



# HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED) THIRD QUARTER ENDED 31 OCTOBER 2007

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter Ended 31.10.2007 RM'000	Preceding Year Corresponding Quarter Ended 31.10.2006 RM'000	Current Year To date Ended 31.10.2007 RM'000	Preceding Year Corresponding Period 31.10.2006 RM'000
<b>Revenue</b>	567,021	434,718	1,609,792	1,306,191
Operating expenses	(458,265)	(378,440)	(1,373,819)	(1,179,934)
Other operating income	6,982	3,603	14,724	11,750
<b>Operating profit</b>	115,738	59,881	250,697	138,007
Financing costs	(22,176)	(13,921)	(53,743)	(37,288)
Other non-operating items	10,302	-	12,280	-
Share of profit/(loss) of associates	(162)	(2)	730	631
<b>Profit before tax</b>	103,702	45,958	209,964	101,350
Tax expense	(25,059)	(11,136)	(53,276)	(27,557)
<b>Profit for the period</b>	78,643	34,822	156,688	73,793
<b>Attributable to:</b>				
Equity holders of the Company	72,140	30,783	143,434	65,188
Minority interests	6,503	4,039	13,254	8,605
<b>Profit for the period</b>	78,643	34,822	156,688	73,793
<b>Earnings per share (sen)</b>				
Basic	12.43	5.23	24.71	11.07
Fully diluted	N/A	5.23 *	N/A	11.07 *

\* 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 (26877-W)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) THIRD QUARTER ENDED 31 OCTOBER 2007

	<b>As at End of Current Quarter 31.10.2007</b>	<b>As at Preceding Financial Year End 31.1.2007</b>
	RM'000	RM'000 <i>(Restated)</i>
<b>Non-current assets</b>		
Property, plant and equipment	405,240	386,580
Biological assets	362,800	362,586
Prepaid lease payments	143,126	144,516
Investment properties	326,452	301,136
Associated companies	100,700	73,725
Other investments	1,976	23,089
Land held for property development	383,798	305,364
Long term receivables	645,813	496,408
Goodwill on consolidation	31	31
Deferred tax assets	6,637	6,637
	-----	-----
	2,376,573	2,100,072
	-----	-----
<b>Current assets</b>		
Inventories	431,121	470,633
Property development costs	200,548	154,397
Receivables	707,464	544,679
Tax recoverable	23,381	23,327
Cash and cash equivalents	339,429	56,817
	-----	-----
	1,701,943	1,249,853
	-----	-----
<b>TOTAL ASSETS</b>	4,078,516	3,349,925
	=====	=====
<b>Equity attributable to equity holders of the Company</b>		
Share capital	622,660	622,660
Reserves	1,089,409	979,207
	-----	-----
	1,712,069	1,601,867
Less : Treasury shares	(133,378)	(73,804)
	-----	-----
	1,578,691	1,528,063
<b>Minority interests</b>	48,672	163,887
	-----	-----
<b>TOTAL EQUITY</b>	1,627,363	1,691,950
	-----	-----
<b>Non-current liabilities</b>		
Bank borrowings	354,230	337,950
Deferred tax liabilities	159,036	161,573
Deferred liabilities	3,717	4,080
	-----	-----
	516,983	503,603
	-----	-----
<b>Current liabilities</b>		
Payables and provisions	367,535	190,658
Tax payable	14,618	8,263
Bank borrowings	1,552,017	955,451
	-----	-----
	1,934,170	1,154,372
	-----	-----
<b>TOTAL LIABILITIES</b>	2,451,153	1,657,975
	-----	-----
<b>TOTAL EQUITY AND LIABILITIES</b>	4,078,516	3,349,925
	=====	=====
<b>Net assets per share attributable to ordinary equity holders of the Company (RM)</b>	2.76	2.59
	=====	=====
Based on number of shares net of treasury shares	571,880,200	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 (26877-W)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) THIRD QUARTER ENDED 31 OCTOBER 2007

