HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

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

	Quarter ended			Year-to-date ended		
	30.9.2018 RM'000	**30.9.2017** RM'000 *(Restated)*	***Increase/ (Decrease)***	**30.9.2018** RM'000	**30.9.2017** RM'000 *(Restated)*	***Increase/ (Decrease)***
Revenue	1,762,910	1,399,731	*26%*	4,820,574	3,884,574	*24%*
Operating expenses	(1,510,030)	(1,130,123)		(4,103,799)	(3,245,603)	
Other operating income	31,927	31,259		65,553	142,922	
Operating profit	284,807	300,867	*(5%)*	782,328	781,893	*0.1%*
Finance costs	(41,609)	(36,591)		(123,066)	(111,823)	
Other gain items	-	-		516,019	496,838	
Share of results of associates and joint ventures	9,691	10,823		21,559	24,486	
Profit before tax	252,889	275,099	*(8%)*	1,196,840	1,191,394	*0.5%*
Tax expense	(47,139)	(69,783)		(173,975)	(173,970)	
Profit for the period	205,750	205,316	*0.2%*	1,022,865	1,017,424	*0.5%*
Profit attributable to:						
Owners of the Company	190,694	182,548	*4%*	989,362	964,254	*3%*
Non-controlling interests	15,056	22,768		33,503	53,170	
	205,750	205,316		1,022,865	1,017,424	
Earnings per share (sen)						
Basic	7.66	7.33	*4%*	39.74	38.73	*3%*
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

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

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

	Quarter ended		Year-to-date ended	
	30.9.2018	**30.9.2017**	**30.9.2018**	**30.9.2017**
	RM'000	RM'000	RM'000	RM'000
		(Restated)		*(Restated)*
Profit for the period	205,750	205,316	1,022,865	1,017,424
Other comprehensive income /(expense) net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	12,263	(1,955)	(1,822)	(4,487)
Share of foreign currency translation differences of associates and joint ventures	3,880	(143)	1,995	422
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	-	17,796	-
Change in fair value of cash flow hedge	3,043	(1,771)	3,171	3,410
	19,186	(3,869)	21,140	(655)
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment upon transfer of property to investment property	-	50,237	-	50,237
Total other comprehensive income for the period	19,186	46,368	21,140	49,582
Total comprehensive income for the period	224,936	251,684	1,044,005	1,067,006
Total comprehensive income attributable to:				
Owners of the Company	207,615	229,260	1,011,951	1,014,343
Non-controlling interests	17,321	22,424	32,054	52,663
	224,936	251,684	1,044,005	1,067,006

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 SEPTEMBER 2018

	As at 30.9.2018 RM'000	As at 31.12.2017 RM'000 *(Restated)*	As at 1.1.2017 RM'000 *(Restated)*
Non-current assets			
Property, plant and equipment	3,124,137	3,153,567	3,190,967
Prepaid lease payments	182,376	189,638	201,367
Investment properties	1,605,647	1,538,870	1,675,054
Investment in associates	466,703	452,231	500,934
Investment in joint ventures	8,063	9,433	844
Land held for property development	896,068	779,460	712,642
Intangible assets	36,736	36,736	85,149
Trade and other receivables	2,148,870	1,566,357	1,041,254
Other non-current financial assets	37,818	29,563	115,844
Deferred tax assets	25,716	15,247	21,809
	8,532,134	7,771,102	7,545,864
Current assets			
Inventories	1,301,470	1,348,599	1,163,461
Property development costs	1,033,216	830,490	689,778
Biological assets	25,860	19,550	37,667
Trade and other receivables	2,371,291	2,405,659	2,022,829
Tax recoverable	54,154	22,966	19,471
Other current financial assets	10,279	30,907	171,243
Money market deposits	849,230	90,990	354,736
Cash and bank balances	1,164,337	648,257	684,284
	6,809,837	5,397,418	5,143,469
TOTAL ASSETS	15,341,971	13,168,520	12,689,333

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED) (Continued)
AS AT 30 SEPTEMBER 2018

	As at 30.9.2018 RM'000	As at 31.12.2017 RM'000 *(Restated)*	As at 1.1.2017 RM'000 *(Restated)*
Equity attributable to owners of the Company			
Share capital	3,519,554	3,519,554	2,489,682
Reserves	3,854,166	2,621,095	3,381,286
	7,373,720	6,140,649	5,870,968
Less: Treasury shares	(73)	(54)	(16)
	7,373,647	6,140,595	5,870,952
Non-controlling interests	1,278,188	967,362	957,285
TOTAL EQUITY	8,651,835	7,107,957	6,828,237
Non-current liabilities			
Payables and provisions	9,272	7,682	18,433
Borrowings	2,469,430	1,595,237	1,920,316
Other non-current financial liabilities	1,130	7,170	-
Deferred tax liabilities	469,702	473,708	486,836
	2,949,534	2,083,797	2,425,585
Current liabilities			
Payables and provisions	1,023,938	994,029	880,160
Tax payable	117,578	61,380	49,219
Borrowings	2,596,292	2,883,638	2,504,931
Other current financial liabilities	2,794	37,719	1,201
	3,740,602	3,976,766	3,435,511
TOTAL LIABILITIES	6,690,136	6,060,563	5,861,096
TOTAL EQUITY AND LIABILITIES	15,341,971	13,168,520	12,689,333
Net assets per share (RM)	2.96	2.47	2.36
Number of shares net of treasury shares ('000)	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

