



HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED) FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2014

	Quarter ended		Year ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000 (Audited)
Revenue	983,267	1,033,317	3,768,049	3,486,747
Operating expenses	(859,092)	(809,860)	(3,020,240)	(3,117,962)
Other operating income	128,288	22,691	342,338	78,038
Operating profit	252,463	246,148	1,090,147	446,823
Financing costs	(18,027)	(13,860)	(79,958)	(74,564)
Other non-operating items	-	(726)	-	415,508
Share of results of associates	2,696	(4,408)	14,436	13,814
Profit before tax	237,132	227,154	1,024,625	801,581
Tax expense	(31,416)	(64,866)	(208,299)	(165,739)
Profit for the period	205,716	162,288	816,326	635,842
Profit attributable to:				
Owners of the Company	188,427	142,686	753,467	588,257
Non-controlling interests	17,289	19,602	62,859	47,585
	205,716	162,288	816,326	635,842
Earnings per share (sen)				
Basic	8.78	7.16	36.67	28.70
Diluted	8.15	6.75	34.30	27.84

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 FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2014**

	Quarter ended		Year ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000 (Audited)
Profit for the period	205,716	162,288	816,326	635,842
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	5,242	(996)	5,388	(2,575)
Share of foreign currency translation differences of associates	2,590	(1,685)	3,077	(266)
Change in fair value of cash flow hedge	1,657	(13,221)	4,155	(13,221)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	-	-	4,101
Share of foreign currency translation differences of associate reclassified to profit or loss	-	-	-	(1,248)
	9,489	(15,902)	12,620	(13,209)
<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	13,251	-	13,251	1,176
Total other comprehensive income/(expense) for the period	22,740	(15,902)	25,871	(12,033)
Total comprehensive income for the period	228,456	146,386	842,197	623,809
Total comprehensive income attributable to:				
Owners of the Company	211,167	126,784	779,338	576,224
Non-controlling interests	17,289	19,602	62,859	47,585
	228,456	146,386	842,197	623,809

