HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2013

	Quarter ended		Year-to-date ended	
	30.6.2013	**30.6.2012**	**30.6.2013**	**30.6.2012**
	RM'000	RM'000	RM'000	RM'000
Revenue	826,757	962,475	1,619,226	1,813,027
Operating expenses	(777,078)	(805,235)	(1,528,833)	(1,516,352)
Other operating income	10,383	16,416	44,829	35,413
Operating profit	60,062	173,656	135,222	332,088
Financing costs	(18,728)	(23,764)	(39,023)	(50,063)
Other non-operating items	209,918	-	283,557	-
Share of results of associates	8,021	9,646	14,201	15,673
Profit before tax	259,273	159,538	393,957	297,698
Tax expense	(53,938)	(42,315)	(76,655)	(74,673)
Profit for the period	205,335	117,223	317,302	223,025
Profit attributable to:				
Owners of the Company	201,548	102,877	304,333	189,038
Non-controlling interests	3,787	14,346	12,969	33,987
	205,335	117,223	317,302	223,025
Earnings per share (sen)				
Basic	9.68	4.74	14.51	8.69
Diluted	9.54	4.73	14.40	8.68

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 SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2013

	Quarter ended		Year-to-date ended	
	30.6.2013	**30.6.2012**	**30.6.2013**	**30.6.2012**
	RM'000	RM'000	RM'000	RM'000
Profit for the period	205,335	117,223	317,302	223,025
Other comprehensive income, net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	(2,211)	1,487	(2,301)	954
Share of foreign currency translation differences of associates	(1,606)	-	703	-
Foreign currency translation differences for foreign operations reclassified to profit or loss	3,139	-	3,139	-
Share of foreign currency translation differences of associate reclassified to profit or loss	-	-	(1,248)	-
	(678)	1,487	293	954
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment upon transfer of properties to investment properties	1,176	-	1,176	-
Total other comprehensive income for the period	498	1,487	1,469	954
Comprehensive income for the period	205,833	118,710	318,771	223,979
Comprehensive income attributable to:				
Owners of the Company	202,046	104,364	305,802	189,992
Non-controlling interests	3,787	14,346	12,969	33,987
	205,833	118,710	318,771	223,979

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 30 JUNE 2013

	As at 30.6.2013 RM'000	**As at 31.12.2012** RM'000 *(Audited)*
Non-current assets		
Property, plant and equipment	1,191,775	1,220,417
Biological assets	432,533	428,798
Investment properties	451,606	445,325
Associates	395,711	429,775
Other investment	30,000	30,000
Land held for property development	357,156	375,164
Goodwill	36,736	36,736
Long term receivables	850,035	949,841
Deferred tax assets	14,454	51,378
	3,760,006	3,967,434
Current assets		
Inventories	555,734	550,219
Property development costs	467,726	359,939
Receivables, including derivatives	1,293,138	1,236,375
Tax recoverable	43,105	26,236
Cash and bank balances	473,980	519,259
	2,833,683	2,692,028
Assets held for sale	147,000	-
	2,980,683	2,692,028
TOTAL ASSETS	6,740,689	6,659,462
Equity attributable to owners of the Company		
Share capital	2,186,453	2,186,364
Reserves	1,395,685	1,334,338
	3,582,138	3,520,702
Less: Treasury shares	(252,680)	(122,061)
	3,329,458	3,398,641
Non-controlling interests	385,660	365,102
TOTAL EQUITY	3,715,118	3,763,743
Non-current liabilities		
Borrowings	950,783	991,108
Deferred tax liabilities	171,501	169,781
Other payables	5,872	5,864
	1,128,156	1,166,753
Current liabilities		
Payables and provisions, including derivatives	467,048	417,093
Tax payable	19,304	51,253
Borrowings	1,249,420	1,260,620
Dividend payables	161,643	-
	1,897,415	1,728,966
TOTAL LIABILITIES	3,025,571	2,895,719
TOTAL EQUITY AND LIABILITIES	6,740,689	6,659,462
Net assets per share (RM)	1.63	1.61
Based on number of shares net of treasury shares ('000)	2,041,523	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 30 JUNE 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	-	-	304,333	-	304,333	12,969	317,302
Total other comprehensive income for the period	-	1,469	-	-	1,469	-	1,469
Comprehensive income for the period	-	1,469	304,333	-	305,802	12,969	318,771
Exercise of warrants	89	57	-	-	146	-	146
Changes in ownership interests in a subsidiary	-	-	43,918	-	43,918	25,528	69,446
Purchase of treasury shares	-	-	-	(130,619)	(130,619)	-	(130,619)
Purchase of treasury shares by subsidiary	-	-	-	-	-	(5)	(5)
Dividends to owners of the Company	-	-	(288,430)	-	(288,430)	-	(288,430)
Dividends paid by subsidiary	-	-	-	-	-	(17,934)	(17,934)
At 30 June 2013	2,186,453	123,794	1,271,891	(252,680)	3,329,458	385,660	3,715,118
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
Total other comprehensive income for the period	-	954	-	-	954	-	954
Comprehensive income for the period	-	954	189,038	-	189,992	33,987	223,979
Reserves realised upon disposal of assets	-	(1,093)	1,093	-	-	-	-
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

