



HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

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

	Quarter ended		Year-to-date ended	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Revenue	1,414,543	1,156,769	3,682,875	3,311,443
Operating expenses	(1,151,752)	(947,973)	(3,150,314)	(2,811,775)
Other operating income	19,189	36,077	135,006	56,940
Operating profit	281,980	244,873	667,567	556,608
Finance costs	(31,333)	(26,087)	(97,344)	(83,467)
Other gain items	-	-	496,178	508,798
Share of results of associates and joint venture	7,837	9,570	18,894	17,420
Profit before tax	258,484	228,356	1,085,295	999,359
Tax expense	(67,050)	(50,107)	(142,138)	(125,961)
Profit for the period	191,434	178,249	943,157	873,398
Profit attributable to:				
Owners of the Company	166,583	163,103	894,483	831,034
Non-controlling interests	24,851	15,146	48,674	42,364
	191,434	178,249	943,157	873,398
Earnings per share (sen)				
Basic	6.73	7.58	38.55	38.69
Diluted	N/A	7.02	N/A	35.86

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 THIRD QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2016

	Quarter ended		Year-to-date ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM'000	RM'000	RM'000	RM'000
Profit for the period	191,434	178,249	943,157	873,398
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	4,876	19,383	(5,064)	34,681
Share of foreign currency translation differences of associates and joint venture	2,937	5,451	10	7,984
Change in fair value of cash flow hedge	(436)	(15,126)	(14,648)	(19,137)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	-	-	(11,401)
	7,377	9,708	(19,702)	12,127
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	-	-	3,581
Total other comprehensive income/(expense) for the period	7,377	9,708	(19,702)	15,708
Total comprehensive income for the period	198,811	187,957	923,455	889,106
Total comprehensive income attributable to:				
Owners of the Company	171,965	159,233	877,336	827,228
Non-controlling interests	26,846	28,724	46,119	61,878
	198,811	187,957	923,455	889,106

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 SEPTEMBER 2016

	As at 30.9.2016 RM'000	As at 31.12.2015 RM'000 <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	1,608,299	1,250,005
Prepaid lease payments	475,927	336,234
Biological assets	458,481	442,104
Investment properties	1,547,912	1,461,522
Investment in associates	794,536	420,875
Investment in joint venture	640	965
Land held for property development	469,021	674,049
Intangible assets	134,840	91,675
Trade and other receivables	1,049,319	1,276,833
Other non-current financial assets	77,208	109,709
Deferred tax assets	20,277	19,518
	<hr/> 6,636,460	<hr/> 6,083,489
Current assets		
Inventories	1,072,280	960,781
Property development costs	696,539	584,407
Trade and other receivables	1,755,914	1,778,446
Tax recoverable	20,675	13,027
Other current financial assets	119,543	101,408
Money market deposits	330,060	98,636
Cash and bank balances	807,958	414,738
	<hr/> 4,802,969	<hr/> 3,951,443
TOTAL ASSETS	<hr/> 11,439,429	<hr/> 10,034,932



HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

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

	As at 30.9.2016 RM'000	As at 31.12.2015 RM'000 <i>(Audited)</i>
Equity attributable to owners of the Company		
Share capital	2,489,682	2,249,731
Reserves	3,380,092	2,282,821
	<u>5,869,774</u>	<u>4,532,552</u>
Less: Treasury shares	-	(289,904)
	5,869,774	4,242,648
Non-controlling interests	617,111	598,746
TOTAL EQUITY	<u>6,486,885</u>	<u>4,841,394</u>
Non-current liabilities		
Payables and provisions	18,710	14,033
Borrowings	2,137,890	1,860,147
Other non-current financial liabilities	39,895	-
Deferred tax liabilities	230,217	204,944
	<u>2,426,712</u>	<u>2,079,124</u>
Current liabilities		
Payables and provisions	861,523	748,464
Tax payable	77,900	34,161
Borrowings	1,583,539	2,331,789
Other current financial liabilities	2,870	-
	<u>2,525,832</u>	<u>3,114,414</u>
TOTAL LIABILITIES	<u>4,952,544</u>	<u>5,193,538</u>
TOTAL EQUITY AND LIABILITIES	<u>11,439,429</u>	<u>10,034,932</u>
Net assets per share (RM)	<u>2.36</u>	<u>1.97</u>
Based on number of shares net of treasury shares ('000)	2,489,682	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 SEPTEMBER 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	-	-	894,483	-	894,483	48,674	943,157
Total other comprehensive expense for the period	-	(17,147)	-	-	(17,147)	(2,555)	(19,702)
Total comprehensive income for the period	-	(17,147)	894,483	-	877,336	46,119	923,455
Share-based payments by a subsidiary	-	130	-	-	130	125	255
Exercise of warrants	239,951	155,967	-	-	395,918	-	395,918
Changes in ownership interest in subsidiaries	-	-	-	-	-	5,300	5,300
Purchase of treasury shares	-	-	-	(778)	(778)	-	(778)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	(5)	(5)
Resale of treasury shares	-	423,621	-	290,682	714,303	-	714,303
Transfer of reserves upon expiry of warrants	-	(144)	144	-	-	-	-
Dividend	-	-	(359,783)	-	(359,783)	-	(359,783)
Dividends paid to non-controlling interests	-	-	-	-	-	(33,174)	(33,174)
At 30 September 2016	2,489,682	1,047,490	2,332,602	-	5,869,774	617,111	6,486,885

