HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE FIRST QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2013

	Quarter ended		Year-to-date ended	
	31.3.2013	**31.3.2012**	**31.3.2013**	**31.3.2012**
	RM'000	RM'000	RM'000	RM'000
Revenue	792,469	850,552	792,469	850,552
Operating expenses	(751,755)	(711,117)	(751,755)	(711,117)
Other operating income	34,446	18,997	34,446	18,997
Operating profit	75,160	158,432	75,160	158,432
Financing costs	(20,295)	(26,299)	(20,295)	(26,299)
Other non-operating items	73,639	-	73,639	-
Share of results of associates	6,180	6,027	6,180	6,027
Profit before tax	134,684	138,160	134,684	138,160
Tax expense	(22,717)	(32,358)	(22,717)	(32,358)
Profit for the period	111,967	105,802	111,967	105,802
Profit attributable to:				
Owners of the Company	102,785	86,161	102,785	86,161
Non-controlling interests	9,182	19,641	9,182	19,641
	111,967	105,802	111,967	105,802
Earnings per share (sen)				
Basic	4.86	3.95	4.86	3.95
Diluted	4.86	3.95	4.86	3.95

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the Interim Financial Statements

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED) FOR THE FIRST QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2013

	Quarter ended		Year-to-date ended	
	31.3.2013	**31.3.2012**	**31.3.2013**	**31.13.2012**
	RM'000	RM'000	RM'000	RM'000
Profit for the period	111,967	105,802	111,967	105,802
Other comprehensive income, net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	(90)	(533)	(90)	(533)
Share of foreign currency translation differences of associates	2,309	-	2,309	-
Share of foreign currency translation differences of associate reclassified to profit or loss	(1,248)	-	(1,248)	-
Total other comprehensive income for the period	971	(533)	971	(533)
Comprehensive income for the period	112,938	105,269	112,938	105,269
Comprehensive income attributable to:				
Owners of the Company	103,756	85,628	103,756	85,628
Non-controlling interests	9,182	19,641	9,182	19,641
	112,938	105,269	112,938	105,269

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 2012 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 31 MARCH 2013

	As at 31.3.2013 RM'000	As at 31.12.2012 RM'000 *(Audited)*
Non-current assets		
Property, plant and equipment	1,221,304	1,220,417
Biological assets	430,540	428,798
Investment properties	476,477	445,325
Associates	392,655	429,775
Other investment	30,000	30,000
Land held for property development	363,679	375,164
Goodwill	36,736	36,736
Long term receivables	818,573	949,841
Deferred tax assets	52,385	51,378
	3,822,349	3,967,434
Current assets		
Inventories	542,470	550,219
Property development costs	368,335	359,939
Investment securities	16,830	-
Receivables, including derivatives	1,191,170	1,236,375
Tax recoverable	31,074	26,236
Cash and bank balances	406,369	519,259
	2,556,248	2,692,028
TOTAL ASSETS	6,378,597	6,659,462
Equity attributable to owners of the Company		
Share capital	2,186,367	2,186,364
Reserves	1,311,309	1,334,338
	3,497,676	3,520,702
Less: Treasury shares	(127,514)	(122,061)
	3,370,162	3,398,641
Non-controlling interests	356,370	365,102
TOTAL EQUITY	3,726,532	3,763,743
Non-current liabilities		
Borrowings	781,682	991,108
Deferred tax liabilities	168,866	169,781
Other payables	5,789	5,864
	956,337	1,166,753
Current liabilities		
Payables and provisions, including derivatives	434,215	417,093
Tax payable	18,922	51,253
Borrowings	1,242,591	1,260,620
	1,695,728	1,728,966
TOTAL LIABILITIES	2,652,065	2,895,719
TOTAL EQUITY AND LIABILITIES	6,378,597	6,659,462
Net assets per share (RM)	1.60	1.61
Based on number of shares net of treasury shares ('000)	2,109,881	2,113,108

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012 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 31 MARCH 2013

	← 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 2013	2,186,364	122,268	1,212,070	(122,061)	3,398,641	365,102	3,763,743
Profit for the period	-	-	102,785	-	102,785	9,182	111,967
Total other comprehensive income for the period	-	971	-	-	971	-	971
Comprehensive income for the period	-	971	102,785	-	103,756	9,182	112,938
Exercise of warrants	3	2	-	-	5	-	5
Purchase of treasury shares	-	-	-	(5,453)	(5,453)	-	(5,453)
Disposal of shares in a subsidiary to non-controlling interests	-	-	-	-	-	20	20
Dividends to owners of the Company	-	-	(126,787)	-	(126,787)	-	(126,787)
Dividends paid by subsidiary	-	-	-	-	-	(17,934)	(17,934)
At 31 March 2013	2,186,367	123,241	1,188,068	(127,514)	3,370,162	356,370	3,726,532
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	-	-	86,161	-	86,161	19,641	105,802
Total other comprehensive income for the period	-	(533)	-	-	(533)	-	(533)
Comprehensive income for the period	-	(533)	86,161	-	85,628	19,641	105,269
Reserves realised upon disposal of assets	-	(1,093)	1,093	-	-	-	-
Exercise of warrants	4	2	-	-	6	-	6
Purchase of treasury shares	-	-	-	(7,619)	(7,619)	-	(7,619)
Dividends to owners of the Company	-	-	(102,490)	-	(102,490)	-	(102,490)
Dividends paid by subsidiary	-	-	-	-	-	(35,868)	(35,868)
At 31 March 2012	2,186,361	126,874	971,609	(15,902)	3,268,942	342,404	3,611,346

