

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2015**

	Quarter ended		Year-to-date ended	
	30.6.2015 RM'000	30.6.2014 RM'000	30.6.2015 RM'000	30.6.2014 RM'000
Revenue	1,097,687	1,097,385	2,178,226	1,955,857
Operating expenses	(990,958)	(736,262)	(1,887,314)	(1,422,031)
Other operating income	13,782	7,104	20,823	57,791
Operating profit	120,511	368,227	311,735	591,617
Financing costs	(33,321)	(20,028)	(57,380)	(43,095)
Other non-operating item	508,798	-	508,798	-
Share of results of associates and joint venture	5,655	3,067	7,850	2,696
Profit before tax	601,643	351,266	771,003	551,218
Tax expense	(29,832)	(92,508)	(75,854)	(146,588)
Profit for the period	571,811	258,758	695,149	404,630
Profit attributable to:				
Owners of the Company	557,042	245,207	667,931	370,620
Non-controlling interests	14,769	13,551	27,218	34,010
	571,811	258,758	695,149	404,630
Earnings per share (sen)				
Basic	25.91	12.25	31.12	18.50
Diluted	24.11	11.43	29.03	17.33

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 2014 and the accompanying explanatory notes attached to the Interim Financial Statements



HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED) FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2015

	Quarter ended		Year-to-date ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000	RM'000
Profit for the period	571,811	258,758	695,149	404,630
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	9,776	2,181	15,298	3,246
Share of foreign currency translation differences of associates	(1,355)	(736)	2,533	(621)
Change in fair value of cash flow hedge	(1,841)	2,613	(4,011)	3,596
Foreign currency translation differences for foreign operations reclassified to profit or loss	(11,401)	-	(11,401)	-
	(4,821)	4,058	2,419	6,221
<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	-	-	3,581	-
Total other comprehensive (expense)/income for the period	(4,821)	4,058	6,000	6,221
Total comprehensive income for the period	566,990	262,816	701,149	410,851
Total comprehensive income attributable to:				
Owners of the Company	548,160	249,265	667,995	376,841
Non-controlling interests	18,830	13,551	33,154	34,010
	566,990	262,816	701,149	410,851

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 2014 and the accompanying explanatory notes attached to the Interim Financial Statements



HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 30 JUNE 2015

	As at 30.6.2015 RM'000	As at 31.12.2014 RM'000 <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	1,377,514	1,071,865
Prepaid lease payments	14,036	-
Biological assets	441,514	441,031
Investment properties	1,413,025	1,011,578
Investment in associates	401,032	381,597
Investment in joint venture	502	-
Land held for property development	455,941	368,200
Goodwill	77,289	36,736
Receivables	1,187,553	1,111,992
Other non-current financial assets	97,282	46,802
Deferred tax assets	11,030	12,594
	<hr/> 5,476,718	<hr/> 4,482,395
Current assets		
Inventories	712,563	533,890
Property development costs	677,881	658,616
Receivables	2,021,190	1,527,807
Tax recoverable	17,364	17,224
Other current financial assets	86,171	64,878
Money market deposits	112,818	183,690
Cash and bank balances	324,937	317,068
	<hr/> 3,952,924	<hr/> 3,303,173
TOTAL ASSETS	<hr/> 9,429,642	<hr/> 7,785,568



HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (Continued) AS AT 30 JUNE 2015

	As at 30.6.2015 RM'000	As at 31.12.2014 RM'000 <i>(Audited)</i>
Equity attributable to owners of the Company		
Share capital	2,243,702	2,226,779
Reserves	2,428,175	1,972,802
	<hr/> 4,671,877	<hr/> 4,199,581
Less: Treasury shares	(247,816)	(247,806)
	<hr/> 4,424,061	<hr/> 3,951,775
Non-controlling interests	547,097	433,867
TOTAL EQUITY	<hr/> 4,971,158	<hr/> 4,385,642
Non-current liabilities		
Borrowings	1,193,972	753,070
Deferred tax liabilities	201,115	183,235
Other payables	3,932	5,249
	<hr/> 1,399,019	<hr/> 923,554
Current liabilities		
Payables and provisions	623,693	529,579
Tax payable	71,977	62,991
Borrowings	2,363,795	1,883,802
	<hr/> 3,059,465	<hr/> 2,476,372
TOTAL LIABILITIES	<hr/> 4,458,484	<hr/> 3,399,926
TOTAL EQUITY AND LIABILITIES	<hr/> 9,429,642	<hr/> 7,785,568
Net assets per share (RM)	<hr/> 2.05	<hr/> 1.85
Based on number of shares net of treasury shares ('000)	2,154,518	2,137,597

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2014 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 JUNE 2015**

	← 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 2015	2,226,779	429,255	1,543,547	(247,806)	3,951,775	433,867	4,385,642
Profit for the period	-	-	667,931	-	667,931	27,218	695,149
Total other comprehensive income for the period	-	64	-	-	64	5,936	6,000
Total comprehensive income for the period	-	64	667,931	-	667,995	33,154	701,149
Exercise of warrants	16,923	11,000	-	-	27,923	-	27,923
Changes in ownership interest in subsidiary	-	-	(8,304)	-	(8,304)	(5,647)	(13,951)
Acquisition of subsidiary	-	-	-	-	-	107,535	107,535
Purchase of treasury shares	-	-	-	(10)	(10)	-	(10)
Purchase of treasury shares by subsidiary	-	-	-	-	-	(5)	(5)
Dividend	-	-	(215,318)	-	(215,318)	-	(215,318)
Dividend paid to non-controlling interests	-	-	-	-	-	(21,807)	(21,807)
At 30 June 2015	2,243,702	440,319	1,987,856	(247,816)	4,424,061	547,097	4,971,158

