HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016

	Quarter ended		Year ended	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
	RM'000	RM'000	RM'000	RM'000 *(Audited)*
Revenue	1,208,839	1,081,895	4,891,714	4,393,338
Operating expenses	(1,124,906)	(980,142)	(4,275,220)	(3,791,917)
Other operating income	82,825	33,626	217,831	90,566
Operating profit	166,758	135,379	834,325	691,987
Finance costs	(33,576)	(33,285)	(130,920)	(116,752)
Other gain/(loss) items	(35,517)	(2,161)	460,661	506,637
Share of results of associates and joint venture	66,257	18,304	85,151	35,724
Profit before tax	163,922	118,237	1,249,217	1,117,596
Tax expense	(41,636)	(22,250)	(183,774)	(148,211)
Profit for the period	122,286	95,987	1,065,443	969,385
Profit attributable to:				
Owners of the Company	106,477	77,439	1,000,960	908,473
Non-controlling interests	15,809	18,548	64,483	60,912
	122,286	95,987	1,065,443	969,385
Earnings per share (sen)				
Basic	4.28	3.59	42.36	42.26
Diluted	N/A	3.33	N/A	39.28

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 FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016

	Quarter ended		Year ended	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
	RM'000	RM'000	RM'000	RM'000 *(Audited)*
Profit for the period	122,286	95,987	1,065,443	969,385
Other comprehensive income/(expense), net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	1,879	(3,400)	(3,185)	31,281
Share of foreign currency translation differences of associates and joint venture	3,837	10	3,847	7,994
Change in fair value of cash flow hedge	8,298	18,883	(6,350)	(254)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	-	-	(11,600)
	14,014	15,493	(5,688)	27,421
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	169	-	3,750
Re-measurement of defined benefit liability	293	-	293	-
	293	169	293	3,750
Total other comprehensive income/(expense) for the period	14,307	15,662	(5,395)	31,171
Total comprehensive income for the period	136,593	111,649	1,060,048	1,000,556
Total comprehensive income attributable to:				
Owners of the Company	116,059	113,801	996,134	922,282
Non-controlling interests	20,534	(2,152)	63,914	78,274
	136,593	111,649	1,060,048	1,000,556

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

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

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000 *(Audited)*
Non-current assets		
Property, plant and equipment	1,820,908	1,250,005
Prepaid lease payments	327,807	336,234
Biological assets	458,585	442,104
Investment properties	1,517,113	1,461,522
Investment in associates	500,934	420,875
Investment in joint venture	844	965
Land held for property development	717,383	674,049
Intangible assets	85,149	91,675
Trade and other receivables	1,041,524	1,276,833
Other non-current financial assets	115,844	109,709
Deferred tax assets	22,685	19,518
	6,608,776	6,083,489
Current assets		
Inventories	1,169,278	960,781
Property development costs	676,301	584,407
Trade and other receivables	2,037,812	1,778,446
Tax recoverable	16,565	13,027
Other current financial assets	173,278	101,408
Money market deposits	352,701	98,636
Cash and bank balances	675,580	414,738
	5,101,515	3,951,443
TOTAL ASSETS	11,710,291	10,034,932

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

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000 *(Audited)*
Equity attributable to owners of the Company		
Share capital	2,489,682	2,249,731
Reserves	3,001,010	2,282,821
	5,490,692	4,532,552
Less: Treasury shares	(16)	(289,904)
	5,490,676	4,242,648
Non-controlling interests	631,779	598,746
TOTAL EQUITY	6,122,455	4,841,394
Non-current liabilities		
Payables and provisions	18,433	14,033
Borrowings	1,920,314	1,860,147
Deferred tax liabilities	230,484	204,944
	2,169,231	2,079,124
Current liabilities		
Payables and provisions	864,162	748,464
Tax payable	48,309	34,161
Borrowings	2,504,933	2,331,789
Other current financial liabilities	1,201	-
	3,418,605	3,114,414
TOTAL LIABILITIES	5,587,836	5,193,538
TOTAL EQUITY AND LIABILITIES	11,710,291	10,034,932
Net assets per share (RM)	2.21	1.97
Based on number of shares net of treasury shares ('000)	2,489,680	2,156,672

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

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to Owners of the Company						
	Share Capital RM'000	Non-distributable Reserves RM'000	Distributable Reserves RM'000	Treasury Shares RM'000	Total RM'000	Non-controlling interests RM'000	Total Equity RM'000
At 1 January 2016	2,249,731	485,063	1,797,758	(289,904)	4,242,648	598,746	4,841,394
Profit for the period	-	-	1,000,960	-	1,000,960	64,483	1,065,443
Total other comprehensive expense for the period	-	(5,119)	293	-	(4,826)	(569)	(5,395)
Total comprehensive income for the period	-	(5,119)	1,001,253	-	996,134	63,914	1,060,048
Realisation of revaluation reserves	-	(1,176)	1,176	-	-	-	-
Share-based payments by a subsidiary	-	186	-	-	186	179	365
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	-	-	-	(794)	(794)	-	(794)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	(10)	(10)
Resale of treasury shares	-	423,621	-	290,682	714,303	-	714,303
Transfer of reserves upon expiry of warrants	-	(144)	144	-	-	-	-
Dividends	-	-	(857,719)	-	(857,719)	-	(857,719)
Dividends paid to non-controlling interests	-	-	-	-	-	(36,350)	(36,350)
At 31 December 2016	2,489,682	1,058,398	1,942,612	(16)	5,490,676	631,779	6,122,455

