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 2014

	Quarter ended		Year-to-date ended	
	30.6.2014	**30.6.2013**	**30.6.2014**	**30.6.2013**
	RM'000	RM'000	RM'000	RM'000
Revenue	1,097,385	826,757	1,955,857	1,619,226
Operating expenses	(740,970)	(777,078)	(1,430,561)	(1,528,833)
Other operating income	11,812	10,383	66,321	44,829
Operating profit	368,227	60,062	591,617	135,222
Financing costs	(20,028)	(18,728)	(43,095)	(39,023)
Other non-operating items	-	209,918	-	283,557
Share of results of associates	3,067	8,021	2,696	14,201
Profit before tax	351,266	259,273	551,218	393,957
Tax expense	(92,508)	(53,938)	(146,588)	(76,655)
Profit for the period	258,758	205,335	404,630	317,302
Profit attributable to:				
Owners of the Company	245,207	201,548	370,620	304,333
Non-controlling interests	13,551	3,787	34,010	12,969
	258,758	205,335	404,630	317,302
Earnings per share (sen)				
Basic	12.25	9.68	18.50	14.51
Diluted	11.43	9.54	17.33	14.40

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 2013 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 2014

	Quarter ended		Year-to-date ended	
	30.6.2014	**30.6.2013**	**30.6.2014**	**30.6.2013**
	RM'000	RM'000	RM'000	RM'000
Profit for the period	258,758	205,335	404,630	317,302
Other comprehensive income/(expense), net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	2,181	(2,211)	3,246	(2,301)
Share of foreign currency translation differences of associates	(736)	(1,606)	(621)	703
Change in fair value of cash flow hedge	2,613	-	3,596	-
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)
	4,058	(678)	6,221	293
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	4,058	498	6,221	1,469
Total comprehensive income for the period	262,816	205,833	410,851	318,771
Total comprehensive income attributable to:				
Owners of the Company	249,265	202,046	376,841	305,802
Non-controlling interests	13,551	3,787	34,010	12,969
	262,816	205,833	410,851	318,771

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 2013 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 2014

	As at 30.6.2014 RM'000	As at 31.12.2013 RM'000 *(Audited)*
Non-current assets		
Property, plant and equipment	1,079,003	1,047,228
Biological assets	438,030	436,030
Investment properties	728,098	712,076
Investment in associates	375,036	376,252
Other investment	30,000	30,000
Land held for property development	344,111	358,301
Goodwill	36,736	36,736
Receivables, including derivatives	1,215,353	1,032,902
Deferred tax assets	12,667	13,010
	4,259,034	4,042,535
Current assets		
Inventories	556,701	487,223
Property development costs	662,853	614,148
Receivables, including derivatives	1,269,349	1,307,401
Tax recoverable	19,772	24,142
Cash and bank balances	710,991	632,660
	3,219,666	3,065,574
TOTAL ASSETS	7,478,700	7,108,109
Equity attributable to owners of the Company		
Share capital	2,200,127	2,205,709
Reserves	1,683,660	1,526,900
	3,883,787	3,732,609
Less: Treasury shares	(431,033)	(378,735)
	3,452,754	3,353,874
Non-controlling interests	427,781	414,913
TOTAL EQUITY	3,880,535	3,768,787
Non-current liabilities		
Borrowings	826,213	942,177
Deferred tax liabilities	175,261	176,391
Other payables	5,426	6,014
	1,006,900	1,124,582
Current liabilities		
Payables and provisions, including derivatives	468,439	446,464
Tax payable	129,793	51,446
Borrowings	1,793,049	1,556,396
Dividend payable	199,984	160,434
	2,591,265	2,214,740
TOTAL LIABILITIES	3,598,165	3,339,322
TOTAL EQUITY AND LIABILITIES	7,478,700	7,108,109
Net assets per share (RM)	1.72	1.68
Based on number of shares net of treasury shares ('000)	2,003,044	2,001,678

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013 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 2014