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR-TO-DATE ENDED 30 SEPTEMBER 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	-	-	831,034	-	831,034	42,364	873,398
Total other comprehensive income for the period	-	(3,806)	-	-	(3,806)	19,514	15,708
Total comprehensive income for the period	-	(3,806)	831,034	-	827,228	61,878	889,106
Exercise of warrants	20,853	13,553	-	-	34,406	-	34,406
Changes in ownership interest in a subsidiary	-	-	(8,304)	-	(8,304)	(5,647)	(13,951)
Acquisition of subsidiaries	-	-	-	-	-	107,535	107,535
Purchase of treasury shares	-	-	-	(55,683)	(55,683)	-	(55,683)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	(5)	(5)
Dividends	-	-	(430,266)	-	(430,266)	-	(430,266)
Dividends paid to non-controlling interests	-	-	-	-	-	(33,073)	(33,073)
At 30 September 2015	2,247,632	439,002	1,936,011	(303,489)	4,319,156	564,555	4,883,711

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 SEPTEMBER 2016

	Year-to-date ended	
	30.9.2016	30.9.2015
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	1,085,295	999,359
Adjustments for:		
Non-cash items	(135,798)	93,303
Non-operating items	(364,225)	(526,017)
Dividend income	(6,053)	(5,194)
Net interest expense	89,450	75,545
Operating profit before working capital changes	668,669	636,996
Net changes in working capital	52,481	(264,895)
Net changes in loan receivables	260,357	(505,467)
Net tax paid	(106,633)	(153,317)
Net interest paid	(118,344)	(75,545)
Additions to land held for property development	(20,380)	(289,071)
Net cash flows generated from/(used in) operating activities	736,150	(651,299)
Cash flows from investing activities		
Dividends received from associates and joint venture	13,068	12,618
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	5,397	3,044
(Increase)/decrease in money market deposits	(231,424)	111,078
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	5,300	-
Proceeds from disposal of property, plant and equipment	122,708	6,376
Proceeds from the redemption of available-for-sale equity instruments	12,000	-
Purchase of held for trading equity instruments	(91,047)	-
Purchase of property, plant and equipment	(112,132)	(135,472)
Additions to prepaid lease payments	(57,983)	-
Additions to biological assets	(16,440)	(900)
Additions to investment properties	(85,316)	(405,439)
Net cash flows (used in)/generated from investing activities	(422,291)	85,541
Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(392,957)	(463,339)
Net (repayment)/drawdown of borrowings	(639,487)	1,086,189
Proceeds from resale of treasury shares	714,303	-
Proceeds from issuance of shares pursuant to the exercise of warrants	395,918	34,406
Shares repurchased at cost	(783)	(55,688)
Net cash flows generated from financing activities	76,994	601,568
Net increase in cash and cash equivalents	390,853	35,810
Effects on exchange rate changes	134	4,762
Cash and cash equivalents at beginning of the period	410,145	313,792
Cash and cash equivalents at end of the period	801,132	354,364
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	586,839	145,001
Cash in hand and at bank	221,119	222,506
Bank overdrafts	(6,826)	(13,143)
	801,132	354,364

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. Accordingly, the consolidated financial statements could be different if prepared under the MFRS framework.