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 2012 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 31 MARCH 2013

	Year-to-date ended	
	31.3.2013	**31.3.2012**
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	134,684	138,160
Adjustments for:		
Non-cash items	694	18,994
Non-operating items	(79,825)	(6,480)
Net interest expense	17,906	21,872
Operating profit before working capital changes	73,459	172,546
Net changes in working capital	114,816	(52,903)
Net changes in loan receivables	103,288	(132,959)
Net tax paid	(61,413)	(43,700)
Net interest paid	(17,906)	(21,872)
Additions to land held for property development	(13,054)	(1,155)
Net cash flows generated from/(used in) operating activities	199,190	(80,043)
Cash flows from investing activities		
Proceeds from issuance of shares to non-controlling interests	20	-
Proceeds from disposal of associate	118,000	-
Proceeds from disposal of property, plant and equipment	4,293	2,588
Purchase of property, plant and equipment	(26,246)	(34,837)
Purchase of other investment	(16,458)	-
Additions to biological assets	(1,742)	(1,379)
Additions to investment properties	(11,229)	(10,376)
Net cash flows generated from/(used in) investing activities	66,638	(44,004)
Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(144,721)	(138,358)
Net (repayment)/drawdown of borrowings	(232,741)	85,654
Proceed from issuance of shares pursuant to the exercise of warrants	5	6
Shares repurchase at cost	(5,453)	(7,619)
Net cash flows used in financing activities	(382,910)	(60,317)
Net decrease in cash and cash equivalents	(117,082)	(184,364)
Effects on exchange rate changes	216	(284)
Cash and cash equivalents at beginning of the period	516,790	654,928
Cash and cash equivalents at end of the period	399,924	470,280

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	319,242	389,602
Cash in hand and at bank	87,127	89,176
Bank overdrafts	(6,445)	(8,498)
	399,924	470,280

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012 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 2012.

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 2012, except for the following:

(a) Segment information has been changed to include Trading segment which comprises the trading of general building materials, petroleum as well as the oils and fats businesses. In the previous financial year, trading of building materials and petroleum businesses were reported under the Quarry and Building Materials segment whilst oils and fats business was reported under non-reportable segment.

This is to reflect the changes in the basis of internal reports that are regularly reviewed by the management of the Group in order to allocate resources to the segments and assess their performance. Accordingly, the comparatives for segmental information have been restated to conform with the current year presentation.

(b) 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 2012 and 1 January 2013 as follows:

<u>Amendments effective for financial periods beginning on or after 1 July 2012</u>

- Amendments to FRS 101: Presentation of Items of Other Comprehensive Income

<u>FRSs, IC Interpretation and Amendments effective for financial periods beginning on or after 1 January 2013</u>

- FRS 10 Consolidated Financial Statements
- FRS 11 Joint Arrangements
- FRS 12 Disclosure of Interests in Other Entities
- FRS 13 Fair Value Measurement
- FRS 119 Employee Benefits (revised)
- FRS 127 Separate Financial Statements (revised)
- FRS 128 Investment in Associate and Joint Ventures (revised)
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Amendment to FRS 1: Government Loans
- Amendments to FRS 7: Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 10, FRS 11 and FRS 12: Transition Guidance
- Amendments to FRSs contained in the document entitled "Improvements to FRSs (2012)"

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

<u>Malaysian Financial Reporting Standards (MFRS Framework)</u>

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.

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 performances of the Group's Property Development Division and Quarry and Building Materials Division were influenced by the slowdown in construction activities in the first quarter attributed 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 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, 3,000 warrants were exercised which resulted in 3,000 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities and the issued and paid-up share capital of the Company increased to RM2,186,367,000 comprising 2,186,367,000 ordinary shares of RM1.00 each. As at 31 March 2013, 364,383,300 warrants remained unexercised.

Subsequent to the end of the interim period and up to 23 May 2013, a total of 122 warrants were exercised which resulted in 122 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities and the issued and paid-up share capital of the Company increased to RM2,186,367,122 comprising 2,186,367,122 ordinary shares of RM1.00 each. As at the date hereof, 364,383,178 warrants remained unexercised.

(b) Share buyback by the Company

During the current quarter, 3,230,000 shares were bought back and there was no resale or cancellation of treasury shares. All shares bought back were retained as treasury shares. The monthly breakdown of shares bought back during the current quarter was as follows:

Month	No of shares Repurchased	Purchase price per share		Average cost Per share	Total cost
		Lowest	Highest		
		RM	RM	RM	RM
January 2013	-	-	-	-	-
February 2013	-	-	-	-	-
March 2013	3,230,000	1.6200	1.7300	1.6883	5,453,267.49
Total	3,230,000	1.6200	1.7300	1.6883	5,453,267.49

As at 31 March 2013, the Company has 76,486,400 ordinary shares held as treasury shares and the issued and paid up share capital of the Company remained at 2,186,367,000 ordinary shares of RM1.00 each.

