



HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED) FOR THE THIRD QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2014

	Quarter ended		Year-to-date ended	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
	RM'000	RM'000	RM'000	RM'000
Revenue	828,925	829,474	2,784,782	2,453,430
Operating expenses	(730,587)	(774,539)	(2,161,148)	(2,308,102)
Other operating income	147,729	10,518	214,050	55,347
Operating profit	246,067	65,453	837,684	200,675
Financing costs	(18,836)	(21,681)	(61,931)	(60,704)
Other non-operating items	-	132,677	-	416,234
Share of results of associates	9,044	4,021	11,740	18,222
Profit before tax	236,275	180,470	787,493	574,427
Tax expense	(30,295)	(24,218)	(176,883)	(100,873)
Profit for the period	205,980	156,252	610,610	473,554
Profit attributable to:				
Owners of the Company	194,420	141,238	565,040	445,571
Non-controlling interests	11,560	15,014	45,570	27,983
	205,980	156,252	610,610	473,554
Earnings per share (sen)				
Basic	9.42	7.02	27.92	21.54
Diluted	8.78	6.77	26.14	21.15

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



**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THIRD QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2014**

	Quarter ended		Year-to-date ended	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period	205,980	156,252	610,610	473,554
Other comprehensive income/(expense), net of tax:				
<i>Items that will be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operations	(3,100)	596	146	(1,579)
Share of foreign currency translation differences of associates	1,108	716	487	1,419
Change in fair value of cash flow hedge	(1,098)	-	2,498	-
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	1,088	-	4,101
Share of foreign currency translation differences of associate reclassified to profit or loss	-	-	-	(1,248)
	<u>(3,090)</u>	<u>2,400</u>	<u>3,131</u>	<u>2,693</u>
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	-	-	1,176
Total other comprehensive income for the period	<u>(3,090)</u>	<u>2,400</u>	<u>3,131</u>	<u>3,869</u>
Total comprehensive income for the period	<u>202,890</u>	<u>158,652</u>	<u>613,741</u>	<u>477,423</u>
Total comprehensive income attributable to:				
Owners of the Company	191,330	143,638	568,171	449,440
Non-controlling interests	11,560	15,014	45,570	27,983
	<u>202,890</u>	<u>158,652</u>	<u>613,741</u>	<u>477,423</u>

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 SEPTEMBER 2014

	As at 30.9.2014 RM'000	As at 31.12.2013 RM'000 <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	1,089,374	1,047,228
Biological assets	439,290	436,030
Investment properties	891,637	712,076
Investment in associates	376,688	376,252
Other investment	30,000	30,000
Land held for property development	352,552	358,301
Goodwill	36,736	36,736
Receivables, including derivatives	919,692	1,032,902
Deferred tax assets	12,602	13,010
	<u>4,148,571</u>	<u>4,042,535</u>
Current assets		
Inventories	505,781	487,223
Property development costs	682,352	614,148
Receivables, including derivatives	1,330,837	1,307,401
Tax recoverable	15,677	24,142
Cash and bank balances	560,731	632,660
	<u>3,095,378</u>	<u>3,065,574</u>
TOTAL ASSETS	<u>7,243,949</u> =====	<u>7,108,109</u> =====
Equity attributable to owners of the Company		
Share capital	2,212,567	2,205,709
Reserves	2,051,901	1,526,900
	<u>4,264,468</u>	<u>3,732,609</u>
Less: Treasury shares	(175,293)	(378,735)
	<u>4,089,175</u>	<u>3,353,874</u>
Non-controlling interests	416,489	414,913
TOTAL EQUITY	<u>4,505,664</u> =====	<u>3,768,787</u> =====
Non-current liabilities		
Borrowings	582,380	942,177
Deferred tax liabilities	183,596	176,391
Other payables	4,929	6,014
	<u>770,905</u>	<u>1,124,582</u>
Current liabilities		
Payables and provisions, including derivatives	378,297	446,464
Tax payable	110,516	51,446
Borrowings	1,478,567	1,556,396
Dividend payable	-	160,434
	<u>1,967,380</u>	<u>2,214,740</u>
TOTAL LIABILITIES	<u>2,738,285</u> =====	<u>3,339,322</u> =====
TOTAL EQUITY AND LIABILITIES	<u>7,243,949</u> =====	<u>7,108,109</u> =====
Net assets per share (RM)	1.92	1.68
Based on number of shares net of treasury shares ('000)	<u>2,133,456</u> =====	<u>2,001,678</u> =====

