HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (UNAUDITED)
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2017

	Quarter ended			Year ended		
	31.12.2017 RM'000	**31.12.2016** RM'000	***Increase/ (Decrease)***	**31.12.2017** RM'000	**31.12.2016** RM'000	***Increase/ (Decrease)***
Revenue	1,408,293	1,208,839	*16%*	5,288,733	4,891,714	*8%*
Operating expenses	(1,261,744)	(1,123,154)		(4,509,119)	(4,271,590)	
Other operating income	52,623	57,884		195,545	191,012	
Operating profit	199,172	143,569	*39%*	975,159	811,136	*20%*
Finance costs	(34,516)	(33,576)		(146,339)	(130,920)	
Other gain/(loss) items	35,714	(35,517)		532,552	479,568	
Share of results of associates and joint ventures	9,530	66,257		34,016	85,151	
Profit before tax	209,900	140,733	*49%*	1,395,388	1,244,935	*12%*
Tax expense	(40,513)	(37,354)		(212,941)	(179,492)	
Profit for the period	169,387	103,379	*64%*	1,182,447	1,065,443	*11%*
Profit attributable to:						
Owners of the Company	144,200	87,570	*65%*	1,103,902	1,000,960	*10%*
Non-controlling interests	25,187	15,809		78,545	64,483	
	169,387	103,379		1,182,447	1,065,443	
Earnings per share (sen)						
Basic	5.79	3.52	*65%*	44.34	42.36	*5%*
Diluted	N/A	N/A		N/A	N/A	

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 FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2017

	Quarter ended		Year ended	
	31.12.2017	**31.12.2016**	**31.12.2017**	**31.12.2016**
	RM'000	RM'000	RM'000	RM'000
Profit for the period	169,387	103,379	1,182,447	1,065,443
Other comprehensive (expense)/income net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	(16,938)	1,881	(21,425)	(3,185)
Share of foreign currency translation differences of associates and joint ventures	(661)	3,837	(239)	3,847
Change in fair value of cash flow hedge	(1,179)	8,298	2,231	(6,350)
	(18,778)	14,016	(19,433)	(5,688)
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment upon transfer of property to investment property	6,776	-	57,013	-
Remeasurement (loss)/gain on defined benefit liabilities	(113)	293	(113)	293
	6,663	293	56,900	293
Total other comprehensive (expense)/income for the period	(12,115)	14,309	37,467	(5,395)
Total comprehensive income for the period	157,272	117,688	1,219,914	1,060,048
Total comprehensive income attributable to:				
Owners of the Company	135,656	99,893	1,145,447	996,134
Non-controlling interests	21,616	17,795	74,467	63,914
	157,272	117,688	1,219,914	1,060,048

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 DECEMBER 2017

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000 *(Audited)*
Non-current assets		
Property, plant and equipment	1,777,067	1,798,774
Prepaid lease payments	189,638	201,367
Biological assets	458,886	458,585
Investment properties	1,538,870	1,675,054
Investment in associates	452,231	500,934
Investment in joint ventures	9,433	844
Land held for property development	670,846	720,173
Intangible assets	36,736	85,149
Trade and other receivables	1,527,150	1,041,254
Other non-current financial assets	29,563	115,844
Deferred tax assets	15,247	21,809
	6,705,667	6,619,787
Current assets		
Inventories	1,348,641	1,163,461
Property development costs	814,683	682,386
Trade and other receivables	2,446,061	2,030,093
Tax recoverable	22,966	19,471
Other current financial assets	30,907	171,243
Money market deposits	90,990	354,736
Cash and bank balances	647,335	684,284
	5,401,583	5,105,674
TOTAL ASSETS	12,107,250	11,725,461

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

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000 *(Audited)*
Equity attributable to owners of the Company		
Share capital	3,519,554	2,489,682
Reserves	2,244,816	3,001,010
	5,764,370	5,490,692
Less: Treasury shares	(54)	(16)
	5,764,316	5,490,676
Non-controlling interests	652,138	631,779
TOTAL EQUITY	6,416,454	6,122,455
Non-current liabilities		
Payables and provisions	7,494	18,433
Borrowings	1,595,237	1,920,316
Deferred tax liabilities	222,906	230,590
	1,825,637	2,169,339
Current liabilities		
Payables and provisions	878,539	880,160
Tax payable	58,093	47,375
Borrowings	2,883,638	2,504,931
Other current financial liabilities	44,889	1,201
	3,865,159	3,433,667
TOTAL LIABILITIES	5,690,796	5,603,006
TOTAL EQUITY AND LIABILITIES	12,107,250	11,725,461
Net assets per share (RM)	2.32	2.21
Number of shares net of treasury shares ('000)	2,489,676	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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 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
Transition to no-par value regime under the Companies Act 2016*	1,029,872	(1,029,872)	-	-	-	-	-
Profit for the period	-	-	1,103,902	-	1,103,902	78,545	1,182,447
Total other comprehensive income for the period	-	41,658	(113)	-	41,545	(4,078)	37,467
Total comprehensive income for the period	-	41,658	1,103,789	-	1,145,447	74,467	1,219,914
Share-based payments by a subsidiary	-	98	-	-	98	95	193
Changes in ownership interest in subsidiaries	-	(468)	(12)	-	(480)	5,680	5,200
Purchase of treasury shares	-	-	-	(38)	(38)	-	(38)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	(10)	(10)
Dividends	-	-	(871,387)	-	(871,387)	-	(871,387)
Dividends paid to non-controlling interests	-	-	-	-	-	(59,873)	(59,873)
At 31 December 2017	3,519,554	69,814	2,175,002	(54)	5,764,316	652,138	6,416,454

* *The new Companies Act 2016 ("Act"), which was effective from 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, amounts standing to the credit of the share premium and capital redemption reserve accounts of RM903,605,000 and RM126,267,000 respectively became part of the share capital pursuant to the transitional provisions as set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amounts standing to the credit of its share premium and capital redemption reserve accounts for purposes as set out in Section 618(3) and 618(4) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.*