	← Attributable to Equity Holders of the Parent →				Total RM'000	Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Non- distributable Reserves RM'000	Distributable Reserves RM'000	Treasury Shares RM'000			
<b>At 1 February 2007</b>	622,660	39,814	939,393	(73,804)	1,528,063	163,887	1,691,950
Exercise of ESOS	4,179	5,304	-	-	9,483	-	9,483
Cancellation of treasury shares	(4,179)	(1,125)	(3,932)	9,236	-	-	-
Purchase of treasury shares	-	-	-	(68,810)	(68,810)	-	(68,810)
Realisation upon disposal	-	1,349	(1,349)	-	-	-	-
Acquisition of associate	-	-	1,976	-	1,976	-	1,976
Acquisition of preference shares from minority interests	-	-	-	-	-	(1,500)	(1,500)
Redemption of redeemable preference shares by subsidiaries	-	-	-	-	-	(18,322)	(18,322)
Changes of interests in subsidiaries	-	-	-	-	-	(28,942)	(28,942)
Translation differences	-	(5,665)	-	-	(5,665)	-	(5,665)
Profit for the period	-	-	143,434	-	143,434	13,254	156,688
Dividends	-	-	(29,790)	-	(29,790)	(79,705)	(109,495)
<b>At 31 October 2007</b>	622,660	39,677	1,049,732	(133,378)	1,578,691	48,672	1,627,363
<b>At 1 February 2006</b>	622,660	48,963	856,881	(74,023)	1,454,481	153,351	1,607,832
Exercise of ESOS	100	104	-	-	204	-	204
Cancellation of treasury shares	(100)	(4)	(115)	219	-	-	-
Translation differences	-	(274)	-	-	(274)	-	(274)
Profit for the period	-	-	65,188	-	65,188	8,605	73,793
Dividends	-	-	(29,887)	-	(29,887)	(3,886)	(33,773)
<b>At 31 October 2006</b>	622,660	48,789	892,067	(73,804)	1,489,712	158,070	1,647,782

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 (26877-W)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED) FOR NINE MONTHS ENDED 31 OCTOBER 2007

	<b>For Current Year Period Ended 31.10.2007 RM'000</b>	<b>For Preceding Year Period Ended 31.10.2006 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	209,964	101,350
Adjustments for:		
Non-cash items	28,679	24,049
Non-operating items	(14,278)	(792)
Dividend income	(2,840)	(398)
Net interest expense	50,409	36,513
	-----	-----
Operating profit before working capital changes	271,934	160,722
Net changes in working capital	120,342	(68,045)
Net changes in loan receivables	(246,149)	(149,084)
Net tax paid	(49,357)	(36,496)
Net interest paid	(50,409)	(36,513)
Land held for property development	(94,406)	(10,780)
	-----	-----
<b>Net cash used in operating activities</b>	(48,045)	(140,196)
	-----	-----
<b>Cash flows from investing activities</b>		
Dividends received from associate/other investment	3,217	398
Proceeds from disposal of other investment	-	10
Proceeds from disposal of property, plant and equipment	4,072	1,950
Acquisition of quoted investments	(1,555)	-
Acquisition of preference shares in subsidiary from minority interests	(1,500)	-
Payments to minority interests on internal restructuring of plantation subsidiaries	(18,670)	-
Purchase of property, plant and equipment	(47,843)	(66,566)
Additions to biological assets	(214)	-
Additions to prepaid lease payments	(502)	-
Redevelopment/refurbishment/purchase of investment properties	(26,042)	(4,785)
	-----	-----
<b>Net cash used in investing activities</b>	(89,037)	(68,993)
	-----	-----
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders of the Company and minority interests	(109,495)	(33,773)
Redemption of redeemable preference shares from minority interests by subsidiaries	(18,322)	-
Proceeds from bank borrowings	612,387	217,116
Issue of shares pursuant to ESOS exercised	9,483	204
Issue of shares to minority interests	30	-
Shares repurchased at cost	(68,810)	-
	-----	-----
<b>Net cash generated from financing activities</b>	425,273	183,547
	-----	-----
<b>Net increase/(decrease) in cash and cash equivalents</b>	288,191	(25,642)
Effects on exchange rate changes	(6,038)	(302)
<b>Cash and cash equivalents at beginning of period</b>	18,217	36,738
	-----	-----
<b>Cash and cash equivalents at end of period</b>	300,370	10,794
	=====	=====

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

Deposits with licensed banks	262,684	9,182
Cash in hand and at bank	76,745	45,011
Bank overdrafts	(39,059)	(43,399)
	-----	-----
	300,370	10,794
	=====	=====

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) 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 [“Bursa Securities”], 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 following:

- (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 119<sub>2004</sub>, 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**

	←	<b>As at 31.1.2007</b>		→
	<b>As previously reported</b>	<b>Adoption of FRS 117</b>	<b>As restated</b>	
	RM'000	RM'000	RM'000	
	<i>(Audited)</i>			
Property, plant and equipment	531,096	(144,516)	386,580	
Prepaid lease payments	-	144,516	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 and third 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 in the current quarter and year to date were in respect of the following:

	<b>Individual Quarter Ender 31.10.2007 RM'000</b>	<b>Cumulative Quarter Ended 31.10.2007 RM'000</b>
Net reversal of impairment losses in associated companies	-	1,978
Gain arising from internal restructuring of plantation subsidiaries to Hap Seng Plantations Holdings Berhad	10,302	10,302
	-----	-----
	10,302	12,280
	=====	=====

**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) Share buy back by the Company

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	
August 2007	3,452,700	2.5700	3.0800	2.8791	9,940,508.72	61,000
September 2007	2,924,800	2.9200	3.1200	3.0164	8,822,484.14	150,000
October 2007	247,000	3.2200	3.2800	3.2666	806,840.25	-
<b>Total</b>	<b>6,624,500</b>	<b>2.5700</b>	<b>3.2800</b>	<b>2.9542</b>	<b>19,569,833.11</b>	<b>211,000</b>

During the current quarter under review, 6,624,500 shares were bought back and 211,000 shares were cancelled. All the shares bought were retained as treasury shares and there was no resale of treasury shares during current quarter.

### (b) Employees' Share Option Scheme ["ESOS"]

During the current quarter under review, the Company had allotted and issued 211,000 new ordinary shares of RM1.00 each pursuant to the ESOS. The said ESOS had expired on 12 September 2007.

### (c) As at 31 October 2007, the Company has 50,779,800 ordinary shares held as treasury shares after a cumulative cancellation of 7,128,000 shares. Simultaneous with the aforementioned cancellation of treasury shares, as at 31 October 2007, the Company had allotted and issued a cumulative total of 7,128,000 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.

## 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>31.10.2007</b>	<b>31.10.2006</b>
	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:		
- interim (3.5 sen less tax) paid on 31 October 2006		15,048
- final (3.5 sen less tax) paid on 15 August 2007	14,978	-
Dividend paid in respect of financial year ending 31 January 2008:		
- interim (3.5 sen less tax) paid on 26 October 2007	14,812	
	-----	-----
	29,790	29,887
	=====	=====

10. **Segment Revenue and Segment Result**

	<b>Trading</b>	<b>Quarry &amp; Building Materials</b>	<b>Financing</b>	<b>Agricultural Produce</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	RM'000
<b>Period Ended</b>								
<b>31 October 2007</b>								
<b>Revenue</b>								
External revenue	967,636	169,632	54,760	289,419	125,505	2,840	-	1,609,792
Inter-segment revenue	26,937	27,756	-	-	6,986	-	(61,679)	-
<b>Total revenue</b>	<b>994,573</b>	<b>197,388</b>	<b>54,760</b>	<b>289,419</b>	<b>132,491</b>	<b>2,840</b>	<b>(61,679)</b>	<b>1,609,792</b>
<b>Result</b>								
Operating profit	36,403	10,135	37,269	155,475	25,319	(2,038)	(11,866)	250,697
<b>Period Ended</b>								
<b>31 October 2006</b>								
<b>Revenue</b>								
External revenue	867,900	108,101	36,450	194,951	98,391	398	-	1,306,191
Inter-segment revenue	25,967	23,623	-	-	6,392	-	(55,982)	-
<b>Total revenue</b>	<b>893,867</b>	<b>131,724</b>	<b>36,450</b>	<b>194,951</b>	<b>104,783</b>	<b>398</b>	<b>(55,982)</b>	<b>1,306,191</b>
<b>Result</b>								
Operating profit	24,078	3,222	25,897	80,697	26,385	(12,419)	(9,853)	138,007

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. **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 are as follows:

- (a) As announced by CIMB Investment Bank Berhad ["CIMB"] on 7 September 2007 on behalf of the Company, the Company had on even date completed its internal restructuring involving the divestments of its entire equity interests in Jeroco Plantations Sdn Bhd ["Jeroco"] and Hap Seng Plantations (River Estates) Sdn Bhd. ["River Estates"] to Hap Seng Plantations Holdings Berhad ["HSP"]. Further, the two (2) subscribers' shares in HSP were transferred to the Company at its par value on the same date. Upon completion, Jeroco and River Estates became subsidiaries of HSP which in turn became a 87.55% owned subsidiary of the Company.

As disclosed in Note 6 of Part A above, the internal restructuring resulted in a gain of approximately RM10.3 million to the Group.

