



# HAP SENG CONSOLIDATED BERHAD

(Company Number: 26877-W)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED) SECOND QUARTER ENDED 31 JULY 2006

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter Ended 31.7.2006 RM'000	Preceding Year Corresponding Quarter Ended 31.7.2005 RM'000 <i>(Restated)</i>	Current Year To date Ended 31.7.2006 RM'000	Preceding Year Corresponding Period 31.7.2005 RM'000 <i>(Restated)</i>
<b>Revenue</b>	459,777	369,411	871,473	716,511
Operating expenses	(426,253)	(338,683)	(801,494)	(648,698)
Other operating income	2,922	1,410	8,147	4,079
<b>Operating profit</b>	36,446	32,138	78,126	71,892
Financing costs	(12,869)	(8,581)	(23,367)	(16,576)
Share of profit/(loss) of associates	298	(215)	633	226
<b>Profit before taxation</b>	23,875	23,342	55,392	55,542
Tax expense	(7,506)	(7,333)	(16,421)	(17,324)
<b>Profit for the period</b>	16,369	16,009	38,971	38,218
<b>Attributable to:</b>				
Equity holders of the parent	14,286	13,468	34,405	33,685
Minority interests	2,083	2,541	4,566	4,533
<b>Profit for the period</b>	16,369	16,009	38,971	38,218
<b>Earnings per share (sen)</b>				
Basic	2.43	2.28	5.84	5.71
Fully diluted *	2.43	2.28	5.84	5.71

\* As the diluted earnings per share exceed the basic earnings per share, the anti-dilutive effect is ignored.

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2006 and the accompanying explanatory notes attached to the Interim Financial Statements



# HAP SENG CONSOLIDATED BERHAD

(Company Number: 26877-W)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) SECOND QUARTER ENDED 31 JULY 2006

	<b>As at End of Current Quarter 31.7.2006</b>	<b>As at Preceding Financial Year End 31.1.2006</b>
	RM'000	RM'000 <i>(Restated)</i>
<b>Non-current assets</b>		
Property, plant and equipment	856,480	830,807
Investment properties	307,443	302,595
Investment in associates	73,807	73,174
Other investments	23,089	23,154
Land held for property development	311,547	305,988
Long term receivables	391,173	362,590
Goodwill on consolidation	31	(14,019)
Deferred tax assets	3,687	3,379
	-----	-----
	1,967,257	1,887,668
	-----	-----
<b>Current assets</b>		
Inventories	405,786	410,362
Property development costs	115,936	106,334
Receivables	575,642	406,951
Cash and cash equivalents	69,052	43,815
	-----	-----
	1,166,416	967,462
	-----	-----
<b>TOTAL ASSETS</b>	<b>3,133,673</b>	<b>2,855,130</b>
	=====	=====
<b>Equity attributable to equity holders of the parent</b>		
Share capital	622,660	622,660
Reserves	925,140	891,917
	-----	-----
	1,547,800	1,514,577
Less : Treasury shares	(74,023)	(74,023)
	-----	-----
	1,473,777	1,440,554
	-----	-----
	156,137	153,351
	-----	-----
<b>TOTAL EQUITY</b>	<b>1,629,914</b>	<b>1,593,905</b>
	-----	-----
<b>Non-current liabilities</b>		
Bank borrowings	419,950	419,950
Deferred tax liabilities	173,161	170,594
Others	3,079	1,966
	-----	-----
	596,190	592,510
	-----	-----
<b>Current liabilities</b>		
Payables	217,507	186,566
Bank borrowings	674,279	478,226
Taxation	944	3,923
Dividend payable	14,839	-
	-----	-----
	907,569	668,715
	-----	-----
<b>TOTAL LIABILITIES</b>	<b>1,503,759</b>	<b>1,261,225</b>
	-----	-----
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,133,673</b>	<b>2,855,130</b>
	=====	=====
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>		
	2.50	2.45
	=====	=====
Based on number of shares net of treasury shares	588,855,500	588,855,600

The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2006 and the accompanying explanatory notes attached to the Interim Financial Statements



## HAP SENG CONSOLIDATED BERHAD

(Company Number: 26877-W)

(Incorporated in Malaysia)

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) SECOND QUARTER ENDED 31 JULY 2006