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, 39,563,220 warrants were exercised up to 9 August 2016, the expiry date of the warrants ["Expiry Date"] 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. Accordingly, a total of 239,950,446 warrants have been exercised during the interim period and the issued and 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, 100,000 shares were bought back and 30,541,600 treasury shares were resold. There was no cancellation of treasury shares. Accordingly, a total of 101,000 shares were bought back and 93,159,900 treasury shares were resold during the interim period. 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
July 2016	100,000	7.70	7.70	7.7093	770,934.58
August 2016	-	-	-	-	-
September 2016	-	-	-	-	-
Total	100,000	7.70	7.70	7.7093	770,934.58

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
July 2016	30,541,600	7.69	7.77	7.6955	235,031,419.17
August 2016	-	-	-	-	-
September 2016	-	-	-	-	-
Total	30,541,600	7.69	7.77	7.6955	235,031,419.17

As at 30 September 2016, the Company did not hold any treasury shares.

7. **Dividend**

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

Year-to-date ended	
30.9.2016	30.9.2015
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
- special interim (10 sen) under the single tier system approved by the Directors on 26 August 2015 and paid on 30 September 2015	-	214,948

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>430,266</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 September 2016</u>									
Revenue									
External revenue	160,166	323,390	36,059	302,322	222,265	370,341	-	-	1,414,543
Inter-segment revenue	-	158,792	7,644	3,127	10,287	7,060	11,705	(198,615)	-
Total revenue	160,166	482,182	43,703	305,449	232,552	377,401	11,705	(198,615)	1,414,543
Operating profit	57,613	173,723	33,932	7,056	6,491	20,524	(5,171)	(12,188)	281,980
Finance costs									(31,333)
Share of results of associates and joint venture									7,837
Profit before tax									258,484
<u>Current quarter ended 30 September 2015</u>									
Revenue									
External revenue	102,806	237,967	38,561	315,254	219,956	242,225	-	-	1,156,769
Inter-segment revenue	-	2,642	1,871	1,654	11,419	18,912	-	(36,498)	-
Total revenue	102,806	240,609	40,432	316,908	231,375	261,137	-	(36,498)	1,156,769
Operating profit	30,837	133,097	31,625	7,825	5,828	11,802	18,065	5,794	244,873
Finance costs									(26,087)
Share of results of associates and joint venture									9,570
Profit before tax									228,356

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 September 2016</u>									
Revenue									
External revenue	374,884	688,179	111,785	823,118	778,382	906,527	-	-	3,682,875
Inter-segment revenue	-	164,746	20,761	9,596	26,797	19,124	24,534	(265,558)	-
Total revenue	374,884	852,925	132,546	823,714	805,179	925,651	24,534	(265,558)	3,682,875
Operating profit	109,933	333,280	108,029	20,964	24,236	130,707	(19,907)	(39,675)	667,567
Finance costs									(97,344)
Other gain items									496,178
Share of results of associates and joint venture									18,894
Profit before tax									1,085,295
Segment assets	1,146,202	3,325,158	1,695,050	949,244	432,089	2,324,775	730,783	-	10,603,301
<u>Year-to-date ended 30 September 2015</u>									
Revenue									
External revenue	314,672	636,173	117,556	854,762	667,152	721,128	-	-	3,311,443
Inter-segment revenue	-	7,932	5,528	3,968	29,965	30,389	-	(77,782)	-
Total revenue	314,672	644,105	123,084	858,730	697,117	751,517	-	(77,782)	3,311,443
Operating profit	84,405	286,653	97,467	19,042	27,648	42,973	10,700	(12,280)	556,608
Finance costs									(83,467)
Other gain item									508,798
Share of results of associates and joint venture									17,420
Profit before tax									999,359
Segment assets	1,073,479	3,396,552	2,006,732	415,815	524,485	1,577,466	454,359	-	9,448,888

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) ["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 Sasco Company Ltd (*formerly known as 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 ["LSHWP Acquisition"].

The LSHWP 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 LSHWP 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"], a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], 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 ["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 51% Disposal and the Proposed Option Shares Disposal are collectively referred to as the "HSCV Disposals").

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 ["MMSB Acquisition"].

