

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (UNAUDITED)
FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2018**

	Quarter ended		Increase/ (Decrease)	Year-to-date ended		Increase/ (Decrease)
	30.6.2018 RM'000	30.6.2017 RM'000 <i>(Restated)</i>		30.6.2018 RM'000	30.6.2017 RM'000 <i>(Restated)</i>	
Revenue	1,529,458	1,307,928	17%	3,057,664	2,484,843	23%
Operating expenses	(1,312,403)	(1,091,611)		(2,593,769)	(2,115,480)	
Other operating income	13,031	15,968		33,626	111,663	
Operating profit	230,086	232,285	-1%	497,521	481,026	3%
Finance costs	(40,340)	(34,103)		(81,457)	(75,232)	
Other gain items	516,019	496,838		516,019	496,838	
Share of results of associates and joint ventures	7,430	7,011		11,868	13,663	
Profit before tax	713,195	702,031	2%	943,951	916,295	3%
Tax expense	(59,758)	(52,658)		(126,836)	(104,187)	
Profit for the period	653,437	649,373	1%	817,115	812,108	1%
Profit attributable to:						
Owners of the Company	644,215	631,208	2%	798,668	781,706	2%
Non-controlling interests	9,222	18,165		18,447	30,402	
	653,437	649,373		817,115	812,108	
Earnings per share (sen)						
Basic	25.88	25.36	2%	32.08	31.40	2%
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 2017 and the accompanying explanatory notes attached to the Interim Financial Statements

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2018**

	Quarter ended		Year-to-date ended	
	30.6.2018 RM'000	30.6.2017 RM'000 <i>(Restated)</i>	30.6.2018 RM'000	30.6.2017 RM'000 <i>(Restated)</i>
Profit for the period	653,437	649,373	817,115	812,108
Other comprehensive income /(expense) net of tax:				
<i>Items that will be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operations	16,250	(11,347)	(14,085)	(2,532)
Share of foreign currency translation differences of associates and joint ventures	62	(1,700)	(1,885)	565
Foreign currency translation differences for foreign operations reclassified to profit or loss	17,796	-	17,796	-
Change in fair value of cash flow hedge	(2,961)	2,907	128	5,181
Total other comprehensive income /(expense) for the period	31,147	(10,140)	1,954	3,214
Total comprehensive income for the period	<u>684,584</u>	<u>639,233</u>	<u>819,069</u>	<u>815,322</u>
Total comprehensive income attributable to:				
Owners of the Company	674,520	623,398	804,422	785,083
Non-controlling interests	10,064	15,835	14,647	30,239
	<u>684,584</u>	<u>639,233</u>	<u>819,069</u>	<u>815,322</u>

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 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 2018

	As at 30.6.2018 RM'000	As at 31.12.2017 RM'000 <i>(Restated)</i>	As at 1.1.2017 RM'000 <i>(Restated)</i>
Non-current assets			
Property, plant and equipment	3,131,969	3,153,567	3,190,967
Prepaid lease payments	181,005	189,638	201,367
Investment properties	1,561,355	1,538,870	1,675,054
Investment in associates	459,590	452,231	500,934
Investment in joint ventures	8,605	9,433	844
Land held for property development	893,882	779,460	712,642
Intangible assets	36,736	36,736	85,149
Trade and other receivables	1,784,398	1,566,357	1,041,254
Other non-current financial assets	26,902	29,563	115,844
Deferred tax assets	11,810	15,247	21,809
	<u>8,096,252</u>	<u>7,771,102</u>	<u>7,545,864</u>
Current assets			
Inventories	1,330,763	1,348,599	1,163,461
Property development costs	968,095	830,490	689,778
Biological assets	23,833	19,550	37,667
Trade and other receivables	2,389,717	2,405,659	2,022,829
Tax recoverable	40,354	22,966	19,471
Other current financial assets	5,014	30,907	171,243
Money market deposits	39,619	90,990	354,736
Cash and bank balances	1,321,719	648,257	684,284
	<u>6,119,114</u>	<u>5,397,418</u>	<u>5,143,469</u>
TOTAL ASSETS	<u>14,215,366</u>	<u>13,168,520</u>	<u>12,689,333</u>

**HAP SENG CONSOLIDATED BERHAD** (26877-W)*(Incorporated in Malaysia)***CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED) (Continued)**
AS AT 30 JUNE 2018

	As at 30.6.2018	As at 31.12.2017	As at 1.1.2017
	RM'000	RM'000	RM'000
		<i>(Restated)</i>	<i>(Restated)</i>
Equity attributable to owners of the Company			
Share capital	3,519,554	3,519,554	2,489,682
Reserves	3,646,637	2,621,095	3,381,286
	<hr/>	<hr/>	<hr/>
	7,166,191	6,140,649	5,870,968
Less: Treasury shares	(73)	(54)	(16)
	<hr/>	<hr/>	<hr/>
	7,166,118	6,140,595	5,870,952
Non-controlling interests	1,266,414	967,362	957,285
TOTAL EQUITY	<hr/>	<hr/>	<hr/>
	8,432,532	7,107,957	6,828,237
Non-current liabilities			
Payables and provisions	8,775	7,682	18,433
Borrowings	1,880,233	1,595,237	1,920,316
Other non-current financial liabilities	10,749	7,170	-
Deferred tax liabilities	468,425	473,708	486,836
	<hr/>	<hr/>	<hr/>
	2,368,182	2,083,797	2,425,585
Current liabilities			
Payables and provisions	904,933	994,029	880,160
Tax payable	91,330	61,380	49,219
Borrowings	2,397,058	2,883,638	2,504,931
Other current financial liabilities	21,331	37,719	1,201
	<hr/>	<hr/>	<hr/>
	3,414,652	3,976,766	3,435,511
TOTAL LIABILITIES	<hr/>	<hr/>	<hr/>
	5,782,834	6,060,563	5,861,096
TOTAL EQUITY AND LIABILITIES	<hr/>	<hr/>	<hr/>
	14,215,366	13,168,520	12,689,333
Net assets per share (RM)	<hr/>	<hr/>	<hr/>
	2.88	2.47	2.36
Number of shares net of treasury shares ('000)	<hr/>	<hr/>	<hr/>
	2,489,674	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 2017 and the accompanying explanatory notes attached to the Interim Financial Statements

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR-TO-DATE ENDED 30 JUNE 2018**

	← Attributable to Owners of the Company →				Total RM'000	Non- controlling interests RM'000	Total Equity RM'000
	Share Capital RM'000	Non- distributable Reserves RM'000	Distributable Reserves RM'000	Treasury Shares RM'000			
At 1 January 2018							
- As previously reported	3,519,554	69,814	2,175,002	(54)	5,764,316	652,138	6,416,454
- Effect of adoption of MFRS	-	-	376,279	-	376,279	315,224	691,503
- As restated	3,519,554	69,814	2,551,281	(54)	6,140,595	967,362	7,107,957
Profit for the period	-	-	798,668	-	798,668	18,447	817,115
Total other comprehensive income for the period	-	5,754	-	-	5,754	(3,800)	1,954
Total comprehensive income for the period	-	5,754	798,668	-	804,422	14,647	819,069
Changes in ownership interest in a subsidiary	-	57	594,514	-	594,571	310,846	905,417
Purchase of treasury shares	-	-	-	(19)	(19)	-	(19)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	(5)	(5)
Dividend	-	-	(373,451)	-	(373,451)	-	(373,451)
Dividends paid to non-controlling interests	-	-	-	-	-	(26,436)	(26,436)
At 30 June 2018	3,519,554	75,625	3,571,012	(73)	7,166,118	1,266,414	8,432,532

