HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE FIRST QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2010

	Quarter ended		Year-to-date ended	
	31.3.2010	**31.3.2009**	**31.3.2010**	**31.3.2009**
	RM'000	RM'000	RM'000	RM'000
Revenue	587,180	509,448	587,180	509,448
Operating expenses	(511,812)	(461,766)	(511,812)	(461,766)
Other operating income	9,302	9,799	9,302	9,799
Operating profit	84,670	57,481	84,670	57,481
Financing costs	(15,061)	(23,791)	(15,061)	(23,791)
Share of results of associates	4,336	(1,850)	4,336	(1,850)
Profit before tax	73,945	31,840	73,945	31,840
Tax expense	(16,507)	(7,542)	(16,507)	(7,542)
Profit for the period	57,438	24,298	57,438	24,298
Profit attributable to:				
Owners of the Company	39,482	17,398	39,482	17,398
Minority interests	17,956	6,900	17,956	6,900
	57,438	24,298	57,438	24,298
Earnings per share (sen)				
Basic	7.01	3.09	7.01	3.09
Fully diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the Interim Financial Statements

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE FIRST QUARTER AND YEAR TO DATE ENDED 31 MARCH 2010

	Quarter ended		Year-to-date ended	
	31.3.2010	**31.3.2009**	**31.3.2010**	**31.3.2009**
	RM'000	RM'000	RM'000	RM'000
Profit for the period	57,438	24,298	57,438	24,298
Other comprehensive income:				
Exchange difference on translation of foreign operations, net of tax	(114)	9,698	(114)	9,698
Total comprehensive income for the period, net of tax	57,324	33,996	57,324	33,996
Total comprehensive income attributable to:				
Owners of the Company	39,368	27,096	39,368	27,096
Minority interests	17,956	6,900	17,956	6,900
	57,324	33,996	57,324	33,996

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the Interim Financial Statements

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) AS AT 31 MARCH 2010

	As at 31.3.2010 RM'000	As at 31.12.2009 RM'000
Non-current assets		
Property, plant and equipment	760,741	757,630
Biological assets	409,878	409,027
Prepaid lease payments	198,791	198,687
Investment properties	427,223	266,010
Associates	354,087	354,964
Land held for property development	396,964	387,538
Long term receivables	503,921	500,863
Deferred tax assets	81,390	86,063
	3,132,995	2,960,782
Current assets		
Inventories	308,782	373,017
Property development costs	264,636	258,543
Receivables	832,920	848,489
Tax recoverable	56,529	58,622
Cash and cash equivalents	476,910	428,467
	1,939,777	1,967,138
TOTAL ASSETS	5,072,772	4,927,920
Equity attributable to owners of the Company		
Share capital	622,660	622,660
Reserves	1,908,751	1,866,928
	2,531,411	2,489,588
Less : Treasury shares	(154,459)	(154,459)
	2,376,952	2,335,129
Minority interests	307,292	289,336
TOTAL EQUITY	2,684,244	2,624,465
Non-current liabilities		
Borrowings	742,014	702,688
Deferred tax liabilities	162,098	160,995
Deferred liabilities	1,401	1,306
	905,513	864,989
Current liabilities		
Payables and provisions	376,321	313,158
Tax payable	18,228	16,418
Borrowings	1,088,466	1,108,890
	1,483,015	1,438,466
TOTAL LIABILITIES	2,388,528	2,303,455
TOTAL EQUITY AND LIABILITIES	5,072,772	4,927,920
Net assets per share (RM)	4.22	4.14
Based on number of shares net of treasury shares	563,525,500	563,525,500

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009 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)
FOR YEAR-TO-DATE ENDED 31 MARCH 2010

