



HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED) FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2016

	Quarter ended		Year-to-date ended	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Revenue	1,216,838	1,074,135	2,268,332	2,154,674
Operating expenses	(1,058,806)	(967,446)	(1,998,562)	(1,863,802)
Other operating income	11,692	13,822	115,817	20,863
Operating profit	169,724	120,511	385,587	311,735
Finance costs	(32,182)	(33,321)	(66,011)	(57,380)
Other gain items	496,178	508,798	496,178	508,798
Share of results of associates and joint venture	6,775	5,655	11,057	7,850
Profit before tax	640,495	601,643	826,811	771,003
Tax expense	(37,084)	(29,832)	(75,088)	(75,854)
Profit for the period	603,411	571,811	751,723	695,149
Profit attributable to:				
Owners of the Company	587,694	557,042	727,900	667,931
Non-controlling interests	15,717	14,769	23,823	27,218
	603,411	571,811	751,723	695,149
Earnings per share (sen)				
Basic	25.44	25.91	32.46	31.12
Diluted	25.09	24.11	32.01	29.03

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2016**

	Quarter ended		Year-to-date ended	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	RM'000	RM'000	RM'000	RM'000
Profit for the period	603,411	571,811	751,723	695,149
Other comprehensive income/(expense), net of tax:				
<i>Items that will be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operations	3,386	9,776	(9,940)	15,298
Share of foreign currency translation differences of associates and joint venture	1,975	(1,355)	(2,927)	2,533
Change in fair value of cash flow hedge	(7,170)	(1,841)	(14,212)	(4,011)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	(11,401)	-	(11,401)
	(1,809)	(4,821)	(27,079)	2,419
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	-	-	3,581
Total other comprehensive (expense)/income for the period	(1,809)	(4,821)	(27,079)	6,000
Total comprehensive income for the period	601,602	566,990	724,644	701,149
Total comprehensive income attributable to:				
Owners of the Company	582,479	548,160	705,371	667,995
Non-controlling interests	19,123	18,830	19,273	33,154
	601,602	566,990	724,644	701,149

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 30 JUNE 2016

	As at 30.6.2016 RM'000	As at 31.12.2015 RM'000 <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	1,594,855	1,250,005
Prepaid lease payments	335,611	336,234
Biological assets	442,124	442,104
Investment properties	1,521,178	1,461,522
Investment in associates	793,807	420,875
Investment in joint venture	595	965
Land held for property development	673,868	674,049
Intangible assets	136,322	91,675
Trade and other receivables	1,077,916	1,276,833
Other non-current financial assets	70,673	109,709
Deferred tax assets	20,208	19,518
	<hr/> 6,667,157	<hr/> 6,083,489
Current assets		
Inventories	1,098,958	960,781
Property development costs	646,491	584,407
Trade and other receivables	1,851,862	1,778,446
Tax recoverable	14,762	13,027
Other current financial assets	81,389	101,408
Money market deposits	439,333	98,636
Cash and bank balances	672,443	414,738
	<hr/> 4,805,238	<hr/> 3,951,443
TOTAL ASSETS	<hr/> 11,472,395	<hr/> 10,034,932



HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (Continued) AS AT 30 JUNE 2016

	As at 30.6.2016 RM'000	As at 31.12.2015 RM'000 <i>(Audited)</i>
Equity attributable to owners of the Company		
Share capital	2,450,118	2,249,731
Reserves	3,042,885	2,282,821
	<u>5,493,003</u>	<u>4,532,552</u>
Less: Treasury shares	(94,837)	(289,904)
	5,398,166	4,242,648
Non-controlling interests	596,431	598,746
TOTAL EQUITY	<u>5,994,597</u>	<u>4,841,394</u>
Non-current liabilities		
Payables and provisions	18,600	14,033
Borrowings	2,199,411	1,860,147
Other non-current financial liabilities	63,699	-
Deferred tax liabilities	226,625	204,944
	<u>2,508,335</u>	<u>2,079,124</u>
Current liabilities		
Payables and provisions	870,511	748,464
Tax payable	55,433	34,161
Borrowings	2,029,313	2,331,789
Other current financial liabilities	14,206	-
	<u>2,969,463</u>	<u>3,114,414</u>
TOTAL LIABILITIES	<u>5,477,798</u>	<u>5,193,538</u>
TOTAL EQUITY AND LIABILITIES	<u>11,472,395</u>	<u>10,034,932</u>
Net assets per share (RM)	<u>2.23</u>	<u>1.97</u>
Based on number of shares net of treasury shares ('000)	2,419,677	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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR-TO-DATE ENDED 30 JUNE 2016**