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



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR YEAR-TO-DATE ENDED 30 SEPTEMBER 2014**

	← Attributable to Owners of the Company →				Non- controlling interests	Total Equity	
	Share Capital RM'000	Non- distributable Reserves RM'000	Distributable Reserves RM'000	Treasury Shares RM'000			Total 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	-	-	565,040	-	565,040	45,570	610,610
Total other comprehensive income for the period	-	3,131	-	-	3,131	-	3,131
Total comprehensive income for the period	-	3,131	565,040	-	568,171	45,570	613,741
Exercise of warrants	66,858	43,458	-	-	110,316	-	110,316
Changes in ownership interest in subsidiaries	-	-	(233)	-	(233)	6,233	6,000
Purchase of treasury shares	-	-	-	(182,293)	(182,293)	-	(182,293)
Purchase of treasury shares by subsidiary	-	-	-	-	-	(715)	(715)
Resale of treasury shares	-	168,825	-	270,499	439,324	-	439,324
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	-	-	-	-	-	(49,512)	(49,512)
At 30 September 2014	<u>2,212,567</u>	<u>373,181</u>	<u>1,678,720</u>	<u>(175,293)</u>	<u>4,089,175</u>	<u>416,489</u>	<u>4,505,664</u>
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	-	-	445,571	-	445,571	27,983	473,554
Total other comprehensive income for the period	-	3,869	-	-	3,869	-	3,869
Total comprehensive income for the period	-	3,869	445,571	-	449,440	27,983	477,423
Exercise of warrants	213	138	-	-	351	-	351
Changes in ownership interest in a subsidiary	-	-	54,887	-	54,887	36,844	91,731
Purchase of treasury shares	-	-	-	(231,992)	(231,992)	-	(231,992)
Purchase of treasury shares by subsidiary	-	-	-	-	-	(5)	(5)
Dividend	-	-	(288,430)	-	(288,430)	-	(288,430)
Dividend paid to non-controlling interests	-	-	-	-	-	(29,655)	(29,655)
At 30 September 2013	<u>2,186,577</u>	<u>126,275</u>	<u>1,435,494</u>	<u>(354,053)</u>	<u>3,394,293</u>	<u>400,269</u>	<u>3,794,562</u>

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

	Year-to-date ended	
	30.9.2014	30.9.2013
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	787,493	574,427
Adjustments for:		
Non-cash items	(64,301)	55,356
Non-operating items	(52,174)	(440,994)
Dividend income	(900)	(838)
Net interest expense	49,964	53,765
Operating profit before working capital changes	720,082	241,716
Net changes in working capital	(61,727)	(288,236)
Net changes in loan receivables	14,079	18,048
Net tax paid	(101,778)	(104,254)
Net interest paid	(49,964)	(53,765)
Additions to land held for property development	(18,091)	(9,366)
Net cash flows generated from/(used in) operating activities	502,601	(195,857)
Cash flows from investing activities		
Dividends received from associates	11,791	20,359
Dividends received from other investment	1,200	1,200
Disposal of subsidiaries, net of cash disposed	-	402,995
Proceeds from disposal of associate	-	118,000
Proceeds from issuance of shares to non-controlling interests	6,000	4,900
Proceeds from disposal of equity interest in a subsidiary	-	86,831
Proceeds from disposal of investment securities	-	41,813
Proceeds from disposal of property, plant and equipment	55,544	8,637
Proceeds from disposal of investment properties	627	-
Purchase of property, plant and equipment	(81,982)	(85,270)
Purchase of investment securities	-	(40,989)
Additions to biological assets	(3,720)	(5,543)
Additions to investment properties	(90,705)	(55,040)
Net cash flows (used in)/generated from investing activities	(101,245)	497,893
Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(409,930)	(318,085)
Net (repayment)/drawdown of borrowings	(429,242)	161,233
Proceeds from issuance of shares pursuant to the exercise of warrants	110,316	351
Proceeds from resale of treasury shares	439,324	-
Shares repurchase at cost	(183,008)	(231,997)
Net cash flows used in financing activities	(472,540)	(388,498)
Net decrease in cash and cash equivalents	(71,184)	(86,462)
Effects on exchange rate changes	(248)	386
Cash and cash equivalents at beginning of the period	623,744	516,790
Cash and cash equivalents at end of the period	552,312	430,714
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	390,907	279,322
Cash in hand and at bank	169,824	163,632
Bank overdrafts	(8,419)	(12,240)
	552,312	430,714

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”]). Adoption of the MFRS framework by Transitioning Entities will only be mandatory for annual periods beginning on or after 1 January 2017.

