



HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED) THIRD QUARTER ENDED 30 SEPTEMBER 2008

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter Ended 30.9.2008 RM'000	Preceding Year Corresponding Quarter Ended 31.10.2007 RM'000	Current Year To date Ended * 30.9.2008 RM'000	Preceding Year Corresponding Period Ended 31.10.2007 RM'000
Revenue	1,063,727	567,021	2,403,610	1,609,792
Operating expenses	(850,186)	(458,265)	(1,859,986)	(1,373,819)
Other operating income	5,285	6,982	18,749	14,724
Operating profit	218,826	115,738	562,373	250,697
Financing costs	(27,422)	(22,176)	(62,473)	(53,743)
Other non-operating items	2,252	10,302	2,252	12,280
Share of profit of associates	3,380	(162)	7,792	730
Profit before tax	197,036	103,702	509,944	209,964
Tax expense	(56,376)	(25,059)	(134,439)	(53,276)
Profit for the period	140,660	78,643	375,505	156,688
Attributable to:				
Equity holders of the Company	117,436	72,140	325,250	143,434
Minority interests	23,224	6,503	50,255	13,254
Profit for the period	140,660	78,643	375,505	156,688
Earnings per share (sen)				
Basic	20.84	12.43	57.72	24.71
Fully diluted	N/A	N/A	N/A	N/A

* The cumulative quarter ended 30 September 2008 is for a period of 8 months from 1 February 2008 to 30 September 2008, arising from the change in financial year end from 31 January 2009 to 31 December 2008 whilst the preceding year corresponding period was for a period of 9 months from 1 February 2007 to 31 October 2007.

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2008 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 30 SEPTEMBER 2008

	As at End of Current Quarter 30.9.2008	As at Preceding Financial Year End 31.1.2008
	RM'000	RM'000 <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	668,195	641,785
Biological assets	393,538	363,048
Prepaid lease payments	188,068	142,368
Investment properties	194,630	181,005
Associates	96,502	101,241
Other investments	-	1,976
Land held for property development	295,911	322,355
Long term receivables	724,629	683,737
Deferred tax assets	18,704	8,117
	-----	-----
	2,580,177	2,445,632
	-----	-----
Current assets		
Inventories	1,345,125	589,686
Property development costs	289,238	215,086
Receivables	1,144,333	793,635
Tax recoverable	29,386	32,300
Cash and cash equivalents	307,568	248,220
	-----	-----
	3,115,650	1,878,927
	-----	-----
TOTAL ASSETS	5,695,827	4,324,559
	=====	=====
Equity attributable to equity holders of the Company		
Share capital	622,660	622,660
Reserves	1,844,655	1,551,822
	-----	-----
	2,467,315	2,174,482
Less : Treasury shares	(154,452)	(154,449)
	-----	-----
	2,312,863	2,020,033
Minority interests	262,140	252,016
	-----	-----
TOTAL EQUITY	2,575,003	2,272,049
	-----	-----
Non-current liabilities		
Borrowings	571,643	407,777
Deferred tax liabilities	162,327	164,374
Deferred liabilities	853	2,838
	-----	-----
	734,823	574,989
	-----	-----
Current liabilities		
Payables and provisions	328,278	221,301
Tax payable	65,998	13,272
Borrowings	1,970,592	1,242,948
Dividends payable	21,133	-
	-----	-----
	2,386,001	1,477,521
	-----	-----
TOTAL LIABILITIES	3,120,824	2,052,510
	-----	-----
TOTAL EQUITY AND LIABILITIES	5,695,827	4,324,559
	=====	=====
Net assets per share attributable to ordinary equity holders of the Company (RM)	4.10	3.58
	=====	=====
Based on number of shares net of treasury shares	563,528,500	563,529,500

The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2008 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 30 SEPTEMBER 2008

	← Attributable to Equity Holders of the Company →				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 2008	622,660	37,645	1,514,177	(154,449)	2,020,033	252,016	2,272,049
Purchase of treasury shares	-	-	-	(3)	(3)	(6)	(9)
Change of interests in a subsidiary	-	-	-	-	-	(1,366)	(1,366)
Translation differences	-	18,301	-	-	18,301	-	18,301
Profit for the period	-	-	325,231	-	325,250	50,255	375,505
Dividend	-	-	(50,718)	-	(50,718)	(38,759)	(89,477)
At 30 September 2008	622,660	55,946	1,788,690	(154,452)	2,312,863	262,140	2,575,003
At 1 February 2007	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)
Reserves realised upon liquidation of a subsidiary	-	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 a subsidiary	-	-	-	-	-	(18,322)	(18,322)
Changes of equity 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
Dividend	-	-	(29,790)	-	(29,790)	(79,705)	(109,495)
At 31 October 2007	622,660	39,677	1,049,732	(133,378)	1,578,691	48,672	1,627,363