	← 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 2016	2,249,731	485,063	1,797,758	(289,904)	4,242,648	598,746	4,841,394
Profit for the period	-	-	727,900	-	727,900	23,823	751,723
Total other comprehensive expense for the period	-	(22,529)	-	-	(22,529)	(4,550)	(27,079)
Total comprehensive income for the period	-	(22,529)	727,900	-	705,371	19,273	724,644
Share-based payments by a subsidiary	-	28	-	-	28	26	54
Exercise of warrants	200,387	130,251	-	-	330,638	-	330,638
Changes in ownership interest in a subsidiary	-	-	-	-	-	300	300
Purchase of treasury shares	-	-	-	(8)	(8)	-	(8)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	(5)	(5)
Resale of treasury shares	-	284,197	-	195,075	479,272	-	479,272
Dividend	-	-	(359,783)	-	(359,783)	-	(359,783)
Dividends paid to non-controlling interests	-	-	-	-	-	(21,909)	(21,909)
At 30 June 2016	2,450,118	877,010	2,165,875	(94,837)	5,398,166	596,431	5,994,597

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR-TO-DATE ENDED 30 JUNE 2016**

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

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 30 JUNE 2016

	Year-to-date ended	
	30.6.2016	30.6.2015
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	826,811	771,003
Adjustments for:		
Non-cash items	(179,496)	55,483
Non-operating items	(355,651)	(516,571)
Dividend income	(1,798)	(3,758)
Net interest expense	60,691	54,068
Operating profit before working capital changes	350,557	360,225
Net changes in working capital	(56,072)	(318,299)
Net changes in loan receivables	218,637	(433,850)
Net tax paid	(59,297)	(84,605)
Net interest paid	(79,398)	(54,068)
Additions to land held for property development	(15,244)	(97,626)
Net cash flows generated from/(used in) operating activities	359,183	(628,223)
Cash flows from investing activities		
Dividends received from associates and joint venture	3,068	3,528
Dividends received from available-for-sale equity instruments	1,960	-
Dividends received from held for trading equity instruments	36	1,250
Dividends received from money market deposits	1,322	1,908
(Increase)/decrease in money market deposits	(340,697)	70,872
Acquisition of shares from non-controlling interests	-	(13,951)
Acquisition of subsidiaries net of cash acquired	(369,343)	(128,656)
Disposal of subsidiaries net of cash disposed	380,925	635,593
Proceeds from issuance of shares to non-controlling interest	300	-
Proceeds from disposal of property, plant and equipment	119,426	4,813
Proceeds from the redemption of available-for-sale equity instruments	12,000	-
Purchase of property, plant and equipment	(131,039)	(49,680)
Additions to prepaid lease payments	(12,800)	-
Additions to biological assets	(83)	(578)
Additions to investment properties	(58,876)	(396,682)
Net cash flows (used in)/generated from investing activities	(393,801)	128,417
Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(381,692)	(237,125)
Net (repayment)/drawdown of borrowings	(136,794)	704,601
Proceeds from resale of treasury shares	479,272	-
Proceeds from issuance of shares pursuant to the exercise of warrants	330,638	27,923
Shares repurchased at cost	(13)	(15)
Net cash flows generated from financing activities	291,411	495,384
Net increase/(decrease) in cash and cash equivalents	256,793	(4,422)
Effects on exchange rate changes	(511)	1,533
Cash and cash equivalents at beginning of the period	410,145	313,792
Cash and cash equivalents at end of the period	666,427	310,903
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	428,705	158,423
Cash in hand and at bank	243,738	166,514
Bank overdrafts	(6,016)	(14,034)
	666,427	310,903

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

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

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

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

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

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

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

During the current quarter, 113,833,164 warrants were exercised which resulted in 113,833,164 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities. Accordingly, a total of 200,387,226 warrants have been exercised during the interim period and the issued and paid-up share capital of the Company increased to RM2,450,118,363 comprising 2,450,118,363 ordinary shares of RM1.00 each. As at 30 June 2016, 40,631,937 warrants remained unexercised.

Subsequent to the end of the interim period and up to 9 August 2016, the expiry date of the warrants ["Expiry Date"], a total of 39,563,220 warrants were exercised which resulted in 39,563,220 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 RM2,489,681,583 comprising 2,489,681,583 ordinary shares of RM1.00 each. As at the Expiry Date, 1,068,717 warrants remained unexercised ["Unexercised Warrants"] and accordingly, the Unexercised Warrants became null and void and cease to be exercisable.

The Unexercised Warrants were removed from the official list of Bursa Securities with effect from 10 August 2016.

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

During the current quarter, 1,000 shares were bought back and 62,618,300 treasury shares were resold. There was no cancellation of treasury shares during the current quarter. All the shares bought back were retained as treasury shares. The monthly breakdown of shares bought back and treasury shares resold during the current quarter were as follows:

Shares buyback

Month	No of shares repurchased	Purchase price per share		Average cost per share	Total cost
		Lowest	Highest		
		RM	RM	RM	RM
April 2016	-	-	-	-	-
May 2016	1,000	7.80	7.80	7.8529	7,852.88
June 2016	-	-	-	-	-
Total	1,000	7.80	7.80	7.8529	7,852.88

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

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

Resale of treasury shares

Month	No of shares resold	Resale price per share		Average net resale price per share	Total consideration
		Lowest	Highest		
		RM	RM	RM	RM
April 2016	15,743,200	7.58	7.88	7.5996	119,641,333.63
May 2016	19,510,500	7.60	7.89	7.6931	150,096,782.66
June 2016	27,364,600	7.55	7.87	7.6571	209,533,679.13
Total	62,618,300	7.55	7.89	7.6539	479,271,795.42

As at 30 June 2016, the Company held 30,441,600 treasury shares and the issued and paid up share capital of the Company was RM2,450,118,363 comprising 2,450,118,363 ordinary shares of RM1.00 each.