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED) (Continued)
FOR THE YEAR-TO-DATE ENDED 30 JUNE 2018

	← <i>Attributable to Owners of the Company</i> →				Non-controlling interests	Total Equity
	Share Capital	Non-distributable Reserves	Distributable Reserves	Treasury Shares		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017						
- As previously reported	2,489,682	1,058,398	1,942,612	(16)	5,490,676	6,122,455
- Effect of adoption of MFRS	-	-	380,276	-	380,276	705,782
- As restated	2,489,682	1,058,398	2,322,888	(16)	5,870,952	6,828,237
Transition to no-par value regime under the Companies Act 2016*	1,029,872	(1,029,872)	-	-	-	-
Profit for the period						
- As previously reported	-	-	784,095	-	784,095	819,851
- Effect of adoption of MFRS	-	-	(2,389)	-	(2,389)	(7,743)
- As restated	-	-	781,706	-	781,706	812,108
Total other comprehensive income for the period	-	3,377	-	-	3,377	(163)
Total comprehensive income for the period	-	3,377	781,706	-	785,083	815,322
Share-based payments by a subsidiary	-	98	-	-	98	193
Changes in ownership interest in subsidiaries	-	-	-	-	-	3,000
Purchase of treasury shares	-	-	-	(19)	(19)	(19)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	(5)
Dividend	-	-	(373,452)	-	(373,452)	(373,452)
Dividends paid to non-controlling interests	-	-	-	-	-	(36,886)
At 30 June 2017 (Restated)	3,519,554	32,001	2,731,142	(35)	6,282,662	953,728
	7,236,390					7,236,390

* 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.

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 2017 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 2018

	Year-to-date ended	
	30.6.2018 RM'000	30.6.2017 RM'000 (Restated)
Cash flows from operating activities		
Profit before tax	943,951	916,295
Adjustments for:		
Non-cash items	104,220	97,847
Non-operating items	(528,787)	(570,157)
Dividend income	(1,277)	(8,286)
Net interest expense	74,546	68,134
Operating profit before working capital changes	592,653	503,833
Net changes in working capital	(433,910)	(72,130)
Net changes in loan receivables	(199,811)	(169,186)
Net tax paid	(112,624)	(75,148)
Net interest paid	(95,308)	(80,938)
Additions to land held for property development	(120,971)	(492,328)
Net cash flows used in operating activities	(369,971)	(385,897)
Cash flows from investing activities		
Dividends received from associates and a joint venture	3,452	62,120
Dividends received from financial assets at fair value through profit or loss	720	-
Dividends received from money market deposits	917	5,998
Decrease/(increase) in money market deposits	51,371	(247,942)
Redemption of preference shares held by non-controlling interests	-	(7,000)
Disposal of subsidiaries net of cash disposed	737,509	744,646
Proceeds from disposal of 20% equity interest in a subsidiary	905,417	-
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
Proceeds from disposal of property, plant and equipment	5,870	79,271
Proceeds from disposal of held for trading equity instruments	14,633	104,479
Purchase of held for trading equity instruments	(14,217)	-
Purchase of property, plant and equipment	(80,679)	(82,698)
Additions to prepaid lease payments	-	(1,338)
Additions to investment properties	(22,812)	(11,283)
Net cash flows generated from investing activities	1,602,181	1,023,753
Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(399,887)	(410,338)
Net repayment of borrowings	(176,181)	(208,531)
Shares repurchased at cost	(24)	(24)
Net cash flows used in financing activities	(576,092)	(618,893)
Net increase in cash and cash equivalents	656,118	18,963
Effects on exchange rate changes	521	1,759
Cash and cash equivalents at beginning of the period	648,257	684,039
Cash and cash equivalents at end of the period	1,304,896	704,761
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	1,026,531	485,378
Cash in hand and at bank	295,188	226,072
Bank overdrafts	(16,823)	(6,689)
	1,304,896	704,761

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the Interim Financial Statements

Basis of Preparation

These interim financial statements have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard [“MFRS”] 134, Interim Financial Reporting and paragraph 9.22 of 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 2017.

Part A: Explanatory Notes Pursuant to MFRS 134

1. Significant accounting policies

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 was within the definition of Transitioning Entities and was exempted from adopting the MFRS framework prior to 1 January 2018.

In the current financial year ending 31 December 2018, the Group is adopting the MFRS framework for the first time. 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. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

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 2017 except for changes arising from the adoption of MFRS as disclosed below:

(a) MFRS 1, First-Time Adoption of Malaysian Financial Reporting Standards

Optional exemption to use fair value or revaluation as deemed cost

As provided in MFRS 1, first-time adopter can elect optional exemptions from full retrospective application of MFRS. The ‘fair value or revaluation as deemed cost’ optional exemption permits the carrying amount of an item of property, plant and equipment to be measured at the date of transition based on a deemed cost. Any surplus arising from revaluation at the date of transition is transferred to retained profits.

A first-time adopter does not have to apply the deemed cost exemption to all classes of property, plant and equipment or to all items within a class of property, plant and equipment; instead, the exemption may be applied to individual items. In addition, the election of the deemed cost exemption is independent of the first-time adopter’s accounting policy choice for the subsequent measurement of property, plant and equipment.

The Group has elected to use the ‘fair value or revaluation as deemed cost’ optional exemption to measure certain leasehold land, buildings, roads and infrastructures at the date of transition. Accordingly, the surplus arising from the fair value or revaluation net of deferred tax and non-controlling interest was recognised in retained profits as at 1 January 2017. The election of the optional exemption using the fair value or revaluation of property, plant and equipment as deemed cost has resulted in additional annual depreciation on property, plant and equipment which is charged to profit or loss.

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

(b) 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 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-agricultural produce 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-agricultural produce 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-agricultural produce are recognised in profit or loss.

(c) MFRS 9, Financial Instruments

MFRS 9 (effective from 1 January 2018), in conjunction with the adoption of the MFRS framework, replaces MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity’s business model and the cash flow characteristics of the financial asset.

MFRS 9 retains most of the MFRS 139 requirements for liabilities. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in OCI rather than in profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The adoption of MFRS 9 has impact on Group recognition of impairment of its receivables where the impairment is accounted for using the expected credit loss model.

(d) MFRS 15, Revenue from Contracts with Customers

MFRS 15 (effective from 1 January 2018), in conjunction with the adoption of the MFRS framework, replaces MFRS 111, Construction Contracts, MFRS 118, Revenue and related interpretations.

Prior to the adoption of MFRS 15, revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer. Upon adoption of MFRS 15, revenue is recognised when a performance obligation is satisfied, such as “control” of goods or services underlying the particular performance obligation is transferred to the customer.

The adoption of MFRS 15 has impact on the timing of recognition of revenue and cost for the Group’s property development business.

1. Significant accounting policies (continued)

The impact of the adjustments to the financial statements of the Group on initial application of MFRS 1, Amendments to MFRS 116 and MFRS 141, MFRS 9 and MFRS 15 are tabulated below. Where applicable, comparative figures in these interim financial statements have been restated to give effect to these changes to reflect the financial position as at 1 January 2017, being the transition date, and throughout all periods presented, as if these policies had always been in effect.