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)
FOR YEAR-TO-DATE ENDED 30 JUNE 2015**

	← Attributable to Owners of the Company →				Total RM'000	Non- controlling interests RM'000	Total Equity RM'000
	Share Capital RM'000	Non- distributable Reserves RM'000	Distributable Reserves RM'000	Treasury Shares RM'000			
At 1 January 2014	2,205,709	122,809	1,404,091	(378,735)	3,353,874	414,913	3,768,787
Profit for the period	-	-	370,620	-	370,620	34,010	404,630
Total other comprehensive income for the period	-	6,221	-	-	6,221	-	6,221
Total comprehensive income for the period	-	6,221	370,620	-	376,841	34,010	410,851
Exercise of warrants	54,418	35,372	-	-	89,790	-	89,790
Changes in ownership interest in subsidiaries	-	-	(233)	-	(233)	6,233	6,000
Purchase of treasury shares	-	-	-	(167,534)	(167,534)	-	(167,534)
Purchase of treasury shares by subsidiary	-	-	-	-	-	(715)	(715)
Cancellation of treasury shares	(60,000)	34,958	(90,194)	115,236	-	-	-
Dividend	-	-	(199,984)	-	(199,984)	-	(199,984)
Dividend paid to non-controlling interests	-	-	-	-	-	(26,660)	(26,660)
At 30 June 2014	2,200,127	199,360	1,484,300	(431,033)	3,452,754	427,781	3,880,535

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 2014 and the accompanying explanatory notes attached to the Interim Financial Statements

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR YEAR-TO-DATE ENDED 30 JUNE 2015**

	Year-to-date ended	
	30.6.2015	30.6.2014
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	771,003	551,218
Adjustments for:		
Non-cash items	55,483	42,101
Non-operating items	(516,571)	(43,111)
Dividend income	(3,758)	(928)
Net interest expense	54,068	36,644
Operating profit before working capital changes	360,225	585,924
Net changes in working capital	(318,299)	8,031
Net changes in loan receivables	(433,850)	(219,219)
Net tax paid	(84,605)	(64,921)
Net interest paid	(54,068)	(36,644)
Additions to land held for property development	(97,626)	(8,984)
Net cash flows (used in)/generated from operating activities	(628,223)	264,187
Cash flows from investing activities		
Dividends received from associates	3,528	3,291
Dividends received from available-for-sale equity instruments	-	1,200
Dividends received from held for trading equity instruments	1,250	-
Dividends received from money market deposits	1,908	328
Decrease/(Increase) in money market deposits	70,872	(328)
Acquisition of shares from non-controlling interests	(13,951)	-
Acquisition of subsidiaries net of cash acquired	(128,656)	-
Disposal of subsidiaries net of cash disposed	635,593	-
Proceeds from issuance of shares to non-controlling interests	-	6,000
Proceeds from disposal of property, plant and equipment	4,813	54,069
Proceeds from disposal of investment properties	-	636
Purchase of property, plant and equipment	(49,680)	(51,402)
Additions to biological assets	(578)	(2,460)
Additions to investment properties	(396,682)	(54,414)
Net cash flows generated from/(used in) investing activities	128,417	(43,080)
Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(237,125)	(187,094)
Net drawdown of borrowings	704,601	123,380
Proceeds from issuance of shares pursuant to the exercise of warrants	27,923	89,790
Shares repurchase at cost	(15)	(168,249)
Net cash flows generated from/(used in) financing activities	495,384	(142,173)
Net (decrease)/increase in cash and cash equivalents	(4,422)	78,934
Effects on exchange rate changes	1,533	(1,182)
Cash and cash equivalents at beginning of the period	313,792	573,548
Cash and cash equivalents at end of the period	310,903	651,300
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	158,423	477,097
Cash in hand and at bank	166,514	183,370
Bank overdrafts	(14,034)	(9,167)
	310,903	651,300

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

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 2014, except for changes arising from the adoption of IC Interpretations and Amendments that are effective for financial period beginning on or after 1 July 2014 which do not have material impact on the financial statements of the Group on the initial adoption.

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, to be adopted by non-private entities for annual periods beginning on or after 1 January 2012. However, adoption of the MFRS framework by 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 [“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 framework. Accordingly, the Group’s financial statements for annual period beginning on 1 January 2017 will be prepared in accordance with the MFRS and International Financial Reporting Standards. 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 attributed to the timing of seasonal festive period.
- (b) The Group’s Plantation Division performance was influenced by general climatic conditions, age profile of oil palms, the cyclical nature of annual production and movements in commodity prices.

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

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

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

There were no changes in estimates of amounts reported in prior interim period of the current financial year or changes in estimates of amounts reported in prior financial years.

6. Issues, cancellations, repurchases, resale and repayments of debt and equity securities

(a) Issuance of shares pursuant to the exercise of warrants

During the current quarter, 10,270,227 warrants were exercised which resulted in 10,270,227 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities. Accordingly, a total of 16,922,727 warrants have been exercised during the interim period and the issued and paid-up share capital of the Company increased to RM2,243,702,208 comprising 2,243,702,208 ordinary shares of RM1.00 each. As at 30 June 2015, 247,048,092 warrants remained unexercised.

