HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED) FOR THE FIRST QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2016

	Quarter ended		Year-to-date ended	
	31.3.2016	**31.3.2015**	**31.3.2016**	**31.3.2015**
	RM'000	RM'000	RM'000	RM'000
Revenue	1,051,494	1,080,539	1,051,494	1,080,539
Operating expenses	(939,756)	(896,356)	(939,756)	(896,356)
Other operating income	104,125	7,041	104,125	7,041
Operating profit	215,863	191,224	215,863	191,224
Finance costs	(33,829)	(24,059)	(33,829)	(24,059)
Share of results of associates and joint venture	4,282	2,195	4,282	2,195
Profit before tax	186,316	169,360	186,316	169,360
Tax expense	(38,004)	(46,022)	(38,004)	(46,022)
Profit for the period	148,312	123,338	148,312	123,338
Profit attributable to:				
Owners of the Company	140,206	110,889	140,206	110,889
Non-controlling interests	8,106	12,449	8,106	12,449
	148,312	123,338	148,312	123,338
Earnings per share (sen)				
Basic	6.45	5.18	6.45	5.18
Diluted	6.11	4.83	6.11	4.83

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 2015 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 FIRST QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2016

	Quarter ended		Year-to-date ended	
	31.3.2016	**31.3.2015**	**31.3.2016**	**31.3.2015**
	RM'000	RM'000	RM'000	RM'000
Profit for the period	148,312	123,338	148,312	123,338
Other comprehensive income/(expense), net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	(13,326)	5,522	(13,326)	5,522
Share of foreign currency translation differences of associates and joint venture	(4,902)	3,888	(4,902)	3,888
Change in fair value of cash flow hedge	(7,042)	(2,170)	(7,042)	(2,170)
	(25,270)	7,240	(25,270)	7,240
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	3,581	-	3,581
Total other comprehensive (expense)/income for the period	(25,270)	10,821	(25,270)	10,821
Total comprehensive income for the period	123,042	134,159	123,042	134,159
Total comprehensive income attributable to:				
Owners of the Company	122,892	119,835	122,892	119,835
Non-controlling interests	150	14,324	150	14,324
	123,042	134,159	123,042	134,159

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 2015 and the accompanying explanatory notes attached to the Interim Financial Statements

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 MARCH 2016

	As at 31.3.2016 RM'000	As at 31.12.2015 RM'000 *(Audited)*
Non-current assets		
Property, plant and equipment	1,274,570	1,250,005
Prepaid lease payments	317,010	336,234
Biological assets	442,061	442,104
Investment properties	1,496,858	1,461,522
Investment in associates	420,559	420,875
Investment in joint venture	661	965
Land held for property development	673,940	674,049
Intangible assets	87,354	91,675
Trade and other receivables	1,252,164	1,276,833
Other non-current financial assets	66,628	109,709
Deferred tax assets	20,561	19,518
	6,052,366	6,083,489
Current assets		
Inventories	925,158	960,781
Property development costs	598,052	584,407
Trade and other receivables	1,673,710	1,778,446
Tax recoverable	9,034	13,027
Other current financial assets	61,738	101,408
Money market deposits	58,825	98,636
Cash and bank balances	603,675	414,738
	3,930,192	3,951,443
TOTAL ASSETS	9,982,558	10,034,932

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (Continued)
AS AT 31 MARCH 2016

	As at 31.3.2016 RM'000	As at 31.12.2015 RM'000 *(Audited)*
Equity attributable to owners of the Company		
Share capital	2,336,285	2,249,731
Reserves	2,462,001	2,282,821
	4,798,286	4,532,552
Less: Treasury shares	(289,904)	(289,904)
	4,508,382	4,242,648
Non-controlling interests	580,446	598,746
TOTAL EQUITY	5,088,828	4,841,394
Non-current liabilities		
Payables and provisions	13,833	14,033
Borrowings	1,762,142	1,860,147
Other non-current financial liabilities	63,578	-
Deferred tax liabilities	200,540	204,944
	2,040,093	2,079,124
Current liabilities		
Payables and provisions	704,661	748,464
Tax payable	47,764	34,161
Borrowings	2,069,711	2,331,789
Other current financial liabilities	31,501	-
	2,853,637	3,114,414
TOTAL LIABILITIES	4,893,730	5,193,538
TOTAL EQUITY AND LIABILITIES	9,982,558	10,034,932
Net assets per share (RM)	2.01	1.97
Based on number of shares net of treasury shares ('000)	2,243,226	2,156,672

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the Interim Financial Statements

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR-TO-DATE ENDED 31 MARCH 2016

	← Attributable to Owners of the Company →						
	Share Capital RM'000	Non-distributable Reserves RM'000	Distributable Reserves RM'000	Treasury Shares RM'000	Total RM'000	Non-controlling interests RM'000	Total Equity RM'000
At 1 January 2016	2,249,731	485,063	1,797,758	(289,904)	4,242,648	598,746	4,841,394
Profit for the period	-	-	140,206	-	140,206	8,106	148,312
Total other comprehensive expense for the period	-	(17,314)	-	-	(17,314)	(7,956)	(25,270)
Total comprehensive income for the period	-	(17,314)	140,206	-	122,892	150	123,042
Share-based payments by a subsidiary	-	28	-	-	28	26	54
Exercise of warrants	86,554	56,260	-	-	142,814	-	142,814
Changes in ownership interest in a subsidiary	-	-	-	-	-	300	300
Dividends paid to non-controlling interests	-	-	-	-	-	(18,776)	(18,776)
At 31 March 2016	2,336,285	524,037	1,937,964	(289,904)	4,508,382	580,446	5,088,828
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	-	-	110,889	-	110,889	12,449	123,338
Total other comprehensive income for the period	-	8,946	-	-	8,946	1,875	10,821
Total comprehensive income for the period	-	8,946	110,889	-	119,835	14,324	134,159
Exercise of warrants	6,653	4,324	-	-	10,977	-	10,977
Changes in ownership interest in a subsidiary	-	-	(4,656)	-	(4,656)	(3,149)	(7,805)
Acquisition of subsidiaries	-	-	-	-	-	107,535	107,535
Dividends paid to non-controlling interests	-	-	-	-	-	(18,967)	(18,967)
At 31 March 2015	2,233,432	442,525	1,649,780	(247,806)	4,077,931	533,610	4,611,541

