



HAP SENG CONSOLIDATED BERHAD

(Company Number: 26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED) FIRST QUARTER ENDED 30 APRIL 2007

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---------------------------------|--|--|--|---|
| | Current Year Quarter Ended 30.4.2007 RM'000 | Preceding Year Corresponding Quarter Ended 30.4.2006 RM'000 | Current Year To date Ended 30.4.2007 RM'000 | Preceding Year Corresponding Period 30.4.2006 RM'000 |
| Revenue | 471,060 | 411,696 | 471,060 | 411,696 |
| Operating expenses | (415,795) | (375,241) | (415,795) | (375,241) |
| Other operating income | 3,804 | 5,225 | 3,804 | 5,225 |
| Operating profit | 59,069 | 41,680 | 59,069 | 41,680 |
| Financing costs | (15,234) | (10,498) | (15,234) | (10,498) |
| Share of profit of associates | 398 | 335 | 398 | 335 |
| Profit before taxation | 44,233 | 31,517 | 44,233 | 31,517 |
| Tax expense | (11,489) | (8,915) | (11,489) | (8,915) |
| Profit for the period | 32,744 | 22,602 | 32,744 | 22,602 |
| Attributable to: | | | | |
| Equity holders of the Company | 29,624 | 20,119 | 29,624 | 20,119 |
| Minority interests | 3,120 | 2,483 | 3,120 | 2,483 |
| Profit for the period | 32,744 | 22,602 | 32,744 | 22,602 |
| Earnings per share (sen) | | | | |
| Basic | 5.02 | 3.42 | 5.02 | 3.42 |
| Fully diluted | 5.02 | 3.42 * | 5.02 | 3.42 * |

* 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 2007 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) FIRST QUARTER ENDED 30 APRIL 2007

| | As at End of Current Quarter 30.4.2007 RM'000 | As at Preceding Financial Year End 31.1.2007 RM'000 (Restated) |
|---|--|--|
| Non-current assets | | |
| Property, plant and equipment | 391,387 | 386,580 |
| Biological assets | 362,673 | 362,586 |
| Prepaid lease payments | 144,379 | 144,516 |
| Investment properties | 302,511 | 301,136 |
| Investment in associates | 74,123 | 73,725 |
| Other investments | 23,089 | 23,089 |
| Land held for property development | 310,461 | 305,364 |
| Long term receivables | 565,555 | 496,408 |
| Goodwill on consolidation | 31 | 31 |
| Deferred tax assets | 6,637 | 6,637 |
| | ----- 2,180,846 | ----- 2,100,072 |
| Current assets | | |
| Inventories | 406,232 | 470,633 |
| Property development costs | 153,121 | 154,397 |
| Receivables | 585,699 | 544,679 |
| Tax recoverable | 23,441 | 23,327 |
| Cash and cash equivalents | 38,432 | 56,817 |
| | ----- 1,206,925 | ----- 1,249,853 |
| TOTAL ASSETS | ----- 3,387,771 ===== | ----- 3,349,925 ===== |
| Equity attributable to equity holders of the Company | | |
| Share capital | 622,660 | 622,660 |
| Reserves | 1,007,003 | 979,207 |
| | ----- 1,629,663 | ----- 1,601,867 |
| Less : Treasury shares | (72,193) | (73,804) |
| | ----- 1,557,470 | ----- 1,528,063 |
| Minority interests | 167,007 | 163,887 |
| TOTAL EQUITY | ----- 1,724,477 ----- | ----- 1,691,950 ----- |
| Non-current liabilities | | |
| Bank borrowings | 361,850 | 337,950 |
| Deferred tax liabilities | 162,537 | 161,573 |
| Deferred liabilities | 4,266 | 4,080 |
| | ----- 528,653 | ----- 503,603 |
| Current liabilities | | |
| Payables | 156,186 | 190,658 |
| Bank borrowings | 968,758 | 955,451 |
| Taxation | 9,697 | 8,263 |
| | ----- 1,134,641 | ----- 1,154,372 |
| TOTAL LIABILITIES | ----- 1,663,294 ----- | ----- 1,657,975 ----- |
| TOTAL EQUITY AND LIABILITIES | ----- 3,387,771 ===== | ----- 3,349,925 ===== |
| Net assets per share attributable to ordinary equity holders of the Company (RM) | | |
| | ----- 2.64 ===== | ----- 2.59 ===== |
| Based on number of shares net of treasury shares | 589,691,400 | 588,955,400 |