Subsequent to the end of the interim period and up to 19 August 2016, the Company bought back another 100,000 shares and resold its entire 30,541,600 treasury shares in the open market.

7. **Dividend**

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

Year-to-date ended	
30.6.2016	30.6.2015
RM'000	RM'000

Dividend in respect of financial year ended 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
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Dividend in respect of financial year ending 31 December 2016:

- first interim (15 sen) under the single tier system approved by the Directors on 19 May 2016 and paid on 28 June 2016	359,783	-
	<u>359,783</u>	<u>215,318</u>

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
<u>Current quarter ended 30 June 2016</u>									
Revenue									
External revenue	110,556	185,997	38,004	293,731	278,651	309,899	-	-	1,216,838
Inter-segment revenue	-	2,978	7,340	5,223	9,262	1,905	9,186	(35,894)	-
Total revenue	110,556	188,975	45,344	298,954	287,913	311,804	9,186	(35,894)	1,216,838
Operating profit	28,673	84,947	37,846	7,232	11,272	12,050	(836)	(11,460)	169,724
Finance costs									(32,182)
Other gain items									496,178
Share of results of associates and joint venture									6,775
Profit before tax									640,495
<u>Current quarter ended 30 June 2015</u>									
Revenue									
External revenue	98,054	112,155	42,000	329,865	225,328	266,733	-	-	1,074,135
Inter-segment revenue	-	2,655	1,954	890	10,775	4,291	-	(20,565)	-
Total revenue	98,054	114,810	43,954	330,755	236,103	271,024	-	(20,565)	1,074,135
Operating profit	23,767	30,823	36,140	8,045	15,692	20,430	(3,750)	(10,636)	120,511
Finance costs									(33,321)
Other gain item									508,798
Share of results of associates and joint venture									5,655
Profit before tax									601,643

8. Segment information (continued)

	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
<u>Year-to-date ended 30 June 2016</u>									
Revenue									
External revenue	214,718	364,789	75,726	520,796	556,117	536,186	-	-	2,268,332
Inter-segment revenue	-	5,954	13,117	6,469	16,510	12,064	12,829	(66,943)	-
Total revenue	214,718	370,743	88,843	527,265	572,627	548,250	12,829	(66,943)	2,268,332
Operating profit	52,320	159,557	74,097	13,908	17,745	110,183	(14,736)	(27,487)	385,587
Finance costs									(66,011)
Other gain items									496,178
Share of results of associates and joint venture									11,057
Profit before tax									826,811
Segment assets	1,116,291	3,676,261	1,590,201	874,223	531,597	2,292,118	562,332	-	10,643,023
<u>Year-to-date ended 30 June 2015</u>									
Revenue									
External revenue	211,866	398,206	78,995	539,508	447,196	478,903	-	-	2,154,674
Inter-segment revenue	-	5,290	3,657	2,314	18,546	11,477	-	(41,284)	-
Total revenue	211,866	403,496	82,652	541,822	465,742	490,380	-	(41,284)	2,154,374
Operating profit	53,568	153,556	65,842	11,217	21,820	31,171	(7,365)	(18,074)	311,735
Finance costs									(57,380)
Other gain item									508,798
Share of results of associates and joint venture									7,850
Profit before tax									771,003
Segment assets	1,078,077	3,219,721	1,892,952	439,233	520,642	1,450,838	398,251	-	8,999,714

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.

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 (continued)**

- (d) 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 had agreed to acquire the Sale Shares from HSS at a cash consideration of RM382.50 million ["Proposed 51% 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"] ["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 ["Proposed Option Shares Disposal"].

(The Proposed 51% 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 had agreed to sell, and the Company had 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 ["Proposed MMSB Acquisition"].

The HSCV Proposals and the Proposed MMSB Acquisition are deemed related party transactions. As at 25 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 59.74% in the Company, comprising 54.83% direct shareholding and 4.91% indirect shareholding via Hap Seng Insurance Services Sdn Bhd ["HSIS"]. Lei Shing Hong Investment Ltd ["LSHI"], a wholly-owned subsidiary of LSH, is a 13.16% 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 MMSB Acquisition.

The HSCV Proposals and the Proposed MMSB Acquisition were approved by the shareholders during the extraordinary general meeting held on 19 May 2016. The Proposed 51% Disposal and the Proposed MMSB Acquisition were completed on 25 May 2016.