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 2015 and the accompanying explanatory notes attached to the Interim Financial Statements

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE YEAR-TO-DATE ENDED 31 MARCH 2016

	Year-to-date ended	
	31.3.2016	**31.3.2015**
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	186,316	169,360
Adjustments for:		
Non-cash items	31,395	23,431
Non-operating items	(95,430)	(2,025)
Dividend income	(1,085)	(854)
Net interest expense	31,348	22,414
Operating profit before working capital changes	152,544	212,326
Net changes in working capital	105,382	(96,760)
Net changes in loan receivables	30,563	(159,352)
Net tax paid	(24,327)	(50,450)
Net interest paid	(40,037)	(22,414)
Additions to land held for property development	(11,600)	(91,729)
Net cash flows generated from/(used in) operating activities	212,525	(208,379)
Cash flows from investing activities		
Dividends received from available-for-sale equity instruments	1,960	-
Dividends received from money market deposits	825	554
Decrease in money market deposits	39,811	72,221
Acquisition of shares from non-controlling interests	-	(7,805)
Acquisition of subsidiaries net of cash acquired	(1,572)	(127,860)
Proceeds from issuance of shares to non-controlling interest	300	-
Proceeds from disposal of property, plant and equipment	118,143	1,844
Proceeds from the redemption of available-for-sale equity instruments	12,000	-
Purchase of property, plant and equipment	(80,214)	(21,739)
Additions to prepaid lease payments	(9)	-
Additions to biological assets	(20)	(294)
Additions to investment properties	(35,068)	(1,143)
Net cash flows generated from/(used in) investing activities	56,156	(84,222)
Cash flows from financing activities		
Dividends paid to non-controlling interests	(18,776)	(18,967)
Net (repayment)/drawdown of borrowings	(198,270)	251,074
Proceeds from issuance of shares pursuant to the exercise of warrants	142,814	10,977
Net cash flows (used in)/generated from financing activities	(74,232)	243,084
Net increase/(decrease) in cash and cash equivalents	194,449	(49,517)
Effects on exchange rate changes	(2,659)	(56)
Cash and cash equivalents at beginning of the period	410,145	313,792
Cash and cash equivalents at end of the period	601,935	264,219

Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	374,285	53,134
Cash in hand and at bank	229,390	227,163
Bank overdrafts	(1,740)	(16,078)
	601,935	264,219

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015 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 2015.

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 2015, except for:

(a) changes arising from the adoption of FRS, IC Interpretations and Amendments that are effective for financial period beginning on or after 1 January 2016 which do not have a material impact on the financial statements of the Group on initial adoption; and

(b) segment information which has been changed by combining the Quarry and Building Materials segment and Trading segment as Building Materials segment. This is to reflect the changes in the basis of internal reports that are regularly reviewed by the management of the Group in order to allocate resources to the segment and assess its performance. Accordingly, the comparatives for segment information have been restated to conform with the current year presentation.

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 cyclicality of operations**

The seasonal or cyclical factors affecting the results of the operations of the Group are as follows:

(a) The performances of the Group's Property Development Division and Building Materials Division were influenced by the slowdown in construction activities in the first quarter attributable to the timing of seasonal festive period.

(b) The Group's Plantation Division performance was influenced by general climatic conditions, age profile of oil palms, the cyclical nature of annual production and movements in commodity prices.

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

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

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

There were no changes in estimates of amounts reported in prior 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, 86,554,062 warrants were exercised which resulted in 86,554,062 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities. The issued and paid-up share capital of the Company increased to RM2,336,285,199 comprising 2,336,285,199 ordinary shares of RM1.00 each. As at 31 March 2016, 154,465,101 warrants remained unexercised.

Subsequent to the end of the interim period and up to 13 May 2016, a total of 634,808 warrants were exercised which resulted in 634,808 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 RM2,336,920,007 comprising 2,336,920,007 ordinary shares of RM1.00 each. As at the date hereof, 153,830,293 warrants remained unexercised.

The warrants shall expire on 9 August 2016.

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

During the current quarter, there was no buyback of shares, resale or cancellation of treasury shares.

As at 31 March 2016, the Company held 93,058,900 ordinary shares as treasury shares and the issued and paid up share capital of the Company was RM2,336,285,199 comprising 2,336,285,199 ordinary shares of RM1.00 each.

Subsequent to the end of the interim period and up to 13 May 2016, the Company resold 26,804,100 treasury shares in the open market, thereby reducing the total treasury shares held by the Company to 66,254,800 shares.

7. **Dividend**

The was no dividend paid out of shareholders' equity for ordinary shares during the interim period and preceding year corresponding period.

