008 and the Tongod Suit was thereupon dismissed with costs awarded to the Defendants [the "PO Decision”]. The Plaintiffs’s appeal against the PO Decision was dismissed by the Court of Appeal on 9 June 2011 [the "said Dismissal Decision"]. Thereafter, the Plaintiffs filed an application by way of Notice of Motion to the Federal Court seeking leave to appeal against the said Dismissal Decision ["said Leave Application"].

On 25 July 2011, the Federal Court allowed the said Leave Application with which the Plaintiffs were granted leave and stay of the said Dismissal Decision pending hearing of the Plaintiffs’ appeal [“said Appeal”]. On 24 November 2011, the Federal Court allowed the said Appeal and set aside both the PO Decision and said Dismissal Decision. The Federal Court further ordered that the said Striking-out Appeal be remitted to the High Court.

On 21 March 2012, the High Court dismissed the said Striking-out Appeal with costs awarded to the Plaintiffs [“Striking-out Appeal Dismissal”]. Upon the Plaintiffs’ application, the High Court further on 12 April 2012 ordered that the Assistant Collector of Land Revenue and Registrar of Titles of the Department of Lands and Survey be added as the Sixth Defendant and Seventh Defendant respectively in the Tongod Suit. On 13 April 2012, the Company filed a Notice of Appeal to the Court of Appeal appealing against the Striking-out Appeal Dismissal.

The High Court has on 6 August 2012 vacated the trial dates of the Tongod Suit fixed on 18 September to 21 September 2012 and 29 October to 31 October 2012 respectively. The Court has also fixed 4 October 2012 as the next mention date.

The Company’s Solicitors are of the opinion that the Plaintiffs’ NCR claim is unlikely to succeed.

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9. **Changes in material litigation (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 then 7 days from the date of issue of the quarterly report (continued)**

(b) On 23 May 2012, Hap Seng Plantations (River Estates) Sdn Bhd ["RESB"], the wholly-owned subsidiary of Hap Seng Plantations Holdings Berhad ["HSP"], the 55.16%-owned listed subsidiary of the Company, filed a writ of summon and an application for interlocutory injunction ["said Interlocutory Injunction Application"] through its solicitors, Messrs Wong Kian Kheong, against Excess Interpoint Sdn Bhd ["EISB" or "First Defendant"] at the Kuala Lumpur High Court ["KLHC"] vide Civil Suit No. 22NCVC-631-05/2012 ["said KL Civil Suit"].

RESB 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"].

The First Defendant had on 3 April 2012 entered a private caveat on the said Land on the basis of a purported sale and purchase agreement dated 16 January 2012 in respect of the said Land ["said SPA"] entered into with Mr. Heng Chin Hing @ Wong Chin Hing (NRIC No. H0699157/570811-12-5731) ["HCH"]. At the material time, RESB had no knowledge of the said SPA and did not have a copy of the said SPA.

RESB is claiming for the following in the said KL Civil Suit:

(a) That RESB be declared as the registered and beneficial owner of the said Land;
(b) That the said SPA be declared null and void;
(c) An injunction restraining the First Defendant from:-
    (i) effecting any further dealings including but not limited to disposal, assignment, transfer, mortgage, charge, lease, tenancy over the said Land with any third party;
    (ii) taking any actions to fulfill the terms and conditions in the said SPA; and
    (iii) taking any further action to complete the said SPA.
(d) Costs of the said KL Civil Suit; and
(e) Such further or other relief as the Court deems fit and just.

On 14 June 2012, the KLHC granted an ad interim injunction in favour of RESB pending disposal of the hearing of the said Interlocutory Injunction Application subject to the undertaking by RESB to pay damages ["said Ad Interim Injunction"].

On 16 June 2012, the KLHC allowed the application by RESB to add HCH ["Second Defendant"] as a co-defendant to EISB in the said KL Civil Suit. HCH is the alleged donee of the alleged power of attorney dated 8.2.1977 created in respect of the said Land [the "said PA"] pursuant to which HCH had entered into the said SPA with the First Defendant.

On 10 August 2012, the KLHC allowed the First Defendant's application to transfer the said KL Civil Suit to the High Court of Sabah & Sarawak at Kota Kinabalu with costs in the cause. The said Ad Interim Injunction shall continue to be in effect pending disposal of the hearing of the said Interlocutory Injunction Application.

HSP has been advised by its solicitors that RESB has good grounds to succeed in the said KL Civil Suit.