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED) (Continued)
FOR THE YEAR ENDED 31 DECEMBER 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	-	-	1,000,960	-	1,000,960	64,483	1,065,443
Total other comprehensive expense for the year	-	(5,119)	293	-	(4,826)	(569)	(5,395)
Total comprehensive income for the year	-	(5,119)	1,001,253	-	996,134	63,914	1,060,048
Realisation of revaluation reserves	-	(1,176)	1,176	-	-	-	-
Share-based payments by a subsidiary	-	186	-	-	186	179	365
Exercise of warrants	239,951	155,967	-	-	395,918	-	395,918
Changes in ownership interests in subsidiaries	-	-	-	-	-	5,300	5,300
Purchase of treasury shares	-	-	-	(794)	(794)	-	(794)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	(10)	(10)
Resale of treasury shares	-	423,621	-	290,682	714,303	-	714,303
Transfer of reserves upon expiry of warrants	-	(144)	144	-	-	-	-
Dividends	-	-	(857,719)	-	(857,719)	-	(857,719)
Dividends paid to non-controlling interests	-	-	-	-	-	(36,350)	(36,350)
At 31 December 2016 *(Audited)*	2,489,682	1,058,398	1,942,612	(16)	5,490,676	631,779	6,122,455

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 ENDED 31 DECEMBER 2017

	Year ended	
	31.12.2017	**31.12.2016**
	RM'000	RM'000
		(Audited)
Cash flows from operating activities		
Profit before tax	1,395,388	1,244,935
Adjustments for:		
Non-cash items	137,480	(42,125)
Non-operating items	(626,817)	(440,663)
Dividend income	(15,748)	(11,512)
Net interest expense	132,980	119,488
Operating profit before working capital changes	1,023,283	870,123
Net changes in working capital	(805,917)	115,271
Net changes in loan receivables	(655,459)	277,275
Net tax paid	(206,566)	(177,523)
Net interest paid	(158,860)	(154,363)
Additions to land held for property development	(51,651)	(304,889)
Net cash flows (used in)/generated from operating activities	(855,170)	625,894
Cash flows from investing activities		
Dividends received from associates and a joint venture	76,226	14,149
Dividends received from available-for-sale equity instruments	-	1,960
Dividends received from held for trading equity instruments	-	2,316
Dividends received from money market deposits	14,925	8,396
Decrease/(increase) in money market deposits	265,149	(255,649)
Acquisition of subsidiaries net of cash acquired	-	(369,343)
Acquisition of a joint venture	(9,370)	-
Redemption of preference shares held by 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	12,200	5,300
Proceeds from disposal of property, plant and equipment	202,088	123,563
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 held for trading equity instruments	-	(92,871)
Purchase of property, plant and equipment	(153,526)	(250,044)
Additions to prepaid lease payments	(1,412)	-
Additions to biological assets	(543)	(16,544)
Additions to investment properties	(82,794)	(84,200)
Net cash flows generated from/(used in) investing activities	1,532,568	(520,042)
Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(931,260)	(894,069)
Net drawdown/(repayment) of borrowings	230,288	(56,241)
Proceeds from resale of treasury shares	-	714,303
Proceeds from issuance of shares pursuant to the exercise of warrants	-	395,918
Shares repurchased at cost	(48)	(804)
Net cash flows (used in)/generated from financing activities	(701,020)	159,107
Net (decrease)/increase in cash and cash equivalents	(23,622)	264,959
Effects on exchange rate changes	(13,082)	8,935
Cash and cash equivalents at beginning of the period	684,039	410,145
Cash and cash equivalents at end of the period	647,335	684,039
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	295,013	325,264
Cash in hand and at bank	352,322	359,020
Bank overdrafts	-	(245)
	647,335	684,039

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 MFRS and International Financial Reporting Standards ["IFRS"]. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of the MFRS framework.

Material effects of the initial application of the above accounting standards to the Group and to be applied retrospectively, are discussed below:

(a) Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*

Prior to the adoption of the Amendments to MFRS 116 and MFRS 141, all the new planting expenditure incurred from land clearing, planting, field upkeep and maintenance to the point of maturity was capitalised under plantation development expenditure and was not amortised. Replanting expenditure which represents cost incurred in replanting old planted areas, was charged to profit or loss as and when incurred. Biological assets which form part of the bearer plants were not recognised separately.

With the adoption of the Amendments to MFRS 116 and MFRS 141, new planting expenditure and replanting expenditure are accounted for as property, plant and equipment in accordance with MFRS 116 and measured at cost less accumulated depreciation whereas biological assets within the scope of MFRS 141 are measured at fair value less costs to sell.

The adoption of the Amendments will result in additional depreciation on property, plant and equipment and replanting expenditure that were charged to profit or loss prior to the adoption of the Amendments will be reversed and capitalised under property, plant and equipment. Changes in fair value less costs to sell of the biological assets will be recognised in the profit or loss.

The Group is currently in the midst of completing its assessment on the financial effects from the adoption of the Amendments to MFRS 116 and MFRS 141.

2. **Significant accounting policies (continued)**

Malaysian Financial Reporting Standards ["MFRS"] (continued)

(b) MFRS 9, *Financial Instruments*

MFRS 9, replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently in the midst of completing its assessment on the financial effects from the adoption of MFRS 9.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirement of the MFRS 9 for the financial year ending 31 December 2018.

(c) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfer of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services.*

The Group is currently in the midst of completing its assessment on the financial effects from the adoption of MFRS 15.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirement of the MFRS 15 for the financial year ending 31 December 2018.

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 of the financial year 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 Lowest	Purchase price per share Highest	Average cost per share	Total cost
		RM	RM	RM	RM
October 2017	-	-	-	-	-
November 2017	2,000	9.40	9.40	9.4723	18,944.55
December 2017	-	-	-	-	-
Total	2,000	9.40	9.40	9.4723	18,944.55

Accordingly, a total of 4,000 shares were bought back during the financial year.

As at 31 December 2017, the Company held 6,000 ordinary shares as treasury shares and the issued share capital of the Company remained unchanged at 2,489,681,583 ordinary shares.

