HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (UNAUDITED)
FOR THE FIRST QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2017

	Quarter ended		Year-to-date ended	
	31.3.2017	**31.3.2016**	**31.3.2017**	**31.3.2016**
	RM'000	RM'000	RM'000	RM'000
Revenue	1,176,080	1,051,494	1,176,080	1,051,494
Operating expenses	(1,012,435)	(939,756)	(1,012,435)	(939,756)
Other operating income	95,695	104,125	95,695	104,125
Operating profit	259,340	215,863	259,340	215,863
Finance costs	(41,129)	(33,829)	(41,129)	(33,829)
Share of results of associates and a joint venture	6,652	4,282	6,652	4,282
Profit before tax	224,863	186,316	224,863	186,316
Tax expense	(53,706)	(38,004)	(53,706)	(38,004)
Profit for the period	171,157	148,312	171,157	148,312
Profit attributable to:				
Owners of the Company	154,375	140,206	154,375	140,206
Non-controlling interests	16,782	8,106	16,782	8,106
	171,157	148,312	171,157	148,312
Earnings per share (sen)				
Basic	6.20	6.45	6.20	6.45
Diluted	N/A	6.11	N/A	6.11

The Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the Interim Financial Statements

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE FIRST QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2017

	Quarter ended		Year-to-date ended	
	31.3.2017	**31.3.2016**	**31.3.2017**	**31.3.2016**
	RM'000	RM'000	RM'000	RM'000
Profit for the period	171,157	148,312	171,157	148,312
Other comprehensive income/(expense), net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	8,815	(13,326)	8,815	(13,326)
Share of foreign currency translation differences of associates and a joint venture	2,265	(4,902)	2,265	(4,902)
Change in fair value of cash flow hedge	2,274	(7,042)	2,274	(7,042)
Total other comprehensive income/(expense) for the period	13,354	(25,270)	13,354	(25,270)
Total comprehensive income for the period	184,511	123,042	184,511	123,042
Total comprehensive income attributable to:				
Owners of the Company	165,562	122,892	165,562	122,892
Non-controlling interests	18,949	150	18,949	150
	184,511	123,042	184,511	123,042

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the Interim Financial Statements

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 MARCH 2017

	As at 31.3.2017 RM'000	As at 31.12.2016 RM'000 *(Audited)*
Non-current assets		
Property, plant and equipment	1,787,320	1,798,774
Prepaid lease payments	203,448	201,367
Biological assets	458,576	458,585
Investment properties	1,677,364	1,675,054
Investment in associates	510,363	500,934
Investment in a joint venture	332	844
Land held for property development	718,712	720,173
Intangible assets	85,149	85,149
Trade and other receivables	1,074,819	1,041,254
Other non-current financial assets	113,052	115,844
Deferred tax assets	21,341	21,809
	6,650,476	6,619,787
Current assets		
Inventories	1,139,350	1,163,461
Property development costs	702,670	682,386
Trade and other receivables	1,691,133	2,030,093
Tax recoverable	17,367	19,471
Other current financial assets	116,974	171,243
Money market deposits	369,289	354,736
Cash and bank balances	830,275	684,284
	4,867,058	5,105,674
TOTAL ASSETS	11,517,534	11,725,461

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED) (Continued)
AS AT 31 MARCH 2017

	As at 31.3.2017 RM'000	As at 31.12.2016 RM'000 *(Audited)*
Equity attributable to owners of the Company		
Share capital	2,489,682	2,489,682
Reserves	3,166,628	3,001,010
	5,656,310	5,490,692
Less: Treasury shares	(16)	(16)
	5,656,294	5,490,676
Non-controlling interests	620,740	631,779
TOTAL EQUITY	6,277,034	6,122,455
Non-current liabilities		
Payables and provisions	18,512	18,433
Borrowings	1,876,217	1,920,316
Deferred tax liabilities	230,191	230,590
	2,124,920	2,169,339
Current liabilities		
Payables and provisions	857,362	880,160
Tax payable	54,673	47,375
Borrowings	2,200,943	2,504,931
Other current financial liabilities	2,602	1,201
	3,115,580	3,433,667
TOTAL LIABILITIES	5,240,500	5,603,006
TOTAL EQUITY AND LIABILITIES	11,517,534	11,725,461
Net assets per share (RM)	2.27	2.21
Based on number of shares net of treasury shares ('000)	2,489,680	2,489,680

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the Interim Financial Statements

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR-TO-DATE ENDED 31 MARCH 2017