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 cyclicity 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 attributable to the timing of seasonal festive period.
- (b) The Group’s Plantation Division performance was influenced by general climatic conditions, age profile of oil palms, the cyclical nature of annual production and movements in commodity prices.

4. **Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence**

Save for the information disclosed in this interim financial report, there were no unusual items affecting assets, liabilities, equity, net income or cash flow during the interim period.

5. **Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years**

There were no changes in estimates of amounts reported in prior interim 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, 12,439,400 warrants were exercised which resulted in 12,439,400 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities. Accordingly, a total of 66,857,799 warrants have been exercised during the interim period and the issued and paid-up share capital of the Company increased to RM2,212,566,719 comprising 2,212,566,719 ordinary shares of RM1.00 each. As at 30 September 2014, 278,183,581 warrants remained unexercised.

Subsequent to the end of the interim period and up to 21 November 2014, a total of 3,482,700 warrants were exercised which resulted in 3,482,700 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 RM2,216,049,419 comprising 2,216,049,419 ordinary shares of RM1.00 each. As at the date hereof, 274,700,881 warrants remained unexercised.

(b) Share buyback and resale of treasury shares by the Company

During the current quarter, 4,110,700 shares were bought back and 122,083,000 treasury shares were resold. There was no cancellation of treasury shares during the current quarter. All shares bought back were retained as treasury shares. The monthly breakdown of shares bought back and treasury shares resold during the current quarter were as follows:

Shares buyback

Month	No. of shares repurchased	Purchase price per share		Average cost per share	Total cost
		Lowest	Highest		
		RM	RM	RM	RM
July 2014	4,110,700	3.48	3.60	3.5905	14,759,648.62
August 2014	-	-	-	-	-
September 2014	-	-	-	-	-
Total	4,110,700	3.48	3.60	3.5905	14,759,648.62

Resale of treasury shares

Month	No. of shares resold	Resale price per share		Average net resale price per share	Total consideration
		Lowest	Highest		
		RM	RM	RM	RM
July 2014	-	-	-	-	-
August 2014	99,889,000	3.49	3.80	3.5477	354,373,172.25
September 2014	22,194,000	3.75	4.02	3.8277	84,951,123.13
Total	122,083,000	3.49	4.02	3.5986	439,324,295.38

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

(b) Share buyback and resale of treasury shares by the Company (continued)

Accordingly, a total of 57,162,900 shares were bought back, 122,083,000 treasury shares were resold and 60,000,000 treasury shares were cancelled during the interim period.

As at 30 September 2014, the Company held 79,111,000 ordinary shares as treasury shares and the issued and paid up share capital of the Company was RM2,212,566,719 comprising 2,212,566,719 ordinary shares of RM1.00 each.

Subsequent to the end of the interim period and up to 21 November 2014, the Company resold 13,065,800 treasury shares in the open market, thereby reducing the total treasury shares held by the Company to 66,045,200 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	
	30.9.2014	30.9.2013
	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
<u>Current year quarter ended 30 September 2014</u>										
Revenue										
External revenue	123,405	109,903	32,104	203,928	87,651	183,018	88,916	-	-	828,925
Inter-segment revenue	-	2,840	1,046	10,130	2,216	2,134	17,259	-	(35,625)	-
Total revenue	123,405	112,743	33,150	214,058	89,867	185,152	106,175	-	(35,625)	828,925
Operating profit	32,854	165,877	25,608	12,601	1,617	1,867	2,235	(1,209)	4,617	246,067
Financing costs										(18,836)
Share of results of associates										9,044
Profit before tax										236,275
<u>Preceding year quarter ended 30 September 2013</u>										
Revenue										
External revenue	115,197	99,316	28,603	255,785	96,506	126,199	107,868	-	-	829,474
Inter-segment revenue	-	2,696	1,113	12,870	991	3,189	15,673	-	(36,532)	-
Total revenue	115,197	102,012	29,716	268,655	97,497	129,388	123,541	-	(36,532)	829,474
Operating profit	41,914	26,721	23,945	(9,767)	5,949	1,381	2,832	(5,132)	(22,390)	65,453
Financing costs										(21,681)
Other non-operating items										132,677
Share of results of associates										4,021
Profit before tax										180,470