	←	Attributable to Owners of the Company			→	Minority Interests	Total Equity
	Share Capital	Non-distributable Reserves	Distributable Reserves	Treasury Shares	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010							
- As previously stated	622,660	52,295	1,814,633	(154,459)	2,335,129	289,336	2,624,465
- Effects of adopting FRS 139	-	-	2,455	-	2,455	-	2,455
- As restated	622,660	52,295	1,817,088	(154,459)	2,337,584	289,336	2,626,920
Profit for the period	-	-	39,482	-	39,482	17,956	57,438
Other comprehensive income	-	(114)	-	-	(114)	-	(114)
Total comprehensive income	-	(114)	39,482	-	39,368	17,956	57,324
At 31 March 2010	622,660	52,181	1,856,570	(154,459)	2,376,952	307,292	2,684,244
At 1 January 2009	622,660	56,810	1,777,434	(154,454)	2,302,450	275,126	2,577,576
Profit for the period	-	-	17,398	-	17,398	6,900	24,298
Other comprehensive income	-	9,698	-	-	9,698	-	9,698
Total comprehensive income	-	9,698	17,398	-	27,096	6,900	33,996
At 31 March 2009	622,660	66,508	1,794,832	(154,454)	2,329,546	282,026	2,611,572

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the Interim Financial Statements

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR YEAR-TO-DATE ENDED 31 MARCH 2010

	Year-to-date ended	
	31.3.2010	**31.3.2009**
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	73,945	31,840
Adjustments for:		
Non-cash items	14,091	12,680
Non-operating items	(5,721)	1,784
Net interest expense	12,994	22,272
Operating profit before working capital changes	95,309	68,576
Net changes in working capital	142,355	149,877
Net changes in loan receivables	(4,680)	57,795
Net tax paid	(10,610)	(22,496)
Net interest paid	(12,994)	(22,272)
Land held for property development	(10,031)	(19,836)
Net cash generated from operating activities	199,349	211,644
Cash flows from investing activities		
Dividends received from associates	6,750	-
Additional costs incurred on acquisition of an associate	(1,537)	-
Proceeds from disposal of property, plant and equipment	491	407
Proceeds from disposal of land held for property development	1,947	-
Purchase of property, plant and equipment	(16,956)	(12,276)
Additions to biological assets	(851)	(377)
Additions to prepaid lease payments	(1,151)	(1,079)
Acquisition/redevelopment/refurbishment of investment properties	(161,213)	(1,818)
Net cash used in investing activities	(172,520)	(15,143)
Cash flows from financing activities		
Net proceeds from/(repayment of) borrowings	14,893	(221,219)
Net cash generated from/(used in) financing activities	14,893	(221,219)
Net increase/(decrease) in cash and cash equivalents	41,722	(24,718)
Effects on exchange rate changes	(1,109)	3,000
Cash and cash equivalents at beginning of the period	415,886	310,529
Cash and cash equivalents at end of the period	456,499	288,811

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

Deposits with licensed banks	389,928	230,016
Cash in hand and at bank	86,982	84,802
Bank overdrafts	(20,411)	(26,007)
	456,499	288,811

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009 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**

These interim financial statements have been prepared in accordance with the requirements of FRS 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad [“Bursa Securities”], and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2009.

2. **Significant Accounting Policies**

The accounting policies and presentation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2009, except for the changes arising from the adoption of new/ revised Financial Reporting Standards (FRSs), Amendments to FRSs and IC Interpretations that are effective for financial period beginning on or after 1 July 2009 and 1 January 2010 as follows:

<u>FRS effective for financial periods beginning on or after 1 July 2009</u>

- FRS 8, Operating Segment

<u>FRSs, Amendments to FRSs and IC Interpretations effective for financial periods beginning on or after 1 January 2010</u>

- FRS 4, Insurance Contracts *
- FRS 7, Financial Instruments: Disclosures
- FRS 101, Presentation of Financial Statements (revised)
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations *
- Amendments to FRS 132, Financial Instruments: Presentation
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
- FRSs contained in the document entitled “Improvements to FRSs (2009)”
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment
- IC Interpretation 11, FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13, Customer Loyalty Programmes *
- IC Interpretation 14, FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction *

* These FRSs, IC Interpretations and amendments are not applicable to the Group

The principal effects of changes in accounting policies, presentation resulting from the adoption of the new/revised FRSs, Amendment to FRSs and IC Interpretations are as follows:

(a) **FRS 101, Presentation of Financial Statements (revised)**

The revised FRS 101 requires all owner changes in equity to be presented in the statement of changes in equity, separately from non-owner changes in equity. All non-owner changes in equity (i.e comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (i.e a separate income statement and a statement of comprehensive income) and presented as a single line labelled as total comprehensive income in the statement of changes in equity.

