



HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

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

	Quarter ended		Year-to-date ended	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Revenue	1,163,992	828,925	3,342,218	2,784,782
Operating expenses	(954,996)	(727,235)	(2,842,310)	(2,149,266)
Other operating income	35,877	144,377	56,700	202,168
Operating profit	244,873	246,067	556,608	837,684
Financing costs	(26,087)	(18,836)	(83,467)	(61,931)
Other non-operating item	-	-	508,798	-
Share of results of associates and joint venture	9,570	9,044	17,420	11,740
Profit before tax	228,356	236,275	999,359	787,493
Tax expense	(50,107)	(30,295)	(125,961)	(176,883)
Profit for the period	178,249	205,980	873,398	610,610
Profit attributable to:				
Owners of the Company	163,103	194,420	831,034	565,040
Non-controlling interests	15,146	11,560	42,364	45,570
	178,249	205,980	873,398	610,610
Earnings per share (sen)				
Basic	7.58	9.42	38.69	27.92
Diluted	7.02	8.78	35.86	26.14

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 THIRD QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2015

	Quarter ended		Year-to-date ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
	RM'000	RM'000	RM'000	RM'000
Profit for the period	178,249	205,980	873,398	610,610
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	19,383	(3,100)	34,681	146
Share of foreign currency translation differences of associates	5,451	1,108	7,984	487
Change in fair value of cash flow hedge	(15,126)	(1,098)	(19,137)	2,498
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	-	(11,401)	-
	9,708	(3,090)	12,127	3,131
<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 income/(expense) for the period	9,708	(3,090)	15,708	3,131
Total comprehensive income for the period	187,957	202,890	889,106	613,741
Total comprehensive income attributable to:				
Owners of the Company	159,233	191,330	827,228	568,171
Non-controlling interests	28,724	11,560	61,878	45,570
	187,957	202,890	889,106	613,741

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 SEPTEMBER 2015

	As at 30.9.2015 RM'000	As at 31.12.2014 RM'000 <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	1,469,999	1,071,865
Prepaid lease payments	15,950	-
Biological assets	441,749	441,031
Investment properties	1,421,782	1,011,578
Investment in associates	408,250	381,597
Investment in joint venture	696	-
Land held for property development	617,676	368,200
Goodwill	81,653	36,736
Receivables	1,202,625	1,111,992
Other non-current financial assets	144,151	46,802
Deferred tax assets	11,980	12,594
	<hr/> 5,816,511	<hr/> 4,482,395
Current assets		
Inventories	794,018	533,890
Property development costs	730,183	658,616
Receivables	1,950,862	1,527,807
Tax recoverable	12,643	17,224
Other current financial assets	138,121	64,878
Money market deposits	72,612	183,690
Cash and bank balances	367,507	317,068
	<hr/> 4,065,946	<hr/> 3,303,173
TOTAL ASSETS	<hr/> 9,882,457	<hr/> 7,785,568



HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

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

	As at 30.9.2015 RM'000	As at 31.12.2014 RM'000 <i>(Audited)</i>
Equity attributable to owners of the Company		
Share capital	2,247,632	2,226,779
Reserves	2,375,013	1,972,802
	<hr/> 4,622,645	<hr/> 4,199,581
Less: Treasury shares	(303,489)	(247,806)
	<hr/> 4,319,156	<hr/> 3,951,775
Non-controlling interests	564,555	433,867
TOTAL EQUITY	<hr/> 4,883,711	<hr/> 4,385,642
Non-current liabilities		
Borrowings	1,435,031	735,070
Deferred tax liabilities	203,388	183,235
Other payables	2,742	5,249
	<hr/> 1,641,161	<hr/> 923,554
Current liabilities		
Payables and provisions	645,420	529,579
Tax payable	51,563	62,991
Borrowings	2,660,602	1,883,802
	<hr/> 3,357,585	<hr/> 2,476,372
TOTAL LIABILITIES	<hr/> 4,998,746	<hr/> 3,399,926
TOTAL EQUITY AND LIABILITIES	<hr/> 9,882,457	<hr/> 7,785,568
Net assets per share (RM)	<hr/> 2.01	<hr/> 1.85
Based on number of shares net of treasury shares ('000)	2,148,016	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 SEPTEMBER 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 2015	2,226,779	429,255	1,543,547	(247,806)	3,951,775	433,867	4,385,642
Profit for the period	-	-	831,034	-	831,034	42,364	873,398
Total other comprehensive income for the period	-	(3,806)	-	-	(3,806)	19,514	15,708
Total comprehensive income for the period	-	(3,806)	831,034	-	827,228	61,878	889,106
Exercise of warrants	20,853	13,553	-	-	34,406	-	34,406
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	-	-	-	(55,683)	(55,683)	-	(55,683)
Purchase of treasury shares by subsidiary	-	-	-	-	-	(5)	(5)
Dividends	-	-	(430,266)	-	(430,266)	-	(430,266)
Dividends paid to non-controlling interests	-	-	-	-	-	(33,073)	(33,073)
At 30 September 2015	2,247,632	439,002	1,936,011	(303,489)	4,319,156	564,555	4,883,711