Subsequent to the end of the interim period and up to 21 August 2015, a total of 977,322 warrants were exercised which resulted in 977,322 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 RM2,244,679,530 comprising 2,244,679,530 ordinary shares of RM1.00 each. As at the date hereof, 246,070,770 warrants remained unexercised.

(b) Share buyback by the Company

During the current quarter, 2,000 shares were bought back and there was no resale or cancellation of treasury shares. All shares bought back were retained as treasury shares. The monthly breakdown of shares bought back during the current quarter was as follow:

Month	No of shares Purchased	Purchase price per share		Average cost per share	Total cost
		Lowest	Highest		
		RM	RM	RM	RM
April 2015	-	-	-	-	-
May 2015	-	-	-	-	-
June 2015	2,000	4.94	4.94	4.9780	9,955.99
Total	2,000	4.94	4.94	4.9780	9,955.99

As at 30 June 2015, the Company held 89,184,400 ordinary shares as treasury shares and the issued and paid up share capital of the Company was RM2,243,702,208 comprising 2,243,702,208 ordinary shares of RM1.00 each.

Subsequent to the end of the interim period and up to 21 August 2015, the Company bought back another 4,761,000 shares, thereby increasing the total treasury shares held by the Company to 93,945,400 shares.

7. Dividend

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

	Year-to-date ended	
	30.6.2015	30.6.2014
	RM'000	RM'000
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
Dividend in respect of financial year ending 31 December 2015:		
- first interim (10 sen) under the single tier system		
approved by the Directors on 26 May 2015 and paid on 23 June 2015	215,318	-
	<u>215,318</u>	<u>199,984</u>

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8. Segment information

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizer trading RM'000	Quarry and building materials RM'000	Trading RM'000	Other non- reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
<u>Current quarter ended 30 June 2015</u>										
Revenue										
External revenue	98,054	112,155	42,000	329,865	225,328	76,550	213,735	-	-	1,097,687
Inter-segment revenue	-	2,655	1,954	890	10,775	9,490	13,077	-	(38,841)	-
Total revenue	98,054	114,810	43,954	330,755	236,103	86,040	226,812	-	(38,841)	1,097,687
Operating profit	23,767	30,823	36,140	8,045	15,692	2,551	17,879	(3,750)	(10,636)	120,511
Financing costs										(33,321)
Other non-operating item										508,798
Share of results of associates and joint venture										5,655
Profit before tax										601,643
<u>Current quarter ended 30 June 2014</u>										
Revenue										
External revenue	107,008	384,246	31,835	154,673	226,694	95,514	97,415	-	-	1,097,385
Inter-segment revenue	-	3,509	914	2,712	9,613	1,796	12,463	-	(31,007)	-
Total revenue	107,008	387,755	32,749	157,385	236,307	97,310	109,878	-	(31,007)	1,097,385
Operating profit	37,393	285,144	25,777	3,063	12,634	6,777	2,034	(2,887)	(1,708)	368,227
Financing costs										(20,028)
Share of results of associates										3,067
Profit before tax										351,266

8. Segment information (continued)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizer trading RM'000	Quarry and building materials RM'000	Trading RM'000	Other non- reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Year-to-date ended 30 June 2015										
Revenue										
External revenue	211,866	398,206	78,995	539,508	447,196	160,964	341,491	-	-	2,178,226
Inter-segment revenue	-	5,290	3,657	2,314	18,546	10,902	26,969	-	(67,678)	-
Total revenue	211,866	403,496	82,652	541,822	465,742	171,866	368,460	-	(67,678)	2,178,226
Operating profit	53,568	153,556	65,842	11,217	21,820	6,615	24,556	(7,365)	(18,074)	311,735
Financing costs										(57,380)
Other non-operating item										508,798
Share of results of associates and joint venture										7,850
Profit before tax										771,003
Segment assets	1,078,077	3,219,721	1,892,952	439,233	520,642	632,907	817,931	398,251	-	8,999,714
Year-to-date ended 30 June 2014										
Revenue										
External revenue	245,434	557,266	61,055	281,722	424,524	189,463	196,393	-	-	1,955,857
Inter-segment revenue	-	5,881	1,933	3,264	16,997	3,219	25,956	-	(57,250)	-
Total revenue	245,434	563,147	62,988	284,986	441,521	192,682	222,349	-	(57,250)	1,955,857
Operating profit	95,492	422,385	49,684	4,330	22,526	10,849	5,541	(4,986)	(14,204)	591,617
Financing costs										(43,095)
Share of results of associates										2,696
Profit before tax										551,218
Segment assets	1,074,047	2,113,482	1,904,031	421,822	451,671	649,173	121,505	335,494	-	7,071,225

9. **Effect of changes in the composition of the Group during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructuring and discontinued operations**

There were no changes in the composition of the Group during the interim period, except for the following:

- (a) On 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% 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% owned subsidiary of HSIH.

- (c) On 16 June 2015, the Company completed the disposal of its 49,600,000 ordinary shares representing the entire issued and paid-up capital of *Hap Seng Capital Pte Ltd to Lei Shing Hong Limited [“LSH”] at a cash consideration of SGD240.00 million which is equivalent to RM640.80 million (based on the agreed currency exchange rate of SGD1.00 to RM2.67) [the “Proposed Disposal”].