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

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

	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 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	-	-	989,362	-	989,362	33,503	1,022,865
Total other comprehensive income for the period	-	22,589	-	-	22,589	(1,449)	21,140
Total comprehensive income for the period	-	22,589	989,362	-	1,011,951	32,054	1,044,005
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	-	-	-	-	-	(32,069)	(32,069)
At 30 September 2018	3,519,554	92,460	3,761,706	(73)	7,373,647	1,278,188	8,651,835

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

	← *Attributable to Owners of the Company*				→		
	Share Capital	**Non-distributable Reserves**	**Distributable Reserves**	**Treasury Shares**	**Total**	**Non-controlling interests**	**Total Equity**
	RM'000	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	631,779	6,122,455
- Effect of adoption of MFRS	-	-	380,276	-	380,276	325,506	705,782
- As restated	2,489,682	1,058,398	2,322,888	(16)	5,870,952	957,285	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	-	-	959,702	-	959,702	53,358	1,013,060
- Effect of adoption of MFRS	-	-	4,552	-	4,552	(188)	4,364
- As restated	-	-	964,254	-	964,254	53,170	1,017,424
Total other comprehensive income for the period	-	50,089	-	-	50,089	(507)	49,582
Total comprehensive income for the period	-	50,089	964,254	-	1,014,343	52,663	1,067,006
Share-based payments by a subsidiary	-	98	-	-	98	95	193
Changes in ownership interest in subsidiaries	-	(468)	(12)	-	(480)	4,680	4,200
Purchase of treasury shares	-	-	-	(19)	(19)	-	(19)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	(5)	(5)
Dividend	-	-	(373,452)	-	(373,452)	-	(373,452)
Dividends paid to non-controlling interests	-	-	-	-	-	(55,661)	(55,661)
At 30 September 2017 *(Restated)*	3,519,554	78,245	2,913,678	(35)	6,511,442	959,057	7,470,499

** 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 SEPTEMBER 2018

	Year-to-date ended	
	30.9.2018	**30.9.2017**
	RM'000	RM'000
		(Restated)
Cash flows from operating activities		
Profit before tax	1,196,840	1,191,394
Adjustments for:		
Non-cash items	142,699	132,163
Non-operating items	(539,080)	(582,392)
Dividend income	(3,833)	(14,597)
Net interest expense	109,966	101,627
Operating profit before working capital changes	906,592	828,195
Net changes in working capital	(255,948)	(222,435)
Net changes in loan receivables	(642,490)	(227,836)
Net tax paid	(160,847)	(129,190)
Net interest paid	(142,293)	(119,884)
Land held for property development	(117,644)	(504,335)
Net cash flows used in operating activities	(412,630)	(375,485)
Cash flows from investing activities		
Dividends received from associates and a joint venture	10,452	75,120
Dividends received from financial assets at fair value through profit or loss	720	-
Dividends received from money market deposits	3,293	11,739
Profit guarantee shortfall received from holding company	35,578	-
Increase in money market deposits	(757,780)	(89,286)
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	-	11,200
Proceeds from disposal of property, plant and equipment	6,819	82,245
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	(117,290)	(128,600)
Additions to prepaid lease payments	-	(1,338)
Additions to investment properties	(66,811)	(31,678)
Net cash flows generated from investing activities	758,323	1,139,027
Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(405,520)	(429,113)
Net drawdown/(repayment) of borrowings	565,495	(209,427)
Shares repurchased at cost	(24)	(24)
Net cash flows generated from/(used in) financing activities	159,951	(638,564)
Net increase in cash and cash equivalents	505,644	124,978
Effects on exchange rate changes	2,570	809
Cash and cash equivalents at beginning of the period	648,257	684,039
Cash and cash equivalents at end of the period	1,156,471	809,826
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	549,744	582,947
Cash in hand and at bank	614,593	256,719
Bank overdrafts	(7,866)	(29,840)
	1,156,471	809,826

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**

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:

(i) segment information which has been changed by combining the general trading business (previously included in the Building Materials segment) with the Fertilizers Trading segment and is now reported as Trading segment. This is to reflect the changes in the basis of internal reports which are regularly reviewed by the management of the Group in order to allocate resources to the segment and assess its performance. Accordingly, the comparatives for segment information have been restated to conform with the current year presentation; and

(ii) changes arising from the adoption of MFRS as disclosed below.