(c) In a separate legal proceeding in respect of the said Land filed by Chee Ah Nun @ Sia Yi Chan (NRIC No. 550808-12-5663) [the "Plaintiff"] in the High Court in Sabah and Sarawak at Kota Kinabalu ["KKHC"] vide Originating Summon No. BKI-24-127/5-2012 ["said OS" or "said OS Action"], RESB was served the said OS on 11 June 2012 and appearance was entered on 14 June 2012 by RESB's solicitors, Messrs. Jayasuria Kah & Co.

The said OS Action is premised on the Deed of Appointment of Substitute By Attorney dated 24 June 2010 ("said Deed of Substitute") allegedly executed by HCH pursuant to which HCH had allegedly divested to the Plaintiff all his interests or claims on the said Land.

The Plaintiff is claiming for the following in the said OS Action:

(a) that by virtue of the said PA allegedly granted by RESB to HCH, RESB had allegedly divested its ownership and all interests or claims on the said Land to HCH;
(b) that pursuant to the said Deed of Substitute, the Plaintiff is now the beneficial owner and has rights to take possession of the said Land;
(c) an order that RESB forthwith deliver vacant possession of the said Land to the Plaintiff free of encumbrances with all fixtures and crops planted thereon;
(d) 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 the Plaintiff's rights thereon;
(e) costs of the said OS action; and
(f) such further or other relief as the Court deems fit and just.

The KKHC has fixed 4 September 2012 to hear (a) RESB's application to convert the said OS Action into a writ action; and (b) RESB's application to stay the said OS Action pending disposal of said KL Civil Suit.

HSP has been advised by its solicitors that the said OS Suit is unlikely to succeed.

10. **Derivatives**

The Group entered into forward foreign exchange contracts where appropriate to minimise its exposure on recognised asset or liability or an unrecognised firm commitment denominated in foreign currencies. Derivatives are stated at fair value which is equivalent to the marking of the derivatives to market, using prevailing market rates.

Details of derivative financial instruments outstanding (including financial instruments designated as hedging instruments) as at 30 June 2012 are as follows:

| | **Contract/ Notional Value** | **Fair Value: Assets/ (Liabilities)** |
|---|---|---|
| | RM'000 | RM'000 |
| Forward foreign currency contracts of less than 1 year (US Dollar) | | |
| - Designated as hedging instruments | 18,429 | (118) |
| - Not designated as hedging instruments | 244,725 | - |
| | --------------- | --------------- |
| | 263,154 | (118) |
| | ========= | ========= |

The Group has no significant concentration of credit and market risks in relation to the above derivative financial instruments as the forward foreign currency exchange contracts are entered into with reputable financial institutions and are not used for speculative purposes. The cash requirement for settling these forward foreign exchange contracts is solely from the Group's working capital.

11. **Gains/Losses arising from fair value changes of financial liabilities**

The gain/(loss) arising from fair value changes of financial liabilities which are categorised as fair value through profit or loss are as follows:

| | **Gain/(loss)** | |
|---|---|---|
| | **Quarter ended 30.6.2012** | **Year-to-date ended 30.6.2012** |
| | RM'000 | RM'000 |
| Forward foreign currency contracts | | |
| - Not designated as hedging instruments | - | 7 |
| | ========= | ========= |

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12. **Disclosure of realised and unrealised profits (unaudited)**

| | As at 30.6.2012 RM'000 | As at 31.12.2011 RM'000 *(Audited)* |
|---|---|---|
| Total retained profits of the Company and its subsidiaries: | | |
| - Realised | 2,593,627 | 2,540,575 |
| - Unrealised | 2,600 | 5,947 |
| | 2,596,227 | 2,546,522 |
| Total share of retained profits from associates | | |
| - Realised | 39,186 | 30,466 |
| - Unrealised | (187) | 47 |
| - Breakdown unavailable* | 14,708 | 9,069 |
| | 2,649,934 | 2,586,104 |
| Less: Consolidation adjustments | (1,575,448) | (1,599,259) |
| Total group retained profits as per consolidated financial statements | 1,074,486 | 986,845 |

* This represents the share of retained profits of Lam Soon (Thailand) Public Company Limited ["LST"], an associate which is listed in the Stock Exchange of Thailand. The information required by Bursa Securities was not made available by LST due to the requirement to comply with the Guideline on Disclosure of Information of Listed Companies issued by the Stock Exchange of Thailand.