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)
FOR YEAR-TO-DATE ENDED 30 SEPTEMBER 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	-	-	565,040	-	565,040	45,570	610,610
Total other comprehensive income for the period	-	3,131	-	-	3,131	-	3,131
Total comprehensive income for the period	-	3,131	565,040	-	568,171	45,570	613,741
Exercise of warrants	66,858	43,458	-	-	110,316	-	110,316
Changes in ownership interest in subsidiaries	-	-	(233)	-	(233)	6,233	6,000
Purchase of treasury shares	-	-	-	(182,293)	(182,293)	-	(182,293)
Purchase of treasury shares by subsidiary	-	-	-	-	-	(715)	(715)
Resale of treasury shares	-	168,825	-	270,499	439,324	-	439,324
Cancellation of treasury shares	(60,000)	34,958	(90,194)	115,236	-	-	-
Dividends	-	-	(199,984)	-	(199,984)	-	(199,984)
Dividends paid to non-controlling interests	-	-	-	-	-	(49,512)	(49,512)
At 30 September 2014	2,212,567	373,181	1,678,720	(175,293)	4,089,175	416,489	4,505,664

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 SEPTEMBER 2015**

	Year-to-date ended	
	30.9.2015	30.9.2014
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	999,359	787,493
Adjustments for:		
Non-cash items	93,303	(67,400)
Non-operating items	(526,017)	(52,174)
Dividend income	(5,194)	(2,417)
Net interest expense	75,545	51,481
Operating profit before working capital changes	636,996	716,983
Net changes in working capital	(264,895)	(58,628)
Net changes in loan receivables	(505,467)	14,079
Net tax paid	(153,317)	(101,778)
Net interest paid	(75,545)	(51,481)
Additions to land held for property development	(289,071)	(18,091)
Net cash flows (used in)/generated from operating activities	(651,299)	501,084
Cash flows from investing activities		
Dividends received from associates/joint venture	12,618	11,791
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	3,044	1,517
Decrease/(Increase) in money market deposits	111,078	(51,492)
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	6,376	55,544
Proceeds from disposal of investment properties	-	627
Purchase of property, plant and equipment	(135,472)	(81,982)
Additions to biological assets	(900)	(3,720)
Additions to investment properties	(405,439)	(90,705)
Net cash flows generated from/(used in) investing activities	85,541	(151,220)
Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(463,339)	(409,930)
Net drawdown/(repayment) of borrowings	1,086,189	(429,242)
Proceeds from issuance of shares pursuant to the exercise of warrants	34,406	110,316
Proceeds from resale of treasury shares	-	439,324
Shares repurchase at cost	(55,688)	(183,008)
Net cash flows generated from/(used in) financing activities	601,568	(472,540)
Net increase/(decrease) in cash and cash equivalents	35,810	(122,676)
Effects on exchange rate changes	4,762	(248)
Cash and cash equivalents at beginning of the period	313,792	573,548
Cash and cash equivalents at end of the period	354,364	450,624
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	145,001	289,219
Cash in hand and at bank	222,506	169,824
Bank overdrafts	(13,143)	(8,419)
	354,364	450,624

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 2018.