On even date, *Hap Seng Realty (KK I) Sdn Bhd completed the acquisition of a purpose-built fourteen (14)-storey retail and office tower block to be known as Menara Hap Seng KK in the district of Kota Kinabalu, Sabah from Akal Megah Sdn Bhd, a wholly-owned subsidiary of LSH, at a cash consideration of RM395 million [the “Proposed Acquisition”].

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

The Proposals were deemed related party transactions. As at the date of completion hereof, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak [“Tan Sri Lau”] is a 37.68% major shareholder of LSH and also a 56% major shareholder and director of Gek Poh (Holdings) Sdn Bhd [“Gek Poh”]. Gek Poh is the holding company of the Company and a 12.42% major shareholders of LSH. Lei Shing Hong Investment Ltd [“LSHI”], a wholly-owned subsidiary of LSH, is also a 16.93% major shareholder of the Company. Hence, both Tan Sri Lau and LSHI were deemed interested in the Proposals.

The Proposed Disposal resulted in a gain of approximately RM508.8 million to the Group.

- (d) During the current quarter, the Company acquired an additional 2,361,500 ordinary shares of RM1.00 each representing approximately 0.29% equity interest in Hap Seng Plantations Holdings Berhad [“HSP”] via the open market. Accordingly, the total additional acquisition during the interim period was 5,333,500 shares representing approximately 0.66% equity in HSP, thereby increasing its shareholding in HSP to 53.04%. HSP is the Company’s subsidiary listed on Bursa Malaysia Securities Berhad.

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

10. Significant events and transactions

There were no events or transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period.

11. Events after the interim period

Save for the subsequent events disclosed in Note 6 above and Note 10 of Part B, event after the interim period and up to 21 August 2015 which have not been reflected in the financial statements for the interim period is as follows:

As part of the Group's re-organisation, *Hap Seng Auto Sdn Bhd had on 8 July 2015 transferred 2,000,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Hap Seng Commercial Vehicle Sdn Bhd (*formerly known as Hap Seng Industrial Sdn Bhd*) ["HSCV"] to *Hap Seng Star Sdn Bhd for a cash consideration of RM3,093,000. HSCV is a private limited company incorporated in Malaysia and is currently dormant.

* *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
	30.6.2015	31.12.2014
	RM'000	RM'000
Contracted but not provided for	283,668	182,992
Authorised but not contracted for	161,385	215,934
	<u>445,053</u>	<u>398,926</u>

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% of the estimated value which had been mandated by the shareholders at the extraordinary general meeting held on 28 May 2014 and 4 June 2015, except for the Proposals as disclosed in Note 9(c) above.

PART B

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

1. Review of performance

The Group revenue for the current quarter at RM1.098 billion was marginally higher than the preceding year corresponding quarter. Group operating profit at RM120.5 million was however 67% below the preceding year corresponding quarter, mainly attributable to lower profits from the Plantation, Property and Quarry and Building Materials Divisions.

Plantation Division's revenue at RM98.1 million and operating profit at RM23.8 million were lower than the preceding year corresponding quarter by RM9 million (8%) and RM13.6 million (36%) respectively. The division's performance was mainly affected by lower average price realization of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"], mitigated by higher sales volume of CPO. Average selling price realization of CPO and PK for the current quarter were RM2,180 and RM1,534 per tonne respectively as compared to the preceding year corresponding quarter of RM2,600 per tonne for CPO and RM1,966 per tonne for PK. CPO sales volume at 37,048 tonnes was 13% above the preceding year corresponding quarter whilst PK sales volume was marginally above at 8,163 tonnes. CPO production was higher than the preceding year corresponding quarter by 4% due to higher fresh fruit bunches ["FFB"] production and better oil extraction rate.

The Property division's project developments in both Peninsular Malaysia and East Malaysia registered better results in the current quarter as compared to preceding year corresponding quarter. Major contributors continued to come from its luxurious condominium projects in the Klang Valley namely "The Horizon Residences" and "Nadi Bangsar Service Residences" and its "build-then-sell" project, Andana Condominium-Garden Villa @ D'Alpinia in Puchong and Bandar Sri Indah in Tawau. The division's two major investment properties, Menara Hap Seng and Menara Citibank (50% held by the Group) continued to enjoy close to full occupancy and good rental rates whilst the occupancy rate of its new investment property, Menara Hap Seng 2 is progressing well. Overall, the division achieved revenue and operating profit of RM114.8 million and RM30.8 million respectively in the current quarter. However, these were lower than the preceding year corresponding quarter by 70% and 89% respectively as the preceding year corresponding quarter included the sale of certain non-strategic properties.

Credit Financing Division's performance continued to improve over the preceding year corresponding quarter and contributed revenue of RM44 million and operating profit of RM36.1 million which were higher than the preceding year corresponding quarter by 34% and 40% respectively. The division's loan portfolio at end of the current quarter was RM2 billion, 3% above the preceding year of RM1.95 billion. Non-performing loans ratio at the end of the current quarter was 1.32% as compared to 1.53% at the corresponding period last year.

The Automotive Division's revenue for the current quarter was RM330.8 million, 110% (RM173.4 million) higher than the preceding year corresponding quarter with significant improvement from its vehicles segment whilst its after sales and services maintained its performance. Improvement in the vehicles sales was attributable to consumers' favorable reception towards the new C-class, E-class and S-class models. Consequently, the division registered an operating profit of RM8 million which was RM5 million (163%) higher than the preceding year corresponding quarter of RM3.1 million.

