



HAP SENG CONSOLIDATED BERHAD

(Company Number: 26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED) SECOND QUARTER ENDED 31 JULY 2007

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter Ended 31.7.2007 RM'000	Preceding Year Corresponding Quarter Ended 31.7.2006 RM'000	Current Year To date Ended 31.7.2007 RM'000	Preceding Year Corresponding Period 31.7.2006 RM'000
Revenue	571,711	459,777	1,042,771	871,473
Operating expenses	(499,759)	(426,253)	(915,554)	(801,494)
Other operating income	3,938	2,922	7,742	8,147
Operating profit	75,890	36,446	134,959	78,126
Financing costs	(16,333)	(12,869)	(31,567)	(23,367)
Other non-operating items	1,978	-	1,978	-
Share of profit of associates	494	298	892	633
Profit before tax	62,029	23,875	106,262	55,392
Tax expense	(16,728)	(7,506)	(28,217)	(16,421)
Profit for the period	45,301	16,369	78,045	38,971
Attributable to:				
Equity holders of the Company	41,670	14,286	71,294	34,405
Minority interests	3,631	2,083	6,751	4,566
Profit for the period	45,301	16,369	78,045	38,971
Earnings per share (sen)				
Basic	7.14	2.43	12.22	5.84
Fully diluted	7.14	2.43 *	12.22	5.84 *

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



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CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) SECOND QUARTER ENDED 31 JULY 2007

	As at End of Current Quarter 31.7.2007 RM'000	As at Preceding Financial Year End 31.1.2007 RM'000 (Restated)
Non-current assets		
Property, plant and equipment	397,500	386,580
Biological assets	362,736	362,586
Prepaid lease payments	143,807	144,516
Investment properties	310,185	301,136
Associated companies	100,862	73,725
Other investments	1,976	23,089
Land held for property development	305,543	305,364
Long term receivables	595,002	496,408
Goodwill on consolidation	31	31
Deferred tax assets	6,637	6,637
	----- 2,224,279	----- 2,100,072
Current assets		
Inventories	435,628	470,633
Property development costs	162,488	154,397
Receivables	716,792	544,679
Tax recoverable	20,345	23,327
Cash and cash equivalents	79,184	56,817
	----- 1,414,437	----- 1,249,853
TOTAL ASSETS	----- 3,638,716 =====	----- 3,349,925 =====
Equity attributable to equity holders of the Company		
Share capital	622,660	622,660
Reserves	1,035,192	979,207
	----- 1,657,852	----- 1,601,867
Less : Treasury shares	(114,356)	(73,804)
	----- 1,543,496	----- 1,528,063
Minority interests	168,809	163,887
TOTAL EQUITY	----- 1,712,305 -----	----- 1,691,950 -----
Non-current liabilities		
Bank borrowings	357,350	337,950
Deferred tax liabilities	163,499	161,573
Deferred liabilities	3,921	4,080
	----- 524,770	----- 503,603
Current liabilities		
Payables and provisions	182,127	190,658
Tax payable	16,400	8,263
Bank borrowings	1,188,136	955,451
Dividend payable	14,978	-
	----- 1,401,641	----- 1,154,372
TOTAL LIABILITIES	----- 1,926,411 -----	----- 1,657,975 -----
TOTAL EQUITY AND LIABILITIES	----- 3,638,716 =====	----- 3,349,925 =====
Net assets per share attributable to ordinary equity holders of the Company (RM)		
	2.67	2.59
	=====	=====
Based on number of shares net of treasury shares	578,293,700	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

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(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) SECOND QUARTER ENDED 31 JULY 2007

	← 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
At 1 February 2007	622,660	39,814	939,393	(73,804)	1,528,063	163,887	1,691,950
Exercise of ESOS	3,968	5,038	-	-	9,006	-	9,006
Cancellation of treasury shares	(3,968)	(1,070)	(3,650)	8,688	-	-	-
Purchase of treasury shares	-	-	-	(49,240)	(49,240)	-	(49,240)
Realisation upon disposal	-	1,349	(1,349)	-	-	-	-
Acquisition of associate	-	-	1,976	-	1,976	-	1,976
Translation differences	-	(2,625)	-	-	(2,625)	-	(2,625)
Profit for the period	-	-	71,294	-	71,294	6,751	78,045
Dividends	-	-	(14,978)	-	(14,978)	(1,829)	(16,807)
At 31 July 2007	622,660	42,506	992,686	(114,356)	1,543,496	168,809	1,712,305
At 1 February 2006	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)
At 31 July 2006	622,660	48,693	876,447	(74,023)	1,473,777	156,137	1,629,914