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 31 DECEMBER 2014

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000 <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	1,071,865	1,047,228
Biological assets	441,031	436,030
Investment properties	1,011,578	712,076
Investment in associates	381,597	376,252
Investment securities	30,012	30,000
Land held for property development	368,200	358,301
Goodwill	36,736	36,736
Receivables, including derivatives	1,128,782	1,032,902
Deferred tax assets	12,594	13,010
	<u>4,482,395</u>	<u>4,042,535</u>
Current assets		
Inventories	533,890	487,223
Property development costs	658,616	614,148
Receivables, including derivatives	1,559,673	1,307,401
Investment securities	33,012	-
Tax recoverable	17,224	24,142
Cash and bank balances	500,758	632,660
	<u>3,303,173</u>	<u>3,065,574</u>
TOTAL ASSETS	<u>7,785,568</u>	<u>7,108,109</u>
Equity attributable to owners of the Company		
Share capital	2,226,779	2,205,709
Reserves	1,972,802	1,526,900
	<u>4,199,581</u>	<u>3,732,609</u>
Less: Treasury shares	(247,806)	(378,735)
	<u>3,951,775</u>	<u>3,353,874</u>
Non-controlling interests	433,867	414,913
TOTAL EQUITY	<u>4,385,642</u>	<u>3,768,787</u>
Non-current liabilities		
Borrowings	735,070	942,177
Deferred tax liabilities	183,235	176,391
Other payables	5,249	6,014
	<u>923,554</u>	<u>1,124,582</u>
Current liabilities		
Payables and provisions, including derivatives	529,579	446,464
Tax payable	62,991	51,446
Borrowings	1,883,802	1,556,396
Dividend payable	-	160,434
	<u>2,476,372</u>	<u>2,214,740</u>
TOTAL LIABILITIES	<u>3,399,926</u>	<u>3,339,322</u>
TOTAL EQUITY AND LIABILITIES	<u>7,785,568</u>	<u>7,108,109</u>
Net assets per share (RM)	1.85	1.68
Based on number of shares net of treasury shares ('000)	<u>2,137,597</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 THE YEAR ENDED 31 DECEMBER 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	-	-	753,467	-	753,467	62,859	816,326
Total other comprehensive income for the period	-	25,871	-	-	25,871	-	25,871
Total comprehensive income for the period	-	25,871	753,467	-	779,338	62,859	842,197
Exercise of warrants	81,070	52,697	-	-	133,767	-	133,767
Changes in ownership interest in subsidiaries	-	-	(233)	-	(233)	6,335	6,102
Purchase of treasury shares	-	-	-	(283,756)	(283,756)	-	(283,756)
Purchase of treasury shares by subsidiary	-	-	-	-	-	(728)	(728)
Resale of treasury shares	-	192,920	-	299,449	492,369	-	492,369
Cancellation of treasury shares	(60,000)	34,958	(90,194)	115,236	-	-	-
Dividend	-	-	(523,584)	-	(523,584)	-	(523,584)
Dividend paid to non-controlling interests	-	-	-	-	-	(49,512)	(49,512)
At 31 December 2014	<u>2,226,779</u>	<u>429,255</u>	<u>1,543,547</u>	<u>(247,806)</u>	<u>3,951,775</u>	<u>433,867</u>	<u>4,385,642</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	-	-	588,257	-	588,257	47,585	635,842
Total other comprehensive income for the period	-	(12,033)	-	-	(12,033)	-	(12,033)
Total comprehensive income for the period	-	(12,033)	588,257	-	576,224	47,585	623,809
Exercise of warrants	19,345	12,574	-	-	31,919	-	31,919
Changes in ownership interest in subsidiaries	-	-	41,232	-	41,232	31,892	73,124
Purchase of treasury shares	-	-	-	(256,674)	(256,674)	-	(256,674)
Purchase of treasury shares by subsidiary	-	-	-	-	-	(11)	(11)
Dividend	-	-	(448,864)	-	(448,864)	-	(448,864)
Dividend paid to non-controlling interests	-	-	-	-	-	(29,655)	(29,655)
At 31 December 2013 (Audited)	<u>2,205,709</u>	<u>122,809</u>	<u>1,404,091</u>	<u>(378,735)</u>	<u>3,353,874</u>	<u>414,913</u>	<u>3,768,787</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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Year ended	
	31.12.2014	31.12.2013
	RM'000	RM'000
		<i>(Audited)</i>
Cash flows from operating activities		
Profit before tax	1,024,625	801,581
Adjustments for:		
Non-cash items	(103,601)	66,009
Non-operating items	(111,480)	(436,884)
Dividend income	(1,200)	(1,138)
Net interest expense	64,555	65,008
	-----	-----
Operating profit before working capital changes	872,899	494,576
Net changes in working capital	(36,531)	(51,556)
Net changes in loan receivables	(231,289)	(155,637)
Net tax paid	(182,331)	(115,108)
Net interest paid	(64,555)	(65,008)
Additions to land held for property development	(58,091)	(35,165)
	-----	-----
Net cash flows generated from operating activities	300,102	72,102
	-----	-----
Cash flows from investing activities		
Dividends received from associates	12,168	20,736
Dividends received from other investment	1,200	1,200
Disposal of subsidiaries, net of cash disposed	-	402,995
Disposal of non-controlling interests	-	63,094
Proceeds from disposal of associate	-	118,000
Proceeds from issuance of shares to non-controlling interests	6,100	10,030
Proceeds from disposal of investment securities	-	41,813
Proceeds from disposal of property, plant and equipment	147,905	10,270
Proceeds from disposal of investment properties	6,658	-
Purchase of property, plant and equipment	(130,353)	(176,323)
Purchase of investment securities	(34,589)	(40,989)
Additions to biological assets	(5,461)	(7,475)
Additions to investment properties	(131,947)	(86,689)
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Net cash flows (used in)/generated from investing activities	(128,319)	356,662
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Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(733,530)	(318,085)
Net drawdown of borrowings	92,877	220,390
Proceeds from issuance of shares pursuant to the exercise of warrants	133,767	31,919
Proceeds from resale of treasury shares	492,369	-
Shares repurchase at cost	(284,484)	(256,685)
	-----	-----
Net cash flows used in financing activities	(299,001)	(322,461)
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(127,218)	106,303
Effects on exchange rate changes	956	651
Cash and cash equivalents at beginning of the period	623,744	516,790
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Cash and cash equivalents at end of the period	497,482	623,744
	=====	=====
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	344,365	535,552
Cash in hand and at bank	156,393	97,108
Bank overdrafts	(3,276)	(8,916)
	-----	-----
	497,482	623,744
	=====	=====

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 financial year.