8. **Segment information**

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizer trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Current quarter/Year-to-date ended 31 March 2016									
Revenue									
External revenue	104,162	178,792	37,722	227,065	277,466	226,287	-	-	1,051,494
Inter-segment revenue	-	2,976	5,777	1,246	7,248	10,159	3,643	(31,049)	-
Total revenue	104,162	181,768	43,499	228,311	284,714	236,446	3,643	(31,049)	1,051,494
Operating profit	23,647	74,610	36,251	6,676	6,473	98,133	(13,900)	(16,027)	215,863
Finance costs									(33,829)
Share of results of associates and joint venture									4,282
Profit before tax									186,316
Segment assets	1,073,487	3,593,509	1,807,131	598,259	509,907	1,469,399	480,051	-	9,531,743
Current quarter/Year-to-date ended 31 March 2015									
Revenue									
External revenue	113,812	286,051	36,995	209,643	221,868	212,170	-	-	1,080,539
Inter-segment revenue	-	2,635	1,703	1,424	7,771	7,186	-	(20,719)	-
Total revenue	113,812	288,686	38,698	211,067	229,639	219,356	-	(20,719)	1,080,539
Operating profit	29,801	122,733	29,702	3,172	6,128	10,741	(3,615)	(7,438)	191,224
Finance costs									(24,059)
Share of results of associates									2,195
Profit before tax									169,360
Segment assets	1,057,034	2,780,412	2,070,625	365,125	484,556	1,353,627	133,440	-	8,244,819

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 20 January 2016, *Hap Seng Land Development Sdn Bhd [“HSLD”] acquired the entire issued and paid-up share capital of Golden Suncity Sdn Bhd [“GSSB”] comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.00. On 29 January 2016, HSLD entered into a shareholders’ agreement [“SHA”] with TTDI KL Metropolis Sdn Bhd [“TTDI KL”], a wholly-owned subsidiary of Naza TTDI Sdn Bhd, and GSSB to regulate their relationship inter-se as shareholders of GSSB based on a shareholding proportion of 70:30.

Simultaneous with the execution of the SHA, GSSB has entered into a development rights agreement [“DRA”] with TTDI KL, pursuant to which TTDI KL as the registered and beneficial proprietor of all that parcel of a leasehold land held under PN52352, Lot 80928, Mukim Batu, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan KL measuring 8.95 acres (approximately 389,862 square feet) [the “Land”] has agreed to grant to GSSB, the exclusive rights to develop the Land at the consideration of RM467,834,400.

The DRA is currently pending fulfilment of the following conditions precedent [“CPs”] within twelve (12) months from the date of the DRA:

(i) TTDI KL having obtained the relevant approval and consent from the relevant authorities for the relocation of the existing suction tank and pump house from the Land;

(ii) TTDI KL having obtained the approval from the State Authority for the charge of the Land in favour of GSSB’s financier;

(iii) TTDI KL having completed the construction of the main sewerage reticulation lines for GSSB to connect from the agreed tapping points to the Land; and

(iv) GSSB having submitted the application for the development order and shall not have received any material adverse conditions.

The DRA shall become unconditional on the date of the last of the CPs being obtained or waived [“Unconditional Date”] and is expected to be completed within 10 years from the Unconditional Date.

[Hereinafter referred to as the “Proposed Development with TTDI KL”]

(b) On 22 January 2016, the Company completed the acquisition of 2,000,000 ordinary shares representing the entire issued and paid-up share capital in Lei Shing Hong Wood Products Limited from Lei Shing Hong Trading Limited, a wholly-owned subsidiary Lei Shing Hong Limited [“LSH”], at a cash consideration of USD3,215,401 [the “Acquisition”].

The Acquisition was deemed a related party transaction. As at the date of completion thereof, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak [“Tan Sri Lau”] was a 37.68% major shareholder of LSH and a 56.00% major shareholder and director of Gek Poh (Holdings) Sdn Bhd [“Gek Poh”]. Gek Poh held 12.42% shares of LSH and was also the holding company of the Company with an aggregate shareholding of 59.17%, comprising 53.99% direct shareholding and 5.18% indirect shareholding via Hap Seng Insurance Services Sdn Bhd [“HSIS”]. Lei Shing Hong Investment Ltd [“LSHI”], a wholly-owned subsidiary of LSH, was a 13.89% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH and LSHI were deemed interested in the Acquisition.

(c) On 5 February 2016, Hafary Pte Ltd [“HPL”], a wholly-owned subsidiary of Hafary Holdings Limited which is a 51% owned subsidiary of *Hap Seng Investment Holdings Pte Ltd, became a 51% shareholder of Hafary Balestier Showroom Pte Ltd [“HBSPL”], a joint venture company incorporated in Singapore on even date with an issued and paid-up capital of SGD100 comprising 100 ordinary shares. HBSPL is principally involved in investment holding, including but not limited to the holding of properties.

* *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 as disclosed in Note 6 above and Note 9 of Part B, events after the interim period and up to 13 May 2016 that have not been reflected in these financial statements are as follows:

On 20 April 2016, Hafary Pte Ltd [“HPL”], a wholly-owned subsidiary of Hafary Holdings Limited which is a 51% owned subsidiary of *Hap Seng Investment Holdings Pte Ltd [“HSIH”], became a 56% shareholder of Gres Universal Pte Ltd [“GUPL”] which was incorporated in Singapore on even date with an issued and paid-up capital of SGD500,000 comprising 500,000 ordinary shares. GUPL is principally involved in distribution and wholesaling of building materials.

* *HSIH is a wholly-owned subsidiary of the Company*

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 is expected to have an operational or financial impact on the Group.

13. **Capital commitments**

The Group has the following capital commitments:

	As at 31.3.2016 RM’000	**As at 31.12.2015** RM’000
Contracted but not provided for	151,414	222,131
Authorised but not contracted for	101,334	104,300
	252,748	326,431

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 4 June 2015, except for the Acquisition as disclosed in Note 9(b) 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 RM1.05 billion was 3% below the preceding year corresponding quarter. Higher revenue was recorded by Credit Financing, Automotive, Fertilizer Trading and Building Materials Divisions but was offset by lower revenue from Plantation and Property Divisions. Inspite of this, the Group's operating profit at RM215.9 million was higher than the preceding year corresponding quarter by 13%, mainly benefitted from the gains on disposal of land.