Subsequent to the end of the interim period and up to 23 May 2013, the Company bought back another 37,466,100 shares which were also retained as treasury shares.

7. **Dividends paid**

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

	Year-to-date	
	31.3.2013	**31.3.2012**
	RM'000	RM'000
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
Dividend in respect of financial year ended 31 December 2012:		
- second interim (6.0 sen) under the single tier system approved by the Board of Directors on 28 February 2013 and paid on 29 March 2013	126,787	-
	126,787	102,490

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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	Trading RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Year-to-date ended 31 March 2013										
Revenue										
External revenue	101,357	54,429	26,785	274,491	79,609	193,613	62,185	-	-	792,469
Inter-segment revenue	-	2,425	-	8,212	748	6,346	10,927	-	(28,658)	-
Total revenue	101,357	56,854	26,785	282,703	80,357	199,959	73,112	-	(28,658)	792,469
Operating profit	28,081	35,090	20,809	5,492	4,159	(15,299)	671	(2,205)	(1,638)	75,160
Financing costs										(20,295)
Other non-operating items										73,639
Share of results of associates										6,180
Profit before tax										134,684
Segment assets	969,795	1,696,649	1,388,395	624,589	577,873	351,782	92,769	200,631	-	5,902,483
Year-to-date ended 31 March 2012										
Revenue										
External revenue	123,998	92,969	26,972	306,920	59,715	145,050	94,928	-	-	850,552
Inter-segment revenue	-	2,190	-	13,341	2,060	4,021	12,612	-	(34,224)	-
Total revenue	123,998	95,159	26,972	320,261	61,775	149,071	107,540	-	(34,224)	850,552
Operating profit	58,760	56,411	20,900	14,905	6,212	5,749	(2,659)	(137)	(1,709)	158,432
Financing costs										(26,299)
Share of results of associates										6,027
Profit before tax										138,160
Segment assets	933,516	1,566,292	1,461,320	1,047,054	509,717	305,260	168,475	301,614	-	6,293,248

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 the composition of the Group during the interim period, except for the following:

(a) On 9 January 2013, Hap Seng Land Development Sdn Bhd ["HSLD"] acquired from Hap Seng Realty Sdn Bhd ["HSR"], the entire issued and paid-up share capital of Hap Seng Land Development (JTR 2) Sdn Bhd *(formerly known as Tabir Amanbina Sdn Bhd)* ["JTR 2"] comprising 2 ordinary shares of RM1.00 each at the cash consideration of Ringgit Malaysia Two only (RM2.00). Both HSLD and HSR are wholly-owned subsidiaries of the Company. JTR is a private limited company incorporated in Malaysia and is currently dormant.

(b) On 21 January 2013, HSLD (JTR 2) issued and allotted 99,998 ordinary shares of RM1.00 each fully paid at par to the following:

	Number of shares allotted and fully paid	**Cash consideration**
		RM
HSLD	79,997	79,997
Hap Seng Land Sdn Bhd ["HSL"]	1	1
Jinee Sdn Bhd ["Jinee"]	20,000	20,000
	---------------	--------------
	99,998	99,998
	=========	========

Prior to this, the entire issued and paid-up share capital of JTR 2 comprising 2 ordinary shares of RM1.00 was held by HSLD. With the completion of the aforesaid allotment and issuance, JTR 2 with an enlarged issued and paid-up share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each, became a 80% owned subsidiary of the Company.

(c) On 4 February 2013, Hap Seng Building Materials Holdings Sdn Bhd, a wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of Blue Ocean Pearl Sdn Bhd ["BOP"] comprising 2 ordinary shares of RM1.00 each at a cash consideration of Ringgit Malaysia Two only (RM2.00). BOP is a private limited company incorporated in Malaysia which is currently dormant.

(d) On 19 February 2013, the Company acquired the entire issued and paid-up share capital of Hap Seng Trading Holdings Sdn Bhd (formerly known as Konsep Sistematik (M) Sdn Bhd) ["HSTH"] from its wholly-owned subsidiary, Hap Seng Building Materials Holdings Sdn Bhd ["HSBMH"] at the cash consideration of Ringgit Malaysia Sixty Thousand Three Hundred and Forty Six only (RM60,346). The issued and paid-up share capital of HSTH comprise of 100,000 ordinary shares of RM1.00 each. HSTH is a private limited company incorporated in Malaysia which is principally involved in investment holding.

(e) On 19 February 2013, HSTH, the wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of Hap Seng (Oil & Transport) Sdn Bhd ["HSOT"] and Hap Seng Trading (BM) Sdn Bhd ["HSTBM"] from HSBMH for cash consideration of Ringgit Malaysia Twenty One Million Six Hundred Forty Nine Thousand Seven Hundred and Seventy Four only (RM21,649,774) and Ringgit Malaysia Two only (RM2) respectively. The issued and paid-up share capital of HSOT comprises 2,000,000 ordinary shares of RM1.00 each whilst the issued and paid-up share capital of HSTBM comprises 9,000,000 ordinary shares of RM1.00 each and 21,000 redeemable preference shares of RM1.00 each (issued at a premium of RM999). The principal activities of HSOT and HSTBM are trading of petroleum products and trading of building materials respectively.