13. **Provision of financial assistance**

Moneylending operations

(i) The Group moneylending operations are undertaken by the Company's wholly owned subsidiaries, Hap Seng Credit Sdn Bhd and Hap Seng Automotive Acceptance Sdn Bhd in the ordinary course of their moneylending businesses. The aggregate amount of outstanding loans as at 30 June 2012 given by the Company's moneylending subsidiaries are as follows:

| | | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|---|---|---|---|---|
| (a) | To companies | 1,359,379 | 3,227 | 1,362,606 |
| (b) | To individuals | 135,232 | - | 135,232 |
| (c) | To companies within the listed issuer group | - | - | - |
| (d) | To related parties | - | - | - |
| | | 1,494,611 | 3,227 | 1,497,838 |

13. **Provision of financial assistance (continued)**

Moneylending operations (continued)

(ii) The total borrowings of the moneylending subsidiaries are as follows:

| | | **As at 30.6.2012** RM'000 |
|---|---|---|
| (a) | Loans given by companies within the Group to the moneylending subsidiaries | 383,000 |
| (b) | Borrowings which are secured by companies within the Group in favour of the moneylending operations | - |
| (c) | Unsecured bank borrowings guaranteed by the Company | 558,000 |
| (d) | Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company | 222,778 |
| | | 1,163,778 |

(iii) The aggregate amount of loans in default for 3 months or more are as follows:-

| | | RM'000 |
|---|---|---|
| (a) | Balance as at 1.1.2012 | 14,427 |
| (b) | Loans classified as in default during the financial year | 39,172 |
| (c) | Loans reclassified as performing during the financial year | (36,403) |
| (d) | Amount recovered | (6,046) |
| (e) | Amount written off | (228) |
| (f) | Loans converted to securities | - |
| (g) | Balance as at 30.6.2012 | 10,922 |
| (h) | Ratio of net loans in default to net loans | 0.73% |

(iv) The top 5 loans are as follows:-

| Ranking | Type of Facility | Limit RM'000 | Outstanding Amount RM'000 | Security Provided (Yes/No) | Value of Security RM'000 | Related Party (Yes/No) | Term of Repayment (month) |
|---|---|---|---|---|---|---|---|
| 1st | Term Loan | 90,000 | 91,106 | Yes | 118,000 | No | 24 |
| 2nd | Term Loan | 76,630 | 77,135 | Yes | 76,630 | No | 60 |
| 3rd | Term Loan | 35,500 | 23,517 | Yes | 28,500 | No | 12 – 36 |
| | Term Loan | 5,000 | 3,227 | No | - | No | 24 |
| | | 40,500 | 26,744 | | 28,500 | | |
| 4th | Term Loan | 21,000 | 21,311 | Yes | 19,500 | No | 60 |
| 5th | Term Loan | 23,200 | 19,075 | Yes | 37,930 | No | 12 – 180 |

14. **Earnings per share ["EPS"]**

| | Quarter Ended | | Year-to-date ended | |
|---|---|---|---|---|
| | **30.6.2012** | **30.6.2011** | **30.6.2012** | **30.6.2011** |
| Profit attributable to owners of the Company (RM'000) | 102,877 | 90,533 | 189,038 | 172,707 |
| Weighted average number of ordinary shares in issue for basic EPS computation ('000) | 2,169,251 | 1,880,123 | 2,174,732 | 1,847,006 |
| Dilutive potential ordinary shares | | | | |
| - Assumed exercise of Warrants | 5,132 | N/A | 2,204 | N/A |
| Weighted average number of ordinary shares in issue for diluted EPS computation ('000) | 2,174,383 | N/A | 2,176,936 | N/A |
| Basic EPS (sen) | 4.74 | 4.82 | 8.69 | 9.35 |
| Diluted EPS (sen) | 4.73 | N/A | 8.68 | N/A |

(a) Basic EPS

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.

(b) Diluted EPS

The diluted 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 after adjustment for the effects of dilutive potential ordinary shares comprising Warrants.

The Warrants are anti-dilutive for the current quarter and year to date as the Warrants exercise price is higher than the average market price of the Company shares during the period. Accordingly, the exercise of Warrants has been ignored in the calculation of dilutive EPS.

In the preceding year corresponding quarter and period, the Company did not have any diluted earnings per share.

15. **Dividends**

On 10 July 2012, the Board of Directors approved the following first interim dividend for the financial year ending 31 December 2012 which was paid on 8 August 2012.

| | | |
|---|---|---|
| (i) | Amount per ordinary share of RM1.00 each<br>- First Interim Dividend | 4.5 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders |
| (ii) | Previous year corresponding period<br>Amount per ordinary share of RM1.00 each<br>- Interim Dividend | 3.9 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders |
| (iii) | Total dividend approved to date for the current financial year<br>Amount per ordinary share of RM1.00 each | 4.5 sen (2011: 3.9 sen) per ordinary share under the single tier system which is tax exempt in the hands of the shareholders |

16. **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 2011 was not subject to any qualification.

**BY ORDER OF THE BOARD**

**CHEAH YEE LENG**
**QUAN SHEET MEI**
Secretaries

Kuala Lumpur
30 August 2012