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
<u>Year-to-date ended 30 September 2014</u>										
Revenue										
External revenue	368,839	667,169	93,159	628,452	277,114	464,740	285,309	-	-	2,784,782
Inter-segment revenue	-	8,721	2,979	27,127	5,435	5,398	43,215	-	(92,875)	-
Total revenue	368,839	675,890	96,138	655,579	282,549	470,138	328,524	-	(92,875)	2,784,782
Operating profit	128,346	588,262	75,292	35,127	12,466	6,197	7,776	(6,195)	(9,587)	837,684
Financing costs										(61,931)
Share of results of associates										11,740
Profit before tax										787,493
Segment assets	1,059,841	2,329,885	1,669,412	434,649	652,575	354,151	117,032	221,437	-	6,838,982
<u>Year-to-date ended 30 September 2013</u>										
Revenue										
External revenue	300,566	235,123	82,562	864,643	261,804	440,200	268,532	-	-	2,453,430
Inter-segment revenue	-	7,358	2,229	31,515	2,174	9,186	40,337	-	(92,799)	-
Total revenue	300,566	242,481	84,791	896,158	263,978	449,386	308,869	-	(92,799)	2,453,430
Operating profit	81,477	79,691	67,590	9,748	14,099	(17,342)	4,156	(10,233)	(28,511)	200,675
Financing costs										(60,704)
Other non-operating items										416,234
Share of results of associates										18,222
Profit before tax										574,427
Segment assets	991,926	2,027,129	1,520,930	599,246	602,345	283,324	120,341	174,740	-	6,319,981



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 November 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.

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11. Events after the interim period

Save for the subsequent events disclosed in Note 6 above and Note 9 of Part B, events after the interim period and up to 21 November 2014 which have not been reflected in the financial statements are as follows:

- (a) On 2 October 2014, *Hap Seng Realty Sdn Bhd transferred its 2 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Hap Seng Land Development and JCA Sdn Bhd (formerly known as HUB Coaching & Consulting Sdn Bhd) to *Hap Seng Land Development Sdn Bhd at a cash consideration of RM2.00
- (b) On 17 October 2014, a joint venture agreement was entered into between *Hap Seng Land Development Sdn Bhd (HSLD) and JC Alliance Property Sdn Bhd (JCA) governing their 60:40 joint-venture in Hap Seng Land Development and JCA Sdn Bhd (formerly known as HUB Coaching & Consulting Sdn Bhd) (HSLD-JCA). Pursuant to the same, HSLD and JCA subscribed to 149,998 and 100,000 ordinary shares respectively in the share capital of HSLD-JCA on even date, with which the issued and paid-up share capital of HSLD-JCA increased to RM250,000 comprising 250,000 ordinary shares of RM1.00 each.
- (c) On 21 October 2014, *Hap Seng Land Development Sdn Bhd acquired the entire issued and paid-up share capital of Richmore Development Sdn Bhd comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.00.

* *These are the Company's wholly-owned subsidiaries.*

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	As at
	30.9.2014	31.12.2013
	RM'000	RM'000
Approved and contracted for	99,648	160,456
Approved but not contracted for	48,605	106,625
	-----	-----
	148,253	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 meetings held on 29 May 2013 and 28 May 2014.

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 RM828.9 million was comparable to the preceding year corresponding quarter whilst Group operating profit of RM246.1 million was RM180.6 million (276%) above the preceding year corresponding quarter of RM65.5 million with better contribution from Property, Credit Financing, Fertilizer Trading and Automotive Divisions.