Plantation Division's revenue and operating profit for the current quarter at RM104.2 million and RM23.6 million were lower than the preceding year corresponding quarter by 8% and 21% respectively. Generally, the division's current quarter performance was affected by lower sales volume of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] as well as higher unit production cost but mitigated somewhat by the higher average selling price realization of CPO and PK. CPO and PK sales volume at 37,041 tonnes and 6,978 tonnes were lower than preceding year corresponding quarter by 12% and 19% respectively mainly affected by lower production. Average selling price realization of CPO and PK for the current quarter were RM2,375 per tonne and RM2,029 per tonne respectively as compared to the preceding year corresponding quarter of RM2,216 per tonne for CPO and RM1,801 per tonne for PK. CPO and PK production for the current quarter were below the preceding year corresponding quarter by 18% and 13% respectively mainly due to lower fresh fruit bunches ["FFB"] yield which was affected by the severe dry weather in Sabah caused by the El Nino weather phenomenon.

The Property Division's revenue and operating profit for the current quarter at RM181.8 million and RM74.6 million were lower than preceding year corresponding quarter by 37% and 39% respectively. The division's performance was affected by the lower contributions from its property development projects but mitigated somewhat by improved performance from its investment properties segment. Lower project sales were mainly due to softer consumer sentiments and tight financing conditions as well as timing of completion of its projects as several projects were at the advanced completion stage of development in preceding year corresponding quarter. The improved occupancy rate at Menara Hap Seng 2 and Plaza Shell at Kota Kinabalu which was acquired in June 2015 contributed to the improvement in the investment properties segment.

Credit Financing Division continues to record growth in performance on the back of higher loan portfolio of RM2.34 billion, 7% above the preceding year corresponding quarter of RM2.19 billion. Consequently, the division's revenue and operating profit for the current quarter at RM43.5 million and RM36.3 million were higher than the preceding year corresponding quarter by 12% and 22% respectively. Non-performing loans ratio at the end of the current quarter was 1.83% as compared to 0.96% at the end of the preceding year corresponding period and 1.05% as at end of last year. In the preceding year corresponding quarter, the division's revenue and operating profit included RM2.2 million and RM1.7 million respectively from Hap Seng Capital Pte Ltd which was disposed on 16 June 2015.

The Automotive Division continues to achieve growth in its performance with higher sales volume of vehicles and an increase in vehicle throughput for its after sales service. The A-Class, C-Class, GLA-Class and the new Sport Utility Vehicle ["SUV"] models, GLC and GLE contributed mainly to the improved vehicle sales. The division's service centers continued to focus on providing service excellence and placed concerted efforts to expand its customer base. Consequently, revenue for the current quarter at RM228.3 million was 8% higher than the preceding year corresponding quarter whilst operating profit at RM6.7 million was 110% higher than the preceding year corresponding quarter of RM3.2 million.

The Fertilizer Trading Division achieved 24% improvement in revenue in the current quarter over the preceding year corresponding quarter at RM229.6 million, with both the Malaysian and Indonesian operations registering higher sales volume and higher average selling prices. In Malaysia, revenue increased by 14% but trading margins were eroded by the higher cost of fertilizers due to the weaker Ringgit vis-à-vis the US Dollar. The Indonesian operations achieved 89% improvement in revenue for the current quarter and recorded a two-fold increase in operating profit. Overall, the division's operating profit for the current quarter was RM6.5 million, 6% higher than the preceding year corresponding quarter.

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

Building Materials Division which comprised quarry, asphalt, bricks and trading of building materials businesses (including Hafary Holdings Limited) registered total revenue for the current quarter at RM236.4 million which was 8% above the preceding year corresponding quarter of RM219.4 million. The division achieved higher revenue from its building materials trading businesses in Malaysia and Singapore whilst its quarry, asphalt and bricks businesses which were affected by lower selling prices registered lower revenue. The trading environment in both the Malaysian and Singaporean markets continue to be very competitive and were affected by the slowdown in development projects and competitive pricing which have eroded the division's trading margins. In the current quarter, the division disposed certain parcels of land and registered a total gain of RM91.2 million. Consequently, operating profit for the current quarter at RM98.1 million was significantly higher than the preceding year corresponding quarter of RM10.7 million.

Overall, Group profit before tax and profit after tax for the current quarter at RM186.3 million and RM148.3 million were higher than the preceding year corresponding quarter by 10% and 20% respectively. Profit attributable to owners of the Company for the current quarter at RM140.2 million was 26% higher than the preceding year corresponding quarter whilst the basic earnings per share for the year at 6.45 sen was 25% above the preceding year corresponding quarter of 5.18 sen.

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

Group profit before tax for the current quarter was RM68.1 million (58%) higher than the preceding quarter of RM118.2 million mainly due to higher contribution from the Building Materials Division but reduced somewhat by lower results from the Plantation Division.

Building Materials Division's operating profit was RM83 million above the preceding quarter mainly benefitted from the gains on disposal of land in the current quarter.

Plantation Division's operating profit was RM15.1 million below the preceding quarter mainly affected by lower sales volume and higher unit production cost but somewhat mitigated by higher average selling price. The lower sales volume was mainly due to lower CPO production as the El Nino weather phenomenon has negatively impacted FFB output. CPO and PK sales volume for the current quarter were 15% and 43% lower than the preceding quarter of 43,657 tonnes and 12,229 tonnes respectively whilst average selling price per tonne of CPO and PK were 8% and 22% higher than the preceding quarter of RM2,189 and RM1,669 respectively.

3. **Current year prospects**

CPO prices had somewhat strengthened since the beginning of this year underpinned by lower global palm oil supplies which were negatively impacted by the most severe El Nino weather phenomenon in nearly two decades that has caused a dry spell across South-East Asia. However, the increase in palm oil prices may be capped by the high global soybean stocks, the potential release of rapeseed oil stocks by the Chinese government and slower global economic growth. Although the El Nino weather phenomenon is expected to end in the second half of the year, its negative impact on FFB yield and CPO production will continue beyond this period. The increase in the minimum wage of employees with effect from July 2016, labour shortage and the volatility of the Ringgit vis-à-vis the US Dollar are expected to be ongoing challenges faced by the plantation industry in Malaysia.