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 2018 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, 3,929,522 warrants were exercised which resulted in 3,929,522 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities. Accordingly, a total of 20,852,249 warrants have been exercised during the interim period and the issued and paid-up share capital of the Company increased to RM2,247,631,730 comprising 2,247,631,730 ordinary shares of RM1.00 each. As at 30 September 2015, 243,118,570 warrants remained unexercised.

Subsequent to the end of the interim period and up to 20 November 2015, a total of 874,101 warrants were exercised which resulted in 874,101 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 RM2,248,505,831 comprising 2,248,505,831 ordinary shares of RM1.00 each. As at the date hereof, 242,244,469 warrants remained unexercised.

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

During the current quarter, 10,431,200 shares were bought back and there was no resale or cancellation of treasury shares. Accordingly, a total of 10,433,200 shares were bought back during the interim period. 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
July 2015	-	-	-	-	-
August 2015	8,808,700	5.18	5.31	5.3037	46,718,425.58
September 2015	1,622,500	5.29	5.55	5.5185	8,953,821.18
Total	10,431,200	5.18	5.55	5.3371	55,672,246.76

As at 30 September 2015, the Company held 99,615,600 ordinary shares as treasury shares and the issued and paid up share capital of the Company was RM2,247,631,730 comprising 2,247,631,730 ordinary shares of RM1.00 each.

Subsequent to the end of the interim period and up to 20 November 2015, the Company resold 8,618,700 treasury shares in the open market, thereby reducing the total treasury shares held by the Company to 90,996,900 shares.

7. Dividends

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

	Year-to-date ended	
	30.9.2015	30.9.2014
	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	-
- special interim (10 sen) under the single tier system approved by the Directors on 26 August 2015 and paid on 30 September 2015	214,948	-
	<u>430,266</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 September 2015</u>										
Revenue										
External revenue	102,806	237,967	38,561	315,254	219,956	55,176	194,272	-	-	1,163,992
Inter-segment revenue	-	2,642	1,871	1,654	11,419	23,870	14,243	-	(55,699)	-
Total revenue	102,806	240,609	40,432	316,908	231,375	79,046	208,515	-	(55,699)	1,163,992
Operating profit	30,837	133,097	31,625	7,825	5,828	687	11,115	18,065	5,794	244,873
Financing costs										(26,087)
Share of results of associates and joint venture										9,570
Profit before tax										228,356
<u>Preceding year quarter ended 30 September 2014</u>										
Revenue										
External revenue	123,405	109,903	32,104	183,018	203,928	87,651	88,916	-	-	828,925
Inter-segment revenue	-	2,840	1,046	2,134	10,130	2,216	17,259	-	(35,625)	-
Total revenue	123,405	112,743	33,150	185,152	214,058	89,867	106,175	-	(35,625)	828,925
Operating profit	32,854	165,877	25,608	1,867	12,601	1,617	2,235	(1,209)	4,617	246,067
Financing costs										(18,836)
Share of results of associates										9,044
Profit before tax										236,275

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 September 2015										
Revenue										
External revenue	314,672	636,173	117,556	854,762	667,152	216,140	535,763	-	-	3,342,218
Inter-segment revenue	-	7,932	5,528	3,968	29,965	34,772	41,212	-	(123,377)	-
Total revenue	314,672	644,105	123,084	858,730	697,117	250,912	576,975	-	(123,377)	3,342,218
Operating profit	84,405	286,653	97,467	19,042	27,648	7,302	35,671	10,700	(12,280)	556,608
Financing costs										(83,467)
Other non-operating item										508,798
Share of results of associates and joint venture										17,420
Profit before tax										999,359
Segment assets	1,073,479	3,396,552	2,006,732	415,815	524,485	633,616	943,850	454,359	-	9,448,888
Year-to-date ended 30 September 2014										
Revenue										
External revenue	368,839	667,169	93,159	464,740	628,452	277,114	285,309	-	-	2,784,782
Inter-segment revenue	-	8,721	2,979	5,398	27,127	5,435	43,215	-	(92,875)	-
Total revenue	368,839	675,890	96,138	470,138	655,579	282,549	328,524	-	(92,875)	2,784,782
Operating profit	128,346	588,262	75,292	6,197	35,127	12,466	7,776	(6,195)	(9,587)	837,684
Financing costs										(61,931)
Share of results of associates										11,740
Profit before tax										787,493
Segment assets	1,059,841	2,329,885	1,669,412	354,151	434,649	652,575	117,032	221,437	-	6,838,982