Plantation Division's revenue at RM123.4 million was 7% higher than the preceding year corresponding quarter mainly attributable to higher sales volume of Crude Palm Oil ["CPO"]. Operating profit at RM32.9 million was however lower than the preceding year corresponding quarter by 22%, affected by higher production costs. CPO sales volume was 13% higher at 47,636 tonnes whilst Palm Kernel ["PK"] sales volume was 7% lower at 8,935 tonnes due to timing of deliveries. Average selling price realization of CPO and PK for the current quarter were RM2,215 and RM1,412 per tonne respectively as compared to the preceding year corresponding quarter of RM2,340 per tonne for CPO and RM1,271 per tonne for PK. Production costs were mainly affected by higher manuring costs and higher field costs due to increase in harvesting rate and labour mobilization costs.

Property Division's revenue at RM112.7 million improved by 11% over the preceding year corresponding quarter. The improvement was contributed mainly by its project developments in Peninsular Malaysia as its luxurious condominium projects in the Klang Valley, namely "The Horizon Residences" and "Nadi Bangsar Service Residences" continue to enjoy good take up rates. In the current quarter, the division's operating profit at RM165.9 million showed a significant increase which was RM139.2 million (521%) higher than the preceding year corresponding quarter. The increase was attributable to the higher project sales and progress completion and included fair value adjustments of its investment properties of RM131.2 million.

Credit Financing Division continues to improve its performance and recorded revenue and operating profit of RM33.2 million and RM25.6 million respectively for the current quarter which were higher than the preceding year corresponding quarter by 12% and 7% respectively. The division's loan portfolio at the end of the current quarter was RM1.72 billion, 11% above the preceding year of RM1.55 billion. Non-performing loans ratio at the end of the current period was 2.01% as compared to the industry average of 1.77%.

The Fertilizer Trading Division's operations in both Malaysia and Indonesia registered lower revenue. Total revenue was RM214.1 million, 20% below the preceding year corresponding quarter of RM268.7 million. This was primarily due to lower fertilizer selling prices. In spite of this, operating profit for the current quarter improved to RM12.6 million as compared to preceding year corresponding quarter's operating loss of RM9.8 million. The current quarter's operating profit benefitted from higher margins and the reduced trade exposure in Indonesia in view of the extremely competitive environment and the volatility of the Indonesia Rupiah. In the preceding year corresponding quarter, the division's performance was affected by its Indonesian operations which suffered losses from the adverse trading conditions as well as the weak Indonesian Rupiah vis-à-vis the US Dollar.

Quarry and Building Materials Division's revenue and operating profit for the current quarter at RM89.9 million and RM1.6 million were lower than the preceding year corresponding quarter by 8% and 73% respectively. Its performance was mainly affected by lower sales from its quarry operations and Singapore aggregate trading business due to slowdown in market demand. Margins in the current quarter were affected by higher unit production cost due to higher maintenance, electricity and fuel costs.

The Automotive Division's revenue for the current quarter at RM185.2 million was higher than the preceding year corresponding quarter by RM55.8 million (43%) contributing an operating profit of RM1.9 million which was higher than the preceding year corresponding quarter's RM1.4 million. The Division benefitted from higher passenger vehicles sales as well as services and spare parts sales following the launch of its new 3S autohaus in Balakong in the preceding quarter.

1. Review of performance (continued)

Trading Division's revenue for the current quarter of RM106.2 million was 14% lower than the preceding year corresponding quarter of RM123.5 million mainly due to lower sales from its building materials segments as the division focus on higher margin products. In the current quarter, higher contribution was achieved by the building materials segment from improved trading margins which was offset by the lower contribution from its petroleum segment as margins were affected by competitive pricing. Consequently, the division recorded an operating profit of RM2.2 million which was lower than the preceding year corresponding quarter of RM2.8 million.

Overall, Group profit before tax ["PBT"] and profit after tax ["PAT"] for the current quarter at RM236.3 million and RM206 million were higher than the preceding year corresponding quarter by 31% and 32% respectively. The Group PBT for the preceding year corresponding quarter included a gain of RM132.7 million arising from the disposal of a foreign subsidiary, Aceford Food Industry Pte Ltd.

Group PBT and PAT for the year to date at RM787.5 million and RM610.6 million were higher than the preceding year corresponding period by 37% and 29% respectively. Profit attributable to owners of the Company for the year to date was RM565 million, 27% higher than the preceding year corresponding period. Accordingly, the basic earnings per share for the year to date increased by 30% to 27.92 sen from 21.54 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 RM236.3 million was RM115 million (33%) below the preceding quarter of RM351.3 million mainly due to lower contribution from Plantation and Property Divisions.