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, 14,212,762 warrants were exercised which resulted in 14,212,762 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities. Accordingly, a total of 81,070,561 warrants have been exercised during the financial year and the issued and paid-up share capital of the Company increased to RM2,226,779,481 comprising 2,226,779,481 ordinary shares of RM1.00 each. As at 31 December 2014, 263,970,819 warrants remained unexercised.

Subsequent to the end of the financial year and up to 23 February 2015, a total of 5,493,100 warrants were exercised which resulted in 5,493,100 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 RM2,232,272,581 comprising 2,232,272,581 ordinary shares of RM1.00 each. As at the date hereof, 258,477,719 warrants remained unexercised.

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

During the current quarter, 23,137,200 shares were bought back and 13,065,800 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
October 2014	-	-	-	-	-
November 2014	2,000	4.95	4.95	4.9862	9,972.37
December 2014	23,135,200	4.16	4.55	4.3852	101,452,924.16
Total	23,137,200	4.16	4.95	4.3853	101,462,896.53

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)

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
October 2014	11,332,700	3.95	4.01	3.9801	45,105,469.41
November 2014	1,733,100	4.55	4.78	4.5811	7,939,429.71
December 2014	-	-	-	-	-
Total	13,065,800	3.95	4.78	4.0598	53,044,899.12

Accordingly, a total of 80,300,100 shares were bought back, 135,148,800 treasury shares were resold and 60,000,000 treasury shares were cancelled during the financial year.

As at 31 December 2014, the Company held 89,182,400 ordinary shares as treasury shares and the issued and paid up share capital of the Company was RM2,226,779,481 comprising 2,226,779,481 ordinary shares of RM1.00 each.

7. **Dividend**

Dividends paid out of shareholders' equity for the ordinary shares during the financial year and preceding year were as follows:

	Year ended	
	31.12.2014	31.12.2013
	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
- second interim (8 sen) under the single tier system approved by the Directors on 27 November 2013 and paid on 14 February 2014	-	160,434
Dividend in respect of financial year ended 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	-
- second interim (15 sen) under the single tier system approved by the Directors on 26 November 2014 and paid on 23 December 2014	323,600	-
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	523,584	448,864
	=====	=====

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 31 December 2014</u>										
Revenue										
External revenue	126,727	253,625	36,276	167,957	86,081	212,541	100,060	-	-	983,267
Inter-segment revenue	-	2,600	1,046	9,592	1,793	1,351	16,743	-	(33,125)	-
Total revenue	126,727	256,225	37,322	177,549	87,874	213,892	116,803	-	(33,125)	983,267
Operating profit	50,608	117,074	28,805	35,950	4,415	4,332	16,138	(7,712)	2,853	252,463
Financing costs										(18,027)
Share of results of associates										2,696
Profit before tax										237,132
<u>Preceding year quarter ended 31 December 2013</u>										
Revenue										
External revenue	142,755	282,558	29,863	203,888	99,205	145,752	129,296	-	-	1,033,317
Inter-segment revenue	-	2,420	493	8,302	1,579	7,940	11,329	-	(32,063)	-
Total revenue	142,755	284,978	30,356	212,190	100,784	153,692	140,625	-	(32,063)	1,033,317
Operating profit	59,083	176,063	23,948	(17,975)	3,777	(754)	2,473	(9,423)	8,956	246,148
Financing costs										(13,860)
Other non-operating items										(726)
Share of results of associates										(4,408)
Profit before tax										227,154