(f) On 26 February 2013, HSBMH entered into a shares sale agreement ["Shares Sale Agreement"] with Lei Shing Hong Limited ["LSH"], to dispose its 1,750,000 ordinary shares representing 25% of the issued and paid-up share capital in Lei Shing Hong (Singapore) Pte Ltd to LSH for a cash consideration of Singapore Dollars Forty Seven Million Three Hundred and Thirteen Thousand Five Hundred and Fifty Three only (SGD47,313,553), approximately Ringgit Malaysia One Hundred Eighteen Million only (RM118,000,000) ["LSHS Disposal"].

The Share Sale Agreement was deemed a related party transaction as it involved the interests of Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, the major shareholder of LSH, who is a director and major shareholder of Gek Poh (Holdings) Sdn Bhd, the holding company of the Company. The Shares Sale Agreement was completed on 8 March 2013, resulted in a gain of approximately RM78.9 million to the Group.

(g) As part of the Group's re-organisation, the Company had on 13 March 2013 acquired from HSBMH, the entire issued and paid-up share capital of Hap Seng Equity Sdn Bhd *(formerly known as Western Works Industries Sdn Bhd)* ["HSE"] comprising 2 ordinary shares of RM1.00 each at the cash consideration of Ringgit Malaysia Two only (RM2). HSE is a private limited company incorporated in Malaysia and is principally involved in the trading of marketable securities.

Except for Note 9(f) above, the other changes in composition of the Group do not have any significant financial effect on the Group.

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 as disclosed in Note 6 above, Note 7 and Note 9 of Part B below, events after the interim period and up to 23 May 2013 that have not been reflected in these interim financial statements are as follows:

(a) On 22 April 2013, HSLD acquired from HSL and Jinne, their equity interest in JTR 2 which comprising 1 ordinary share of RM1.00 each and 20,000 ordinary shares of RM1.00 each at cash consideration of Ringgit Malaysia One Only (RM1.00) and Ringgit Malaysia Twenty Thousand Only (RM20,000) respectively.

Prior to this, 79.999% of the issued and paid-up share capital of JTR 2 comprising 79,999 ordinary shares of RM1.00 was held by HSLD, With the completion of the aforesaid acquisition, JTR 2 became a 100% owned subsidiary of HSLD.

(b) As part of the Group's re-organisation, the Company had on 2 May 2013 acquired from HSLD, the entire issued and paid-up share capital of JTR 2 comprising 100,000 ordinary shares of RM1.00 each at the cash consideration of Ringgit Malaysia One Hundred Thousand only (RM100,000).

(c) On 17 May 2013, the Company incorporated a wholly-owned subsidiary in Singapore, Hap Seng Capital Pte Ltd ["HSC"] with an issued and paid-up share capital of SGD1.00 comprising 1 ordinary share. The incorporation of HSC is in the ordinary course of business of the Company with the objective of expanding the Group's credit financing business into Singapore. Currently, HSC is dormant.

(d) Subsequent to the end of the interim period and up to 23 May 2013, the Company disposed 18,033,800 ordinary shares of RM1.00 each representing approximately 2.25% equity interest in Hap Seng Plantations Holdings Berhad ["HSP"] via the Main Market of Bursa Securities, thereby decreasing its shareholding in HSP from 55.16% to 52.91%. HSP is the Company's subsidiary which is listed on the Main Market of Bursa Securities.

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 year 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 31.3.2013	**As at 31.12.2012**
	RM'000	RM'000
Approved and contracted for	243,909	226,683
Approved but not contracted for	131,382	132,740
	375,291	359,423

14. **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 in or exceeded by 10% the estimated value which had been mandated by the shareholders at the extraordinary general meetings held on 29 May 2012, except for the following:

(a) The LSHS Disposal as disclosed in Note 9 (f) above; and
(b) The Proposals as disclosed in Note 7(a) of Part B below.

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

1. **Review of performance**

The Group revenue for the current quarter of RM792.5 million was 7% lower than the preceding year corresponding quarter whilst Group operating profit of RM75.2 million was 53% lower than the preceding year corresponding quarter of RM158.4 million.

Plantation Division's revenue and operating profit were lower than the preceding year corresponding quarter by RM22.6 million (18%) and RM30.7 million (52%) respectively. The Division's performance was impacted by lower average selling prices of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] as well as higher production costs mitigated by higher Fresh Fruit Bunches ["FFB"] production. FFB production for the current quarter was higher than the preceding year corresponding quarter by 13%. CPO production was 20% higher than the preceding year corresponding quarter due to higher FFB production as well as higher FFB purchases and better oil extraction rate of 21.3%. CPO sales volume was 17% higher at 38,400 tonnes whilst PK sales volume was 19% higher at 9,411 tonnes. Average selling price realisation of CPO and PK for the current quarter were RM2,238 and RM1,107 per tonne respectively as compared to the preceding year corresponding quarter of RM3,133 per tonne for CPO and RM1,908 per tonne for PK. Total production costs were higher in the current quarter due to the increase in labour and fertilizer costs. Labour costs increase was primarily due to the implementation of the Minimum Wages Order 2012 that took effect from 1 January 2013. Nevertheless, average production costs per tonne of CPO was lower benefitting from the higher CPO production.