The Group has adopted the two statements format for presentation of comprehensive income. Comparative information has been re-presented to be in conformity with this revised FRS.

The adoption of this FRS has no impact on the financial position and results of the Group as it affects presentation of the financial statements only.

2. **Significant Accounting Policies (Cont'd)**

(b) **FRS 139, Financial Instruments: Recognition and Measurement and Amendments to FRS 139, Financial Instruments: Recognition and Measurement**

FRS 139 sets out the new requirements for the recognition and measurement of financial instruments. Financial instruments are recognised initially at fair value plus, in the case of financial assets or liabilities not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities. The Group determines the classification of its financial instruments at initial recognition.

(i) ***Financial assets***

Financial assets are classified as financial assets at fair value through profit and loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's categorise its financial assets as follows:

Fair value through profit and loss
Fair value through profit and loss comprises derivatives that are classified as assets which are subsequently measured at their fair values.

Loans and receivables
Loans and receivables category comprises trade and other receivables and cash and cash equivalents which are subsequently measured at amortised cost using the effective interest method.

(ii) ***Financial liabilities***

Financial liabilities are classified as financial liabilities at fair value through profit and loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities include trade and other payables, borrowings and derivatives that are classified as liabilities.

All the Group's financial liabilities are measured at amortised cost using the effective interest method, except liabilities comprising derivatives which are classified as financial liabilities at fair value through profit and loss.

(iii) ***Hedge accounting***

The Group uses derivatives to manage its exposure to foreign exchange risk and applies hedge accounting for certain hedging relationships which qualify for hedge accounting. The Group's hedging relationships are mainly classified as fair value hedge.

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit and loss.

In a fair value hedge, the gain or loss from re-measuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in profit and loss. The gain or loss on the hedge item, except for hedge item categorised as available-for-sale, attributable to the hedge risk is adjusted to the carrying amount of the hedged item and recognised in profit and loss. For a hedge item categorised as available-for-sale, the fair value gain or loss attributable to the hedge risk is recognised in profit and loss.

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

2. **Significant Accounting Policies (Cont'd)**

(b) **FRS 139, Financial Instruments: Recognition and Measurement and Amendments to FRS 139, Financial Instruments: Recognition and Measurement (Cont'd)**

(iv) In accordance with the transitional provisions of FRS 139 for first-time adoption, adjustments arising from remeasuring the financial instruments at the beginning of the financial period are recognised as adjustments of the opening balance of retained profits or another appropriate reserve and comparatives are not adjusted.

Accordingly, the effects of the initial adoption of FRS 139 on opening retained profits of the Group are as follows:

	Retained profits RM'000
Adjustments arising from adoption of FRS 139:	
- Gain arising from recognition of derivatives value changes, net of tax	52
- Reversal of impairment of trade and other receivables, net of tax	2,403
	2,455

Derivative
Prior to adoption FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit and loss other than derivatives designated as hedging instrument which are accounted for in accordance with the hedge accounting requirements as described in the hedge accounting policy as detailed above.

Impairment of trade and other receivables
Prior to adoption of FRS 139, an allowance for doubtful debts will be made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

The initial application of the other new/revised FRSs, Amendment to FRSs and IC Interpretations has no material impact to the financial statements of the Group.

3. **Comments on the Seasonality or Cyclicality 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.

(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.

4. **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 under review.

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

There were no changes in estimates of amounts reported in prior financial years.

6. **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 31 March 2010, the Company has 59,134,500 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.