Plantation Division's results were mainly affected by lower average selling price realization of CPO and PK coupled with higher production costs mitigated somewhat by higher sales volume of CPO and PK. Property Division benefitted from the sale of certain non-strategic land held for development in the preceding quarter.

3. Current year prospects

Plantation Division will continue to be sensitive to the commodities price movements and the supply and demand in the global vegetable oils market. The implementation of higher biodiesel mandate to B7 from B5 in Peninsular Malaysia on 1 November 2014, and in Sabah, Sarawak and Labuan by December 2014 as announced by the government on 28 October 2014 and the zero duty on CPO exports from September to December 2014 are positive measures to reduce the current high palm oil stocks. In addition, Malaysian palm oil stocks are expected to ease further as palm oil production is expected to be lower in the 4th quarter due to the wet weather conditions. However, prices of CPO for the balance of the year may not be significantly affected and are expected to remain range bound at current level on the back of a higher global supply of soybean projected by the US Department of Agriculture. This is expected to lower soybean oil prices and potentially narrow the premium gap between soybean oil and CPO which may encourage a switch from CPO to soybean oil, hence limiting the uptrend of CPO prices.

The Property Division's new project in Klang Valley, Andana Condominium-Garden Villa @ D'Alpinia which was officially launched at end September 2014 has a reasonably good take up rate and is expected to contribute favourably to the division's 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 has obtained its Certificate of Completion and Compliance at end of October 2014 and is expected to contribute positively to the division's future performance.

Credit Financing Division expects the Small Medium Enterprise ["SME"] sector to continue to be robust. 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.

3. Current year prospects (continued)

Fertilizer Trading Division anticipates the trading environment to improve with the global potash prices expected to stabilize. Its operations in Indonesia are expected to generate positive returns with the measures that have been taken to reduce its trading exposure to the volatile IDR.

Quarry and Building Materials Division continues to focus on improving operational efficiencies of its quarries and brick factories to reduce production costs.

The Trading Division will continue to expand its market, identifying new products to grow sales and profitability whilst closely monitoring its stocks and debtors turnover.

The Automotive Division expects the competitive environment in the Malaysian premium passenger vehicles segment to prevail. Nevertheless, through its investment in a new 3S autohaus in Balakong, the largest in Malaysia which was officially opened in April 2014 and the upgrading of the Kinrara Autohaus to a 3S autohaus which was officially re-launched in September 2014, the division will have a wider market coverage which is expected to contribute positively to the division's performance. The overwhelming demand for new models launched by Mercedes Benz Malaysia in the second and third quarter of 2014 namely the new A-class, S-class, CLA-class and C-class models will contribute positively to the division's performance.

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.

5. Profit for the period

	Quarter ended		Year-to-date ended	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging):				
Interest income	5,188	2,458	11,967	6,939
Dividend income from other investment	300	300	900	838
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)
Gain on disposal of held-for-trading investment securities	-	-	-	824
Interest expense	(18,836)	(21,681)	(61,931)	(60,704)
Depreciation and amortisation	(22,681)	(20,146)	(66,249)	(61,818)
Net allowance of impairment losses				
- trade receivables	(851)	(1,306)	(3,734)	(2,388)
Net reversal of write down/(write down) on inventories	1,866	(659)	6,833	473
Gain/(loss) on disposal of:				
- property, plant and equipment	19	79	40,805	469
- investment properties	-	-	(371)	-
Property, plant and equipment written off	(42)	(7,427)	(75)	(7,618)
Biological assets written off	-	-	(460)	-

5. Profit for the period (continued)

	Quarter ended		Year-to-date ended	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging):				
Investment properties written off	-	(598)	(124)	(598)
Bad debts written off	-	(13)	-	(90)
Net foreign exchange gain/(loss)	1,663	(13,121)	2,846	(13,545)
(Loss)/gain on hedging activities	(522)	(41)	22	(25)
Gain on non-hedging derivative instruments	-	21	-	21
Gain from fair value adjustments of investment properties	131,209	-	131,209	19,923
Recovery of bad debts	193	93	509	935
Other non-operating items				
- Gain on disposal of subsidiaries	-	132,677	-	342,595
- Gain on disposal of an associate	-	-	-	78,884
- Impairment loss on investment in an associate	-	-	-	(5,245)
	-	132,677	-	416,234