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 30 JUNE 2013

	Year-to-date ended	
	30.6.2013	**30.6.2012**
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	393,957	297,698
Adjustments for:		
Non-cash items	(77,298)	33,297
Non-operating items	(199,734)	(18,145)
Dividend income	(538)	-
Net interest expense	34,542	43,826
Operating profit before working capital changes	150,929	356,676
Net changes in working capital	(1,552)	69,577
Net changes in loan receivables	44,842	(147,466)
Net tax paid	(85,136)	(61,764)
Net interest paid	(34,542)	(43,826)
Additions to land held for property development	(12,786)	(2,281)
Net cash flows generated from operating activities	61,755	170,916
Cash flows from investing activities		
Dividends received from associates	3,359	1,548
Dividends received from other investments	1,200	-
Disposal of subsidiaries, net of cash disposed	97,673	-
Proceeds from disposal of associate	118,000	-
Proceeds from disposal of equity interest in a subsidiary to non-controlling interests	69,446	-
Proceeds from disposal of investment securities	41,813	-
Proceeds from issuance of shares to non-controlling interests	-	50
Proceeds from disposal of property, plant and equipment	8,012	3,694
Proceeds from disposal of investment properties	-	7,000
Purchase of property, plant and equipment	(53,554)	(67,042)
Purchase of investment securities	(40,989)	-
Additions to biological assets	(3,735)	(3,043)
Additions to investment properties	(29,841)	(17,541)
Net cash flows generated from/(used in) investing activities	211,384	(75,334)
Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(144,721)	(138,358)
Net repayment of borrowings	(44,931)	(108,489)
Proceed from issuance of shares pursuant to the exercise of warrants	146	7
Shares repurchase at cost	(130,624)	(37,525)
Net cash flows used in financing activities	(320,130)	(284,365)
Net decrease in cash and cash equivalents	(46,991)	(188,783)
Effects on exchange rate changes	594	241
Cash and cash equivalents at beginning of the period	516,790	654,928
Cash and cash equivalents at end of the period	470,393	466,386

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	372,753	372,641
Cash in hand and at bank	101,227	95,414
Bank overdrafts	(3,587)	(1,669)
	470,393	466,386

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 to annual periods beginning on or after 1 January 2015.

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 2015. 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 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, 85,734 warrants were exercised which resulted in 85,734 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities. Accordingly, a total of 88,734 warrants have been exercised during the interim period and the issued and paid-up share capital of the Company increased to RM2,186,452,734 comprising 2,186,452,734 ordinary shares of RM1.00 each. As at 30 June 2013, 364,297,566 warrants remained unexercised.

Subsequent to the end of the interim period and up to 13 August 2013, a total of 87,220 warrants were exercised which resulted in 87,220 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities. The issued and the paid-up share capital of the Company increased to RM2,186,539,954 comprising 2,186,539,954 ordinary shares of RM1.00 each. As at the date hereof, 364,210,346 warrants remained unexercised.

(b) Share buyback by the Company

During the current quarter, 68,442,900 shares were bought back and there was no resale or cancellation of treasury shares. Accordingly, a total of 71,672,900 shares were bought back and retained as treasury shares during the interim period. 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
April 2013	5,770,900	1.6500	1.7000	1.6811	9,701,424.23
May 2013	40,446,000	1.6700	1.8800	1.7871	72,281,818.48
June 2013	22,226,000	1.8600	2.0500	1.9429	43,182,401.42
Total	68,442,900	1.6500	2.0500	1.8288	125,165,644.13

As at 30 June 2013, the Company has 144,929,300 ordinary shares held as treasury shares and the issued and paid up share capital of the Company remained at 2,186,452,734 ordinary shares of RM1.00 each.

Subsequent to the end of the interim period and up to 13 August 2013, the Company bought back another 29,308,700 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	
	30.6.2013	**30.6.2012**
	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	-
Dividend in respect of financial year ending 31 December 2013:		
- first interim (8.0 sen) under the single tier system approved by the Board of Directors on 6 June 2013 and paid on 6 August 2013	161,643	-
	288,430	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
Current year quarter ended 30 June 2013										
Revenue										
External revenue	84,012	81,378	27,174	334,367	85,689	115,658	98,479	-	-	826,757
Inter-segment revenue	-	2,237	1,116	10,433	435	4,381	13,737	-	(32,339)	-
Total revenue	84,012	83,615	28,290	344,800	86,124	120,039	112,216	-	(32,339)	826,757
Operating profit	11,482	17,880	22,836	14,023	3,991	(3,424)	653	(2,896)	(4,483)	60,062
Financing costs										(18,728)
Other non-operating items										209,918
Share of results of associates										8,021
Profit before tax										259,273
Preceding year quarter ended 30 June 2012										
Revenue										
External revenue	117,470	133,964	29,200	353,783	68,632	152,924	106,502	-	-	962,475
Inter-segment revenue	-	2,589	-	13,196	362	3,604	12,660	-	(32,411)	-
Total revenue	117,470	136,553	29,200	366,979	68,994	156,528	119,162	-	(32,411)	962,475
Operating profit	43,949	86,208	23,572	18,007	6,842	1,339	(1,964)	(2,252)	(2,045)	173,656
Financing costs										(23,764)
Share of results of associates										9,646
Profit before tax										159,538