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.

(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 September 2017					
	As previously reported	**MFRS 1: Optional exemption**	**Amendments to MFRS 116 and MFRS 141**	**MFRS 9**	**MFRS 15**	**As restated**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,398,073	-	-	-	1,658	1,399,731
Operating expenses	(1,144,435)	(5,917)	19,125	(265)	1,369	(1,130,123)
Other operating income	31,259	-	-	-	-	31,259
Operating profit	284,897	(5,917)	19,125	(265)	3,027	300,867
Finance costs	(36,591)	-	-	-	-	(36,591)
Share of results of associates and a joint venture	10,823	-	-	-	-	10,823
Profit before tax	259,129	(5,917)	19,125	(265)	3,027	275,099
Tax expense	(65,920)	1,411	(4,637)	-	(637)	(69,783)
Profit for the period	193,209	(4,506)	14,488	(265)	2,390	205,316
Profit attributable to:						
Owners of the Company	175,607	(2,390)	7,683	(265)	1,913	182,548
Non-controlling interests	17,602	(2,116)	6,805	-	477	22,768
Earnings per share (sen)						
Basic	7.05	(0.09)	0.31	(0.01)	0.07	7.33

	Year-to-date ended 30 September 2017					
	As previously reported	**MFRS 1: Optional exemption**	**Amendments to MFRS 116 and MFRS 141**	**MFRS 9**	**MFRS 15**	**As restated**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	3,880,440	-	-	-	4,134	3,884,574
Operating expenses	(3,247,375)	(17,751)	13,819	278	5,426	(3,245,603)
Other operating income	142,922	-	-	-	-	142,922
Operating profit	775,987	(17,751)	13,819	278	9,560	781,893
Finance costs	(111,823)	-	-	-	-	(111,823)
Other gain items	496,838	-	-	-	-	496,838
Share of results of associates and a joint venture	24,486	-	-	-	-	24,486
Profit before tax	1,185,488	(17,751)	13,819	278	9,560	1,191,394
Tax expense	(172,428)	4,233	(4,032)	-	(1,743)	(173,970)
Profit for the period	1,013,060	(13,518)	9,787	278	7,817	1,017,424
Profit attributable to:						
Owners of the Company	959,702	(7,170)	5,190	278	6,254	964,254
Non-controlling interests	53,358	(6,348)	4,597	-	1,563	53,170
Earnings per share (sen)						
Basic	38.55	(0.29)	0.21	0.01	0.25	38.73

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 September 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	1,185,488	(17,751)	13,819	278	9,560	1,191,394
Adjustments for:						
Non-cash items	108,198	17,751	6,492	(278)	-	132,163
Net changes in working capital	(212,875)	-	-	-	(9,560)	(222,435)
Cash flows from investing activities						
Purchase of property, plant and equipment	(107,852)	-	(20,748)	-	-	(128,600)
Additions to biological assets	(437)	-	437	-	-	-

2. **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.

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, there was no buyback of shares, resale nor cancellation of treasury shares. Accordingly, the total number of shares bought back and retained as treasury shares during the interim period remained unchanged at 2,000.

As at 30 September 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	
	30.9.2018	**30.9.2017**
	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	-
	373,451	373,452

7. **Segment information**

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Current quarter ended 30 September 2018									
Revenue									
External revenue	65,587	383,930	58,824	418,167	601,362	235,040	-	-	1,762,910
Inter-segment revenue	-	3,654	15,132	486	27,256	17,799	-	(64,327)	-
Total revenue	65,587	387,584	73,956	418,653	628,618	252,839	-	(64,327)	1,762,910
Operating profit	(2,390)	191,818	64,723	5,285	16,623	4,079	11,261	(6,592)	284,807
Finance costs									(41,609)
Share of results of associates and joint ventures									9,691
Profit before tax									252,889
Preceding year quarter ended 30 September 2017 (restated)									
Revenue									
External revenue	113,580	295,382	39,628	278,153	408,964	264,024	-	-	1,399,731
Inter-segment revenue	-	3,529	11,991	1,598	24,492	16,683	-	(58,293)	-
Total revenue	113,580	298,911	51,619	279,751	433,456	280,707	-	(58,293)	1,399,731
Operating profit	48,357	189,316	43,264	5,193	12,563	17,476	2,339	(17,641)	300,867
Finance costs									(36,591)
Share of results of associates and a joint venture									10,823
Profit before tax									275,099