Property Division's ongoing projects in Peninsular Malaysia and in Sabah recorded encouraging sales. Its luxurious condominium project in the Klang Valley, "The Horizon Residences" was well received and has todate sold a substantial number of available units. Other major projects in Sabah namely Bandar Sri Indah in Tawau, Bandar Sri Perdana and Palm Heights in Lahad Datu are also major contributors to the Division's projects revenue and operating profit. The Division's investment properties in the Klang Valley namely Menara Hap Seng and Menara Citibank (which is 50% held by the Group) continue to record good occupancy rate and rental yield. Inspite of this, revenue and operating profit declined by RM38.3 million (40%) and RM21.3 million (38%) respectively over the preceding year corresponding quarter which included a gain of RM44.2 million from the disposal of land held for property development which was not within the strategic location of its property development activities.

Credit Financing Division continues to grow its loan portfolio with focus on loan quality and achieved revenue and operating profit of RM26.8 million and RM20.8 million respectively for the quarter under review. As at the end of the current quarter, the Division's loan portfolio at RM1.46 billion was marginally lower than the preceding year of RM1.48 billion due to early redemption of some loans. Non-performing loans ratio as at the end of the current quarter was 0.78% as compared to 0.87% at the end of previous financial year.

The Fertilizers Trading Division's revenue was lower than the preceding year corresponding quarter by RM37.6 million (12%) attributable to lower selling prices and sales volume of fertilizers. The Division's Malaysian operations recorded higher sales volume but was affected by lower selling prices and margins. Its Indonesian operations improved notwithstanding that it continues to be affected by the severe competitive environment. Consequently, the Division's operating profit for the current quarter decreased by RM9.4 million (63%) over the preceding year corresponding quarter.

Quarry and Building Materials Division's revenue for the current quarter was higher than the preceding year corresponding quarter by RM18.6 million (30%). However, operating profit declined by RM2.1 million (33%) over the preceding year corresponding quarter mainly attributable to lower margins from its brick operations due to the competitive environment in both the Peninsular Malaysia and Sabah markets.

Though the Automotive Division's revenue for the current quarter was higher than the preceding year corresponding quarter by RM50.9 million (34%), it recorded an operating loss of RM15.3 million as compared to the preceding year corresponding quarter's operating profit of RM5.7 million. The Division registered higher sales of passenger vehicles in Malaysia but margins were adversely affected by the spill-over effects of the severe competition experienced in the premium passenger vehicles market in the previous quarter. In Vietnam, the Division's operations continue to be affected by the prolonged soft market conditions and registered significantly lower vehicle sales.

Trading Division's revenue of RM73.1 million for the current quarter was RM34.4 million (32%) lower than the preceding year corresponding quarter of RM107.5 million mainly due to lower sales of tiles consequent to the termination of its tiles distributorship agreement with Malaysian Mosaics Berhad with effect from 1 October 2012. The Division registered an operating profit of RM0.7 million in the current quarter as compared to a loss of RM2.7 million in the preceding year corresponding quarter mainly due to improved margins from its petroleum products and oils and fats businesses.

Overall, the Group profit before tax for the current quarter was RM134.7 million, 3% lower than the preceding year corresponding quarter. However, profit after tax was RM112.0 million, 6% higher than the preceding year corresponding quarter due to the gain on disposal of investment in associate of RM78.9 million which was not subjected to tax. Profit attributable to owners of the Company for the current quarter was RM102.8 million, 19% higher than the preceding year corresponding quarter due to lower profit attributable to non-controlling interests. Consequently, basic earnings per share for the current quarter at 4.86 sen was 23% higher than the preceding year corresponding quarter of 3.95 sen.

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 RM134.7 million was 36% lower than the preceding quarter of RM211.2 million mainly attributable to the higher contribution in the preceding quarter from the Property Division which benefited from the disposal of several parcels of land.

3. **Current year prospects**

Plantation Division will continue to be influenced by the global oil seeds market and the movement in commodity prices. US soyoil futures have been weaker recently on the back of an estimated higher global soybean production for 2012/13 due to better crop outlook in South America and a higher carry over stock to the second quarter of 2013 in the United States. At the home front, although our national palm oil stock level has dropped to 1.93 million tonnes at the end of April 2013 from its high of 2.63 million tonnes in December 2012, palm oil stock level in the near term is expected to be affected by the slowdown of exports. With the anticipated increase in production in the second half of the year, palm oil stock level may increase if export volume does not improve. However, there is expected stronger demand in the third quarter during the festive period. Against this backdrop, CPO prices are expected to remain at the current level.

The Property Division will focus on improving contribution from its property development segment primarily from “The Horizon Residences” project and other planned project launches in the forthcoming quarters. Existing investment properties are expected to contribute satisfactorily to the performance of the Division in the current year.