8. **Segment information (continued)**

	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 30 June 2013										
Revenue										
External revenue	185,369	135,807	53,959	608,858	165,298	309,271	160,664	-	-	1,619,226
Inter-segment revenue	-	4,662	1,116	18,645	1,183	10,727	24,664	-	(60,997)	-
Total revenue	185,369	140,469	55,075	627,503	166,481	319,998	185,328	-	(60,997)	1,619,226
Operating profit	39,563	52,970	43,645	19,515	8,150	(18,723)	1,324	(5,101)	(6,121)	135,222
Financing costs										(39,023)
Other non-operating items										283,557
Share of results of associates										14,201
Profit before tax										393,957
Segment assets	970,224	1,768,689	1,444,762	709,092	595,474	384,147	134,273	280,758	-	6,287,419
Year-to-date ended 30 June 2012										
Revenue										
External revenue	241,468	226,933	56,172	660,703	128,347	297,974	201,430	-	-	1,813,027
Inter-segment revenue	-	4,779	-	26,537	2,422	7,625	25,272	-	(66,635)	-
Total revenue	241,468	231,712	56,172	687,240	130,769	305,599	226,702	-	(66,635)	1,813,027
Operating profit	102,709	142,619	44,472	32,912	13,054	7,088	(4,623)	(2,389)	(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	541,542	319,478	166,847	255,606	-	6,250,818

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 Realty Sdn Bhd [“HSR”] transferred its 2 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of *Hap Seng Land Development (JTR 2) Sdn Bhd *(formerly known as Tabir Amanbina Sdn Bhd)* to *Hap Seng Land Development Sdn Bhd [“HSLD”] at a cash consideration of RM2.

(b) On 21 January 2013, Hap Seng Land Development (JTR 2) Sdn Bhd issued and allotted 99,998 ordinary shares of RM1.00 each fully paid at par in the manner set out below which resulted in an enlarged issued and paid-up share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each:

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

(c) On 4 February 2013, *Hap Seng Building Materials Holdings Sdn Bhd acquired the entire issued and paid-up share capital of Blue Ocean Pearl Sdn Bhd comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.

(d) On 19 February 2013, Hap Seng Building Materials Holdings Sdn Bhd transferred to the Company its 100,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of *Hap Seng Trading Holdings Sdn Bhd *(formerly known as Konsep Sistematik (M) Sdn Bhd)* [“HSTH”] at a cash consideration of RM60,346.

(e) On 19 February 2013, Hap Seng Building Materials Holdings Sdn Bhd transferred to Hap Seng Trading Holdings Sdn Bhd the entire issued and paid-up share capital of *Hap Seng (Oil & Transport) Sdn Bhd comprising 2,000,000 ordinary shares of RM1.00 each and *Hap Seng Trading (BM) Sdn Bhd comprising 9,000,000 ordinary shares of RM1.00 each and 21,000 redeemable preference shares of RM1.00 each (issued at a premium of RM999.00) at cash consideration of RM21,649,774 and RM2 respectively.

(f) On 8 March 2013, Hap Seng Building Materials Holdings Sdn Bhd completed the disposal of its entire 1,750,000 ordinary shares representing 25% of the issued and paid-up share capital in Lei Shing Hong (Singapore) Pte Ltd to Lei Shing Hong Limited [“LSH”], at a cash consideration of SGD47,313,553 (approximately RM118,000,000). The disposal was deemed a related party transaction as Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, is a 37.68% major shareholder of LSH and a 56.00% major shareholder of Gek Poh (Holdings) Sdn Bhd, the Company’s holding company. The aforesaid disposal resulted in a gain of approximately RM78.9 million to the Group as disclosed in Part B Note 5.

(g) On 13 March 2013, Hap Seng Building Materials Holdings Sdn Bhd transferred to the Company its 2 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of *Hap Seng Equity Sdn Bhd *(formerly known as Western Works Industries Sdn Bhd)* at a cash consideration of RM2.