- (e) On 20 April 2016, Hafary Pte Ltd ["HPL"], a wholly-owned subsidiary of Hafary Holdings Limited which is in turn a 51% owned subsidiary of *Hap Seng Investment Holdings Pte Ltd ["HSIH"], became a 56% shareholder of Gres Universal Pte Ltd ["GUPL"]. GUPL was incorporated in Singapore on even date with an issued and paid-up capital of SGD500,000 comprising 500,000 ordinary shares and its principally involved in the distribution and wholesaling of building materials.
- (f) On 1 June 2016, *Hap Seng Credit Sdn Bhd transferred the entire issued and paid-up share capital of Hap Seng Credit (Australia) Pty Ltd ["HSCA"] comprising 100 ordinary shares of AUD1.00 each to the Company, at a cash consideration of AUD100. HSCA is currently dormant.
- (g) On 22 June 2016, *HS Mining Services Holding (Thailand) Co., Ltd ("HS Mining Holding") and *HS Mining Services (Thailand) Co., Ltd ("HS Mining Services") had been wound up voluntarily from the Department of Business Development, Thailand. HS Mining Holding and HS Mining Services were incorporated in Thailand as private limited companies on 18 April 2014 and 22 April 2014 respectively with registered capital of Baht 100,000 comprising 100 ordinary shares of Baht 1,000 each, out of which Baht 25,000 had been issued and fully paid up. HS Mining Holding and HS Mining Services were dormant companies.

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



10. Significant events and transactions

Except for the following, there were no other events or transactions which were significant to an understanding of the changes in the financial position and performance of the Company since the end of the last annual reporting period and up to 19 August 2016:

On 15 June 2016, Euro-Asia Brand Holding Company Sdn Bhd ["Euro-Asia"], the wholly-owned subsidiary of the Company entered into two (2) separate sale and purchase agreements ["Euro-Asia SPAs"] to acquire various parcels of freehold agricultural land with oil palm trees planted thereon, measuring approximately 1,449.524 acres ["said Lands"] from Shalimar (Malay) PLC ["Shalimar"] and Indo Malay PLC ["Indo Malay"], both are subsidiaries of Goodhope Asia Holdings Ltd which were incorporated in the Republic of Sri Lanka, for a total purchase consideration of RM228,749,128.40.

The Euro-Asia SPAs are conditional upon the following approvals being obtained by Shalimar and Indo Malay within 6 months from the date of the Euro-Asia SPAs or such extended period as may be determined by Euro-Asia:

- (i) approval of the Estate Lands Board for the transfer of the said Lands to Euro-Asia; and
- (ii) approval of the Controller of Exchange, Central Bank of the Republic of Sri Lanka for disposal of the said Lands.

11. Events after the interim period

Save for the subsequent events as disclosed in Note 6 above and Note 10 of Part B, events after the interim period and up to 19 August 2016 that have not been reflected in these financial statements are as follows:

- (a) On 1 August 2016, *Malaysian Mosaics Sdn Bhd ["MMSB"] incorporated a wholly-owned subsidiary in Thailand namely, MML Ceramic (Thailand) Co. Ltd. ["MML Ceramic Thailand"]. MML Ceramic Thailand has an authorised share capital of Baht 100,000 comprising 1,000 ordinary shares of Baht 100 each, of which Baht 25,000 have been issued and fully paid-up. MML Ceramic Thailand is currently dormant.
- (b) On 10 August 2016, *Hap Seng Land Development Sdn Bhd acquired the entire issued and paid-up share capital of Gemglobal Development Sdn Bhd ["Gemglobal"] comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2. Gemglobal is a private limited company incorporated in Malaysia which is currently dormant.

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

12. Changes in contingent liabilities or contingent assets since the end of the last annual reporting period

Since the end of the last annual reporting period, the Group 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 30.6.2016	As at 31.12.2015
	RM'000	RM'000
Contracted but not provided for	147,146	222,131
Authorised but not contracted for	54,777	104,300
	<u>201,923</u>	<u>326,431</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 4 June 2015 and 19 May 2016, except for the Acquisition as disclosed in Note 9(b) and HSCV Proposals and Proposed Acquisition in Note 9(d) 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's revenue for the current quarter at RM1.2 billion was 13% above the preceding year corresponding quarter with higher revenue from all divisions except for Automotive Division. The Group's operating profit for the current quarter at RM169.7 million was higher than the preceding year corresponding quarter by 41%, mainly attributable to better performance from its Plantation, Property and Credit Financing Divisions.

Plantation Division's revenue and operating profit for the current quarter at RM110.6 million and RM28.7 million were higher than the preceding year corresponding quarter by 13% and 21% respectively. Generally, the division's current quarter performance benefitted from higher average selling price realization of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] but offset somewhat by lower sales volume of CPO. Average selling price realization of CPO and PK for the current quarter were RM2,661 per tonne and RM2,411 per tonne respectively as compared to the preceding year corresponding quarter of RM2,180 per tonne for CPO and RM1,534 per tonne for PK. CPO sales volume at 32,928 tonnes was 11% lower than the preceding year corresponding quarter whilst PK sales volume was 4% higher at 8,523 tonnes. The lower sales volume of CPO was mainly attributable to higher closing inventories as at the end of the current quarter due to timing of deliveries. CPO and PK production for the current quarter was close to the preceding year corresponding quarter as the better yield of fresh fruit bunches ["FFB"] in the current quarter was offset by lower extraction rates.