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)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED) FOR SIX MONTHS ENDED 31 JULY 2007

	For Current Year Period Ended 31.7.2007 RM'000	For Preceding Year Period Ended 31.7.2006 RM'000
Cash flows from operating activities		
Profit before tax	106,262	55,392
Adjustments for:		
Non-cash items	19,210	15,554
Non-operating items	(3,619)	(732)
Dividend income	(2,840)	(398)
Net interest expense	30,497	22,924
	-----	-----
Operating profit before working capital changes	149,510	92,740
Net changes in working capital	(77,398)	(90,985)
Net changes in loan receivables	(158,969)	(76,031)
Net tax paid	(15,169)	(24,623)
Net interest paid	(30,497)	(22,924)
Land held for property development	(16,131)	(4,794)
	-----	-----
Net cash used in operating activities	(148,654)	(126,617)
	-----	-----
Cash flows from investing activities		
Dividends received from associate	3,217	398
Proceeds from disposal of other investment	-	10
Proceeds from disposal of property, plant and equipment	2,531	1,085
Acquisition of additional shares in other investments	(1,555)	-
Purchase of property, plant and equipment	(30,087)	(42,211)
Additions to biological assets	(150)	-
Additions to prepaid lease payments	(502)	-
Redevelopment/refurbishment of investment properties	(9,775)	(1,669)
	-----	-----
Net cash used in investing activities	(36,321)	(42,387)
	-----	-----
Cash flows from financing activities		
Dividends paid to minority interests	(1,829)	(1,780)
Proceeds from bank borrowings	265,603	192,607
Issue of shares pursuant to ESOS exercised	9,006	-
Shares repurchased at cost	(49,240)	-
	-----	-----
Net cash generated from financing activities	223,540	190,827
	-----	-----
Net increase in cash and cash equivalents	38,565	21,823
Effects on exchange rate changes	(2,680)	(32)
Cash and cash equivalents at beginning of period	18,217	36,738
	-----	-----
Cash and cash equivalents at end of period	54,102	58,529
	=====	=====

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

Deposits with licensed banks	38,871	9,459
Cash in hand and at bank	40,313	59,593
Bank overdrafts	(25,082)	(10,523)
	-----	-----
	54,102	58,529
	=====	=====

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 the followings:

- (a) Change in segment Revenue and Segment Result, whereby Quarry and Building Materials Operations have been segregated from the Trading Segment.
- (b) 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. Other Non-Operating Items

The other non-operating items of RM1.98 million in the current quarter were in respect of net reversal of impairment losses in associated companies.

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 interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.

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 RM	Purchase price per share		Average cost Per share RM	Total cost RM	No of shares Cancelled
		Lowest RM	Highest RM			
May 2007	-	-	-	-	-	2,280,000
June 2007	-	-	-	-	-	616,000
July 2007	14,629,700	3.1000	3.5400	3.3658	49,240,225.24	336,000
Total	14,629,700	3.1000	3.5400	3.3658	49,240,225.24	3,232,000

During the current quarter under review, 14,629,700 shares were bought back and 3,232,000 shares were cancelled. All the shares bought were retained as treasury shares and there was no resale of treasury shares during current quarter.

- (b) The Company has an Employees' Share Option Scheme ["ESOS"] which expire on 12 September 2007. During the current quarter under review, the Company had allotted and issued 3,232,000 new ordinary shares of RM1.00 each pursuant to the ESOS.
- (c) As at 31 July 2007, the Company has 44,366,300 ordinary shares held as treasury shares after a cumulative cancellation of 6,917,000 shares. Simultaneous with the aforementioned cancellation of treasury shares, as at 31 July 2007, the Company had allotted and issued a cumulative total of 6,917,000 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 2007, options granted to subscribe for 374,000 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:

	Cumulative Quarter Ended	
	31.7.2007	31.7.2006
	RM'000	RM'000
Dividend paid in respect of financial year ended 31 January 2006:		
- final (3.5 sen less tax) paid on 15 August 2006	-	14,839
Dividend paid in respect of financial year ended 31 January 2007:		
- final (3.5 sen less tax) paid on 15 August 2007	14,978	-
	-----	-----
	14,978	14,839
	=====	=====