7. **Dividends**

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

	Year ended 31.12.2017	Year ended 31.12.2016
	RM'000	RM'000
Dividend in respect of financial year ended 31 December 2016:		
- first interim (15 sen) under the single tier system approved by the Directors on 19 May 2016 and paid on 28 June 2016	-	359,783
- second interim (20 sen) under the single tier system approved by the Directors on 24 November 2016 and paid on 20 December 2016	-	497,936
Dividend in respect of financial year ended 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	-
- second interim (20 sen) under the single tier system approved by the Directors on 23 November 2017 and paid on 20 December 2017	497,935	-
	871,387	857,719

8. **Segment information**

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizers trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Current quarter ended 31 December 2017									
Revenue									
External revenue	163,882	205,152	46,397	331,516	230,668	430,678	-	-	1,408,293
Inter-segment revenue	-	4,645	12,904	310	10,494	9,850	-	(38,203)	-
Total revenue	163,882	209,797	59,301	331,826	241,162	440,528	-	(38,203)	1,408,293
Operating profit	59,847	93,000	47,603	8,268	7,132	68,880	(10,202)	(75,356)	199,172
Finance costs									(34,516)
Other gain/(loss) items									35,714
Share of results of associates and joint ventures									9,530
Profit before tax									209,900
Preceding year quarter ended 31 December 2016									
Revenue									
External revenue	128,543	185,614	36,828	266,317	196,646	394,841	50	-	1,208,839
Inter-segment revenue	-	3,290	7,910	48	9,915	8,664	10,658	(40,485)	-
Total revenue	128,543	188,904	44,738	266,365	206,561	403,505	10,708	(40,485)	1,208,839
Operating profit	60,099	28,439	32,280	4,279	6,469	14,327	11,538	(13,862)	143,569
Finance costs									(33,576)
Other gain/(loss) items									(35,517)
Share of results of associates and a joint venture									66,257
Profit before tax									140,733

8. **Segment information (continued)**

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizers trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Year ended 31 December 2017									
Revenue									
External revenue	555,072	922,940	158,052	1,149,666	980,854	1,522,149	-	-	5,288,733
Inter-segment revenue	-	15,461	40,673	3,746	37,863	40,846	12,742	(151,331)	-
Total revenue	555,072	938,401	198,725	1,153,412	1,018,717	1,562,995	12,742	(151,331)	5,288,733
Operating profit	181,544	519,998	166,128	27,310	35,864	164,867	(4,298)	(116,254)	975,159
Finance costs									(146,339)
Other gain/(loss) items									532,552
Share of results of associates and joint ventures									34,016
Profit before tax									1,395,388
Segment assets	1,206,164	4,376,266	2,542,963	736,074	497,165	2,159,370	89,371	-	11,607,373
Year ended 31 December 2016 *(Audited)*									
Revenue									
External revenue	503,427	873,793	148,613	1,089,435	975,028	1,301,368	50	-	4,891,714
Inter-segment revenue	-	168,036	28,671	9,644	36,712	27,788	35,192	(306,043)	-
Total revenue	503,427	1,041,829	177,284	1,099,079	1,011,740	1,329,156	35,242	(306,043)	4,891,714
Operating profit	170,032	361,719	140,309	25,243	30,705	145,034	(8,369)	(53,537)	811,136
Finance costs									(130,920)
Other gain/(loss) items									479,568
Share of results of associates and a joint venture									85,151
Profit before tax									1,244,935
Segment assets	1,175,629	4,009,798	1,786,895	934,815	431,052	2,313,943	530,271	-	11,182,403

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

There were no changes in the composition of the Group during the financial year, except for the following:

(a) On 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 was deemed a related party transaction. As at 7 March 2017, 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 7 March 2017, 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 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 principally involved in property development.

(c) 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%.

(d) 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.

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

(e) 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.

(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. On 18 August 2017, HSCI incorporated 3 wholly-owned subsidiaries in Labuan namely, HSC Sydney Holding Limited ["HSC Sydney"], HSC Manchester Holding Limited (formerly known as HSC Melbourne Holding Limited) ["HSC Manchester"] and HSC Birmingham Holding Limited (formerly known as HSC Brisbane Holding Limited) ["HSC Birmingham"]. All HSC Sydney, HSC Manchester and HSC Birmingham have an issued share capital of USD1.00 comprising 1 ordinary share each and are principally involved in investment holding.

(g) On 23 August 2017, Hafary Pte. Ltd, the wholly-owned subsidiary of Hafary Holdings Limited which is in turn a 50.82% owned subsidiary of *Hap Seng Investment Holdings Pte Ltd incorporated a wholly-owned subsidiary in Singapore namely, Hafary Building Materials Pte. Ltd ["Hafary BM"]. Hafary BM has an issued and paid-up share capital of SGD100.00 comprising 100 shares and is principally involved in investment holding.

(h) On 25 August 2017, *Hap Seng Auto Sdn Bhd acquired the entire issued share capital of Hap Seng CarFleet Sdn Bhd (formerly known as Sunlink Resources Sdn Bhd) ["HS CarFleet"] comprising 1 ordinary share at a cash consideration of RM1.00. HS CarFleet is a private limited company incorporated in Malaysia and is currently dormant.

(i) On 28 August 2017, *HSC Manchester Holding Limited (formerly known as HSC Melbourne Holding Limited) incorporated a wholly-owned subsidiary in Australia namely, HSC Melbourne Pty Ltd ["HMPL"]. HMPL has an issued and paid-up share capital of AUD100.00 comprising 100 ordinary shares and is currently dormant.

(j) On 28 August 2017, *HSC Birmingham Holding Limited (formerly known as HSC Brisbane Holding Limited) incorporated a wholly-owned subsidiary in Australia namely, HSC Brisbane Pty Ltd ["HBPL']. HBPL has an issued and paid-up share capital of AUD100.00 comprising 100 ordinary shares and is currently dormant.

(k) On 13 October 2017, *Hap Seng Land Sdn Bhd acquired the entire issued share capital of Fresh Green Planet Sdn Bhd ["Fresh Green"] comprising 1 ordinary share at a cash consideration of RM1.00. Fresh Green is a private limited company incorporated in Malaysia and is principally involved in the provision of management services.

(l) As part of the Group's re-organisation, the Company had on 16 October 2017 completed the transfer of 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.

(m) On 26 October 2017, *Hap Seng Auto Sdn Bhd acquired the entire issued share capital of Hap Seng Trucks Distribution Sdn Bhd (formerly known as Sungreen Synergy Sdn Bhd) ["HS Trucks"] comprising 1 ordinary share at a cash consideration of RM1.00. HS Trucks is a private limited company incorporated in Malaysia and is currently dormant.