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2008 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 PERIOD ENDED 30 SEPTEMBER 2008

	For Current Year Period Ended 30.9.2008 RM'000	For Preceding Year Period Ended 31.10.2007 RM'000
Cash flows from operating activities		
Profit before tax	509,944	209,964
Adjustments for:		
Non-cash items	30,221	28,679
Non-operating items	(12,432)	(14,278)
Dividend income	-	(2,840)
Net interest expense	59,302	50,409
Operating profit before working capital changes	587,035	271,934
Net changes in working capital	(1,008,522)	120,342
Net changes in loan receivables	(107,198)	(246,149)
Net tax paid	(87,199)	(49,357)
Net interest paid	(59,302)	(50,409)
Land held for property development	(4,992)	(94,406)
Net cash used in operating activities	(680,178)	(48,045)
Cash flows from investing activities		
Dividends received from associate	1,478	3,217
Interim return on liquidation by an associate	11,053	-
Proceeds from disposal of property, plant and equipment	3,312	4,072
Proceeds from disposal properties under prepaid lease payment	2,990	-
Proceeds from disposal land held for property development	323	-
Proceeds from disposal of other investment	4,228	-
Acquisition of business by a subsidiary	(3,500)	-
Acquisition of shares in a subsidiary from minority interests	(1,366)	-
Acquisition of subsidiaries (net of cash and cash equivalent acquired)	(19,982)	-
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	(53,926)	(47,843)
Additions to biological assets	(936)	(214)
Additions to prepaid lease payments	(23,424)	(502)
Redevelopment/refurbishment/purchase of investment properties	(12,941)	(26,042)
Net cash used in investing activities	(92,691)	(89,037)
Cash flows from financing activities		
Dividends paid to shareholders of the Company and minority interests	(48,965)	(109,495)
Redemption of redeemable preference shares from minority interests by a subsidiary	-	(18,322)
Proceeds from borrowings	885,015	612,387
Issue of shares pursuant to ESOS exercised	-	9,483
Issue of shares to minority interests	-	30
Shares repurchased at cost	(9)	(68,810)
Net cash generated from financing activities	836,041	425,273
Net increase in cash and cash equivalents	63,172	288,191
Effects on exchange rate changes	5,517	(6,038)
Cash and cash equivalents at beginning of period	198,755	18,217
Cash and cash equivalents at end of period	267,444	300,370

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

Deposits with licensed banks	227,103	262,684
Cash in hand and at bank	80,465	76,745
Bank overdrafts	(40,124)	(39,059)
	267,444	300,370

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 January 2008 and the accompanying explanatory notes attached to the Interim Financial Statements



PART A

Explanatory Notes Pursuant to Financial Reporting Standard (FRS) 134 "Interim Financial Reporting"

1. Basis of Preparation

This interim financial report has been prepared in accordance with the requirements of FRS 134 "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 2008.

The significant accounting policies and presentation adopted for the interim financial report are consistent with those adopted for the audited financial statements for year ended 31 January 2008 except for the adoption of the following revised FRSs which are effective for financial period beginning on or after 1 July 2007:

FRS 107 Cash Flows Statements
FRS 112 Income Taxes
FRS 118 Revenue
FRS 134 Interim Financial Reporting
FRS 137 Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates

The adoption of the above revised FRSs and amendment to FRS do not have any significant financial impact on the Group.

2. Change in Financial Year End

On 8 January 2008, the Company announced the change of its financial year end from 31 January 2009 to 31 December 2008 to be coterminous with the financial year end of its holding company. Consequently, the financial statements of the current financial period will be for a period of 11 months from 1 February 2008 to 31 December 2008. Resulting from this change, the first interim financial report for current financial period ending 31 December 2008 was for the two months ended 31 March 2008 whilst the current quarter is for the 3 months period ended 30 September 2008 and the cumulative quarter is for a period of 8 months ended 30 September 2008.

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 2008 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 period and wet weather conditions.
- (b) The Group's Plantation Division performance was influenced by general climatic conditions, age profile of oil palms and the cyclical nature of annual production.