Effects on Condensed Consolidated Statements of Profit or Loss

	← Quarter ended 30 June 2017 →					
	As previously reported RM'000	MFRS 1: Optional exemption RM'000	Amendments to MFRS 116 and MFRS 141 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	As restated RM'000
Revenue	1,306,287	-	-	-	1,641	1,307,928
Operating expenses	(1,090,505)	(5,917)	2,296	543	1,972	(1,091,611)
Other operating income	15,968	-	-	-	-	15,968
Operating profit	231,750	(5,917)	2,296	543	3,613	232,285
Finance costs	(34,103)	-	-	-	-	(34,103)
Other gain items	496,838	-	-	-	-	496,838
Share of results of associates and a joint venture	7,011	-	-	-	-	7,011
Profit before tax	701,496	(5,917)	2,296	543	3,613	702,031
Tax expense	(52,802)	1,411	(890)	-	(377)	(52,658)
Profit for the period	648,694	(4,506)	1,406	543	3,236	649,373
Profit attributable to:						
Owners of the Company	629,720	(2,390)	747	543	2,588	631,208
Non-controlling interests	18,974	(2,116)	659	-	648	18,165
Earnings per share (sen)						
Basic	25.29	(0.09)	0.03	0.02	0.11	25.36

	← Year-to-date ended 30 June 2017 →					
	As previously reported RM'000	MFRS 1: Optional exemption RM'000	Amendments to MFRS 116 and MFRS 141 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	As restated RM'000
Revenue	2,482,367	-	-	-	2,476	2,484,843
Operating expenses	(2,102,940)	(11,834)	(5,306)	543	4,057	(2,115,480)
Other operating income	111,663	-	-	-	-	111,663
Operating profit	491,090	(11,834)	(5,306)	543	6,533	481,026
Finance costs	(75,232)	-	-	-	-	(75,232)
Other gain items	496,838	-	-	-	-	496,838
Share of results of associates and a joint venture	13,663	-	-	-	-	13,663
Profit before tax	926,359	(11,834)	(5,306)	543	6,533	916,295
Tax expense	(106,508)	2,822	605	-	(1,106)	(104,187)
Profit for the period	819,851	(9,012)	(4,701)	543	5,427	812,108
Profit attributable to:						
Owners of the Company	784,095	(4,780)	(2,493)	543	4,341	781,706
Non-controlling interests	35,756	(4,232)	(2,208)	-	1,086	30,402
Earnings per share (sen)						
Basic	31.49	(0.19)	(0.10)	0.02	0.18	31.40

1. Significant accounting policies (continued)
Effects on Condensed Consolidated Statements of Financial Position

	← As at 1.1.2017 →					
	As previously reported RM'000	MFRS 1: optional exemption RM'000	Amendments to MFRS 116 and MFRS 141 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	As restated RM'000
Non-current assets						
Property, plant and equipment	1,798,774	1,141,080	251,113	-	-	3,190,967
Biological assets	458,585	-	(458,585)	-	-	-
Land held for property development	720,173	-	(7,531)	-	-	712,642
Current assets						
Property development costs	682,386	-	-	-	7,392	689,778
Biological assets	-	-	37,667	-	-	37,667
Trade and other receivables	2,030,093	-	-	(9,750)	2,486	2,022,829
Non-current liabilities						
Deferred tax liabilities	230,590	272,581	(16,300)	-	(35)	486,836
Current liabilities						
Tax payable	47,375	-	-	-	1,844	49,219
Equity attributable to owners of the Company						
Share capital	2,489,682	-	-	-	-	2,489,682
Reserves	3,001,010	460,652	(77,115)	(9,750)	6,489	3,381,286
	5,490,692	460,652	(77,115)	(9,750)	6,489	5,870,968
Less: Treasury shares	(16)	-	-	-	-	(16)
	5,490,676	460,652	(77,115)	(9,750)	6,489	5,870,952
Non-controlling interests	631,779	407,847	(83,921)	-	1,580	957,285
TOTAL EQUITY	6,122,455	868,499	(161,036)	(9,750)	8,069	6,828,237
Net assets per share (RM)	2.21	0.19	(0.04)	(0.01)	0.01	2.36

1. Significant accounting policies (continued)

Effects on Condensed Consolidated Statements of Financial Position (continued)

	← As at 31.12.2017 →					
	As previously reported RM'000	MFRS 1: optional exemption RM'000	Amendments to MFRS 116 and MFRS 141 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	As restated RM'000
Non-current assets						
Property, plant and equipment	1,777,067	1,117,411	259,089	-	-	3,153,567
Biological assets	458,886	-	(458,886)	-	-	-
Land held for property development	786,991	-	(7,531)	-	-	779,460
Current assets						
Property development costs	814,695	-	-	-	15,795	830,490
Biological assets	-	-	19,550	-	-	19,550
Trade and other receivables	2,405,495	-	-	(9,180)	9,344	2,405,659
Non-current liabilities						
Deferred tax liabilities	222,906	266,937	(17,484)	-	1,349	473,708
Current liabilities						
Tax payable	58,093	-	-	-	3,287	61,380
Equity attributable to owners of the Company						
Share capital	3,519,554	-	-	-	-	3,519,554
Reserves	2,244,816	451,091	(82,026)	(9,180)	16,394	2,621,095
	5,764,370	451,091	(82,026)	(9,180)	16,394	6,140,649
Less: Treasury shares	(54)	-	-	-	-	(54)
	5,764,316	451,091	(82,026)	(9,180)	16,394	6,140,595
Non-controlling interests	652,138	399,383	(88,268)	-	4,109	967,362
TOTAL EQUITY	6,416,454	850,474	(170,294)	(9,180)	20,503	7,107,957
Net assets per share (RM)	2.32	0.18	(0.03)	(0.01)	0.01	2.47

Effects on Condensed Consolidated Statement of Cash Flows

	← Year-to-date ended 30 June 2017 →					
	As previously reported RM'000	MFRS 1: Optional exemption RM'000	Amendments to MFRS 116 and MFRS 141 RM'000	MFRS 9 RM'000	MFRS 15 RM'000	As restated RM'000
Cash flows from operating activities						
Profit before tax	926,359	(11,834)	(5,306)	543	6,533	916,295
Adjustments for:						
Non-cash items	68,441	11,834	18,115	(543)	-	97,847
Net changes in working capital	(65,597)	-	-	-	(6,533)	(72,130)
Cash flows from investing activities						
Purchase of property, plant and equipment	(69,690)	-	(13,008)	-	-	(82,698)
Additions to biological assets	(199)	-	199	-	-	-

2. Comments on the seasonality or cyclicity of operations

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

- (a) The performances of the Group's Property 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.

3. 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.

4. 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.

5. 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 2018	-	-	-	-	-
May 2018	-	-	-	-	-
June 2018	2,000	9.71	9.71	9.7812	19,562.35
Total	2,000	9.71	9.71	9.7812	19,562.35

As at 30 June 2018, the Company held 8,000 ordinary shares as treasury shares and the issued share capital of the Company remained unchanged at 2,489,681,583 ordinary shares.