	← Attributable to Owners of the Company →						
	Share Capital	**Non-distributable Reserves**	**Distributable Reserves**	**Treasury Shares**	**Total**	**Non-controlling interests**	**Total Equity**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2014	2,205,709	122,809	1,404,091	(378,735)	3,353,874	414,913	3,768,787
Profit for the period	-	-	370,620	-	370,620	34,010	404,630
Total other comprehensive income for the period	-	6,221	-	-	6,221	-	6,221
Total comprehensive income for the period	-	6,221	370,620	-	376,841	34,010	410,851
Exercise of warrants	54,418	35,372	-	-	89,790	-	89,790
Changes in ownership interest in subsidiaries	-	-	(233)	-	(233)	6,233	6,000
Purchase of treasury shares	-	-	-	(167,534)	(167,534)	-	(167,534)
Purchase of treasury shares by subsidiary	-	-	-	-	-	(715)	(715)
Cancellation of treasury shares	(60,000)	34,958	(90,194)	115,236	-	-	-
Dividend	-	-	(199,984)	-	(199,984)	-	(199,984)
Dividend paid to non-controlling interests	-	-	-	-	-	(26,660)	(26,660)
At 30 June 2014	2,200,127	199,360	1,484,300	(431,033)	3,452,754	427,781	3,880,535
At 1 January 2013	2,186,364	122,268	1,223,466	(122,061)	3,410,037	365,102	3,775,139
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
Total 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 interest 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)
Dividend	-	-	(288,430)	-	(288,430)	-	(288,430)
Dividend paid to non-controlling interests	-	-	-	-	-	(17,934)	(17,934)
At 30 June 2013	2,186,453	123,794	1,283,287	(252,680)	3,340,854	385,660	3,726,514

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 2013 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 2014

	Year-to-date ended	
	30.6.2014	**30.6.2013**
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	551,218	393,957
Adjustments for:		
Non-cash items	44,185	(77,928)
Non-operating items	(43,111)	(199,734)
Dividend income	(600)	(538)
Net interest expense	36,316	34,542
Operating profit before working capital changes	588,008	150,929
Net changes in working capital	5,947	(1,552)
Net changes in loan receivables	(219,219)	44,842
Net tax paid	(64,921)	(85,136)
Net interest paid	(36,316)	(34,542)
Additions to land held for property development	(8,984)	(12,786)
Net cash flows generated from operating activities	264,515	61,755
Cash flows from investing activities		
Dividends received from associates	3,291	3,359
Dividends received from other investment	1,200	1,200
Disposal of subsidiaries, net of cash disposed	-	97,673
Proceeds from disposal of associate	-	118,000
Proceeds from issuance of shares to non-controlling interests	6,000	-
Proceeds from disposal of equity interest in a subsidiary	-	69,446
Proceeds from disposal of investment securities	-	41,813
Proceeds from disposal of property, plant and equipment	54,069	8,012
Proceeds from disposal of investment properties	636	-
Purchase of property, plant and equipment	(51,402)	(53,554)
Purchase of investment securities	-	(40,989)
Additions to biological assets	(2,460)	(3,735)
Additions to investment properties	(54,414)	(29,841)
Net cash flows (used in)/generated from investing activities	(43,080)	211,384
Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(187,094)	(144,721)
Net drawdown/(repayment) of borrowings	123,380	(44,931)
Proceeds from issuance of shares pursuant to the exercise of warrants	89,790	146
Shares repurchase at cost	(168,249)	(130,624)
Net cash flows used in financing activities	(142,173)	(320,130)
Net increase/(decrease) in cash and cash equivalents	79,262	(46,991)
Effects on exchange rate changes	(1,182)	594
Cash and cash equivalents at beginning of the period	623,744	516,790
Cash and cash equivalents at end of the period	701,824	470,393

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	523,621	372,753
Cash in hand and at bank	187,370	101,227
Bank overdrafts	(9,167)	(3,587)
	701,824	470,393

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013 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 2013.

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 2013, except for changes arising from the adoption of IC Interpretations and Amendments that are effective for financial period beginning on or after 1 January 2014 as follows:

- IC Interpretation 21, Levies
- Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities
- Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 136: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to FRS 139: Novation of Derivatives and Continuation of Hedge Accounting

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

Malaysian Financial Reporting Standards ["MFRS"]

On 19 November 2011, the Malaysian Accounting Standards Board ["MASB"] issued a new MASB approved accounting framework, the 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 and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer (herein called ["Transitioning Entities"]).

The Group falls within the definition of Transitioning Entities and is currently exempted from adopting the MFRS. Accordingly, the Group will adopt the MFRS and presents its first MFRS financial statements when the adoption of the MFRS is mandated by the MASB. 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 period 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, 28,936,980 warrants were exercised which resulted in 28,936,980 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities. Accordingly, a total of 54,418,399 warrants have been exercised during the interim period and the issued and paid-up share capital of the Company increased to RM2,200,127,319 comprising 2,200,127,319 ordinary shares of RM1.00 each. As at 30 June 2014, 290,622,981 warrants remained unexercised.

Subsequent to the end of the interim period and up to 21 August 2014, a total of 8,919,300 warrants were exercised which resulted in 8,919,300 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 RM2,209,046,619 comprising 2,209,046,619 ordinary shares of RM1.00 each. As at the date hereof, 281,703,681 warrants remained unexercised.