(h) On 4 June 2013, *Hap Seng Star Sdn Bhd completed the disposal of its 51% equity interest in Hap Seng Star (Vietnam) Sdn Bhd [“HSSV”] to Prestige Sports Cars (HK) Limited [“PSC”], a wholly-owned subsidiary of Lei Shing Hong Limited [“LSH”], at a cash consideration of RM153 million and thereafter on 30 July 2013, completed the disposal of the balance 49% equity interest therein to PSC** at a cash consideration of RM147 million. The disposals were deemed to be related party transactions as Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, is a 37.68% major shareholder of LSH and a 56.00% major shareholder of Gek Poh (Holdings) Sdn Bhd. The aforesaid disposals resulted in a total gain of approximately RM209.9 million to the Group as disclosed in Part B Note 5.

(i) On 22 April 2013, *Hap Seng Land Sdn Bhd and Jinee Sdn Bhd transferred to Hap Seng Land Development Sdn Bhd [“HSLD”] their respective 1 ordinary share of RM1.00 each and 20,000 ordinary shares of RM1.00 each representing 20.001% of the issued and paid-up share capital in Hap Seng Land Development (JTR2) Sdn Bhd [“HSLDJTR2”] at cash consideration of RM1 and RM20,000 respectively, which resulted in HSLDJTR2 becoming the wholly-owned subsidiary of HSLD. Thereafter on 2 May 2013, HSLD transferred to the Company its 100,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of HSLDJTR2.

* *All these are wholly-owned subsidiaries of the Company.*
** *Disposal of the balance 49% equity interest in HSSV was completed on 30 July 2013, subsequent to the end of the interim period and is disclosed herein for purpose of completeness.*

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 (continued)**

(j) 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. Thereafter on 5 June 2013, HSC incorporated its wholly-owned subsidiary in Singapore, Hap Seng Credit Pte Ltd with an issued and paid-up share capital of SGD1.00 comprising 1 ordinary share.

(k) During the interim period, the Company disposed of an aggregate of 3.20% equity interest comprising 25,618,200 ordinary shares of RM1.00 each in its listed subsidiary, Hap Seng Plantations Holdings Berhad ["HSP"] via the Main Market of Bursa Securities, thereby decreasing its shareholding in HSP from 55.16% to 51.96%.

Except for Note 9(f) and 9(h) 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 and Note 9(h) above and Part B Note 9, events after the interim period and up to 13 August 2013 that have not been reflected in these interim financial statements are as follows:

(a) On 1 July 2013, a shareholders' agreement was entered into between Hap Seng Building Materials Holdings Sdn Bhd ["HSBMH"] and UM Land Builders Sdn Bhd ["UMLB"] governing their 70:30 quarry joint-venture in Blue Ocean Pearl Sdn Bhd ["BOP']. Pursuant to the same, HSBMH and UMLB subscribed to 69,998 and 30,000 ordinary shares respectively in the share capital of BOP on even date, with which the issued and paid-up share capital of BOP increased to RM100,000 comprising 100,000 ordinary shares of RM1.00 each. HSBMH is the wholly-owned subsidiary of the Company whereas UMLB is the wholly-owned subsidiary of United Malayan Land Berhad. On 19 July 2013, BOP changed its name to Hap Seng Seri Alam Sdn Bhd.

(b) Subsequent to the end of the interim period and up to 13 August 2013, the Company disposed 6,421,300 ordinary shares of RM1.00 each representing 0.8% equity interest in Hap Seng Plantations Holdings Berhad ["HSP"] via the Main Market of Bursa Securities, thereby decreasing its shareholding in HSP from 51.96% to 51.16%.

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 30.6.2013 RM'000	**As at 31.12.2012** RM'000
Approved and contracted for	222,912	226,683
Approved but not contracted for	123,013	132,740
	345,925	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 and 29 May 2013, except for the disposals as disclosed in Note 9(f) and Note 9(h) above.

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 RM826.8 million was 14% lower than the preceding year corresponding quarter whilst Group operating profit of RM60.1 million was 65% lower than the preceding year corresponding quarter of RM173.7 million.

Plantation Division's revenue and operating profit were lower than the preceding year corresponding quarter by RM33.5 million (28%) and RM32.5 million (74%) respectively. The Division's performance was impacted by lower average selling prices of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] as well as lower production of Fresh Fruit Bunches ["FFB"] production. FFB production for the current quarter was lower than the preceding year corresponding quarter by 8% affected by adverse seasonal yield trend and cropping pattern due to tree stress after the strong production in the 4th quarter of 2012 and 1st quarter this year. Consequently, CPO production was 5% lower than the preceding year corresponding quarter, mitigated by higher volume of FFB purchases and better oil extraction rate. Production cost per tonne of CPO was marginally higher than the preceding year corresponding quarter due to by higher upkeep costs and generally higher wages but mitigated by lower cost of FFB purchased. Despite lower production, CPO sales volume was 4% higher at 32,109 tonnes due to favourable changes in inventory levels whilst PK sales volume was 10% lower at 6,109 tonnes due to lower PK production and extraction rate. Average selling price realisation of CPO and PK for the current quarter were RM2,284 and RM1,154 per tonne respectively as compared to the preceding year corresponding quarter of RM3,208 per tonne for CPO and RM1,852 per tonne for PK.