The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2007 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) FIRST QUARTER ENDED 30 APRIL 2007

| | ← Attributable to Equity Holders of the Parent → | | | | Minority Interests | Total Equity | |
|---------------------------------|--|---|-------------------------------------|------------------------------|-----------------------|-----------------|-----------------|
| | Share Capital RM'000 | Non- distributable Reserves RM'000 | Distributable Reserves RM'000 | Treasury Shares RM'000 | | | Total RM'000 |
| At 1 February 2007 | 622,660 | 39,814 | 939,393 | (73,804) | 1,528,063 | 163,887 | 1,691,950 |
| Exercise of ESOS | 736 | 937 | - | - | 1,673 | - | 1,673 |
| Cancellation of treasury shares | (736) | (201) | (674) | 1,611 | - | - | - |
| Translation differences | - | (1,890) | - | - | (1,890) | - | (1,890) |
| Profit for the period | - | - | 29,624 | - | 29,624 | 3,120 | 32,744 |
| At 30 April 2007 | 622,660 | 38,660 | 968,343 | (72,193) | 1,557,470 | 167,007 | 1,724,477 |
| At 1 February 2006 | 622,660 | 48,963 | 856,881 | (74,023) | 1,454,481 | 153,351 | 1,607,832 |
| Translation differences | - | (764) | - | - | (764) | - | (764) |
| Profit for the period | - | - | 20,119 | - | 20,119 | 2,483 | 22,602 |
| At 30 April 2006 | 622,660 | 48,199 | 877,000 | (74,023) | 1,473,836 | 155,834 | 1,629,670 |

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2007 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 THREE MONTHS ENDED 30 APRIL 2007**

| | For Current Year Period Ended 30.4.2007 RM'000 | For Preceding Year Period Ended 30.4.2006 RM'000 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before taxation | 44,233 | 31,517 |
| Adjustments for: | | |
| Non-cash items | 9,785 | 7,304 |
| Non-operating items | (672) | (577) |
| Net interest expense | 14,911 | 10,348 |
| | ----- | ----- |
| Operating profit before working capital changes | 68,257 | 48,592 |
| Net changes in working capital | (14,370) | (48,010) |
| Net changes in loan receivables | (64,138) | (61,464) |
| Net tax paid | (9,166) | (12,556) |
| Net interest paid | (14,911) | (10,348) |
| Land held for property development | (5,097) | (3,695) |
| | ----- | ----- |
| Net cash used in operating activities | (39,425) | (87,481) |
| | ----- | ----- |
| Cash flows from investing activities | | |
| Proceeds from disposal of other investment | - | 10 |
| Proceeds from disposal of property, plant and equipment | 680 | 913 |
| Purchase of property, plant and equipment | (13,773) | (7,566) |
| Additions to biological assets | (87) | - |
| Additions to prepaid lease payments | (502) | - |
| Redevelopment/refurbishment of investment properties | (2,101) | (808) |
| | ----- | ----- |
| Net cash used in investing activities | (15,783) | (7,451) |
| | ----- | ----- |
| Cash flows from financing activities | | |
| Proceeds from bank borrowings | 57,463 | 76,079 |
| Issue of shares pursuant to ESOS exercised | 1,673 | - |
| | ----- | ----- |
| Net cash generated from financing activities | 59,136 | 76,079 |
| | ----- | ----- |
| Net increase/(decrease) in cash and cash equivalents | 3,928 | (18,853) |
| Effects on exchange rate changes | (2,057) | (131) |
| Cash and cash equivalents at beginning of period | 18,217 | 36,738 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | 20,088 | 17,754 |
| | ===== | ===== |