	← Attributable to Equity Holders of the Parent →				Total	Minority Interests	Total Equity
	Share Capital	Non-distributable Reserves	Distributable Reserves	Treasury Shares			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 February 2006</b>							
- As previously reported	622,660	48,963	845,596	(74,023)	1,443,196	153,351	1,596,547
- Prior year adjustment:							
Effects of adopting FRS 140	-	-	(2,642)	-	(2,642)	-	(2,642)
- As restated	622,660	48,963	842,954	(74,023)	1,440,554	153,351	1,593,905
Effects of adopting:							
- FRS 3	-	-	14,050	-	14,050	-	14,050
- FRS 140	-	-	(123)	-	(123)	-	(123)
	622,660	48,963	856,881	(74,023)	1,454,481	153,351	1,607,832
Translation differences	-	(270)	-	-	(270)	-	(270)
Profit for the period	-	-	34,405	-	34,405	4,566	38,971
Dividends	-	-	(14,839)	-	(14,839)	(1,780)	(16,619)
<b>At 31 July 2006</b>	622,660	48,693	876,447	(74,023)	1,473,777	156,137	1,629,914
<b>At 1 February 2005</b>							
- As previously reported	622,660	49,288	786,784	(71,363)	1,387,369	143,553	1,530,922
- Prior year adjustment:							
Effects of adopting FRS 140	-	-	(1,263)	-	(1,263)	-	(1,263)
- As restated	622,660	49,288	785,521	(71,363)	1,386,106	143,553	1,529,659
Exercise of ESOS	2	3	-	-	5	-	5
Cancellation of treasury shares	(2)	(1)	(2)	5	-	-	-
Purchase of treasury shares	-	-	-	(712)	(712)	-	(712)
Translation differences	-	(1,534)	-	-	(1,534)	-	(1,534)
Profit for the period							
- As previously stated	-	-	34,375	-	34,375	4,533	38,908
- Effects of adopting FRS 140	-	-	(690)	-	(690)	-	(690)
- As restated	-	-	33,685	-	33,685	4,533	38,218
Dividends	-	-	(14,866)	-	(14,866)	(1,780)	(16,646)
<b>At 31 July 2005 (Restated)</b>	622,660	47,756	804,338	(72,070)	1,402,684	146,306	1,548,990

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2006 and the accompanying explanatory notes attached to the Interim Financial Statements



**HAP SENG CONSOLIDATED BERHAD**

(Company Number: 26877-W)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)  
FOR SIX MONTHS ENDED 31 JULY 2006**

	<b>For Current Year Period Ended 31.7.2006 RM'000</b>	<b>For Preceding Year Period Ended 31.7.2005 RM'000 (Restated)</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	55,392	55,542
Adjustments for:		
Non-cash items	15,554	14,096
Non-operating items	(732)	(396)
Dividend income	(398)	(329)
Net interest expense	22,924	16,306
	-----	-----
Operating profit before working capital changes	92,740	85,219
Net changes in working capital	(167,016)	(38,984)
Net tax paid	(24,623)	(23,505)
Net interest paid	(22,924)	(16,306)
Land held for property development	(4,794)	(43,912)
	-----	-----
<b>Net cash used in operating activities</b>	<b>(126,617)</b>	<b>(37,488)</b>
<b>Cash flows from investing activities</b>		
Dividends received from associate	398	2,807
Proceeds from disposal of other investment	10	-
Proceeds from disposal of property, plant and equipment	1,085	1,492
Purchase of property, plant and equipment	(42,211)	(17,489)
Redevelopment/refurbishment of investment properties	(1,669)	(15,289)
	-----	-----
<b>Net cash used in investing activities</b>	<b>(42,387)</b>	<b>(28,479)</b>
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders of the Company and minority interests	(1,780)	(16,646)
Proceeds from bank borrowings	192,607	97,778
Issue of shares pursuant to ESOS exercised	-	5
Shares repurchased at cost	-	(712)
	-----	-----
<b>Net cash generated from financing activities</b>	<b>190,827</b>	<b>80,425</b>
	-----	-----
<b>Net increase in cash and cash equivalents</b>	<b>21,823</b>	<b>14,458</b>
Effects on exchange rate changes	(32)	(1,019)
<b>Cash and cash equivalents at beginning of period</b>	<b>36,738</b>	<b>(2,115)</b>
	-----	-----
<b>Cash and cash equivalents at end of period</b>	<b>58,529</b>	<b>11,324</b>
	=====	=====

For purposes of Cash Flow Statements, cash and cash equivalents are presented net of bank overdrafts and comprise the following:

Deposits with licensed banks	9,459	1,371
Cash in hand and at bank	59,593	30,387
Bank overdrafts	(10,523)	(20,434)
	-----	-----
	58,529	11,324
	=====	=====

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 January 2006 and the accompanying explanatory notes attached to the Interim Financial Statements



## **PART A**

### **Explanatory Notes Pursuant to Financial Reporting Standard (FRS) 134<sub>2004</sub> “Interim Financial Reporting”**

#### **1. Basis of Preparation**

This interim financial report has been prepared in accordance with the requirements of FRS 134<sub>2004</sub> “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group’s audited financial statements for the year ended 31 January 2006.