- (b) On 12 September 2007, Konsep Sistemik (M) Sdn Bhd ["KSSB"] ceased to be a wholly owned of the Company with the allotment and issuance of 30% equity comprising 30,000 ordinary shares of RM1.00 each in KSSB to Impiana Citra Sdn Bhd, the Company's joint venture partner.

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



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

There was no material event subsequent to the end of the current quarter and up to 7 December 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, except for the following:-

The Company's shareholding in HSP was diluted from 87.55% to 50.84% on 12 November 2007 with the completion of the public issue of 50 million ordinary shares of RM1.00 each by HSP and the offer for sale of up to 250 million ordinary shares of RM1.00 each in HSP by the Company on even date.

The entire issued and paid-up share capital of HSP comprising 800 million ordinary shares of RM1.00 each was admitted to the Official List of Bursa Securities and was listed on the Main Board of Bursa Securities on 16 November 2007.

**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 7 December 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:

	<b>As at 31.10.2007</b>	<b>As at 31.1.2007</b>
	RM'000	RM'000
Guarantees to and contingencies relating to borrowings of subsidiaries in respect of balances outstanding	1,416,247 =====	1,143,256 =====

**15. Capital Commitments**

The Group has the following capital commitments:

	<b>As at 31.10.2007</b>	<b>As at 31.1.2007</b>
	RM'000	RM'000
Contracted but not provided for in this report	48,876	73,632
Authorised but not contracted for	15,680	34,503
	-----	-----
	64,556 =====	108,135 =====

**16. Significant Related Party Transactions**

During the current quarter under review and up to 7 December 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 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 RM567.0 million was 30% higher than the preceding year corresponding quarter with higher revenue recorded at all Divisions. Group Operating Profit for the current quarter at RM115.7 million was 93% higher than the preceding year corresponding quarter mainly due to significant improvement at Plantation, Quarry and Building Materials, Credit Financing and Fertilizer Trading Divisions.

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 RM2,167/MT (2006/2007: RM1,488/MT) and PK average price of RM1,528/MT (2006/2007: RM772/MT).

Credit Financing Division's performance improved with further expansion in its loan portfolio. Quarry and Building Materials Division's continued to benefit from the expansion of its quarry and building materials trading operations and its ongoing efforts to improve its quarries' production efficiencies. The Fertilizer Trading Division benefited from higher sales volume and improved margins due to higher average selling prices achieved 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 which included the other non-operating items of RM12.3 million were RM210.0 million and RM156.7 million and higher than the preceding year corresponding period by 107% and 112% respectively.

Basic earnings per share for the current year to date attributable to shareholders at 24.71 sen was 123% higher than the preceding year corresponding period of 11.07 sen. Excluding the other non-operating items, basic earnings per share for the current year to date attributable to shareholders was 22.60 sen and 104% (11.53 sen) higher than the preceding year corresponding period.

#### **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 RM103.7 million was 67% higher than the preceding quarter of RM62.0 million mainly attributable to better performance of the Plantation Division attributable to higher CPO and PK average price realisations and improved performance by Fertilizer Trading, Quarry and Building Materials and Credit Financing Divisions as well as other non-operating gain of RM10.3 million arising from internal restructuring of plantation subsidiaries to Hap Seng Plantations Holdings Berhad.

#### **3. Current Year Prospects**

The Group anticipates competitive trading conditions to continue in the various market sectors in which it presently operates. 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**

	<b>Individual Quarter Ended</b>		<b>Cumulative Quarter Ended</b>	
	<b>31.10.2007</b>	<b>31.10.2006</b>	<b>31.10.2007</b>	<b>31.10.2006</b>
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- Income tax	29,580	12,358	55,869	30,139
- deferred tax	(4,452)	674	(2,524)	(366)
	-----	-----	-----	-----
	25,128	13,032	53,345	29,773
In respect of prior year				
- Income tax	(69)	(1,902)	(69)	(2,258)
Real property gains tax				
- current period	-	6	-	6
- prior period	-	-	-	36
	-----	-----	-----	-----
	25,059	11,136	53,276	27,557
	=====	=====	=====	=====

The Group's effective tax rate for the current quarter and year to date excluding over provision of tax in respect of prior year and real property gains tax were lower than the statutory tax rate due to other non-operating items which are non-taxable. Excluding other non-operating items, 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 were higher than the statutory tax rate also 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 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 RM1.55 million in the previous quarter. 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:-