The HSCV Disposals and the 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 Disposals and the MMSB Acquisition.

The HSCV Disposals and the MMSB Acquisition were approved by the shareholders during the extraordinary general meeting held on 19 May 2016.

The 51% Disposal and the MMSB Acquisition were completed on 25 May 2016. The 51% Disposal resulted in a total gain of approximately RM496.2 million to the Group including the gain recognised on the remaining 49% equity interest retained at its fair value as disclosed in Note 5 of Part B.

- (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.



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)

- (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.
- (h) 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 a registered 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.
- (i) On 10 August 2016, *Hap Seng Land Development Sdn Bhd acquired the entire issued and paid-up share capital of Hap Seng Construction Sdn Bhd (*formerly known as Gemglobal Development Sdn Bhd*) [“HS Construction”] comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2. HS Construction is a private limited company incorporated in Malaysia which is currently dormant.

* *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 18 November 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.

The Euro-Asia SPAs was completed on 3 November 2016 in accordance with the terms and conditions of the agreements.

11. Events after the interim period

Save for the subsequent events as disclosed in Note 10 of Part B, there were no events after the interim period and up to 18 November 2016 that have not been reflected in these financial statements.

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 30.9.2016	As at 31.12.2015
	RM'000	RM'000
Contracted but not provided for	126,104	222,131
Authorised but not contracted for	40,948	104,300
	<u>167,052</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 following:

- (a) LSHWP Acquisition as disclosed in Note 9(b) above;
- (b) HSCV Proposals and MMSB Acquisition as disclosed in Note 9(d) above; and
- (c) On 26 September 2016, *Hap Seng Properties Development Sdn Bhd entered into a sale and purchase agreement ["SPA 1"] with Supergreen Development Sdn Bhd, a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"] to dispose of all that parcel of vacant leasehold land held under PL 106149633 measuring approximately 24.88 acres situated at Jalan Sin Onn, District of Tawau, State of Sabah at cash consideration of RM54,188,640.

On even date of 26 September 2016, *Hap Seng Land Development (Jesselton Hill) Sdn Bhd entered into a sale and purchase agreement ["SPA 2"] with Primary Goldennet Sdn Bhd, a wholly-owned subsidiary of LSH to dispose of all that parcel of vacant leasehold land held under CL 015483806 measuring approximately 53.72 acres situated at Mile 13, Tuaran Road, District of Kota Kinabalu, State of Sabah at a cash consideration of RM60,841,123.20.

The aforesaid disposals are deemed related party transactions. As at 30 September 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 (Holdings) Sdn Bhd ["Gek Poh"]. Gek Poh holds 12.42% shares of LSH and is also the holding company of the Company with an aggregate shareholding of 57.86% in the Company, comprising 54.63% direct shareholding and 3.23% indirect shareholding via Hap Seng Insurance Services Sdn Bhd ["HSIS"]. Lei Shing Hong Investment Ltd ["LSHI"], a wholly-owned subsidiary of LSH, is a 15.81% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH and LSHI are deemed interested in the aforesaid disposals.

The SPA 1 and SPA 2 were completed on 30 September 2016 with the full consideration paid by the purchasers and resulted in a net gain of approximately RM79.2 million to the Group.

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

PART B

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

1. Review of performance

The Group's revenue and operating profit for the current quarter at RM1.4 billion and RM282 million were higher than the preceding year corresponding quarter by 22% and 15% respectively attributable to better performance from all divisions except Automotive Division. Consequently, Group profit before tax ["PBT"] and profit after tax ["PAT"] for the current quarter at RM258.5 million and RM191.4 million were higher than the preceding year corresponding quarter by 13% and 7% respectively.

Plantation Division's revenue and operating profit for the current quarter at RM160.2 million and RM57.6 million were higher than the preceding year corresponding quarter by 56% and 87% respectively. The division's improved performance in the current quarter mainly benefitted from higher average selling price realization and higher sales volume of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"]. Average selling price per tonne of CPO and PK for the current quarter were RM2,644 and RM2,669 respectively as compared to the preceding year corresponding quarter of RM2,086 for CPO and RM1,379 for PK. CPO sales volume for the current quarter at 49,127 tonnes was 20% higher than the preceding year corresponding quarter whilst PK sales volume was 12% higher at 10,339 tonnes. The higher sales volume of CPO and PK were mainly attributable to higher CPO and PK production.

