HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (UNAUDITED) FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2017

	Quarter ended		Year-to-date ended	
	30.6.2017	**30.6.2016**	**30.6.2017**	**30.6.2016**
	RM'000	RM'000	RM'000	RM'000
Revenue	1,306,287	1,216,838	2,482,367	2,268,332
Operating expenses	(1,090,505)	(1,058,806)	(2,102,940)	(1,998,562)
Other operating income	15,968	11,692	111,663	115,817
Operating profit	231,750	169,724	491,090	385,587
Finance costs	(34,103)	(32,182)	(75,232)	(66,011)
Other gain items	496,838	515,085	496,838	515,085
Share of results of associates and a joint venture	7,011	6,775	13,663	11,057
Profit before tax	701,496	659,402	926,359	845,718
Tax expense	(52,802)	(37,084)	(106,508)	(75,088)
Profit for the period	648,694	622,318	819,851	770,630
Profit attributable to:				
Owners of the Company	629,720	606,601	784,095	746,807
Non-controlling interests	18,974	15,717	35,756	23,823
	648,694	622,318	819,851	770,630
Earnings per share (sen)				
Basic	25.29*	26.26	31.49*	33.31
Diluted	N/A	25.90	N/A	32.84

** due to higher weighted average number of ordinary shares in issue arising from the exercise of warrants and resale of treasury shares in the previous financial year.*

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 SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2017

	Quarter ended		Year-to-date ended	
	30.6.2017	**30.6.2016**	**30.6.2017**	**30.6.2016**
	RM'000	RM'000	RM'000	RM'000
Profit for the period	648,694	622,318	819,851	770,630
Other comprehensive (expense)/income net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	(11,347)	3,386	(2,532)	(9,940)
Share of foreign currency translation differences of associates and a joint venture	(1,700)	1,975	565	(2,927)
Change in fair value of cash flow hedge	2,907	(7,170)	5,181	(14,212)
Total other comprehensive (expense)/income for the period	(10,140)	(1,809)	3,214	(27,079)
Total comprehensive income for the period	638,554	620,509	823,065	743,551
Total comprehensive income attributable to:				
Owners of the Company	621,910	601,386	787,472	724,278
Non-controlling interests	16,644	19,123	35,593	19,273
	638,554	620,509	823,065	743,551

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 30 JUNE 2017

	As at 30.6.2017 RM'000	As at 31.12.2016 RM'000 *(Audited)*
Non-current assets		
Property, plant and equipment	1,766,134	1,798,774
Prepaid lease payments	198,382	201,367
Biological assets	458,697	458,585
Investment properties	1,531,387	1,675,054
Investment in associates	453,515	500,934
Investment in a joint venture	371	844
Land held for property development	1,127,837	720,173
Intangible assets	85,149	85,149
Trade and other receivables	1,206,691	1,041,254
Other non-current financial assets	47,816	115,844
Deferred tax assets	20,617	21,809
	6,896,596	6,619,787
Current assets		
Inventories	1,202,662	1,163,461
Property development costs	789,572	682,386
Trade and other receivables	1,706,423	2,030,093
Tax recoverable	20,541	19,471
Other current financial assets	71,376	171,243
Money market deposits	603,211	354,736
Cash and bank balances	711,450	684,284
	5,105,235	5,105,674
TOTAL ASSETS	12,001,831	11,725,461

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED) (Continued)
AS AT 30 JUNE 2017

	As at 30.6.2017 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	3,415,128	3,001,010
	5,904,810	5,490,692
Less: Treasury shares	(35)	(16)
	5,904,775	5,490,676
Non-controlling interests	633,576	631,779
TOTAL EQUITY	6,538,351	6,122,455
Non-current liabilities		
Payables and provisions	18,535	18,433
Borrowings	1,588,453	1,920,316
Other non-current financial liabilities	2,782	-
Deferred tax liabilities	229,745	230,590
	1,839,515	2,169,339
Current liabilities		
Payables and provisions	979,350	880,160
Tax payable	79,533	47,375
Borrowings	2,551,211	2,504,931
Other current financial liabilities	13,871	1,201
	3,623,965	3,433,667
TOTAL LIABILITIES	5,463,480	5,603,006
TOTAL EQUITY AND LIABILITIES	12,001,831	11,725,461
Net assets per share (RM)	2.37	2.21
Number of shares net of treasury shares ('000)	2,489,678	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 30 JUNE 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	-	-	784,095	-	784,095	35,756	819,851
Total other comprehensive income for the period	-	3,377	-	-	3,377	(163)	3,214
Total comprehensive income for the period	-	3,377	784,095	-	787,472	35,593	823,065
Share-based payments by a subsidiary	-	98	-	-	98	95	193
Changes in ownership interest in subsidiaries	-	-	-	-	-	3,000	3,000
Purchase of treasury shares	-	-	-	(19)	(19)	-	(19)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	(5)	(5)
Dividend	-	-	(373,452)	-	(373,452)	-	(373,452)
Dividends paid to non-controlling interests	-	-	-	-	-	(36,886)	(36,886)
At 30 June 2017	2,489,682	1,061,873	2,353,255	(35)	5,904,775	633,576	6,538,351