#### **2. Changes in Accounting Policies**

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted for the audited financial statements for the year ended 31 January 2006 except for the changes in accounting policies which are expected to be reflected in the financial statements for year ending 31 January 2007 in compliance with applicable Financial Reporting Standards (FRS) adopted by the Malaysian Accounting Standards Board (MASB) that are effective for financial period beginning 1 January 2006 which are as follows:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
RFS 102	Inventories
FRS 108	Accounting Policies, Changes in estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRSs 5, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133 and 138 do not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are as follows:

##### **(a) FRS 2: Share-based Payment**

The Company operates an equity-settled, share-based compensation plan for the employees of the Group under the Hap Seng Consolidated Berhad’s Employees’ Share Option Scheme (ESOS).

This FRS requires an entity to recognise share-based payments in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity. Prior to 1 January 2006, no compensation expense was recognised in the Income Statement for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in the Income Statement over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by the vesting date. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to be vested by the vesting date. Any revision of this estimate is included in the Income Statement and a corresponding adjustment to equity over the remaining vesting periods.

Under the transitional provisions of FRS 2, all share options granted after 31 December 2004 and had not yet vested on 1 January 2006 must apply this FRS retrospectively.

All share options were granted by the Company prior to 31 December 2004 and have been fully vested prior to 1 January 2006. For the current quarter, no share option under the ESOS is granted to employees of the Group. Accordingly, the Group does not have any adjustments arising from the adoption of FRS 2.



2. **Changes in Accounting Policies** (Cont'd)

(b) **FRS 3: Business Combinations and FRS 136: Impairment of Assets**

In prior periods, goodwill and negative goodwill were amortised on a straight-line basis over the estimated useful life of 25 years.

The adoption of FRS 3: Business Combinations and FRS 136: Impairment of Assets have resulted in the Group ceasing annual amortisation of goodwill. Goodwill carried at cost less accumulated impairment losses, is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it may be impaired. Impairment losses are recognised in the Income Statement when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds the recoverable amount. In accordance with the transitional provisions of FRS 3, the cumulative amortisation as at 1 February 2006 has been offset against the cost of goodwill and the carrying amount of goodwill as at 1 February 2006 of RM31,000 ceased to be amortised.

Also in accordance with FRS 3, any of the excess of the Group's interest in the fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), is now recognised immediately in the Income Statement. The Group has negative goodwill of RM14,050,000 as at 1 February 2006. In accordance with the transitional provisions of FRS 3, the negative goodwill was derecognised with a corresponding increase in the opening balance of retained earnings as at 1 February 2006.

The change in policy in respect of goodwill and negative goodwill have been applied prospectively and as such there is no restatement of comparative amounts whilst the Group's profit for the current quarter and year to date were reduced by RM153,000 and RM306,000 respectively resulting from cessation of annual amortisation of goodwill and negative goodwill.

(c) **FRS 101: Presentation of Financial Statements**

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of profit of associates and other disclosures. In the Consolidated Balance Sheet, minority interests are now presented within total equity. In the Consolidated Income Statement, minority interests are presented as an allocation of the total profit and loss for the period between the minority interests and the equity holders of the parent. A similar requirement is also applicable to the Statement of Changes in Equity. FRS 101 also requires disclosure on the face of the Statement of Changes in Equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest. Share of profit of associates is now presented net of tax and minority interests (if any) in the Condensed Income Statements.

The presentation of the Group's financial statements for the current period is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation as summarised in Note 3 below.



(d) **FRS 140: Investment Property**

The adoption of this new FRS has resulted in a change in accounting policy for investment properties. Investment properties that were stated at cost less impairment losses in prior periods are now stated at fair value based on open-market value determined by independent professional valuers. Gains or losses arising from changes in fair values of investment properties are recognised in the Income Statement in the period in which they arise.

In accordance with the transitional provisions of FRS 140, this change in accounting policy is applied prospectively and the comparatives figures as at 31 January 2006 are not restated. Instead, the changes have been accounted for by restating the opening balances in the balance sheet as at 1 February 2006 as follows:

	<b>Increase/(decrease)</b> <b>As at 1.2.2006</b> RM'000
Investment properties	3,179
Retained profits	(123)
Deferred tax liabilities	3,302
	=====

In accordance with FRS 140, investment properties which are significantly occupied by the Group have been reclassified to property, plant and equipment and accordingly are depreciated over their estimated useful lives. The effect of such reclassifications have been applied retrospectively to the comparatives as summarised in Note 3 below.