(b) Share buyback by the Company

During the current quarter, 33,416,100 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
April 2014	5,042,800	3.0000	3.1800	3.1015	15,640,476.45
May 2014	13,091,700	3.1600	3.2100	3.1943	41,818,309.04
June 2014	15,281,600	3.1300	3.6000	3.3703	51,503,695.93
Total	33,416,100	3.0000	3.6000	3.2608	108,962,481.42

A total of 53,052,200 shares were bought back and 60,000,000 treasury shares were cancelled during the interim period.

As at 30 June 2014, the Company held 197,083,300 ordinary shares as treasury shares and the issued and paid up share capital of the Company was RM2,200,127,319 comprising 2,200,127,319 ordinary shares of RM1.00 each.

Subsequent to the end of the interim period and up to 21 August 2014, the Company bought back another 4,110,700 shares and resold 89,314,600 treasury shares in the open market, thereby reducing the total treasury shares held by the Company to 111,879,400 shares.

7. **Dividend**

The dividend paid out of shareholders' equity for the ordinary shares during the interim period and preceding year corresponding period were as follows:

	Year-to-date ended	
	30.6.2014	**30.6.2013**
	RM'000	RM'000
Dividend in respect of financial year ended 31 December 2012:		
- second interim (6 sen) under the single tier system approved by the Directors on 28 February 2013 and paid on 29 March 2013	-	126,787
Dividend in respect of financial year ended 31 December 2013:		
- first interim (8 sen) under the single tier system approved by the Directors on 6 June 2013 and paid on 6 August 2013	-	161,643
Dividend in respect of financial year ending 31 December 2014:		
- first interim (10 sen) under the single tier system approved by the Directors on 28 May 2014 and paid on 22 July 2014	199,984	-
	199,984	288,430

The second interim dividend of 8 sen under the single tier system in respect of financial year ended 31 December 2013 which was approved by the Directors on 27 November 2013 had been accounted for in equity as an appropriation of retained profits in the financial year ended 31 December 2013. The aforesaid dividend was paid on 14 February 2014.

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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 2014										
Revenue										
External revenue	107,008	384,246	31,835	226,694	95,514	154,673	97,415	-	-	1,097,385
Inter-segment revenue	-	3,509	914	9,613	1,796	2,712	12,463	-	(31,007)	-
Total revenue	107,008	387,755	32,749	236,307	97,310	157,385	109,878	-	(31,007)	1,097,385
Operating profit	37,393	285,144	25,777	12,634	6,777	3,063	2,034	(2,887)	(1,708)	368,227
Financing costs										(20,028)
Share of results of associates										3,067
Profit before tax										351,266
Preceding 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

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 30 June 2014										
Revenue										
External revenue	245,434	557,266	61,055	424,524	189,463	281,722	196,393	-	-	1,955,857
Inter-segment revenue	-	5,881	1,933	16,997	3,219	3,264	25,956	-	(57,250)	-
Total revenue	245,434	563,147	62,988	441,521	192,682	284,986	222,349	-	(57,250)	1,955,857
Operating profit	95,492	422,385	49,684	22,526	10,849	4,330	5,541	(4,986)	(14,204)	591,617
Financing costs										(43,095)
Share of results of associates										2,696
Profit before tax										551,218
Segment assets	1,074,047	2,113,482	1,904,031	451,671	649,173	421,822	121,505	335,494	-	7,071,225
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

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:

On 18 April 2014, Hap Seng Building Materials Holdings Sdn Bhd [“HSBMH”], the wholly-owned subsidiary of the Company, became the 49% shareholder of HS Mining Services Holding (Thailand) Co., Ltd [“HS Mining Holding”] which was incorporated in Thailand on even date. HS Mining Holding is principally involved in investment holding with a registered capital of Baht 100,000 comprising 100 ordinary shares of Baht 1,000 each, of which Baht 25,000 comprising 25 ordinary shares of Baht 1,000 each have been issued and fully paid-up.

Thereafter on 22 April 2014, HS Mining Holding incorporated a wholly-owned subsidiary in Thailand, HS Mining Services (Thailand) Co., Ltd [“HS Mining Services”]. HS Mining Services is principally involved in quarry mining services and related activities with a registered capital of Baht 100,000 comprising 100 ordinary shares of Baht 1,000 each, of which Baht 25,000 comprising 25 ordinary shares of Baht 1,000 each have been issued and fully paid-up.