6. Dividends

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	
	30.6.2018	30.6.2017
	RM'000	RM'000
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
Dividend in respect of financial year ending 31 December 2018:		
- first interim (15 sen) under the single tier system		
approved by the Directors on 31 May 2018 and paid on 28 June 2018	373,451	-
	<u>373,451</u>	<u>373,452</u>

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7. 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
<u>Current quarter ended 30 June 2018</u>									
Revenue									
External revenue	107,875	270,205	55,367	348,692	331,200	416,119	-	-	1,529,458
Inter-segment revenue	-	3,678	14,578	1,497	11,012	10,961	-	(41,726)	-
Total revenue	107,875	273,883	69,945	350,189	342,212	427,080	-	(41,726)	1,529,458
Operating profit	7,159	163,914	59,220	7,688	15,750	6,810	(5,340)	(25,115)	230,086
Finance costs									(40,340)
Other gain items									516,019
Share of results of associates and joint ventures									7,430
Profit before tax									713,195
<u>Preceding year quarter ended 30 June 2017 (restated)</u>									
Revenue									
External revenue	133,508	222,498	36,518	284,132	267,554	363,718	-	-	1,307,928
Inter-segment revenue	-	3,794	7,683	587	9,176	6,271	5,822	(33,333)	-
Total revenue	133,508	226,292	44,201	284,719	276,730	369,989	5,822	(33,333)	1,307,928
Operating profit	36,764	133,590	40,598	5,170	11,366	14,857	(3,230)	(6,830)	232,285
Finance costs									(34,103)
Other gain items									496,838
Share of results of associates and a joint venture									7,011
Profit before tax									702,031

7. 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
<u>Year-to-date ended 30 June 2018</u>									
Revenue									
External revenue	229,075	580,818	108,840	677,631	610,019	851,281	-	-	3,057,664
Inter-segment revenue	-	7,486	28,394	2,616	16,802	18,378	-	(73,676)	-
Total revenue	229,075	588,304	137,234	680,247	626,821	869,659	-	(73,676)	3,057,664
Operating profit	29,552	374,637	112,499	13,689	25,396	1,315	(16,905)	(42,662)	497,521
Finance costs									(81,457)
Other gain items									516,019
Share of results of associates and joint ventures									11,868
Profit before tax									943,951
Segment assets	2,092,341	4,750,472	3,275,544	771,201	616,969	2,169,659	18,821	-	13,695,007
Segment liabilities	19,575	1,135,901	1,665,655	165,364	486,602	906,611	843,371	-	5,223,079
<u>Year-to-date ended 30 June 2017 (restated)</u>									
Revenue									
External revenue	277,610	426,540	72,027	539,997	474,572	694,097	-	-	2,484,843
Inter-segment revenue	-	7,287	15,778	1,838	15,772	20,455	12,742	(73,872)	-
Total revenue	277,610	433,827	87,805	541,835	490,344	714,552	12,742	(73,872)	2,484,843
Operating profit	69,408	247,242	75,261	13,849	18,430	76,528	3,565	(23,257)	481,026
Finance costs									(75,232)
Other gain items									496,838
Share of results of associates and a joint venture									13,663
Profit before tax									916,295
Segment assets	2,122,309	4,373,432	2,090,586	609,995	507,196	2,285,392	477,059	-	12,465,969
Segment liabilities	27,451	1,318,032	1,386,711	98,313	267,197	1,002,091	1,054,407	-	5,154,202

8. Events after the end of interim period

Save for the subsequent events as disclosed in Note 10 of Part B, events after the interim period and up to 24 August 2018 that have not been reflected in these financial statements is as follows:-

As part of the Group's re-organisation, *Hap Seng Land Development Sdn Bhd had on 17 August 2018 transferred 1 ordinary share representing the entire issued share capital of *Sunhill Ventures Sdn Bhd ["Sunhill Ventures"] to *Hap Seng Realty Sdn Bhd for a cash consideration of RM1.00. Sunhill Ventures is a private limited company incorporated in Malaysia and is currently dormant.

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

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 28 February 2018, *Hap Seng Land Development Sdn Bhd acquired the entire issued share capital of Positive Tropical Sdn Bhd ["Positive Tropical"] comprising 1 ordinary share at a cash consideration of RM1.00. Positive Tropical is a private limited company incorporated in Malaysia and is principally involved in construction activities.
- (b) On 2 March 2018 ["said date"], *HSC International Limited ["HSCI"] entered into a conditional shares sale agreement with Lei Shing Hong Capital Limited ["LSHCL"], a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], pursuant to which HSCI had agreed to dispose 60,495,001 ordinary shares representing 100% of the issued share capital of HSC Sydney Holding Limited ["HSH"] ["HSH SSA"] for a cash consideration of USD196.50 million (translated to RM771.16 million based on the Bank Negara Malaysia's middle exchange rate as at 5.00 p.m. on 1 March 2018 rate of USD1.00:RM3.9245) ["HSH Sale Consideration" and "Proposed HSH Disposal"].

On the said date, the Company also entered into a conditional shares sale agreement with LSHCL, pursuant to which the Company had agreed to dispose 266,000,000 ordinary shares representing 20% of the issued share capital of *Hap Seng Credit Sdn Bhd ["HSCSB"] ["HSCSB SSA"] for a cash consideration of RM906 million ["HSCSB Sale Consideration" and "Proposed HSCSB Disposal"].

[The Proposed HSH Disposal and the Proposed HSCSB Disposal are collectively referred to as the "said Proposed Disposals"]

The said Proposed Disposals were deemed related party transactions as at the said date, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was 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 was a 56.00% major shareholder and director of Gek Poh.

As at the said date, Gek Poh's aggregate shareholding in the Company was 60.83%, comprising 54.63% direct shareholding and 6.20% 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 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 said Proposed Disposals.

As at the said date, Datuk Edward Lee Ming Foo was the managing director of both the Company and Gek Poh. Mr Lee Wee Yong was an executive director of the Company and a director of Gek Poh, which held 12.42% equity interest in LSH and therefore a major shareholder of LSH. Premised on the aforesaid, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong were deemed interested in the said Proposed Disposals.

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)**

(b) (continued)

As at the said date, Datuk Simon Shim Kong Yip was a non-independent non-executive director of the Company and a non-executive director of LSH. Premised on Datuk Simon Shim Kong Yip's common directorship in the Company and LSH, he was deemed interested in the said Proposed Disposals.

As at the said date, Mr. Ch'ng Kok Phan, an executive director of LSH, was also the non-independent non-executive director of the Company and as such, Mr Ch'ng Kok Phan had abstained from all deliberations and voting at the relevant Board meetings in respect of the said Proposed Disposals prior to his resignation as a director of the Company on 31 March 2018.

The interested or deemed interested directors and shareholders had abstained from voting and that they had ensured that persons connected to them have abstained from voting in respect of their direct and/or indirect shareholdings on the resolutions in relation to the said Proposed Disposals during the extraordinary general meeting of the Company held on 30 May 2018 ["EGM"], during which shareholders' approval of the Company was obtained in respect of the said Proposed Disposals.

On 21 May 2018, HSCI received the balance sum of USD176.85 million representing 90% of the HSH Sale Consideration from LSHCL for the Proposed HSH Disposal in accordance with the HSH SSA. Accordingly, the HSH Sale Consideration for the Proposed HSH Disposal has been paid in full.

On 25 May 2018, the Company received the balance sum of RM815.40 million representing 90% of the HSCSB Sale Consideration from LSHCL for the Proposed HSCSB Disposal in accordance with the HSCSB SSA. Accordingly, the HSCSB Sale Consideration for the Proposed HSCSB Disposal has been paid in full.

With the payment of HSH Sale Consideration and HSCSB Sale Consideration in full, the said Proposed Disposals were completed on 8 June 2018. The Proposed HSH Disposal resulted in a gain of approximately RM516.02 million to the Group whilst the Proposed HSCSB Disposal gave rise to an increase in the retained profits of the Group by approximately RM594.51 million.