**3. Comparatives**

The following comparatives have been restated due to the adoption of new and revised FRSs which have retrospective impact on the preceding periods financial statements:

(a) **Condensed Consolidated Income Statement**

	← Individual Quarter Ended 31.7.2005 →				← Cumulative Quarter Ended 31.7.2005 →			
	As	← Adoption of →		As	As	← Adoption of →		As
	previously reported RM'000	FRS 101 Note 2(c) RM'000	FRS 140 Note 2(d) RM'000	As restated RM'000	previously reported RM'000	FRS 101 Note 2(c) RM'000	FRS 140 Note 2(d) RM'000	As restated RM'000
Operating expenses	(338,334)	-	(349)	(338,683)	(648,000)	-	(698)	(648,698)
Operating profit	32,487	-	(349)	32,138	72,590	-	(698)	71,892
Share of profit of associates	674	(889)	-	(215)	1,335	(1,109)	-	226
Profit before taxation	24,580	(889)	(349)	23,342	57,349	(1,109)	(698)	55,542
Tax expense	(8,226)	889	4	(7,333)	(18,441)	1,109	8	(17,324)
Profit for the period	16,354	-	(345)	16,009	38,908	-	(690)	38,218
Profit for the period attributable to equity holders of the parent	13,813	-	(345)	13,468	34,375	-	(690)	33,685
Earnings per share (sen)								
- Basic	2.34	-	(0.06)	2.28	5.83	-	(0.12)	5.71
- Fully diluted	2.34	-	(0.06)	2.28	5.83	-	(0.12)	5.71



3. **Comparatives** (Cont'd)

(b) **Condensed Consolidated Balance Sheet**

	← As at 31.1.2006 →		
	As previously reported RM'000	Adoption of FRS 140 Note 2(d) RM'000	As restated RM'000
Property, plant and equipment	729,748	101,059	830,807
Investment properties	406,329	(103,734)	302,595
Reserves	894,559	(2,642)	891,917
Deferred tax liabilities	170,627	(33)	170,594

(c) **Condensed Consolidated Statement of Changes in Equity**

	As previously reported RM'000	Adoption of FRS 140 Note 2(d) RM'000	As restated RM'000
Distributable reserves at 1 February 2005	786,784	(1,263)	785,521
Distributable reserves at 31 July 2005	806,291	(1,953)	804,338

(d) **Condensed Consolidated Cash Flow Statement**

	← Period ended 31.7.2005 →			
	As previously reported RM'000	Adoption of FRS 101 Note 2(c) RM'000	FRS 140 Note 2(d) RM'000	As restated RM'000
Profit before taxation	57,349	(1,109)	(698)	55,542
Non-cash items	13,398	-	698	14,096
Non-operating items	(1,505)	1,109	-	(396)

4. **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 January 2006 was not subject to any qualification.

5. **Comments on the Seasonality or Cyclicity of Operations**

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

- (a) The performance of the Group's Quarry and Building Materials Division were influenced by a slow down in construction activity in the first quarter attributable to the timing of seasonal festive periods and wet weather conditions.
- (b) The Group's Plantation Division performance was influenced by general climatic conditions, age profile of oil palms and the cyclical nature of annual production.

6. **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 current quarter.

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

There were no changes in estimates of amounts reported in prior financial years except for the restatement of comparatives due to the adoption of new and revised FRSs as disclosed in Note 3 above.





**8. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity**

(a) The monthly breakdown of shares bought back and treasury shares cancelled during the quarter under review are as follows:-

Month	No of shares Purchased	Purchase price per share		Average cost Per share	Total cost	No of shares Cancelled
		Lowest	Highest			
	RM	RM	RM	RM	RM	
May 2006	-	-	-	-	-	-
June 2006	-	-	-	-	-	-
July 2006	100	2.0000	2.0000	2.1308	213.08	-
Total	100	2.0000	2.0000	2.1308	213.08	-

During the current quarter under review, 100 shares were bought back and there was no resale or cancellation of treasury shares. All the shares bought back were retained as treasury shares.

(b) The Company has an Employees' Share Option Scheme ["ESOS"] which will expire on 12 September 2007 pursuant to the shareholders' approval at an Extraordinary General Meeting ["EGM"] held on 4 December 2000. During the current quarter under review, there was no issuance of share pursuant to the ESOS.