	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 2017	2,489,682	1,058,398	1,942,612	(16)	5,490,676	631,779	6,122,455
Profit for the period	-	-	154,375	-	154,375	16,782	171,157
Total other comprehensive income for the period	-	11,187	-	-	11,187	2,167	13,354
Total comprehensive income for the period	-	11,187	154,375	-	165,562	18,949	184,511
Share-based payments by a subsidiary	-	56	-	-	56	53	109
Changes in ownership interest in subsidiaries	-	-	-	-	-	3,000	3,000
Dividends paid to non-controlling interests	-	-	-	-	-	(33,041)	(33,041)
At 31 March 2017	2,489,682	1,069,641	2,096,987	(16)	5,656,294	620,740	6,277,034
At 1 January 2016	2,249,731	485,063	1,797,758	(289,904)	4,242,648	598,746	4,841,394
Profit for the period	-	-	140,206	-	140,206	8,106	148,312
Total other comprehensive expense for the period	-	(17,314)	-	-	(17,314)	(7,956)	(25,270)
Total comprehensive income for the period	-	(17,314)	140,206	-	122,892	150	123,042
Share-based payments by a subsidiary	-	28	-	-	28	26	54
Exercise of warrants	86,554	56,260	-	-	142,814	-	142,814
Changes in ownership interest in subsidiary	-	-	-	-	-	300	300
Dividends paid to non-controlling interests	-	-	-	-	-	(18,776)	(18,776)
At 31 March 2016	2,336,285	524,037	1,937,964	(289,904)	4,508,382	580,446	5,088,828

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the Interim Financial Statements

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE YEAR-TO-DATE ENDED 31 MARCH 2017

	Year-to-date ended	
	31.3.2017	**31.3.2016**
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	224,863	186,316
Adjustments for:		
Non-cash items	29,290	31,395
Non-operating items	(65,928)	(95,430)
Dividend income	(3,404)	(1,085)
Net interest expense	37,202	31,348
Operating profit before working capital changes	222,023	152,544
Net changes in working capital	(9,697)	105,382
Net changes in loan receivables	(531)	30,563
Net tax paid	(44,743)	(24,327)
Net interest paid	(42,945)	(40,037)
Additions to land held for property development	(4,588)	(11,600)
Net cash flows generated from operating activities	119,519	212,525
Cash flows from investing activities		
Dividends received from available-for-sale equity instruments	-	1,960
Dividends received from money market deposits	2,572	825
(Increase)/decrease in money market deposits	(14,523)	39,811
Acquisition of subsidiaries net of cash acquired	-	(1,572)
Redemption of redeemable preference shares from non-controlling interests	(7,000)	-
Proceeds from disposal of remaining 49% equity interest in a former subsidiary	367,500	-
Proceeds from issuance of shares to non-controlling interests	10,000	300
Proceeds from disposal of property, plant and equipment	78,651	118,143
Proceeds from the redemption of available-for-sale equity instruments	-	12,000
Purchase of property, plant and equipment	(36,616)	(80,214)
Additions to prepaid lease payments	(1,337)	(9)
Additions to biological assets	(78)	(20)
Additions to investment properties	(2,047)	(35,068)
Net cash flows generated from investing activities	397,122	56,156
Cash flows from financing activities		
Dividends paid to non-controlling interests	(33,041)	(18,776)
Net repayment of borrowings	(351,318)	(198,270)
Proceeds from issuance of shares pursuant to the exercise of warrants	-	142,814
Net cash flows used in financing activities	(384,359)	(74,232)
Net increase in cash and cash equivalents	132,282	194,449
Effects on exchange rate changes	12,310	(2,659)
Cash and cash equivalents at beginning of the period	684,039	410,145
Cash and cash equivalents at end of the period	828,631	601,935

Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	548,483	374,285
Cash in hand and at bank	281,792	229,390
Bank overdrafts	(1,644)	(1,740)
	828,631	601,935

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 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 2016.

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 2016 except for changes arising from the adoption of FRS, IC Interpretations and Amendments that are effective for financial period beginning on or after 1 January 2017 which do not have a material impact on the financial statements of the Group on initial adoption.

<u>Malaysian Financial Reporting Standards ["MFRS"]</u>

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 Division and Building Materials Division were influenced by the slowdown in construction activities in the first quarter attributable to the timing of seasonal festive period.

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

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

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

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

   There were no changes in estimates of amounts reported in prior financial years.

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

   <u>Share buyback by the Company</u>

   During the current quarter, there was no buyback of shares, resale nor cancellation of treasury shares.

   As at 31 March 2017, the Company held 2,000 ordinary shares as treasury shares and the issued share capital of the Company remained unchanged at RM2,489,681,583 comprising 2,489,681,583 ordinary shares.