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

Fertilizers Trading Division’s performance in the Malaysian and Indonesian markets are expected to improve in tandem with the improvement in the global fertilizers market. Nevertheless, weather conditions affecting application of fertilizers, and the volatile foreign exchange fluctuation of the Indonesian Rupiah vis-à-vis the US Dollar will continue to influence the Division’s performance.

The competitive environment in which our Quarry and Building Materials Division operates is expected to persist. Inspite of this, the Division is expected to perform satisfactorily on the back of a buoyant construction industry.

The Trading Division plans to grow its trading business via identifying new profitable building materials product range and expanding its share of the existing market for both the building materials and petroleum products. This is expected to contribute positively to its future performance.

The Automotive Division expects the competitive environment in the premium passenger vehicles segment of its Malaysian operations to continue whilst soft market conditions in Vietnam is expected to persist. With the proposed divestment of the Group’s Vietnamese automotive business as disclosed in Note 7(a) below and the expected roll-out of newer models in the Malaysian market, the Automotive Division is expected to register better performance in the current year.

Based on the foregoing, the Group is optimistic of achieving satisfactory results in the current financial year ending 31 December 2013.

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	
	31.3.2013	**31.3.2012**	**31.3.2013**	**31.3.2012**
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging):				
Interest income	2,389	4,427	2,389	4,427
Dividend income from other investment	300	-	300	-
Unrealised revaluation gain arising from held-for-trading investment securities	372	-	372	-
Interest expense	(20,295)	(26,299)	(20,295)	(26,299)
Depreciation and amortisation	(21,212)	(18,948)	(21,212)	(18,948)
Net allowance for impairment losses				
- trade receivables	(299)	(899)	(299)	(899)
Reversal of write down on inventories	2,073	44	2,073	44
Gain on disposal of property, plant and equipment	6	453	6	453
Property, plant and equipment written off	(77)	(46)	(77)	(46)
Bad debts written off	(31)	(4)	(31)	(4)
Net foreign exchange gain	209	764	209	764
Gain on hedging activities	26	-	26	-
Gain on non-hedging derivative instruments	14	7	14	7
Gain from fair value adjustments of investment properties	19,923	-	19,923	-
Recovery of bad debts	385	85	385	85
Other non-operating items				
- Gain on disposal of investment in associate	78,884	-	78,884	-
- Impairment loss on investment in associate	(5,245)	-	(5,245)	-

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	
	31.3.2013	**31.3.2012**	**31.3.2013**	**31.3.2012**
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	24,348	32,639	24,348	32,639
- deferred tax	(1,631)	(281)	(1,631)	(281)
	22,717	32,358	22,717	32,358

The Group's effective tax rate for the current quarter was lower than the statutory tax rate mainly due to gain on disposal of investment in associate not subjected to tax. The effective tax rates for the preceding year corresponding quarter lower than the statutory tax rate mainly due to certain income not subjected to tax.

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) Except for the following, there was no other corporate proposal announced but not completed as at 23 May 2013.

On 18 March 2013, Hap Seng Star Sdn Bhd [“HSS”], a wholly-owned subsidiary of the Company entered into a conditional agreement [“ Shares Sale Agreement”] with Prestige Sports Cars (HK) Limited [“PSC”], a wholly-owned subsidiary Lei Shing Hong Limited [“LSH”], pursuant to which:

(i) HSS has agreed to dispose of its 51% equity in Hap Seng Star (Vietnam) Sdn Bhd [“HSSV”] comprising 510,000 ordinary shares of RM1.00 each [“HSSV Ordinary Shares”] and 51,102 redeemable preference shares of RM 1.00 each [“HSSV RPS”] [collectively the “Sale Shares”] to PSC and PSC has agreed to acquire from HSS the Sale Shares at a cash consideration of Ringgit Malaysia One Hundred and Fifty Three Million (RM153,000,000) [“Proposed Disposal”]. HSSV is the holding company of Vietnam Star Automobile Limited [“VSAL”]; and

(ii) PSC has granted to HSS a put option to sell up to 49% of the equity in HSSV comprising 490,000 HSSV Ordinary Shares and 49,098 HSSV RPS [collectively the “Option Shares”] to PSC [the “said Option”] at a total option price of Ringgit Malaysia One Hundred and Forty Seven Million (RM147,000,000) [the “Exercise Price”]. The Exercise Price is to be pro-rated accordingly based on the actual number of Option Shares put to PSC. HSS has accepted the said Option, which is only exercisable after the completion of the Proposed Disposal. The said Option can be exercised progressively over the period of twelve (12) months from the date of completion of the Proposed Disposal.

The Proposed Disposal and the said Option are collectively referred to as the “Proposals”.

The Proposals are deemed a related party transaction as it involved the interests of Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, the major shareholder of LSH, who is a director and major shareholder of Gek Poh (Holdings) Sdn Bhd, the holding company of the Company.

The Proposals are conditional upon the following being obtained within 6 months from the date of the Shares Sale Agreement:

(i) the passing of resolution by the shareholders of the Company to approve the consummation of the transactions contemplated under the Shares Sale Agreement; and

(ii) all such approval and consents as may be required to perfect the transfer of the Sale Shares and Option Shares, including approval to be obtained from the principal of VSAL.