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to Owners of the Company						
	Share Capital RM'000	**Non-distributable Reserves** RM'000	**Distributable Reserves** RM'000	**Treasury Shares** RM'000	**Total** RM'000	**Non-controlling interests** RM'000	**Total Equity** RM'000
At 1 January 2015	2,226,779	429,255	1,543,547	(247,806)	3,951,775	433,867	4,385,642
Profit for the period	-	-	908,473	-	908,473	60,912	969,385
Total other comprehensive income for the period	-	13,809	-	-	13,809	17,362	31,171
Total comprehensive income for the period	-	13,809	908,473	-	922,282	78,274	1,000,556
Share-based payments by a subsidiary	-	184	-	-	184	177	361
Exercise of warrants	22,952	14,918	-	-	37,870	-	37,870
Changes in ownership interest in subsidiaries	-	-	(8,332)	-	(8,332)	(5,620)	(13,952)
Acquisition of subsidiary	-	-	-	-	-	128,322	128,322
Purchase of treasury shares	-	-	-	(68,355)	(68,355)	-	(68,355)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	(10)	(10)
Resale of treasury shares	-	26,897	-	26,257	53,154	-	53,154
Dividends	-	-	(645,930)	-	(645,930)	-	(645,930)
Dividends paid to non-controlling interests	-	-	-	-	-	(36,264)	(36,264)
At 31 December 2015 *(Audited)*	2,249,731	485,063	1,797,758	(289,904)	4,242,648	598,746	4,841,394

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 ENDED 31 DECEMBER 2016

	Year ended	
	31.12.2016	**31.12.2015**
	RM'000	RM'000
		(Audited)
Cash flows from operating activities		
Profit before tax	1,249,217	1,117,596
Adjustments for:		
Non-cash items	(19,738)	116,274
Non-operating items	(454,209)	(545,502)
Dividend income	(11,512)	(7,415)
Net interest expense	119,488	103,812
Operating profit before working capital changes	883,246	784,765
Net changes in working capital	64,191	(30,248)
Net changes in loan receivables	277,005	(510,103)
Net tax paid	(174,693)	(193,498)
Net interest paid	(154,604)	(134,401)
Additions to land held for property development	(269,878)	(367,386)
Net cash flows generated from/(used in) operating activities	625,267	(450,871)
Cash flows from investing activities		
Dividends received from associates and joint venture	14,149	13,717
Dividends received from available-for-sale equity instruments	1,960	-
Dividends received from held for trading equity instruments	2,316	2,114
Dividends received from money market deposits	8,396	4,101
(Increase)/decrease in money market deposits	(253,614)	85,054
Acquisition of shares from non-controlling interests	-	(13,952)
Acquisition of subsidiaries net of cash acquired	(369,343)	(127,328)
Disposal of subsidiaries net of cash disposed	380,925	635,593
Proceeds from issuance of shares to non-controlling interests	5,300	-
Proceeds from disposal of property, plant and equipment	123,563	7,182
Proceeds from disposal of held for trading equity instruments	-	31,034
Proceeds from the redemption of available-for-sale equity instruments	12,000	-
Purchase of held for trading equity instruments	(92,871)	(720)
Purchase of property, plant and equipment	(244,889)	(199,182)
Additions to prepaid lease payments	(9)	(920)
Additions to biological assets	(16,544)	(1,255)
Additions to investment properties	(95,707)	(485,486)
Net cash flows used in investing activities	(524,368)	(50,048)
Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(894,069)	(682,194)
Net (repayment)/drawdown of borrowings	(54,811)	1,252,953
Proceeds from resale of treasury shares	714,303	53,154
Proceeds from issuance of shares pursuant to the exercise of warrants	395,918	37,870
Shares repurchased at cost	(804)	(68,365)
Net cash flows generated from financing activities	160,537	593,418
Net increase in cash and cash equivalents	261,436	92,499
Effects on exchange rate changes	3,754	3,854
Cash and cash equivalents at beginning of the period	410,145	313,792
Cash and cash equivalents at end of the period	675,335	410,145
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	287,264	191,726
Cash in hand and at bank	388,316	223,012
Bank overdrafts	(245)	(4,593)
	675,335	410,145

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's 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 cyclicality of operations**

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

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

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

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

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

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

There were no changes in estimates of amounts reported in prior interim periods 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 financial year, a total of 239,950,446 warrants were exercised before the expiry date of the warrants on 9 August 2016 [“Expiry Date”] which resulted in 239,950,446 ordinary shares of RM1.00 each being allotted, issued and listed. As at the Expiry Date, 1,068,717 unexercised warrants became null and void and cease to be exercisable and the same was removed from the official list of Bursa Malaysia Securities Berhad with effect from 10 August 2016.