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 were in respect of the followings:

	Individual Quarter Ended		Cumulative Quarter Ended	
	30.9.2008	31.10.2007	30.9.2008	31.10.2007
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of quoted investment	2,252	-	2,252	-
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
	-----	-----	-----	-----
	2,252	10,302	2,252	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

During the current quarter under review, there was no buyback of shares nor resale or cancellation of treasury shares.

(b) As at 30 September 2008, the Company has 59,131,500 ordinary shares held as treasury shares and 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 dividend payable out of shareholders' equity for the ordinary shares during the period is as follows:

	Cumulative Quarter Ended	
	30.9.2008	31.10.2007
	RM'000	RM'000
Dividend in respect of financial year ended 31 January 2007:		
- final (3.5 sen less tax) paid on 15 August 2007	-	14,978
Dividend in respect of financial year ended 31 January 2008:		
- interim (3.5 sen less tax) paid on 26 October 2007	-	14,812
- final (7.0 sen less tax) approved by shareholders on 24 June 2008 and paid on 15 July 2008	29,585	-
Dividend in respect of financial period ending 31 December 2008:		
- interim (5.0 sen less tax) approved by the Board of Directors on 26 August 2008 and paid on 28 October 2008	21,133	-
	-----	-----
	50,718	29,790
	=====	=====



10. **Segment Revenue and Segment Result**

	Trading RM'000	Quarry & Building Materials RM'000	Financing RM'000	Agricultural Produce RM'000	Property RM'000	Investment Holding RM'000	Eliminations RM'000	Consolidated RM'000
8-month								
Period Ended								
30 September 2008								
Revenue								
External revenue	1,682,191	230,994	57,077	294,736	138,612	-	-	2,403,610
Inter-segment revenue	54,287	20,779	-	-	19,125	-	(94,191)	-
Total revenue	1,736,478	251,773	57,077	294,736	157,737	-	(94,191)	2,403,610

Result								
Operating profit	352,706	13,025	39,676	139,313	36,152	(11,254)	(7,245)	562,373

9-month								
Period Ended								
31 October 2007								
Revenue								
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)	-
Total revenue	994,573	197,388	54,760	289,419	132,491	2,840	(61,679)	1,609,792
Result								
Operating profit	36,403	10,135	37,269	155,475	25,319	(2,038)	(11,866)	250,697

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:

- On 4 July 2008, Hap Seng Plantations Holdings Berhad ["HSP"], the 51.55% listed subsidiary of the Company acquired the entire issued and paid-up share capital of Oriental Continent Sdn Bhd comprising 2 ordinary shares of RM1.00 each at a purchase consideration of RM2. The aforementioned acquisition was announced by HSP on even date. Oriental Continent Sdn Bhd subsequently changed its name to Hap Seng Plantations Livestocks (Kota Marudu) Sdn Bhd on 16 September 2008.
- As announced by HSP on 29 August 2008, HSP has completed the acquisition of Bumilaju Construction Sdn Bhd ["Bumilaju"] which is principally involved in the cultivation of oil palm. Bumilaju became a wholly-owned subsidiary of HSP on even date and subsequently changed its name to Hap Seng Plantations (Kota Marudu) Sdn Bhd on 9 September 2008.
- On 2 September 2008, the Company announced the incorporation of the Company's wholly-owned subsidiary, Hap Seng Fertilizers Holdings Pte Ltd ["HSFH"] in Singapore with an issued and paid-up capital of SGD 2. The incorporation of HSFH is in the ordinary course of business of the Company with the objective of expanding the Company's fertilizer business overseas.

The above changes in the composition of the Group do 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 24 November 2008, 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.

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 24 November 2008, 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 30.9.2008	As at 31.1.2008
	RM'000	RM'000
Corporate guarantees to banks of subsidiaries in respect of balances outstanding	2,323,469 =====	1,430,615 =====

15. Capital Commitments

The Group has the following capital commitments:

	As at 30.9.2008	As at 31.1.2008
	RM'000	RM'000
Contracted but not provided for in this report	40,678	30,105
Authorised but not contracted for	62,265	89,201
	----- 102,943 =====	----- 119,306 =====

16. Significant Related Party Transactions

During the current quarter under review and up to 24 November 2008, 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 24 June 2008.

**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 RM1.064 billion was 88% higher than the preceding year corresponding quarter ended 31 October 2007. All Divisions contributed to the increase in revenue except for Plantation Division which recorded the same level of revenue as the preceding year corresponding quarter. Consequently, Group Operating Profit for the current quarter at RM218.8 million was RM103.1 million (89%) higher than the preceding year corresponding quarter.