7. **Segment information (continued)**

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Year-to-date ended 30 September 2018									
Revenue									
External revenue	249,662	964,748	167,664	1,095,798	1,615,517	682,185	-	-	4,820,574
Inter-segment revenue	-	11,140	43,526	3,102	72,073	47,045	-	(176,886)	-
Total revenue	249,662	975,888	211,190	1,098,900	1,687,590	729,230	-	(176,886)	4,820,574
Operating profit	27,162	566,455	177,222	18,974	48,635	(1,222)	(5,644)	(49,254)	782,328
Finance costs									(123,066)
Other gain items									516,019
Share of results of associates and joint ventures									21,559
Profit before tax									1,196,840
Segment assets	2,072,336	4,870,630	3,009,234	598,123	977,329	1,919,427	1,340,256	-	14,787,335
Segment liabilities	27,664	1,205,856	2,037,804	97,558	777,458	761,413	1,195,103	-	6,102,856
Year-to-date ended 30 September 2017 (restated)									
Revenue									
External revenue	391,190	721,922	111,655	818,150	1,123,229	718,428	-	-	3,884,574
Inter-segment revenue	-	10,816	27,769	3,436	62,935	48,685	12,742	(166,383)	-
Total revenue	391,190	732,738	139,424	821,586	1,186,164	767,113	12,742	(166,383)	3,884,574
Operating profit	117,765	436,558	118,525	19,042	34,347	90,650	5,904	(40,898)	781,893
Finance costs									(111,823)
Other gain items									496,838
Share of results of associates and a joint venture									24,486
Profit before tax									1,191,394
Segment assets	2,123,789	4,462,911	2,085,053	706,744	653,944	2,121,253	541,723	-	12,695,417
Segment liabilities	30,883	1,318,430	1,369,165	112,525	365,040	871,825	1,068,814	-	5,136,682

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 16 November 2018 that have not been reflected in these financial statements is as follows:-

(a) 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 BTA was completed on 31 October 2018 in accordance with the terms contained therein.

(b) On 8 October 2018, Hafary Pte Ltd ("HPL"), a wholly-owned subsidiary of Hafary Holdings Limited ("Hafary"), which is a 50.82% owned subsidiary of *Hap Seng Investment Holdings Pte Ltd, incorporated a wholly-owned subsidiary, Hafary W+S Pte Ltd ("Hafary W+S") in Singapore with an issued and paid-up share capital of SGD100.00 comprising 100 ordinary shares. Hafary W+S is principally involved in general warehousing – storage and warehousing of furniture and related products.

(c) On 10 October 2018, HPL became a 33.33% shareholder of Hafary Myanmar Investment Pte Ltd ("Hafary Myanmar"), a joint venture company incorporated in Singapore with an issued and paid-up capital of USD10,000.00 comprising 10,000 ordinary shares. Hafary Myanmar is an investment holding company to facilitate the proposed expansion by the Hafary Group into the Myanmar market.

* *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.

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.

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)

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.

(f) 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 to undertake investment in hotel development and operation.

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

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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 16 November 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 rights 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 30.9.2018 RM'000	As at 31.12.2017 RM'000 *(Audited)*
Contracted but not provided for	395,677	50,533
Approved but not contracted for	60,817	108,210
	456,494	158,743

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 RM1.76 billion was higher than the preceding year corresponding quarter by 26% with higher revenue from all divisions except for Plantation and Building Materials Divisions. Group operating profit at RM284.8 million was lower than the preceding year corresponding quarter by 5% as performance was dampened by the significantly lower contribution from Plantation and Building Materials Divisions. Consequently, the Group profit before tax ["PBT"] at RM252.9 million was 8% lower than the preceding year corresponding quarter. Nevertheless, Profit after tax ["PAT"] at RM205.8 million was marginally higher than the preceding year corresponding quarter, benefitting from tax incentive in respect of investment tax allowance on the Plantation Division's biogas plant.

Plantation Division's revenue for the current quarter at RM65.6 million was 42% lower than the preceding year corresponding quarter with an operating loss of RM2.4 million as compared to the preceding year corresponding quarter's operating profit of RM48.4 million. The division's performance was adversely affected 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 RM2,217 per tonne and RM1,827 per tonne respectively as compared to the preceding year corresponding quarter of RM2,765 per tonne for CPO and RM2,327 per tonne for PK. CPO sales volume for the current quarter at 23,279 tonnes was 30% lower than the preceding year corresponding quarter whilst PK sales volume was 19% lower at 6,742 tonnes, attributable to lower production and timing of deliveries. CPO and PK production were mainly affected by lower fresh fruit bunches ["FFB"] production. FFB production for the current quarter was 11% below the preceding year corresponding quarter attributable to seasonal yield trend. The lower production has also resulted in higher unit production cost of CPO per tonne.

The Property Division's revenue for the current quarter at RM387.6 million was higher than the preceding year corresponding quarter by 30% mainly attributable to higher contribution from investment properties, higher sales of non-strategic properties and contribution from the construction activities. The division's investment properties benefitted from higher occupancy rates and higher rental rates of its major investment properties at Kuala Lumpur city centre and Kota Kinabalu. Sales of non-strategic properties contributed higher profit in the current quarter. The positive profit growth was however dampened by the property development activities which registered lower units sold. Overall, the division's operating profit for the current quarter at RM191.8 million was marginally higher than the preceding year corresponding quarter of RM189.3 million.