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

6. Tax expense

	Quarter Ended		Year-to-date ended	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	20,752	25,742	168,119	62,566
- deferred tax	7,504	(1,951)	6,579	202
	28,256	23,791	174,698	62,768
In respect of prior periods				
- income tax	1,143	316	1,150	297
- deferred tax	896	111	1,035	37,808
	2,039	427	2,185	38,105
	30,295	24,218	176,883	100,873

The Group's effective tax rate for the current quarter and year to date excluding under provision of tax in respect of prior periods were lower than the statutory tax rate mainly due to the tax provision for fair value adjustments of investment properties which was at the lower real property gain tax rate. The effective tax rate for the preceding year corresponding quarter and period were lower than the statutory tax rate due to the gains on disposal of subsidiaries and an associate which were 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 November 2014.

8. Borrowings and debt securities

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

	← As at 30.9.2014 →				← As at 31.12.2013 →			
	← Denominated in →			Total RM'000	← Denominated in →			Total RM'000
	RM RM'000	USD RM'000	SGD RM'000		RM RM'000	USD RM'000	SGD RM'000	
Current								
Unsecured								
- Bankers acceptances	220,342	-	-	220,342	101,813	-	-	101,813
- Bank overdrafts	8,419	-	-	8,419	8,916	-	-	8,916
- Revolving credits	711,255	-	-	711,255	989,958	94,008	-	1,083,966
- Term loans	281,441	-	-	281,441	338,642	-	-	338,642
- Foreign currency loan	-	-	257,110	257,110	-	23,059	-	23,059
	<u>1,221,457</u>	<u>-</u>	<u>257,110</u>	<u>1,478,567</u>	<u>1,439,329</u>	<u>117,067</u>	<u>-</u>	<u>1,556,396</u>
Non-current								
Unsecured								
- Term loans	325,270	-	-	325,270	422,877	-	-	422,877
- Foreign currency loan	-	-	257,110	257,110	-	-	519,300	519,300
	<u>325,270</u>	<u>-</u>	<u>257,110</u>	<u>582,380</u>	<u>422,877</u>	<u>-</u>	<u>519,300</u>	<u>942,177</u>
	<u>1,546,727</u>	<u>-</u>	<u>514,220</u>	<u>2,060,947</u>	<u>1,862,206</u>	<u>117,067</u>	<u>519,300</u>	<u>2,498,573</u>

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 than 7 days from the date of issue of the quarterly report

Except for the following, there were no other changes in material litigation since the date of the last annual statement of financial position:

- (a) 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"].

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 than 7 days from the date of issue of the quarterly report (continued)**

(a) (continued)

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, 11 to 14 August 2014, 29 September to 3 October 2014, 7 to 10 October 2014 and 18 to 21 November 2014. The Tongod Suit has been fixed for continued hearing from 15 to 19 December 2014.

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

(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.



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 than 7 days from the date of issue of the quarterly report (continued)**

(b) (continued)

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.

- (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.

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 than 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 September 2014 are as follows:

	Contract/ Notional Value RM'000	Fair Value: Assets/ (Liabilities) RM'000	Gain/(loss) on Derivative Instruments RM'000	Gain/(loss) on Hedged Items RM'000	Net Gain/(loss) RM'000
Forward currency contracts of less than 1 year (US Dollar)					
- Designated as hedging instruments*	48,595	1,206	1,213	(1,191)	22
- Not designated as hedging instruments	122,544	-	-	-	-
	<u>171,139</u>	<u>1,206</u>	<u>1,213</u>	<u>(1,191)</u>	<u>22</u>
Cross currency interest rate swaps on a foreign currency borrowings of 1 year to 3 years (SGD/USD)					
- Designated as hedging instruments**	494,645	8,852	(2,582)	5,080	2,498