7. **Dividend**

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

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8. **Segment information**

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizer trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Current quarter/Year-to-date ended 31 March 2017									
Revenue									
External revenue	144,102	203,207	35,509	255,865	207,018	330,379	-	-	1,176,080
Inter-segment revenue	-	3,493	8,095	1,251	6,596	14,184	6,920	(40,539)	-
Total revenue	144,102	206,700	43,604	257,116	213,614	344,563	6,920	(40,539)	1,176,080
Operating profit	46,163	110,732	34,663	8,679	7,064	61,671	6,795	(16,427)	259,340
Finance costs									(41,129)
Share of results of associates and a joint venture									6,652
Profit before tax									224,863
Segment assets	1,139,695	3,989,373	1,974,554	580,268	424,257	2,280,943	579,041	-	10,968,131
Current quarter/Year-to-date ended 31 March 2016									
Revenue									
External revenue	104,162	178,792	37,722	227,065	277,466	226,287	-	-	1,051,494
Inter-segment revenue	-	2,976	5,777	1,246	7,248	10,159	3,643	(31,049)	-
Total revenue	104,162	181,768	43,499	228,311	284,714	236,446	3,643	(31,049)	1,051,494
Operating profit	23,647	74,610	36,251	6,676	6,473	98,133	(13,900)	(16,027)	215,863
Finance costs									(33,829)
Share of results of associates and a joint venture									4,282
Profit before tax									186,316
Segment assets	1,073,487	3,593,509	1,807,131	598,259	509,907	1,469,399	480,051	-	9,531,743

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.

10. **Significant events and transactions**

There were no events or transactions which are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period and up to 25 May 2017.

11. **Events after the end of interim period**

Save for material litigations disclosed in Note 10 of Part B, there were no other events after the interim period and up to 25 May 2017 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 31.3.2017 RM'000	**As at 31.12.2016** RM'000 *(Audited)*
Contracted but not provided for	63,868	63,141
Authorised but not contracted for	88,248	111,126
	152,116	174,267

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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 or exceeded by 10% of the estimated value which had been mandated by the shareholders at the extraordinary general meeting held on 19 May 2016, except for the following:

(a) On 13 January 2017, Hap Seng Properties Development Sdn Bhd [“HSPD”], a 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 a related party transaction. As at the date hereof, 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 Disposal.

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 RM61.6 million to the Group.

(b) HSL Proposed Disposal as disclosed in Note 7(b) of Part B.

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

1. **Review of performance**

The Group's revenue for the current quarter at RM1.2 billion was 12% above the preceding year corresponding quarter whilst operating profit for the current quarter at RM259.3 million was higher than the preceding year corresponding quarter by 20%.

Plantation Division's revenue and operating profit for the current quarter at RM144.1 million and RM46.2 million were higher than the preceding year corresponding quarter by 38% and 95% respectively benefitting mainly from the higher average selling price realization of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"]. Average selling price per tonne of CPO and PK for the current quarter were RM3,268 and RM3,282 respectively as compared to the preceding year corresponding quarter of RM2,375 for CPO and RM2,029 for PK. CPO sales volume for the current quarter at 36,275 tonnes was 2% lower than the preceding year corresponding quarter whilst PK sales volume was 3% higher at 7,183 tonnes. Fresh fruit bunches ["FFB"] production for the current quarter was higher than the preceding year corresponding quarter due to higher FFB yield. However, both CPO and PK production for the current quarter were marginally lower than the preceding year corresponding quarter as extraction rates of CPO and PK were lower due to the exceptional wet weather conditions in the first quarter of the year. Production cost per tonne of CPO was higher in the current quarter with higher purchase cost of FFB, higher repair and maintenance on roads and bridges caused by the exceptional wet weather and higher wages due to the revision of the minimum wages per month from RM800 to RM920 for Sabah under the Minimum Wages Order 2016 with effect from 1 July 2016.

The Property Division's revenue for the current quarter of RM206.7 million was 14% above the preceding year corresponding quarter and achieved an operating profit of RM110.7 million, 48% higher than the preceding year corresponding quarter of RM74.6 million. The improved performance was mainly from its investment properties segment and sale of certain parcels of non-strategic properties but reduced somewhat by lower project sales. The investment properties benefitted mainly from improved occupancy at Menara Hap Seng 2, Kuala Lumpur and Plaza Shell, Kota Kinabalu as compared to the preceding year corresponding quarter. Project sales were lower in the current quarter mainly due to the completion of Nadi Bangsar towards the end of 2016.