(c) As at 31 July 2006, the Company has 33,804,500 ordinary shares held as treasury shares after a cumulative cancellation of 2,849,000 shares. Simultaneous with the aforementioned cancellation of treasury shares, as at 31 July 2006, the Company had allotted and issued a cumulative total of 2,849,000 new ordinary shares of RM1.00 each pursuant to the ESOS. Consequently, the issued and paid up share capital of the Company remained unchanged at 622,660,000 ordinary shares of RM1.00 each. As at 31 July 2006, options granted to subscribe for 4,657,000 ordinary shares of RM1.00 each pursuant to the ESOS remained unexercised.

**9. Dividends Paid**

The total dividends paid out of the shareholders' equity for the ordinary shares are as follows:

	<b>Cumulative Quarter Ended</b>	
	<b>31.7.2006</b>	<b>31.7.2005</b>
	RM'000	RM'000
Dividend paid in respect of financial year ended 31 January 2005:		
- final (3.5 sen less tax) paid on 18 July 2005	-	14,866
Dividend paid in respect of financial year ended 31 January 2006:		
- final (3.5 sen less tax) paid on 15 August 2006	14,839	-
	-----	-----
	14,839	14,866
	=====	=====

**10. Segment Revenue and Segment Result**

	<b>Trading</b>	<b>Financing</b>	<b>Agricultural</b>	<b>Property</b>	<b>Investment Holding</b>	<b>Eliminations</b>	<b>Consolidated</b>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Period Ended 31 July 2006</b>							
<b>Revenue</b>							
External revenue	667,962	22,684	117,532	62,897	398	-	871,473
Inter-segment revenue	33,615	-	-	4,087	-	(37,702)	-
Total revenue	701,577	22,684	117,532	66,984	398	(37,702)	871,473
<b>Result</b>							
Operating profit	17,688	15,762	41,978	18,553	(8,070)	(7,785)	78,126



10. **Segment Revenue and Segment Result** (Cont'd)

	<b>Trading</b> RM'000	<b>Financing</b> RM'000	<b>Agricultural</b> RM'000	<b>Property</b> RM'000	<b>Investment</b> <b>Holding</b> RM'000	<b>Eliminations</b> RM'000	<b>Consolidated</b> RM'000
<b>Period Ended 31 July 2005</b>							
<b>Revenue</b>							
External revenue	517,534	15,185	115,488	67,975	329	-	716,511
Inter-segment revenue	27,418	-	-	2,739	-	(30,157)	-
<b>Total revenue</b>	<b>544,952</b>	<b>15,185</b>	<b>115,488</b>	<b>70,714</b>	<b>329</b>	<b>(30,157)</b>	<b>716,511</b>
<b>Result</b>							
Operating profit	17,709	9,664	42,023	16,251	(8,673)	(5,082)	71,892

11. **Valuation of Property, Plant and Equipment**

The valuation of property, plant and equipment have been brought forward, without amendment from the previous audited financial statements.

12. **Material Events Subsequent to the End of the Interim Period**

There were no material event subsequent to the end of the current quarter and up to 22 September 2006, being the last practicable date from the date of the issue of this report which are expected to have an operational or financial impact on the Group.

13. **Effect of Changes in the Composition of the Group during the Interim Period, including Business Combinations, Acquisition or Disposal of Subsidiaries and Long-term Investments, Restructuring and Discontinuing Operations**

During the quarter under review, the change in composition of the Group is as follows:

On 31 July 2006, the Company acquired from its wholly-owned subsidiary, Si Khiong Industries Sdn Bhd, 500,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Hap Seng Management Services Sdn Bhd (*formerly known as Saruja Sdn Bhd*) for a cash consideration of RM851,037. The acquisition was announced by the Company on even date.

The above change in the composition of the Group does not have any significant financial effect on the Group.

14. **Changes in Contingent Liabilities or Contingent Assets since the Last Annual Balance Sheet Date**

Since the last annual balance sheet date, the Group has no material contingent liabilities as at 22 September 2006, being the last practicable date from the date of the issue of this report which are expected to have an operational or financial impact on the Group.