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 now known as Plaza Shell 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) On 8 July 2015, *Hap Seng Auto Sdn Bhd 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.
- (e) During the interim period, the Company had acquired total additional 5,333,500 ordinary shares of RM1.00 each representing approximately 0.66% equity interest in Hap Seng Plantations Holdings Berhad [“HSP”] via the open market, 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 20 November 2015 that have not been reflected in these financial statements is as follows:

On 6 November 2015, *Hap Seng Credit Sdn Bhd ["HSC"] incorporated a wholly-owned subsidiary in Australia, Hap Seng Credit (Australia) Pty Ltd ["HSCA"]. HSCA has an issued and paid-up share capital of AUD100 comprising 100 ordinary shares and is currently dormant.

* *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 does not have any contingent liability or contingent asset as at the end of the year which are expected to have an operational or financial impact on the Group.

13. Capital commitments

The Group has the following capital commitments:

	As at	As at
	30.9.2015	31.12.2014
	RM'000	RM'000
Contracted but not provided for	294,786	182,992
Authorised but not contracted for	32,927	215,934
	<u>327,713</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 meetings held on 28 May 2014 and 4 June 2015, except for the Proposals as disclosed in Note 9(c) above.

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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 RM1.16 billion was 40% higher than the preceding year corresponding quarter with higher revenue from all divisions except for Plantation and Quarry and Building Materials Divisions. However, Group operating profit at RM244.9 million was marginally below the preceding year corresponding quarter as the improved profit contributions from Automotive and Credit Financing Divisions as well as the inclusion of the results of the Company's newly acquired subsidiary in Singapore, Hafary Holdings Limited ["Hafary"] which was completed in February 2015 were offset by the lower results from the other divisions of the Group. Consequently, the Group profit before tax ["PBT"] and profit after tax ["PAT"] at RM228.4 million and RM178.2 million were lower than the preceding year corresponding quarter by 3% and 13% respectively.

Plantation Division's revenue at RM102.8 million and operating profit at RM30.8 million were lower than the preceding year corresponding quarter by 17% and 6% respectively. The division's performance was mainly affected by lower sales volume and lower average price realization of Crude Palm Oil ["CPO"] mitigated somewhat by lower production costs due to lower manuring cost. CPO sales volume at 41,057 tonnes was 14% below the preceding year corresponding quarter whilst Palm Kernel ["PK"] sales volume was 3% higher at 9,239 tonnes. Lower CPO sales volume was affected by lower CPO production attributable to lower fresh fruit bunches ["FFB"] production mitigated by better oil extraction rate, lower volume of external FFB purchased and higher closing inventory due to timing of deliveries. Despite lower PK production, PK sales volume was higher due to favourable movement in inventory levels. Average selling price realization of CPO and PK for the current quarter were RM2,086 and RM1,379 per tonne respectively as compared to the preceding year corresponding quarter of RM2,215 per tonne for CPO and RM1,412 per tonne for PK.

The Property division's revenue for the current quarter of RM240.6 million was 113% above the preceding year corresponding quarter. The improvement was contributed mainly by its project developments, namely Bandar Sri Indah and Astana Heights in East Malaysia, Nadi Bangsar Service Residences and Andana Condominium-Garden Villa @ D'Alpinia in Peninsular Malaysia, its new investment property, Menara Hap Seng 2 as well as sale of certain non-strategic properties. The division's operating profit at RM133.1 million was however 20% lower than the preceding year corresponding quarter mainly due to inclusion of gains from fair value adjustments of its investment properties in the preceding year corresponding quarter.