The Property Division's new projects namely Kingfisher Inanam Condominium in Kota Kinabalu, Aria Luxury Residences in the Kuala Lumpur City Centre and D'Alpinia Business Park final phase in Puchong which were launched during the current quarter have received encouraging public response and good take up rate. On-going projects in both East and Peninsular Malaysia are expected to continue to contribute positively to the division's performance. The division's existing investment properties continue to maintain close to optimum occupancy rates and consistent average rental rates whilst occupancy rates of its new investment properties, Menara Hap Seng 2 and Plaza Shell are expected to increase progressively and contribute to the overall performance of the division.

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

Credit Financing Division's term loan portfolio is expected to grow further with focus on loans with higher margin and quality collaterals. Concerted efforts are ongoing to keep cost of funds and non-performing loans low.

The Automotive Division expects satisfactory performance from its vehicles segment and after sales and services segment despite the challenging market conditions in the automotive industry. The introduction of the new range of SUVs namely the GLC, GLE and GLE Coupe which were launched in January 2016, the new A-Class which was launched in March 2016 and the anticipated upcoming launching of the new E-Class in the second half of 2016 are expected to boost the division's sales in the forthcoming months.

Fertilizer Trading Division is expected to continue operating in a very competitive business environment amidst the volatility of foreign exchange movements and uncertainties in the palm oil industry. Nevertheless, the recovery of CPO prices since the beginning of the year has supported higher fertilizer applications and purchase commitments by planters which are anticipated to contribute positively to the division's performance.

Building Materials Division anticipates the operating environment in Malaysia and Singapore to remain challenging and competitive. Nevertheless, the division continues to put concerted efforts to further grow its market share whilst protecting margins, managing credit risk, focusing on collections and maintaining optimum inventory levels. Profit improvements initiatives through enhancement of operational efficiencies and cost control measures are on going to mitigate some of the challenges faced by the division. The Group's proposed acquisition of Malaysian Mosaics Sdn Bhd (as disclosed in Note 7 below), an established and reputable tiles manufacturer under the "MML" brand is expected to enhance the Building Materials Division's future performance on completion of the said acquisition.

Based on the foregoing, the Group is cautiously optimistic of achieving satisfactory results for the current financial year ending 31 December 2016.

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	
	31.3.2016	**31.3.2015**	**31.3.2016**	**31.3.2015**
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging):				
Interest income	2,481	1,645	2,481	1,645
Dividend income from available-for-sale equity instrument	260	300	260	300
Dividend income from money market deposits	825	554	825	554
Gain on held for trading equity instruments at fair value	-	576	-	576
Interest expense	(33,829)	(24,059)	(33,829)	(24,059)
Depreciation and amortisation	(28,932)	(22,402)	(28,932)	(22,402)
Net allowance of impairment losses				
– trade receivables	(730)	(2,152)	(730)	(2,152)
Net inventories written down	(1,136)	578	(1,136)	578
Gain/(loss) on disposal of property, plant and equipment	91,148	(170)	91,148	(170)
Property, plant and equipment written off	(470)	(46)	(470)	(46)
Biological assets written off	(63)	(95)	(63)	(95)
Investment properties written off	-	(335)	-	(335)
Bad debts written off	(42)	-	(42)	-
Net foreign exchange (loss)/gain	(4,331)	62	(4,331)	62
Gain/(loss) on hedging activities	83	(223)	83	(223)
(Loss)/gain on non-hedging derivative instruments	(94)	69	(94)	69
Recovery of bad debts	914	36	914	36

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	
	31.3.2016	**31.3.2015**	**31.3.2016**	**31.3.2015**
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	42,160	45,920	42,160	45,920
- deferred tax	(4,156)	102	(4,156)	102
	38,004	46,022	38,004	46,022

The Group's effective tax rate for the current quarter was lower than the statutory tax rate mainly due to capital gain on disposal of land taxed at real property gain tax rate whilst the effective tax rate for the preceding year corresponding quarter was 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**

Saved as disclosed below, there were no other corporate proposals announced but not completed as at 13 May 2016:

a) Proposed Development with TTDI KL; and

b) On 1 March 2016, *Hap Seng Star Sdn Bhd [“HSS”] entered into a shares sale agreement [“SSA”] with Lei Shing Hong Commercial Vehicles Limited [“LSHCV”], pursuant to which:

(i) HSS has agreed to dispose of its 51% equity interest in Hap Seng Commercial Vehicle Sdn Bhd (*formerly known as Hap Seng Industrial Sdn Bhd*) [“HSCV”] comprising 127,500,000 ordinary shares of RM1.00 each [“HSCV Shares”] [“Sale Shares”] to LSHCV and LSHCV has agreed to acquire the Sale Shares from HSS at a cash consideration of RM382.50 million [the “Proposed Disposal”]; and

(ii) LSHCV has granted a put option to HSS to sell the balance of 49% or part thereof of the equity interest in HSCV comprising 122,500,000 HSCV Shares [“Option Shares”] to LSHCV for a cash consideration of up to RM367.50 million [“Exercise Price”] [the “Put Option”]. The Exercise Price is to be pro-rated according to the actual number of Option Shares put to LSHCV. The Put Option is exercisable for a period of 5 years only after the completion of the Proposed Disposal [the “Proposed Option Shares Disposal”].

(The Proposed Disposal and the Proposed Option Shares Disposal are collectively referred to as the “HSCV Proposals”).

On even date of 1 March 2016, the Company entered into a SSA with Gek Poh (Holdings) Sdn Bhd [“Gek Poh”], pursuant to which Gek Poh has agreed to sell, and the Company has agreed to purchase 158,599,450 ordinary shares of RM1.00 each in Malaysian Mosaics Sdn Bhd [“MMSB”], representing the entire issued and paid-up capital of MMSB, for a cash consideration of RM380.00 million [the “Proposed Acquisition”].