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

| | | |
|------------------------------|---------------|---------------|
| Deposits with licensed banks | 10,257 | 1,388 |
| Cash in hand and at bank | 28,175 | 40,176 |
| Bank overdrafts | (18,344) | (23,810) |
| | ----- | ----- |
| | 20,088 | 17,754 |
| | ===== | ===== |

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 January 2007 and the accompanying explanatory notes attached to the Interim Financial Statements



PART A

Explanatory Notes Pursuant to Financial Reporting Standard (FRS) 134₂₀₀₄ “Interim Financial Reporting”

1. Basis of Preparation

This interim financial report has been prepared in accordance with the requirements of FRS 134₂₀₀₄ “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 2007.

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 2007 except for changes in accounting policies which are expected to be reflected in the financial statements for year ending 31 January 2008 upon adoption of the following new and revised FRSs which are applicable to the Group:

- (i) FRS 117, Leases
- (ii) FRS 124, Related Party Disclosure
- (iii) Amendment to FRS 119₂₀₀₄, Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures

Apart from the effect of change in accounting policies resulting from the adoption of FRS 117 below, the adoption of the other new and revised FRSs above do not have significant financial impact on the Group.

FRS 117: Leases

The adoption of FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Prior to 1 February 2007, leasehold land was classified as property, plant and equipment and was stated at cost or valuation less accumulated depreciation and impairment losses.

Upon the adoption of the revised FRS 117 at 1 February 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and certain comparative amounts as at 31 January 2007 have been restated as follows:

Condensed Consolidated Balance Sheet

| | ← As at 31.1.2007 | |
|-------------------------------|------------------------|---------------------|
| | As previously reported | Adoption of FRS 117 |
| | RM'000 | RM'000 |
| | (Audited) | As restated |
| | | RM'000 |
| Property, plant and equipment | 531,096 | (144,516) |
| Prepaid lease payments | - | 144,516 |

3. 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 2007 was not subject to any qualification.



4. **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 Property Development Division and 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.
- (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.

5. **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.

6. **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.

7. **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 RM | Purchase price per share | | Average cost Per share RM | Total cost RM | No of shares Cancelled |
|---------------|------------------------------|--------------------------|---------------|---------------------------------|------------------|---------------------------|
| | | Lowest RM | Highest RM | | | |
| February 2007 | - | - | - | - | - | - |
| March 2007 | - | - | - | - | - | - |
| April 2007 | - | - | - | - | - | 736,000 |
| Total | - | - | - | - | - | 736,000 |

During the current quarter under review, there was no buyback of shares or resale of treasury shares. In the current quarter, 736,000 shares were cancelled.

- (a) 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, the Company had allotted and issued 736,000 new ordinary shares of RM1.00 each pursuant to the ESOS.
- (b) As at 30 April 2007, the Company has 32,968,600 ordinary shares held as treasury shares after a cumulative cancellation of 3,685,000 shares. Simultaneous with the aforementioned cancellation of treasury shares, as at 30 April 2007, the Company had allotted and issued a cumulative total of 3,685,000 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 30 April 2007, options granted to subscribe for 3,611,000 ordinary shares of RM1.00 each pursuant to the ESOS remained unexercised.

8. **Dividends Paid**

There was no dividend paid out of shareholders' equity for the ordinary shares during the current quarter under review.