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

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

Month	No of shares repurchased	Purchase price per share		Average cost per share	Total cost
		Lowest	Highest		
		RM	RM	RM	RM
October 2016	-	-	-	-	-
November 2016	2,000	7.93	7.93	7.9910	15,981.92
December 2016	-	-	-	-	-
Total	2,000	7.93	7.93	7.9910	15,981.92

Accordingly, a total of 103,000 shares were bought back and 93,159,900 treasury shares were resold during the financial year.

As at 31 December 2016, the Company held 2,000 ordinary shares as treasury shares and the issued and paid up share capital of the Company remained unchanged at RM2,489,681,583 comprising 2,489,681,583 ordinary shares of RM1.00 each.

7. **Dividends**

Dividends paid out of shareholders' equity for ordinary shares during the financial year and preceding year were as follows:

	Year ended	
	31.12.2016	**31.12.2015**
	RM'000	RM'000
Dividends 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
- second interim (10 sen) under the single tier system approved by the Directors on 25 November 2015 and paid on 22 December 2015	-	215,664
Dividends in respect of financial year ended 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	-
- second interim (20 sen) under the single tier system approved by the Directors on 24 November 2016 and paid on 20 December 2016	497,936	-
	857,719	645,930

(The remainder of this page has been intentionally left blank)

8. **Segment information**

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizer trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Current quarter ended 31 December 2016									
Revenue									
External revenue	128,543	185,614	36,828	266,317	196,646	394,841	50	-	1,208,839
Inter-segment revenue	-	3,290	7,910	48	9,915	8,664	10,658	(40,485)	-
Total revenue	128,543	188,904	44,738	266,365	206,561	403,505	10,708	(40,485)	1,208,839
Operating profit	60,099	28,439	32,280	4,279	6,469	14,294	11,538	9,360	166,758
Finance costs									(33,576)
Other gain/(loss) items									(35,517)
Share of results of associates and joint venture									66,257
Profit before tax									163,922
Preceding year quarter ended 31 December 2015									
Revenue									
External revenue	120,203	141,800	41,531	309,811	185,330	283,220	-	-	1,081,895
Inter-segment revenue	-	29,967	1,885	2,323	11,632	10,390	45	(56,242)	-
Total revenue	120,203	171,767	43,416	312,134	196,962	293,610	45	(56,242)	1,081,895
Operating profit	38,707	74,070	32,411	5,066	2,678	15,170	(6,475)	(26,248)	135,379
Finance costs									(33,285)
Other loss item									(2,161)
Share of results of associates and joint venture									18,304
Profit before tax									118,237

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
Year ended 31 December 2016									
Revenue									
External revenue	503,427	873,793	148,613	1,089,435	975,028	1,301,368	50	-	4,891,714
Inter-segment revenue	-	168,036	28,671	9,644	36,712	27,788	35,192	(306,043)	-
Total revenue	503,427	1,041,829	177,284	1,099,079	1,011,740	1,329,156	35,242	(306,043)	4,891,714
Operating profit	170,032	361,719	140,309	25,243	30,705	145,001	(8,369)	(30,315)	834,325
Finance costs									(130,920)
Other gain/(loss) items									460,661
Share of results of associates and joint venture									85,151
Profit before tax									1,249,217
Segment assets	1,175,629	3,995,583	1,787,165	931,755	433,152	2,314,730	531,249	-	11,169,263
Year ended 31 December 2015 *(Audited)*									
Revenue									
External revenue	434,875	777,973	159,087	1,164,573	852,482	1,004,348	-	-	4,393,338
Inter-segment revenue	-	37,899	7,413	6,291	41,597	40,779	45	(134,024)	-
Total revenue	434,875	815,872	166,500	1,170,864	894,079	1,045,127	45	(134,024)	4,393,338
Operating profit	123,112	360,723	129,878	24,108	30,326	58,143	4,225	(38,528)	691,987
Finance costs									(116,752)
Other gain/(loss) items									506,637
Share of results of associates and joint venture									35,724
Profit before tax									1,117,596
Segment assets	1,112,382	3,447,267	2,014,945	482,610	466,447	1,596,187	460,709	-	9,580,547

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 financial year, 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"] which CPs shall be satisfied on or before 1 September 2017:

(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 of 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 share 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 had 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 51% Disposal ["Option Shares Disposal"].

(The 51% Disposal and the 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 share capital of MMSB, for a cash consideration of RM380.00 million ["MMSB Acquisition"].