The Property Division's revenue and operating profit for the current quarter at RM482.2 million and RM173.7 million were higher than the preceding year corresponding quarter by 100% and 31% respectively. The division registered improved performance from its sale of property development projects in both Peninsular Malaysia and East Malaysia as well as better results from its investment properties segment. Major contributors to the property development projects in Peninsular Malaysia are Nadi Bangsar Service Residence in Bangsar, Aria Luxury Residences in the Kuala Lumpur City Centre and D'Alpinia Business Park in Puchong. Projects in East Malaysia namely Bandar Sri Indah and Ria Heights in Tawau, Palm Heights in Lahad Datu and Kingfisher Inanam and Kingfisher Putatan Condominiums in Kota Kinabalu also contributed to the division's improved performance. The division's investment properties, Menara Hap Seng 2 and Plaza Shell at Kota Kinabalu registered improvement in occupancy rate whilst Menara Hap Seng and Menara Citibank which is held via Inverfin Sdn Bhd, a 49.99% owned associate of the Group, continued to enjoy good occupancy rate.

Credit Financing Division continues to achieve better results on the back of higher loan portfolio of RM2.15 billion which was 3% higher as compared to the end of the preceding year corresponding quarter of RM2.08 billion. Revenue and operating profit for the current quarter at RM43.7 million and RM33.9 million were higher than the preceding year corresponding quarter by 8% and 7% respectively. However, non-performing loans ratio at the end of the current quarter of 2.15% was close to the previous quarter but higher than the preceding year corresponding period of 0.94%.

The Automotive Division's revenue for the current quarter at RM305.4 million was 4% lower than the preceding year corresponding quarter whilst operating profit at RM7.1 million was lower than the preceding year corresponding quarter by 10%. Its performance was mainly affected by vehicles sales mix variance with higher sales of the lower-priced models but mitigated somewhat by improvement from its after sales and services segment with improved throughput, productivity and efficiency.

The Fertilizer Trading Division's revenue at RM232.6 million in the current quarter was marginally above the preceding year corresponding quarter. In Malaysia, revenue reduced by 3% mainly due to lower average selling prices whilst Indonesia operations achieved 15% growth in revenue attributable to higher sales volume inspite of lower average selling prices. Nevertheless, the division's operating profits for the current quarter at RM6.5 million was 11% above the preceding year corresponding quarter, benefitted from better margins achieved from the Malaysian operations inspite of the competitive market conditions.

1. Review of performance (continued)

The Building Materials Division comprises the quarry, asphalt, bricks and trading and manufacturing of building materials businesses (including Hafary Holdings Limited [“Hafary”] which was acquired in the preceding year and Malaysian Mosaics Sdn Bhd [“MMSB”], the newly acquired subsidiary as disclosed in Note 9(d) of Part A). The division registered total revenue of RM377.4 million in the current quarter which was 45% above the preceding year corresponding quarter of RM261.1 million. Operating profit of the division for the current quarter at RM20.5 million was 74% higher than the preceding year corresponding quarter of RM11.8 million. The improved performance was mainly attributable to higher sales recorded by the building materials trading businesses in Malaysia and the inclusion of contribution from MMSB but dampened by lower revenue and margin erosions from the quarry, asphalt and bricks businesses as selling prices continued to be depressed due to the competitive market conditions. Hafary’s sales for the current quarter was close to the preceding year corresponding quarter inspite of the challenging market conditions in Singapore and it registered a 10% growth in operating profit.

Overall, Group PBT and PAT for the year to date at RM1.09 billion and RM943.2 million were higher than the preceding year corresponding period by 9% and 8% respectively. Profit attributable to owners of the Company for the year to date at RM894.5 million was 8% higher than the preceding year corresponding period. Basic earnings per share for the year to date at 38.55 sen was however marginally lower than the preceding year corresponding period of 38.69 sen mainly due to the enlarged share capital resulting from the warrants exercised and resold of treasury shares during the period as disclosed in Note 6 of Part A.

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 of RM258.5 million was 79% higher than the preceding quarter of RM144.3 million (excluding the 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) mainly due to better performance from the Plantation, Property and Building Materials Divisions.