The contingent liabilities of the Company as at the end of the current quarter are as follows:

	<b>As at</b> <b>31.7.2006</b> RM'000	<b>As at</b> <b>31.1.2006</b> RM'000
Guarantees to and contingencies relating to borrowings of subsidiaries in respect of balances outstanding	944,166 =====	748,176 =====



**15. Capital Commitments**

The Group has the following capital commitments:

	<b>As at</b> <b>31.7.2006</b> RM'000	<b>As at</b> <b>31.1.2006</b> RM'000
Contracted but not provided for in this report	39,836	23,269
Authorised but not contracted for	106,797	116,222
	-----	-----
	146,633	139,491
	=====	=====

**16. Significant Related Party Transactions**

During the current quarter under review and up to 22 September 2006, the Company and its subsidiaries did not enter into any Significant Related Party Transactions nor Recurrent Related Party Transactions that were not included in the Shareholders' mandate obtained on 28 June 2005 and 26 July 2006.

**17. Other Significant Information**

On 27 July 2006, the Board of Directors of the Company announced that it had on even date received a Notice of Unconditional Mandatory General Offer ("Notice") from CIMB Investment Bank Berhad (*formerly known as Commerce International Merchant Bankers Berhad*), on behalf of Gek Poh (Holdings) Sdn Bhd ("Gek Poh") to acquire the following:-

- (i) the remaining ordinary shares of RM1.00 each in the Company ("HSCB Shares"); and
- (ii) such number of new HSCB Shares that may be issued pursuant to the exercise of any outstanding options granted under HSCB's Employee Share Option Scheme,

which are not already held by Gek Poh, at an offer price of RM2.20 per HSCB Share to be satisfied in full by cash ("Offer")

The Board also announced on even date that it was not seeking any alternative person to make a take-over offer for the offer Shares.

The Company had on 3 August 2006 issued an Information Circular to Shareholders of the Company in relation to the receipt of the Offer.

In accordance with the Malaysian Code on Take-Overs and Mergers 1998, the Board had appointed Malaysian International Merchant Bankers Berhad as the Independent Adviser for the Offer. The said appointment was approved by the Securities Commission via their letter dated 10 August 2006 and the Independent Advice Circular to Shareholders of the Company was issued on 25 August 2006.

The Offer Document in relation to the Offer was posted to shareholders of the Company by Gek Poh on 17 August 2006 and the closing date of the Offer was on 7 September 2006 ("Closing Date").

On the Closing Date, the Company announced that the acceptance of Offer constituted 1.85% of the issued and paid-up share capital comprising 10,959,886 ordinary shares of RM1.00 each in the Company. As at 8 September 2006, the Company's public shareholding spread was 44.25% with more than 1,000 public shareholders holding not less 100 shares each. Hence, the Company is in compliance with the public shareholding spread required pursuant to paragraph 8.15 of the Listing Requirements of Bursa Malaysia Securities Berhad.



**PART B**

**Explanatory Notes Pursuant to paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad**

**1. Review of Performance**

Revenue for the current quarter ended 31 July 2006 at RM459.8 million was 24% higher than the preceding year corresponding quarter mainly due to higher sales achieved by all Divisions within the Group other than Property. Group Operating Profit for the current quarter at RM36.4 million was 13% higher than the preceding year corresponding quarter.

Plantation Division's operating profit was in line with the preceding year corresponding quarter results. Improved 2<sup>nd</sup> Quarter 2006/2007 sales volume and a Crude Palm Oil (CPO) average price of RM1,387 (2005/2006: RM1,358) was offset by higher replanting costs.

The Automotive Division benefited from firmer heavy duty truck and spare parts sales in East Malaysia. Hap Seng Credit Sdn Bhd further added to its Loan Portfolio whilst the Quarry and Building Materials Division benefited from improved production efficiency at its quarries. These three Divisions recorded improved operating profit for the quarter.

Property Division results were marginally below the preceding year corresponding quarter, influenced by the timing effect of progress work to date. Sasco Fertilizer Trading Division earnings were flat for the quarter with margins curtailed by competitive trading conditions.

Financing costs increased over the preceding year corresponding quarter due to comparatively higher interest rates and growth in assets employed in the Property, Credit Financing, Sasco Fertilizer Trading and Automotive Divisions.

Overall, profit before taxation for the current quarter at RM23.9 million was 2% higher than the preceding year corresponding quarter.

Basic earnings per share for the year to date attributable to shareholders at 5.84 sen was 2% higher than the preceding year corresponding period of 5.71 sen.

**2. Comments on Material Changes in the Profit Before Taxation for the Quarter Reported as Compared with the Preceding Quarter**

Group profit before taxation for the current quarter at RM23.9 million was 24% lower than the preceding quarter of RM31.5 million mainly due to comparatively lower contribution from Plantation, Property and Automotive Divisions and higher financing cost mitigated by improved results from Sasco Fertilizer Trading, Credit Financing and Quarry and Building Materials Divisions.