The Property Division's revenue and operating profit for the current quarter at RM189 million and RM84.9 million were higher than the preceding year corresponding quarter by 65% and 176% respectively. The division's current quarter performance benefitted from the sale of certain non-strategic properties and improvement in its investment properties segment. The improvement in the investment properties segment was contributed by the higher occupancy rate at Menara Hap Seng 2 and Plaza Shell at Kota Kinabalu which was acquired in June 2015.

Credit Financing Division continues to record performance growth with revenue and operating profit for the current quarter at RM45.3 million and RM37.8 million which were higher than the preceding year corresponding quarter by 3% and 5% respectively. In the preceding year corresponding quarter, the division's revenue and operating profit included contribution of RM4.1 million and RM4 million respectively from Hap Seng Capital Pte Ltd ["HS Capital"] which was disposed on 16 June 2015. Generally, the Credit Financing Division benefitted from higher loan portfolio of RM2.19 billion, 9% above the preceding year corresponding quarter of RM2.01 billion but dampened somewhat by higher non-performing loans ratio at the end of the current quarter of 2.10% as compared to 1.32% at the end of the preceding year corresponding period.

The Automotive Division's revenue for the current quarter at RM299 million was 10% lower than the preceding year corresponding quarter mainly due to lower sales volume and sales mix variance of vehicles sold. This was mitigated somewhat by improvement from its after sales service segment which continues to focus on providing service excellence and placed concerted efforts to expand its customer base. Consequently, the division's operating profit for the current quarter at RM7.2 million was lower than the preceding year corresponding quarter by 10%.

The Fertilizer Trading Division achieved higher sales volume and higher average selling prices in the current quarter and registered total revenue of RM287.9 million, 22% improvement over the preceding year corresponding quarter of RM236.1 million. In Malaysia, revenue increased by 19% whilst the Indonesian operations achieved 35% improvement in revenue. However, trading margins for both the Malaysian and Indonesian operations were eroded by higher cost of fertilizers due to the weaker Ringgit and Indonesian Rupiah vis-à-vis the US Dollar. Consequently, the division's operating profit for the current quarter was RM11.3 million, 28% lower than the preceding year corresponding quarter.



1. Review of performance (continued)

The Building Materials Division comprised the quarry, asphalt, bricks and trading of building materials businesses (including Hafary Holdings Limited which was acquired in the preceding year and MMSB, the newly acquired subsidiary as disclosed in Note 9(d) of Part A). In the current quarter, the division registered total revenue of RM311.8 million which was 15% above the preceding year corresponding quarter of RM271 million. The division derived higher revenue from its building materials trading businesses in Malaysia and also benefitted from the completion of the acquisition of MMSB on 25 May 2016 but dampened by lower revenue from its operations in Singapore as well as the quarry, asphalt and bricks businesses which were affected by lower selling prices. The trading environment in both the Malaysian and Singaporean markets continued to be competitive and have eroded the division's trading margins. Consequently, operating profit for the current quarter at RM12.1 million was 41% lower than the preceding year corresponding quarter of RM20.4 million.

The Group profit before tax ["PBT"] for the current quarter included a total gain of RM496.2 million arising from the disposal of 51% equity interest in HSCV and the balance of 49% equity interest retained recognised at its fair value as disclosed in Note 5 below. In the preceding year corresponding quarter, PBT included the gain on disposal of HS Capital of RM508.8 million. The Group PBT and profit after tax ["PAT"] for the current quarter of RM640.5 million and RM603.4 million were both higher than the preceding year corresponding quarter by 6%.

Overall, Group PBT and PAT for the year to date at RM826.8 million and RM751.7 million were higher than the preceding year corresponding period by 7% and 8% respectively. Profit attributable to owners of the Company for the year to date at RM727.9 million was 9% higher than the preceding year corresponding period whilst the basic earnings per share for the year to date at 32.46 sen was 4% above the preceding year corresponding period of 31.12 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 excluding the total gain arising from the disposal of 51% equity interest in HSCV and the balance of 49% equity interest retained recognised at its fair value, at RM144.4 million was 23% lower than the preceding quarter of RM186.3 million mainly due to lower contribution from the Building Materials Division but mitigated somewhat by higher results from other divisions, particularly the Plantation, Property and Fertilizer Trading Divisions.

Building Materials Division's operating profit for the preceding quarter benefitted from the gains on disposal of land.

Plantation Division's operating profit was RM5 million (21%) higher than the preceding quarter of RM23.6 million, benefitted from higher average selling price of CPO and PK and higher sales volume of PK but dampened somewhat by lower sales volume of CPO. Average selling price per tonne of CPO and PK were 12% and 19% higher than the preceding quarter of RM2,375 and RM2,029 respectively. CPO sales volume for the current quarter was 11% below the preceding quarter of 37,041 tonnes whilst PK sales volume was 22% above the preceding quarter of 6,978 tonnes.