The HSCV Disposals and the MMSB Acquisition were deemed related party transactions. As at 25 May 2016, 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. Gek Poh held 12.42% shares of LSH and was also the holding company of the Company with an aggregate shareholding of 59.74%, 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, was a 13.16% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH and LSHI were 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.

On 28 December 2016, HSS exercised the Put Option to sell the Option Shares and the Option Shares Disposal was completed on 3 January 2017 with receipt of the Exercise Price. Accordingly, HSCV became a wholly-owned subsidiary of LSHCV.

HSCV Disposals resulted in a total gain of approximately RM496.2 million to the Group.

(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 share capital of SGD500,000 comprising 500,000 ordinary shares and is principally involved in the distribution and wholesaling of building materials.

(f) One 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 AUD 1.00 each to the Company, at a cash consideration of AUD100. HSCA is principally involved in provision of financial services.

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"]. MML 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 and 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 RM2.00. 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 17 February 2017:

On 15 June 2016, Euro-Asia Brand Holding Company Sdn Bhd, the wholly-owned subsidiary of the Company entered into two (2) 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 from Shalimar (Malay) PLC and Indo Malay PLC, both subsidiaries of Goodhope Asia Holdings Ltd which were incorporated in the Republic of Sri Lanka [the "said Vendors"], for a total purchase consideration of RM228,749,128.40.

The Euro-Asia SPAs were completed on 3 November 2016 with full payment paid to the said Vendors.

(The remainder of this page has been intentionally left blank)

11. **Events after the interim period**

Save for material litigations disclosed in Note 10 of Part B and the following, there were no other events after the financial year and up to 17 February 2017 that have not been reflected in these financial statements.

(a) Option Share Disposal as disclosed in Note 9(d)(ii) above which was completed on 3 January 2017.

(b) On 13 January 2017, Hap Seng Properties Development Sdn Bhd [“HSPD”], the wholly-owned subsidiary of the Company and the registered owner of all that parcel of vacant leasehold land held under CL 105420666 measuring approximately 214.0 acres situated at Mile 10, Apas Road, District of Tawau, State of Sabah [the “said Land”] entered into a sale and purchase agreement [“SPA”] to dispose portions of the said Land, Lot 1 and Lot 4 measuring approximately 27.23 acres and 25.34 acres respectively to Goldcoin Ventures Sdn Bhd, the wholly-owned subsidiary of Akal Megah Sdn Bhd which in turn is wholly-owned by Lei Shing Hong Limited [“LSH”], for a total cash consideration of RM91,000,000 [“HSPD Disposal”].

HSPD Disposal was deemed related party transactions. As at 13 January 2017, 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 61.43%, comprising 54.63% direct shareholding and 6.80% indirect shareholding via Hap Seng Insurance Services Sdn Bhd [“HSIS”]. Lei Shing Hong Investment Ltd [“LSHI”], a wholly-owned subsidiary of LSH, was a 12.08% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH and LSHI were deemed interested in the HSPD Disposals.

The SPA was completed on 23 January 2017 with the full purchase consideration paid by the purchaser and resulted in a net gain of approximately RM61.70 million to the Group.

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

Since the end of the last annual reporting period, the Group does not have any contingent liability or contingent asset as at the end of the year which is expected to have an operational or financial impact on the Group.

13. **Capital commitments**

The Group has the following capital commitments:

	As at 31.12.2016 RM’000	**As at 31.12.2015** RM’000 *(Audited)*
Contracted but not provided for	63,465	222,131
Authorised but not contracted for	111,126	104,300
	174,591	326,431

14. **Significant related party transactions**

During the financial year, 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);

(b) HSCV Proposals and MMSB Acquisition as disclosed in Note 9(d); 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 a 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 were deemed related party transactions. As at 30 September 2016, 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 57.86%, 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, was a 15.81% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH and LSHI were 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*

(The remainder of this page has been intentionally left blank)

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 12% above the preceding year corresponding quarter with higher revenue from all divisions except Automotive Division. The Group's operating profit for the current quarter at RM166.8 million was higher than the preceding year corresponding quarter by 23%. Consequently, Group profit before tax [“PBT”] and profit after tax [“PAT”] for the current quarter at RM163.9 million and RM122.3 million were higher than the preceding year corresponding quarter by 39% and 27% respectively.

Plantation Division's revenue and operating profit for the current quarter at RM128.5 million and RM60 million were higher than the preceding year corresponding quarter by 7% and 55% respectively benefitted mainly from higher average selling price realization of Crude Palm Oil [“CPO”] and Palm Kernel [“PK”] offset somewhat by lower sales volume of both CPO and PK. Average selling price per tonne of CPO and PK for the current quarter were RM2,924 and RM2,956 respectively as compared to the preceding year corresponding quarter of RM2,189 for CPO and RM1,669 for PK. CPO sales volume for the current quarter was 32,799 tonnes, 25% lower than the preceding year corresponding quarter whilst PK sales volume was 18% lower at 10,077 tonnes. The lower sales volume of CPO and PK were mainly due to lower fresh fruit bunches [“FFB”] production and lower deliveries affected by the timing of export shipments due to the year-end holidays season.