8. Segment information (continued)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Fertilizer trading RM'000	Quarry and building materials RM'000	Automotive RM'000	Trading RM'000	Other non- reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Year ended 31 December 2014										
Revenue										
External revenue	495,566	920,794	129,435	796,409	363,195	677,281	385,369	-	-	3,768,049
Inter-segment revenue	-	11,321	4,025	36,719	7,228	6,749	59,958	-	(126,000)	-
Total revenue	495,566	932,115	133,460	833,128	370,423	684,030	445,327	-	(126,000)	3,768,049
Operating profit	178,954	705,336	104,097	71,077	16,881	10,529	23,914	(13,907)	(6,734)	1,090,147
Financing costs										(79,958)
Share of results of associates										14,436
Profit before tax										1,024,625
Segment assets	1,083,204	2,599,889	1,896,567	413,475	638,846	367,165	129,672	245,335	-	7,374,153
Year ended 31 December 2013 (Audited)										
Revenue										
External revenue	443,321	517,681	112,425	1,068,531	361,009	585,952	397,828	-	-	3,486,747
Inter-segment revenue	-	9,778	2,722	39,817	3,753	17,126	51,666	-	(124,862)	-
Total revenue	443,321	527,459	115,147	1,108,348	364,762	603,078	449,494	-	(124,862)	3,486,747
Operating profit	140,560	255,754	91,538	(8,227)	17,876	(18,096)	6,629	(19,656)	(19,555)	446,823
Financing costs										(74,564)
Other non-operating items										415,508
Share of results of associates										13,814
Profit before tax										801,581
Segment assets	1,042,292	2,097,823	1,699,603	406,395	623,005	337,790	153,916	333,881	-	6,694,705

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 financial year, except for the following:

- (a) 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. HS Mining Holding is currently dormant.

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. HS Mining Services is currently dormant.

- (b) 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*) [“HSLD-JCA”] to *Hap Seng Land Development Sdn Bhd [“HSLD”] at a cash consideration of RM2.00. Subsequently on 17 October 2014, a joint venture agreement was entered into between HSLD and JC Alliance Property Sdn Bhd [“JCA”] governing their 60:40 joint-venture in 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 [“RDSB”] comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.00. RDSB is currently dormant.
- (d) On 24 November 2014, *Hap Seng Land Development Sdn Bhd acquired the entire issued and paid-up share capital of Pacific Emerald Properties Sdn Bhd [“PEPSB”] comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.00. On 2 December 2014, PEPSB acquired a piece of leasehold land in Bandar Shah Alam, Daerah Petaling, Negeri Selangor Darul Ehsan for the purpose of property development.
- (e) On 24 November 2014, the Company incorporated a wholly-owned subsidiary in Singapore, Hap Seng Investment Holdings Pte Ltd [“HSIH”] with an issued and paid-up share capital of SGD1.00 comprising 1 ordinary share. On 16 January 2015, HSIH made a voluntary conditional cash partial offer to acquire 51 per cent. of the ordinary shares in the issued share capital of Hafary Holdings Limited, a company incorporated in Singapore and listed on the Main Board of the Singapore Exchange Securities Trading Limited [the “Partial Offer”]. The status of the Partial Offer is stated in Note 11(b) below.

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

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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 23 February 2015:

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 various 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 purchase consideration paid by the purchasers on even date which resulted in a total net gain of approximately RM199.5 million to the Group.

11. Events after the end of the financial year

Save for the subsequent events disclosed in Note 6 above and Note 9 of Part B, events after the end of the financial year and up to 23 February 2015 which have not been reflected in the financial statements are as follows:

- (a) On 30 January 2015, Hap Seng Star Vietnam Limited ["HSSVL"], an indirect wholly-owned subsidiary of the Company, had been successfully de-registered from the Companies Registry of Hong Kong. HSSVL was incorporated in Hong Kong as a private limited company on 22 December 2008 and had ceased business since 31 December 2012. Prior to the de-registration, HSSVL had an issued and paid-up capital of HKD16,000,000 comprising 16,000,000 ordinary shares of HKD1.00 each.
- (b) On 16 January 2015, Maybank Kim Eng Securities Pte Ltd, for and on behalf of *Hap Seng Investment Holdings Pte Ltd ["HSIH"], made a voluntary conditional cash partial offer to acquire 51 per cent. of the ordinary shares [the "Offer Shares"] in the issued share capital of Hafary Holdings Limited ["Hafary"], a company incorporated in Singapore and listed on the Main Board of the Singapore Exchange Securities Trading Limited, at 5.00 p.m. (Singapore time) on 30 January 2015, other than those already owned, controlled or agreed to be acquired by HSIH and parties acting in concert with it as at such date, at a cash consideration of SGD 0.24 per Offer Share [the "Partial Offer"].