Credit Financing Division's revenue for the current quarter at RM43.6 million was marginally above the preceding year corresponding quarter inspite of lower loan base at the end of the current quarter of RM2.1 billion, 9% below the preceding year corresponding quarter of RM2.3 billion. Non-performing loans ratio at the end of current quarter at 2.18% was higher than the preceding year corresponding quarter of 1.83%, partly due to the lower loan base. Consequently, the division's operating profits for the current quarter at RM34.7 million was 4% below the preceding year corresponding quarter of RM36.3 million.

The Automotive Division's revenue for the current quarter at RM257.1 million was 13% above the preceding year corresponding quarter mainly attributable to better performance from both the vehicles and after sales service segments. Vehicle sales benefitted from higher sales of E-class, the SUV range, namely GLC and GLE and pre-owned cars whilst after sales services recorded better throughput, productivity and efficiency. Consequently, the division's operating profit for the current quarter at RM8.7 million was higher than the preceding year corresponding quarter by 30%.

The Fertilizer Trading Division's revenue at RM213.6 million for the current quarter was 25% lower than the preceding year corresponding quarter mainly due to lower sales from its Malaysian and Indonesian operations but mitigated somewhat by the revenue from its China operations which commenced operations towards the end of the third quarter of 2016. Revenue in Malaysia and Indonesia were affected by lower average selling prices of fertilizers and lower sales volume due to the timing of deliveries as well as the competitive market conditions. Nevertheless, the division's operating profits for the current quarter at RM7.1 million was 9% above the preceding year corresponding quarter, mainly attributable to better margins achieved in Malaysia from its brought forward stocks of lower costs.

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

Building Materials Division's revenue for the current quarter at RM344.6 million was 46% above the preceding year corresponding quarter. The division benefitted from higher revenue contribution by Hafary Holdings Limited ["Hafary"] and the inclusion of contribution from Malaysian Mosaics Sdn Bhd ["MMSB"] which was acquired on 25 May 2016. Hafary's revenue for the current quarter was 26% higher than the preceding year corresponding quarter attributable to the improved performance from its project sector which benefitted from the growth in the Singapore construction sector. The building materials trading, quarry, asphalt and bricks operations in Malaysia continue to operate under very competitive market conditions with margin compression. Overall, the division's operating profit for the current quarter at RM61.7 million was 37% lower than the preceding year corresponding quarter which included a gain of RM91.2 million from the disposal of certain properties as compared to the current quarter gain from disposal of properties of RM57.9 million.

Overall, Group profit before tax and profit after tax for the current quarter at RM224.9 million and RM171.2 million were higher than the preceding year corresponding quarter by 21% and 15% respectively. Profit attributable to owners of the Company for the year to date at RM154.4 million was 10% higher than the preceding year corresponding quarter whilst basic earnings per share for the year to date at 6.20 sen was 4% below last year corresponding quarter of 6.45 sen mainly due to the enlarged share capital resulting from the warrants exercised and treasury shares resold in the previous financial year.

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 RM224.9 million was 37% higher than the preceding quarter of RM163.9 million mainly attributable to higher contributions from Property and Building Materials Divisions but offset somewhat by lower contribution from Plantation Division and lower share of results of associates.

Property Division's operating profit for the current quarter was RM82.3 million (289%) above the preceding quarter of RM28.4 million mainly benefitted from the sale of certain parcels of non-strategic properties and better performance from its investment properties segment. In the preceding quarter, the division result's was negatively impacted by net loss from fair value adjustments of its investment properties.

Building Materials Division's operating profit for the current quarter was RM47.4 million (331%) above the preceding quarter of RM14.3 million. In the current quarter, the division partly benefitted from gains arising from the sale of certain parcels of land whilst in the preceding quarter, the division was affected by impairment losses on certain property, plant and equipment.

Plantation Division's operating profit for the current quarter was 23% lower than the preceding quarter of RM60.1 million mainly affected by lower PK sales volume and higher production cost per tonne of CPO due to higher manuring costs as well as lower CPO production arising from lower FFB yield. There was also a reversal of overprovision of labour mobilization costs of RM5 million in the preceding quarter.

Share of results of associates in the preceding quarter was higher due to a gain from sale of properties in an associate.

3. **Current year prospects**

Malaysian palm oil prices have declined in April and recovered slightly in early May. However, sentiments in the palm oil market remained subdued as weak soyoil prices and anticipated recovery in FFB production are expected to weigh on the palm oil prices. Nevertheless, global demand for palm oil is expected to remain strong in the immediate term, supported by demand during the fasting month of Ramadan which will begin towards the end of May and this may lend support to palm oil prices.