Credit Financing Division continues to record growth in performance as compared to the preceding year corresponding quarter with higher loan base and loan disbursements. Loan portfolio at the end of current quarter was RM3.8 billion, 43% above the preceding year corresponding quarter of RM2.6 billion whilst non-performing loans ratio has improved from the preceding year corresponding quarter of 1.77% to 1.68% at the end of the current quarter. Consequently, the division's revenue and operating profit for the current quarter at RM74 million and RM64.7 million were higher than the preceding year corresponding quarter by 43% and 50% respectively.

Automotive Division registered improvement in both the vehicle segment and after sales and services segment. The vehicle segment registered 36% increase in number of cars sold whilst the after sales and services segment recorded 35% increase in revenue with 16% increase in throughput. The division benefitted from the wider market coverage of its expanded network of autohauses. In addition, the "tax holiday period" (as a consequence of the government zero rating the Goods and Services Tax from 1 June to 31 August 2018, before the implementation of the new Sales and Service Tax on 1 September 2018) also contributed to the significantly higher vehicle sales in the current quarter. Consequently, the division's revenue for the current quarter at RM418.7 million was higher than the preceding year corresponding quarter by 50%. Overall, the division's operating profit for the current quarter at RM5.3 million was higher than the preceding year corresponding quarter by 2%, offset somewhat by higher operating expenses relating to the initial start up costs of the commercial vehicle wholesale distribution business as disclosed in Note 8(a) of Part A.

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

Trading Division which comprises the fertilizers trading and general trading businesses achieved total revenue and operating profit of RM628.6 million and RM16.6 million for the current quarter, 45% and 32% higher than the preceding year corresponding quarter respectively. Fertilizers Trading business' revenue for the current quarter was 51% above the preceding year corresponding quarter attributable to higher sales volume and average selling prices in its domestic and regional markets in Indonesia and China. Its operating profit was 31% above the preceding year corresponding quarter due to better contribution from Indonesia and China. General Trading business continues to achieve revenue growth through its efforts to increase market share. It registered improved revenue and operating profit by 34% and 38% respectively over the preceding year corresponding quarter.

Building Materials Division comprises the quarry, asphalt and bricks businesses as well as the trading and manufacturing of building materials by Malaysian Mosaics Sdn Bhd ["MMSB"] and trading of building materials by Hafary Holdings Limited ["Hafary"]. In the current quarter, the division recorded revenue of RM252.8 million, 10% below the preceding year corresponding quarter of RM280.7 million. Operating profit at RM4.1 million was 77% below the preceding year corresponding quarter of RM17.5 million. The division's revenue from quarry, asphalt and bricks businesses for the current quarter was 10% below the preceding year corresponding quarter whilst revenue from MMSB and Hafary were lower than the preceding year corresponding quarter by 17% and 2% respectively. Operating profit continues to be affected by margins compression in the quarry and asphalt business as well as in MMSB due to competitive pricing and soft market demand inspite of higher profit contribution from Hafary. In the current quarter, Hafary benefitted from higher general sector sales attributable to the active property resale market in Singapore which contributed better margins.

Overall, Group PBT and PAT for the year to date at RM1.2 billion and RM1.02 billion were both marginally higher than the preceding year corresponding period. Profit attributable to owners of the Company for the year to date at RM989.4 million was 3% above the preceding year corresponding period. Similarly, basic earnings per share for the year to date at 39.74 sen was 3% above last year corresponding period of 38.73 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 30.9.2018 RM'000	**Immediate Preceding Quarter ended 30.6.2018** RM'000	***Increase/ (Decrease)***
Revenue	1,762,910	1,529,458	*15%*
Operating profit	284,807	230,086	*24%*
Profit before tax	252,889	713,195	*(65%)*

Group PBT for the current quarter at RM252.9 million was 65% lower than the immediate preceding quarter. In the preceding quarter, the Group realized a gain of RM516.02 million arising from the disposal of HSH. Excluding the gain, Group PBT for the current quarter was 28% higher than the immediate preceding quarter mainly attributable to better performance from Property and Credit Financing Divisions but offset somewhat by lower contribution from Plantation, Automotive and Trading Divisions.

Property Division's operating profit for the current quarter at RM191.8 million was 17% higher than the immediate preceding quarter of RM163.9 million mainly due to higher sales of non-strategic properties in the current quarter.

Credit Financing's operating profit for the current quarter at RM64.7 million was 9% higher than the immediate preceding quarter of RM59.2 million, benefitted mainly from higher loan portfolio.