The HSCV Proposals and the Proposed Acquisition are deemed related party transactions. As at 13 May 2016, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak [“Tan Sri Lau”] is a 37.68% major shareholder of LSH and a 56.00% major shareholder and director of Gek Poh. Gek Poh holds 12.42% shares of LSH and is also the holding company of the Company with an aggregate shareholding of 59.90% in the Company, comprising 54.98% direct shareholding and 4.92% indirect shareholding via Hap Seng Insurance Services Sdn Bhd [“HSIS”]. Lei Shing Hong Investment Ltd [“LSHI”], a wholly-owned subsidiary of LSH, is a 13.19% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH and LSHI are deemed interested in the HSCV Proposals and the Proposed Acquisition.

Datuk Edward Lee Ming Foo is the managing director of both the Company and Gek Poh and a director of MMSB. Mr Lee Wee Yong is an executive director of the Company and a director of Gek Poh and MMSB. Premised on the said common directorship, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong are interested in the Proposed Acquisition. In addition, as Gek Poh is a major shareholder of LSH, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong are deemed interested in the HSCV Proposals.

Ms Cheah Yee Leng is an executive director of the Company and a director of MMSB. Premised on her common directorships in the Company and MMSB, Ms Cheah Yee Leng is an interested director in the Proposed Acquisition.

Datuk Simon Shim Kong Yip is a non-independent non-executive director of the Company and a non-executive director of LSH. Mr Ch’ng Kok Phan is a non-independent non-executive director of the Company and an executive director of LSH. Premised on Datuk Simon Shim Kong Yip and Mr Ch’ng Kok Phan’s common directorships in the Company and LSH, they are the interested directors in the HSCV Proposals.

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 (continued)**

(b) (continued)

The interested or deemed interested directors and shareholders have abstained from voting and that they shall ensure persons connected to them are to abstain from voting in respect of their direct and/or indirect shareholdings on the resolution in relation to the HSCV Disposals and Proposed Acquisition during the extraordinary general meeting of the Company to be convened on 19 May 2016 [“EGM”].

The HSCV Proposals and the Proposed Acquisition had been approved by the shareholders at the EGM.

* *HSS is a wholly-owned subsidiary of the Company*

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8. **Borrowings and debt securities**

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

	As at 31.3.2016					As at 31.12.2015				
	Denominated in					Denominated in				
	RM	USD	SGD	Euro	Total	RM	USD	SGD	Euro	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current										
Secured										
- Trust receipts	-	-	12,938	-	12,938	-	-	13,643	-	13,643
- Finance leases	-	-	849	-	849	-	-	883	-	883
- Revolving credits	-	-	78,273	-	78,273	-	-	80,449	-	80,449
- Term loans	-	-	6,937	-	6,937	-	-	7,793	-	7,793
- Foreign currency loans	-	28,577	-	19,312	47,889	-	49,667	-	22,952	72,619
	-	28,577	98,997	19,312	146,886	-	49,667	102,768	22,952	175,387
Unsecured										
- Bankers acceptances	164,511	-	-	-	164,511	149,769	-	-	-	149,769
- Bank overdrafts	1,479	261	-	-	1,740	4,593	-	-	-	4,593
- Revolving credits	962,601	-	-	-	962,601	1,109,523	-	-	-	1,109,523
- Term loans	121,037	-	11,596	-	132,633	178,117	-	-	-	178,117
- Foreign currency loans	-	370,690	290,650	-	661,340	-	410,640	303,760	-	714,400
	1,249,628	370,951	302,246	-	1,922,825	1,442,002	410,640	303,760	-	2,156,402
Total current borrowings	1,249,628	399,528	401,243	19,312	2,069,711	1,442,002	460,307	406,528	22,952	2,331,789
Non-current										
Secured										
- Term loans	-	-	213,358	-	213,358	-	-	198,982	-	198,982
- Finance leases	-	-	722	-	722	-	-	981	-	981
	-	-	214,080	-	214,080	-	-	199,963	-	199,963
Unsecured										
- Term loans	337,111	-	142,686	-	479,797	343,336	-	161,562	-	504,898
- Foreign currency loans	-	798,263	270,002	-	1,068,265	-	873,105	282,181	-	1,155,286
	337,111	798,263	412,688	-	1,548,062	343,336	873,105	443,743	-	1,660,184
Total non-current borrowings	337,111	798,263	626,768	-	1,762,142	343,336	873,105	643,706	-	1,860,147
Total borrowings	1,586,739	1,197,791	1,028,011	19,312	3,831,853	1,785,338	1,333,412	1,050,234	22,952	4,191,936

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.*

9. **Changes in material litigation (including status of any pending material litigation) since the date of the last annual statement of financial position which must be made up to a date not earlier then 7 days from the date of issue of the quarterly report**

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

(a) A writ of summon ["said Writ"] was filed by certain natives of Sabah ["Plaintiffs"] claiming native customary rights ["NCR"] over all that parcel of land held under Title No. CL095330724 situated in Sungai Tongod, District of Kinabatangan, Sandakan ["Tongod Land"] or part thereof in the High Court in Sabah and Sarawak at Kota Kinabalu ["Tongod Suit and KKHC"] naming the Company as the first defendant, Genting Plantations Berhad ["GPB"] and its subsidiary Genting Tanjung Bahagia Sdn Bhd ["GTB"] as the second and third defendants, Director of Department of Lands and Surveys, Sabah as the fourth defendant, the Government of the State of Sabah as the fifth defendant, Assistant Collector of Land Revenues, Tongod as the sixth defendant, the Registrar of Titles as the seventh defendant and the Assistant Collector of Land Revenues, Kota Kinabatangan as the eighth defendant. The Company had on 9 May 2002 completed its disposal of the Tongod Land to GTB.