9. Segment Revenue and Segment Result

| | Trading RM'000 | Financing RM'000 | Agricultural RM'000 | Property RM'000 | Investment Holding RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|-----------------------------------|--------------------------|----------------------------|-------------------------------|---------------------------|---|-------------------------------|-------------------------------|
| Period Ended 30 April 2007 | | | | | | | |
| Revenue | | | | | | | |
| External revenue | 340,127 | 18,809 | 74,555 | 37,569 | - | - | 471,060 |
| Inter-segment revenue | 15,701 | - | - | 2,288 | - | (17,989) | - |
| Total revenue | 355,828 | 18,809 | 74,555 | 39,857 | - | (17,989) | 471,060 |
| Result | | | | | | | |
| Operating profit | 5,575 | 13,269 | 37,160 | 8,091 | (1,799) | (3,227) | 59,069 |
| Period Ended 30 April 2006 | | | | | | | |
| Revenue | | | | | | | |
| External revenue | 312,673 | 10,470 | 53,340 | 35,213 | - | - | 411,696 |
| Inter-segment revenue | 16,195 | - | - | 2,100 | - | (18,295) | - |
| Total revenue | 328,868 | 10,470 | 53,340 | 37,313 | - | (18,295) | 411,696 |
| Result | | | | | | | |
| Operating profit | 8,672 | 6,899 | 22,562 | 11,075 | (4,197) | (3,331) | 41,680 |

10. 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.

11. Material Events Subsequent to the End of the Interim Period

Save as disclosed below, there were no material events subsequent to the end of the current quarter under review and up to 22 June 2007, being the last practicable date from the date of the issue of this report which is expected to have an operational or financial impact on the Group:-

On behalf of the Company, CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad) ("CIMB") had on 16 May 2007 announced that the Company proposed to list the plantation assets held by its two subsidiary companies, namely Jeroco Plantations Sdn. Bhd. ["Jeroco"] and Hap Seng Plantations (River Estates) Sdn. Bhd. (formerly known as The River Estates Sdn Berhad) ["River Estates"]. HSCB currently holds 66.07% and 100% of the equity interest in Jeroco and River Estates respectively. The said plantation assets are proposed to be listed on the Main Board of Bursa Malaysia Securities Berhad ["Bursa Securities"] via a newly incorporated investment holding company, namely Hap Seng Plantations Holdings Berhad ["HSP"] which will undergo a restructuring exercise and upon completion of the restructuring exercise, Jeroco and River Estates will become the wholly-owned subsidiaries of HSP ["Proposed Listing"]. In conjunction with and as an integral part of the Proposed Listing, HSCB has on even date entered into the following two conditional share sale agreements:-

- (i) a conditional share sale agreement with HSP together with the other two vendors, namely Innoprise Corporation Sdn. Bhd. ["Innoprise"] and Kowa Company Limited ["Kowa"] wherein HSCB, Innoprise and Kowa agreed to dispose of their respective 66.07%, 30.00% and 3.93% equity interest in Jeroco to HSP for a total purchase consideration of RM550,253,000 to be satisfied by the issuance of 275,127,000 new ordinary shares of RM1.00 each in HSP ["HSP Shares"] at an issue price of RM1.80 per HSP share credited as fully paid-up and a cash consideration of RM55,024,400; and
- (ii) a conditional share sale agreement with HSP [the "River Estates SSA"] wherein HSCB agreed to dispose its entire 100% equity interest in River Estates comprising 30,807,000 ordinary shares of RM1.00 each to HSP for a purchase consideration of RM 947,747,000 to be satisfied by the issuance of 474,872,998 new HSP Shares at an issue price of RM1.80 per HSP Share credited as fully paid up and a cash consideration of RM94,975,604.



11. Material Events Subsequent to the End of the Interim Period (Cont'd)

On 13 June 2007, CIMB had announced on behalf of the Company that it had, on even date submitted the application for the Proposed Listing to the Securities Commission, Equity Compliance Unit (under the Guidelines on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests) and the Ministry of International Trade and Industry for the respective regulatory authorities' approval. The details of the Proposed Listing announced are set out below:

- (a) HSP proposes to undertake a public offering of 50,000,000 new HSP shares ("Public Issue Shares"), representing 6.25% of the entire enlarged issued and paid-up share capital at an issue price to be determined at a later date. The Public Issue Shares will be allocated in the following manner:
- (i) Up to 16,000,000 Public Issue Shares, representing 2.00% of the enlarged issued and paid-up share capital of HSP, will be made available for application by eligible Directors and employees of HSP and its subsidiaries ("HSP Group"), HSCB group and Gek Poh (Holdings) Sdn Bhd, the holding company of HSCB ("Gek Poh");
 - (ii) 4,000,000 Public Issue Shares, representing 0.5% of the enlarged issued and paid-up share capital of HSP, to be allocated via ballot, will be made available for application by the Malaysian citizens, companies, societies, co-operatives, institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions; and
 - (iii) 30,000,000 Public Issue Shares, representing 3.75% of the enlarged issued and paid-up share capital of HSP will be made available for application by Bumiputera investors to be identified and approved by MITI.
- (b) As part of the Proposed Listing, HSCB proposes to undertake an offer for sale of up to 250,000,000 HSP Shares ("Offer Shares") at an offer price to be determined at a later date. The Proposed Offer for Sale will be made available for subscription by the following investors:
- (i) 37,440,000 Offer Shares will be made available for application by Innoprise;
 - (ii) 44,519,000 Offer Shares will be made available for application by Bumiputera investors to be identified and approved by MITI;
 - (iii) 123,151,000 Offer Shares will be made available for application by way of bookbuilding, will be made available for identified Malaysian and/or foreign investors; and
 - (iv) Up to 44,890,000 Offer Shares, will be made available for application by the shareholders of HSCB (other than Gek Poh and its wholly-owned subsidiary, Pembangunan Melati Sdn Bhd) by way of rights entitlement on the basis of one (1) new HSP Share for every six (6) ordinary shares of RM1.00 each held in HSCB at an entitlement date to be determined.

Upon completion of the Proposed Public Issue and Proposed Offer for Sale, HSP proposes to seek the listing of and quotation for its entire enlarged issued and paid-up share capital comprising 800,000,000 HSP Shares on the Main Board of Bursa Securities.

12. 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 23 April 2007, the Company acquired the entire issued and paid-up share capital of Capital Chip (M) Sdn Bhd comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2.00. Capital Chip is currently dormant. The aforementioned 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.



13. 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 June 2007, 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:

| | As at 30.4.2007 | As at 31.1.2007 |
|---|----------------------------|----------------------------|
| | RM'000 | RM'000 |
| Guarantees to and contingencies relating to borrowings of subsidiaries in respect of balances outstanding | 1,180,608 ===== | 1,143,256 ===== |

14. Capital Commitments

The Group has the following capital commitments:

| | As at 30.4.2007 | As at 31.1.2007 |
|--|----------------------------|----------------------------|
| | RM'000 | RM'000 |
| Contracted but not provided for in this report | 72,808 | 73,632 |
| Authorised but not contracted for | 27,622 | 34,503 |
| | ----- 100,430 ===== | ----- 108,135 ===== |

15. Significant Related Party Transactions

During the current quarter under review and up to 22 June 2007, 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 26 July 2006.



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 under review at RM471.1 million was 14% higher than the preceding year corresponding quarter mainly attributable to the better sales performances of the Plantation, Credit Financing, Quarry and Building Materials Divisions. Consequently, Group Operating Profit for the current quarter at RM59.1 million was 42% higher than the preceding year corresponding quarter.

Plantation Division's operating profit was 69% higher than the preceding year corresponding quarter results attributable to higher Crude Palm Oil (CPO) and Palm Kernel (PK) sales volume as well as improved CPO average price of RM1,730 per tonne (2006/2007: RM1,375/MT) and PK average price of RM1,066 per tonne (2006/2007: RM916 per tonne).

Credit Financing Division's contributed an improvement of 97% over its preceding year corresponding quarter's operating profit with further expansion in its loan portfolio whilst the Quarry and Building Materials Division's efforts to improve its quarries' production efficiencies are now contributing positively to the Division's improved performance.

The Automotive Division was affected by lower sales of logging trucks, mitigated somewhat by higher sales of other heavy vehicles in East Malaysia and Mercedes Benz passenger car sales in Klang Valley. The Fertilizer Trading Division achieved higher sales volume in the East Malaysian and Indonesian market but recorded lower margins as it continued to operate in competitive trading conditions. Property Division results were generally affected by lower sale of property stocks.