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR-TO-DATE ENDED 30 JUNE 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 2016	2,249,731	485,063	1,797,758	(289,904)	4,242,648	598,746	4,841,394
Profit for the period	-	-	746,807	-	746,807	23,823	770,630
Total other comprehensive expense for the period	-	(22,529)	-	-	(22,529)	(4,550)	(27,079)
Total comprehensive income for the period	-	(22,529)	746,807	-	724,278	19,273	743,551
Share-based payments by a subsidiary	-	28	-	-	28	26	54
Exercise of warrants	200,387	130,251	-	-	330,638	-	330,638
Changes in ownership interest in a subsidiary	-	-	-	-	-	300	300
Purchase of treasury shares	-	-	-	(8)	(8)	-	(8)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	(5)	(5)
Resale of treasury shares	-	284,197	-	195,075	479,272	-	479,272
Dividend	-	-	(359,783)	-	(359,783)	-	(359,783)
Dividends paid to non-controlling interests	-	-	-	-	-	(21,909)	(21,909)
At 30 June 2016	2,450,118	877,010	2,184,782	(94,837)	5,417,073	596,431	6,013,504

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 30 JUNE 2017

	Year-to-date ended	
	30.6.2017	**30.6.2016**
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	926,359	845,718
Adjustments for:		
Non-cash items	68,441	(188,760)
Non-operating items	(570,157)	(365,294)
Dividend income	(8,286)	(1,798)
Net interest expense	68,134	60,691
Operating profit before working capital changes	484,491	350,557
Net changes in working capital	(65,597)	(56,072)
Net changes in loan receivables	(169,186)	218,637
Net tax paid	(75,148)	(59,297)
Net interest paid	(80,938)	(79,398)
Additions to land held for property development	(492,328)	(15,244)
Net cash flows (used in)/generated from operating activities	(398,706)	359,183
Cash flows from investing activities		
Dividends received from associates and a joint venture	62,120	3,068
Dividends received from available-for-sale equity instruments	-	1,960
Dividends received from held for trading equity instruments	-	36
Dividends received from money market deposits	5,998	1,322
Increase in money market deposits	(247,942)	(340,697)
Acquisition of subsidiaries net of cash acquired	-	(369,343)
Redemption of redeemable preference shares from non-controlling interests	(7,000)	-
Disposal of subsidiaries net of cash disposed	744,646	380,925
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	79,271	119,426
Proceeds from the redemption of available-for-sale equity instruments	-	12,000
Proceeds from disposal of held for trading equity instruments	104,479	-
Purchase of property, plant and equipment	(69,690)	(131,039)
Additions to prepaid lease payments	(1,338)	(12,800)
Additions to biological assets	(199)	(83)
Additions to investment properties	(11,283)	(58,876)
Net cash flows generated from/(used in) investing activities	1,036,562	(393,801)
Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(410,338)	(381,692)
Net repayment of borrowings	(208,531)	(136,794)
Proceeds from resale of treasury shares	-	479,272
Proceeds from issuance of shares pursuant to the exercise of warrants	-	330,638
Shares repurchased at cost	(24)	(13)
Net cash flows (used in)/generated from financing activities	(618,893)	291,411
Net increase in cash and cash equivalents	18,963	256,793
Effects on exchange rate changes	1,759	(511)
Cash and cash equivalents at beginning of the period	684,039	410,145
Cash and cash equivalents at end of the period	704,761	666,427
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	485,378	428,705
Cash in hand and at bank	226,072	243,738
Bank overdrafts	(6,689)	(6,016)
	704,761	666,427

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.

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

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

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

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

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

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

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

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

Shares buyback

Month	No of shares repurchased	Purchase price per share		Average cost per share	Total cost
		Lowest	Highest		
		RM	RM	RM	RM
April 2017	-	-	-	-	-
May 2017	-	-	-	-	-
June 2017	2,000	9.23	9.23	9.3011	18,602.28
Total	2,000	9.23	9.23	9.3011	18,602.28

As at 30 June 2017, the Company held 4,000 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 dividend paid out of shareholders' equity for ordinary shares during the interim period and preceding year corresponding period were as follows:

	Year-to-date ended	
	30.6.2017	**30.6.2016**
	RM'000	RM'000
Dividend in respect of financial year ending 31 December 2016:		
- first interim (15 sen) under the single tier system approved by the Directors on 19 May 2016 and paid on 28 June 2016	-	359,783
Dividend in respect of financial year ending 31 December 2017:		
- first interim (15 sen) under the single tier system approved by the Directors on 31 May 2017 and paid on 28 June 2017	373,452	-
	373,452	359,783