10. Segment Revenue and Segment Result

	Trading	Quarry & Building Materials	Financing	Agricultural Produce	Property	Investment Holding	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Period Ended 31 July 2007</u>								
Revenue								
External revenue	650,758	103,406	35,863	163,477	86,427	2,840	-	1,042,771
Inter-segment revenue	17,613	14,624	-	-	4,649	-	(36,886)	-
Total revenue	<u>668,371</u>	<u>118,030</u>	<u>35,863</u>	<u>163,477</u>	<u>91,076</u>	<u>2,840</u>	<u>(36,886)</u>	<u>1,042,771</u>
Result								
Operating profit	<u>16,425</u>	<u>5,028</u>	<u>24,058</u>	<u>78,148</u>	<u>18,759</u>	<u>(1,058)</u>	<u>(6,401)</u>	<u>134,959</u>
<u>Period Ended 31 July 2006</u>								
Revenue								
External revenue	594,712	73,250	22,684	117,532	62,897	398	-	871,473
Inter-segment revenue	18,048	15,567	-	-	4,087	-	(37,702)	-
Total revenue	<u>612,760</u>	<u>88,817</u>	<u>22,684</u>	<u>117,532</u>	<u>66,984</u>	<u>398</u>	<u>(37,702)</u>	<u>871,473</u>
Result								
Operating profit	<u>15,373</u>	<u>2,315</u>	<u>15,762</u>	<u>41,978</u>	<u>18,553</u>	<u>(8,070)</u>	<u>(7,785)</u>	<u>78,126</u>



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

Save as disclosed in Note 8 of Part B, there are no material events subsequent to the end of the current quarter under review and up to 21 September 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.

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 changes in composition of the Group is as follows:

- (i) On 10 May 2007, the Company completed the Member's Voluntary Liquidation of its wholly-owned subsidiary, Euro-Asia Food and Beverage (Bermuda) Limited, a private company incorporated in Bermuda. The aforementioned completion was announced by the Company on even date.
- (ii) On 29 May 2007, Hap Seng Trading Sdn Bhd, a wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of Konsep SistematiK (M) Sdn Bhd ["Konsep"] comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2.00. Konsep is currently dormant. The aforementioned acquisition was announced by the Company on even date.
- (iii) On 15 June 2007, Hap Seng Land Development Sdn Bhd, a wholly-owned subsidiary of Hap Seng Land Sdn Bhd which in turn is a wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of Hap Seng Land Development (OKR) Sdn Bhd (*formerly known as Base Chip (M) Sdn Bhd*) ["HSLD(OKR)"] comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2.00. HSLD(OKR) is principally engaged in property development. The aforementioned acquisition was announced by the Company on even date.
- (iv) On 2 July 2007, Lam Soon (Thailand) Public Company Limited (LST) became an associated company of the Company following the purchase of 6,517,500 shares in LST by the Company between 29 May 2007 to 2 July 2007, from the open market at a total cost of RM1.55 million which increased the Company's equity interest in LST from 19.21% to 20%.
- (v) On 5 July 2007, Hap Seng Land Development Sdn Bhd, a wholly-owned subsidiary of Hap Seng Land Sdn Bhd which in turn is a wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of Hap Seng Land Development (OKR2) Sdn Bhd (*formerly known as Jendela SistematiK (M) Sdn Bhd*) ["HSLD(OKR2)"] comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2.00. HSLD(OKR2) is currently dormant. The aforementioned acquisition was announced by the Company on even date.
- (vi) On 12 July 2007, Hap Seng Land Development Sdn Bhd, a wholly-owned subsidiary of Hap Seng Land Sdn Bhd which in turn is a wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of Hap Seng Land Development (JTR) Sdn Bhd (*formerly known as Excel Podium Sdn Bhd*) ["HSLD(JTR)"] comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM2.00. HSLD(JTR) is principally engaged in property development. The aforementioned acquisition was announced by the Company on even date.

The above changes in the composition of the Group do 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 21 September 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 31.7.2007	As at 31.1.2007
	RM'000	RM'000
Guarantees to and contingencies relating to borrowings of subsidiaries in respect of balances outstanding	1,395,486 =====	1,143,256 =====

15. Capital Commitments

The Group has the following capital commitments:

	As at 31.7.2007	As at 31.1.2007
	RM'000	RM'000
Contracted but not provided for in this report	70,302	73,632
Authorised but not contracted for	12,861	34,503
	-----	-----
	83,163 =====	108,135 =====

16. Significant Related Party Transactions

During the current quarter under review and up to 21 September 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 and 31 July 2007.



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 RM571.7 million was 24% higher than the preceding year corresponding quarter with improvements at all Divisions. Consequently, Group Operating Profit for the current quarter at RM75.9 million was 108% higher than the preceding year corresponding quarter.