Property Division's operating profit was RM10.3 million (14%) higher than the preceding quarter of RM74.6 million mainly attributable to higher contribution from its projects and investment properties segments whilst Fertilizer Trading Division's operating profit was RM4.8 million (74%) above the preceding quarter of RM6.5 million mainly attributable to better performance of its Malaysian operations.

3. Current year prospects

Palm oil prices trended upwards again after a dip to an average of RM2,335 per tonne in July 2016. Concerns over tight supplies, anticipation of higher exports and the anticipated onset of the La Nina phenomenon from August to October 2016 have boosted palm oil prices in recent weeks. Based on data released by Malaysian Palm Oil Board (MPOB), Malaysia's crude palm oil production in the 1st half of 2016 was lower than the same period last year by 16%. Cargo surveyor, Societe Generale de Surveillance's (SGS), reported that Malaysia's palm oil exports during the first 10 days of August 2016 rose 18.1% to 465,743 tonnes as compared to 394,215 tonnes during the same period in July 2016. The increase in the minimum wage of employees with effect from July 2016, labour shortages 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 and Kingfisher Putatan Condominium in Kota Kinabalu, Astana Heights Phase 5B (terrace houses) in Sandakan, Aria Luxury Residences in the Kuala Lumpur City Centre and D'Alpinia Business Park final phase in Puchong have received encouraging public response and take up rate despite the prevailing soft consumer sentiments and tight financing conditions. 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 continue to increase progressively and contribute positively to the overall performance of the division.

Credit Financing Division will continue to grow its loan base in particular the term loan portfolio albeit cautiously, focusing on loans with higher margin and quality collaterals. Concerted efforts are ongoing to manage its funding requirement and to keep cost of funds and non-performing loans low.

The Automotive Division expects its vehicles segment and after sales and services segment to perform satisfactorily despite the current challenging market conditions in the automotive industry. The introduction of the new range of SUVs namely the GLC, GLE and GLE Coupe and new A-Class which were launched in first quarter of the year and C-Class Coupe and new E-Class launched in second quarter of the year are expected to contribute positively to the division's sales in the second half of the year. In addition, the division's various marketing activities in its after sales and services segment and its continuous efforts to provide service excellence are also expected to turn in higher revenue to the division.

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. Increase in fertilizing activities due to the improving weather conditions may boost demand in the second half of the year.

Building Materials Division's operating environment in Malaysia and Singapore are anticipated to remain challenging and competitive. The division continues to focus on operational efficiencies enhancement and cost control measures to improve profitability whilst protecting margins, managing credit risk, focusing on collections and maintaining optimum inventory levels. The acquisition of MMSB, an established and reputable tiles manufacturer under the "MML" brand, which was completed on 25 May 2016, is expected to enhance the division's future performance.

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.

5. Profit for the period

	Quarter ended		Year-to-date ended	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Profit for the period is arrived at after crediting/(charging):				
Interest income	2,839	1,667	5,320	3,312
Dividend income from available-for-sale equity instrument	180	300	440	600
Dividend income from held for trading equity instrument	36	1,250	36	31,250
Dividend income from money market deposits	497	1,354	1,322	1,908
Loss on held for trading equity instruments at fair value	-	(684)	-	(108)
Interest expense	(32,182)	(33,321)	(66,011)	(57,380)
Depreciation and amortisation	(31,636)	(24,252)	(60,568)	(46,654)
Net allowance of impairment losses				
- trade receivables	(2,509)	(2,355)	(3,239)	(4,507)
Net inventories written down	(734)	(4,258)	(1,870)	(3,680)
Gain/(loss) on disposal of property, plant and equipment	665	93	91,813	(77)
Property, plant and equipment written off	(16)	(149)	(486)	(195)
Biological assets written off	-	-	(63)	(95)
Investment properties written off	-	-	-	(335)
Bad debts written off	(50)	-	(92)	-
Net foreign exchange gain/(loss)	3,726	1,554	(605)	1,616
Gain on hedging activities	1,282	456	1,365	233
Gain/(loss) on non-hedging derivative instruments	26	122	(68)	191
Recovery of bad debts	582	318	1,496	354
Other gain items				
- Gain on disposal of subsidiaries	-	508,798	-	508,798
- Gain on disposal of 51% equity interest in a subsidiary	252,781	-	252,781	-
- Gain on recognition of 49% equity interest retained in a subsidiary at its fair value	243,397	-	243,397	-
	<u>496,178</u>	<u>508,798</u>	<u>496,178</u>	<u>508,798</u>

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

6. Tax expense

	Quarter Ended		Year-to-date ended	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	37,339	32,023	79,499	77,943
- deferred tax	(255)	(2,191)	(4,411)	(2,089)
	<u>37,084</u>	<u>29,832</u>	<u>75,088</u>	<u>75,854</u>

The Group's effective tax rate for the current quarter was significantly lower than the statutory tax rate mainly due to gain on disposal of 51% equity interest in a subsidiary and recognition of the remaining equity interest at fair value which were not subjected to tax. The effective tax rate for the year to date was lower than the statutory tax rate due to the aforesaid reason and capital gains on disposal of land were taxed at the lower real property gain tax rate. The effective tax rate for the preceding year corresponding quarter and year to date were also significantly lower than the statutory tax rate due to gain on disposal of subsidiaries which was not subjected to tax.