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 30 June 2017									
Revenue									
External revenue	133,508	220,857	36,518	284,132	267,554	363,718	-	-	1,306,287
Inter-segment revenue	-	3,794	7,683	587	9,176	6,271	5,822	(33,333)	-
Total revenue	133,508	224,651	44,201	284,719	276,730	369,989	5,822	(33,333)	1,306,287
Operating profit	40,385	129,977	40,598	5,170	11,366	14,314	(3,230)	(6,830)	231,750
Finance costs									(34,103)
Other gain items									496,838
Share of results of associates and a joint venture									7,011
Profit before tax									701,496
Current quarter ended 30 June 2016									
Revenue									
External revenue	110,556	185,997	38,004	293,731	278,651	309,899	-	-	1,216,838
Inter-segment revenue	-	2,978	7,340	5,223	9,262	1,905	9,186	(35,894)	-
Total revenue	110,556	188,975	45,344	298,954	287,913	311,804	9,186	(35,894)	1,216,838
Operating profit	28,673	84,947	37,846	7,232	11,272	12,050	(836)	(11,460)	169,724
Finance costs									(32,182)
Other gain items									515,085
Share of results of associates and a joint venture									6,775
Profit before tax									659,402

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-to-date ended 30 June 2017									
Revenue									
External revenue	277,610	424,064	72,027	539,997	474,572	694,097	-	-	2,482,367
Inter-segment revenue	-	7,287	15,778	1,838	15,772	20,455	12,742	(73,872)	-
Total revenue	277,610	431,351	87,805	541,835	490,344	714,552	12,742	(73,872)	2,482,367
Operating profit	86,548	240,709	75,261	13,849	18,430	75,985	3,565	(23,257)	491,090
Finance costs									(75,232)
Other gain items									496,838
Share of results of associates and a joint venture									13,663
Profit before tax									926,359
Segment assets	1,175,705	4,357,269	2,090,586	609,995	507,196	2,294,351	477,059	-	11,512,161
Year-to-date ended 30 June 2016									
Revenue									
External revenue	214,718	364,789	75,726	520,796	556,117	536,186	-	-	2,268,332
Inter-segment revenue	-	5,954	13,117	6,469	16,510	12,064	12,829	(66,943)	-
Total revenue	214,718	370,743	88,843	527,265	572,627	548,250	12,829	(66,943)	2,268,332
Operating profit	52,320	159,557	74,097	13,908	17,745	110,183	(14,736)	(27,487)	385,587
Finance costs									(66,011)
Other gain items									515,085
Share of results of associates and a joint venture									11,057
Profit before tax									845,718
Segment assets	1,116,291	3,682,708	1,590,201	886,946	531,597	2,292,118	562,332	-	10,662,193

9. **Effect of changes in the composition of the Group during the interim period, including business combinations, obtaining or losing control of subsidiaries and long–term investments, restructuring and discontinued operations**

There were no changes in the composition of the Group during the interim period, except for the following:

(a) On 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 Disposal"].

The HSL 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 Disposal.

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 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 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 Disposal during the extraordinary general meeting of the Company held on 31 May 2017 ["EGM"].

The HSL Disposal was approved by the shareholders during the EGM and completed on 1 June 2017. The HSL Disposal resulted in a gain of approximately RM496.8 million to the Group.

(b) On 29 June 2017, Hap Seng Land Development Sdn Bhd, a wholly-owned subsidiary of the Company acquired the entire issued share capital of Sunpoint Resources Sdn Bhd ["Sunpoint"] comprising 1 ordinary share at a cash consideration of RM1.00. Sunpoint is a private limited company incorporated in Malaysia and is currently dormant.

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 18 August 2017.

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

Save for the subsequent events as disclosed in Note 10 of Part B, events after the end of interim period and up to 18 August 2017 that have not been reflected in these financial statements are as follows:

(a) On 3 July 2017, Hafary Holdings Limited ("Hafary") allotted and issued 1,550,000 shares pursuant to the vesting of share awards under the Hafary performance share plan, thereby decreasing *Hap Seng Investment Holdings Pte Ltd's shareholding in Hafary, a company listed in main market of Singapore Exchange Securities Trading Limited from 51% to 50.82%.

(b) On 1 August 2017, the Company acquired the entire issued share capital of Sunrise Addition Sdn Bhd ["Sunrise"] comprising 1 ordinary share at a cash consideration of RM1.00. Sunrise is a private limited company incorporated in Malaysia and is principally involved in investment holding.

(c) As part of the Group's re-organisation, the Company had on 4 August 2017 transferred 1,000,000 ordinary shares representing the entire issued share capital of *Hap Seng Automotive Acceptance Sdn Bhd ["HSAA"] to *Sunrise Addition Sdn Bhd for a cash consideration of RM1,804,145. HSAA is a private limited company incorporated in Malaysia and is principally involved in the provision of financial services.