Property Division expects to maintain the occupancy rates of its strategically located investment properties in Kuala Lumpur City Center and Kota Kinabalu. Its development projects namely The Aria Luxury Residences, Akasa Cheras South in Peninsular Malaysia and Kingfisher Inanam and Kingfisher Putatan in East Malaysia as well as upcoming launches of new phases of existing projects are anticipated to contribute positively to its current year's performance.

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

Automotive Division expects the competitive environment in the Malaysian premium passenger vehicles segment to prevail amidst cautious consumers' spending sentiments. Nevertheless, the division anticipates positive consumers' response towards the recently launched models, namely the E-class (CKD) and AMG 43 models. The division has opened its 8th autohaus in the country at Bukit Tinggi, Klang at end April 2017 which will enable the division to expand further its market coverage and contribute positively to its future performance.

Fertilizer Trading Division is expected to continue operating in a competitive business environment amidst volatility of foreign exchange movements and fluctuations in palm oil prices. Nevertheless, demand for fertilizers is expected to increase with more fertilizer applications in the forthcoming months.

Building Materials Division expects its operations in Singapore to further improve in tandem with the growth in the Singapore construction sector whilst the operating environment in Malaysia is expected to remain challenging and competitive. The tiles business under the "MML" brand owned by MMSB is expected to support the growth of the division's future performance. Profit improvement initiatives through enhancement of operational efficiencies to reduce production costs will continue to be the division's main focus to mitigate the challenges arising from the competitive business environment. The division will also continue to establish new market networks and build on its good customers' relationship to further expand its market share whilst managing credit risks and maintaining optimum inventory levels.

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

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 before tax**

	Quarter ended		Year-to-date ended	
	31.3.2017	**31.3.2016**	**31.3.2017**	**31.3.2016**
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after crediting/(charging):				
Interest income	3,927	2,481	3,927	2,481
Dividend income from available-for-sale equity instrument	180	260	180	260
Dividend income from money market deposits	3,224	825	3,224	825
Gain on held for trading equity instruments at fair value	8,594	-	8,594	-
Interest expense	(41,129)	(33,829)	(41,129)	(33,829)
Depreciation and amortisation	(36,448)	(28,932)	(36,448)	(28,932)
Net allowance of impairment losses – trade receivables	(2,938)	(730)	(2,938)	(730)
Net inventories written down	(1,803)	(1,136)	(1,803)	(1,136)
Gain on disposal of property, plant and equipment	59,276	91,148	59,276	91,148
Property, plant and equipment written off	(289)	(470)	(289)	(470)
Biological assets written off	(87)	(63)	(87)	(63)
Bad debts written off	(31)	(42)	(31)	(42)
Net foreign exchange gain/(loss)	2,970	(4,331)	2,970	(4,331)
Gain on hedging activities	491	83	491	83
Gain/(Loss) on non-hedging derivative instruments	372	(94)	372	(94)
Recovery of bad debts	222	914	222	914

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

6. **Tax expense**

	Quarter ended		Year-to-date ended	
	31.3.2017	**31.3.2016**	**31.3.2017**	**31.3.2016**
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	54,016	42,160	54,016	42,160
- deferred tax	(310)	(4,156)	(310)	(4,156)
	53,706	38,004	53,706	38,004

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

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

Saved as disclosed below, there were no other corporate proposals announced but not completed as at 25 May 2017.

(a) On 20 January 2016, Hap Seng Land Development Sdn Bhd [“HSLD”], a wholly-owned subsidiary of the Company 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.

(b) On 7 March 2017, the Company entered into a conditional shares sale agreement with LSH Logistics Limited [“LSHL”], a wholly-owned subsidiary of Lei Shing Hong Limited [“LSH”], pursuant to which the Company agreed to dispose 100% equity interest in Hap Seng Logistics Sdn Bhd [“HSL”] comprising 250,000,000 ordinary shares for a cash consideration of RM750 million [“HSL Proposed Disposal”].

The HSL Proposed Disposal is deemed a related party transaction. As at the date hereof, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak [“Tan Sri Lau”] is deemed to have a 50.10% shareholding in LSH comprising 37.68% shareholding held via Lead Star Business Limited and 12.42% shareholding held via Gek Poh (Holdings) Sdn Bhd [“Gek Poh”] and is a 56.00% major shareholder and director of Gek Poh. Gek Poh’s aggregate shareholdings in HSCB is 61.43%, comprising 54.63% direct shareholding and 6.80% indirect shareholding through Hap Seng Insurance Services Sdn Bhd [“HSIS”], a wholly-owned subsidiary of Gek Poh. In addition, Lei Shing Hong Investment Limited [“LSHI”], a company incorporated in Hong Kong and a wholly-owned subsidiary of Lei Shing Hong Capital Limited [“LSHCL”] which in turn is the wholly-owned subsidiary of LSH, is a 12.08% major shareholder of HSCB. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI are deemed interested in the HSL Proposed Disposal.