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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 (continued)**

(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 31 March 2013 Utilisation RM'mil	As at 31 March 2013 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 the Group	240.00	72.18	72.18	-	-	-	-	-
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 had been utilised for general working capital
Estimated expenses	20.00	6.01	5.61	-	-	0.40	7	
	764.63	229.95	229.95	-		-	-	

** 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 31 March 2013 Utilisation RM'mil	As at 31 March 2013 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 the Group and acquisition of potential land for development	220.00	73.37	146.63	Within 3 years from completion	-	-	Not fully utilised yet and within intended timeframe for utilisation. As such, deviation was not computed.
General working capital	159.00	159.56	-	-	(0.56)	-	Under spent in expenses had been utilised for general working capital
Estimated expenses	3.61	3.05	-	-	0.56	16	
	382.61	235.98	146.63		-	-	

8. **Borrowings and debt securities**

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

	As at 31.3.2013				As at 31.12.2012			
	Denominated in				Denominated in			
	RM	USD	SGD	Total	RM	USD	SGD	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current								
Unsecured								
- Bankers acceptances	79,688	3,557	-	83,245	204,765	3,761	-	208,526
- Bank overdrafts	6,445	-	-	6,445	2,469	-	-	2,469
- Revolving credits	337,468	109,423	-	446,891	485,368	133,755	-	619,123
- Term loans	613,986	-	-	613,986	422,611	-	-	422,611
- Foreign currency loan	-	92,024	-	92,024	-	7,891	-	7,891
	1,037,587	205,004	-	1,242,591	1,115,213	145,407	-	1,260,620
Non-current								
Unsecured								
- Term loans	274,707	-	-	274,707	484,233	-	-	484,233
- Foreign currency loan	-	12,330	494,645	506,975	-	12,230	494,645	506,875
	274,707	12,330	494,645	781,682	484,233	12,230	494,645	991,108
	1,312,294	217,334	494,645	2,024,273	1,599,446	157,637	494,645	2,251,728

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 ["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 NCR. 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 [“PO Decision”]. The Plaintiffs’ appeal against the PO Decision was dismissed by the Court of Appeal on 9 June 2011 [“said Dismissal Decision”]. Thereafter, upon the Plaintiffs' appeal, the Federal Court had on 24 November 2011 allowed the said Appeal and set aside both the PO Decision and the 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”]. The Defendants' subsequent appeal against the Striking-out Appeal Dismissal was also dismissed with cost by the Court of Appeal on 9 May 2013.

Upon the Plaintiffs’ application, the High Court had on 12 April 2012 and 7 November 2012 ordered that the Assistant Collector of Land Revenues, Tongod, the Registrar of Titles and the Assistant Collector of Land Revenues, Kota Kinabatangan be added as the Sixth, Seventh and Eighth Defendants respectively in the Tongod Suit.

The Tongod Suit was part-heard from 26 to 29 November 2012, 14 to 18 January 2013, 18 to 22 February 2013, and 11 to 15 March 2013.

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) 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, 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 [the "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 [the "Alleged PA"]. On the basis of the Purported SPA, a private caveat was entered on the said Land on 3 April 2012 by EISB.

On 23 May 2012, RESB filed a writ of summon and an application for interlocutory injunction ["said Interlocutory Injunction Application"] through its solicitors in Kuala Lumpur, Messrs Wong Kian Kheong, against EISB ["1st Defendant"] at the Kuala Lumpur High Court ["KLHC"] vide Civil Suit No. 22NCVC-631-05/2012 ["RESB Suit"]. On 14 June 2012, the KLHC granted an ad interim injunction in favour of RESB ["said Ad Interim Injunction"] pending disposal of the hearing of the said Interlocutory Injunction Application subject to RESB's undertaking to pay damages to the 1st Defendant for losses suffered by the 1st Defendant resulting from the said Ad Interim Injunction in the event that the said Ad Interim Injunction is subsequently discharged or set aside. On 16 June 2012, HCH was added as a co-defendant ["2nd Defendant"] to the RESB Suit upon RESB's application.

RESB is claiming for the following in the RESB Suit:
(a) That RESB be declared as the registered and beneficial owner of the said Land;
(b) That the Purported SPA be declared null and void;
(c) That the Alleged PA be declared null and void;
(d) An injunction restraining the 1st 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 Purported SPA; and
    (iii) taking any further action to complete the Purported SPA.
(e) An injunction restraining the 2nd Defendant from effecting any steps, actions and/or representations in respect of the Alleged PA;
(f) Costs of the RESB Suit; and
(g) Such further or other relief as the Court deems fit and just.

Upon application by the 1st Defendant, the KLHC had on 10 August 2012 transferred the RESB Suit to the High Court of Sabah & Sarawak at Kota Kinabalu ["KKHC"]. KKHC has registered the transferred RESB Suit as Civil Suit No. BKI-22-209/9-2012 with the said Ad Interim Injunction continuing to be in effect. With the transfer of the RESB Suit to KKHC, RESB is currently represented by Messrs Jayasuria Kah & Co.

The RESB Suit has been stayed pending a Court of Appeal decision in another case on the constitutionality of the transfer of civil suits from West Malaysia to Sabah and vice versa. The KKHC has fixed the next mention of the RESB Suit on 14 June 2013.