Plantation Division's recorded a marked improvement in performance attributable to higher Crude Palm Oil (CPO) and Palm Kernel (PK) sales volume as well as improved CPO average price of RM2,009/MT (2006/2007: RM1,387/MT) and PK average price of RM1,375/MT (2006/2007: RM784/MT).

Property Division benefited from new property development projects launched during the year in East Malaysia. Credit Financing Division's performance improved with further expansion in its loan portfolio. Quarry and Building Materials Division's recorded better performance mainly attributable to the expansion of its quarry and building materials trading operations and benefits from its ongoing efforts to improve its quarries' production efficiencies. The Group's Trading segment comprising the Automotive Division and Fertilizer Trading Division benefited from higher sales volume and improved margins due to higher average selling prices achieved by the Fertilizer Trading Division in both the Malaysian and Indonesian markets.

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

Overall, profit before tax and profit after tax for the current year to date at RM106.3 million and RM78.0 million were higher than the preceding year corresponding period by 92% and 100% respectively.

Basic earnings per share for the current year to date attributable to shareholders at 12.22 sen was 109% higher than the preceding year corresponding quarter of 5.84 sen.

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

Group profit before tax for the current quarter at RM62.0 million was 40% higher than the preceding quarter of RM44.2 million mainly attributable to better performance of the Plantation Division attributable to higher CPO and PK average price realisations.

3. Current Year Prospects

The Group anticipates competitive trading conditions in the various market sectors in which it presently operates to continue. Overall, the Group results is expected to be better than the previous year 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	
	31.7.2007	31.7.2006	31.7.2007	31.7.2006
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- Income tax	15,767	8,602	26,289	17,781
- deferred tax	961	(776)	1,928	(1,040)
	-----	-----	-----	-----
	16,728	7,826	28,217	16,741
In respect of prior period				
- Income tax	-	(356)	-	(356)
Real property gains tax	-	36	-	36
	-----	-----	-----	-----
	16,728	7,506	28,217	16,421
	=====	=====	=====	=====

The Group's effective tax rate for the current quarter and year to date were higher than the statutory tax rate due to certain expenses being disallowed for tax purposes. The effective tax rate for preceding year corresponding quarter and period ended 31 July 2006 were higher than the statutory tax rate due to the same reason.

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. Sale of properties were 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:
- (i) the shares bought back by the Company as disclosed in Note 8(a) of Part A; and
 - (ii) the purchase of 6,517,500 shares in Lam Soon (Thailand) Public Company Limited (LST) from the open market at a total cost of of RM1.55 million. Consequently, the Company and the Group's equity interest in LST was increased from 19.21% to 20% thus making it an associated company.
- (b) The Group's total investments in quoted shares (excluding existing subsidiaries and associated companies) are as follows:-

	As at	As at
	31.7.2007	31.1.2007
	RM'000	RM'000
(i) At cost	9,907	37,998
(ii) At book value	1,976	23,089
(iii) At market value	8,726	30,501
	=====	=====



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

There were no corporate proposals announced but not completed as at 21 September 2007, except for the following:-

As announced by CIMB Investment Bank Berhad ["CIMB"] on 16 May, 21 May and 13 June 2007, the Company proposed to list the plantation assets held by two (2) of its subsidiary companies, Jeroco Plantations Sdn Bhd ("Jeroco") and Hap Seng Plantations (River Estates) Sdn Bhd ("River Estates") on the Main Board of Bursa Malaysia Securities Berhad via a newly incorporated investment holding company, Hap Seng Plantations Holdings Berhad ["HSP"] which will undergo the following [the "Proposals"]:-

(a) Proposed acquisition of Jeroco and River Estates by HSP

On 16 May 2007, HSP entered into the following two (2) conditional share sale agreements ["SSAs"] to acquire the entire equity interests in Jeroco and River Estates:-

- (i) a conditional share sale agreement with the Company together with the other two vendors, namely Innoprise Corporation Sdn. Bhd. ["Innoprise"] and Kowa Company Limited ["Kowa"] pursuant to which the Company, 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 the Company pursuant to which the Company agreed to dispose of its entire 100% equity interest in River Estates to HSP for a purchase consideration of RM949,747,000 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.

(b) Proposed listing of HSP [the "Proposed Listing"]

The Proposed Listing entails the following:-

(i) Proposed Public Issue

HSP proposes to undertake a public offering of 50,000,000 new HSP 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.

(ii) Proposed Offer For Sale

As part of the Proposed Listing, HSCB proposes to undertake an offer for sale of up to 250,000,000 HSP Shares at an offer price to be determined at a later date.

(iii) Proposed Listing

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 Bursa Securities.