Plantation Division’s operating profit for the current quarter more than doubled that of the preceding quarter of RM28.7 million with higher sales volume of CPO and PK coupled with higher average selling price of PK. CPO and PK sales volume for the current quarter were 49% and 21% higher than the preceding quarter of 32,928 tonnes and 8,523 tonnes respectively. In the current quarter, average selling price realization of PK was 11% higher than the preceding quarter of RM2,411 per tonne whilst average selling price realization of CPO was marginally lower than the preceding quarter of RM2,661 per tonne.

Property Division’s operating profit for the current quarter also more than doubled that of the preceding quarter of RM84.9 million mainly attributable to better performance from its property development project segment in both Peninsular Malaysia and East Malaysia as well as higher sale of certain non-strategic properties.

Building Materials Division’s operating profit for the current quarter was RM8.5 million (70%) above the preceding quarter of RM12.1 million mainly attributable to the inclusion of a full quarter contribution from MMSB.

3. Current year prospects

Palm oil prices remained strong, bolstered by concerns of lower production in the forthcoming months due to the year-end monsoon season and the weaker Ringgit vis-à-vis the major currencies that resulted in relatively cheaper palm oil in the global vegetable oil market. The expected demand from China ahead of the lunar new year in January 2017 may continue to support the current palm oil prices. However, the increased minimum wage of employees, labour shortages and the volatility of the Ringgit vis-à-vis the US Dollar continue to be ongoing challenges for the plantation industry in Malaysia.

The Property Division anticipates the current soft consumer sentiments to prevail amidst the tight financing conditions. In spite of this, the division's property development projects in both Peninsular and East Malaysia have received encouraging response and take up rate. Occupancy rate of the division's investment properties of Menara Hap Seng 2 and Plaza Shell are expected to increase further and continue to contribute positively to the division's overall performance.

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

Automotive Division anticipates its performance to be affected by higher sales mix of the lower-priced models, though higher sales volume are expected to be generated with the launch of the C-Class Coupe and new E-Class in the second quarter as well as the recently launched C-Class Hybrid. In addition, the division's various marketing activities in its after sales and services segment and its continuous efforts to provide service excellence and improvement in productivity and efficiency are expected to contribute positively to the division's performance.

Fertilizer Trading Division is expected to continue operating in a very competitive business environment amidst the volatility of foreign exchange movements. Weaker demand of fertilizers is anticipated in the final quarter of the year as the year-end monsoon season is expected to affect the fertilizing activities.

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

Based on the foregoing, the Group is confident 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	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Profit for the period is arrived at after crediting/(charging):				
Interest income	2,574	4,610	7,894	7,922
Dividend income from available-for-sale equity instrument	180	300	620	900
Dividend income from held for trading equity instrument	-	-	36	1,250
Dividend income from money market deposits	4,075	1,136	5,397	3,044
Loss on held for trading equity instruments at fair value	(5,531)	(2,088)	(5,531)	(2,196)
Interest expense	(31,333)	(26,087)	(97,344)	(83,467)
Depreciation and amortisation	(31,532)	(25,106)	(92,100)	(71,798)
Net allowance of impairment losses				
- trade receivables	(3,438)	(4,026)	(6,677)	(8,533)
Net inventories written down	(1,922)	(5,046)	(3,789)	(8,726)
Gain/(loss) on disposal of property, plant and equipment	737	(124)	92,550	(201)
Property, plant and equipment written off	(1,017)	(68)	(1,503)	(263)
Biological assets written off	-	(87)	(63)	(182)
Investment properties written off	-	-	-	(335)
Bad debts written off	(60)	-	(152)	-
Net foreign exchange gain	3,854	21,183	3,249	22,799
(Loss)/gain on hedging activities	(1,325)	(226)	40	7
(Loss)/gain on non-hedging derivative instruments	(252)	(87)	(320)	104
Recovery of bad debts	157	922	1,653	1,276
Other gain items				
- Gain on disposal of subsidiaries	-	-	-	508,798
- Gain on disposal of 51% equity interest in a subsidiary	-	-	252,781	-
- Gain on recognition of 49% equity interest retained in a subsidiary at its fair value	-	-	243,397	-
	-	-	496,178	508,798