The Fertilizer Trading Division's revenue at RM236.1 million in the current quarter was comparable to that achieved in the preceding year corresponding quarter. The trading environment continued to be competitive in both Malaysia and Indonesia. In Indonesia, sales were higher in the current quarter due to better sales volume of its rock phosphate while the Malaysian sales in the current quarter were negatively affected by the slowdown in deliveries due to customers' stocks built-up prior to the implementation of GST on 1 April 2015. The division's operating profits for the current quarter at RM15.7 million was RM3.1 million (24%) above the preceding year corresponding quarter mainly attributable to better margins achieved from both the Malaysian and Indonesian operations inspite of the competitive market conditions.

1. Review of performance (continued)

Quarry and Building Materials Division's revenue for the current quarter at RM86 million was 12% lower than the preceding year corresponding quarter. The competitive market and slow down in development projects had affected the sales of aggregates and bricks in both Malaysia and Singapore. Consequently, the division's operating profit at RM2.6 million was 62% below the preceding year corresponding quarter. Nevertheless, the division is making concerted efforts to improve its operational efficiencies and control costs to mitigate the negative effects from the soft market environment.

Trading Division's results for the current quarter included the results of the Company's newly acquired subsidiary in Singapore, Hafary Holdings Limited ["Hafary"] as disclosed in Note 9(b) of Part A. Accordingly, the division's results included contribution from Hafary of RM92.7 million to revenue and RM16.1 million to operating profit. Consequently, the division's revenue and operating profit for the current quarter at RM226.8 million and RM17.9 million were higher than the preceding year corresponding quarter by RM116.9 million (106%) and RM15.8 million (779%) respectively. In Malaysia, revenue for the current quarter was RM134.1 million, 22% (RM24.2 million) higher than the preceding year corresponding quarter with building material products segment recorded 31% growth in revenue but dampened by lower contribution from its petroleum products segment due to competitive pricing. Margins in the Malaysian operations were eroded by the competitive trading environment in both the building materials and petroleum products segments. Hence, operating profit registered by the Malaysian operations at RM1.8 million was 14% lower than the preceding year corresponding quarter.

In the current quarter, on 16 June 2015, the disposal of Hap Seng Capital Pte Ltd as disclosed in Note 9(c) of Part A was completed and a gain of RM508.8 million arising from the said disposal was included in the Group profit before tax ["PBT"] for the current quarter. Accordingly, the Group PBT at RM601.6 million represented a growth of 71% over the preceding year corresponding quarter whilst profit after tax ["PAT"] at RM571.8 million was 121% above the preceding year corresponding quarter.

Group PBT and PAT for the year to date at RM771 million and RM695.1 million were higher than the preceding year corresponding period by 40% and 72% respectively. Profit attributable to owners of the Company for the year to date of RM667.9 million was 80% higher than the preceding year corresponding period. Consequently, the basic earnings per share for the year to date at 31.12 sen was 68% above the preceding year corresponding period of 18.50 sen.

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

Group PBT for the current quarter was 255% higher than the preceding quarter of RM169.4 million mainly attributable to the gain arising from the disposal of subsidiaries. Excluding the gain, the lower Group PBT of RM92.8 million was mainly due to lower contribution from the Plantation and Property Divisions. The Plantation Division was mainly affected by lower sales volume and lower average selling prices of CPO and PK whilst the Property Division's better performance in the preceding quarter was due to the inclusion of the sale of certain non-strategic properties.

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3. **Current year prospects**

Prices of palm oil are expected to continue to be uncertain amidst weaker global demand, lower crude oil prices and weaker competing edible oil prices. The seasonally higher production cycle of FFB in the second half of the year could possibly dampen palm oil prices further.

The Property Division expects its projects in Klang Valley and East Malaysia to continue to contribute satisfactorily to the division's performance. Contribution from existing investment properties are expected to be maintained with close to optimum occupancy rates and consistent average rental rates whilst the occupancy rate of the new Menara Hap Seng 2 is increasing progressively. The acquisition of the 14-storey retail office tower block in Kota Kinabalu that was approved by shareholders at the Extraordinary General Meeting on 4 June 2015 was completed on 16 June 2015.

Credit Financing Division will continue to grow its loan base in Malaysia with continuous emphasis on improving yield, exercising caution in its selection of new loans, focusing on businesses with quality collaterals whilst managing its cost of funds and funding requirements.

The Automotive Division expects the competitive environment in the Malaysian premium passenger vehicles segment to prevail. Nevertheless, the division anticipates satisfactory performance from its vehicles segment and after sales and services segment via its investment in the Balakong Autohaus, Kinrara Autohaus and the newly launched 3S autohaus in Miri, Sarawak.

Fertilizer Trading Division anticipates the competitive environment to continue amidst the upward movements in global potash prices, weak palm oil prices and the strong US Dollar vis-à-vis the Malaysian Ringgit.

Quarry and Building Materials Division is expected to continue experiencing mixed operational conditions across the division's three operating regions in East Malaysia, East Coast and the Southern region of Peninsular Malaysia and Singapore. The division will continue to focus on profit improvements through enhancement of operational efficiencies and cost control.

The Trading Division will continue to identify new products to grow sales and profitability whilst closely monitoring its stocks and debtors turnover. Hafary is expected to contribute positively to the future performance of the Division as the Hafary group is a leading supplier of premium tiles, stone, mosaics, wood-flooring, quartz top and sanitary ware and fittings in Singapore.