HSP has been advised by both Messrs Wong Kian Kheong and Messrs Jayasuria Kah & Co. that RESB has good grounds to succeed in the RESB Suit.

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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)**

(c) 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 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:
(a) that by virtue of the Alleged PA, RESB had allegedly divested its ownership and all interests or claims to the said Land to HCH;
(b) that pursuant to the Alleged Deed of Substitute, SYC is 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 SYC 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 SYC's rights thereon;
(e) costs of the KK Suit; and
(f) such further or other relief as the Court deems fit and just.

RESB has through its solicitors in Sabah, Messrs Jayasuria Kah & Co., filed an application to convert the KK Suit from being an originating summon action into a writ action ["Conversion Application"]. The KKHC has on 21 November 2012 granted a stay of the KK Suit. The next mention of the KK Suit has been fixed on 14 June 2013.

HSP has been advised by its solicitors that the KK 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 31 March 2013 are as follows:

	Contract/ Notional Value	**Fair Value: Assets/ (Liabilities)**	**Gain/(loss) On Derivative Instruments**	**Gain/(loss) On Hedged Items**	**Net Gain/(loss)**
	RM'000	RM'000	RM'000	RM'000	RM'000
Forward foreign currency contracts of less than 1 year (US Dollar)					
- Designated as hedging instruments	134,002	(168)	(152)	178	26
- Not designated as hedging instruments	204,168	14	14	-	14
	338,170	(154)	(138)	178	40

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**

As at the end of the interim period, the Group does not have any financial liabilities that are measured at fair value through profit or loss other than derivative financial instruments as disclosed in Note 10 above.

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

	As at 31.3.2013 RM'000	As at 31.12.2012 RM'000 *(Audited)*
Total retained profits of the Company and its subsidiaries:		
- Realised	2,638,393	2,681,804
- Unrealised	23,208	(1,518)
	2,661,601	2,680,286
Total share of retained profits from associates		
- Realised	26,112	40,905
- Unrealised	28,342	28,255
- Breakdown unavailable*	16,749	14,866
	2,732,804	2,764,312
Less: Consolidation adjustments	(1,544,736)	(1,552,242)
Total Group retained profits as per consolidated financial statements	1,188,068	1,212,070

* This represents the share of retained profits of Lam Soon (Thailand) Public Company Limited ["LST"], an associate which is listed on the Stock Exchange of Thailand. The information required by Bursa Securities was not made available by LST due to their 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 31 March 2013 given by the Company's moneylending subsidiaries are as follows:

		Secured RM'000	Unsecured RM'000	Total RM'000
(a)	To companies	1,264,591	1,330	1,265,921
(b)	To individuals	144,169	170	144,339
(c)	To companies within the listed issuer group	47,022	-	47,022
(d)	To related parties	-	-	-
		1,455,782	1,500	1,457,282

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

Moneylending operations (continued)

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

		As at 31.3.2013 RM'000
(a)	Loans given by companies within the Group to the moneylending subsidiaries	496,200
(b)	Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c)	Unsecured bank borrowings guaranteed by the Company	436,770
(d)	Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company	197,477
		1,130,447

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

		RM'000
(a)	Balance as at 1.1.2013	13,139
(b)	Loans classified as in default during the financial year	17,790
(c)	Loans reclassified as performing during the financial year	(16,662)
(d)	Amount recovered	(2,863)
(e)	Amount written off	-
(f)	Loans converted to securities	-
(g)	Balance as at 31.3.2013	11,404
(h)	Ratio of net loans in default to net loans	0.78%

(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	118,900	47,022	Yes	46,856	Yes	24
2nd	Term Loan	35,500	32,532	Yes	33,500	No	12 – 36
3rd	Term Loan	21,000	21,769	Yes	19,500	No	60
	Term Loan	200	170	No	-	No	60
		21,200	21,939		19,500		
4th	Term Loan	23,200	16,291	Yes	36,550	No	12 – 180
5th	Term Loan	17,393	14,049	Yes	16,319	No	60 – 120
	Hire Purchase	5,471	926	Yes	813	No	36 – 60
		22,864	14,975		17,132		

14. **Earnings per share [“EPS”]**

	Quarter Ended		Year-to-date ended	
	31.3.2013	**31.3.2012**	**31.3.2013**	**31.3.2012**
Profit attributable to owners of the Company (RM’000)	102,785	86,161	102,785	86,161
Weighted average number of ordinary shares in issue for basic EPS computation (‘000)	2,112,865	2,180,213	2,112,865	2,180,213
Dilutive potential ordinary shares				
- Assumed exercise of Warrants	-	-	-	-
Weighted average number of ordinary shares in issue for diluted EPS computation (‘000)	2,112,865	2,180,213	2,112,865	2,180,213
Basic EPS (sen)	4.86	3.95	4.86	3.95
Diluted EPS (sen)	4.86	3.95	4.86	3.95

(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 the preceding year corresponding quarter 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.

15. **Dividends**

The Directors do not recommend any interim dividend for the period under review.

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 2012 was not subject to any qualification.

BY ORDER OF THE BOARD

CHEAH YEE LENG
QUAN SHEET MEI
Secretaries

Kuala Lumpur
29 May 2013