(n) On 1 November 2017, *HSC International Limited incorporated 2 wholly-owned subsidiaries in Singapore namely, HSC Melbourne Holding Pte Ltd ["HMH"] and HSC Brisbane Holding Pte Ltd ["HBH"]. Both HMH and HBH have an issued and paid-up share capital of SGD1.00 comprising 1 ordinary share each and are principally involved in investment holding.

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

(o) On 2 November 2017, *HSC Melbourne Holding Pte Ltd incorporated a wholly-owned subsidiary in Australia namely, HS Credit (Melbourne) Pty Ltd [“HCMPL”]. HCMPL has an issued and paid-up share capital of AUD100.00 comprising 100 ordinary shares and is currently dormant.

(p) On 2 November 2017, *HSC Brisbane Holding Pte Ltd incorporated a wholly-owned subsidiary in Australia namely, HS Credit (Brisbane) Pty Ltd [“HCBPL’’]. HCBPL has an issued and paid-up share capital of AUD100.00 comprising 100 ordinary shares and is currently dormant.

(q) As part of the Group’s re-organisation, the Company had on 24 November 2017 transferred 80,000,000 ordinary shares representing the entire issued share capital of *HS Credit (Sydney) Pty Ltd (formerly known as Hap Seng Credit (Australia) Pty Ltd) [“HCSPL”] to *HSC Sydney Holding Limited for a cash consideration of AUD80,000,000.00. HCSPL is a private limited company incorporated in Australia and is principally involved in the provision of financial services.

(r) On 30 November 2017, *Hap Seng Land Development Sdn Bhd acquired the entire issued share capital of Sunhill Ventures Sdn Bhd [“Sunhill”] comprising 1 ordinary share at a cash consideration of RM1.00. Sunhill is a private limited company incorporated in Malaysia and is currently dormant.

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

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 22 February 2018.

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

Save for the subsequent events as disclosed in Note 10 of Part B, events after the financial year and up to 22 February 2018 that have not been reflected in these financial statements are as follows:

On 21 February 2018, Hap Seng Plantations Holdings Berhad ["HSP"], a 53.04% owned subsidiary of the Company entered into the following agreements in connection with the proposed acquisition of 1,280,194,500 ordinary shares in Kretam Holdings Berhad ["KHB"] ["KHB Shares"], representing approximately 55% equity interest in KHB for a cash consideration of RM1,177,778,940 or RM0.92 per KHB Share ["Proposed Acquisition"]:

(i) conditional share sale agreement with Datuk Lim Nyuk Sang @ Freddie Lim for the purchase of 779,336,900 KHB Shares, representing approximately 33.5% equity interest in KHB, for a cash consideration of RM716,989,948 or RM0.92 per KHB Share ["SSA 1"]; and

(ii) conditional share sale agreement with Santraprise Sdn Bhd for the purchase of 500,857,600 KHB Shares, representing approximately 21.5% equity interest in KHB, for a cash consideration of RM460,788,992 or RM0.92 per KHB Share ["SSA 2"].

(SSA 1 and SSA 2 are collectively referred to as "SSAs").

Upon completion of the Proposed Acquisition, HSP's shareholding in KHB will increase from nil to approximately 55%. Accordingly, pursuant to Section 218(2) of the Capital Markets & Services Act, 2007 and Paragraph 4.01(a) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions ["Rules"], HSP would be obliged to extend the proposed mandatory general offer ["MGO"] for all the remaining KHB Shares not already owned by HSP and persons acting in concert with it, if any, after the Proposed Acquisition ["Remaining Shares"] for a cash consideration of RM0.92 per KHB Share ["Proposed MGO"]. Upon the SSAs becoming unconditional, HSP will serve the notice of MGO on the Board of Directors of KHB, in accordance with Paragraph 9.10 of the Rules.

The Proposed Acquisition and Proposed MGO are subject to the terms and conditions of the SSAs and the following approvals being obtained:

(i) approval of the shareholders of HSP at an extraordinary general meeting to be convened; and

(ii) any other relevant authorities or parties, if required.

The Proposed Acquisition is conditional upon the Proposed MGO. However, the Proposed MGO is conditional upon the SSAs becoming unconditional.

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

Except for the contingent consideration receivable as disclosed in Note 4(c) of Part B, the Group does not have any contingent liability or contingent asset as at the end of the year which is expected to have an operational or financial impact on the Group.

13. **Capital commitments**

The Group has the following capital commitments:

	As at 31.12.2017 RM'000	**As at 31.12.2016** RM'000 *(Audited)*
Contracted but not provided for	50,533	63,141
Authorised but not contracted for	108,210	111,126
	158,743	174,267

14. **Significant related party transactions**

During the financial year, the Company and its subsidiaries did not enter into any related party transactions or recurrent related party transactions of a revenue or trading nature that had not been included 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 following:

(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 13 January 2017, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was a 37.68% major shareholder of LSH and a 56.00% major shareholder and director of Gek Poh (Holdings) Sdn Bhd ["Gek Poh"]. Gek Poh held 12.42% shares of LSH and was also the holding company of the Company with an aggregate shareholding of 61.43%, comprising 54.63% direct shareholding and 6.80% indirect shareholding via Hap Seng Insurance Services Sdn Bhd ["HSIS"]. Lei Shing Hong Investment Ltd ["LSHI"], a wholly-owned subsidiary of 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 RM61.65 million to the Group.

(b) HSL Disposal as disclosed in Note 9(a) above.

14. **Significant related party transactions (continued)**

(c) On 14 August 2017, *Hap Seng Commercial Development Sdn Bhd [“HSCD”], the registered and/or beneficial owner of all those 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 Sdn Bhd [“Akal Megah”] which in turn is wholly-owned by Lei Shing Hong Limited [“LSH”], for a total cash consideration of RM175,276,000 [“HSCD Disposal”].

HSCD Disposal was deemed a related party transaction. As at 14 August 2017, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak [“Tan Sri Lau”] was a 37.68% major shareholder of LSH and a 56.00% major shareholder and director of Gek Poh (Holdings) Sdn Bhd [“Gek Poh”]. Gek Poh held 12.42% shares of LSH and was also the holding company of the Company with an aggregate shareholding of 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 RM111.93 million to the Group.