Based on the foregoing, the Group is cautiously 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.

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5. Profit for the period

	Quarter ended		Year-to-date ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging):				
Interest income	1,667	3,509	3,312	6,451
Dividend income from available-for-sale equity instrument	300	300	600	600
Dividend income from held for trading equity instrument	1,250	-	1,250	-
Dividend income from money market deposits	1,354	156	1,908	328
Loss on held for trading equity instruments at fair value	(684)	-	(108)	-
Interest expense	(33,321)	(20,028)	(57,380)	(43,095)
Depreciation and amortisation	(24,252)	(21,974)	(46,692)	(43,568)
Net allowance of impairment losses				
- trade receivables	(2,355)	(1,928)	(4,507)	(2,883)
Net allowance of inventories written down	(4,258)	(1,769)	(3,680)	4,967
Gain/(loss) on disposal of:				
- property, plant and equipment	93	533	(77)	40,786
- investment properties	-	-	-	(371)
Property, plant and equipment written off	(149)	(28)	(195)	(33)
Biological assets written off	-	(350)	(95)	(460)
Investment properties written off	-	(6)	(335)	(124)
Net foreign exchange gain/(loss)	1,554	(1,109)	1,616	1,183
Gain on hedging activities	456	554	233	544
Gain on non-hedging derivative instruments	122	8	191	-
Recovery of bad debts	318	150	354	316
Other non-operating item				
- Gain on disposal of subsidiaries	508,798	-	508,798	-

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

6. Tax expense

	Quarter Ended		Year-to-date ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	32,023	93,159	77,943	147,367
- deferred tax	(2,191)	(797)	(2,089)	(925)
	29,832	92,362	75,854	146,442
In respect of prior period				
- income tax	-	7	-	7
- deferred tax	-	139	-	139
	-	146	-	146
	29,832	92,508	75,854	146,588

The Group's effective tax rate for the current quarter and year to date were significantly lower than the statutory tax rate due to gain on disposal of subsidiaries not subjected to tax. The effective tax rate for the preceding year corresponding quarter and period were higher than the statutory tax rate due to certain expenses being disallowed for tax purposes.



7. Status of corporate proposals announced but not completed at the latest practicable date which must not be earlier than 7 days from the date of issue of the quarterly report

There was no corporate proposal announced but not completed as at 21 August 2015.

8. Status of the utilisation of proceeds from corporate proposals

The status of the utilisation of proceeds from the Proposed Disposal as disclosed in Note 9(c) of Part A are as follows:

<u>Purpose</u>	<u>Proposed Utilisation</u> RM'mil	<u>As at 30 June 2015</u>		<u>Intended Timeframe for Utilisation</u>	<u>Deviation under/(over) spent</u>		<u>Explanation</u>
		<u>Utilisation</u> RM'mil	<u>Unutilised</u> RM'mil		RM'mil	%	
Proposed Acquisition (as disclosed in Note 9(c) of Part A)	395.00	395.00	-	-	-	-	-
General working capital:							
(i) Loan disbursements of credit financing division	97.76	46.00	51.76	Within 24 months from completion	-	-	Not fully utilised yet and within intended timeframe for utilisation. As such, deviation was not computed
(ii) Purchase of inventories, such as fertilisers, automobiles and building materials which include steel bars, wire mesh and cement	48.88	29.00	19.88		-	-	
(iii) Properties development costs such as construction costs and consultancy fees	48.88	2.40	46.48		-	-	
(iv) Payment of trade and other payables	48.88	8.53	# 40.29		-	-	
	<u>244.40</u>	<u>85.93</u>	<u>158.41</u>		<u>-</u>	<u>-</u>	
Estimated fees and expenses	1.40	1.46	-	-	(0.06)	(4)	The over utilisation will be covered by the proceeds earmarked for payment of trade and other payables [#]
	<u>640.80</u>	<u>482.39</u>	<u>158.41</u>				



9. Borrowings and debt securities

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

	As at 30.6.2015					As at 31.12.2014			
	RM RM'000	USD RM'000	SGD RM'000	Euro RM'000	Total RM'000	RM RM'000	USD RM'000	SGD RM'000	Total RM'000
Current									
Secured									
- Trust receipts	-	-	8,931	-	8,931	-	-	-	-
- Finance leases	-	-	406	-	406	-	-	-	-
- Revolving credits	-	-	43,451	-	43,451	-	-	-	-
- Term loans	-	-	76,494	-	76,494	-	-	-	-
- Foreign currency loans	-	41,679	-	16,627	58,306	-	-	-	-
	-	41,679	129,282	16,627	187,588	-	-	-	-
Unsecured									
- Bankers acceptances	320,483	-	-	-	320,483	158,596	-	-	158,596
- Bank overdrafts	14,034	-	-	-	14,034	3,276	-	-	3,276
- Revolving credits	1,192,349	-	-	-	1,192,349	1,059,500	-	14,546	1,074,046
- Term loans	206,068	-	-	-	206,068	207,487	-	-	207,487
- Foreign currency loans	-	162,193	281,080	-	443,273	-	175,807	264,590	440,397
	1,732,934	162,193	281,080	-	2,176,207	1,428,859	175,807	279,136	1,883,802
Total current borrowings	1,732,934	203,872	410,362	16,627	2,363,795	1,428,859	175,807	279,136	1,883,802
Non-current									
Secured									
- Term loans	-	-	97,398	-	97,398	-	-	-	-
- Finance leases	-	-	549	-	549	-	-	-	-
	-	-	97,947	-	97,947	-	-	-	-
Unsecured									
- Term loans	122,300	-	148,706	-	271,006	277,052	-	-	277,052
- Foreign currency loans	-	282,827	542,192	-	825,019	-	193,428	264,590	458,018
	122,300	282,827	690,898	-	1,096,025	277,052	193,428	264,590	735,070
Total non-current borrowings	122,300	282,827	788,845	-	1,193,972	277,052	193,428	264,590	735,070
Total borrowings	1,855,234	486,699	1,199,207	16,627	3,557,767	1,705,911	369,235	543,726	2,618,872