(d) On 4 August 2017, *Sunrise Addition Sdn Bhd acquired the entire issued share capital of Super8 Capital Sdn Bhd ["Super8"] comprising 1 ordinary share at a cash consideration of RM1.00. Super8 is a private limited company incorporated in Malaysia and is currently dormant.

(e) On 14 August 2017, *Hap Seng Commercial Development Sdn Bhd ["HSCD"], the registered and/or beneficial owner of all those forty-eight (48) contiguous parcels of vacant leasehold land measuring approximately 438,221.72 square feet situated at Mile 1, Jalan Kuhara, Tawau, Sabah ["Jalan Kuhara Lands"] entered into a sale and purchase agreement ["HSCD SPA"] to dispose the Jalan Kuhara Lands to Zillion Sunrise Sdn Bhd, the wholly-owned subsidiary of Akal Megah which in turn is wholly-owned by LSH, for a total cash consideration of RM175,276,000 ["HSCD Disposal"].

    HSCD 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 60.83%, comprising 54.63% direct shareholding and 6.20% indirect shareholding via Hap Seng Insurance Services Sdn Bhd ["HSIS"]. Lei Shing Hong Investment Ltd ["LSHI"], a wholly-owned subsidiary of Lei Shing Hong Capital Limited ["LSHCL"], which in turn is the wholly-owned subsidiary of LSH, was a 13.08% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI were deemed interested in the HSCD Disposal.

    The HSCD SPA was completed on 18 August 2017 with the full purchase consideration paid by the purchaser and resulted in a net gain of approximately RM111.99 million to the Group.

(f) On 16 August 2017, the Company incorporated a wholly-owned subsidiary in Labuan, HSC International Limited ["HSCI"]. HSCI has an issued share capital of USD1.00 comprising 1 ordinary share and is principally involved in investment holding.

(g) On 18 August 2017, *HSC International Limited ["HSCI"] incorporated three (3) wholly-owned subsidiaries in Labuan namely, HSC Sydney Holding Limited ["HSC Sydney"], HSC Melbourne Holding Limited ["HSC Melbourne"] and HSC Brisbane Holding Limited ["HSC Brisbane"]. HSC Sydney, HSC Melbourne and HSC Brisbane have an issued share capital of USD1.00 comprising 1 ordinary share each and are presently dormant.

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

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

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

13. **Capital commitments**

The Group has the following capital commitments:

	As at 30.6.2017	**As at 31.12.2016**
	RM'000	RM'000 *(Audited)*
Contracted but not provided for	77,891	63,141
Authorised but not contracted for	51,935	111,126
	129,826	174,267

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 and the annual general meeting held on 31 May 2017, except for the followings:

(a) On 13 January 2017, *Hap Seng Properties Development Sdn Bhd ["HSPD"], 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 ["Apas Road Land"] entered into a sale and purchase agreement ["HSPD SPA"] to dispose portions of the Apas Road 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 ["Akal Megah"] 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 Lei Shing Hong Capital Limited ["LSHCL"], which in turn is the wholly-owned subsidiary of LSH, was a 12.08% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH. LSHCL and LSHI were deemed interested in the HSPD Disposal.

The HSPD 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 Disposal as disclosed in Note 9(a) above.

** This is the Company's wholly-owned subsidiary.*

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 RM1.3 billion was 7% above the preceding year corresponding quarter with higher revenue from Plantation, Property and Building Materials Divisions. The Group's operating profit for the current quarter at RM231.8 million was higher than the preceding year corresponding quarter by 37% with higher contribution from all divisions except Automotive Division.

Plantation Division's revenue and operating profit for the current quarter at RM133.5 million and RM40.4 million were higher than the preceding year corresponding quarter by 21% and 41% respectively, benefitting from higher average selling price realization and sales volume of Crude Palm Oil ["CPO"]. Average selling price per tonne of CPO and Palm Kernel ["PK"] for the current quarter were RM2,897 and RM2,142 respectively as compared to the preceding year corresponding quarter of RM2,661 for CPO and RM2,411 for PK. CPO sales volume for the current quarter at 39,009 tonnes was 18% higher than the preceding year corresponding quarter whilst PK sales volume was 2% higher at 8,693 tonnes. The higher CPO sales volume benefitted mainly from favorable inventories movements which negated the slightly lower CPO production. CPO production for the current quarter was 2% lower than the preceding year corresponding quarter due to marginally lower fresh fruit bunches production and lower oil extraction rate. PK production for the current quarter was however 2% above the preceding year corresponding quarter attributable to higher kernel extraction rate.