7. **Dividends Paid**

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

8. **Segment Information**

	Trading RM'000	**Quarry and Building Materials** RM'000	**Financing** RM'000	**Agricultural Produce** RM'000	**Property** RM'000	**Investment Holding** RM'000	**Total** RM'000
Year-to-date ended 31 March 2010							
Revenue							
External revenue	318,809	103,672	14,934	101,401	48,364	-	587,180
Inter-segment revenue	11,048	5,228	-	-	2,452	-	18,728
Total revenue	329,857	108,900	14,934	101,401	50,816	-	605,908
Segment profit/(loss)	10,231	6,353	11,672	50,356	13,663	(5,395)	86,880
Elimination of inter-segment profits							(2,210)
Operating profit							84,670
Financing costs							(15,061)
Share of results of associates							4,336
Profit before tax							73,945
Segment assets	666,229	357,293	879,251	841,181	1,603,938	232,874	4,580,766

8. **Segment Information (Cont'd)**

	Trading RM'000	Quarry and Building Materials RM'000	Financing RM'000	Agricultural Produce RM'000	Property RM'000	Investment Holding RM'000	Total RM'000
Year-to-date ended 31 March 2009							
Revenue							
External revenue	307,314	63,247	21,163	73,252	44,472	-	509,448
Inter-segment revenue	19,814	4,641	-	-	2,547	-	27,002
Total revenue	327,128	67,888	21,163	73,252	47,019	-	536,450
Segment profit/(loss)	16,660	3,430	15,963	20,348	8,935	(5,818)	59,518
Elimination of inter-segment profits							(2,037)
Operating profit							57,481
Financing costs							(23,791)
Share of results of associates							(1,850)
Profit before tax							31,840
Segment assets	1,544,979	245,648	1,130,418	776,085	1,251,662	135,172	5,083,964

9. **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.

10. **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**

There were no changes in composition of the Group during the quarter under review, except for the following:

(a) On 21 December 2009, Menara Hap Seng Sdn. Bhd., a wholly-owned subsidiary of the Company entered into a sale and purchase agreement ["E&O SPA"] with Radiant Kiara Sdn. Bhd. ["Vendor"], the wholly-owned subsidiary of Eastern & Oriental Berhad ["E&O"], to acquire all that piece of freehold land measuring approximately 4,651.203 square metres held under GRN 36342, Lot No. 595, Seksyen 0057, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur (formerly CT No. 12571 Lot No. 595, Section 57, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Jalan Tengah, Negeri Wilayah Persekutuan Kuala Lumpur), together with the preliminary works carried out thereon ["said Land"], free from encumbrances and on the terms and conditions contained in the E&O SPA ["Proposed E&O Land Acquisition"].

The purchase consideration for the Proposed E&O Land Acquisition is Ringgit Malaysia One Hundred and Three Million only (RM103,000,000.00) [the "Purchase Price"] to be paid in the following manner:-

(i) the sum of Ringgit Malaysia Ten Million and Three Hundred Thousand (RM10,300,000.00) representing ten percentum (10%) of the Purchase Price was paid on even date to the Vendor upon execution of the E&O SPA; and
(ii) the balance sum of Ringgit Malaysia Ninety Two Million and Seven Hundred Thousand (RM92,700,000.00) representing ninety percentum (90%) of the Purchase Price shall be paid within three (3) months of the date of the E&O SPA.

The Proposed E&O Land Acquisition is consistent with the business direction of HSCB group to expand its property division both for development and investment holding. The said Land is strategically located adjacent to Menara Hap Seng at the North-East intersection of Jalan P. Ramlee and Jalan Tengah ["Jalan P. Ramlee/Jalan Tengah Intersection"]. Hence, the Proposed E&O Land Acquisition when completed, would enable the HSCB Group to own all three (3) parcels of prestigious commercial properties fronting Jalan P. Ramlee from Jalan P. Ramlee/Jalan Tengah Intersection to the intersection of Jalan Sultan Ismail and Jalan P. Ramlee.

As announced on 29 March 2010, the Proposed E&O Land Acquisition was completed on even date with the terms and conditions of the E&O SPA. As at the date of completion, the acquisition does not have any financial effect on the Group.