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

(b) (continued)

Datuk Edward Lee Ming Foo is the managing director of both the Company and Gek Poh. Mr Lee Wee Yong is an executive director of the Company and a director of Gek Poh. As at the date hereof, Gek Poh holds 12.42% equity interest in LSH and hence, a major shareholder of LSH. Premised on the said common directorship, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong are deemed interested in the HSL Proposed Disposal.

Datuk Simon Shim Kong Yip is a non-independent non-executive director of the Company and a non-executive director of LSH. Mr Ch'ng Kok Phan is a non-independent non-executive director of the Company and an executive director of LSH. Premised on Datuk Simon Shim Kong Yip and Mr Ch'ng Kok Phan's common directorship in the Company and LSH, they are interested in the HSL Proposed Disposal.

The interested or deemed interested directors and shareholders have abstained from voting and that they shall ensure persons connected to them are to abstain from voting in respect of their direct and/or indirect shareholdings on the resolution in relation to the HSL Proposed Disposal during the extraordinary general meeting of the Company ["EGM"] convened on even date.

Following the shareholders' approval having been obtained during the EGM, the conditional shares sale agreement has therefore become unconditional.

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8. **Status of the utilisation of proceeds from corporate proposals**

On 28 December 2016, Hap Seng Star Sdn Bhd, a wholly-owned subsidiary of the Company exercised the put option to sell its remaining 49% equity interest in Hap Seng Commercial Vehicle Sdn Bhd for a cash consideration of RM367.5 million which has been received on 3 January 2017 and the status of the utilisation is as follows:

Purpose	Proposed Utilisation RM'000	As at 31 March 2017 Utilisation RM'000	As at 31 March 2017 Balance Unutilised RM'000	Intended Timeframe for Utilisation	Explanation
General working capital:					
(i) Loan disbursements of credit financing division	110,250	110,250	-		
(ii) Purchase of inventories, such as fertilisers, automobiles and building materials which include steel bars, wire mesh and cement	91,875	83,400	8,475	Within 12 months from completion	Not fully utilised yet and within intended timeframe for utilisation. As such, deviation was not computed
(iii) Properties development costs such as construction costs and consultancy fees	110,250	57,060	53,190		
(iv) Payment of trade and other payables	55,125	55,125	-		
	367,500	305,835	61,665		

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9. **Borrowings and debt securities**

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

	As at 31.3.2017						
	Denominated in						
	RM	USD	SGD	Euro	IDR	RMB	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current							
Secured							
- Trust receipts	-	-	18,142	-	-	-	18,142
- Finance leases	-	-	1,710	-	-	-	1,710
- Revolving credits	-	-	84,618	-	-	-	84,618
- Term loans	-	-	12,742	-	-	-	12,742
- Foreign currency loans	-	37,033	-	25,126	-	-	62,159
	-	37,033	117,212	25,126	-	-	179,371
Unsecured							
- Bankers acceptances	160,002	-	-	-	-	-	160,002
- Bank overdrafts	1,644	-	-	-	-	-	1,644
- Revolving credits	804,000	-	-	-	5,976	9,682	819,658
- Term loans	231,970	-	12,653	-	-	-	244,623
- Foreign currency loans	-	795,645	-	-	-	-	795,645
	1,197,616	795,645	12,653	-	5,976	9,682	2,021,572
Total current borrowings	1,197,616	832,678	129,865	25,126	5,976	9,682	2,200,943
Non-current							
Secured							
- Term loans	-	-	279,351	-	-	-	279,351
- Finance leases	-	-	2,297	-	-	-	2,297
	-	-	281,648	-	-	-	281,648
Unsecured							
- Term loans	396,136	-	140,511	-	-	-	536,647
- Foreign currency loans	-	763,516	294,406	-	-	-	1,057,922
	396,136	763,516	434,917	-	-	-	1,594,569
Total non-current borrowings	396,136	763,516	716,565	-	-	-	1,876,217
Total borrowings	1,593,752	1,596,194	846,430	25,126	5,976	9,682	4,077,160