Financing costs were higher due to comparatively higher interest rates and increase in borrowings to finance the growth in assets employed in the Property, Credit Financing, Fertilizer Trading, and Quarry and Building Materials Divisions.

Overall, profit before taxation and profit after taxation for the current quarter at RM44.2 million and RM32.7 million were higher than the preceding year corresponding quarter by 40% and 45% respectively.

Basic earnings per share for the current quarter attributable to shareholders at 5.02 sen was 47% higher than the preceding year corresponding quarter of 3.42 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 RM44.2 million was 12% lower than the preceding quarter of RM50.4 million mainly attributable to lower sales volume of CPO from Plantation Division resulting from the low crop production cycle in the current quarter.

3. Current Year Prospects

The Group anticipates competitive trading conditions in the various market sectors in which it presently operates. Overall, the Group results is expected to be better in view of the positive outlook in the oil palm plantation industry.

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

| | Individual Quarter Ended | | Cumulative Quarter Ended | |
|------------------------------|---------------------------------|------------------|---------------------------------|------------------|
| | 30.4.2007 | 30.4.2006 | 30.4.2007 | 30.4.2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| In respect of current period | | | | |
| - Income tax | 10,522 | 9,179 | 10,522 | 9,179 |
| - deferred tax | 967 | (264) | 967 | (264) |
| | ----- | ----- | ----- | ----- |
| | 11,489 | 8,915 | 11,489 | 8,915 |
| | ===== | ===== | ===== | ===== |

The Group's effective tax rate for the current quarter was in line with the statutory tax rate whilst the effective tax rate for preceding year corresponding quarter was higher than the statutory tax rate due to certain expenses being disallowed for tax purposes.

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 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 and financial year to date except for the shares bought back by the Company as disclosed in Note 7(a) of Part A above.

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

| | As at | As at |
|-----------------------|------------------|------------------|
| | 30.4.2007 | 31.1.2007 |
| | RM'000 | RM'000 |
| (i) At cost | 37,998 | 37,998 |
| (ii) At book value | 23,089 | 23,089 |
| (iii) At market value | 32,908 | 30,501 |
| | ===== | ===== |

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

Save as disclosed in Note 11 Part A above, there was no corporate proposal announced but not completed as at 22 June 2007.



9. Borrowings and Debt Securities

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

| | As at 30.4.2007 | As at 31.1.2007 |
|---|----------------------------|----------------------------|
| | RM'000 | RM'000 |
| Short term - Bankers acceptances | 260,509 | 347,301 |
| - Bank overdrafts | 18,344 | 38,600 |
| - Revolving credits | 554,950 | 487,550 |
| - Term loans | 82,000 | 82,000 |
| - Foreign currency loan (USD15,477,000) | 52,955 | - |
| | ----- | ----- |
| | 968,758 | 955,451 |
| Long term - Term loans | 361,850 | 337,950 |
| | ----- | ----- |
| | 1,330,608 | 1,293,401 |
| | ===== | ===== |

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 June 2007 being a date not earlier than 7 days from the date of this report are:

| | Contracted Amount | Fair Value |
|------------------------------------|------------------------------|-----------------------|
| | RM'000 | RM'000 |
| Forward foreign exchange contracts | 24,076 | 24,418 |
| | ===== | ===== |

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. Provision of Financial Assistance

Money lending operations

(i) The Group moneylending operations is undertaken by the Company's wholly owned subsidiary, Hap Seng Credit Sdn Bhd ["HSC"] in the ordinary course of its business as a licensed moneylender. The aggregate amount of outstanding loans as at 30 April 2007 given by HSC are as follows:

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|---|--------------------------|----------------------------|------------------------|
| (a) To companies | 777,634 | - | 777,634 |
| (b) To individuals | 55,153 | 302 | 55,455 |
| (c) To companies within the listed issuer group | - | - | - |
| (d) To related parties | - | - | - |
| | ----- | ----- | ----- |
| | 832,787 | 302 | 833,089 |
| | ===== | ===== | ===== |

(ii) The total borrowings of HSC in term of:

| | As at 30.4.2007 RM'000 |
|--|--|
| (a) Loans given by companies within the Group to HSC | - |
| (b) Borrowings which are secured by companies within the Group in favour of HSC | - |
| (c) Bank borrowings * | 488,108 |
| | ----- |
| | 488,108 |
| | ===== |

* These are unsecured bank borrowings by HSC which are guaranteed by the Company.