- (c) On 5 March 2018, *HSC Manchester Holding Limited (*formerly known as HSC Melbourne Holding Limited*) incorporated a wholly-owned subsidiary in United Kingdom namely, HS Credit (Manchester) Ltd ["HCML"]. HCML has an issued and paid-up share capital of GBP1.00 comprising of 1 ordinary share and is currently dormant.
- (d) On 5 March 2018, *HSC Birmingham Holding Limited (*formerly known as HSC Brisbane Holding Limited*) incorporated a wholly-owned subsidiary in United Kingdom namely, HS Credit (Birmingham) Ltd ["HCBL"]. HCBL has an issued and paid-up share capital of GBP1.00 comprising of 1 ordinary share and is currently dormant.
- (e) On 25 April 2018, *Hap Seng Land Development Sdn Bhd acquired the entire issued share capital of Positive Harmony Sdn Bhd ["Positive Harmony"] comprising 1 ordinary share at a cash consideration of RM1.00. Positive Harmony 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 24 August 2018, except for the following:

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 @ Freddy Lim ["Datuk Freddy"] 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 ["Santraprise "] 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 would 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 was subject to amongst others, the following conditions:

- (i) approval of the shareholders of HSP at an extraordinary general meeting to be convened; and
- (ii) the due diligence findings of KHB and its subsidiaries being satisfactory and acceptable to HSP.

On 14 June 2018, HSP notified Datuk Freddy and Santraprise in writing pursuant to Clause 8.2 of the SSAs that HSP had found the results of the due diligence of KHB and its subsidiaries to be unsatisfactory and unacceptable. Accordingly, HSP had exercised its right pursuant to Clause 8.4 to terminate the SSAs with immediate effect, with which HSP would not extend the Proposed MGO for all the Remaining Shares.

11. 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 changes in contingent liability or contingent asset as at the end of the period which is expected to have an operational or financial impact on the Group.

12. Capital commitments

The Group has the following capital commitments:

	As at 30.6.2018	As at 31.12.2017
	RM'000	RM'000
		<i>(Audited)</i>
Contracted but not provided for	441,072	50,533
Approved but not contracted for	63,308	108,210
	<u>504,380</u>	<u>158,743</u>

13. 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 annual general meetings held on 31 May 2017 and 30 May 2018, except for the followings:

- (a) On 20 June 2018 ["said date"], Hap Seng Properties Development Sdn Bhd ["HSPD"], a wholly-owned subsidiary of the Company was 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 ["Master Title CL 105420666"] entered into a sale and purchase agreement to dispose Parcel 1 and Parcel 2 both forming part of Lot 5 held under the Master Title CL 105420666 measuring approximately 20.04 acres and 39.20 acres respectively to Goldcoin Ventures Sdn Bhd, the wholly-owned subsidiary of Akal Megah Sdn Bhd ["Akal Megah"] which in turn was wholly-owned by Lei Shing Hong Limited ["LSH"], for a total cash consideration of RM90,128,000 ["Proposed HSPD Disposal"].

The Proposed HSPD Disposal was deemed a related party transaction. As at the said date, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was 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 was a 56.00% major shareholder and director of Gek Poh.

As at said date, Gek Poh's aggregate shareholding in the Company was 60.83%, comprising 54.63% direct shareholding and 6.20% 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, 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 Proposed HSPD Disposal.

As at said date, Datuk Edward Lee Ming Foo was the managing director of both the Company and Gek Poh. Mr Lee Wee Yong was an executive director of the Company and a director of Gek Poh, which held 12.42% equity interest in LSH and therefore a major shareholder of LSH. Premised on the aforesaid, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong were deemed interested in the Proposed HSPD Disposal.

As at said date, Datuk Simon Shim Kong Yip was a non-independent non-executive director of the Company and a non-executive director of LSH and a director of Akal Megah. Premised on Datuk Simon Shim Kong Yip's common directorship in the Company, LSH and Akal Megah, he was interested in the Proposed HSPD Disposal.

As at said date, Mr. Ch'ng Kok Phan was an executive director of LSH. Notwithstanding Mr Ch'ng Kok Phan having resigned as a non-independent non-executive director of the Company on 31 March 2018, he was deemed interested in the Proposed HSPD Disposal as the resignation took place within the six-month period preceding the said date.

The Proposed HSPD Disposal was completed on 26 June 2018 with the full purchase consideration paid by the purchaser and resulted in a net gain of approximately RM60.84 million to the Group.

- (b) The said Proposed Disposals as disclosed in Note 9(b) above.

Part B: Explanatory Notes Pursuant to paragraph 9.22 of the Main Market Listing Requirements of Bursa Securities

1. Review of performance

The Group's revenue for the current quarter at RM1.53 billion was higher than the preceding year corresponding quarter by 17% with improved revenue contribution from all divisions except Plantation Division. Property, Credit Financing, Automotive and Fertilizers Trading Divisions generated improved operating profit for the current quarter but were offset by lower contribution from Plantation and Building Materials Divisions. Consequently, the Group's operating profit at RM230.1 million was marginally below the preceding year corresponding quarter.

Plantation Division's revenue for the current quarter at RM107.9 million was 19% lower than the preceding year corresponding quarter whilst operating profit at RM7.2 million was 81% lower than the preceding year corresponding quarter. The division was mainly impacted by lower average selling prices and sales volume of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"]. Average selling price of CPO and PK for the current quarter were lower at RM2,460 per tonne and RM1,822 per tonne respectively as compared to the preceding year corresponding quarter of RM2,897 per tonne for CPO and RM2,142 per tonne for PK. CPO sales volume for the current quarter at 37,791 tonnes was 3% lower than the preceding year corresponding quarter whilst PK sales volume was 15% lower at 7,391 tonnes. The lower sales volume of CPO and PK were mainly affected by lower production. Production of CPO and PK for the current quarter were lower by 19% and 21% respectively as compared to the preceding year corresponding quarter. This was mainly due to lower fresh fruit bunches ["FFB"] production in spite of better extraction rates of CPO and PK. FFB production was 20% below the preceding year corresponding quarter attributable to seasonal yield trend which resulted in higher unit production cost of CPO.

The Property Division's revenue and operating profit for the current quarter at RM273.9 million and RM163.9 million were higher than the preceding year corresponding quarter by 21% and 23% respectively. The division's improved performance was contributed mainly by the higher sales of non-strategic properties and better performance from its investment properties segment, benefitting from higher occupancy rates and higher rental rates of its major investment properties at Kuala Lumpur city centre. The property development segment recorded lower revenue and profit for the current quarter, mainly affected by lower units sold and timing of the progress of its development projects. Major contributors to the property development segment's results were Aria Luxury Residences in Kuala Lumpur city centre, Akasa at Cheras South and Bandar Sri Indah Phase 5H in Tawau which are at the earlier stage of construction. Last year's property development segment results benefitted from sales of completed units and projects which were in their advanced stage of construction.

Credit Financing Division's revenue and operating profit for the current quarter at RM70 million and RM59.2 million were higher than the preceding year corresponding quarter by 58% and 46% respectively, mainly attributable to higher loan base and loan disbursements. Loan portfolio at the end of the current quarter was RM3.3 billion, 34% above the preceding year corresponding quarter of RM2.5 billion. Non-performing loans ratio of 2% at the end of the current quarter was marginally higher than the preceding year corresponding quarter of 1.96%. In the current quarter, the credit financing business in Sydney, Australia was divested via the disposal of HSH as disclosed in Note 9(b) of Part A.