The Partial Offer closed at 5.30 p.m. (Singapore time) on 13 February 2015 and was duly completed on 23 February 2015 upon settlement of the consideration for the Offer Shares acquired by HSIH on even date. Accordingly, Hafary became a 51 per cent. owned subsidiary of HSIH.

- (c) Subsequent to the end of the financial year and up to 23 February 2015, the Company acquired additional 220,000 ordinary shares of RM1.00 each representing approximately 0.028% equity interest in Hap Seng Plantations Holdings Berhad ["HSP"] via the Main Market of Bursa Malaysia Securities Berhad, thereby increasing its shareholding in HSP from 52.375% to 52.403%.

* This is the Company's wholly-owned subsidiary.



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
	31.12.2014	31.12.2013
	RM'000	RM'000
Approved and contracted for	182,992	160,456
Approved but not contracted for	215,934	106,625
	-----	-----
	398,926	267,081
	=====	=====

14. Significant related party transactions

During the financial year, 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.

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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 RM983.3 million was 5% below the preceding year corresponding quarter with lower revenue from Plantation, Property, Fertilizer Trading, Quarry and Building Materials and Trading Divisions. However, Group operating profit of RM252.5 million was 3% higher than the preceding year corresponding quarter of RM246.1 million with improved contribution from all Divisions except for Plantation and Property Divisions. Overall, Group profit before tax ["PBT"] and profit after tax ["PAT"] for the current quarter at RM237.1 million and RM205.7 million were higher than the preceding year corresponding quarter by 4% and 27% respectively.

Plantation Division's revenue at RM126.7 million was 11% lower than the preceding year corresponding quarter mainly affected by lower average selling price of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"]. Consequently, operating profit at RM50.6 million was 14% lower than the preceding year corresponding quarter, mitigated somewhat by higher PK sales volume and lower production costs. Average selling price realization of CPO and PK for the current quarter were RM2,159 and RM1,381 per tonne respectively as compared to the preceding year corresponding quarter of RM2,469 per tonne for CPO and RM1,542 per tonne for PK. CPO sales volume at 47,938 tonnes was marginally below the preceding year corresponding quarter of 48,578 tonnes whilst PK sales volume was 19% higher at 12,602 tonnes. Production costs mainly benefitted from lower purchased cost of fresh fruit bunches and lower manuring costs due to timing of application and lower fertiliser cost per tonne.

Property Division's newly launched "build-then-sell" project, Andana Condominium-Garden Villa @ D'Alpinia received very encouraging response with approximately 67% take up rate as at end of the year. The higher revenue and operating profit recorded in the current quarter was primarily contributed by its "Bandar Sri Indah" property development in Tawau, "The Horizon Residences" luxurious condominium and "Nadi Bangsar Service Residences" in the Klang Valley. The rental income from investment properties was higher with higher occupancy rate and rental yield from Menara Hap Seng. In spite of the better contribution from projects and higher rental income from investment properties, the Division's revenue and operating profit at RM256.2 million and RM117.1 million was lower than the preceding year corresponding quarter by 10% and 34% respectively attributable to the sale of development land included in the preceding year corresponding quarter.

Credit Financing Division recorded higher revenue and operating profit at RM37.3 million and RM28.8 million respectively for the current quarter which were 23% and 20% above the preceding year corresponding quarter mainly attributable to higher loan disbursements and loan portfolio. The division's loan portfolio at the end of the year was RM1.97 billion, 13% above the preceding year of RM1.74 billion. Non-performing loans ratio at the end of the year was 0.91% as compared to last year's 1.44% and the industry average of 1.66%.