(b) As announced on 9 February 2010, Hap Seng Auto Sdn. Bhd. ["HSA" or the "Vendor"], a wholly-owned subsidiary of the Company, has on even date entered into a conditional shares sale agreement ["Shares Sale Agreement"] with Pacific Star Automobile Limited ["PSA" or the "Purchaser"], the wholly-owned subsidiary of Lei Shing Hong Automobile Limited, which in turn is a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], to dispose of its 11,725,000 ordinary shares of RM1.00 each representing 35% of the issued and paid-up share capital of Hap Seng Star Sdn. Bhd. ["HSS"] ["Sale Shares"] to PSA pursuant to the terms and subject to the conditions contained in the Shares Sale Agreement ["Proposed HSS Disposal"]. The disposal consideration for the Proposed HSS Disposal is Ringgit Malaysia One Hundred Three Million Eight Hundred Eleven Thousand and Four Hundred (RM103,811,400.00) [the "Disposal Consideration"]. Thirty percent (30%) of the Disposal Consideration in the sum of Ringgit Malaysia Thirty One Million One Hundred Forty Three Thousand and Four Hundred Twenty (RM31,143,420.00) was paid by the Purchaser on 10 February 2010 as part payment towards the Disposal Consideration and the balance seventy percent (70%) of the Disposal Consideration in the sum of Ringgit Malaysia Seventy Two Million Six Hundred Sixty Seven Thousand Nine Hundred and Eighty (RM72,667,980.00) shall be paid by the Purchaser on Completion Date (defined below).

The Shares Sale Agreement is conditional upon the following approvals being obtained by both parties within two (2) months from the date of the Shares Sale Agreement or such extended period as may be mutually agreed by the parties thereto [the "Cut-Off Date"]:

(a) the approval of the directors and shareholders of HSA for the disposal of the Sale Shares;
(b) the approval of the directors and shareholders of the Company for the disposal of the Sale Shares by HSA;
(c) the approval of the directors and shareholders of PSA for the acquisition of the Sale Shares; and
(d) such other approval as may be required by governmental authorities and/or relevant regulatory authorities, if applicable.

As announced on 29 March 2010, both HSA and PSA had on even date mutually agreed in writing to extend the Cut-Off Date from 8 April 2010 to 31 May 2010.

10. **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 (Cont'd)**

The date on which the last of the approvals shall be fulfilled or obtained is referred to as the "Unconditional Date". Completion of the Proposed HSS Disposal shall take place within seven (7) days of the Unconditional Date ["Completion Date"].

Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak is a 36% major shareholder of LSH. He is also a director and major shareholder of Gek Poh (Holdings) Sdn Bhd ["Gek Poh"]. Gek Poh is the major shareholder of the Company whose aggregate shareholdings as at the date hereof is 61.48% comprising direct and indirect shareholdings of 57.31% and 4.17%, respectively. Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak is deemed a major shareholder of HSCB by virtue of his substantial shareholdings in Gek Poh. Hence, Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak is deemed interested in the Proposed HSS Disposal.

HSS will become a 65% owned subsidiary of the Group upon completion of the Proposed HSS Disposal.

11. **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 21 May 2010, 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.

12. **Changes in Contingent Liabilities or Contingent Assets since the End of the Last Annual Reporting Period**

Since the end of the last annual reporting period, the Group has no material contingent liabilities as at 21 May 2010, 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 31.3.2010 RM'000	**As at 31.12.2009** RM'000
Corporate guarantees to banks of subsidiaries in respect of balances outstanding	1,448,610	1,418,291
	=========	=========

13. **Capital Commitments**

The Group has the following capital commitments:

	As at 31.3.2010 RM'000	**As at 31.12.2009** RM'000
Contracted but not provided for in this report	52,696	152,514
Authorised but not contracted for	74,937	75,420
	------------	------------
	127,633	227,934
	========	========

14. **Significant Related Party Transactions**

During the current quarter under review and up to 21 May 2010, the Company and its subsidiaries did not enter into any Related Party Transactions or Recurrent Related Party Transactions of a revenue or trading nature ["RRPTs"] that were not included or exceeded by 10% the estimated value in the shareholders' mandate obtained on 29 May 2009, except for the following:

(a) The Proposed HSS Disposal as disclosed in Note 10(b) above; and

(b) RRPTs that were not included in the shareholders' mandate obtained on 29 May 2009

The Company and/or its wholly-owned subsidiaries ["HSCB Group"] have entered into RRPTs with the following related parties where the aggregate value of the RRPTs as at 23 February 2010 had exceeded the prescribed percentage ratio of 1% of HSCB Group's net assets based on its audited financial statements for the eleven-month financial period ended 31 December 2008.