Property Division continues to enjoy good take up rate of its ongoing projects in Peninsular Malaysia and Sabah. The response to its luxurious condominium project in the Klang Valley, "The Horizon Residences" has been encouraging with a total take up rate of 76% as at end of the current quarter. 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 for the current quarter. 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, the Division's revenue and operating profit declined by RM52.9 million (39%) and RM68.3 million (79%) respectively over the preceding year corresponding quarter. In the preceding year corresponding quarter, the Division benefitted from fair value adjustments of some of its investment properties and gains from the disposal of certain non-strategic properties which in total contributed RM76.6 million to revenue and RM68.5 million to the operating profit.

Credit Financing Division continues to grow its loan portfolio with focus on loan quality. As at the end of the current quarter, the Division's loan portfolio of RM1.52 billion was marginally above the preceding year corresponding quarter of RM1.50 billion. However, revenue and operating profit of RM28.3 million and RM22.8 million respectively for the quarter were both 3% lower than the preceding year corresponding quarter mainly due to lower average net interest margin. Non-performing loans ratio as at the end of the current quarter was 1.07% as compared to 0.73% at the end of the preceding year corresponding quarter.

The Fertilizer Trading Division operates in very competitive trading environment in both the Malaysian and the Indonesian markets amidst the volatile movements in global fertilizer prices and foreign currency exchange. The Division's Malaysian operations recorded higher sales volume but lower selling prices and margins. Its Indonesian operations recorded improved margins and marginally higher sales volume at lower selling prices. Overall, the Division's revenue and operating profit were lower than the preceding year corresponding quarter by RM22.2 million (6%) and RM4.0 million (22%) respectively.

Quarry and Building Materials Division's revenue for the current quarter was higher than the preceding year corresponding quarter by RM17.1 million (25%). However, operating profit declined by RM2.9 million (42%) over the preceding year corresponding quarter mainly due to lower margins from its quarry operations in Sabah.

Automotive Division's revenue for the current quarter was lower than the preceding year corresponding quarter by RM36.5 million (23%) mainly due to the slowdown of passenger vehicle sales in Malaysia. Lower margins were also recorded as the Division continues to experience severe competition in the premium passenger vehicles market. Consequently, an operating loss of RM3.4 million was recorded as compared to the preceding year corresponding quarter's operating profit of RM1.3 million. In the current quarter, the Division completed the disposal of its 51% equity interest in its Vietnamese operations held via HSSV, on 4 June 2013 and contributed significant gains to the Group as disclosed in Part A Note 9(h) and Part B Note 5.

Trading Division's revenue of RM112.2 million for the current quarter was RM6.9 million (6%) lower than the preceding year corresponding quarter of RM119.2 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 RM2.0 million in the preceding year corresponding quarter mainly due to lower operating expenses.

The Group profit before tax ["PBT"] for the current quarter at RM259.3 million included a total gain of RM209.9 million arising from the disposal of the automotive operations in Vietnam held via HSSV as disclosed in Part A Note 9(h) and Part B Note 5. Accordingly, the Group PBT was 63% above the preceding year corresponding quarter whilst profit after tax ["PAT"] at RM205.3 million was 75% above the preceding year corresponding quarter.

1. **Review of performance (continued)**

Overall, the Group PBT and PAT for the year to date at RM394.0 million and RM317.3 million were higher than the preceding year corresponding period by 32% and 42% respectively. Profit attributable to owners of the Company for the year to date was RM304.3 million, 61% higher than the preceding year corresponding quarter. Consequently, basic earnings per share for the year to date at 14.51 sen was 67% higher than the preceding year corresponding period of 8.69 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 RM259.3 million was 93% higher than the preceding quarter of RM134.7 million mainly attributable to gains arising from the disposal of the Group's automotive operations in Vietnam but somewhat reduced by lower contributions from the Plantation and Property Divisions.

Plantation Division's results were mainly affected by lower sales volume of both CPO and PK which declined by 16% and 35% respectively, mitigated by marginally higher average selling prices whilst the Property Division's results for the preceding quarter included the gain from fair value adjustments of its investment properties.

3. **Current year prospects**

Plantation Division will continue to be influenced by the global macroeconomic factors affecting the oil seeds and palm oil market, weather conditions in the major oil seeds producing countries and the seasonal cropping pattern of FFB. Global supplies of vegetable oils in particular soybean oil are expected to rise to record level from favourable harvest in the US Midwest beginning September 2013. Demand for vegetable oils has been sluggish with slower global growth. The national palm oil stock level in Malaysia has dropped to 1.65 million tonnes at the end of June 2013 from its high of 2.63 million tonnes at the end of 2012. However, the current bearish sentiment is expected to be prolonged due to the dampened world demand for palm oil particularly from China and India as a result of the high stocks and credit tightening in China coupled with the weaker Indian rupee. Nonetheless, the Plantation Division expects a better performance in the second half of the year as compared with the first half in view of the expected increase in our CPO production.