(d) On 23 October 2017, *Malaysian Mosaics Sdn Bhd [“MMSB”], the registered and beneficial owner of all that parcel of 60-year leasehold land which lease is due to expire on 3 April 2060 (with an unexpired term of 43 years) with a provisional titled land area of approximately 12.1406 hectares and actual surveyed area of 12.06 hectares held under H.S.(D) 43799, Lot No. PTD 53638 (New Lot No. 44876), Mukim and District of Kluang, State of Johor Darul Ta’zim [the “Kluang Land”] entered into a sale and purchase agreement [“MMSB SPA”] to dispose of the Kluang Land together with various buildings for the production and manufacturing of floor and wall tiles [the “MMSB Buildings”] erected thereon [the “Kluang Land” and the “MMSB Buildings” are collectively referred to as the “said Property”] to Byorion Sdn Bhd [“Byorion”], a wholly-owned subsidiary of Akal Megah Sdn Bhd which in turn is wholly-owned by Lei Shing Hong Limited [“LSH”], for a cash consideration of RM97.5 million [“MMSB Disposal”]..

Simultaneous with the execution of MMSB SPA, MMSB entered into a lease agreement with Byorion whereby MMSB as the lessee shall lease back from Byorion as the lessor, the said Property for an initial period of 10 years [“Initial Period”] at a monthly rental of RM337,949.00 with an option to renew for a further term of 10 years subject to the terms contained therein which Initial Period shall commence upon completion of the MMSB SPA [“Leaseback”].

The MMSB Disposal was deemed a related party transaction. As at 23 October 2017, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak [“Tan Sri Lau”] was a 37.68% major shareholder of LSH and a 56.00% major shareholder and director of Gek Poh (Holdings) Sdn Bhd [“Gek Poh”]. Gek Poh held 12.42% shares of LSH and was also the holding company of the Company with an aggregate shareholding of 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 MMSB Disposal and Leaseback.

The MMSB SPA was completed on 25 October 2017 with the full purchase consideration paid by the purchaser and accordingly, the Leaseback has become effective on the same day. The MMSB Disposal resulted in a net gain of approximately RM60.33 million to MMSB and RM26.52 million to the Group.

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

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

1. **Review of performance**

The Group's revenue for the current quarter at RM1.4 billion was higher than the preceding year corresponding quarter by 16% with improved revenue contribution from all divisions. Group's operating profit for the current quarter was RM199.2 million, 39% above the preceding year corresponding quarter. Consequently, the Group registered higher profit before tax ["PBT"] and profit after tax ["PAT"] for the current quarter at RM209.9 million and RM169.4 million which were above the preceding year corresponding quarter by 49% and 64% respectively. The current quarter results also benefitted from the recognition of profit guarantee and contingent consideration in relation to the acquisition of MMSB as disclosed in Note 4(b) and 4(c) below whilst the preceding year corresponding quarter was impacted by impairment loss on intangible assets.

Plantation Division's revenue for the current quarter at RM163.9 million was 27% higher than the preceding year corresponding quarter mainly attributable to higher sales volume of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] despite lower average selling prices. CPO sales volume for the current quarter at 49,907 tonnes was 52% higher than the preceding year corresponding quarter, benefitted from favourable inventory movements and higher fresh fruit bunches ["FFB"] production in the current quarter which was 7% above the preceding year corresponding quarter. The higher FFB production also boosted PK sales volume for the current quarter which increased by 6% to 10,718 tonnes. Average selling price per tonne of CPO and PK for the current quarter were lower at RM2,676 and RM2,595 respectively as compared to the preceding year corresponding quarter of RM2,924 for CPO and RM2,956 for PK. Consequently, the operating profit for the current quarter at RM59.8 million was in line with the preceding year corresponding quarter.

The Property Division's revenue for the current quarter at RM209.8 million was higher than the preceding year corresponding quarter by 11% mainly due to better contribution from its investment properties segment and sales of non-strategic properties. The improvement in the investment properties segment was mainly due to the higher occupancy rate at Plaza Shell in Kota Kinabalu. Property development projects' revenue for the current quarter was mainly from Aria Luxury Residences in the Kuala Lumpur City Centre, Bandar Sri Indah and Ria Heights in Tawau, Astana Heights in Sandakan and Kingfisher Putatan in Kota Kinabalu. Overall, operating profit for the current quarter at RM93 million was significantly higher than the preceding year corresponding quarter by 227% as the preceding year corresponding quarter was negatively impacted by the net loss from fair value adjustments of its investment properties.

Credit Financing Division continues to grow its loan base and recorded higher loan portfolio of RM3.1 billion, 35% above the preceding year corresponding quarter of RM2.3 billion. Non-performing loans ratio at the end of the year improved further to 1.38% from the end of the preceding quarter of 1.77% and end of the preceding year of 1.89%. Consequently, the division's revenue and operating profit for the current quarter at RM59.3 million and RM47.6 million were higher than the preceding year corresponding quarter by 33% and 47% respectively.

The Automotive Division's revenue and operating profit for the current quarter at RM331.8 million and RM8.3 million were higher than the preceding year corresponding quarter by 25% and 93% respectively. Generally, the division benefitted from the improved sales and margin of both its vehicle and after sales and services segments. The vehicle segment recorded 24% improvement in revenue mainly attributable to higher number of cars sold whilst after sales and services segment recorded 37% increase in revenue with 44% increased throughput. The newly launched autohauses at Bukit Tinggi, Klang and Iskandar, Johor Bahru in April 2017 and September 2017 respectively have also contributed to the overall improvement of the division.

Fertilizers Trading Division recorded higher revenue for the current quarter at RM241.2 million, 17% above the preceding year corresponding quarter with higher sales from both the Malaysian and China markets. Operating profit for the current quarter at RM7.1 million was higher than the preceding year corresponding quarter by 10% mainly due to better contribution from the Malaysian market whilst the Indonesian market continued to operate in a very competitive market environment which have eroded its trading margins.

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

Building Materials Division's revenue for the current quarter at RM440.5 million was 9% higher than the preceding year corresponding quarter of RM403.5 million. Building materials trading, quarry, asphalt and bricks businesses registered higher revenue by 35%. However, Malaysian Mosaics Sdn Bhd ["MMSB"] and Hafary Holdings Limited ["Hafary"]'s revenue were lower by 28% and 3% respectively due to challenging market conditions. In the current quarter, the division benefitted from the gain arising from MMSB Disposal as disclosed in Note 14(d) of Part A whilst at the same time was also affected by impairment losses on certain quarry and brick factory's assets. Overall, the division registered an operating profit for the current quarter of RM68.9 million which was substantially higher than the preceding year corresponding quarter by 381%.