10. **Significant events and transactions**

Except for the following, 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 up to 21 August 2014:

On 19 June 2014, Hap Seng Properties Development Sdn Bhd , the wholly-owned subsidiary of the Company, entered into two (2) separate sale and purchase agreements [“SPAs”] to dispose of the following contiguous parcels of leasehold land to the purchasers described below for a total consideration of RM278,000,000:

	Purchaser	Particulars of Land	Consideration (RM)
a)	Arrowchip Sdn Bhd	All those parcels of leasehold vacant land held under CL 105458606, CL 105458615 and CL 105458624 measuring approximately 138.03 acres in aggregate together with oil palm trees planted thereon situated at Jalan Tiku, District of Tawau, State of Sabah; and	131,920,000
b)	Futurenote Sdn Bhd	All those parcels of leasehold vacant land held under CL 105458571, CL 105458580 and CL 105458599 measuring approximately 152.86 acres in aggregate together with oil palm trees planted thereon situated at Jalan Tiku, District of Tawau, State of Sabah	146,080,000

The SPAs were completed on 27 June 2014 with the full consideration paid by the purchasers and resulted in a total net gain of approximately RM199.5 million to the Group.

11. **Events after the interim period**

Save for the subsequent events disclosed in Note 6 above and Note 9 of Part B, there were no events after the interim period and up to 21 August 2014 which have not been reflected in the financial statements.

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 30.6.2014	As at 31.12.2013
	RM'000	RM'000
Approved and contracted for	121,331	160,456
Approved but not contracted for	60,277	106,625
	181,608	267,081

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 meeting held on 29 May 2013 and 28 May 2014.

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

1. **Review of performance**

Group revenue for the current quarter at RM1.1 billion was 33% higher than the preceding year corresponding quarter attributable to higher revenue from all divisions except Fertilizer Trading and Trading Divisions. Group operating profit of RM368.2 million was RM308.2 million (513%) above the preceding year corresponding quarter of RM60.1 million with improved contribution from all divisions except Fertilizer Trading Division.

Plantation Division's revenue at RM107 million and operating profit at RM37.4 million were higher than the preceding year corresponding quarter by RM23 million (27%) and RM25.9 million (226%) respectively. The division's significantly improved performance was mainly attributable to higher average selling prices and sales volume of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"]. Average selling price realization of CPO and PK for the current quarter were RM2,600 and RM1,966 per tonne respectively as compared to the preceding year corresponding quarter of RM2,284 per tonne for CPO and RM1,154 per tonne for PK. CPO sales volume was 2% higher at 32,810 tonnes whilst PK sales volume was 33% higher at 8,116 tonnes, benefitted mainly from higher Fresh Fruit Bunches ["FFB"] and CPO production which were higher than the preceding year corresponding quarter by 24% and 27% respectively as a result of better FFB yield and oil extraction rate. However, the CPO sales volume was dampened by higher stock level at the end of the current quarter which was higher by 8,154 tonnes as compared to the preceding year corresponding quarter due to differences in timing of the deliveries to the customers.

Property Division's revenue improved by 364% (RM304.1 million) to RM387.8 million whilst operating profit at RM285.1 million was RM267.3 million above the preceding year corresponding quarter. The division benefitted from its project developments in both Peninsular and East Malaysia as well as from the sale of certain non strategic development land. Its luxurious condominium projects in the Klang Valley, namely "The Horizon Residences" and "Nadi Bangsar Service Residences" continue to enjoy good take up rate of 98% and 67% respectively at the end of the quarter whilst major projects in Sabah, namely Bandar Sri Indah in Tawau and Palm Heights in Lahad Datu also contributed significantly to the division's projects' revenue and operating profit for the current quarter. The division's 2 major investment properties, Menara Hap Seng and Menara Citibank (50% held by the Group) continue to enjoy good occupancy and rental rates.

Credit Financing Division recorded revenue and operating profit of RM32.7 million and RM25.8 million respectively for the current quarter which were higher than the preceding year corresponding quarter by 16% and 13% respectively. The division's loan portfolio at the end of the current quarter was RM1.95 billion, 28% above the preceding year of RM1.52 billion. Non-performing loans ratio at the end of the current period was 1.53% as compared to the industry average of 1.8%.

The Fertilizer Trading Division's operations in both Malaysia and Indonesia registered lower results for the current quarter as compared to the preceding year corresponding quarter in tandem with the lower global fertilizer prices. Revenue for the current quarter declined by 31% to RM236.3 million from RM344.8 million in the preceding year corresponding quarter. Operating profits at RM12.6 million was 10% below the preceding year corresponding quarter primarily affected by lower average selling prices.

Quarry and Building Materials Division's revenue and operating profit for the current quarter at RM97.3 million and RM6.8 million were higher than the preceding year corresponding quarter by 13% and 70% respectively mainly attributable to higher sales from its quarry and bricks operations as well as its Singapore aggregate trading business. The division benefitted from improved margins and higher selling prices achieved.