The Property Division will continue to focus on improving contribution from its property development segment primarily from its luxurious condominium projects in the Klang Valley 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. The Division is planning to expand its credit operations to Singapore with the incorporation of two wholly-owned subsidiaries in Singapore as disclosed in Part A Note 9(j).

Fertilizer Trading Division is expected to continue operating in challenging business environment in both the Malaysian and Indonesian markets as global fertilizer prices remains vulnerable. Prices of potash are expected to decline with the recent fallout of the partnership in one of the world's largest potash suppliers, Belarus Potash Company (BPC).

The Quarry and Building Materials Division is expected to perform satisfactorily on the back of a buoyant construction industry and improvement in operational efficiencies. Its quarries and bricks operations located in the southern region of Peninsular Malaysia are expected to benefit from the development activities there.

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 of the Malaysian premium passenger vehicles segment to continue. Nevertheless, with the introduction of new Mercedes Benz passenger car models in the Malaysian market in the third quarter, the Automotive Division anticipates better performance in the second half of the current year.

Based on the foregoing, the Group is optimistic of achieving satisfactory results for the balance of 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.

5. **Profit for the period**

	Quarter ended 30.6.2013 RM'000	Quarter ended 30.6.2012 RM'000	Year-to-date ended 30.6.2013 RM'000	Year-to-date ended 30.6.2012 RM'000
Profit for the period is arrived at after crediting/(charging):				
Interest income	2,092	1,810	4,481	6,237
Dividend income from other investment	238	-	538	-
Unrealised revaluation gain arising from held-for-trading investment securities	-	-	372	-
Reversal of unrealised revaluation gain upon disposal of held-for-trading investment securities	(372)	-	(372)	-
Gain on disposal of held-for-trading investment securities	824	-	824	-
Interest expense	(18,728)	(23,764)	(39,023)	(50,063)
Depreciation and amortisation	(20,460)	(19,372)	(41,672)	(38,320)
Net allowance for impairment losses				
- trade receivables	(783)	(3)	(1,082)	(902)
Net reversal/(write down) on inventories	(941)	(205)	1,132	(161)
Gain on disposal of:				
- property, plant and equipment	384	199	390	652
- investment properties	-	1,820	-	1,820
Property, plant and equipment written off	(114)	(4)	(191)	(50)
Bad debts written off	(46)	-	(77)	(4)
Net foreign exchange loss	(633)	(3,165)	(424)	(2,401)
Gain on hedging activities	(10)	(3)	16	(3)
(Loss)/Gain on non-hedging derivative instruments	(14)	-	-	7
Gain from fair value adjustments of investment properties	-	5,073	19,923	5,073
Recovery of bad debts	457	245	842	330
Other non-operating items				
- Gains on loss of control of subsidiaries:				
- disposal of 51% equity interest in subsidiaries	105,435	-	105,435	-
- recognition of 49% equity interest retained at its fair value	104,483	-	104,483	-
	209,918	-	209,918	-
- Gain on disposal of investment in an associate	-	-	78,884	-
- Impairment loss on investment in an associate	-	-	(5,245)	-
	209,918	-	283,557	-

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 30.6.2013 RM'000	Quarter Ended 30.6.2012 RM'000	Year-to-date ended 30.6.2013 RM'000	Year-to-date ended 30.6.2012 RM'000
In respect of current period				
- income tax	12,476	41,598	36,824	74,237
- deferred tax	3,784	(163)	2,153	(444)
	16,260	41,435	38,977	73,793
In respect of prior year				
- income tax	(19)	2	(19)	2
- deferred tax	37,697	878	37,697	878
	37,678	880	37,678	880
	53,938	42,315	76,655	74,673

The Group's effective tax rate for the current quarter excluding under provision of tax in respect of prior year was lower than the statutory tax rate mainly due to gains on loss of control of subsidiaries not subjected to tax. The effective tax rates for the preceding year corresponding quarter and year to date were higher than the statutory tax rate due to certain expenses being disallowed for tax purposes.

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 13 August 2013.

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

(i) Private Placement

The proceeds from the Private Placement have been fully utilised in the previous financial year.