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

Saved as disclosed below, there were no other corporate proposals announced but not completed as at 19 August 2016:

- (a) Proposed Development with TTDI KL as disclosed in Note 9(a) of Part A;
- (b) Proposed Option Shares Disposal as disclosed in Note 9(d) of Part A; and
- (c) Euro-Asia SPAs as disclosed in Note 10 of Part A.

8. Status of the utilisation of proceeds from corporate proposals

The proceeds from the Proposed 51% Disposal amounting to RM382.5 million as disclosed in Note 9(d) of Part A have been fully utilised as follows:

	RM'000
(a) payment for the Proposed MMSB Acquisition	380,000
(b) payment of fees and expenses for:	
- HSCV Proposals	550
- Proposed MMSB Acquisition	759
(c) payment of stamp duty on shares transfer for Proposed MMSB Acquisition	1,140
(d) settlement of other payables	51
	<u>382,500</u>



9. Borrowings and debt securities

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

	As at 30.6.2016					As at 31.12.2015				
	RM RM'000	USD RM'000	SGD RM'000	Euro RM'000	Total RM'000	RM RM'000	USD RM'000	SGD RM'000	Euro RM'000	Total RM'000
Current										
Secured										
- Trust receipts	-	-	11,639	-	11,639	-	-	13,643	-	13,643
- Finance leases	-	-	1,480	-	1,480	-	-	883	-	883
- Revolving credits	-	-	86,681	-	86,681	-	-	80,449	-	80,449
- Term loans	-	-	8,095	-	8,095	-	-	7,793	-	7,793
- Foreign currency loans	-	26,631	-	22,155	48,786	-	49,667	-	22,952	72,619
	-	26,631	107,895	22,155	156,681	-	49,667	102,768	22,952	175,387
Unsecured										
- Bankers acceptances	184,442	-	-	-	184,442	149,769	-	-	-	149,769
- Bank overdrafts	3,010	3,006	-	-	6,016	4,593	-	-	-	4,593
- Revolving credits	777,556	-	-	-	777,556	1,109,523	-	-	-	1,109,523
- Term loans	120,169	-	11,956	-	132,125	178,117	-	-	-	178,117
- Foreign currency loans	-	474,123	298,370	-	772,493	-	410,640	303,760	-	714,400
	1,085,177	477,129	310,326	-	1,872,632	1,442,002	410,640	303,760	-	2,156,402
Total current borrowings	1,085,177	503,760	418,221	22,155	2,029,313	1,442,002	460,307	406,528	22,952	2,331,789
Non-current										
Secured										
- Term loans	-	-	245,812	-	245,812	-	-	198,982	-	198,982
- Finance leases	-	-	2,059	-	2,059	-	-	981	-	981
	-	-	247,871	-	247,871	-	-	199,963	-	199,963
Unsecured										
- Term loans	421,817	-	147,116	-	568,933	343,336	-	161,562	-	504,898
- Foreign currency loans	-	1,105,433	277,174	-	1,382,607	-	873,105	282,181	-	1,155,286
	421,817	1,105,433	424,290	-	1,951,540	343,336	873,105	443,743	-	1,660,184
Total non-current borrowings	421,817	1,105,433	672,161	-	2,199,411	343,336	873,105	643,706	-	1,860,147
Total borrowings	1,506,994	1,609,193	1,090,382	22,155	4,228,724	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.

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, 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.



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 commenced a legal suit vide a writ of summon at Kuala Lumpur High Court ["KLHC"] against EISB ["1st Defendant"] and on 16 June 2012, HCH was added as the second defendant ["2nd Defendant"] to the said legal suit ["KL RESB Suit"].

On 10 August 2012, upon the 1st Defendant's application, the KL RESB Suit was transferred to the High Court of Sabah & Sarawak at Kota Kinabalu ["KKHC"]. On 7 April 2016, 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. On the basis of such ruling, the KKHC had on 19 April 2016 struck off the KL RESB Suit with no order as to costs.

On 8 April 2016, RESB commenced a fresh legal suit against the 1st and 2nd Defendants through its solicitors in Sabah, Messrs Jayasuriya Kah & Co. in KKHC vide writ of summon no. BKI-22NCvC-39/4-2016 ["KK RESB Suit"].

RESB is claiming for the following in the KK 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 KK RESB Suit; and
- (vii) Such further or other relief as the Court deems fit and just.

Pending the disposal of the KK RESB Suit, the KKHC had on 27 July 2016 granted an interlocutory injunction in favour of RESB pursuant to which the 1st and 2nd Defendants have been restrained from effecting dealings as set out in terms (iv) and (v) above ["KK Interlocutory Injunction"].

HSP has been advised by Messrs Jayasuriya Kah & Co., that RESB has good grounds to succeed in the KK 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 ["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.

On 27 July 2016, the KKHC, upon application of RESB, granted an order converting the KK Suit from an originating summon to a writ action and ordered the Plaintiff to file in his writ and statement of claim by 26 August 2016.