Credit Financing Division recorded improved performance as compared to the preceding year corresponding quarter with higher loan base and lower non-performing loans ratio. Revenue and operating profit for the current quarter were both higher at RM40.4 million and RM31.6 million, 22% and 23% higher than the preceding year corresponding quarter respectively. The division's loan portfolio at end of the current quarter was RM2.1 billion, 21% above the preceding year of RM1.7 billion whilst non-performing loans ratio at the end of the current quarter of 0.94% was a marked improvement as compared to 2.01% at the end of the corresponding period last year.

The Automotive Division's revenue for the current quarter was RM316.9 million, 71% (RM131.8 million) higher than the preceding year corresponding quarter and registered an operating profit of RM7.8 million which was RM5.9 million (319%) higher than the preceding year corresponding quarter of RM1.9 million. The significant improvement was mainly from its vehicle segment which recorded 65% increase in the number of cars sold, benefitted from the new C-class and S-class models whilst its after sales and services segment had a 15% increase in throughput as its service centres continue to provide excellent services to its customers.

The Fertilizer Trading Division's revenue at RM231.4 million in the current quarter was RM17.3 million (8%) higher than the preceding year corresponding quarter with higher sales from both the Malaysian and Indonesian operations. The trading environment in these markets continued to be competitive. In Malaysia, trading margins were eroded by the higher cost of fertilizers mainly due to the weaker Ringgit vis-à-vis the US Dollar. The Indonesian operations maintained its profitability close to the preceding year corresponding quarter with higher sales volume although trading margins were lower due to sales mix variance. Consequently, the division's operating profits for the current quarter of RM5.8 million was RM6.8 million (54%) lower than the preceding year corresponding quarter profits.



1. Review of performance (continued)

Quarry and Building Materials Division recorded revenue of RM79 million for the current quarter which was 12% lower than the preceding year corresponding quarter. Its operating profit at RM0.7 million was 58% below the preceding year corresponding quarter. The division's performance was affected by lower sales of aggregate and bricks due to slow down in development projects and competitive pricing. To mitigate this, the division continues to put concerted efforts to improve its operational efficiencies and implemented certain cost control measures.

Trading Division's revenue and operating profit for the current quarter at RM208.5 million and RM11.1 million were higher than the preceding year corresponding quarter by RM102.3 million (96%) and RM8.9 million (397%) respectively. The division's results for the current quarter included the results of the Company's newly acquired subsidiary in Singapore, Hafary as disclosed in Note 9(b) of Part A, which contributed RM87.2 million to revenue and RM9.3 million to operating profit. In Malaysia, revenue for the current quarter was RM121.3 million, 14% (RM15.2 million) higher than the preceding year corresponding quarter with 24% revenue growth in building material products segment but registered lower revenue from its petroleum products segment due to lower average selling prices inspite of higher volume sold. Margins in the Malaysian operations were eroded by the competitive trading environment in both the building materials and petroleum products segments. Consequently, operating profit registered by the Malaysian operations at RM1.8 million was 21% lower than the preceding year corresponding quarter.

Overall, the Group PBT and PAT for the year to date at RM999.4 million and RM873.4 million were higher than the preceding year corresponding period by 27% and 43% respectively, benefitted from the gain of RM508.8 million arising from the disposal of Hap Seng Capital Pte Ltd which was completed on 16 June 2015 as disclosed in Note 9(c) of Part A. Profit attributable to owners of the Company for the year to date of RM831 million was 47% higher than the preceding year corresponding period whilst the basic earnings per share for the year to date at 38.69 sen was 39% above the preceding year corresponding period of 27.92 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 RM373.3 million (62%) lower than the preceding quarter of RM601.6 million which included the gain arising from the disposal of Hap Seng Capital Pte Ltd. Excluding the gain, the Group PBT was RM135.5 million (146%) above the preceding quarter of RM92.8 million mainly attributable to higher contribution from the Plantation and Property Divisions.

The Plantation Division benefitted from higher sales volume of CPO and PK but partly negated by lower average selling price of CPO and PK whilst the Property Division benefited from sale of certain non-strategic properties in the current quarter.