Group PBT and PAT for the year at RM1.4 billion and RM1.2 billion were higher than the preceding year by 12% and 11% respectively. Profit attributable to owners of the Company for the year at RM1.1 billion was 10% higher than the preceding year whilst basic earnings per share for the year at 44.34 sen was 5% higher than last year's 42.36 sen.

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

	Current Quarter ended 31.12.2017 RM'000	**Immediate Preceding Quarter ended 30.9.2017** RM'000	***Increase/ (Decrease)***
Revenue	1,408,293	1,398,073	*1%*
Operating profit	199,172	284,897	*-30%*
Profit before tax	209,900	259,129	*-19%*

Group PBT for the current quarter at RM209.9 million was 19% lower than the immediate preceding quarter mainly due to lower contribution from Property Division but mitigated by better contribution from Plantation, Credit Financing, Automotive and Building Materials Divisions.

Property Division's operating profit for the current quarter was RM93.3 million (50%) lower than the immediate preceding quarter of RM186.3 million mainly due to lower sales of non-strategic properties in the current quarter.

Plantation Division's operating profit for the current quarter was RM24.7 million (70%) higher than the immediate preceding quarter of RM35.1 million mainly attributable to higher sales volume of CPO and PK inspite of lower average selling price per tonne of CPO. Sales volume of CPO and PK for the current quarter were 50% and 29% higher than the immediate preceding quarter of 33,376 tonnes and 8,331 tonnes respectively, benefitted mainly from higher FFB production in the current quarter which was 18% above the immediate preceding quarter. CPO sales volume also benefitted from favourable inventory movements in the current quarter. Average selling price per tonne of CPO was 3% lower than the immediate preceding quarter of RM2,765 per tonne whilst average selling price of PK was 12% above the immediate preceding quarter of RM2,327 per tonne.

Credit Financing Division's operating profit for the current quarter was RM4.3 million (10%) higher than the immediate preceding quarter of RM43.3 million with higher contribution from both the Malaysian and Australian operations due to higher loan disbursement and higher loan portfolio.

Automotive Division's operating profit for the current quarter was RM3.1 million (59%) higher than the immediate preceding quarter of RM5.2 million mainly attributable to higher sales and profit contribution from its vehicle segment.

Building Materials Division's operating profit for the current quarter was RM48.9 million (244%) above the immediate preceding quarter of RM20 million mainly due to the gain arising from MMSB Disposal as disclosed in Note 14(d) of Part A.

3. **Current year prospects**

Malaysia's palm oil inventories of 2.73 million tonnes at the end of 2017 was at its highest in 2 years. At end of January 2018, closing inventories had reduced to 2.55 million tonnes but was still significantly higher than a year ago. Based on the Malaysian Palm Oil Board's statistics, Malaysian palm oil exports in January 2018 increased by 6% to 1.51 million tonnes as compared to December 2017 whilst CPO production was 13% lower at 1.59 million tonnes for the same period. Measures taken by the Malaysian government such as the suspension of CPO export tax for 3 months would boost exports particularly to China and India, thus reducing the high stockpile and consequently support palm oil prices in the near term. China, being a major consumer of palm oil will continue to purchase palm oil from Malaysia and Indonesia. In addition, weather concerns in the U.S. with forecasts of dry conditions threatening to reduce harvests of wheat and soybean in key growing areas, have also spurred prices of global vegetable oils recently which would normally cause palm oil prices to rise in tandem.

The Property Division's current developments namely Aria Luxury Residences in the Kuala Lumpur City Centre, Akasa at Cheras South, Kingfisher Putatan and Kingfisher Inanam Condominiums in Kota Kinabalu and Ria Heights in Tawau are expected to contribute substantially to its current year's performance. The division continues to drive sales and progress completion of its current development projects whilst actively engaging with potential tenants to optimise the occupancy rates and rental yield of its strategically located investment properties in Kuala Lumpur City Centre and Kota Kinabalu.

Credit Financing Division continues to grow its term loan portfolio with innovative and flexible financing instruments to cater to the needs of its wide network of customers whilst exercising prudent credit risk management. The division expects to benefit from the group synergy to further grow its customers' base and expand its loan portfolio by leveraging and tapping on to other divisions' wide business network. Concerted efforts are also placed in managing its cost of funds and funding requirements to improve interest yield as well as ensuring timely collections and loans recovery to manage its non-performing loans at an acceptable level.

Automotive Division expects to operate in a very competitive premium passenger vehicles market segment. Nevertheless, the division's new autohauses at Bukit Tinggi, Klang and Iskandar, Johor Bahru which were launched in 2017 as well as the opening of another new autohaus in Puchong South in the first quarter of this year will enable it to broaden its market coverage. This would further expand its market share and contribute positively to its future performance. The division will continue to focus on providing excellent after sales services to its customers to retain and expand its customers' base.

Fertilizers Trading Division expects the competitive environment in which it operates to prevail. The fertilizers market will continue to be influenced by foreign exchange movements, fluctuations in palm oil prices and supply constraints.

Building Materials Division expects the building material business environment to remain competitive. The division continues to grow the OEM sourcing for its tiles segment via MMSB to increase its market share in both the export and renovation markets. Its operations in Singapore are expected to benefit from the higher public sector construction demand in Singapore.

Based on the foregoing, the Group is optimistic of achieving satisfactory results for the financial year ending 31 December 2018.

4. **Variances between actual profit and forecast profit**

(a) Profit Forecast

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

(b) Profit Guarantee

In the acquisition of Malaysian Mosaics Sdn Bhd [“MMSB”] in the previous financial year, the Company entered into a shares sale agreement with Gek Poh (Holdings) Sdn Bhd [“Gek Poh”], whereby Gek Poh has provided a guarantee that the consolidated profit after tax [“PAT”] of MMSB shall not be less than the amount as set out below for the 5 financial years commencing from financial year ended 31 December 2016 [“Guaranteed PAT”].