The Automotive Division's revenue for the current quarter was higher than the preceding year corresponding quarter by RM37.3 million (31%) mainly attributable to higher sales of passenger vehicles and better margins achieved. Consequently, the division registered an operating profit of RM3.1 million in the current quarter as compared to the preceding year corresponding quarter's loss of RM3.4 million which was affected by the severe competition in the premium passenger vehicles market then.

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

Trading Division's building materials segment recorded significant revenue growth as it continues to build its market share whilst its petroleum products segment maintained its revenue. Inspite of this, the division's revenue was marginally lower at RM109.9 million as compared to RM112.2 million in the preceding year corresponding quarter mainly due to the inclusion of the oils and fats trading business via Aceford Food Industry Pte Ltd in the preceding year corresponding quarter which has since been divested in August 2013. Nevertheless, the division's operating profit improved from RM0.7 million in the preceding year corresponding quarter to RM2.0 million in the current quarter mainly attributable to better sales volume and margins from its building material trading segment.

Overall, Group profit before tax ["PBT"] and profit after tax ["PAT"] for the current quarter at RM351.3 million and RM258.8 million were higher than the preceding year corresponding quarter by 35% and 26% respectively. The Group PBT for the preceding year corresponding quarter included a total gain of RM209.9 million arising from the disposal of its automotive operations in Vietnam.

Consequently, the Group PBT and PAT for the year to date at RM551.2 million and RM404.6 million were higher than the preceding year corresponding period by 40% and 28% respectively. Profit attributable to owners of the Company for the year to date was RM370.6 million, 22% higher than the preceding year corresponding period. Accordingly, the basic earnings per share for the year to date increased by 27% to 18.50 sen from 14.51 sen in the preceding year corresponding period.

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 RM351.3 million was RM151.3 million (76%) above the preceding quarter of RM200 million. Generally all divisions performed better than the preceding quarter except for Plantation and Trading divisions.

The main contributor to the improved performance was from the Property Division which benefitted from the good take up rate of its projects in Peninsular Malaysia and profit on the sale of certain non-strategic land held for development.

Plantation Division was mainly affected by the lower average selling prices of CPO as compared to the preceding quarter average selling price of RM2,669 per tonne. Trading Division's performance was affected by lower sales of petroleum products arising from the competitive environment.

3. **Current year prospects**

Malaysian palm oil futures in Kuala Lumpur declined to its lowest in five years in mid August 2014 on signs of poor demand, stronger Ringgit and the Chinese government crackdown on commodity trade financing to curb speculative imports putting pressure on the Chinese commodity markets. With the likelihood of the much anticipated El Nino phenomenon now been reduced as suggested by various meteorological bodies and may be delayed to the end of 2014, the impact on crop production is not expected to be apparent this year. Palm oil stockpiles in Malaysia, the biggest producer after Indonesia, increased in July 2014 to 1.68 million tonnes from 1.66 million tonnes in June 2014 as production rose more than expected. Palm oil production is anticipated to be higher as it is entering its peak production cycle. The US Department of Agriculture forecast of a record soybeans production level in the US Midwest due to favourable weather has put pressure on the soy markets. With the anticipated higher production of palm oil adding to the global edible oil supplies, the premium gap between soybean oil and palm oil is expected to narrow, limiting the recovery of palm oil prices.

The Property Division's current property development projects in Sabah and Klang Valley continues to receive encouraging response which will contribute favourably to the division's current year performance. Contribution from existing investment properties is expected to be maintained with close to optimum occupancy rates and consistent average rental rates. Menara Hap Seng 2 is targeted for completion in the fourth quarter of 2014 and is expected to contribute positively to the division's future performance.

3. **Current year prospects (continued)**

Credit Financing Division expects the SME sector to continue to be robust and the division will continue to grow its loan base in the core business segments of its lending activities focusing on businesses with quality collaterals whilst managing its cost of funds and funding requirements.

Fertilizer Trading Division anticipates a better year ahead with the expected stabilizing of global potash prices. The Indonesian market will continue to be sensitive to the volatility of the Indonesian Rupiah vis-à-vis the US Dollar.

The Quarry and Building Materials Division expects its quarries and brick factories in Sabah and Peninsular Malaysia to improve in performance as it continues to focus on improving operational efficiencies and expanding its market share.

The Trading Division will continue to expand its market, identifying new products to grow sales and profitability.

The Automotive Division expects the competitive environment in the Malaysian premium passenger vehicles segment to prevail. Its new 3S autohaus in Balakong, the largest in Malaysia which was officially opened in April 2014 is expected to contribute positively to the division's performance. The division is also expected to benefit from the new A-class, S-class and CLA-class models launched by Mercedes Benz Malaysia during the second quarter of 2014.

Based on the foregoing, the Group is optimistic of achieving satisfactory results for the financial year ending 31 December 2014.