The Property Division's revenue for the current quarter of RM188.9 million was 10% above the preceding year corresponding quarter. The improvement was mainly contributed by its property development projects in Peninsular Malaysia namely, Nadi Bangsar Service Residence in Bangsar and Aria Luxury Residences in the Kuala Lumpur City Centre as well as higher rental contribution from its investment properties segment, in particular Menara Hap Seng 2 and Plaza Shell at Kota Kinabalu which registered improvement in occupancy rate. However, its operating profit was negatively impacted by the net loss from fair value adjustments of its investment properties, resulting in lower operating profit of RM28.4 million in the quarter under review.

Credit Financing Division's revenue for the current quarter at RM44.7 million was 3% higher than the preceding year corresponding quarter, supported by higher loan disbursements and higher loan portfolio. As at the end of the current quarter, loan portfolio was at RM2.3 billion, 10% above the preceding year corresponding quarter of RM2.08 billion. Non-performing loans ratio has improved from the end of previous quarter of 2.15% to 1.89% at end of the year. Overall, the division's operating profits for the current quarter at RM32.3 million was close to the preceding year corresponding quarter.

The Automotive Division's revenue for the current quarter at RM266.4 million was 15% lower than the preceding year corresponding quarter mainly due to lower sales volume and sales mix variance with higher sales of lower-priced models. Consequently, the division's operating profit for the current quarter at RM4.3 million was lower than the preceding year corresponding quarter by 16%. Its after sales service segment continued to improve through higher throughput, productivity and efficiency.

The Fertilizer Trading Division's revenue at RM206.6 million for the current quarter was 5% higher than the preceding year corresponding quarter contributed mainly by its Indonesia and the new China operations which commenced operations towards the end of the third quarter of 2016. The Indonesian operations registered higher sales volume and higher average selling prices whilst trading margins were lower due to sales mix variance. In Malaysia, revenue was lower by 16% with lower sales volume and lower average selling prices, affected by weaker demand of fertilizer as fertilizing activities were affected by the year-end wet weather conditions. Overall, the division's operating profits for the current quarter at RM6.5 million was 142% above the preceding year corresponding quarter, benefitted mainly from better margins achieved from the Malaysian operations despite the lower revenue and competitive market conditions.

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

The Building Materials Division comprises the quarry, asphalt, bricks, 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 RM403.5 million in the current quarter which was 37% above the preceding year corresponding quarter of RM293.6 million mainly attributable to the inclusion of contribution from MMSB and higher revenue from its building materials trading business in Malaysia but dampened somewhat by lower revenue from its operations in Singapore as well as the bricks business which were affected by lower selling prices. Hafary’s sales for the current quarter were 4% lower than the preceding year corresponding quarter due to the challenging market conditions in Singapore. Overall, the division’s operating profit for the current quarter at RM14.3 million was 6% lower than the preceding year corresponding quarter attributable to impairment losses on certain property, plant and equipment.

The Group PBT and PAT for the year at RM1.2 billion and RM1.1 billion were higher than the preceding year by 12% and 10% respectively. Profit attributable to owners of the Company for the year at RM1 billion was 10% higher than the preceding year. Basic earnings per share for the year at 42.36 sen (on an enlarged share capital resulting from the warrants exercised and resold of treasury shares during the year as disclosed in Note 6 of Part A) was marginally above the preceding year of 42.26 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 of RM163.9 million was 37% lower than the preceding quarter of RM258.5 million mainly due to lower contribution from Property Division and impairment loss on intangible assets. This was mitigated by better performance from Plantation Division and higher share of results of associates.

The impairment loss on intangible assets in the current quarter of RM40.6 million relates to a foreign trading subsidiary.

Property Division’s operating profit for the current quarter was RM145.3 million (84%) lower than the preceding quarter of RM173.7 million. In the preceding quarter, the division benefitted from the sale of certain non-strategic properties. In the current quarter, the division registered lower contribution from its property development project segment in both Peninsular Malaysia and East Malaysia and negatively impacted by net loss from fair value adjustments of its investment properties.

Plantation Division’s operating profit for the current quarter was 4% higher than the preceding quarter of RM57.6 million mainly attributable to higher average selling prices inspite of lower sales volume. Average selling price realization of CPO and PK were both 11% higher than the preceding quarter average selling price per tonne of RM2,644 and RM2,669 respectively. CPO and PK sales volume for the current quarter were 33% and 3% lower than the preceding quarter of 49,127 tonnes and 10,339 tonnes respectively mainly due to lower FFB production as FFB yield was affected by the year-end wet weather conditions.

Share of results of associates was higher by RM58 million (745%) attributable to the gain from the sale of certain properties in one of its associates.