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

Plantation Division recorded operating loss for the current quarter of RM2.4 million as compared to an operating profit of RM7.2 million in the immediate preceding quarter due to lower sales volume of CPO and PK coupled with lower average selling price of CPO. Sales volume of CPO and PK for the current quarter were 38% and 9% lower than the immediate preceding quarter of 37,791 tonnes and 7,391 tonnes respectively, mainly affected by the timing of deliveries in the current quarter. Average selling price of CPO was 10% lower than the immediate preceding quarter of RM2,460 per tonne whilst average selling price of PK was marginally higher than the immediate preceding quarter of RM1,822 per tonne.

Automotive Division's operating profit for the current quarter at RM5.3 million was 31% lower than the immediate preceding quarter of RM7.7 million mainly due to lower margins achieved and higher operating expenses attributable to the initial start-up costs of the commercial vehicle wholesale distribution business.

Trading Divison's operating profit for the current quarter at RM16.6 million was 13% lower than the immediate preceding quarter of RM19 million mainly affected by lower trading margins of fertilizers in the Malaysian market due to higher purchased costs.

3. **Current year prospects**

Palm oil prices are expected to remain low, weighed down by high inventories amidst a seasonally high cropping season in the fourth quarter and current low prices of competing vegetable oils particularly soybean oil. At the end of October, palm oil inventories in Malaysia was at 10-month high of 2.72 million tonnes. Palm oil production is forecast to rise in the last quarter of the year in line with the seasonal trend which may further increase inventories. The continuing trade conflict between the United States ["US"] has resulted in China, the world's largest soybean importer reducing its import of soybean from the US and shifting its demands to other origins. This has resulted in a surplus of soybeans supply in the US which dampen global soybean prices and negatively affected the prices of competing vegetable oils including palm oil. 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 affordable housing segment in Malaysia to remain resilient whilst the luxury condominium segment is anticipated to slow down amidst global uncertainties. Nevertheless, the division expects its projects in both Peninsular Malaysia and Sabah which are focused on quality, design and good location to continue to attract both local and foreign buyers. 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 expects the growth in its loan base to be at a slower pace in view of uncertainties in the current global and domestic economic environment. The division will continue to tap on other divisions' wide business network to benefit from the group synergy. Prudence is continuously emphasised in the division's loans approval process to minimise risks. Concerted efforts are 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 its vehicle and after sales segment's market share to continue to benefit from its expanded market coverage via its new autohaus in Puchong South (launched in April 2018) as well as another new autohaus in Setia Alam which commenced business in November 2018. The division's second pre-owned car centre in Kinrara (launched in October 2018) will also enable the division to further increase the sales of its pre-owned fleet. The launching of the new A-Class and C-Class facelift models in October 2018 and November 2018 respectively are expected to contribute positively to the division's fourth quarter sales.

The Trading Division expects its Fertilizers Trading business to continue to operate in a very competitive environment in all its geographical markets. The current depressed prices of palm oil may slowdown fertilizers applications in the plantations industry and affect fertilizers demand. The General Trading business will continue to improve its market share through expansion of its customer base and market coverage, capitalizing on Group synergy and network whilst managing credit risk and collections.

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

Building Materials Division expects its quarry, asphalt and bricks businesses to continue to operate in a challenging business environment with subdued demand and compressed margins. The ceramic tiles markets in which MMSB operates are expected to remain very competitive. Nevertheless, the division's operations in Singapore via Hafary are expected to remain positive in view of the active private property resale markets and public housing projects in Singapore. The division's respective operating segments will continue to grow their revenue by expanding its customer base in both the domestic and export markets via strategic alliances with good business partners.

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	
	30.9.2018	**30.9.2017**	**30.9.2018**	**30.9.2017**
	RM'000	RM'000	RM'000	RM'000
		(Restated)		*(Restated)*
Profit before tax is arrived at after crediting/(charging):				
Interest income	6,189	3,098	13,100	10,196
Dividend income from financial assets at fair value through profit or loss	180	180	540	540
Dividend income from money market deposits	2,376	6,131	3,293	14,057
Gain on held for trading equity instruments at fair value	-	-	416	8,918
Gain on money market deposits at fair value	460	49	460	566
Interest expense	(41,609)	(36,591)	(123,066)	(111,823)
Depreciation and amortisation	(47,193)	(47,362)	(140,825)	(141,917)
Net allowance of impairment losses				
- trade receivables	(3,622)	(232)	(11,416)	(776)
Net inventories written down	(2,775)	(2,869)	(9,652)	(8,479)
Gain on disposal of property, plant and equipment	602	1,412	1,502	61,068
Property, plant and equipment written off	(878)	(685)	(1,792)	(1,726)
Bad debts written off	(53)	(134)	(53)	(165)
Net foreign exchange gain/(loss)	14,259	(2,086)	10,109	(3,946)
(Loss)/ gain on hedging activities	(104)	(344)	(448)	585
(Loss)/ gain on non-hedging derivative instruments	(213)	36	(1,283)	444
Gain on fair value of biological assets	2,027	16,861	6,310	9,222
Recovery of bad debts	274	257	1,522	638
Other gain items				
- Gain on disposal of subsidiaries	-	-	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	
	30.9.2018	**30.9.2017**	**30.9.2018**	**30.9.2017**
	RM'000	RM'000 *(Restated)*	RM'000	RM'000 *(Restated)*
In respect of current period				
- income tax	69,841	59,995	197,474	167,190
- deferred tax	(13,041)	5,626	(14,579)	2,618
	56,800	65,621	182,895	169,808
In respect of prior period				
- income tax	(9,697)	3,987	(9,036)	3,987
- deferred tax	36	175	116	175
	(9,661)	4,162	(8,920)	4,162
	47,139	69,783	173,975	173,970