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

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

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5. **Profit for the period**

	Quarter ended		Year-to-date ended	
	30.6.2014	**30.6.2013**	**30.6.2014**	**30.6.2013**
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging):				
Interest income	3,665	2,092	6,779	4,481
Dividend income from other investment	300	238	600	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	(20,028)	(18,728)	(43,095)	(39,023)
Depreciation and amortisation	(21,974)	(20,460)	(43,568)	(41,672)
Net allowance of impairment losses				
- trade receivables	(1,928)	(783)	(2,883)	(1,082)
Net reversal of write down on inventories	(1,769)	(941)	4,967	1,132
Gain/(loss) on disposal of:				
- property, plant and equipment	533	384	40,786	390
- investment properties	-	-	(371)	-
Property, plant and equipment written off	(28)	(114)	(33)	(191)
Biological assets written off	(350)	-	(460)	-
Investment properties written off	(6)	-	(124)	-
Bad debts written off	-	(46)	-	(77)
Net foreign exchange (loss)/gain	(1,109)	(633)	1,183	(424)
Gain/(Loss) on hedging activities	554	(10)	544	16
Gain/(Loss) on non-hedging derivative instruments	8	(14)	-	-
Gain from fair value adjustments of investment properties	-	-	-	19,923
Recovery of bad debts	150	457	316	842
Other non-operating items				
- Gain 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 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		Year-to-date ended	
	30.6.2014	**30.6.2013**	**30.6.2014**	**30.6.2013**
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	93,159	12,476	147,367	36,824
- deferred tax	(797)	3,784	(925)	2,153
	92,362	16,260	146,442	38,977
In respect of prior period				
- income tax	7	(19)	7	(19)
- deferred tax	139	37,697	139	37,697
	146	37,678	146	37,678
	92,508	53,938	146,588	76,655

The Group's effective tax rate for the current quarter was higher than the statutory tax rate due to certain expenses being disallowed for tax purposes. The effective tax rate for the preceding year corresponding quarter was lower than the statutory tax rate due to gains on loss of control of subsidiaries 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**

There was no corporate proposal announced but not completed as at 21 August 2014.

8. **Borrowings and debt securities**

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

	As at 30.6.2014				**As at 31.12.2013**			
	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
<u>Current</u>								
Unsecured								
- Bankers acceptances	239,558	-	-	239,558	101,813	-	-	101,813
- Bank overdrafts	9,167	-	-	9,167	8,916	-	-	8,916
- Revolving credits	1,205,255	-	-	1,205,255	989,958	94,008	-	1,083,966
- Term loans	334,024	-	-	334,024	338,642	-	-	338,642
- Foreign currency loan	-	5,045	-	5,045	-	23,059	-	23,059
	1,788,004	5,045	-	1,793,049	1,439,329	117,067	-	1,556,396
<u>Non-current</u>								
Unsecured								
- Term loans	311,713	-	-	311,713	422,877	-	-	422,877
- Foreign currency loan	-	-	514,500	514,500	-	-	519,300	519,300
	311,713	-	514,500	826,213	422,877	-	519,300	942,177
	2,099,717	5,045	514,500	2,619,262	1,862,206	117,067	519,300	2,498,573

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 dismissal ["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 ["said Leave Application"]. On 25 February 2014, the Federal Court dismissed the said Leave Application with costs awarded to the Plaintiffs.

On 23 September 2013, the KKHC dismissed the preliminary objection raised by the Company during the trial of the Tongod Suit on KKHC's jurisdiction in hearing and deciding matters relating to NCR ["PO Dismissal Decision"]. On 16 October 2013, the Company filed a notice of appeal to the Court of Appeal appealing against the PO Dismissal Decision which was subsequently withdrawn by the Company on 31 March 2014.

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, 8 to 11 July 2013, 23 to 24 September 2013, 2 to 13 December 2013, 27 to 28 January 2014, 27 to 28 March 2014, 2 to 6 June 2014 and 11 to 14 August 2014. The Tongod Suit has been fixed for continued hearing from 29 September 2014 to 3 October 2014.

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:
(i) That RESB be declared as the registered and beneficial owner of the said Land;
(ii) That the Purported SPA be declared null and void;
(iii) That the Alleged PA be declared null and void;
(iv) An injunction restraining the 1st Defendant from:-
    (a) effecting any further dealings including but not limited to disposal, assignment, transfer, mortgage, charge, lease, tenancy over the said Land with any third party;
    (b) taking any actions to fulfill the terms and conditions in the Purported SPA; and
    (c) taking any further action to complete the Purported SPA.
(v) An injunction restraining the 2nd Defendant from effecting any steps, actions and/or representations in respect of the Alleged PA;
(vi) Costs of the RESB Suit; and
(vii) Such further or other relief as the Court deems fit and just.