The Fertilizer Trading Division's operations (Malaysia and Indonesia) registered lower revenue at RM177.5 million, 16% below the preceding year corresponding quarter of RM212.2 million primarily due to lower fertilizer selling prices and lower sales volume. In spite of this, operating profit for the current quarter improved to RM36 million from the preceding year corresponding quarter's operating loss of RM18 million attributable to higher margins from both the Malaysian and Indonesian operations and gains from the disposal of certain non-strategic fixed assets. 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 for the current quarter at RM87.9 million was 13% lower than the preceding year corresponding quarter of RM100.8 million mainly affected by lower sales from its quarry operations and Singapore aggregate trading business due to slowdown in market demand. Nevertheless, operating profit for the current quarter at RM4.4 million was 17% above the preceding year corresponding quarter as the division benefitted from lower operating expenses and gains on disposal of certain non-strategic fixed assets.

1. Review of performance (continued)

The Automotive Division's revenue for the current quarter at RM213.9 million was higher than the preceding year corresponding quarter by RM60.2 million (39%) contributing an operating profit of RM4.3 million as compared to the preceding year corresponding quarter's operating loss of RM0.8 million. The division's improved performance was mainly from higher passenger vehicle sales with the launch of new models by Mercedes Benz Malaysia. It also benefitted from higher services and spare parts sales following the launch of its new 3S autohaus in Balakong in the second quarter as well as the re-launched of the upgraded Kinrara Autohaus in the third quarter.

Trading Division's revenue for the current quarter at RM116.8 million was 17% lower than the preceding year corresponding quarter of RM140.6 million mainly due to lower sales from its building materials segment as the division continues to focus on products with higher margin, mitigated by higher sales from its petroleum segment. The division achieved higher operating profit of RM16.1 million as compared to the preceding year corresponding quarter of RM2.5 million, as the division benefitted from improved margins from both the building materials and petroleum segments as well as gains on disposal of certain non-strategic fixed assets.

Overall, Group PBT and PAT for the year at RM1.02 billion and RM816.3 million were both higher than the preceding year by 28%. Profit attributable to owners of the Company for the year was RM753.5 million, a growth of 28% over the preceding year. Accordingly, basic earnings per share for the year increased by 28% to 36.67 sen from 28.70 sen in the preceding year.

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

There was no material change to the Group profit before tax for the current quarter as compared with the preceding quarter. Group profit before tax for the current quarter at RM237.1 million was comparable to that for the preceding quarter of RM236.3 million.

Generally all divisions except Property Division recorded higher operating profit in the current quarter. The Property Division registered lower operating profit in the current quarter as it benefitted from higher fair value adjustments in the preceding quarter.

3. Current year prospects

World palm oil production is expected to be lower than expected in the first quarter of 2015 due to the drought in Indonesia and floods in Malaysia. Whilst the lower production may support palm oil prices in the short term; concerns of global economic uncertainties, foreign currency fluctuations and weak crude oil and commodities prices are likely to weigh down on the movements in palm oil prices which are expected to be volatile in 2015.

The Property Division will continue to benefit from its projects in Klang Valley and East Malaysia. Its "build-then-sell" project, Andana Condominium-Garden Villa @ D'Alpinia which received good response is expected to contribute favourably to the division's performance. Other major contributors include Business Park @ D'Alpinia, "The Horizon Residences" which is expected to be completed by the end of the first quarter 2015 and Bandar Sri Indah in Tawau. Contribution from existing investment properties, Menara Hap Seng and Menara Citibank (in which the Group owns 50% via its associate Inverfin Sdn Bhd) are expected to be maintained with close to optimum occupancy rates and consistent average rental rates whilst Menara Hap Seng 2 which obtained its Certificate of Completion and Compliance at end of October 2014 is expected to increase its occupancy rate progressively and contribute positively to the division's future performance.

Credit Financing Division will continue to grow its loan base in the core business segments of its lending activities in the Small Medium Enterprise ["SME"] sector, 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 be mainly influenced by the movements in global potash prices in view of the global economic uncertainties and the foreign currency fluctuations vis-à-vis the US Dollar. Nevertheless, the division will continue to mitigate its risk to foreign currency fluctuations through foreign currency hedging in Malaysia and reduced trading exposure to the volatile IDR in Indonesia.