The Automotive Division's revenue for the current quarter at RM350.2 million was higher than the preceding year corresponding quarter by 23%. Both the vehicle segment and after sales and services segment registered improvement in sales. The vehicle segment registered 21% increase in volume of cars sold, mainly due to the expanded network of autohauses and the "tax holiday period" as a consequence of the government zero rating the Goods and Services Tax with effect from 1 June 2018 pending the implementation of the new Sales and Service Tax on 1 September 2018. The after sales and services segment recorded 25% increase in revenue with 17% increased throughput mainly attributable to improved productivity and efficiency and contribution from its new Puchong South autohaus which was officially launched at end April 2018. Consequently, the division's operating profit for the current quarter at RM7.7 million was higher than the preceding year corresponding quarter by 49%.

1. Review of performance (continued)

Fertilizers Trading Division's revenue for the current quarter at RM342.2 million was higher than the preceding year corresponding quarter by 24% mainly attributable to higher sales from the Malaysian and Indonesian operations. Malaysian operations recorded higher sales volume with better average margin due to lower imported cost. In Indonesia, its revenue improved significantly, almost doubled that of the preceding year corresponding quarter. However, the average trading margin in the Indonesian operations dipped marginally due to competitive market environment. Consequently, operating profit for the current quarter at RM15.8 million was higher than the preceding year corresponding quarter by 39%.

Building Materials Division's revenue for the current quarter at RM427.1 million was 15% higher than the preceding year corresponding quarter of RM370 million. The improved performance was mainly attributable to the higher revenue contributed by the building materials trading, quarry, asphalt and bricks businesses which registered an increase of 33% over the preceding year corresponding quarter. Malaysian Mosaics Sdn Bhd ["MMSB"] revenue was lower by 5% due to challenging market conditions whilst Hafary Holdings Limited ["Hafary"] recorded 3% increase in revenue, mainly benefitted from the active property resale market in Singapore. The division's current quarter operating profit was RM6.8 million, 54% lower than the preceding year corresponding quarter. Generally, operating profit was affected by margins compression in the quarry and asphalt business as well as in MMSB due to competitive pricing and soft market demand inspite better operating profit contributed by the building materials trading segment and Hafary. Building materials trading operating profit doubled that of the preceding year corresponding quarter in tandem with higher sales whilst Hafary benefitted from higher general sector sales which contributed better margins.

The Group profit before tax ["PBT"] for the current quarter included the gain of RM516.02 million arising from the disposal of 100% equity interest in HSH as disclosed in Note 9(b) of Part A. In the preceding year corresponding quarter, PBT included the gain of RM496.8 million arising from the disposal of 100% equity interest in Hap Seng Logistics Sdn Bhd. The Group PBT for the current quarter at RM713.2 million was 2% above the preceding year corresponding quarter whilst profit after tax ["PAT"] at RM653.4 million was marginally above the preceding year corresponding quarter.

Overall, Group PBT for the year to date at RM944 million was higher than the preceding year corresponding period by 3% whilst PAT at RM817.1 million was marginally higher than the preceding year corresponding period. Profit attributable to owners of the Company for the year to date at RM798.7 million was 2% above the preceding year corresponding period. Similarly, basic earnings per share for the year to date at 32.08 sen was 2% above last year corresponding period of 31.40 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 30.6.2018 RM'000	Immediate Preceding Quarter ended 31.3.2018 RM'000	<i>Increase/ (Decrease)</i>
Revenue	<u>1,529,458</u>	<u>1,528,206</u>	<i>0.1%</i>
Operating profit	<u>230,086</u>	<u>267,435</u>	<i>-14%</i>
Profit before tax	<u>713,195</u>	<u>230,756</u>	<i>209%</i>

Group PBT for the current quarter at RM713.2 million was 209% higher than the immediate preceding quarter. The current quarter's Group PBT included the gain of RM516.02 million from the disposal of HSH. Excluding the gain, Group PBT at RM197.2 million was 15% lower than the immediate preceding quarter of RM230.8 million. This was mainly attributable to lower contributions from Plantation and Property Divisions but mitigated by improved performance from Credit Financing, Fertilizers Trading and Building Materials Divisions.



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

Plantation Division's operating profit for the current quarter at RM7.2 million was 68% lower than the immediate preceding quarter of RM22.4 million mainly due to lower average selling prices and sales volume of CPO and PK. Average selling price of CPO was 5% lower than the immediate preceding quarter of RM2,590 per tonne whilst average selling price of PK was 19% below the immediate preceding quarter of RM2,262 per tonne. Sales volume of CPO and PK for the current quarter were 2% and 17% lower than the immediate preceding quarter of 38,391 tonnes and 8,874 tonnes respectively, mainly affected by lower FFB production which was 19% below the immediate preceding quarter due to seasonal yield trend.

Property Division's operating profit for the current quarter at RM163.9 million was 22% lower than the immediate preceding quarter of RM210.7 million mainly due to lower sales of non-strategic properties in the current quarter.

Credit Financing's operating profit for the current quarter at RM59.2 million was 11% higher than the immediate preceding quarter of RM53.3 million mainly benefitted from higher loan portfolio.

Fertilizers Trading Division's operating profit for the current quarter at RM15.8 million was 63% higher than the immediate preceding quarter of RM9.6 million mainly attributable to higher sales volume recorded by its Malaysian operations.

Building Materials Division generated an operating profit for the current quarter of RM6.8 million as against an operating loss in the immediate preceding quarter attributable to improved margins from its quarry, asphalt and bricks businesses and better contribution from Hafary with higher sales from both the general sector and project sector as well as better average trading margin achieved.

3. Current year prospects

The financial crisis in Turkey which caused the Turkish lira to plunge recently is raising fears of a contagion effect in the European and emerging markets' currencies across the region and may affect demand and prices of palm oil. India, one of the largest importer of palm oil which has been affected by the weakening of the Indian Rupee, higher import duty imposed by the Indian government and tighter credit in its country, has pulled back on imports and is bargaining for lower prices. This has affected palm oil exports from Malaysia. In addition, palm oil prices are expected to be under pressure due to high palm oil inventories. Although Malaysia's palm oil inventories level has declined to 2.21 million tonnes at end of July 2018 since the end of last year of 2.73 million tonnes, Malaysia's palm oil inventories remained high as compared to the same period last year of 1.78 million tonnes. Overall, the global macroeconomic factors affecting the palm oil market will continue to influence the division's prospects for the current financial year ending 31 December 2018.

The Property Division expects the property market for luxury segment to soften whilst the affordable housing segment will continue to be resilient. Concerted efforts are placed in marketing its ongoing projects in Sabah and Peninsular Malaysia whilst closely monitoring projects work-in-progress of these projects. Its strategically located investment properties in Kuala Lumpur city centre and Kota Kinabalu are expected to continue to have good occupancy rates and rental yield.

Credit Financing Division will continue its focus on growing its term loan portfolio albeit with cautiousness in view of uncertainties in the current global and domestic economic environment. It continues to exercise prudent credit risk management and provides excellent services with innovative customised product offerings in pre-selected business sectors as well as through synergistic collaboration with the other divisions of the Group. 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 are on-going efforts emplaced by the division to improve returns to its loan base.

3. Current year prospects (continued)

Automotive Division expects vehicles sales segment to continue to benefit from the “tax holiday period” which ends on 31 August 2018. The division expects its vehicle and after sales segment’s market share to improve further with expanded market coverage via its new autohaus in Puchong South (launched in end April 2018) as well as another new autohaus in Setia Alam scheduled to commence business in the 4th quarter of the year. A second pre-owned car centre in Kinrara which is expected to commence business in September 2018 will complement and provide support to the new vehicles segment, enabling the division to further increase the sales of its pre-owned fleet.