The Fertilizer Trading Division continued to record a sterling performance in the current quarter, benefiting from good inventory planning as well as higher average selling prices achieved from both the Malaysian and Indonesian markets. However, margins were somewhat lower than the previous quarter due to replenishment of stocks at higher costs.

Plantation Division's performance was affected by the lower production output, increase in fertilizers cost and higher fuel price mitigated by higher Crude Palm Oil (CPO) and Palm Kernel (PK) average selling price. CPO and PK average selling price achieved for the current quarter were RM2,296 and RM1,581 per tonne as compared to the preceding year corresponding quarter ended 31 October 2007 of RM2,167 and RM1,528 per tonne respectively.

Property Division's performance also showed improvement over the preceding year corresponding quarter mainly attributable to higher progress billings from the encouraging off takes of several projects launched in the final quarter of the preceding year and during the current financial period as well as due to the near to full occupancy of Menara Hap Seng which is located in the Golden Triangle of Kuala Lumpur.

The Automotive Division recorded an improvement in operating profit for the current quarter. The performance of the Division's heavy vehicle segment which was generally affected by the soft timber market was mitigated by the better performance from its Mitsubishi Fuso light truck and Mercedes Benz passenger vehicle segments as well as higher sales of spare parts and services.

Credit Financing Division has slowed down its loan growth during the current quarter. Nevertheless, the Division performance is still better than the preceding year corresponding quarter attributable to a higher loan portfolio.

Quarry and Building Materials Division's performance in the current quarter continued to benefit from the improved efficiencies at its upgraded quarries, expansion of its building materials trading operations as well as better performance from its asphalt plants.

Overall, Group profit before tax (PBT) and profit after tax (PAT) for the 8-month period ended 30 September 2008 at RM509.9 million and RM375.5 million were 143% and 140% higher than the preceding year 9-month period ended 31 October 2007 in spite of a shorter reporting period resulting from the change in financial year end as explained in Part A Note 2. Consequently, basic earnings per share for the current period to date attributable to shareholders, at 57.72 sen was 134% higher than the preceding year 9-month period ended 31 October 2007 of 24.71 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 RM197.0 million was 10% lower than the preceding quarter of RM219.6 million mainly attributable to lower contribution from Fertilizer Trading Division, resulting from lower margins affected by the replenishment of stocks at higher cost. The performance for the current quarter was also affected by higher financing costs resulting from a higher level of borrowings to support the increase in working capital.

3. Current Year Prospects

The Group anticipates slow economic growth and competitive trading conditions to continue in the various market sectors in which it operates. Nevertheless, Group performance for the current financial period is expected to show significant improvement over the preceding financial year.



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	
	30.9.2008	31.10.2007	30.9.2008	31.10.2007
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	61,020	29,580	147,491	55,869
- deferred tax	(4,911)	(4,452)	(11,395)	(2,524)
	-----	-----	-----	-----
	56,109	25,128	136,096	53,345
	-----	-----	-----	-----
In respect of prior period/year				
- income tax	267	(69)	267	(69)
- deferred tax	-	-	(1,924)	-
	-----	-----	-----	-----
	267	(69)	(1,657)	(69)
	-----	-----	-----	-----
	56,376	25,059	134,439	53,276
	=====	=====	=====	=====

The Group's effective tax rate for the current quarter and period ended 30 September 2008 excluding under provision of tax in respect of prior period/year were higher than the statutory tax rate mainly due to higher statutory tax rate payable by a foreign subsidiary. The effective tax rate for preceding year corresponding quarter and period ended 31 October 2007 were lower than the statutory tax rate due to other non-operating items which are non-taxable.

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 disposal of the Company's quoted investment for approximately HKD9.9 million (RM4.2 million) after deducting the relevant costs incidental to the disposal which resulted in a gain of RM2.25 million.

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

	As at 30.9.2008 RM'000	As at 31.1.2008 RM'000
(i) At cost	-	9,907
(ii) At book value	-	1,976
(iii) At market value	-	4,758
	=====	=====

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 24 November 2008.