Plantation Division was affected mainly by higher fertilizer costs deferred from the preceding quarter due to unfavourable weather conditions. The Property Division results were influenced by the timing of site progress work and Automotive Division by delays in vehicle deliveries.

**3. Current Year Prospects**

The Group anticipates challenging trading conditions in the second half of the year. Crude Palm Oil price realisations will exert the most influence on the performance of the Group.

**4. Variances Between Actual Profit and Forecast Profit**

Any variances between actual profit and forecast profit is not applicable as the Company has not provided any profit forecast in any public document.



**5. Tax Expense**

	<b>Individual Quarter Ended</b>		<b>Cumulative Quarter Ended</b>	
	<b>31.7.2006</b>	<b>31.7.2005</b>	<b>31.7.2006</b>	<b>31.7.2005</b>
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- Income tax	8,602	7,547	17,781	17,506
- deferred tax	(776)	(214)	(1,040)	(211)
	-----	-----	-----	-----
	7,826	7,333	16,741	17,295
In respect of prior period				
- Income tax	(356)	-	(356)	-
Real property gains tax	36	-	36	29
	-----	-----	-----	-----
	7,506	7,333	16,421	17,324
	=====	=====	=====	=====

The Group's effective tax rate for the current quarter and year to date were both higher than the statutory tax rate due to certain expenses being disallowed for tax purposes. The effective tax rate for the preceding year corresponding quarter and period ended 31 July 2005 were also higher than statutory tax rate due to the same reasons.

**6. Profits/(Losses) on sale of unquoted investments and/or properties respectively for the current quarter and financial year to date**

There was no disposal of unquoted investment for the current quarter and financial year to date except for the disposal of the Company's entire shareholding of 64,600 shares in Vox Emas Communications Sdn Bhd for cash consideration of RM10,000 which has resulted in a gain on disposal of RM9,999 to the Group in the first quarter.

Sale of properties was in respect of those that were sold in the ordinary course of business and were included in the revenue of the Group.

**7. Purchase or disposal of quoted securities other than securities in existing subsidiaries and associated companies for the current quarter and financial year-to-date**

(a) The Company and the Group did not purchase or dispose of any quoted securities for the current quarter except for the shares bought back by the Company as disclosed in Note 8(a) of Part A above.

(b) The Group's total investments in quoted shares (excluding existing subsidiaries and associated companies) are as follows:-

	<b>As at</b>	<b>As at</b>
	<b>31.7.2006</b>	<b>31.1.2006</b>
	RM'000	RM'000
(i) At cost	37,998	37,998
(ii) At book value	23,089	23,089
(iii) At market value	20,843	24,823
	=====	=====

**8. Status of Corporate Proposals Announced But Not Completed Not Earlier than Seven (7) Days from the Date of this Report**

There was no corporate proposal announced but not completed as at 22 September 2006.



**9. Borrowings and Debt Securities**

The Group does not have any debt securities. The Group borrowings are all unsecured and denominated in Ringgit as follows:

	<b>As at 31.7.2006</b>	<b>As at 31.1.2006</b>
	RM'000	RM'000
Short term - Bankers acceptances	354,356	266,949
- Bank overdrafts	10,523	7,077
- Revolving credits	309,400	204,200
	-----	-----
	674,279	478,226
Long term - Term loan	419,950	419,950
	-----	-----
	1,094,229	898,176
	=====	=====

**10. Financial Instruments with Off Balance Sheet Risk**

The Group entered into forward foreign exchange contracts where appropriate to limit its exposure on receivables and payables, and on cash flows generated from anticipated transactions denominated in foreign currencies. The fair value of forward foreign currency contracts is the estimated amount in which the Group would expect to pay on the termination of the outstanding position arising from such contracts. The fair value of such contracts is determined by reference to the spot rate on that date. The settlement date of these contracts range between 1 and 6 months.

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 22 September 2006 being a date not earlier than 7 days from the date of this report are:

	<b>Contracted Amount</b>	<b>Fair Value</b>
	RM'000	RM'000
Forward foreign exchange contracts	84,565	85,332
	=====	=====

The Group has no significant concentrations of credit and market risks in relation to the above off balance sheet financial instruments as the forward foreign exchange contracts are entered into with reputable financial institutions and are not used for speculative purposes.