(i) RRPTs with Gek Poh (Holdings) Sdn Bhd and its wholly-owned subsidiary, Lip Soon Enterprise Sendirian Berhad;

(ii) RRPTs with Malaysian Mosaics Berhad and its wholly-owned subsidiaries;

(iii) RRPTs with subsidiaries of Lei Shing Hong Limited; and

(iv) RRPTs with Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak.

The details of the above RRPTs are disclosed in the announcement dated 23 February 2010.

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 RM587.2 million was 15% higher than the preceding year corresponding quarter mainly attributable to higher revenue at Plantation and Automotive Divisions. Group Operating Profit for the current quarter at RM84.7 million was 47% higher than the preceding year corresponding quarter with higher contribution recorded by the Plantation, Property and Quarry & Building Materials Divisions.

The Fertilizer Trading Division's performance was affected by lower average selling prices inspite of higher sales volume. Margins remained depressed as the Division clears its stocks carry-over from the previous financial year especially in the Indonesian market.

The Automotive Division's passenger vehicle segment continued to record improved performance from its ongoing efforts to increase market share and improve service level albeit operating in a very competitive environment whilst the heavy vehicle segment continued to be affected by the soft timber market.

Quarry and Building Materials Division continued to benefit from its expanded quarry operation and improved quarries' production efficiencies with higher contribution from the sales of aggregates. The appointment of Hap Seng Trading (BM) Sdn Bhd, the wholly owned subsidiary of the Division as the exclusive distributor of MML Tiles in Malaysia by Malaysian Mosaics Berhad on 30 June 2009 also contributed to the improved performance of the Division.

Credit Financing Division operating profit was 27% lower than the preceding year corresponding quarter attributable to lower loans portfolio in the current quarter arising from the consolidation phase underwent by the Division in the previous year due to cautious lending attributable to the global financial crisis.

Plantation Division's recorded an improvement in performance attributable to higher sales volume of Crude Palm Oil (CPO) and Palm Kernel (PK) coupled with higher average selling price of CPO and PK as well as significant reduction in production costs due to lower fertilizers prices. Average selling price of CPO and PK achieved for the current quarter were RM2,476 and RM1,359 per tonne as compared to the preceding year corresponding quarter of RM2,143 and RM812 per tonne respectively.

Property Division's performance was better as compared to the preceding year corresponding quarter as it continues to benefit from the sales of its newly launched project D'Alpinia in Puchong.

Overall, Group profit before tax and profit after tax for the current period at RM73.9 million and RM57.4 million were 132% and 136% higher than the preceding year corresponding quarter. Basic earnings per share for the current period at 7.01 sen was 127% higher than the preceding year corresponding quarter of 3.09 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 RM73.9 million was 135% above the preceding quarter of RM31.4 million mainly attributable to write down of stocks at the Fertilizer Trading Division in the preceding quarter.

3. **Current Year Prospects**

The Group's prospects for the current financial year are expected to be influenced by the movements in commodity prices, seasonal yield trend, changes in cropping pattern and the fertilizer prices as well as the competitive trading conditions which are anticipated to continue in the various market sectors in which the Group operates.

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

Variances between actual profit and forecast profit are not applicable as the Company has not provided any profit forecast in any public document.

5. **Tax Expense**

	Quarter Ended		Year-to-date ended	
	31.3.2010	**31.3.2009**	**31.3.2010**	**31.3.2009**
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	15,017	10,411	15,017	10,411
- deferred tax	1,490	(2,869)	1,490	(2,869)
	16,507	7,542	16,507	7,542

The Group's effective tax rate for the current quarter was lower than the statutory tax rate mainly due to utilisation of unrecognised deferred tax assets on reinvestment allowance. The effective tax rate for the preceding year corresponding quarter was lower than the statutory tax rate mainly due to provision of deferred tax assets by a foreign subsidiary at higher statutory tax rate.

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 under review. 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**

The Group does not have any investments in quoted securities (other than securities in existing subsidiaries and associated companies) and neither did it purchase nor dispose of any quoted securities during the current quarter under review.

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

Save for the Proposed HSS Disposal as disclosed in Note 10(b) of Part A above, there was no other corporate proposal announced but not completed as at 21 May 2010.