3. **Current year prospects**

Malaysia’s palm oil production in 2016 fell 13% to 17.32 million tonnes from 19.96 million tonnes in 2015 due to the prolonged effects of the El Nino weather phenomenon with palm oil inventories closing at 1.77 million tonnes at end of 2016, the lowest recorded since 2011. This has somewhat supported the current palm oil prices which are expected to remain strong in the first half of the year as global palm oil inventory level is forecasted to be low, caused by the lower palm oil production as well as the implementation of mandatory biodiesel programmes in Malaysia and Indonesia. However, prices may be lower in the second half of the year as production recovers.

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

The Property Division anticipates a challenging year ahead amidst the current soft consumer sentiments. Inspite of this, the division continues to receive encouraging response from its property development projects in both Peninsular and East Malaysia and will be launching several new projects in 2017. Its strategically located investment properties in Kuala Lumpur City Center and Kota Kinabalu are expected to achieve optimal occupancy and contribute positively to the division's performance.

Credit Financing Division will continue to grow its loan base, focusing on loans with quality collaterals whilst exercising caution and stringent credit risk assessment and loan approval procedures. It will leverage on group synergy, collaborating with other division's wide business network and customers base and will continue to place strong emphasis in the management of its cost of funds and funding requirements, collections as well as to keep non-performing loans low.

Automotive Division expects competitive environment in the Malaysian premium passenger vehicles segment to prevail. Nevertheless, new models launched in 2016 and upcoming new models to be launched in 2017 are expected to continue to boost the division's vehicles sales. In addition, the division's after sales and services segment will also continue to contribute positively to its performance through its various continuous efforts in providing service excellence and improvement in productivity and efficiency.

Fertilizer Trading Division anticipates demand of fertilizers to pick up in the coming months as plantations are expected to resume their fertilizing activities after the year-end wet weather conditions which inhibited fertilizers applications in the preceding quarter. Demand of fertilizers is expected to be further supported by the current high palm oil prices. Nevertheless, business environment is anticipated to remain competitive amidst the volatility of foreign exchange movements.

Building Materials Division's operating environment in Malaysia and Singapore are expected to remain challenging and competitive. The tiles business under the "MML" brand owned by MMSB is expected to continue be a significant contributor to the division's future performance. The division will continue to establish strong market networks and building on its good customers' relationship to expand its market share whilst managing credit risks and maintaining optimum inventory levels.

Based on the foregoing, the Group is cautiously optimistic of achieving satisfactory results for the financial year ending 31 December 2017.

4. **Profit forecast and/or profit guarantee**

(a) The Company has not provided any profit forecast in any public document.

(b) In the acquisition of MMSB as disclosed in Note 9(d) of Part A, Gek Poh has provided a guarantee that the consolidated profit after tax ["PAT"] of MMSB shall not be less than the amount as set out below for the 5 financial years commencing from financial year ended 31 December 2016.

	Guaranteed PAT RM million
31 December 2016	30.71
31 December 2017	40.93
31 December 2018	53.90
31 December 2019	67.52
31 December 2020	81.97
Total	275.03

Based on the results of MMSB for the financial year ended 31 December 2016, the guaranteed PAT for the financial year ended 31 December 2016 has been fulfilled.

5. **Profit for the period**

	Quarter ended		Year ended	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting/(charging):				
Interest income	3,538	5,018	11,432	12,940
Dividend income from available-for-sale equity instrument	180	300	800	1,200
Dividend income from held for trading equity instrument	2,280	864	2,316	2,114
Dividend income from money market deposits	2,999	1,057	8,396	4,101
Gain/(loss) on held for trading equity instruments at fair value	7,272	(2,163)	1,741	(4,359)
Gain on disposal of held for trading equity instruments	-	283	-	283
Gain on money market deposits at fair value	451	-	451	-
Interest expense	(33,576)	(33,285)	(130,920)	(116,752)
Depreciation and amortisation	(38,677)	(37,894)	(130,777)	(109,692)
Net allowance of impairment losses				
- trade receivables	(6,562)	(4,272)	(13,239)	(12,805)
Net inventories written down	(3,407)	(5,745)	(7,196)	(7,557)
Gain on disposal of property, plant and equipment	23,727	898	116,277	697
Impairment loss on property, plant and equipment	(16,090)	-	(16,090)	-
Property, plant and equipment written off	(178)	(1,298)	(1,681)	(1,561)
Biological assets written off	-	-	(63)	(182)
Investment properties written off	-	-	-	(335)
Bad debts written off	(29)	-	(181)	-
Net foreign exchange gain	8,295	783	11,544	23,582
Loss on hedging activities	(280)	(255)	(240)	(248)
(Loss)/gain on non-hedging derivative instruments	(392)	(65)	(712)	39
(Loss)/gain from fair value adjustments of investment properties	(23,213)	22,739	(23,213)	22,739
Recovery of bad debts	277	311	1,930	1,587
Other gain/(loss) items				
- Gain on disposal of subsidiaries	-	-	-	508,798
- Reversal of impairment loss/(additional impairment loss) on investment in an associate	5,089	(2,161)	5,089	(2,161)
- Impairment loss on intangible assets				
- goodwill	(15,813)	-	(15,813)	-
- customer relationship	(24,793)	-	(24,793)	-
	(40,606)	-	(40,606)	-
- 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	-
	(35,517)	(2,161)	460,661	506,637