Upon the 1st Defendant's application, the RESB Suit 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 the law firm of Messrs Jayasuriya 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 Jayasuriya Kah & Co., that RESB has good grounds to succeed in the RESB Suit.

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 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:

(i) that by virtue of the Alleged PA, RESB had allegedly divested its ownership and all interests or claims to the said Land to HCH;
(ii) that pursuant to the Alleged Deed of Substitute, SYC is the beneficial owner and has rights to take possession of the said Land;
(iii) an order that RESB forthwith deliver vacant possession of the said Land to SYC free of encumbrances with all fixtures and crops planted thereon;
(iv) an injunction restraining RESB, its servants and/or employees or agents from harvesting crops on the said Land or removing anything thereon and/or otherwise from doing anything or interfering with SYC's rights thereon;
(v) costs of the KK Suit; and
(vi) such further or other relief as the Court deems fit and just.

The application by RESB to convert the KK Suit into a writ action ["Conversion Application"] was heard on both 23 October 2012 and 26 November 2012 and is currently pending decision. 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 Jayasuriya Kah & Co., that the KK Suit 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)**

(d) Pelipikan Plantation Sdn Bhd [“PPSB”], the wholly-owned subsidiary of Hap Seng Plantations Holdings Berhad [“HSP”] is the registered sub-lessee of all those 251 pieces of land measuring approximately 1,364.91 hectares situated in Kg. Natu in the district of Kota Marudu, Sabah [“Pelipikan Sub-Leased Lands”]. A writ of summon [“said Writ”] was filed on 7 August 2014 by 94 natives of Sabah [“Plaintiffs”] represented by Messrs. Sugumar & Co claiming interest and ownership, legal and beneficial in respect of 113 parcels of land which form part of the Pelipikan Sub-Leased Lands [“said 113 Titles”] in the High Court of Sabah and Sarawak at Kota Kinabalu vide suit no. BKI-22NCvC66/8-2014 (HC2), naming one Hatija Binti Hassan as first defendant, one Juniah @ Rubiah Bt. Okk Zainal as second defendant and PPSB as the third defendant [“said Suit”]. The said 113 Titles represent approximately 1.31% of the HSP Group’s total land holdings.

In the said Writ, the Plaintiffs alleged, inter alia the following:

(i) acting on a purported power of attorney P/A No. 5391/03, one Sikit @ Lanjim bin Sarapong [“Sikit”] transferred the Pelipikan Sub-Leased Lands on behalf of the Plaintiffs to the first and second defendants and created a sublease in favour of PPSB;
(ii) the transfer of the said 113 Titles from the Plaintiffs to Sikit, the subsequent transfer from Sikit to the first and second defendants and the sublease created in favour of PPSB were effected via forged documents and/or illegal means;
(iii) that the first and second defendants are not bona-fide third party purchasers of the said 113 Titles for value without notice; and
(iv) that PPSB is not a bona-fide third party sub-lessee of the said 113 Titles for value without notice.

The Plaintiffs are claiming for the following in the said Suit:

(i) a declaration that the Plaintiffs are entitled to possession of the said 113 Titles;
(ii) a declaration that the first, second, and third defendants are not entitled to possession of the said 113 Titles;
(iii) a declaration that the Plaintiffs are entitled to legal and beneficial ownership of the said 113 Titles;
(iv) that the registration of transfer of the said 113 Titles in favour of Sikit be declared null and void and of no effect;
(v) that the registration of transfer of the said 113 Titles in favour of first and second defendants be declared null and void and of no effect;
(vi) that the registration of sub-lease of the said 113 Titles in favour of the third defendant be declared null and void and of no effect;
(vii) an order directing the first, second and third defendants to give vacant possession of the said 113 Titles to the Plaintiffs;
(viii) an order directing the Assistant Collector of Land Revenue, Kota Marudu, Sabah to remove and delete forthwith the registration of the transfer of the 113 Titles effected in favour of Sikit and the first and second defendants;
(ix) an order directing the Assistant Collector of Land Revenue, Kota Marudu, Sabah to remove and delete forthwith the registration of the sublease of the said 113 Titles in favour of the third defendant.

PPSB has been advised by its solicitors, Messrs Jayasuriya Kah & Co that pursuant to the Sabah Land Ordinance, it is lawful for a native landowner to grant a sub-lease to a non-native for a period not exceeding 30 years and said Suit against PPSB is unlikely to succeed.