9. **Borrowings and debt securities (continued)**

	As at 31.12.2016				
	Denominated in				
	RM	USD	SGD	Euro	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Current					
Secured					
- Trust receipts	-	-	16,625	-	16,625
- Finance leases	-	-	1,646	-	1,646
- Revolving credits	-	-	79,884	-	79,884
- Term loans	-	-	11,320	-	11,320
- Foreign currency loans	-	35,608	-	21,394	57,002
	-	35,608	109,475	21,394	166,477
Unsecured					
- Bankers acceptances	136,135	-	-	-	136,135
- Bank overdrafts	245	-	-	-	245
- Revolving credits	1,171,001	-	-	-	1,171,001
- Term loans	226,101	-	12,409	-	238,510
- Foreign currency loans	-	792,563	-	-	792,563
	1,533,482	792,563	12,409	-	2,338,454
Total current borrowings	1,533,482	828,171	121,884	21,394	2,504,931
Non-current					
Secured					
- Term loans	-	-	277,284	-	277,284
- Finance leases	-	-	2,097	-	2,097
	-	-	279,381	-	279,381
Unsecured					
- Term loans	408,232	-	152,692	-	560,924
- Foreign currency loans	-	791,736	288,275	-	1,080,011
	408,232	791,736	440,967	-	1,640,935
Total non-current borrowings	408,232	791,736	720,348	-	1,920,316
Total borrowings	1,941,714	1,619,907	842,232	21,394	4,425,247

Note: - *All secured borrowings are in respect of foreign subsidiaries' 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) 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 and 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”].

On 13 December 2016, the KKHC allowed both the KK RESB Suit and KK Suit to be consolidated upon RESB’s application. The KKHC has fixed 7 and 8 August 2017 for trial of both the KK RESB Suit and KK Suit.

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)**

(b) 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 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. The KKHC has fixed 7 and 8 August 2017 for trial of both the KK RESB Suit and KK Suit.

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

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

(c) Pelipikan Plantation Sdn Bhd [“PPSB”], the wholly-owned subsidiary of Hap Seng Plantations Holdings Berhad [“HSP”] is the registered sub-lessee of all those 251 pieces of land measuring approximately 1,364.91 hectares situated in Kg. Natu in the district of Kota Marudu, Sabah [“Pelipikan Sub-Leased Lands”].

A writ of summon was filed on 7 August 2014 in the High Court in Sabah & Sarawak at Kota Kinabalu [“KKHC”] vide suit no. BKI-22NCvC66/8-2014 [“First Suit”] by 94 natives of Sabah [“First Suit Plaintiffs”] claiming interest and ownership, legal and beneficial, in respect of 113 titles which form part of the Pelipikan Sub-Leased Lands ["First Suit Disputed Titles"] against one Hatija Binti Hassan as the first defendant, one Juniah @ Rubiah Bt. Okk Zainal as second defendant and PPSB as the third defendant. Pursuant to a consent order [“said Consent Order”] recorded before the KKHC on 15 May 2015, the First Suit was struck off with no order as to costs.

PPSB was informed by its solicitors, Messrs Shim Pang & Co. on 20 April 2017 that it has been served with a writ of summon filed in KKHC vide suit no. BKI-22NCvC51/4-2017 [“Second Suit”] by 70 natives of Sabah, who form part of the First Suit Plaintiffs [“said Plaintiffs”] claiming legal and beneficial ownership in respect of 86 titles, which form part of the First Suit Disputed Titles [“said 86 Titles”]. The said Plaintiffs named one Sugumar Balakrishnan as the first defendant, Sugumar & Co (Firm) as the second defendant, Hatija Binti Hassan as the third defendant, Juniah @ Rubiah Bt. Okk Zainal as the fourth defendant and PPSB as the fifth defendant. The first and second defendants were the solicitors acting for the First Suit Plaintiffs in the First Suit.

In the Second Suit, the said Plaintiffs alleged, inter alia that the said Consent Order was fraudulently obtained by their previous solicitors, i.e. the first and second defendants without the informed consent and/or instruction of the First Suit Plaintiffs.

The said Plaintiffs are claiming for the following reliefs in the Second Suit:
(i) a declaration that the said Consent Order was null and void and of no effect;
(ii) a declaration that all acts, actions, proceedings including land enquiry proceedings, decisions, dealings and/or transactions with the said 86 Titles and any consequential matters relying on or consequential to the said Consent Order are invalid, null and void;
(iii) an order that the said Consent Order be set aside;
(iv) an order that the First Suit shall continue and proceed to trial;
(v) in the alternative, damages against the first and second defendant in the Second Suit jointly and severally to be assessed;
(vi) costs to the said Plaintiffs; and
(vii) such further or other relief as the KKHC deems fit and just.

HSP has been advised by its solicitors that the Second Suit is unlikely to succeed.