The Group's effective tax rate for the current quarter excluding under/(over) provision of tax in respect of prior period was lower than the statutory tax rate mainly due to certain gains not subjected to tax whilst the effective tax rate for the year to date was 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 excluding under provision of tax in respect of prior period was in line with the statutory tax rate. The effective tax rate for the preceding year to date was lower than the statutory tax rate mainly due to capital gain not subjected to income tax.

The over provision of income tax in respect of prior period in the current quarter was partly attributable to the tax incentive in respect of investment tax allowance on the Plantation Division's biogas plant.

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

Purpose	Proposed Utilisation Per *Circular RM'000	**Adjusted RM'000	As at 30 September 2018 Utilisation RM'000	Balance Unutilised RM'000	Intended Timeframe for Utilisation	Deviation under/(over) spent RM'000	%	Explanation
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) Part finance the cost of property developments in Klang Valley								
(a) Jalan Kia Peng Service Apartment	100,000	100,000	-	100,000		-	-	
(b) Menara Hap Seng 3	200,000	200,000	-	200,000		-	-	
	300,000	300,000	-	300,000		-	-	
(ii) Purchase of inventories								
(a) automobile	20,664	30,293	-	# 30,210		-	-	
(b) fertilisers	30,000	30,000	-	30,000		-	-	
(c) building materials such as steel bars, wire mesh and cement	30,000	30,000	-	30,000		-	-	
	80,664	90,293	-	90,210		-	-	
	380,664	390,293	-	390,210		-	-	
Investments purposes	140,000	140,000	-	140,000		-	-	
Estimated expenses	500	500	583	-		(83)	(17)	Over spent was set-off against the balance unutilised for working capital requirement under item (ii)(a) #
	771,164	780,793	583	780,210		(83)		

* *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:

Purpose	Proposed Utilisation RM'000	As at 30 September 2018 Utilisation RM'000	As at 30 September 2018 Balance Unutilised RM'000	Intended Timeframe for Utilisation	Deviation under/(over) spent RM'000	Deviation under/(over) spent %	Explanation
Working capital requirements:							
Loan disbursements of HSCSB's credit financing division							
(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	-	# 95,417		-	-	
	905,500	-	905,417		-	-	
Estimated expenses	500	583	-		(83)	(17)	over spent was set-off against the balance unutilised for working capital requirement under item (e) #
	906,000	583	905,417		(83)		

9. Borrowings and debt securities

The Group's borrowings are as follows:

	As at 30.9.2018						
	Denominated in						
	RM RM'000	USD RM'000	SGD RM'000	Euro RM'000	IDR RM'000	RMB RM'000	Total RM'000
Current							
Secured							
- Trust receipts	-	-	47,719	26,831	-	-	74,550
- Finance leases	-	-	1,319	-	-	-	1,319
- Revolving credits	-	-	93,899	-	-	-	93,899
- Term loans	-	-	12,957	-	-	-	12,957
	-	-	155,894	26,831	-	-	182,725
Unsecured							
- Bankers' acceptances	159,467	-	-	-	-	-	159,467
- Revolving credits	1,417,501	169,008	-	-	128,141	2,894	1,717,544
- Commercial papers	10,000	-	-	-	-	-	10,000
- Term loans	199,576	306,998	12,116	-	-	-	518,690
- Bank overdrafts	7,866	-	-	-	-	-	7,866
	1,794,410	476,006	12,116	-	128,141	2,894	2,413,567
Total current borrowings	1,794,410	476,006	168,010	26,831	128,141	2,894	2,596,292
Non-current							
Secured							
- Term loans	-	-	254,407	-	-	-	254,407
- Finance leases	-	-	699	-	-	-	699
	-	-	255,106	-	-	-	255,106
Unsecured							
- Term loans	781,013	720,882	122,429	-	-	-	1,624,324
- Medium term notes	590,000	-	-	-	-	-	590,000
	1,371,013	720,882	122,429	-	-	-	2,214,324
Total non-current borrowings	1,371,013	720,882	377,535	-	-	-	2,469,430
Total borrowings	3,165,423	1,196,888	545,545	26,831	128,141	2,894	5,065,722