On 13 June 2003, the deputy registrar of the KKHC dismissed the Company's application to strike out the said Writ ["Striking-out Application"] and the Company appealed against the said dismissal ["said Striking-out Appeal"].

The Plaintiffs had earlier filed an application for injunction restraining the second and the third defendants from carrying out, inter-alia, planting activities on the Tongod Land or part thereof ["Injunction Application"]. On 20 June 2008 during the hearing of the Injunction Application, the KKHC upheld the defendants' preliminary objection to the KKHC's jurisdiction to determine NCR and the Tongod Suit was dismissed with costs awarded to the defendants ["PO Decision"]. Although the Plaintiffs' initial appeal against the PO Decision was also dismissed by the Court of Appeal on 9 June 2011 ["said Dismissal Decision"], the Federal Court allowed the Plaintiffs' further appeal on 24 November 2011 and set aside both the PO Decision and said Dismissal Decision. The Federal Court further ordered that the said Striking-out Appeal be remitted to the KKHC.

On 21 March 2012, the KKHC dismissed the said Striking-out Appeal with costs awarded to the Plaintiffs 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, 26 to 30 October 2015 and 14 to 18 December 2015.

On 22 March 2016, a consent judgment was recorded before the KKHC whereby the Tongod Suit has been discontinued with no order as to costs and without liberty to file afresh, pursuant to the terms and conditions of the Settlement Agreement entered into among the parties on 10 March 2016.

9. **Changes in material litigation (including status of any pending material litigation) since the date of the last annual statement of financial position which must be made up to a date not earlier then 7 days from the date of issue of the quarterly report (continued)**

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

On 23 May 2012, RESB filed a writ of summon and an application for interlocutory injunction [“KL 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 [“KL RESB Suit”]. On 14 June 2012, the KLHC granted an ad interim injunction in favour of RESB [“KL Ad Interim Injunction”] pending disposal of the hearing of the KL 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 KL Ad Interim Injunction in the event that the KL Ad Interim Injunction is subsequently discharged or set aside. Upon RESB’s application, HCH was added as the second defendant [“2nd Defendant”] to the KL RESB Suit on 16 June 2012.

RESB is claiming for the following in the KL RESB Suit [“said Reliefs”]:

(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 KL RESB Suit; and
(vii) Such further or other relief as the Court deems fit and just.

Upon the 1st Defendant’s application, the KL RESB Suit was transferred to the High Court of Sabah & Sarawak at Kota Kinabalu [“KKHC”] on 10 August 2012, subject to the KL Ad Interim Injunction continuing to be in effect with RESB being represented by the law firm of Messrs Jayasuriya Kah & Co. in Kota Kinabalu.

On 7 April 2016, the Federal Court in deciding on a question of law referred to it by way of a special case stated for the opinion of the Federal Court held that the KLHC has no jurisdiction to transfer a civil suit filed in the High Court of Malaya to the High Court of Sabah and Sarawak. The effect of this decision is that the KL RESB Suit continues to exist and remains effective.

On 8 April 2016, RESB filed a fresh writ of summon and an application for interlocutory injunction [“KK Interlocutory Injunction Application”] against the 1st and 2nd Defendants praying for the said Reliefs through its solicitors in Sabah, Messrs Jayasuriya Kah & Co. in KKHC vide civil suit no. BKI-22NCvC-39/4-2016 [“KK RESB Suit”].

On 11 April 2016, the KKHC granted an ex-parte injunction in favour of RESB [“KK Ad Interim Injunction”], subject to RESB’s undertaking to pay damages to the 1st and 2nd Defendants should they suffer any damages arising from the KK Ad Interim Injunction. On 25 April 2016 which was fixed for inter-partes hearing of the KK Interlocutory Injunction Application, the KKHC ordered parties to file in written submissions and fixed 27 July 2016 for decision subject to the KK Ad Interim Injunction continuing to be in effect.

9. **Changes in material litigation (including status of any pending material litigation) since the date of the last annual statement of financial position which must be made up to a date not earlier then 7 days from the date of issue of the quarterly report (continued)**

(b) (continued)

On 19 April 2016, the KKHC upon being informed of the Federal Court's ruling on 7 April 2016, took the view that since the transfer of the KL RESB Suit to KKHC was unconstitutional, the KL RESB Suit was struck off with no order as to costs.

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

(c) Chee Ah Nun @ Sia Yi Chan (NRIC No. 550808-12-5663) ["SYC" or the "Plaintiff"] has filed a separate legal suit against RESB in respect of the said Land in the High Court of Sabah & Sarawak at Kota Kinabalu ["KKHC"] vide originating summon No. BKI-24-127/5-2012, and the same was served on RESB on 11 June 2012 [the "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 KK RESB Suit stated in Note 9(b) above, the KK Suit was stayed pending determination by the Federal Court on the constitutionality of the transfer of civil suits from the High Court of Malaya to the High Court of Sabah and Sarawak and vice versa. On 7 April 2016, the Federal Court in deciding on a question of law referred to it by way of a special case stated for the opinion of the Federal Court held that, the High Court of Malaya has no jurisdiction to transfer a civil suit filed in the High Court of Malaya to the High Court of Sabah and Sarawak.

On 11 May 2016, the KKHC fixed a new mention date on 1 August 2016 pending decision of the inter-partes hearing of the KK Interim Injunction Application in the KK RESB Suit.

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

10. **Derivatives**

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

Details of derivative financial instruments outstanding (including financial instruments designated as hedging instruments) as at 31 March 2016 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*	225,951	(21,191)	(21,725)	21,808	83
- Not designated as hedging instruments	43,355	(1,226)	(1,362)	1,268	(94)
	269,306	(22,417)	(23,087)	23,076	(11)
Cross currency interest rate swaps on foreign currency borrowings of 1 year to 2 years (SGD/USD)					
- Designated as hedging instruments**	1,683,909	29,334	(142,082)	135,040	(7,042)

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

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

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

11. **Gains/Losses arising from fair value changes of financial liabilities**

As at the end of the interim period, the Group does not have any financial liabilities that are measured at fair value through profit or loss other than the derivative financial instruments as disclosed in Note 10 above.