Quarry and Building Materials Division will continue to focus on sales and profit improvement through enhancement of operational efficiencies to reduce production costs in its quarries and brick factories whilst keeping vigilant for suitable quarry sites to expand its operations.

The Automotive Division expects the competitive environment in the Malaysian premium passenger vehicles segment to prevail. Nevertheless, new models launched in the second half of 2014, namely the new S-class hybrid, CLA-class, C-class, GLA-class and E-class hybrid models are expected to boost vehicle sales in 2015 whilst its After Sales and Services segment will continue to contribute positively to the division's performance on the back of a wider market coverage through its new Balakong Autohaus and upgraded Kinrara Autohaus.

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.

Based on the foregoing, the Group is optimistic of achieving satisfactory results for the current financial year ending 31 December 2015.

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 ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging):				
Interest income	3,436	2,617	15,403	9,556
Dividend income from other investment	300	300	1,200	1,138
Unrealised revaluation loss of held-for-trading investment securities	(1,565)	-	(1,565)	-
Gain on disposal of held-for-trading investment securities	-	-	-	824
Interest expense	(18,027)	(13,860)	(79,958)	(74,564)
Depreciation and amortisation	(16,463)	(18,167)	(82,712)	(79,985)
Net allowance for impairment losses				
- trade receivables	(1,874)	(3,768)	(5,608)	(6,156)
Net write down of inventories	(7,555)	(22,448)	(4,275)	(21,975)
Gain on disposal of:				
- property, plant and equipment	55,479	298	96,284	767
- investment properties	1,131	-	760	-
Property, plant and equipment written off	(900)	(433)	(975)	(8,051)
Biological assets written off	-	(243)	(460)	(243)

5. Profit for the period (continued)

	Quarter ended		Year ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging):				
Investment properties written off	-	-	(124)	(530)
Bad debts written off	-	(77)	-	(167)
Net foreign exchange loss	(3,457)	(2,549)	(611)	(16,094)
(Loss)/gain on hedging activities	(22)	25	-	-
Gain on non-hedging derivative instruments	-	(21)	-	-
Gain from fair value adjustments of investment properties	58,228	8,848	189,437	28,771
Recovery of bad debts	-	89	500	1,024
Other non-operating items				
- Gain on disposal of subsidiaries	-	-	-	342,595
- Gain on disposal of an associate	-	-	-	78,884
- Impairment loss on investment in an associate	-	(726)	-	(5,971)
	-	(726)	-	415,508

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 ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	32,464	55,555	200,583	118,121
- deferred tax	2,907	4,282	9,486	4,484
	35,371	59,837	210,069	122,605
In respect of prior periods				
- income tax	(214)	(49)	936	248
- deferred tax	(3,741)	5,078	(2,706)	42,886
	(3,955)	5,029	(1,770)	43,134
	31,416	64,866	208,299	165,739

The Group's effective tax rate for the current quarter and year excluding under/(over) 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 were at the lower real property gain tax rate. The effective tax rate for the preceding year corresponding periods were lower than the statutory tax rate mainly 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 23 February 2015.

8. Borrowings and debt securities

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

	← As at 31.12.2014 →				← 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	158,596	-	-	158,596	101,813	-	-	101,813
- Bank overdrafts	3,276	-	-	3,276	8,916	-	-	8,916
- Revolving credits	1,059,500	-	14,546	1,074,046	989,958	94,008	-	1,083,966
- Term loans	207,487	-	-	207,487	338,642	-	-	338,642
- Foreign currency loan	-	175,807	264,590	440,397	-	23,059	-	23,059
	<u>1,428,859</u>	<u>175,807</u>	<u>279,136</u>	<u>1,883,802</u>	<u>1,439,329</u>	<u>117,067</u>	<u>-</u>	<u>1,556,396</u>
Non-current								
Unsecured								
- Term loans	277,052	-	-	277,052	422,877	-	-	422,877
- Foreign currency loan	-	193,428	264,590	458,018	-	-	519,300	519,300
	<u>277,052</u>	<u>193,428</u>	<u>264,590</u>	<u>735,070</u>	<u>422,877</u>	<u>-</u>	<u>519,300</u>	<u>942,177</u>
	<u>1,705,911</u>	<u>369,235</u>	<u>543,726</u>	<u>2,618,872</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.