	<b>As at</b>	<b>As at</b>
	<b>31.10.2007</b>	<b>31.1.2007</b>
	RM'000	RM'000
(i) At cost	9,907	37,998
(ii) At book value	1,976	23,089
(iii) At market value	7,446	30,501
	=====	=====

**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 7 December 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:

	<b>As at 31.10.2007</b>	<b>As at 31.1.2007</b>
	RM'000	RM'000
Short term - Bankers acceptances	214,812	347,301
- Bank overdrafts	39,059	38,600
- Revolving credits	762,450	487,550
- Term loans	389,620	82,000
- Foreign currency loan (USD43,703,000)	146,076	-
	-----	-----
	1,552,017	955,451
Long term - Term loans	354,230	337,950
	-----	-----
	1,906,247	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 7 December 2007 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	15,923	15,925
	=====	=====

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's moneylending operations are undertaken by the Company's wholly owned subsidiaries, Hap Seng Credit Sdn Bhd and Hap Seng Automotive Acceptance Sdn Bhd (*formerly known as Capital Chip (M) Sdn Bhd*) in the ordinary course of their business as licensed moneylenders. The aggregate amount of outstanding loans as at 31 October 2007 given by the Company's moneylending subsidiaries are as follows:

	<b>Secured</b> RM'000	<b>Unsecured</b> RM'000	<b>Total</b> RM'000
(a) To companies	1,011,904	-	1,011,904
(b) To individuals	16,956	84	17,040
(c) To companies within the listed issuer group	-	-	-
(d) To related parties	-	-	-
	----- 1,028,860 =====	----- 84 =====	----- 1,028,944 =====

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

	<b>As at</b> <b>31.10.2007</b> RM'000
(a) Loans given by companies within the Group to the moneylending subsidiaries	12,000
(b) Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c) Bank borrowings *	643,909
	----- 655,909 =====

\* These are unsecured bank borrowings 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	43,992
(c) Loans reclassified as performing during the financial year	(38,526)
(d) Amount recovered	(18,301)
(e) Amount written off	-
(f) Loans converted to securities	-
	----- 44,721 =====
(g) Balance as at 31.10.2007	44,721
(h) Ratio of net loans in default to net loans	4.35%
	=====

## 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 <sup>st</sup>	Term Loan	25,640	24,987	Yes	29,199	No	120 – 180
	Hire Purchase	3,821	2,953	Yes	3,033	No	36 – 84
		<u>29,461</u>	<u>27,940</u>		<u>32,232</u>		
2 <sup>nd</sup>	Term Loan	22,352	19,962	Yes	29,136	No	60 – 180
3 <sup>rd</sup>	Term Loan	19,379	13,347	Yes	11,417	No	36 – 60
	Hire Purchase	4,755	4,128	Yes	4,608	No	48 – 72
		<u>24,134</u>	<u>17,475</u>		<u>16,025</u>		
4 <sup>th</sup>	Term Loan	17,197	15,296	Yes	25,165	No	60 – 120
	Hire Purchase	412	226	Yes	303	No	36 – 60
		<u>17,609</u>	<u>15,522</u>		<u>25,468</u>		
5 <sup>th</sup>	Term Loan	11,800	11,800	Yes	17,755	No	12

## 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	
	31.10.2007	31.10.2006	31.10.2007	31.10.2006
Profit for the period attributable to equity holders of the Company (RM'000)	72,140	30,783	143,434	65,188
Basic earnings per share (sen)	12.43	5.23	24.71	11.07
Diluted earnings per share (sen)	N/A	5.23 *	N/A	11.07 *
Based on weighted average number of ordinary shares ('000):				
- for Basic earnings per share	580,417	588,906	580,417	588,906
Adjustment for share options	N/A	(690)	N/A	(690)
- for Diluted earnings per share	N/A	588,216	N/A	588,216

\* 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 had approved the following dividends 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% announced on 27 September 2007 and paid on 26 October 2007
  - Special Interim Dividend 41.0 sen less income tax at 26% and 5.0 sen tax exempt
- (ii) Previous year corresponding period:
- Amount per ordinary share of RM1.00 each
  - Interim Dividend 3.5 sen less income tax at 26%
- (iii) Total dividend approved to date for the current financial year:
- Amount per ordinary share of RM1.00 each 44.5 sen less income tax at 26% and 5.0 sen tax exempt (2007: 3.5 sen less income tax at 27%)
- (b) The payment of special interim dividend was announced on 20 November 2007 and will be paid on 14 December 2007 in respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 5 December 2007.

### BY ORDER OF THE BOARD

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

Petaling Jaya  
 13 December 2007