Fertilizers Division expects the competitive market environment in both Malaysia and Indonesia to continue. Foreign exchange movements, fluctuations in palm oil prices and supply of Muriate of Potash are expected to continue to influence the fertilizers markets in which the division operates. Nevertheless, the division anticipates the demand for fertilizers to remain healthy based on the fertilizers tenders for delivery in the second half of 2018.

Building Materials Division expects its quarry, asphalt and bricks businesses to continue to operate in a competitive market environment with compressed margins. However, the division expects to benefit from the various infrastructure projects in Sabah including the Pan Borneo Highway project and Sandakan Airport extension. The division’s building material trading business continues to improve its market share through aggressive expansion of its customer base and market coverage, capitalizing on Group synergy and network whilst managing credit risk and collections. MMSB anticipates to continue to operate in a very challenging and competitive ceramic tiles market. The division’s operations in Singapore via Hafary are expected to benefit further from the public housing projects and the active private property resale markets in Singapore.

Notwithstanding 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

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	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM’000	RM’000	RM’000	RM’000
		(Restated)		(Restated)
Profit before tax is arrived at after crediting/(charging):				
Interest income	4,182	3,171	6,911	7,098
Dividend income from financial assets at fair value through profit or loss	180	180	360	360
Dividend income from money market deposits	331	4,702	917	7,926
Gain on held for trading equity instruments at fair value	-	324	416	8,918
Gain on money market deposits at fair value	-	517	-	517
Interest expense	(40,340)	(34,103)	(81,457)	(75,232)
Depreciation and amortisation	(46,060)	(46,952)	(93,632)	(94,555)
Net (allowance)/reversal of impairment losses				
- trade receivables	(4,265)	2,394	(7,794)	(544)
Net inventories written down	(2,941)	(3,807)	(6,877)	(5,610)
Gain on disposal of property, plant and equipment	410	380	900	59,656
Property, plant and equipment written off	(452)	(665)	(914)	(1,041)

5. Profit before tax (continued)

	Quarter ended		Year-to-date ended	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Profit before tax is arrived at after crediting/(charging):				
Bad debts written off	-	-	-	(31)
Net foreign exchange gain/(loss)	1,080	(4,830)	(4,150)	(1,860)
Gain/(Loss) on hedging activities	141	438	(344)	929
Gain/(Loss) on non-hedging derivative instruments	182	36	(1,070)	408
Gain/(Loss) on fair value of biological assets	7,205	694	4,283	(7,639)
Recovery of bad debts	680	159	1,248	381
Other gain items				
- Gain on disposal of subsidiaries	516,019	496,838	516,019	496,838

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	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
In respect of current period				
- income tax	58,514	52,450	127,633	107,195
- deferred tax	503	208	(1,538)	(3,008)
	<u>59,017</u>	<u>52,658</u>	<u>126,095</u>	<u>104,187</u>
In respect of prior period				
- income tax	661	-	661	-
- deferred tax	80	-	80	-
	<u>741</u>	<u>-</u>	<u>741</u>	<u>-</u>
	<u>59,758</u>	<u>52,658</u>	<u>126,836</u>	<u>104,187</u>

The Group's effective tax rate for the current quarter and year to date excluding under provision of tax in respect of prior period 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 due to capital gain not subjected to income tax.



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

Saved as disclosed below, there were no other corporate proposals announced but not completed as at 24 August 2018.

- (a) On 20 January 2016, *Hap Seng Land Development Sdn Bhd ["HSLD"] acquired the entire issued and paid-up share capital of Golden Suncity Sdn Bhd ["GSSB"] comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.00. On 29 January 2016, HSLD entered into a shareholders' agreement ["SHA"] with TTDI KL Metropolis Sdn Bhd ["TTDI KL"], a wholly-owned subsidiary of Naza TTDI Sdn Bhd, and GSSB to regulate their relationship inter-se as shareholders of GSSB based on a shareholding proportion of 70:30.

Simultaneous with the execution of the SHA, GSSB 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.

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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 (continued)

(b) On 25 April 2018 *Hap Seng Trucks Distribution Sdn Bhd (*formerly known as Sungreen Synergy Sdn Bhd*) ["HSTD"] entered into a business transfer agreement ["BTA"] with Mercedes-Benz Malaysia Sdn Bhd ["MBM"] pursuant to which MBM had agreed to sell to HSTD, the commercial vehicle wholesale distribution business comprising the import of complete build-up ["CBU"] units and complete knocked-down ["CKD"] components, assembly management, wholesale distribution and the supply of after-sales service for "Mercedes-Benz" and "Fuso" or "Mitsubishi Fuso" branded trucks, vans and related OEM spare parts in Malaysia, the supply of after-sales service for Mercedes-Benz branded buses and the operations and activities of Mercedes-Benz Malaysia Commercial Vehicle Training Centre ["Business"], on the terms and subject to the conditions as set out in the BTA.

The BTA is conditional upon fulfilment of the following conditions precedent ["Conditions"] within nine (9) months (or such other extended period as mutually agreed) from the date of the BTA ["Conditional Period"]:

- (i) HSTD having obtained the import licence to import CKD components issued by the Ministry of International Trade and Industry required for carrying on the Business;
- (ii) novation or execution of fresh contracts by HSTD in respect of the following purchased contracts:
 - (a) contract between MBM and Nusa Automobil Corporation Sdn Bhd or any another importer for CBUs (including V-Class), as mutually agreed between the parties; and
 - (b) manufacturing contract between MBM and Hicom Automotive Manufacturers (Malaysia) Sdn Bhd., failing which, between MBM with another contract manufacturer, as mutually agreed between the parties.

The parties may mutually agree in writing to waive in whole or in part such Conditions.

HSTD shall notify MBM in writing within seven (7) business days after fulfilment of all the Conditions and the BTA shall cease to be conditional on the day such written notification is issued.

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

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8. Status of the utilisation of proceeds from corporate proposals

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

<u>Purpose</u>	<u>Proposed Utilisation</u>		<u>As at 30 June 2018</u>		<u>Intended Timeframe for Utilisation</u>	<u>Deviation under/(over) spent</u>		<u>Explanation</u>	
	<u>*Circular</u> RM'000	<u>**Adjusted</u> RM'000	<u>Utilisation</u> RM'000	<u>Balance Unutilised</u> RM'000		RM'000	%		
Repayment of borrowings	250,000	250,000	-	250,000	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) <u>Part finance the cost of property developments in Klang Valley</u>									
(a) <i>Jalan Kia Peng Service Apartment</i>	100,000	100,000	-	100,000			-		-
(b) <i>Manara Hap Seng 3</i>	200,000	200,000	-	200,000			-		-
	300,000	300,000	-	300,000			-		-
(ii) <u>Purchase of inventories</u>									
(a) <i>automobile</i>	20,664	30,293	-	# 30,275			-		-
(b) <i>fertilisers</i>	30,000	30,000	-	30,000			-		-
(c) <i>building materials such as steel bars, wire mesh and cement</i>	30,000	30,000	-	30,000			-		-
	80,664	90,293	-	90,275		-	-		
	380,664	390,293	-	390,275		-	-		
Investments purposes	140,000	140,000	-	140,000		-	-		
Estimated expenses	500	500	518	-	Within 3 months from completion	(18)	-	Over spent will decrease the balance unutilised for working capital requirement under item (ii)(a) #	
	771,164	780,793	518	780,275		(18)			

* Circular to Shareholders dated 16 May 2018.