The Guaranteed PAT and the audited/unaudited PAT up to the year ended 31 December 2017 are as follows:

	Guaranteed PAT	PAT	Surplus/ (shortfall)
	RM’000	RM’000	RM’000
31 December 2016	30,710	*30,826	116
31 December 2017	40,927	**5,233	(35,694)
31 December 2018	53,897	-	-
31 December 2019	67,523	-	-
31 December 2020	81,973	-	-
Total	275,030	36,059	(35,578)

* *audited PAT*

** *unaudited PAT excluding the net gain from MMSB Disposal of approximately RM60.33 million as disclosed in Note 14(d) of Part A.*

Based on the unaudited results of MMSB for the financial year ended 31 December 2017, the guaranteed PAT for the financial year ended 31 December 2017 has not been fulfilled, therefore, Gek Poh has an obligation to pay the estimated net shortfall of RM35.578 million to the Company. Accordingly, the Company has recognised the aforesaid profit guarantee shortfall in the profit or loss and as receivables in the statement of financial position.

(c) Contingent Consideration

The Company has considered the projected profits and Guaranteed PAT for the remaining profit guarantee years and remeasured the contingent consideration to its fair value at the reporting date. A contingent consideration of RM55.584 million was determined and has been recognised in the profit or loss with a corresponding contingent asset of the same amount in the statement of financial position.

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5. **Profit before tax**

	Quarter ended		Year ended	
	31.12.2017	**31.12.2016**	**31.12.2017**	**31.12.2016**
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after crediting/(charging):				
Interest income	3,163	3,538	13,359	11,432
Dividend income from available-for-sale equity instrument	180	180	720	800
Dividend income from held for trading equity instrument	-	2,280	-	2,316
Dividend income from money market deposits	971	2,999	15,028	8,936
Gain on held for trading equity instruments at fair value	298	7,272	9,216	1,741
Gain on money market deposits at fair value	837	451	1,403	451
Interest expense	(34,516)	(33,576)	(146,339)	(130,920)
Depreciation and amortisation	(35,358)	(38,675)	(143,810)	(130,775)
Net allowance of impairment losses				
- trade receivables	(5,189)	(3,572)	(6,243)	(10,249)
Net inventories written down	(2,854)	(4,772)	(11,333)	(8,561)
Gain on disposal of property, plant and equipment	34,895	538	95,963	93,088
Impairment loss on property, plant and equipment	(34,870)	(16,090)	(34,870)	(16,090)
Property, plant and equipment written off	(1,293)	(178)	(2,932)	(1,681)
Biological assets written off	(155)	-	(242)	(63)
Bad debts written off	(10)	(29)	(175)	(181)
Net foreign exchange (loss)/gain	(8,864)	8,295	(12,810)	11,544
Gain/(Loss) on hedging activities	95	(280)	680	(240)
(Loss)/Gain on non-hedging derivative instruments	(4)	(392)	440	(712)
Gain/(Loss) from fair value adjustments of investment properties	3,860	(23,213)	3,860	(23,213)
Recovery of bad debts	202	277	840	1,930
Other gain/(loss) items				
- Gain on disposal of a subsidiary	-	-	496,838	-
- (Impairment loss)/reversal of impairment loss on investment in an associate	(7,035)	5,089	(7,035)	5,089
- Impairment loss on intangible assets				
- goodwill	(48,413)	(15,813)	(48,413)	(15,813)
- customer relationship	-	(24,793)	-	(24,793)
	(48,413)	(40,606)	(48,413)	(40,606)
- Profit guarantee shortfall from holding company	35,578	-	35,578	-
- Contingent consideration	55,584	-	55,584	-
- Gain on disposal of 51% equity interest in a subsidiary	-	-	-	262,424
- Gain on recognition of 49% equity interest retained in a former subsidiary at its fair value	-	-	-	252,661
	35,714	(35,517)	532,552	479,568

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

6. **Tax expense**

	Quarter ended		Year ended	
	31.12.2017	**31.12.2016**	**31.12.2017**	**31.12.2016**
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	44,540	41,788	209,987	181,076
- deferred tax	(2,243)	(4,009)	576	(6,543)
	42,297	37,779	210,563	174,533
In respect of prior period				
- income tax	(449)	(187)	3,538	3,853
- deferred tax	(1,335)	(238)	(1,160)	1,106
	(1,784)	(425)	2,378	4,959
	40,513	37,354	212,941	179,492

The Group's effective tax rate for the current quarter excluding over provision of tax in respect of prior period was lower than the statutory tax rate mainly due to capital gains on disposal of land which were taxed at the lower real property gains tax of 5% whilst the effective tax rate for the year was lower than the statutory tax rate mainly due to certain gains not subjected to tax.

The effective tax rate for the preceding year corresponding quarter excluding over provision of tax in respect of prior period was higher than the statutory tax rate mainly due to certain impairment losses which were disallowed for tax purposes whilst the effective tax rate for the preceding year was lower than the statutory tax rate mainly due to certain gains not subjected to tax and capital gains on disposal of land which were taxed at the lower real property gains tax of 5%.

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 22 February 2018.

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 RM467,834,400.00. GSSB had paid TTDI KL the sum equivalent to ten percent (10%) of the consideration sum amounting to RM46,783,440.00 as deposit payment upon signing of the DRA.

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 five per centum (45%) of the consideration sum amounting to RM210,525,480.00 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 conditions precedent 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

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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 31 December 2017 Utilisation RM'000	Balance Unutilised RM'000	Intended Timeframe for Utilisation	Deviation under/(over) spent RM'000	%	Explanation
Repayment of borrowings	200,000	200,000	-	-	-	-	
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	155,999	-	-	# 7,746	5	
(ii) Loan disbursements of credit financing division							
(a) manufacturing	25,000	25,000	-				
(b) transportation	25,000	25,000	-				
(c) real estate	70,000	70,000	-				
	120,000	120,000	-	-	-	-	
(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)	The net overspent has been covered by the under utilisation of the amount set aside for working capital requirement of item (i) #
	473,745	467,811	-				
Repayment of amount owing to HSL	75,255	81,500	-	-	(6,245)	(8)	
Estimated expenses	1,000	689	-	-	311	31	
	750,000	750,000	-		-		