The Property Division's revenue and operating profit for the current quarter at RM224.7 million and RM130 million were higher than the preceding year corresponding quarter by 19% and 53% respectively. In the current quarter, the division's improved performance was contributed mainly by the higher sale of non-strategic properties. The investment properties segment registered improved revenue contribution in the current quarter from higher occupancy rates at Menara Hap Seng 2, Kuala Lumpur and Plaza Shell, Kota Kinabalu but profit contribution was at the same level as the preceding year corresponding quarter, affected by higher operating expenses. Projects revenue were somewhat subdued as compared to the preceding year corresponding quarter as in the preceding year corresponding quarter, the projects segment benefitted from the Nadi Bangsar development which was at advanced stage of development with 87% of its units sold. In the current quarter, new projects namely Aria Luxury Residences in the Kuala Lumpur City Centre, Akasa at Cheras South and Kingfisher Putatan and Kingfisher Inanam Condominiums in Kota Kinabalu are still in their early stage of construction while registering encouraging sales take-up rates.

Credit Financing Division's revenue for the current quarter at RM44.2 million was 3% lower than the preceding year corresponding quarter mainly due to lower average interest yield albeit at a higher loan base of RM2.5 billion as at end of the current quarter. This loan base was 13% above the preceding year corresponding period of RM2.2 billion. Nevertheless, operating profit for the current quarter at RM40.6 million was higher than the preceding year corresponding quarter by 7%, benefitted from favourable movement in individual impairment. The non-performing loans ["NPL"] ratio at the end of the current quarter was lower at 1.96% as compared to the end of the preceding year corresponding period of 2.10%. In the current quarter, the division commenced operations in Sydney, Australia and is currently building up its customers' loan base and portfolio.

The Automotive Division's revenue at RM284.7 million was 5% lower than the preceding year corresponding quarter. The lower revenue was mainly due to the inclusion of commercial vehicles operations under Hap Seng Commercial Vehicle Sdn Bhd ["HSCV"] in the previous year of which 51% equity interest in HSCV was divested on 25 May 2016 and the remaining 49% on 28 December 2016. In the current quarter, the revenue contribution from its vehicle sales segment was close to the preceding year corresponding quarter whilst its after sales and services segment registered 28% increase in revenue with higher throughput. The division officially launch its 8th autohaus in Malaysia and the 5th in Klang Valley at Bukit Tinggi, Klang in April 2017 and two other autohauses are expected to be opened in the 3rd and 4th quarter of this year. As a consequence of the expansion, the division incurred higher operating expenses relating to the initial start up costs of these new autohauses and registered 29% decline in operating profit for the current quarter to RM5.2 million.

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

The Fertilizer Trading Division's revenue at RM276.7 million in the current quarter was 4% lower than the preceding year corresponding quarter mainly due to lower sales volume from its Malaysian and Indonesian operations but mitigated somewhat by better average selling prices and sales from its China operations. The fertilizers tender market in Malaysia and Indonesia continued to be very competitive in the current quarter. Inspite of the lower revenue, the division's operating profits for the current quarter at RM11.4 million was marginally above the preceding year corresponding quarter mainly attributable to better average margins achieved.

The Building Materials Division's revenue for the current quarter at RM370 million improved by 19% over the preceding year corresponding quarter of RM311.8 million. The improved performance was mainly attributable to the 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 14% higher than the preceding year corresponding quarter as it continued to benefit from the public sector projects' demand in Singapore. MMSB continued to grow its sales volume in the competitive ceramic tiles market which has been affected by margin erosion. The building materials trading, quarry, asphalt and bricks businesses in Malaysia registered lower revenue by 4% as sales were affected by competitive pricing and slow market demand. Overall, the division's operating profit for the current quarter at RM14.3 million was 19% above preceding year corresponding quarter.

The Group profit before tax ["PBT"] for the current quarter included a gain of RM496.8 million arising from the disposal of 100% equity interest in HSL as disclosed in Note 9(a) of Part A. In the preceding year corresponding quarter, PBT included a total gain of RM515.1 million arising from the disposal of 51% equity interest in HSCV and balance of 49% equity interest retained recognized at its fair value. The Group PBT and profit after tax ["PAT"] for the current quarter at RM701.5 million and RM648.7 million were higher than the preceding year corresponding quarter by 6% and 4% respectively.

Overall, Group PBT and PAT for the year to date at RM926.4 million and RM819.9 million were higher than the preceding corresponding period by 10% and 6% respectively. Profit attributable to owners of the Company for the year to date at RM784.1 million was 5% higher than the preceding year corresponding period whilst basic earnings per share for the year to date at 31.49 sen was 5% below last year corresponding period of 33.31 sen mainly due to the enlarged share capital arising 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 excluding gain arising from the disposal of a subsidiary, at RM204.7 million was 9% lower than the preceding quarter of RM224.9 million mainly attributable to lower contributions from Plantation and Building Materials Divisions but mitigated by improved performance from Property and Credit Financing Divisions.