**11. Material Litigation**

Except for the following, there were no changes in material litigation since the last annual balance sheet date:-

On 24 October 2002, the Company was served with a Writ of Summons ["said Writ"] in the High Court in Sabah and Sarawak at Kota Kinabalu ["Tongod Suit"] wherein the Company was named as the first defendant, Asiatic Development Berhad as the second defendant, Tanjung Bahagia Sdn Bhd as the third defendant, Director of Department of Lands and Surveys, Sabah as the fourth defendant and the Government of the State of Sabah as the fifth defendant. The Tongod Suit was instituted by certain natives of Sabah claiming Native Customary Rights over all that parcel of land held under Title No. CL095330724 situated in Sungai Tongod, District of Kinabatangan, Sandakan ["the Tongod Land"] or part thereof. The Company had on 9 May 2002 completed its disposal of the Tongod Land to Tanjung Bahagia Sdn Bhd, the wholly-owned subsidiary of Asiatic Development Berhad.

The Company has filed its Statement of Defence and an application to strike out the said Writ on 11 February 2003 ["Striking Out Application"].

As announced on 13 June 2003, the learned Deputy Registrar dismissed the Company's Striking Out Application with costs. The Company is appealing against the said decision and the Court had adjourned its original hearing date of 15 April 2005 on the same to another date to be fixed.



**11. Material Litigation (Cont'd)**

The Plaintiffs had earlier filed an application for injunction restraining the second and third defendants from carrying out, inter alia, planting activities on the Tongod Land or part thereof. During the hearing held on 5 July 2004 on the said injunction application, the defendants had raised a preliminary objection to the Court's jurisdiction to determine Native Customary Rights. The Court has yet to fix a new date for decision on the said preliminary objection.

The Company's Solicitors are of the opinion that the Plaintiffs' claim to Native Customary Rights against the alienated land after the issuance of the title is unlikely to succeed.

**12. Earnings Per Share**

- (a) The basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the parent by weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.
- (b) The diluted earnings per share is calculated by dividing the profit for the period attributable to equity holders of the parent by the by weighted average number of ordinary shares in issue during the period, adjusted for the dilutive effects of potential ordinary shares, i.e. share options granted pursuant to the Employees' Share Option Scheme ["ESOS"].

	<b>Individual Quarter Ended</b>		<b>Cumulative Quarter Ended</b>	
	<b>31.7.2006</b>	<b>31.7.2005</b>	<b>31.7.2006</b>	<b>31.7.2005</b>
Profit for the period attributable to equity holders of the parent (RM'000)	14,286	13,468	34,405	33,685
Basic earnings per share (sen)	2.43	2.28	5.84	5.71
Diluted earnings per share * (sen)	2.43	2.28	5.84	5.71
Based on weighted average number of ordinary shares ('000):				
- for Basic earnings per share	588,856	589,863	588,856	589,863
Adjustment for share options	(873)	(94)	(873)	(94)
- for Diluted earnings per share	587,983	589,769	587,983	589,769

\* As the diluted earnings per share exceed the basic earnings per share, the anti-dilutive effect is ignored.

**13. Dividends**

- (a) The Board of Directors approved the following interim dividend for the financial year ending 31 January 2007:
- (i) Amount per ordinary share of RM1.00 each  
- Interim Dividend 3.5 sen less income tax at 27%
- (ii) Previous year corresponding quarter:  
Amount per ordinary share of RM1.00 each  
- Interim Dividend 3.5 sen less income tax at 28%
- (iii) Total dividend approved to date for the current financial year:  
Amount per ordinary share of RM1.00 each 3.5 sen less income tax at 27%  
(2006: 3.5 sen less income tax at 28%)
- (b) The dividend will be payable on 31 October 2006; and
- (c) In respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 17 October 2006.



13. **Dividends** (Cont'd)

**NOTICE OF INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE**

**NOTICE IS HEREBY GIVEN** that an interim dividend of 3.5 sen per ordinary share of RM1.00 each less 27% income tax in respect of the financial year ending 31 January 2007 will be payable on 31 October 2006 to the shareholders whose names appear on the Company's Register of Members and/or Record of Depositors at the close of business on 17 October 2006. A depositor shall qualify for entitlement to the dividend only in respect of:-

- (a) shares deposited into the depositor's securities account before 12.30pm on 13 October 2006 in respect of shares which are exempted from mandatory deposit;
- (b) shares transferred into the depositor's securities account before 4.00pm on 17 October 2006 in respect of transfers; and
- (c) shares bought on the Bursa Malaysia Securities Berhad ["Bursa Malaysia"] on cum entitlement basis according to the Rules of the Bursa Malaysia.

**BY ORDER OF THE BOARD**

**LEE WEE YONG**  
**CHEAH YEE LENG**  
Secretaries

Petaling Jaya  
27 September 2006