On 25 July 2007, on behalf of the Company, CIMB announced that the Securities Commission had, vide its letter dated 23 July 2007, approved the Proposals pursuant to Section 32(5) of the Securities Commission Act, 1993 and the Foreign Investment Committee (FIC) Guidelines, subject to the conditions contained therein.

On 6 August 2007, on behalf of the Company, CIMB announced that Ministry of International Trade and Industry (MITI) had vide its letter dated 6 August 2007 approved the Proposals subject to conditions stated therein.

On 5 September 2007, the Company had announced that the Proposals were approved by the shareholders in an Extraordinary General Meeting on even date.

On 7 September 2007, on behalf of the Company, CIMB had announced that the SSAs were completed on even date, with Jeroco and River Estates becoming the wholly-owned subsidiaries of HSP. HSP in turn became a 87.55% owned subsidiary of the Company on the said date.



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 31.7.2007	As at 31.1.2007
	RM'000	RM'000
Short term - Bankers acceptances	271,804	347,301
- Bank overdrafts	25,082	38,600
- Revolving credits	645,450	487,550
- Term loans	86,500	82,000
- Foreign currency loan (USD46,140,000)	159,300	-
	-----	-----
	1,188,136	955,451
Long term - Term loans	357,350	337,950
	-----	-----
	1,545,486	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 21 September 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	8,530	8,444
	=====	=====

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 31 July 2007 given by HSC are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
(a) To companies	919,359	-	919,359
(b) To individuals	15,373	-	15,373
(c) To companies within the listed issuer group	-	-	-
(d) To related parties	-	-	-
	-----	-----	-----
	934,732	-	934,732
	=====	=====	=====



11. Provision of Financial Assistance (Cont'd)

Money lending operations (Cont'd)

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

	As at 31.7.2007
	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 *	575,470

	575,470
	=====

* 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	31,924
(c) Loans reclassified as performing during the financial year	(24,571)
(d) Amount recovered	(14,115)
(e) Amount written off	-
(f) Loans converted to securities	-

(g) Balance as at 31.7.2007	50,794
	=====
(h) Ratio of net loans in default to net loans	5.43%
	=====

(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	24,619	Yes	29,199	No	120 – 180
	Hire Purchase	3,739	3,230	Yes	2,992	No	36 – 84
		29,379	27,849		32,191		
		-----	-----		-----		
2 nd	Term Loan	22,352	20,022	Yes	29,136	No	60 – 180
3 rd	Term Loan	21,450	17,353	Yes	14,515	No	36 – 60
	Hire Purchase	1,284	943	Yes	907	No	48 – 60
		22,734	18,296		15,422		
		-----	-----		-----		
4 th	Term Loan	17,196	13,062	Yes	25,165	No	60 – 120
	Hire Purchase	412	253	Yes	327	No	36 – 60
		17,608	13,315		25,492		
		-----	-----		-----		
5 th	Term Loan	42,000	10,375	Yes	19,370	No	60
	Hire Purchase	478	283	Yes	604	No	36
		42,478	10,658		19,974		
		-----	-----		-----		



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	
	31.7.2007	31.7.2006	31.7.2007	31.7.2006
Profit for the period attributable to equity holders of the Company (RM'000)	41,670	14,286	71,294	34,405
Basic earnings per share (sen)	7.14	2.43	12.22	5.84
Diluted earnings per share (sen)	7.14	2.43 *	12.22	5.84 *
Based on weighted average number of ordinary shares ('000):				
- for Basic earnings per share	583,351	588,856	583,351	588,856
Adjustment for share options	160	(873)	160	(873)
- for Diluted earnings per share	583,511	587,983	583,511	587,983

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



14. Dividends

- (a) The Board of Directors approved the following interim dividend for the financial year ending 31 January 2008:
- | | |
|-------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| (i) Amount per ordinary share of RM1.00 each
- Interim Dividend | 3.5 sen less income tax at 26% |
| (ii) Previous year corresponding quarter:
Amount per ordinary share of RM1.00 each
- Interim Dividend | 3.5 sen less income tax at 27% |
| (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 26%
(2007: 3.5 sen less income tax at 27%) |
- (b) The dividend will be payable on 26 October 2007; and
- (c) In respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 12 October 2007.

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 26% income tax in respect of the financial year ending 31 January 2008 will be payable on 26 October 2007 to the shareholders whose names appear on the Company's Register of Members and/or Record of Depositors at the close of business on 12 October 2007. 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 10 October 2007 in respect of shares which are exempted from mandatory deposit;
- (b) shares transferred into the depositor's securities account before 4.00pm on 12 October 2007 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 2007