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 March 2017 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*	227,946	(392)	(2,821)	3,312	491
- Not designated as hedging instruments	59,832	(1,008)	(1,926)	2,298	372
	287,778	(1,400)	(4,747)	5,610	863
Cross currency interest rate swaps on foreign currency borrowings of 1 year to 4 years (SGD/USD)					
- Designated as hedging instruments**	1,560,873	153,274	(7,722)	9,996	2,274

* *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 31.3.2017 RM'000	**As at 31.12.2016** RM'000 *(Audited)*
Total retained profits of the Company and its subsidiaries:		
- Realised	3,368,632	3,214,915
- Unrealised	228,629	226,291
	3,597,261	3,441,206
Total share of retained profits from associates and a joint venture		
- Realised	79,036	75,170
- Unrealised	38,162	38,201
- Breakdown unavailable*	32,293	30,183
	3,746,752	3,584,760
Less: Consolidation adjustments	(1,649,765)	(1,642,148)
Total Group retained profits as per consolidated financial statements	2,096,987	1,942,612

* 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 March 2017 given by the Company's moneylending subsidiaries are as follows:

		Secured RM'000	**Unsecured** RM'000	**Total** RM'000
(a)	To companies	1,482,205	-	1,482,205
(b)	To individuals	239,536	1,040	240,576
(c)	To companies within the listed issuer group	21,757	382,861	404,618
(d)	To related parties	-	-	-
		1,743,498	383,901	2,127,399

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

Moneylending operations (continued)

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

		As at 31.3.2017 RM'000
(a)	Loans given by companies within the Group to the moneylending subsidiaries	207,961
(b)	Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c)	Unsecured bank borrowings guaranteed by the Company	1,300,015
(d)	Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company	65,756
		1,573,732

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

		RM'000
(a)	Balance as at 1.1.2017	43,424
(b)	Loans classified as in default during the financial year	16,082
(c)	Loans reclassified as performing during the financial year	(9,413)
(d)	Amount recovered	(3,818)
(e)	Amount written off	-
(f)	Loans converted to securities	-
(g)	Balance as at 31.3.2017	46,275
(h)	Ratio of net loans in default to net loans	2.18%

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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)
1st	Term Loan	300,000	241,073	No	-	Yes	36
2nd	Term Loan	262,000	90,117	No	-	Yes	12 - 30
3rd	Term Loan	85,000	46,828	Yes	411,940	No	12 - 84
4th	Term Loan	94,700	44,605	No	-	Yes	12 - 60
5th	Term Loan	50,000	30,295	Yes	36,400	No	12
	Hire Purchase	100	21	Yes	96	No	36
		50,100	30,316		36,496		

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

	Quarter ended		**Year-to-date ended**	
	31.3.2017	**31.3.2016**	**31.3.2017**	**31.3.2016**
Profit attributable to owners of the Company (RM'000)	154,375	140,206	154,375	140,206
Weighted average number of ordinary shares in issue for basic EPS computation ('000)	2,489,680	2,174,045	2,489,680	2,174,045
Dilutive potential ordinary shares - Assumed exercise of warrants	-	119,461	-	119,461
Weighted average number of ordinary shares in issue for diluted EPS computation ('000)	2,489,680	2,293,506	2,489,680	2,293,506
Basic EPS (sen)	6.20	6.45	6.20	6.45
Diluted EPS (sen)	N/A	6.11	N/A	6.11

(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 on 9 August 2016.

16. **Dividend**

(a) The Board of Directors has on even date approved the following first interim dividend for the financial year ending 31 December 2017:

(i)	Amount per ordinary share - First Interim Dividend	15 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders.
(ii)	Previous year corresponding period: Amount per ordinary share - First Interim Dividend	15 sen per ordinary share under the single tier system which was tax exempt in the hands of the shareholders.
(iii)	Total dividend approved to date for the current financial year: Amount per ordinary share	15 sen (2016: 15 sen) per ordinary share under the single tier system which is tax exempt in the hands of the shareholders.

(b) The dividend will be payable in cash on 28 June 2017; and

(c) In respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 15 June 2017.

NOTICE OF FIRST INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that a first interim dividend of 15 sen per ordinary share 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 2017, will be payable in cash on 28 June 2017 to the shareholders whose names appear on the Company's Register of Members and/or Record of Depositors at the close of business on 15 June 2017. 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 13 June 2017 (in respect of shares which are exempted from mandatory deposit);
(b) shares transferred into the depositor's securities account before 4pm on 15 June 2017 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 2016 was not subject to any qualification.

BY ORDER OF THE BOARD

LIM GUAN NEE
QUAN SHEET MEI
Secretaries

Kuala Lumpur
31 May 2017