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

6. Tax expense

	Quarter Ended		Year-to-date ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	59,789	52,911	139,288	130,854
- deferred tax	1,877	(960)	(2,534)	(3,049)
	<u>61,666</u>	<u>51,951</u>	<u>136,754</u>	<u>127,805</u>
In respect of prior period				
- income tax	4,040	(1,823)	4,040	(1,823)
- deferred tax	1,344	(21)	1,344	(21)
	<u>5,384</u>	<u>(1,844)</u>	<u>5,384</u>	<u>(1,844)</u>
	<u>67,050</u>	<u>50,107</u>	<u>142,138</u>	<u>125,961</u>

The Group's effective tax rate for the current quarter excluding under/(over) provision of tax in respect of prior period was in line with the statutory tax rate. The effective tax rate for the year to date was lower than the statutory tax rate mainly due to the 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 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 was lower than the statutory tax rate mainly due to non taxable foreign exchange gain whilst effective tax rate for the preceding year corresponding period were significantly lower than the statutory tax rate due to gain on disposal of subsidiaries 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 18 November 2016:

- (a) Proposed Development with TTDI KL as disclosed in Note 9(a) of Part A; and
- (b) Proposed Option Shares Disposal as disclosed in Note 9(d) 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 30.9.2016					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	-	-	13,146	-	13,146	-	-	13,643	-	13,643
- Finance leases	-	-	1,484	-	1,484	-	-	883	-	883
- Revolving credits	-	-	87,986	-	87,986	-	-	80,449	-	80,449
- Term loans	-	-	11,866	-	11,866	-	-	7,793	-	7,793
- Foreign currency loans	-	32,062	-	18,770	50,832	-	49,667	-	22,952	72,619
	-	32,062	114,482	18,770	165,314	-	49,667	102,768	22,952	175,387
Unsecured										
- Bankers acceptances	127,104	-	-	-	127,104	149,769	-	-	-	149,769
- Bank overdrafts	3,722	3,104	-	-	6,826	4,593	-	-	-	4,593
- Revolving credits	767,121	-	-	-	767,121	1,109,523	-	-	-	1,109,523
- Term loans	34,014	-	12,136	-	46,150	178,117	-	-	-	178,117
- Foreign currency loans	-	471,024	-	-	471,024	-	410,640	303,760	-	714,400
	931,961	474,128	12,136	-	1,418,225	1,442,002	410,640	303,760	-	2,156,402
Total current borrowings	931,961	506,190	126,618	18,770	1,583,539	1,442,002	460,307	406,528	22,952	2,331,789
Non-current										
Secured										
- Term loans	-	-	268,818	-	268,818	-	-	198,982	-	198,982
- Finance leases	-	-	1,738	-	1,738	-	-	981	-	981
	-	-	270,556	-	270,556	-	-	199,963	-	199,963
Unsecured										
- Term loans	406,428	-	149,331	-	555,759	343,336	-	161,562	-	504,898
- Foreign currency loans	-	1,029,301	282,274	-	1,311,575	-	873,105	282,181	-	1,155,286
	406,428	1,029,301	431,605	-	1,867,334	343,336	873,105	443,743	-	1,660,184
Total non-current borrowings	406,428	1,029,301	702,161	-	2,137,890	343,336	873,105	643,706	-	1,860,147
Total borrowings	1,338,389	1,535,491	828,779	18,770	3,721,429	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 September 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*	71,238	110	(424)	464	40
- Not designated as hedging instruments	49,580	209	73	(393)	(320)
	120,818	319	(351)	71	(280)
Cross currency interest rate swaps					
on foreign currency borrowings					
of 1 year to 5 years (SGD/USD)					
- Designated as hedging instruments**	2,166,451	41,519	(118,813)	104,165	(14,648)

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

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

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

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

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

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

	As at 30.9.2016	As at 31.12.2015
	RM'000	RM'000
		<i>(Audited)</i>
Total retained profits of the Company and its subsidiaries:		
- Realised	3,656,565	2,979,943
- Unrealised	223,280	259,349
	<u>3,879,845</u>	<u>3,239,292</u>
Total share of retained profits from associates and joint venture		
- Realised	12,495	9,618
- Unrealised	39,043	39,123
- Breakdown unavailable*	28,554	26,647
	<u>3,959,937</u>	<u>3,314,680</u>
Less: Consolidation adjustments	(1,627,335)	(1,516,922)
Total Group retained profits as per consolidated financial statements	<u>2,332,602</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 September 2016 given by the Company's moneylending subsidiaries are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
(a) To companies	1,452,675	-	1,452,675
(b) To individuals	281,434	1,125	282,559
(c) To companies within the listed issuer group	404,847	7,296	412,143
(d) To related parties	-	-	-
	<u>2,138,956</u>	<u>8,421</u>	<u>2,147,377</u>