Plantation Division's operating profit for the current quarter was RM5.8 million (13%) lower than the preceding quarter of RM46.2 million mainly due to lower average selling price of CPO and PK inspite of higher sales volume for both products. Average selling price realization of CPO and PK were 11% and 35% lower than the preceding quarter average selling price per tonne of RM3,268 and RM3,282 respectively. CPO sales volume for the current quarter was 8% above the preceding quarter of 36,275 tonnes whilst PK sales volume was 21% higher than the preceding quarter of 7,183 tonnes.

Building Materials Division's operating profit for the current quarter was RM47.4 million (77%) lower than preceding quarter of RM61.7 million. In the preceding quarter, operating profit included gains of RM57.9 million from the disposal of property, plant and equipment comprising several parcels of land.

Property Division's operating profit for the current quarter was RM19.2 million (17%) above the preceding quarter of RM110.7 million mainly benefitted from higher contribution from sale of certain parcels of non-strategic properties and better performance from its projects segment in Peninsular Malaysia.

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

Credit Financing Division's operating profit for the current quarter was RM5.9 million (17%) higher than the preceding quarter of RM34.7 million, benefitted from higher loan base of RM2.5 billion and improved NPL ratio of 1.96% as compared to the preceding quarter loan base of RM2.1 billion and NPL ratio of 2.18%.

3. **Current year prospects**

Palm oil prices are expected to be influenced by price movements of soybean oil, its main competing edible oil and the demand from India and China ahead of their festivities amidst the uncertainties of global palm oil production in the second half of the year. The forecast of abundant global supplies of soybean due to improved weather conditions is likely to put pressure on soybean oil prices. Accordingly, palm oil prices could be negatively affected. Malaysia's palm oil production is traditionally higher in the second half of the year especially in Sabah, the country's largest producing region. In July, Malaysia's palm oil production was much higher than expected which resulted in the highest month end inventories since April 2016. However, the extent of the increase this year remains uncertain as planters are still experiencing some lingering effects of the 2015 crop-damaging El-Nino to the palm trees.

Property Division expects its development projects namely Aria Luxury Residences in the Kuala Lumpur City Centre, Akasa at Cheras South and Kingfisher Putatan and Kingfisher Inanam Condominiums in Kota Kinabalu as well as upcoming launches of new phases in Bandar Sri Indah, Tawau to contribute positively to its current year's performance. Its strategically located investment properties in Kuala Lumpur City Center and Kota Kinabalu are expected to further improve its occupancy as the division is actively engaging with potential tenants.

Credit Financing Division is focussed on further growing its term loan portfolio and will continue to leverage on group synergy, collaborating with other division's wide business network and customers' base. The division also places emphasis on innovative and flexible financing instruments to cater to the needs of its wide network of customers to grow its loan portfolio whilst managing its cost of funds and funding requirements to improve interest yield. Concerted efforts are also placed on collections and to keep non-performing loans low.

Automotive Division will have 10 autohauses in the second half of 2017 with the opening of another 2 new autohauses in Iskandar, Johor Bahru and Puchong South. These 2 new autohauses together with the Bukit Tinggi, Klang autohaus that was officially opened in April 2017 would enable the division to expand further its market coverage and contribute positively to its future performance. The division continued to focus on providing excellent sales and after sales services to its customers to retain and to expand its customers' base amidst a very competitive premium passenger vehicles segment in Malaysia.

Fertilizer Trading Division expects the competitive business environment in which it operates to continue especially within the fertilizers tender markets in Malaysia and Indonesia. The volatility in foreign exchange movements and fluctuations in palm oil prices are expected to continue to influence the fertilizers market.

Building Materials Division's business environment in Malaysia is expected to continue to be challenging and competitive. Nevertheless, the division's quarries in East Malaysia are expected to benefit from the demand arising from the construction of the Pan Borneo Highway whilst its operations in Singapore are expected to improve in tandem with the higher public sector construction demand in Singapore. The division plans to further increase its OEM sourcing for its tiles segment via MMSB to increase its market share. Concerted efforts are directed towards establishing new markets and expand customers' base and identifying products with higher margins to improve profitability amidst the challenging business environment 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	
	30.6.2017	**30.6.2016**	**30.6.2017**	**30.6.2016**
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after crediting/(charging):				
Interest income	3,171	2,839	7,098	5,320
Dividend income from available-for-sale equity instrument	180	180	360	440
Dividend income from held for trading equity instrument	-	36	-	36
Dividend income from money market deposits	4,702	497	7,926	1,322
Gain on held for trading equity instruments at fair value	324	-	8,918	-
Gain on money market deposits at fair value	517	-	517	-
Interest expense	(34,103)	(32,182)	(75,232)	(66,011)
Depreciation and amortisation	(35,797)	(31,636)	(72,245)	(60,568)
Net reversal/(allowance) of impairment losses - trade receivables	1,851	(2,509)	(1,087)	(3,239)
Net inventories written down	(3,807)	(734)	(5,610)	(1,870)
Gain on disposal of property, plant and equipment	380	665	59,656	91,813
Property, plant and equipment written off	(665)	(16)	(954)	(486)
Biological assets written off	-	-	(87)	(63)
Bad debts written off	-	(50)	(31)	(92)
Net foreign exchange (loss)/gain	(4,830)	3,726	(1,860)	(605)
Gain on hedging activities	438	1,282	929	1,365
Gain/(Loss) on non-hedging derivative instruments	36	26	408	(68)
Recovery of bad debts	159	582	381	1,496
Other gain items				
- Gain on disposal of a subsidiary	496,838	-	496,838	-
- Gain on disposal of 51% equity interest in a subsidiary	-	262,424	-	262,424
- Gain on recognition of 49% equity interest retained in a former subsidiary at its fair value	-	252,661	-	252,661
	496,838	515,085	496,838	515,085