9. Borrowings and Debt Securities

The Group does not have any debt securities. The Group borrowings are as follows:

	← As at 30.9.2008 →			← As at 31.1.2008 →		
	Denominated in		Total RM'000	Denominated in		Total RM'000
	RM RM'000	USD RM'000		RM RM'000	USD RM'000	
<u>Short term</u>						
Unsecured						
- Bankers acceptances	177,675	12,566	190,241	204,782	-	204,782
- Bank overdrafts	40,025	-	40,025	49,465	-	49,465
- Revolving credits	699,600	58,208	757,808	721,700	6,410	728,110
- Term loans	187,022	-	187,022	54,073	-	54,073
- Foreign currency loan	-	795,397	795,397	-	206,518	206,518
	-----	-----	-----	-----	-----	-----
	1,104,322	866,171	1,970,493	1,030,020	212,928	1,242,948
Secured						
- Bank overdrafts	99	-	99	-	-	-
	-----	-----	-----	-----	-----	-----
	1,104,421	866,171	1,970,592	1,030,020	212,928	1,242,948
	-----	-----	-----	-----	-----	-----
<u>Long term</u>						
Term loan - Unsecured	559,643	-	559,643	407,777	-	407,777
- Secured	12,000	-	12,000	-	-	-
	-----	-----	-----	-----	-----	-----
	571,643	-	571,643	407,777	-	407,777
	-----	-----	-----	-----	-----	-----
	1,676,064	866,171	2,542,235	1,437,797	212,928	1,650,725
	=====	=====	=====	=====	=====	=====

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 difference between contracted forward exchange rate and the spot rate on that date. The settlement date of these contracts range between 1 and 6 months.

The nominal amount and net fair value of financial instruments not recognised in the balance sheet as at 24 November 2008 being a date not earlier than 7 days from the date of this report are:

	Nominal amount RM'000	Amount at spot rate RM'000	Net fair value RM'000
Forward foreign exchange contracts			
Assets	11,207	11,292	(85)
Liabilities	29,472	29,986	514
	=====	=====	=====

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, Hap Seng Automotive Acceptance Sdn Bhd and Hap Seng Consolidated Financial Lease & Rental (China) Co Ltd in the ordinary course of their moneylending businesses. The aggregate amount of outstanding loans as at 30 September 2008 given by the Company's moneylending subsidiaries are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
(a) To companies	1,193,439	2,204	1,195,643
(b) To individuals	31,625	73	31,698
(c) To companies within the listed issuer group	-	-	-
(d) To related parties	6,991	-	6,991
	-----	-----	-----
	1,232,055	2,277	1,234,332
	=====	=====	=====

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

	As at
	30.9.2008
	RM'000
(a) Loans given by companies within the Group to the moneylending subsidiaries	9,330
(b) Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c) Unsecured bank borrowings guaranteed by the Company	525,608
(d) Borrowings with other non-bank financial intermediaries	
(i) unsecured	150,000
(ii) unsecured - guaranteed by the Company	199,999

	884,937
	=====

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

	RM'000
(a) Balance as at 1.2.2008	53,482
(b) Loans classified as in default during the financial year	75,234
(c) Loans reclassified as performing during the financial year	(32,797)
(d) Amount recovered	(14,047)
(e) Amount written off	-
(f) Loans converted to securities	-

(g) Balance as at 30.9.2008	81,872
	=====
(h) Ratio of net loans in default to net loans	6.63%
	=====

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 Amount RM'000	Security Provided (Yes/No)	Value of Security RM'000	Related Party (Yes/No)	Term of Repayment (month)
1 st	Term Loan	27,600	27,627	Yes	30,199	No	120 – 180
	Hire Purchase	3,821	1,902	Yes	3,105	No	36 – 84
		-----	-----		-----		
		31,421	29,529		33,304		
		-----	-----		-----		
2 nd	Term Loan	22,352	20,139	Yes	29,136	No	60 – 180
3 rd	Term Loan	27,000	13,332	Yes	22,400	No	60
	Term Loan	3,000	2,205	No	-	No	36
	Hire Purchase	478	94	Yes	662	No	36
		-----	-----		-----		
		30,478	15,631		23,062		
		-----	-----		-----		
4 th	Term Loan	14,966	13,647	Yes	21,850	No	72 – 84
5 th	Term Loan	15,437	13,006	Yes	23,476	No	60 – 120
	Hire Purchase	400	158	Yes	391	No	36 – 60
		-----	-----		-----		
		15,837	13,164		23,867		
		-----	-----		-----		

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. Pursuant to the hearing of the Defendant’s preliminary objection on 5 July 2004, the Court has on 20 June 2008 upheld the said preliminary objection and dismissed the Tongod Suit with costs awarded to the Defendants [“the said Decision”]. The Plaintiffs had on 7 July 2008 filed their Notice of Appeal to the Court of Appeal appealing against the said Decision.

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 the weighted average number of ordinary shares in issue during the period excluding treasury shares held by the Company, of 563,529,000 (31.10.2007: 580,417,000)

- (b) The Company does not have any diluted earnings per share.

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

Kuala Lumpur
28 November 2008