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

| | RM'000 |
|--|----------|
| (a) Balance as at 1.2.2007 | 57,556 |
| (b) Loans classified as in default during the financial year | 15,167 |
| (c) Loans reclassified as performing during the financial year | (18,141) |
| (d) Amount recovered | (10,707) |
| (e) Amount written off | - |
| (f) Loans converted to securities | - |
| | ----- |
| (g) Balance as at 30.4.2007 | 43,875 |
| | ===== |
| (h) Ratio of net loans in default to net loans | 5.27% |
| | ===== |



11. Provision of Financial Assistance (Cont'd)

Money lending operations (Cont'd)

(iv) The top 5 loans are as follows:-

| Ranking | Type of Facility | Limit RM'000 | Outstanding Principal Amount RM'000 | Security Provided (Yes/No) | Value of Security RM'000 | Related Party (Yes/No) | Term of Repayment (month) |
|-----------------|------------------|---------------|-------------------------------------|----------------------------|--------------------------|------------------------|---------------------------|
| 1 st | Term Loan | 25,640 | 21,435 | Yes | 29,199 | No | 36 – 180 |
| | Term Loan | 300 | 300 | No | - | No | 6 |
| | Hire Purchase | 3,739 | 3,328 | Yes | 3,182 | No | 36 – 84 |
| | | <u>29,679</u> | <u>25,063</u> | | <u>32,381</u> | | |
| 2 nd | Term Loan | 22,352 | 20,098 | Yes | 29,136 | No | 60 – 180 |
| 3 rd | Term Loan | 21,169 | 17,749 | Yes | 16,336 | No | 36 – 60 |
| | Hire Purchase | 1,415 | 1,062 | Yes | 1,025 | No | 48 – 60 |
| | | <u>22,584</u> | <u>18,811</u> | | <u>17,361</u> | | |
| 4 th | Term Loan | 42,000 | 13,616 | Yes | 19,370 | No | 60 |
| | Hire Purchase | 478 | 322 | Yes | 645 | No | 36 |
| | | <u>42,478</u> | <u>13,938</u> | | <u>20,015</u> | | |
| 5 th | Term Loan | 17,197 | 13,322 | Yes | 25,165 | No | 60 – 120 |
| | Hire Purchase | 412 | 280 | Yes | 350 | No | 36 – 60 |
| | | <u>17,609</u> | <u>13,602</u> | | <u>25,515</u> | | |

12. 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.

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.



13. Earnings Per Share

- (a) The basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Company 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 Company 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"].

| | Individual Quarter Ended | | Cumulative Quarter Ended | |
|--|---------------------------------|------------------|---------------------------------|------------------|
| | 30.4.2007 | 30.4.2006 | 30.4.2007 | 30.4.2006 |
| Profit for the period attributable to equity holders of the Company (RM'000) | 29,624 | 20,119 | 29,624 | 20,119 |
| Basic earnings per share (sen) | 5.02 | 3.42 | 5.02 | 3.42 |
| Diluted earnings per share (sen) | 5.02 | 3.42 * | 5.02 | 3.42 * |
| Based on weighted average number of ordinary shares ('000): | | | | |
| - for Basic earnings per share | 589,569 | 588,856 | 589,569 | 588,856 |
| Adjustment for share options | 554 | (1,027) | 554 | (1,027) |
| - for Diluted earnings per share | 590,123 | 587,829 | 590,123 | 587,829 |

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

14. Dividends

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

BY ORDER OF THE BOARD

LEE WEE YONG
CHEAH YEE LENG
 Secretaries

Petaling Jaya
 27 June 2007