Note: - All secured borrowings are in respect of a foreign subsidiary's borrowings.

- Foreign currency loans are in respect of borrowings denominated in currencies other than the functional currencies of the Group entities.

10. 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"].

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, 10 to 13 February 2015, 23 March to 2 April 2015, 18 to 29 May 2015, 29 to 30 June 2015, 1 to 10 July 2015 and 3 to 6 August 2015. The Tongod Suit has been fixed for continued hearing from 1 to 4 September 2015.

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



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

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

RESB is claiming for the following in the RESB Suit:

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

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

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



10. 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)

- (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 Note 10(b) above, the KK Suit is stayed pending referral and determination by the Federal Court on the constitutionality of the transfer of civil suits from West Malaysia to the High Court of Sabah and Sarawak and vice versa.

HSP has been advised by its solicitors, Messrs Jayasuriya Kah & Co., that the KK Suit is unlikely to succeed.

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10. 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) ["KKHC"], 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.

On 15 May 2015, the parties in the said Suit recorded the following terms by way of a consent order before the KKHC:

- (i) that the claims filed under the said Suit by the Plaintiffs be and are struck off;
- (ii) that the Plaintiffs are not entitled to possession of the said 113 Titles;
- (iii) that the first, second and third defendants are absolutely entitled to quiet enjoyment and possession of the said 113 Titles;
- (iv) that the Plaintiffs are not entitled to legal and beneficial ownership of the said 113 Titles;
- (v) that the registration of transfer of the said 113 Titles in favour of Sikit is valid and of full legal effect;
- (vi) that the registration of transfer of the said 113 Titles by Sikit in favour of the first and second defendants is valid and of full legal effect;
- (vii) that the registration of the sublease of the said 113 Titles by Sikit in favour of the third defendant is valid and of full legal effect;
- (viii) that the claim for an order directing the first, second and third defendants to give vacant possession of the said 113 Titles to the Plaintiffs is dismissed;
- (ix) that the claim for an order directing the Assistant Collector of Land Revenue, Kota Marudu, Sabah to remove and delete forthwith the registration of the transfer of the said 113 Titles effected in favour of Sikit and the first and second defendants is dismissed;
- (x) that the claim for 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 effected by Sikit in favour of the third defendant be and is dismissed;
- (xi) an injunction be and is hereby granted restraining the Plaintiffs, their agents, servants, representatives or anyone claiming under them from interfering in any way whatsoever with the quiet enjoyment and possession by the first, second and third defendants of the said 113 Titles;
- (xii) that there shall be no order as to costs;
- (xiii) an order be and is hereby granted directing the Assistant Collector of Land Revenue, Kota Marudu, Sabah to remove and delete forthwith the Collector's Caveats affecting the said 113 Titles;
- (xiv) that the Plaintiffs shall assist and support any applications by the first, second and third defendants to the Assistant Collector of Land Revenue, Kota Marudu, Sabah to remove and delete forthwith the Collector's Caveats affecting the said Lands; and
- (xv) the Plaintiffs shall assist, support and protect the interests of the first, second and third defendants in respect of the said Lands.

11. Derivatives

The Group entered into forward currency contracts and cross currency interest rate swaps where appropriate to minimise its exposure on receivables, payables, borrowings and firm commitments denominated in foreign currencies. Derivatives are stated at fair value which is equivalent to the marking of the derivatives to market, using prevailing market rates.

Details of derivative financial instruments outstanding (including financial instruments designated as hedging instruments) as at 30 June 2015 are as follows:

	Contract/ Notional Value	Fair Value: Assets/ (Liabilities)	Gain/(loss) On Derivative Instruments	Gain/(loss) On Hedged Items	Net Gain/(loss)
	RM'000	RM'000	RM'000	RM'000	RM'000
Forward currency contracts					
of less than 1 year (USD/Euro)					
- Designated as hedging instruments*	157,033	3,654	3,649	(3,416)	233
- Not designated as hedging instruments	23,531	120	120	71	191
	<u>180,564</u>	<u>3,774</u>	<u>3,769</u>	<u>(3,345)</u>	<u>424</u>
Cross currency interest rate swaps					
on foreign currency borrowings					
of 1 year to 4 years (SGD/USD)					
- Designated as hedging instruments**	<u>1,130,304</u>	<u>107,181</u>	<u>58,530</u>	<u>(62,541)</u>	<u>(4,011)</u>

* *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.

12. 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 11 above.