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

6. **Tax expense**

	Quarter ended		Year-to-date ended	
	30.6.2017	**30.6.2016**	**30.6.2017**	**30.6.2016**
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	52,073	37,339	106,089	79,499
- deferred tax	729	(255)	419	(4,411)
	52,802	37,084	106,508	75,088

The Group's effective tax rate for the current quarter and year to date were lower than the statutory tax rate mainly due to capital gain not subjected to income tax.

The effective tax rate for the preceding year corresponding quarter and period were also lower than the statutory tax rate mainly due to capital gain and fair value gain not subjected to income tax.

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

Saved as disclosed below, there were no other corporate proposals announced but not completed as at 18 August 2017.

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 had 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 condition precedent requiring TTDI KL to complete the construction of the main sewerage reticulation lines for GSSB to connect from the agreed tapping points to the Land. Notwithstanding the DRA not having been rendered unconditional, GSSB had, at the request of TTDI KL paid the sum equivalent to forty one per centum (41%) of the consideration sum amounting to RM191,812,104.00 on and subject to the condition that TTDI KL will undertake to fulfill the said condition precedent on or before 31 December 2018.

The DRA shall become unconditional on the date of the last of the CPs being obtained or waived.

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

(a) 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 was fully utilised as follows:

		RM’000
(i)	Loan disbursements of credit financing division	110,250
(ii)	Purchase of inventories, such as fertilisers, automobiles and building materials which include steel bars, wire mesh and cement	91,875
(iii)	Properties development costs such as construction costs and consultancy fees	110,250
(iv)	Payment of trade and other payables	55,125
		367,500

8. **Status of the utilisation of proceeds from corporate proposals (continued)**

(b) The status of the utilisation of proceeds from the HSL Disposal as disclosed in Note 9(a) of Part A is as follows:

Purpose	Proposed Utilisation RM'000	As at 30 June 2017 Utilisation RM'000	As at 30 June 2017 Balance Unutilised RM'000	Intended Timeframe for Utilisation	Deviation under/(over) spent RM'000	Deviation under/(over) spent %	Explanation
Repayment of borrowings	200,000	-	200,000	Within 24 months from completion	-	-	Not fully utilised yet and within intended timeframe for utilisation. As such, deviation was not computed
Working capital requirements:							
(i) Purchase of inventories *This inventories involved purchase of fertilisers, automobiles, spare parts and inventories for building materials such as steel bars and cement*	163,745	46,700	# 109,299		-	-	
(ii) Loan disbursements of credit financing division					-	-	
(a) manufacturing	25,000	22,300	2,700				
(b) transportation	25,000	13,200	11,800				
(c) real estate	70,000	2,070	67,930				
	120,000	37,570	82,430				
(iii) Property development *This is to part finance the acquisition cost of the mixed-development at Metropolis Plot 5A*	190,000	191,812	-		(1,812)	(1)	Under/(over) spent will increase/(decrease) the balance unutilised for working capital requirement of item (i) #
	473,745	276,082	191,729				
Repayment of amount owing to HSL	75,255	81,500	-		(6,245)	(8)	
Estimated expenses	1,000	689	-		311	31	
	750,000	358,271	391,729		(7,746)		