* *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 30.9.2014	As at 31.12.2013
	RM'000	RM'000
		<i>(Audited)</i>
Total retained profits of the Company and its subsidiaries:		
- Realised	3,132,853	2,964,954
- Unrealised	84,380	(42,563)
	-----	-----
	3,217,233	2,922,391
Total share of retained profits from associates		
- Realised	17,040	17,543
- Unrealised	18,013	18,205
- Breakdown unavailable*	22,356	21,712
	-----	-----
	3,274,642	2,979,851
Less: Consolidation adjustments	(1,595,922)	(1,575,760)
	-----	-----
Total Group retained profits as per consolidated financial statements	1,678,720	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 September 2014 given by the Company's moneylending subsidiaries are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
(a) To companies	1,474,141	22,084	1,496,225
(b) To individuals	165,880	334	166,214
(c) To companies within the listed issuer group	22,220	28,906	51,126
(d) To related parties	-	5,188	5,188
	-----	-----	-----
	1,662,241	56,512	1,718,753
	=====	=====	=====

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

Moneylending operations (continued)

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

	As at 30.9.2014
	RM'000
(a) Loans given by companies within the Group to the moneylending subsidiaries	463,530
(b) Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c) Unsecured bank borrowings guaranteed by the Company	618,368
(d) Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company	234,479

	1,316,377
	=====

(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	39,221
(c) Loans reclassified as performing during the financial year	(21,046)
(d) Amount recovered	(8,465)
(e) Amount written off	-
(f) Loans converted to securities	-
(g) Balance as at 30.9.2014	34,631

(h) Ratio of net loans in default to net loans	2.01%
	=====

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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)
1 st	Term Loan	118,900	28,906	No	-	Yes	24
2 nd	Term Loan	35,500	22,942	Yes	33,500	No	12 - 36
3 rd	Term Loan	20,147	18,042	Yes	16,117	Yes	84
	Hire Purchase	4,764	4,178	Yes	4,235	Yes	60
		24,911	22,220		20,352		
4 th	Term Loan	21,000	21,764	Yes	19,500	No	60
	Term Loan	450	334	No	-	No	60
		21,450	22,098		19,500		
5 th	Term Loan	16,194	17,244	Yes	32,000	No	12 - 142

14. Earnings per share ["EPS"]

	Quarter Ended		Year-to-date ended	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
Profit attributable to owners of the Company (RM'000)	194,420	141,238	565,040	445,571
Weighted average number of ordinary shares in issue for basic EPS computation ('000)	2,063,056	2,010,787	2,023,552	2,068,249
Dilutive potential ordinary shares - Assumed exercise of warrants	152,271	75,660	137,786	38,581
Weighted average number of ordinary shares in issue for diluted EPS computation ('000)	2,215,327	2,086,447	2,161,338	2,106,830
Basic EPS (sen)	9.42	7.02	27.92	21.54
Diluted EPS (sen)	8.78	6.77	26.14	21.15

(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

Dividends for the current financial year ending 31 December 2014 are as follows:

- (a) first interim dividend of 10 sen (2013: 8 sen) per ordinary share under the single tier system which is tax exempt in the hands of the shareholders. The said interim dividend was approved by the Directors on 28 May 2014 and paid on 22 July 2014;
- (b) the Directors has on even date approved the following second interim dividend for the financial year ending 31 December 2014:
- | | | |
|-------|--|---|
| (i) | Amount per ordinary share of RM1.00 each
- Second Interim Dividend | 15 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
- Second Interim Dividend
(approved by the Directors on 27 November 2013 and paid on 14 February 2014) | 8 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders. |
| (iii) | Total dividends approved to date for the current financial year:
Amount per ordinary share of RM1.00 each | 25 sen (2013: 16 sen) per ordinary share under the single tier system which is tax exempt in the hands of the shareholders. |
- (c) The dividend will be payable in cash on 23 December 2014; and
- (d) In respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 10 December 2014.

NOTICE OF SECOND INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that the second interim dividend of 15 sen per ordinary share of RM1.00 each under the single tier system which is tax exempt in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967 in respect of the financial year ending 31 December 2014, will be payable in cash on 23 December 2014 to the shareholders whose names appear on the Company's Register of Members and/or Record of Depositors at the close of business on 10 December 2014. A depositor shall qualify for entitlement to the dividend only in respect of:

- (a) shares deposited into the depositor's securities account before 12.30 pm on 8 December 2014 (in respect of shares which are exempted from mandatory deposit);
- (b) shares transferred into the depositor's securities account before 4.00 pm on 10 December 2014 in respect of transfers; and
- (c) shares bought on the Bursa Malaysia Securities Berhad ["Bursa Securities"] on a cum entitlement basis according to the rules of the Bursa Securities.



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
26 November 2014