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 ended	
	31.12.2016	**31.12.2015**	**30.12.2016**	**31.12.2015**
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	42,734	35,741	182,022	166,595
- deferred tax	(1,201)	(8,775)	(3,735)	(11,824)
	41,533	26,966	178,287	154,771
In respect of prior period				
- income tax	(340)	(870)	3,700	(2,693)
- deferred tax	443	(3,846)	1,787	(3,867)
	103	(4,716)	5,487	(6,560)
	41,636	22,250	183,774	148,211

The Group's effective tax rate for the current quarter excluding under/(over) provision of tax in respect of prior period was higher than the statutory tax rate mainly due to certain impairment losses which were disallowed for tax purposes.

The effective tax rate for the year 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 which were taxed at the lowest real property gain tax rate of 5%.

The effective tax rate for the preceding year corresponding quarter was lower than the statutory tax rate mainly due to adjustments arising from the reduction in statutory tax rate on deferred tax liabilities whilst the effective tax rate for the preceding year 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 for the Proposed Development with TTDI KL as disclosed in Note 9(a) of Part A, there were no other corporate proposals announced but not completed as at 17 February 2017.

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
		382,500

9. **Borrowings and debt securities**

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

	As at 31.12.2016					As at 31.12.2015				
	Denominated in					Denominated in				
	RM	USD	SGD	Euro	Total	RM	USD	SGD	Euro	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current										
Secured										
- Trust receipts	-	-	16,625	-	16,625	-	-	13,643	-	13,643
- Finance leases	-	-	1,648	-	1,648	-	-	883	-	883
- Revolving credits	-	-	79,884	-	79,884	-	-	80,449	-	80,449
- Term loans	-	-	11,320	-	11,320	-	-	7,793	-	7,793
- Foreign currency loans	-	35,608	-	21,394	57,002	-	49,667	-	22,952	72,619
	-	35,608	109,477	21,394	166,479	-	49,667	102,768	22,952	175,387
Unsecured										
- Bankers acceptances	136,135	-	-	-	136,135	149,769	-	-	-	149,769
- Bank overdrafts	245	-	-	-	245	4,593	-	-	-	4,593
- Revolving credits	1,171,001	-	-	-	1,171,001	1,109,523	-	-	-	1,109,523
- Term loans	226,101	-	12,409	-	238,510	178,117	-	-	-	178,117
- Foreign currency loans	-	792,563	-	-	792,563	-	410,640	303,760	-	714,400
	1,533,482	792,563	12,409	-	2,338,454	1,442,002	410,640	303,760	-	2,156,402
Total current borrowings	1,533,482	828,171	121,886	21,394	2,504,933	1,442,002	460,307	406,528	22,952	2,331,789
Non-current										
Secured										
- Term loans	-	-	277,284	-	277,284	-	-	198,982	-	198,982
- Finance leases	-	-	2,095	-	2,095	-	-	981	-	981
	-	-	279,379	-	279,379	-	-	199,963	-	199,963
Unsecured										
- Term loans	408,232	-	152,692	-	560,924	343,336	-	161,562	-	504,898
- Foreign currency loans	-	791,736	288,275	-	1,080,011	-	873,105	282,181	-	1,155,286
	408,232	791,736	440,967	-	1,640,935	343,336	873,105	443,743	-	1,660,184
Total non-current borrowings	408,232	791,736	720,346	-	1,920,314	343,336	873,105	643,706	-	1,860,147
Total borrowings	1,941,714	1,619,907	842,232	21,394	4,425,247	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 then 7 days from the date of issue of the quarterly report**

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

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

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

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

On 21 March 2012, the KKHC dismissed the said Striking-out Appeal with costs awarded to the Plaintiffs which decision was upheld by the Court of Appeal on 9 May 2013 upon the defendants' appeal. On 7 June 2013, the defendants filed a motion for leave to appeal to the Federal Court against the said decision of the Court of Appeal ["said Leave Application"]. On 25 February 2014, the Federal Court dismissed the said Leave Application with costs awarded to the Plaintiffs.

On 23 September 2013, the KKHC dismissed the preliminary objection raised by the Company during the trial of the Tongod Suit on KKHC's jurisdiction in hearing and deciding matters relating to NCR ["PO Dismissal Decision"]. On 16 October 2013, the Company filed a notice of appeal to the Court of Appeal appealing against the PO Dismissal Decision which was subsequently withdrawn by the Company on 31 March 2014.