3. Current year prospects

Palm oil market continues to be uncertain in the near term as prices of palm oil are expected to be adversely affected by rising inventory, slowing demand from key importing nations and the weaker prices of competing edible oils in particular, soybean oil. However, concerns of the El Nino weather phenomenon affecting palm oil production in Malaysia and Indonesia have bolstered palm oil prices in recent months. The division continues to put concerted efforts to improve FFB yield, CPO and PK extraction rates as well as keeping costs and inventory level low to mitigate some of the downside risks arising from the uncertainties in the palm oil market.

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. Occupancy rate of the new Menara Hap Seng 2 and the newly acquired 14-storey retail office tower block in Kota Kinabalu which was officially opened on 13 November 2015 and is now known as "Plaza Shell" are increasing progressively.

3. Current year prospects (continued)

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. Strong emphasis is also placed on collections and providing quality services.

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. The division continues to support and strengthen the Mercedes-Benz brand with its seven autohaus including the new 3S autohaus in Miri which was launched in June 2015 to extend its service excellence to East Malaysia.

Fertilizer Trading Division anticipates weaker demand of fertilizers as planters reduce the application of fertilizers amidst the weak palm oil prices and the strong US Dollar vis-à-vis the Malaysian Ringgit.

Quarry and Building Materials Division is expected to continue operating in a competitive business environment across the 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 grow its market share for both building materials and petroleum products whilst protecting margins, managing credit risk, focus on collections and maintaining optimum inventory levels. The Hafary group which is a leading supplier of premium tiles, stone, mosaics, wood-flooring, quartz top and sanitary ware and fittings in Singapore is expected to contribute positively to the future performance of the Division.

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.

5. Profit for the period

	Quarter ended		Year-to-date ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging):				
Interest income	4,610	3,999	7,922	10,450
Dividend income from available-for-sale equity instrument	300	300	900	900
Dividend income from held for trading equity instrument	-	-	1,250	-
Dividend income from money market deposits	1,136	1,189	3,044	1,517
Loss on held for trading equity instruments at fair value	(2,088)	-	(2,196)	-
Interest expense	(26,087)	(18,836)	(83,467)	(61,931)
Depreciation and amortisation	(25,106)	(22,681)	(71,798)	(66,249)
Net allowance of impairment losses				
- trade receivables	(4,026)	(851)	(8,533)	(3,734)
Net (allowance)/reversal of inventories written down	(5,046)	1,866	(8,726)	6,833
(Loss)/gain on disposal of:				
- property, plant and equipment	(124)	19	(201)	40,805
- investment properties	-	-	-	(371)

5. Profit for the period (continued)

	Quarter ended		Year-to-date ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging):				
Property, plant and equipment written off	(68)	(42)	(263)	(75)
Biological assets written off	(87)	-	(182)	(460)
Investment properties written off	-	-	(335)	(124)
Net foreign exchange gain	21,183	1,663	22,799	2,846
(Loss)/gain on hedging activities	(226)	(522)	7	22
(Loss)/gain on non-hedging derivative instruments	(87)	-	104	-
Gain from fair value adjustments of investment properties	-	131,209	-	131,209
Recovery of bad debts	922	193	1,276	509
Other non-operating item				
- Gain on disposal of subsidiaries	-	-	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	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	52,911	20,752	130,854	168,119
- deferred tax	(960)	7,504	(3,049)	6,579
	51,951	28,256	127,805	174,698
In respect of prior period				
- income tax	(1,823)	1,143	(1,823)	1,150
- deferred tax	(21)	896	(21)	1,035
	(1,844)	2,039	(1,844)	2,185
	50,107	30,295	125,961	176,883

The Group's effective tax rate for the current quarter excluding under/(over) provision of tax in respect of prior period was lower than the statutory tax rate mainly due to non taxable foreign exchange gain whilst effective tax rate for the year to date were significantly lower than the statutory tax rate was also due to gain on disposal of subsidiaries not subjected to tax. The effective tax rate for the preceding year corresponding quarter and period were lower than the statutory tax rate mainly due to tax provision for fair value adjustments of investment properties which was at the lower real property gain tax rate.