** The proposed utilisation was adjusted to reflect the actual proceeds in RM based on the actual foreign exchange rate at completion date. This resulted in additional proceeds of RM9.629 million which was allocated to the proposed utilisation for working capital requirement under item (ii)(a).



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

(b) The status of the utilisation of proceeds from disposal of 20% equity interest in HSCSB as disclosed in Note 9(b) of Part A is as follows:

<u>Purpose</u>	<u>Proposed Utilisation</u> RM'000	As at 30 June 2018		<u>Intended Timeframe for Utilisation</u>	Deviation under/(over) spent		<u>Explanation</u>
		<u>Utilisation</u> RM'000	<u>Unutilised</u> RM'000		RM'000	%	
Working capital requirements:							
<u>Loan disbursements of HSCSB's credit financing division</u>							
(a) Real estate	350,000	-	350,000	Within 24 months from completion	-	-	Not fully utilised yet and within intended timeframe for utilisation. As such, deviation was not computed
(b) Manufacturing	170,000	-	170,000		-	-	
(c) Transportation	170,000	-	170,000		-	-	
(d) Construction	120,000	-	120,000		-	-	
(e) General commerce	95,500	-	# 95,482		-	-	
	<u>905,500</u>	-	<u>905,482</u>		-	-	
Estimated expenses	500	518	-	Within 3 months from completion	(18)	-	over spent will decrease the balance unutilised for working capital requirement under item (e) #
	<u>906,000</u>	<u>518</u>	<u>905,482</u>		<u>(18)</u>		



9. Borrowings and debt securities

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

	← As at 30.6.2018 →						Total RM'000
	← Denominated in →						
	RM RM'000	USD RM'000	SGD RM'000	Euro RM'000	IDR RM'000	RMB RM'000	
Current							
Secured							
- Trust receipts	-	3,226	40,786	24,693	-	-	68,705
- Finance leases	-	-	1,189	-	-	-	1,189
- Revolving credits	-	-	100,344	-	-	-	100,344
- Term loans	-	-	12,669	-	-	-	12,669
	-	3,226	154,988	24,693	-	-	182,907
Unsecured							
- Bankers' acceptances	229,031	-	-	-	-	-	229,031
- Revolving credits	1,037,500	22,117	-	-	121,282	7,504	1,188,403
- Term loans	229,937	538,117	11,840	-	-	-	779,894
- Bank overdrafts	16,823	-	-	-	-	-	16,823
	1,513,291	560,234	11,840	-	121,282	7,504	2,214,151
Total current borrowings	1,513,291	563,460	166,828	24,693	121,282	7,504	2,397,058
Non-current							
Secured							
- Term loans	-	-	251,760	-	-	-	251,760
- Finance leases	-	-	655	-	-	-	655
	-	-	252,415	-	-	-	252,415
Unsecured							
- Term loans	805,218	702,960	119,640	-	-	-	1,627,818
Total non-current borrowings	805,218	702,960	372,055	-	-	-	1,880,233
Total borrowings	2,318,509	1,266,420	538,883	24,693	121,282	7,504	4,277,291

Note: All secured borrowings are in respect of foreign subsidiaries' borrowings.

9. Borrowings and debt securities (continued)

	← As at 31.12.2017 →					Total RM'000
	← Denominated in →					
	RM RM'000	USD RM'000	SGD RM'000	Euro RM'000	IDR 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

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 than 7 days from the date of issue of the quarterly report

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

- (a) 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 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018 and 11 to 14 June 2018. The Consolidated RESB Suit has been fixed for continued hearing from 12 to 14 September 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 than 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 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018 and 11 to 14 June 2018. The Consolidated RESB Suit has been fixed for continued hearing from 12 to 14 September 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 than 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.

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11. Derivatives

The Group entered into forward currency contracts and cross currency interest rate swaps where appropriate to minimise its exposure on receivables, payables, borrowings and firm commitments denominated in foreign currencies. Derivatives are stated at fair value which is equivalent to the marking of the derivatives to market, using prevailing market rates.

Details of derivative financial instruments outstanding (including financial instruments designated as hedging instruments) as at 30 June 2018 are as follows:

	Contract/ Notional Value RM'000	Fair Value: Assets/ (Liabilities) RM'000	Gain/(loss) On Derivative Instruments RM'000	Gain/(loss) On Hedged Items RM'000	Net Gain/(loss) RM'000
Forward currency contracts of less than 1 year (USD/Euro)					
- Designated as hedging instruments*	211,182	3,051	9,504	(9,848)	(344)
- Designated as hedging instruments**	-	-	4,665	(4,899)	(234)
- Not designated as hedging instruments	22,926	48	821	(1,891)	(1,070)
	<u>234,108</u>	<u>3,099</u>	<u>14,990</u>	<u>(16,638)</u>	<u>(1,648)</u>
Cross currency interest rate swaps on foreign currency borrowings of 1 year to 3 years (SGD/USD)					
- Designated as hedging instruments**	<u>1,257,920</u>	<u>(29,113)</u>	<u>(30,568)</u>	<u>30,930</u>	<u>362</u>

* *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 subsidiaries, Hap Seng Credit Sdn Bhd and HS Credit (Melbourne) Pty Ltd in the ordinary course of their moneylending businesses. The aggregate amount of outstanding loans as at 30 June 2018 given by the Company's moneylending subsidiaries are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
(a) To companies	2,218,320	175	2,218,495
(b) To individuals	308,826	1,201	310,027
(c) To companies within the listed issuer group	352,164	422,193	774,357
(d) To related parties	-	-	-
	<u>2,879,310</u>	<u>423,569</u>	<u>3,302,879</u>

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

	As at
	30.6.2018
	RM'000
(a) Loans given by corporations within the Group to the moneylending subsidiaries	-
(b) Borrowings which are secured by corporations within the Group in favour of the moneylending subsidiaries	-
(c) Other borrowings	1,589,395
	<u>1,589,395</u>

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

	RM'000
(a) Balance as at 1.1.2018	42,764
(b) Loans classified as in default during the financial year	42,998
(c) Loans reclassified as performing during the financial year	(8,071)
(d) Amount recovered	(11,472)
(e) Amount written off	-
(f) Loans converted to securities	-
(g) Balance as at 30.6.2018	<u>66,219</u>
(h) Ratio of net loans in default to net loans	<u>2.00%</u>

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)
1 st	Term Loan	420,000	337,045	Yes	467,834	Yes*	3 - 72
2 nd	Term Loan	300,000	243,918	No	-	Yes*	36
3 rd	Term Loan	262,000	92,436	No	-	Yes*	3 - 30
4 th	Term Loan	94,700	78,770	No	-	Yes*	3 - 84
5 th	Term Loan	65,900	65,294	Yes	64,717	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-to-date ended	
	30.6.2018	30.6.2017 (Restated)	30.6.2018	30.6.2017 (Restated)
Profit attributable to owners of the Company (RM'000)	644,215	631,208	798,668	781,706
Weighted average number of ordinary shares in issue	2,489,675	2,489,679	2,489,675	2,489,679
Basic EPS (sen)	25.88	25.36	32.08	31.40

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

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15. Dividend

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

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 2017 was not subject to any qualification.

BY ORDER OF THE BOARD

LIM GUAN NEE
QUAN SHEET MEI
Secretaries

Kuala Lumpur
29 August 2018