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

Moneylending operations (continued)

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

	As at 30.9.2016
	RM'000
(a) Loans given by companies within the Group to the moneylending subsidiaries	312,861
(b) Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c) Unsecured bank borrowings guaranteed by the Company	1,179,940
(d) Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company	77,442
	<u>1,570,243</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	60,438
(c) Loans reclassified as performing during the financial year	(18,008)
(d) Amount recovered	(14,805)
(e) Amount written off	(3,313)
(f) Loans converted to securities	-
(g) Balance as at 30.9.2016	<u>46,062</u>
(h) Ratio of net loans in default to net loans	<u>2.15%</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	258,673	Yes	267,983	Yes	36
2 nd	Term Loan	117,000	91,136	Yes	114,524	Yes	30
3 rd	Term Loan	55,000	49,807	Yes	411,940	No	84
4 th	Term Loan	50,000	47,100	Yes	36,400	No	12
	Hire Purchase	100	38	Yes	145	No	36
		<u>50,100</u>	<u>47,138</u>		<u>36,545</u>		
5 th	Term Loan	18,032	19,569	Yes	20,147	Yes	12
	Term Loan	8,500	7,296	No	-	Yes	24
	Hire Purchase	8,685	5,094	Yes	6,222	Yes	60
		<u>35,217</u>	<u>31,959</u>		<u>26,369</u>		

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

	Quarter Ended		Year-to-date ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
Profit attributable to owners of the Company (RM'000)	<u>166,583</u>	<u>163,103</u>	<u>894,483</u>	<u>831,034</u>
Weighted average number of ordinary shares in issue for basic EPS computation ('000)	2,474,999	2,152,079	2,320,333	2,148,137
Dilutive potential ordinary shares - Assumed exercise of warrants	-	<u>170,183</u>	-	<u>169,216</u>
Weighted average number of ordinary shares in issue for diluted EPS computation ('000)	<u>2,474,999</u>	<u>2,322,262</u>	<u>2,320,333</u>	<u>2,317,353</u>
Basic EPS (sen)	<u>6.73</u>	<u>7.58</u>	<u>38.55</u>	<u>38.69</u>
Diluted EPS (sen)	<u>N/A</u>	<u>7.02</u>	<u>N/A</u>	<u>35.86</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**

Dividends for the current financial year ending 31 December 2016 are as follows:

- (a) first interim dividend of 15 sen (2015: 10 sen) per ordinary share under the single tier system which was tax exempt in the hands of the shareholders. The said interim dividend was approved by the Directors on 19 May 2016 and paid on 28 June 2016;
- (b) the Directors has on even date approved the following second interim dividend for the financial year ending 31 December 2016:
- | | |
|---|--|
| <p>(i) Amount per ordinary share of RM1.00 each
- Second Interim Dividend</p> | <p>20 sen per ordinary share under the single-tier system which is tax exempt in the hands of the shareholders.</p> |
| <p>(ii) Previous year corresponding period
Amount per ordinary share of RM1.00 each
- Second Interim Dividend</p> | <p>10 sen per ordinary share under the single-tier system which was tax exempt in the hands of the shareholders.</p> |
| <p>(iii) Total dividend approved to date for the current financial year
Amount per ordinary share of RM1.00 each</p> | <p>35 sen comprising first interim dividend of 15 sen and second interim dividend of 20 sen (2015: 30 sen comprising first interim dividend of 10 sen, special interim dividend of 10 sen and second interim dividend of 10 sen) per ordinary share under the single-tier system which is tax exempt in the hands of the shareholders.</p> |
- (c) The dividend will be payable in cash on 20 December 2016; and
- (d) In respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 8 December 2016.

NOTICE OF SECOND INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that the second interim dividend of 20 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 20 December 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 8 December 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 6 December 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 8 December 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.



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
24 November 2016