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 20 November 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 September 2015</u>		<u>Intended Timeframe for Utilisation</u>	<u>Deviation under/(over) spent</u>		<u>Explanation</u>
		<u>Utilisation</u> RM'mil	<u>Balance 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	97.76	-	-	-	-	-
(ii) Purchase of inventories, such as fertilisers, automobiles and building materials which include steel bars, wire mesh and cement	48.88	48.88	-	-	-	-	-
(iii) Properties development costs such as construction costs and consultancy fees	48.88	44.13	4.75	Within 24 months from completion	-	-	Not fully utilised yet and within intended timeframe for utilisation. As such, deviation was not computed.
(iv) Payment of trade and other payables	48.88	48.82	-	-	0.06	0.1	The over spent in fees and expenses was covered by the proceeds earmarked for payment of trade and other payables
	<u>244.40</u>	<u>239.59</u>	<u>4.75</u>		<u>0.06</u>	<u>0.1</u>	
Estimated fees and expenses	1.40	1.46	-	-	(0.06)	(4.3)	
	<u>640.80</u>	<u>636.05</u>	<u>4.75</u>		<u>-</u>	<u>-</u>	



9. Borrowings and debt securities

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

	← As at 30.9.2015 →					← As at 31.12.2014 →			
	← Denominated in →					← Denominated in →			
	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	-	-	11,315	-	11,315	-	-	-	-
- Finance leases	-	-	900	-	900	-	-	-	-
- Revolving credits	-	-	128,858	-	128,858	-	-	-	-
- Term loans	-	-	8,116	-	8,116	-	-	-	-
- Foreign currency loans	-	53,587	-	25,578	79,165	-	-	-	-
	-	53,587	149,189	25,578	228,354	-	-	-	-
Unsecured									
- Bankers acceptances	240,440	-	-	-	240,440	158,596	-	-	158,596
- Bank overdrafts	13,143	-	-	-	13,143	3,276	-	-	3,276
- Revolving credits	1,417,100	-	-	-	1,417,100	1,059,500	-	14,546	1,074,046
- Term loans	194,552	-	-	-	194,552	207,487	-	-	207,487
- Foreign currency loans	-	254,833	312,180	-	567,013	-	175,807	264,590	440,397
	1,865,235	254,833	312,180	-	2,432,248	1,428,859	175,807	279,136	1,883,802
Total current borrowings	1,865,235	308,420	461,369	25,578	2,660,602	1,428,859	175,807	279,136	1,883,802
Non-current									
Secured									
- Term loans	-	-	146,000	-	146,000	-	-	-	-
- Finance leases	-	-	1,230	-	1,230	-	-	-	-
	-	-	147,230	-	147,230	-	-	-	-
Unsecured									
- Term loans	199,442	-	165,245	-	364,687	277,052	-	-	277,052
- Foreign currency loans	-	633,111	290,003	-	923,114	-	193,428	264,590	458,018
	199,442	633,111	455,248	-	1,287,801	277,052	193,428	264,590	735,070
Total non-current borrowings	199,442	633,111	602,478	-	1,435,031	277,052	193,428	264,590	735,070
Total borrowings	2,064,677	941,531	1,063,847	25,578	4,095,633	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 which decision was upheld by the Court of Appeal on 9 May 2013 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, 3 to 6 August 2015 and 26 to 30 October 2015. The Tongod Suit has been fixed for continued hearing from 14 to 18 December 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 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 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 September 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)					
- Designated as hedging instruments*	109,739	6,918	6,913	(6,906)	7
- Not designated as hedging instruments	10,931	104	104	-	104
	<u>120,670</u>	<u>7,022</u>	<u>7,017</u>	<u>(6,906)</u>	<u>111</u>
Cross currency interest rate swaps on foreign currency borrowings of 1 year to 3 years (SGD/USD)					
- Designated as hedging instruments**	<u>1,250,219</u>	<u>203,586</u>	<u>154,935</u>	<u>(174,072)</u>	<u>(19,137)</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 30.9.2015 RM'000	As at 31.12.2014 RM'000 <i>(Audited)</i>
Total retained profits of the Company and its subsidiaries:		
- Realised	3,111,979	2,640,815
- Unrealised	206,162	196,646
	3,318,141	2,837,461
Total share of retained profits from associates and joint venture		
- Realised	16,088	17,708
- Unrealised	22,541	18,318
- Breakdown unavailable*	26,041	23,702
	3,382,811	2,897,189
Less: Consolidation adjustments	(1,446,800)	(1,353,642)
Total Group retained profits as per consolidated financial statements	1,936,011	1,543,547