The Tongod Suit was part-heard from 26 to 29 November 2012, 14 to 18 January 2013, 18 to 22 February 2013, 11 to 15 March 2013, 8 to 11 July 2013, 23 to 24 September 2013, 2 to 13 December 2013, 27 to 28 January 2014, 27 to 28 March 2014, 2 to 6 June 2014, 11 to 14 August 2014, 29 September to 3 October 2014, 7 to 10 October 2014, 18 to 21 November 2014, 15 to 19 December 2014, 10 to 13 February 2015, 23 March to 2 April 2015, 18 to 29 May 2015, 29 to 30 June 2015, 1 to 10 July 2015, 3 to 6 August 2015, 26 to 30 October 2015 and 14 to 18 December 2015.

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

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 then 7 days from the date of issue of the quarterly report (continued)**

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

On 23 May 2012, RESB 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 then 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 the application of RESB, granted an order converting the KK Suit from an originating summon to a writ action. On 13 December 2016, the KKHC allowed both the KK RESB Suit and KK Suit to be consolidated upon RESB's application.

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

(The remainder of this page has been intentionally left blank)

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 31 December 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*	116,520	2,429	1,895	(2,135)	(240)
- Not designated as hedging instruments	51,257	918	782	(1,494)	(712)
	167,777	3,347	2,677	(3,629)	(952)
Cross currency interest rate swaps on foreign currency borrowings of 1 year to 5 years (SGD/USD)					
- Designated as hedging instruments**	2,166,451	160,996	664	(7,014)	(6,350)

* *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 31.12.2016	**As at 31.12.2015**
	RM'000	RM'000
		(Audited)
Total retained profits of the Company and its subsidiaries:		
- Realised	3,217,742	2,979,943
- Unrealised	227,366	259,349
	3,445,108	3,239,292
Total share of retained profits from associates and joint venture		
- Realised	75,170	9,618
- Unrealised	38,201	39,123
- Breakdown unavailable*	30,183	26,647
	3,588,662	3,314,680
Less: Consolidation adjustments	(1,646,050)	(1,516,922)
Total Group retained profits as per consolidated financial statements	1,942,612	1,797,758

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

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 31 December 2016 given by the Company's moneylending subsidiaries are as follows:

		Secured	**Unsecured**	**Total**
		RM'000	RM'000	RM'000
(a)	To companies	1,435,202	-	1,435,202
(b)	To individuals	283,787	1,345	285,132
(c)	To companies within the listed issuer group	22,776	554,274	577,050
(d)	To related parties	-	-	-
		1,741,765	555,619	2,297,384

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

Moneylending operations (continued)

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

		As at 31.12.2016 RM'000
(a)	Loans given by companies within the Group to the moneylending subsidiaries	176,861
(b)	Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c)	Unsecured bank borrowings guaranteed by the Company	1,520,025
(d)	Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company	71,633
		1,768,519

(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	74,122
(c)	Loans reclassified as performing during the financial year	(26,006)
(d)	Amount recovered	(23,130)
(e)	Amount written off	(3,312)
(f)	Loans converted to securities	-
(g)	Balance as at 31.12.2016	43,424
(h)	Ratio of net loans in default to net loans	1.89%

(The remainder of this page has been intentionally left blank)

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)
1st	Term Loan	363,000	271,293	No	-	Yes	12 - 36
2nd	Term Loan	262,000	238,616	No	-	Yes	12 - 30
3rd	Term Loan	85,000	48,826	Yes	411,940	No	12 - 84
4th	Term Loan	50,000	46,667	Yes	36,400	No	12
	Hire Purchase	100	30	Yes	145	No	36
		50,100	46,697		36,545		
5th	Term Loan	94,700	37,296	No	-	Yes	12 - 60

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

	Quarter ended 31.12.2016	Quarter ended 31.12.2015	Year ended 31.12.2016	Year ended 31.12.2015
Profit attributable to owners of the Company (RM'000)	106,477	77,439	1,000,960	908,473
Weighted average number of ordinary shares in issue for basic EPS computation ('000)	2,489,681	2,154,829	2,362,902	2,149,824
Dilutive potential ordinary shares - Assumed exercise of warrants	-	176,929	-	162,882
Weighted average number of ordinary shares in issue for diluted EPS computation ('000)	2,489,681	2,331,758	2,362,902	2,312,706
Basic EPS (sen)	4.28	3.59	42.36	42.26
Diluted EPS (sen)	N/A	3.33	N/A	39.28

(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 was 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.

The Company does not have any diluted EPS upon the expiry of the warrants as disclosed in Note 6(a) of Part A.

16. **Dividends**

Dividends for the current financial year ended 31 December 2016 were 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) Second interim dividend of 20 sen (2015: 10 sen) per ordinary share under the single tier system which was tax exempt in the hands of the shareholders. The said second interim dividend was approved by the Directors on 24 November 2016 and paid on 20 December 2016.

(c) Total dividend for the current financial year ended 31 December 2016 was 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 was tax exempt in the hands of the shareholders.

The Directors do not recommend any final dividend for the current financial year ended 31 December 2016.

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
23 February 2017