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)

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, 11 to 14 August 2014, 29 September to 3 October 2014, 7 to 10 October 2014, 18 to 21 November 2014, 15 to 19 December 2014 and 10 to 13 February 2015. The Tongod Suit has been fixed for continued hearing from 30 March to 2 April 2015.

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 31 December 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*	153,233	5	12	(12)	-
- Not designated as hedging instruments	47,893	-	-	-	-
	201,126	5	12	(12)	-
Cross currency interest rate swaps on foreign currency borrowings of 1 year to 3 years (SGD/USD)					
- Designated as hedging instruments**	841,698	48,651	37,217	(33,062)	4,155

* *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 31.12.2014	As at 31.12.2013
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		<i>(Audited)</i>
- Realised	2,640,906	2,964,954
- Unrealised	196,555	(42,563)
	-----	-----
	2,837,461	2,922,391
Total share of retained profits from associates		
- Realised	17,708	17,543
- Unrealised	18,318	18,205
- Breakdown unavailable*	23,702	21,712
	-----	-----
	2,897,189	2,979,851
Less: Consolidation adjustments	(1,353,642)	(1,575,760)
	-----	-----
Total Group retained profits as per consolidated financial statements	1,543,547	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 31 December 2014 given by the Company's moneylending subsidiaries are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
(a) To companies	1,694,124	25,448	1,719,572
(b) To individuals	182,040	312	182,352
(c) To companies within the listed issuer group	21,878	40,834	62,712
(d) To related parties	-	5,337	5,337
	-----	-----	-----
	1,898,042	71,931	1,969,973
	=====	=====	=====

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

Moneylending operations (continued)

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

	As at 31.12.2014
	RM'000
(a) Loans given by companies within the Group to the moneylending subsidiaries	261,896
(b) Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c) Unsecured bank borrowings guaranteed by the Company	985,376
(d) Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company	210,252

	1,457,524
	=====

(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	48,418
(c) Loans reclassified as performing during the financial year	(29,179)
(d) Amount recovered	(21,894)
(e) Amount written off	(4,432)
(f) Loans converted to securities	-
(g) Balance as at 31.12.2014	17,834

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(h) Ratio of net loans in default to net loans	0.91%
	=====

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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	93,700	92,398	Yes	91,563	No	72
2 nd	Term Loan	118,900	32,914	No	-	Yes	48
3 rd	Term Loan	35,500	27,931	Yes	35,400	No	12 - 36
	Hire Purchase	100	95	Yes	193	No	36
		<u>35,600</u>	<u>28,026</u>		<u>35,593</u>		
4 th	Term Loan	26,525	26,537	Yes	34,515	No	12
5 th	Term Loan	20,147	17,909	Yes	17,975	Yes	84
	Hire Purchase	4,764	3,969	Yes	4,235	Yes	60
		<u>24,911</u>	<u>21,878</u>		<u>22,210</u>		

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

	Quarter Ended		Year ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Profit attributable to owners of the Company (RM'000)	188,427	142,686	753,467	588,257
Weighted average number of ordinary shares in issue for basic EPS computation ('000)	2,146,355	1,993,168	2,054,505	2,049,324
Dilutive potential ordinary shares - Assumed exercise of warrants	166,575	121,745	142,217	63,911
Weighted average number of ordinary shares in issue for diluted EPS computation ('000)	2,312,930	2,114,913	2,196,722	2,113,235
Basic EPS (sen)	8.78	7.16	36.67	28.70
Diluted EPS (sen)	8.15	6.75	34.30	27.84

(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 ended 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) second interim dividend of 15 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 26 November 2014 and paid on 23 December 2014; and
- (c) total dividend approved for the current financial year was 25 sen (2013: 16 sen) per ordinary share under the single tier system which is tax exempt in the hands of the shareholders.

The Directors do not recommend any final dividend for the financial year ended 31 December 2014.

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 February 2015