* 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 September 2015 given by the Company's moneylending subsidiaries are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
(a) To companies	1,762,960	170	1,763,130
(b) To individuals	223,851	1,250	225,101
(c) To companies within the listed issuer group	25,025	67,116	92,141
(d) To related parties	-	-	-
	2,011,836	68,536	2,080,372

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

Moneylending operations (continued)

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

	As at 30.9.2015
	RM'000
(a) Loans given by companies within the Group to the moneylending subsidiaries	184,711
(b) Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c) Unsecured bank borrowings guaranteed by the Company	1,271,552
(d) Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company	165,585
	<u>1,621,848</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	54,067
(c) Loans reclassified as performing during the financial year	(35,882)
(d) Amount recovered	(14,200)
(e) Amount written off	(2,248)
(f) Loans converted to securities	-
(g) Balance as at 30.9.2015	<u>19,571</u>
(h) Ratio of net loans in default to net loans	<u>0.94%</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	82,100	80,846	Yes	80,230	No	72
2 nd	Term Loan	62,000	60,377	Yes	36,400	No	12 – 36
	Hire Purchase	100	71	Yes	193	No	36
		<u>62,100</u>	<u>60,448</u>		<u>36,593</u>		
3 rd	Term Loan	52,800	52,050	Yes	49,375	No	72
4 th	Term Loan	118,900	51,058	No	-	Yes	48
5 th	Term Loan	20,147	18,286	Yes	20,147	Yes	84
	Term Loan	3,000	3,000	No	-	Yes	24
	Hire Purchase	8,685	6,739	Yes	7,281	Yes	60
		<u>31,832</u>	<u>28,025</u>		<u>27,428</u>		

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

	Quarter Ended		Year-to-date ended	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Profit attributable to owners of the Company (RM'000)	<u>163,103</u>	<u>194,420</u>	<u>831,034</u>	<u>565,040</u>
Weighted average number of ordinary shares in issue for basic EPS computation ('000)	2,152,079	2,063,056	2,148,137	2,023,552
Dilutive potential ordinary shares - Assumed exercise of warrants	<u>170,183</u>	<u>152,271</u>	<u>169,216</u>	<u>137,786</u>
Weighted average number of ordinary shares in issue for diluted EPS computation ('000)	<u>2,322,262</u>	<u>2,215,327</u>	<u>2,317,353</u>	<u>2,161,338</u>
Basic EPS (sen)	<u>7.58</u>	<u>9.42</u>	<u>38.69</u>	<u>27.92</u>
Diluted EPS (sen)	<u>7.02</u>	<u>8.78</u>	<u>35.86</u>	<u>26.14</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) (i) first interim dividend of 10 sen (2014: 10 sen) per ordinary share under the single tier system which was 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;
- (ii) special interim dividend of 10 sen (2014: Nil) per ordinary share under the single tier system which was tax exempt in the hands of the shareholders. The said interim dividend was approved by the Directors on 26 August 2015 and paid on 30 September 2015;
- (b) the Directors has on even date approved the following second interim dividend for the financial year ending 31 December 2015:
- | | |
|--|---|
| (i) Amount per ordinary share of RM1.00 each
- Second 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
- Second Interim Dividend | 15 sen per ordinary share under the single-tier system which was tax exempt in the hands of the shareholders. |
| (iii) Total dividend approved to date for the current financial year
Amount per ordinary share of RM1.00 each | 30 sen (2014: 25 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 22 December 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 9 December 2015.

16. Dividend (continued)

NOTICE OF SECOND INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that the second 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 22 December 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 9 December 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 7 December 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 9 December 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
25 November 2015