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

	As at 31.3.2016 RM'000	**As at 31.12.2015** RM'000 *(Audited)*
Total retained profits of the Company and its subsidiaries:		
- Realised	3,145,229	2,979,943
- Unrealised	236,819	259,349
	3,382,048	3,239,292
Total share of retained profits from associates and joint venture		
- Realised	12,450	9,618
- Unrealised	39,147	39,123
- Breakdown unavailable*	26,805	26,647
	3,460,450	3,314,680
Less: Consolidation adjustments	(1,522,486)	(1,516,922)
Total Group retained profits as per consolidated financial statements	1,937,964	1,797,758

* 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 the requirement to comply with the Guideline on Disclosure of Information of Listed Companies issued by the Stock Exchange of Thailand.

13. **Provision of financial assistance**

Moneylending operations

(i) The Group moneylending operations are undertaken by the Company's wholly-owned subsidiaries, Hap Seng Credit Sdn Bhd and Hap Seng Automotive Acceptance Sdn Bhd in the ordinary course of their moneylending businesses. The aggregate amount of outstanding loans as at 31 March 2016 given by the Company's moneylending subsidiaries are as follows:

		Secured RM'000	**Unsecured** RM'000	**Total** RM'000
(a)	To companies	1,673,012	-	1,673,012
(b)	To individuals	290,047	1,394	291,441
(c)	To companies within the listed issuer group	374,203	5,127	379,330
(d)	To related parties	-	-	-
		2,337,262	6,521	2,343,783

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

Moneylending operations (continued)

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

		As at 31.3.2016 RM'000
(a)	Loans given by companies within the Group to the moneylending subsidiaries	299,761
(b)	Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c)	Unsecured bank borrowings guaranteed by the Company	1,405,403
(d)	Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company	88,853
		1,794,017

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

		RM'000
(a)	Balance as at 1.1.2016	21,750
(b)	Loans classified as in default during the financial year	39,042
(c)	Loans reclassified as performing during the financial year	(7,994)
(d)	Amount recovered	(8,096)
(e)	Amount written off	(1,798)
(f)	Loans converted to securities	-
(g)	Balance as at 31.3.2016	42,904
(h)	Ratio of net loans in default to net loans	1.83%

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

Moneylending operations (continued)

(iv) The top 5 loans are as follows:-

Ranking	Type of Facility	Limit RM'000	Outstanding Amount RM'000	Security Provided (Yes/No)	Value of Security RM'000	Related Party (Yes/No)	Term of Repayment (month)
1st	Term Loan	300,000	230,344	Yes	239,059	Yes	36
2nd	Term Loan	185,000	177,676	Yes	174,034	No	72
3rd	Term Loan	117,000	96,160	Yes	94,800	Yes	30
4th	Term Loan	55,000	52,896	Yes	411,940	No	84
5th	Term Loan	62,000	51,381	Yes	36,400	No	12 – 36
	Hire Purchase	100	55	Yes	193	No	36
		62,100	51,436		36,593		

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

	Quarter Ended 31.3.2016	Quarter Ended 31.3.2015	Year-to-date ended 31.3.2016	Year-to-date ended 31.3.2015
Profit attributable to owners of the Company (RM'000)	140,206	110,889	140,206	110,889
Weighted average number of ordinary shares in issue for basic EPS computation ('000)	2,174,045	2,142,632	2,174,045	2,142,632
Dilutive potential ordinary shares - Assumed exercise of warrants	119,461	153,506	119,461	153,506
Weighted average number of ordinary shares in issue for diluted EPS computation ('000)	2,293,506	2,296,138	2,293,506	2,296,138
Basic EPS (sen)	6.45	5.18	6.45	5.18
Diluted EPS (sen)	6.11	4.83	6.11	4.83

(a) Basic EPS

The basic EPS is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding treasury shares held by the Company.

(b) Diluted EPS

The diluted EPS is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period after adjustment for the effects of dilutive potential ordinary shares comprising warrants.

15. **Dividend**

(a) The Board of Directors has on even date approved the following first interim dividend for the financial year ending 31 December 2016:

(i)	Amount per ordinary share of RM1.00 each - First Interim Dividend	15 sen per ordinary share under the single-tier system which is tax exempt in the hands of the shareholders.
(ii)	Previous year corresponding period Amount per ordinary share of RM1.00 each - First Interim Dividend	10 sen per ordinary share under the single-tier system which is 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	15 sen (2015: 10 sen) per ordinary share under the single-tier system which is tax exempt in the hands of the shareholders.

(b) The dividend will be payable in cash on 28 June 2016; and

(c) In respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 10 June 2016.

NOTICE OF FIRST INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that the first interim dividend of 15 sen per ordinary share of RM1.00 each under the single-tier system which is tax exempt in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967 in respect of the financial year ending 31 December 2016, will be payable in cash on 28 June 2016 to the shareholders whose names appear on the Company's Register of Members and/or Record of Depositors at the close of business on 10 June 2016.

A depositor shall qualify for entitlement to the dividend only in respect of:

(a) shares deposited into the depositor's securities account before 12.30 pm on 8 June 2016 (in respect of shares which are exempted from mandatory deposit);

(b) shares transferred into the depositor's securities account before 4.00 pm on 10 June 2016 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.

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16. **Auditors' report on preceding annual financial statements**

The auditors' report in respect of the financial statements of the Company for the preceding financial year ended 31 December 2015 was not subject to any qualification.

BY ORDER OF THE BOARD

LIM GUAN NEE
QUAN SHEET MEI
Secretaries

Kuala Lumpur
19 May 2016