10. **Derivatives**

The Group entered into forward currency contracts and cross currency interest rate swaps where appropriate to minimise its exposure on receivables, payables, borrowings and firm commitments 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 2014 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 currency contracts of less than 1 year (US Dollar)					
- Designated as hedging instruments*	92,949	(2,844)	(2,837)	3,381	544
- Not designated as hedging instruments	127,755	-	-	-	-
	220,704	(2,844)	(2,837)	3,381	544
Cross currency interest rate swaps on a foreign currency borrowings of 1 year to 3 years (SGD/USD)					
- Designated as hedging instruments**	494,645	10,230	(1,204)	4,800	3,596

* *The hedging relationship is classified as fair value hedge where the gain/(loss) is recognised in profit or loss.*

** *The hedging relationship is classified as cash flow hedge where the gain/(loss) is recognised in other comprehensive income which flow into cash flow hedge reserve.*

The Group has no significant concentration of credit and market risks in relation to the above derivative financial instruments as the forward currency contracts and cross currency interest rate swaps are entered into with reputable financial institutions and are not used for speculative purposes. The cash requirement for settling these forward currency contracts and cross currency interest rate swaps 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 the derivative financial instruments as disclosed in Note 10 above.

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

	As at 30.6.2014	As at 31.12.2013
	RM'000	RM'000
		(Audited)
Total retained profits of the Company and its subsidiaries:		
- Realised	3,084,222	2,964,954
- Unrealised	(49,286)	(42,563)
	3,034,936	2,922,391
Total share of retained profits from associates		
- Realised	23,067	17,543
- Unrealised	18,060	18,205
- Breakdown unavailable*	15,738	21,712
	3,091,801	2,979,851
Less: Consolidation adjustments	(1,607,501)	(1,575,760)
Total Group retained profits as per consolidated financial statements	1,484,300	1,404,091

* 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, Hap Seng Automotive Acceptance Sdn Bhd and Hap Seng Capital Pte Ltd in the ordinary course of their moneylending businesses. The aggregate amount of outstanding loans as at 30 June 2014 given by the Company's moneylending subsidiaries are as follows:

		Secured	Unsecured	Total
		RM'000	RM'000	RM'000
(a)	To companies	1,737,617	6,961	1,744,578
(b)	To individuals	149,264	346	149,610
(c)	To companies within the listed issuer group	17,087	33,908	50,995
(d)	To related parties	-	5,188	5,188
		1,903,968	46,403	1,950,371

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

Moneylending operations (continued)

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

		As at 30.6.2014 RM'000
(a)	Loans given by companies within the Group to the moneylending subsidiaries	360,640
(b)	Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c)	Unsecured bank borrowings guaranteed by the Company	959,952
(d)	Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company	258,481
		1,579,073

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

		RM'000
(a)	Balance as at 1.1.2014	24,921
(b)	Loans classified as in default during the financial year	27,823
(c)	Loans reclassified as performing during the financial year	(17,983)
(d)	Amount recovered	(5,007)
(e)	Amount written off	-
(f)	Loans converted to securities	-
(g)	Balance as at 30.6.2014	29,754
(h)	Ratio of net loans in default to net loans	1.53%

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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	149,400	146,348	Yes	166,465	No	72
2nd	Term Loan	135,000	132,162	Yes	150,315	No	72
3rd	Term Loan	118,900	33,908	No	-	Yes	24
4th	Term Loan	21,000	21,300	Yes	19,500	No	60
	Term Loan	450	346	No	-	No	60
		21,450	21,646		19,500		
5th	Term Loan	16,194	17,287	Yes	32,000	No	12 - 142

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

	Quarter Ended		**Year-to-date ended**	
	30.6.2014	**30.6.2013**	**30.6.2014**	**30.6.2013**
Profit attributable to owners of the Company (RM'000)	245,207	201,548	370,620	304,333
Weighted average number of ordinary shares in issue for basic EPS computation ('000)	2,002,426	2,082,216	2,003,473	2,097,456
Dilutive potential ordinary shares - Assumed exercise of warrants	142,173	30,196	134,995	15,237
Weighted average number of ordinary shares in issue for diluted EPS computation ('000)	2,144,599	2,112,412	2,138,468	2,112,693
Basic EPS (sen)	12.25	9.68	18.50	14.51
Diluted EPS (sen)	11.43	9.54	17.33	14.40

(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. **Dividend**

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

Total dividend approved and paid to date for the current financial year ending 31 December 2014 was as follows:

(i) Amount per ordinary share of RM1.00 each - First Interim Dividend approved on 28 May 2014 and paid on 22 July 2014	10 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 approved on 6 June 2013 and paid on 6 August 2013	8 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 2013 was not subject to any qualification.

BY ORDER OF THE BOARD

LIM GUAN NEE
QUAN SHEET MEI
Secretaries

Kuala Lumpur
27 August 2014