13. **Disclosure of realised and unrealised profits or losses (unaudited)**

	As at 30.6.2015	As at 31.12.2014
	RM'000	RM'000
		<i>(Audited)</i>
Total retained profits of the Company and its subsidiaries:		
- Realised	3,137,632	2,640,815
- Unrealised	194,204	196,646
	<u>3,331,836</u>	<u>2,837,461</u>
Total share of retained profits from associates and joint venture		
- Realised	19,266	17,708
- Unrealised	22,797	18,318
- Breakdown unavailable*	21,987	23,702
	<u>3,395,886</u>	<u>2,897,189</u>
Less: Consolidation adjustments	(1,408,030)	(1,353,642)
Total Group retained profits as per consolidated financial statements	<u>1,987,856</u>	<u>1,543,547</u>

* 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.

14. **Provision of financial assistance**

Moneylending operations

(i) The Group moneylending operations are undertaken by the Company's wholly owned subsidiaries, Hap Seng Credit Sdn Bhd and Hap Seng Automotive Acceptance Sdn Bhd in the ordinary course of their moneylending businesses. The aggregate amount of outstanding loans as at 30 June 2015 given by the Company's moneylending subsidiaries are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
(a) To companies	1,707,039	296	1,707,335
(b) To individuals	207,277	277	207,554
(c) To companies within the listed issuer group	23,878	67,301	91,179
(d) To related parties	-	-	-
	<u>1,938,194</u>	<u>67,874</u>	<u>2,006,068</u>

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

Moneylending operations (continued)

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

	As at 30.6.2015
	RM'000
(a) Loans given by companies within the Group to the moneylending subsidiaries	326,111
(b) Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c) Unsecured bank borrowings guaranteed by the Company	1,071,724
(d) Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company	92,333
	<u>1,490,168</u>

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

	RM'000
(a) Balance as at 1.1.2015	17,834
(b) Loans classified as in default during the financial year	37,133
(c) Loans reclassified as performing during the financial year	(19,285)
(d) Amount recovered	(7,015)
(e) Amount written off	(2,248)
(f) Loans converted to securities	-
(g) Balance as at 30.6.2015	<u>26,419</u>
(h) Ratio of net loans in default to net loans	<u>1.32%</u>

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14. **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	90,000	90,015	Yes	90,000	No	72
2 nd	Term Loan	62,000	59,926	Yes	36,400	No	12 – 36
	Hire Purchase	100	79	Yes	193	No	36
		<u>62,100</u>	<u>60,005</u>		<u>36,593</u>		
3 rd	Term Loan	118,900	51,213	No	-	Yes	48
4 th	Term Loan	3,000	3,029	No	-	Yes	24
	Term Loan	20,147	16,747	Yes	17,975	Yes	84
	Hire Purchase	8,685	7,131	Yes	7,281	Yes	60
		<u>31,832</u>	<u>26,907</u>		<u>25,256</u>		
5 th	Term Loan	450	277	No	-	No	60
	Term Loan	21,000	21,300	Yes	19,400	No	60
		<u>21,450</u>	<u>21,577</u>		<u>19,400</u>		

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

	Quarter Ended		Year-to-date ended	
	30.6.2015	30.6.2014	30.6.2015	30.6.2014
Profit attributable to owners of the Company (RM'000)	<u>557,042</u>	<u>245,207</u>	<u>667,931</u>	<u>370,620</u>
Weighted average number of ordinary shares in issue for basic EPS computation ('000)	2,149,598	2,002,426	2,146,134	2,003,473
Dilutive potential ordinary shares - Assumed exercise of warrants	<u>160,670</u>	<u>142,173</u>	<u>154,716</u>	<u>134,995</u>
Weighted average number of ordinary shares in issue for diluted EPS computation ('000)	<u>2,310,268</u>	<u>2,144,599</u>	<u>2,300,850</u>	<u>2,138,468</u>
Basic EPS (sen)	<u>25.91</u>	<u>12.25</u>	<u>31.12</u>	<u>18.50</u>
Diluted EPS (sen)	<u>24.11</u>	<u>11.43</u>	<u>29.03</u>	<u>17.33</u>

15. Earnings per share ["EPS"] (continued)

(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.

16. Dividend

Dividends for the current financial year ending 31 December 2015 are as follows:

(a) first interim dividend of 10 sen (2014: 10 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 May 2015 and paid on 23 June 2015;

(b) the Directors has on even date approved the following special interim dividend for the financial year ending 31 December 2015:

(i) Amount per ordinary share of RM1.00 each - Special Interim Dividend	10 sen per ordinary share under the single-tier system which is tax exempt in the hands of the shareholders.
(ii) Previous year corresponding period Amount per ordinary share of RM1.00 each - Special Interim Dividend	Nil
(iii) Total dividend approved to date for the current financial year Amount per ordinary share of RM1.00 each	20 sen (2014: 10 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 30 September 2015; and

(d) In respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 11 September 2015.

16. Dividend (continued)

NOTICE OF SPECIAL INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that the special interim dividend of 10 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 2015, will be payable in cash on 30 September 2015 to the shareholders whose names appear on the Company's Register of Members and/or Record of Depositors at the close of business on 11 September 2015.

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 9 September 2015 in respect of shares which are exempted from mandatory deposit);
- (b) shares transferred into the depositor's securities account before 4.00 pm on 11 September 2015 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.

17. 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 2014 was not subject to any qualification.

BY ORDER OF THE BOARD

LIM GUAN NEE
QUAN SHEET MEI
Secretaries

Kuala Lumpur
26 August 2015