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

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11. Derivatives

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

Details of derivative financial instruments outstanding (including financial instruments designated as hedging instruments) as at 30 June 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*	169,622	(7,609)	(8,143)	9,508	1,365
- Not designated as hedging instruments	61,277	(940)	(1,076)	1,008	(68)
	<u>230,899</u>	<u>(8,549)</u>	<u>(9,219)</u>	<u>10,516</u>	<u>1,297</u>
Cross currency interest rate swaps on foreign currency borrowings of 1 year to 5 years (SGD/USD)					
- Designated as hedging instruments**	<u>2,145,101</u>	<u>56,253</u>	<u>(104,079)</u>	<u>89,867</u>	<u>(14,212)</u>

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

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

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

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

As at the end of the interim period, the Group does not have any financial liabilities that are measured at fair value through profit or loss other than the derivative financial instruments as disclosed in Note 11 above.

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

	As at 30.6.2016	As at 31.12.2015
	RM'000	RM'000
		<i>(Audited)</i>
Total retained profits of the Company and its subsidiaries:		
- Realised	3,473,877	2,979,943
- Unrealised	234,313	259,349
	<u>3,708,190</u>	<u>3,239,292</u>
Total share of retained profits from associates and joint venture		
- Realised	17,727	9,618
- Unrealised	38,854	39,123
- Breakdown unavailable*	25,674	26,647
	<u>3,790,445</u>	<u>3,314,680</u>
Less: Consolidation adjustments	(1,624,570)	(1,516,922)
Total Group retained profits as per consolidated financial statements	<u>2,165,875</u>	<u>1,797,758</u>

* This represents the share of retained profits of Lam Soon (Thailand) Public Company Limited ["LST"], an associate which is listed on the Stock Exchange of Thailand. The information required by Bursa Securities was not made available by LST due to the requirement to comply with the Guideline on Disclosure of Information of Listed Companies issued by the Stock Exchange of Thailand.

14. **Provision of financial assistance**

Moneylending operations

(i) The Group moneylending operations are undertaken by the Company's wholly-owned subsidiaries, Hap Seng Credit Sdn Bhd and Hap Seng Automotive Acceptance Sdn Bhd in the ordinary course of their moneylending businesses. The aggregate amount of outstanding loans as at 30 June 2016 given by the Company's moneylending subsidiaries are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
(a) To companies	1,490,225	-	1,490,225
(b) To individuals	285,126	1,352	286,478
(c) To companies within the listed issuer group	407,811	5,193	413,004
(d) To related parties	-	-	-
	<u>2,183,162</u>	<u>6,545</u>	<u>2,189,707</u>

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

Moneylending operations (continued)

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

	As at 30.6.2016
	RM'000
(a) Loans given by companies within the Group to the moneylending subsidiaries	383,611
(b) Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c) Unsecured bank borrowings guaranteed by the Company	1,153,740
(d) Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company	83,180
	<u>1,620,531</u>

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

	RM'000
(a) Balance as at 1.1.2016	21,750
(b) Loans classified as in default during the financial year	51,492
(c) Loans reclassified as performing during the financial year	(14,242)
(d) Amount recovered	(11,183)
(e) Amount written off	(1,798)
(f) Loans converted to securities	-
(g) Balance as at 30.6.2016	<u>46,019</u>
(h) Ratio of net loans in default to net loans	<u>2.10%</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	300,000	245,251	Yes	255,302	Yes	36
2 nd	Term Loan	117,000	112,536	Yes	109,417	Yes	30
3 rd	Term Loan	55,000	53,879	Yes	53,600	No	72
4 th	Term Loan	55,000	51,828	Yes	411,940	No	84
5 th	Term Loan	50,000	47,582	Yes	36,400	No	12
	Hire Purchase	100	47	Yes	145	No	36
		<u>50,100</u>	<u>47,629</u>		<u>36,545</u>		

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

	Quarter Ended		Year-to-date ended	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
Profit attributable to owners of the Company (RM'000)	<u>587,694</u>	<u>557,042</u>	<u>727,900</u>	<u>667,931</u>
Weighted average number of ordinary shares in issue for basic EPS computation ('000)	2,310,256	2,149,598	2,242,151	2,146,134
Dilutive potential ordinary shares - Assumed exercise of warrants	<u>31,879</u>	<u>160,670</u>	<u>31,662</u>	<u>154,716</u>
Weighted average number of ordinary shares in issue for diluted EPS computation ('000)	<u>2,342,135</u>	<u>2,310,268</u>	<u>2,273,813</u>	<u>2,300,850</u>
Basic EPS (sen)	<u>25.44</u>	<u>25.91</u>	<u>32.46</u>	<u>31.12</u>
Diluted EPS (sen)	<u>25.09</u>	<u>24.11</u>	<u>32.01</u>	<u>29.03</u>

(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

The Directors do not recommend any interim dividend for the period under review.

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 2015 was not subject to any qualification.

BY ORDER OF THE BOARD

LIM GUAN NEE
QUAN SHEET MEI
Secretaries

Kuala Lumpur
25 August 2016