9. Borrowings and debt securities

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

	As at 31.12.2017					
	Denominated in					
	RM RM'000	USD RM'000	SGD RM'000	Euro RM'000	IDR RM'000	Total RM'000
Current						
Secured						
- Trust receipts	-	36,563	9,973	26,402	-	72,938
- Finance leases	-	-	1,253	-	-	1,253
- Revolving credits	-	-	89,282	-	-	89,282
- Term loans	-	-	12,843	-	-	12,843
	-	36,563	113,351	26,402	-	176,316
Unsecured						
- Bankers acceptances	225,413	-	-	-	-	225,413
- Revolving credits	1,440,900	163,847	-	-	37,303	1,642,050
- Term loans	80,065	465,132	294,662	-	-	839,859
	1,746,378	628,979	294,662	-	37,303	2,707,322
Total current borrowings	1,746,378	665,542	408,013	26,402	37,303	2,883,638
Non-current						
Secured						
- Term loans	-	-	262,671	-	-	262,671
- Finance leases	-	-	1,259	-	-	1,259
	-	-	263,930	-	-	263,930
Unsecured						
- Term loans	546,175	650,240	134,892	-	-	1,331,307
Total non-current borrowings	546,175	650,240	398,822	-	-	1,595,237
Total borrowings	2,292,553	1,315,782	806,835	26,402	37,303	4,478,875

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	-	35,608	16,625	21,394	73,627
- Finance leases	-	-	1,646	-	1,646
- Revolving credits	-	-	79,884	-	79,884
- Term loans	-	-	11,320	-	11,320
	-	35,608	109,475	21,394	166,477
Unsecured					
- Bankers acceptances	136,135	1,512	-	-	137,647
- Bank overdrafts	245	-	-	-	245
- Revolving credits	1,171,001	183,927	-	-	1,354,928
- Term loans	226,101	607,124	12,409	-	845,634
	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	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.

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10. **Changes in material litigations (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 ["KL RESB Suit"] vide a writ of summon at Kuala Lumpur High Court ["KLHC"] against EISB ["1st Defendant"] and HCH was added as the second defendant ["2nd Defendant"] to the KL RESB Suit on 16 June 2012.

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 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 consolidated the KK RESB Suit and KK Suit upon RESB's application ["Consolidated RESB Suit"]. The Consolidated RESB Suit was part heard from 13 to 15 September, 20 to 21 September 2017, 12 October 2017, 25 October 2017 and 24 November 2017. The Consolidated RESB Suit has been fixed for continued hearing from 26 to 28 February 2018.

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 litigations (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 application of RESB, granted an order converting the KK Suit from an originating summon to a writ action. On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB's application ["Consolidated RESB Suit"].

The Consolidated RESB Suit was part heard from 13 to 15 September, 20 to 21 September 2017, 12 October 2017, 25 October 2017 and 24 November 2017. The Consolidated RESB Suit has been fixed for continued hearing from 26 to 28 February 2018.

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 litigations (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 of 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 December 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*	242,662	(6,453)	(8,882)	9,562	680
- Designated as hedging instruments**	169,804	(4,665)	(4,665)	4,899	234
- Not designated as hedging instruments	102,036	(773)	(1,691)	2,131	440
	514,502	(11,891)	(15,238)	16,592	1,354
Cross currency interest rate swaps on foreign currency borrowings of 1 year to 4 years (SGD/USD)					
- Designated as hedging instruments**	1,383,800	1,455	(159,541)	161,538	1,997

* *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. **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 HS Credit (Sydney) Pty Ltd *(formerly known as Hap Seng Credit (Australia) Pty Ltd)* in the ordinary course of their moneylending businesses. The aggregate amount of outstanding loans as at 31 December 2017 given by the Company's moneylending subsidiaries are as follows:

		Secured	Unsecured	Total
		RM'000	RM'000	RM'000
(a)	To companies	2,106,862	191	2,107,053
(b)	To individuals	281,486	979	282,465
(c)	To companies within the listed issuer group	326,547	378,386	704,933
(d)	To related parties	-	-	-
		2,714,895	379,556	3,094,451

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

		As at 31.12.2017
		RM'000
(a)	Loans given by companies within the Group to the moneylending subsidiaries	12,879
(b)	Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c)	Unsecured bank borrowings guaranteed by the Company	1,366,711
(d)	Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company	47,715
		1,427,305

(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	31,359
(c)	Loans reclassified as performing during the financial year	(19,216)
(d)	Amount recovered	(11,943)
(e)	Amount written off	(860)
(f)	Loans converted to securities	-
(g)	Balance as at 31.12.2017	42,764
(h)	Ratio of net loans in default to net loans	1.38%

13. **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	320,000	308,189	Yes	467,834	Yes*	12 - 72
2nd	Term Loan	300,000	226,717	No	-	Yes*	36
3rd	Term Loan	117,000	75,998	No	-	Yes*	30
4th	Term Loan	94,700	68,605	No	-	Yes*	48 - 84
5th	Term Loan	68,920	68,462	Yes	68,920	No	72

* *Companies within the listed issuer group.*

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

(a) 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.

	Quarter ended		**Year ended**	
	31.12.2017	**31.12.2016**	**31.12.2017**	**31.12.2016**
Profit attributable to owners of the Company (RM'000)	144,200	87,570	1,103,902	1,000,960
Weighted average number of ordinary shares in issue	2,489,677	2,489,681	2,489,679	2,362,902
Basic EPS (sen)	5.79	3.52	44.34	42.36

(b) The Company does not have any diluted EPS.

15. **Dividend**

Dividends for the current financial year ended 31 December 2017 were as follows:

(a) first interim dividend of 15 sen (2016: 15 sen) per ordinary share under the single tier system which was tax exempt in the hands of the shareholders. The said interim dividend was approved by the Directors on 31 May 2017 and paid on 28 June 2017;

(b) second interim dividend of 20 sen (2016: 20 sen) per ordinary share under the single tier system which was tax exempt in the hands of the shareholders. The said second interim dividend was approved by the Directors on 23 November 2017 and paid on 20 December 2017.

(c) Total dividend for the current financial year ended 31 December 2017 was 35 sen comprising first interim dividend of 15 sen and second interim dividend of 20 sen (2016: 35 sen comprising first interim dividend of 15 sen and second interim dividend of 20 sen) per ordinary share under the single tier system which was tax exempt in the hands of the shareholders.

The Directors do not recommend any final dividend for the current financial year ended 31 December 2017.

16. **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
28 February 2018