(ii) Rights Issue with Warrants

Purpose	Proposed Utilisation RM'mil	As at 30 June 2013 Utilisation RM'mil	Balance Unutilised RM'mil	Intended Timeframe for Utilisation	Deviation under/(over) spent RM'mil	%	Explanation
Capital expenditure for expansion of the existing business operations of the Group and acquisition of potential land for development	220.00	168.45	51.55	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	331.06	51.55		-	-	

(iii) HSSV Disposal

Purpose	Proposed Utilisation RM'mil	As at 30 June 2013 Utilisation RM'mil	Balance Unutilised RM'mil	Intended Timeframe for Utilisation	Deviation under/(over) spent RM'mil	%	Explanation
Purchase of inventories, e.g. fertilizers, automobiles and building materials	45.81	19.60	26.21	Within 2 years from completion	-	-	Not fully utilised yet and within intended timeframe for utilisation. As such, deviation was not computed.
Loan disbursements of credit financing division	45.81	35.52	10.29		-	-	
Properties development cost such as construction costs, consultancy fees and etc	30.54	8.25	22.29		-	-	
Payment of trade and other payables (including operating expenses)	30.54	3.50	27.04		-	-	
Estimated expenses	0.30	0.30	-	-	-	-	
	153.00	67.17	85.83		-	-	

8. **Borrowings and debt securities**

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

	As at 30.6.2013				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	148,539	4,800	-	153,339	204,765	3,761	-	208,526
- Bank overdrafts	3,587	-	-	3,587	2,469	-	-	2,469
- Revolving credits	273,685	101,543	-	375,228	485,368	133,755	-	619,123
- Term loans	575,504	-	-	575,504	422,611	-	-	422,611
- Foreign currency loan	-	141,762	-	141,762	-	7,891	-	7,891
	1,001,315	248,105	-	1,249,420	1,115,213	145,407	-	1,260,620
Non-current								
Unsecured								
- Term loans	456,138	-	-	456,138	484,233	-	-	484,233
- Foreign currency loan	-	-	494,645	494,645	-	12,230	494,645	506,875
	456,138	-	494,645	950,783	484,233	12,230	494,645	991,108
	1,457,453	248,105	494,645	2,200,203	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) A writ of summon ["said Writ"] was filed by certain natives of Sabah ["Plaintiffs"] 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 in the High Court in Sabah and Sarawak at Kota Kinabalu ["Tongod Suit and KKHC"] naming the Company as the first defendant, Genting Plantations Berhad ["GPB"] and its subsidiary Genting Tanjung Bahagia Sdn Bhd ["GTB"] as the second and third defendants, Director of Department of Lands and Surveys, Sabah as the fourth defendant, the Government of the State of Sabah as the fifth defendant, Assistant Collector of Land Revenues, Tongod as the sixth defendant, the Registrar of Titles as the seventh defendant and the Assistant Collector of Land Revenues, Kota Kinabatangan as the eighth defendant. The Company had on 9 May 2002 completed its disposal of the Tongod Land to GTB.

On 13 June 2003, the deputy registrar of the KKHC dismissed the Company's application to strike out the said Writ ["Striking-out Application"] and the Company appealed against the said dismisssal ["said Striking-out Appeal"].

The Plaintiffs had earlier filed an application for injunction restraining the second and the third Defendants from carrying out, inter alia, planting activities on the Tongod Land or part thereof ["Injunction Application"]. On 20 June 2008 during the hearing of the Injunction Application, the KKHC upheld the defendants' preliminary objection to the KKHC's jurisdiction to determine NCR and the Tongod Suit was dismissed with costs awarded to the defendants ["PO Decision"]. Although the Plaintiffs' initial appeal against the PO Decision was also dismissed by the Court of Appeal on 9 June 2011 ["said Dismissal Decision"], the Federal Court allowed the Plaintiffs' further appeal on 24 November 2011 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 KKHC.

On 21 March 2012, the KKHC dismissed the said Striking-out Appeal with costs awarded to the Plaintiffs and on 9 May 2013, the said decision was upheld by the Court of Appeal upon the defendants' appeal. On 7 June 2013, the defendants filed a motion for leave to appeal to the Federal Court against the said decision of the Court of Appeal.

The Tongod Suit was part-heard from 26 to 29 November 2012, 14 to 18 January 2013, 18 to 22 February 2013, 11 to 15 March 2013 and 8 to 11 July 2013.

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

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"], is the registered and beneficial proprietor of all that parcel of land held under CL095310017, District of Kinabatangan, State of Sabah measuring approximately 6,454 acres ["said Land"]. On 16 January 2012, a purported sale and purchase agreement in respect of the said Land was entered into between Mr. Heng Chin Hing @ Wong Chin Hing (NRIC No. H0699157/570811-12-5731) ["HCH"] as the purported vendor and Excess Interpoint Sdn Bhd ["EISB"] as the purported purchaser ["Purported SPA"]. HCH alleged that he is the donee of a power of attorney dated 8 February 1977 allegedly created in respect of the said Land ["Alleged PA"]. On the basis of the Purported SPA, EISB entered a private caveat on the said Land on 3 April 2012.

On 23 May 2012, RESB 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. Upon RESB's application, HCH was added as the second defendant ["2nd Defendant"] to the RESB Suit on 16 June 2012.