9. **Borrowings and debt securities**

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

	As at 30.6.2017						
	Denominated in						
	RM RM'000	USD RM'000	SGD RM'000	Euro RM'000	IDR RM'000	RMB RM'000	Total RM'000
Current							
Secured							
- Trust receipts	-	-	11,297	-	-	-	11,297
- Finance leases	-	-	1,484	-	-	-	1,484
- Revolving credits	-	-	87,965	-	-	-	87,965
- Term loans	-	-	13,330	-	-	-	13,330
- Foreign currency loans	-	38,035	-	26,530	-	-	64,565
	-	38,035	114,076	26,530	-	-	178,641
Unsecured							
- Bankers acceptances	267,741	-	-	-	-	-	267,741
- Bank overdrafts	5,713	-	766	-	210	-	6,689
- Revolving credits	821,900	-	-	-	5,805	4,109	831,814
- Term loans	236,405	-	12,455	-	-	-	248,860
- Foreign currency loans	-	727,593	289,873	-	-	-	1,017,466
	1,331,759	727,593	303,094	-	6,015	4,109	2,372,570
Total current borrowings	1,331,759	765,628	417,170	26,530	6,015	4,109	2,551,211
Non-current							
Secured							
- Term loans	-	-	271,657	-	-	-	271,657
- Finance leases	-	-	1,939	-	-	-	1,939
	-	-	273,596	-	-	-	273,596
Unsecured							
- Term loans	453,405	-	138,312	-	-	-	591,717
- Foreign currency loans	-	723,140	-	-	-	-	723,140
	453,405	723,140	138,312	-	-	-	1,314,857
Total non-current borrowings	453,405	723,140	411,908	-	-	-	1,588,453
Total borrowings	1,785,164	1,488,768	829,078	26,530	6,015	4,109	4,139,664

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 12 to 15 September and 20 to 22 September 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 12 to 15 September and 20 to 22 September 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 30 June 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*	161,084	(3,776)	(6,205)	7,134	929
- Not designated as hedging instruments	51,200	128	(790)	1,198	408
	212,284	(3,648)	(6,995)	8,332	1,337
Cross currency interest rate swaps on foreign currency borrowings of 1 year to 4 years (SGD/USD)					
- Designated as hedging instruments**	1,476,800	80,319	(80,677)	85,858	5,181

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

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

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

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

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

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

	As at 30.6.2017	As at 31.12.2016
	RM'000	RM'000
		(Audited)
Total retained profits of the Company and its subsidiaries:		
- Realised	3,646,324	3,214,915
- Unrealised	222,551	226,291
	3,868,875	3,441,206
Total share of retained profits from associates and a joint venture		
- Realised	24,646	75,170
- Unrealised	38,016	38,201
- Breakdown unavailable*	31,720	30,183
	3,963,257	3,584,760
Less: Consolidation adjustments	(1,610,002)	(1,642,148)
Total Group retained profits as per consolidated financial statements	2,353,255	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, Hap Seng Automotive Acceptance Sdn Bhd and Hap Seng Credit (Australia) Pty Ltd in the ordinary course of their moneylending businesses. The aggregate amount of outstanding loans as at 30 June 2017 given by the Company's moneylending subsidiaries are as follows:

		Secured	Unsecured	Total
		RM'000	RM'000	RM'000
(a)	To companies	1,659,378	-	1,659,378
(b)	To individuals	231,537	1,045	232,582
(c)	To companies within the listed issuer group	212,906	366,712	579,618
(d)	To related parties	-	-	-
		2,103,821	367,757	2,471,578

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

Moneylending operations (continued)

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

		As at 30.6.2017 RM'000
(a)	Loans given by companies within the Group to the moneylending subsidiaries	484,927
(b)	Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c)	Unsecured bank borrowings guaranteed by the Company	1,300,700
(d)	Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company	59,810
		1,845,437

(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	20,836
(c)	Loans reclassified as performing during the financial year	(10,858)
(d)	Amount recovered	(5,078)
(e)	Amount written off	-
(f)	Loans converted to securities	-
(g)	Balance as at 30.6.2017	48,324
(h)	Ratio of net loans in default to net loans	1.96%

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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	226,716	No	-	Yes	36
2nd	Term Loan	203,500	192,183	Yes	467,834	Yes	72
3rd	Term Loan	115,300	114,434	No	-	No	72
4th	Term Loan	262,000	76,092	No	-	Yes	12 - 30
5th	Term Loan	94,700	56,837	No	-	Yes	12 - 60

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

	Quarter ended		**Year-to-date ended**	
	30.6.2017	**30.6.2016**	**30.6.2017**	**30.6.2016**
Profit attributable to owners of the Company (RM'000)	629,720	606,601	784,095	746,807
Weighted average number of ordinary shares in issue for basic EPS computation ('000)	2,489,679	2,310,256	2,489,679	2,242,151
Dilutive potential ordinary shares				
- Assumed exercise of warrants	-	31,879	-	31,662
Weighted average number of ordinary shares in issue for diluted EPS computation ('000)	2,489,679	2,342,135	2,489,679	2,273,813
Basic EPS (sen)	25.29	26.26	31.49	33.31
Diluted EPS (sen)	N/A	25.90	N/A	32.84

(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**

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

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

The auditors' report in respect of the financial statements of the Company for the preceding financial year ended 31 December 2016 was not subject to any qualification.

BY ORDER OF THE BOARD

LIM GUAN NEE
QUAN SHEET MEI
Secretaries

Kuala Lumpur
24 August 2017