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

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

On 30 July 2018, Hap Seng Management Sdn Bhd [“HSM”], a wholly-owned subsidiary of the Company lodged with the Securities Commission Malaysia to establish an unrated medium term notes [“MTN”] programme of up to RM5.0 billion in nominal value [“MTN Programme”] and an unrated commercial papers [“CP”] programme of up to RM1.0 billion in nominal value [“CP Programme”], which have a combined limit of RM5.0 billion in nominal value. The tenures of the MTN and CP Programmes are twenty (20) years and seven (7) years respectively from the date of first issuance on 29 August 2018. The MTN Programme and the CP Programme are collectively referred to as the Programmes.

The proceeds from the Programmes will be utilised by HSM for advancing to the Group for general corporate purposes and working capital.

	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

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 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018 and 29 October to 2 November 2018.

The Consolidated RESB Suit has been fixed for continued hearing from 7 to 11 January 2019.

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 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018 and 29 October to 2 November 2018.

The Consolidated RESB Suit has been fixed for continued hearing from 7 to 11 January 2019.

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.

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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 September 2018 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*	145,220	2,466	8,919	(9,367)	(448)
- Designated as hedging instruments**	127,227	935	5,600	(5,959)	(359)
- Not designated as hedging instruments	45,794	112	885	(2,168)	(1,283)
	318,241	3,513	15,404	(17,494)	(2,090)
Cross currency interest rate swaps on foreign currency borrowings of 1 year to 3 years (SGD/USD)					
- Designated as hedging instruments**	1,003,920	14,857	13,402	(9,872)	3,530

* *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 September 2018 given by the Company's moneylending subsidiaries are as follows:

		Secured	**Unsecured**	**Total**
		RM'000	RM'000	RM'000
(a)	To companies	2,657,685	166	2,657,851
(b)	To individuals	317,868	1,215	319,083
(c)	To companies within the listed issuer group	378,103	436,389	814,492
(d)	To related parties	-	-	-
		3,353,656	437,770	3,791,426

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

		As at 30.9.2018
		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	1,964,500
		1,964,500

(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	46,582
(c)	Loans reclassified as performing during the financial year	(11,349)
(d)	Amount recovered	(14,262)
(e)	Amount written off	-
(f)	Loans converted to securities	-
(g)	Balance as at 30.9.2018	63,735
(h)	Ratio of net loans in default to net loans	1.68%

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	420,000	363,723	Yes	467,834	Yes*	3 - 72
2nd	Term Loan	246,860	245,383	Yes	242,486	No	72
3rd	Term Loan	247,000	243,966	No	-	Yes*	36
4th	Term Loan	262,000	105,579	No	-	Yes*	3 - 30
5th	Term Loan	94,700	79,775	No	-	Yes*	3 - 84

** 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**	
	30.9.2018	**30.9.2017** *(Restated)*	**30.9.2018**	**30.9.2017** *(Restated)*
Profit attributable to owners of the Company (RM'000)	190,694	182,548	989,362	964,254
Weighted average number of ordinary shares in issue	2,489,674	2,489,678	2,489,675	2,489,679
Basic EPS (sen)	7.66	7.33	39.74	38.73

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

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15. **Dividend**

Dividends for the current financial year ending 31 December 2018 are as follows:

(a) first interim dividend of 15 sen (2017: 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 2018 and paid on 28 June 2018;

(b) the Board of Directors has on even date approved the following second interim dividend for the financial year ending 31 December 2018:

(i)	Amount per ordinary share - Second Interim Dividend	20 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders.
(ii)	Previous year corresponding period: Amount per ordinary share - Second Interim Dividend	20 sen per ordinary share under the single tier system which was tax exempt in the hands of the shareholders.
(iii)	Total dividend approved to date for the current financial year: Amount per ordinary share	35 sen comprising first interim dividend of 15 sen and second interim dividend of 20 sen (2017: 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 is tax exempt in the hands of the shareholders.

(c) The dividend will be payable in cash on 19 December 2018; and

(d) In respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 6 December 2018.

NOTICE OF SECOND INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that a second interim dividend of 20 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967 in respect of the financial year ending 31 December 2018, will be payable in cash on 19 December 2018 to the shareholders whose names appear on the Company's Register of Members and/or Record of Depositors at the close of business on 6 December 2018. A depositor shall qualify for entitlement to the dividend only in respect of:

(a) shares deposited into the depositor's securities account before 12.30 pm on 4 December 2018 (in respect of shares which are exempted from mandatory deposit);
(b) shares transferred into the depositor's securities account before 4pm on 6 December 2018 in respect of transfers; and
(c) shares bought on the Bursa Malaysia Securities Berhad (Bursa Securities) on a cum entitlement basis according to the rules of the Bursa Securities.

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
22 November 2018