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 the 1st Defendant's application, the RESB was transferred to the High Court of Sabah & Sarawak at Kota Kinabalu on 10 August 2012, subject to the said Ad Interim Injunction continuing to be in effect. With the transfer, RESB is currently represented by Messrs Jayasuria Kah & Co. in Kota Kinabalu. The RESB Suit is presently stayed pending referral and determination by the Federal Court on the constitutionality of the transfer of civil suits from West Malaysia to the High Court of Sabah and Sarawak and vice versa.

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.

(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 the High Court of Sabah & Sarawak at Kota Kinabalu vide originating summon No. BKI-24-127/5-2012, and the same was served on RESB on 11 June 2012 ["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 filed an application to convert the KK Suit from being an originating summon action into a writ action. Consistent with the RESB Suit stated in item 9(b) above, the KK Suit is stayed pending referral and determination by the Federal Court on the constitutionality of the transfer of civil suits from West Malaysia to the High Court of Sabah and Sarawak and vice versa.

HSP has been advised by its solicitors, Messrs Jayasuria Kah & Co., 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 30 June 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	259,999	10,554	10,570	(10,554)	16
- Not designated as hedging instruments	132,216	-	-	-	-
	392,215	10,554	10,570	(10,554)	16

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 30.6.2013	**As at 31.12.2012**
	RM'000	RM'000
		(Audited)
Total retained profits of the Company and its subsidiaries:		
- Realised	2,697,153	2,681,804
- Unrealised	87,279	(1,518)
	2,784,432	2,680,286
Total share of retained profits from associates		
- Realised	28,839	40,905
- Unrealised	28,522	28,255
- Breakdown unavailable*	18,504	14,866
	2,860,297	2,764,312
Less: Consolidation adjustments	(1,588,406)	(1,552,242)
Total Group retained profits as per consolidated financial statements	1,271,891	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 30 June 2013 given by the Company's moneylending subsidiaries are as follows:

		Secured	**Unsecured**	**Total**
		RM'000	RM'000	RM'000
(a)	To companies	1,318,189	3,677	1,321,866
(b)	To individuals	149,013	161	149,174
(c)	To companies within the listed issuer group	-	49,834	49,834
(d)	To related parties	-	-	-
		1,467,202	53,672	1,520,874

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

		As at 30.6.2013
		RM'000
(a)	Loans given by companies within the Group to the moneylending subsidiaries	467,400
(b)	Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c)	Unsecured bank borrowings guaranteed by the Company	365,544
(d)	Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company	339,636
		1,172,580

(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	27,667
(c)	Loans reclassified as performing during the financial year	(20,222)
(d)	Amount recovered	(4,301)
(e)	Amount written off	-
(f)	Loans converted to securities	-
(g)	Balance as at 30.6.2013	16,283
(h)	Ratio of net loans in default to net loans	1.07%

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

Moneylending operations (continued)

(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	49,834	No	-	Yes	24
2nd	Term Loan	35,500	27,096	Yes	33,500	No	12 – 36
3rd	Term Loan	21,000	21,300	Yes	19,500	No	60
	Term Loan	200	161	No	-	No	60
		21,200	21,461		19,500		
4th	Term Loan	16,194	16,538	Yes	36,550	No	12 – 142
5th	Term Loan	17,393	13,515	Yes	16,319	No	60 – 120
	Hire Purchase	5,471	852	Yes	813	No	36 – 60
		22,864	14,367		17,132		

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

	Quarter Ended		Year-to-date ended	
	30.6.2013	**30.6.2012**	**30.6.2013**	**30.6.2012**
Profit attributable to owners of the Company (RM'000)	201,548	102,877	304,333	189,038
Weighted average number of ordinary shares in issue for basic EPS computation ('000)	2,082,216	2,169,251	2,097,456	2,174,732
Dilutive potential ordinary shares				
- Assumed exercise of Warrants	30,196	5,132	15,237	2,204
Weighted average number of ordinary shares in issue for diluted EPS computation ('000)	2,112,412	2,174,383	2,112,693	2,176,936
Basic EPS (sen)	9.68	4.74	14.51	8.69
Diluted EPS (sen)	9.54	4.73	14.40	8.68

(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.

15. **Dividends**

On 6 June 2013, the Board of Directors approved the following first interim dividend for the financial year ending 31 December 2013 which was paid on 6 August 2013.

(i)	Amount per ordinary share of RM1.00 each - First Interim Dividend	 8.0 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders
(ii)	Previous year corresponding period Amount per ordinary share of RM1.00 each - First Interim Dividend	 4.5 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 Amount per ordinary share of RM1.00 each	 8.0 sen (2012: 4.5 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 2012 was not subject to any qualification.

BY ORDER OF THE BOARD

CHEAH YEE LENG
QUAN SHEET MEI
Secretaries

Kuala Lumpur
19 August 2013