9. **Borrowings and Debt Securities**

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

	As at 31.3.2010				**As at 31.12.2009**			
	Denominated in				Denominated in			
	RM	USD	SGD	Total	RM	USD	SGD	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Short term								
Unsecured								
- Bankers acceptances	107,775	-	-	107,775	121,959	-	-	121,959
- Bank overdrafts	18,251	2,160	-	20,411	12,581	-	-	12,581
- Revolving credits	466,500	81,021	-	547,521	468,400	90,893	-	559,293
- Term loans	404,764	-	-	404,764	406,596	-	-	406,596
- Foreign currency loan	-	7,995	-	7,995	-	8,461	-	8,461
	997,290	91,176	-	1,088,466	1,009,536	99,354	-	1,108,890
Long term								
Unsecured								
- Term loans	585,561	-	-	585,561	546,235	-	-	546,235
- Foreign currency loan	-	-	156,453	156,453	-	-	156,453	156,453
	585,561	-	156,453	742,014	546,235	-	156,453	702,688
	1,582,851	91,176	156,453	1,830,480	1,555,771	99,354	156,453	1,811,578

10. **Derivatives**

The Group entered into forward foreign exchange contracts where appropriate to minimise its exposure on recognised asset or liability or an unrecognised firm commitment denominated in foreign currencies. Derivatives are stated at fair value which is equivalent to the marking of the derivatives to market, using prevailing market rates.

Details of derivative financial instruments outstanding (including financial instruments designated as hedging instruments) as at 31 March 2010 are as follows:

	Contract/ Notional Value	**Fair Value: Assets/ (Liabilities)**
	RM'000	RM'000
Forward foreign currency contracts of less than 1 year (US Dollar)		
- Designated as hedging instruments	123,512	(3,319)
- Not designated as hedging instruments	132,512	(1,601)
	256,024	(4,920)

The Group has no significant concentrations of credit and market risks in relation to the above derivative financial instruments as the forward foreign currency exchange contracts are entered into with reputable financial institutions and are not used for speculative purposes. The cash requirement for settling these forward foreign exchange contracts is solely from the Group's working capital. The related accounting policies for derivative financial instruments and hedge accounting are disclosed in Note 2 of Part A above.

11. **Gains/Losses arising from Fair Value Changes of Financial Liabilities**

The gain/(loss) arising from fair value changes of financial liabilities which are categorised as fair value through profit and loss are as follows:

	Fair Value as at 31.12.2009	**Fair Value as at 31.3.2010**	**Gain/(loss) Quarter and Year-to-date ended 31.3.2010**
	RM'000	RM'000	RM'000
Forward foreign currency contracts			
- Not designated as hedging instruments	-	(1,601)	(1,601)

12. **Provision of Financial Assistance**

Moneylending operations

(i) The Group moneylending operations are undertaken by the Company's wholly owned subsidiaries, Hap Seng Credit Sdn Bhd and Hap Seng Automotive Acceptance Sdn Bhd in the ordinary course of their moneylending businesses. The aggregate amount of outstanding loans as at 31 March 2010 given by the Company's moneylending subsidiaries are as follows:

		Secured	**Unsecured**	**Total**
		RM'000	RM'000	RM'000
(a)	To companies	866,795	2,632	869,427
(b)	To individuals	82,057	60	82,117
(c)	To companies within the listed issuer group	-	-	-
(d)	To related parties	-	-	-
		948,852	2,692	951,544

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

		As at 31.3.2010
		RM'000
(a)	Loans given by companies within the Group to the moneylending subsidiaries	-
(b)	Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c)	Unsecured bank borrowings guaranteed by the Company	260,827
(d)	Borrowings with other non-bank financial intermediaries	
	(i) unsecured	150,000
	(ii) unsecured - guaranteed by the Company	200,009
		610,836

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

		RM'000
(a)	Balance as at 1.1.2010	54,827
(b)	Loans classified as in default during the financial year	42,839
(c)	Loans reclassified as performing during the financial year	(7,331)
(d)	Amount recovered	(4,536)
(e)	Amount written off	(2)
(f)	Loans converted to securities	-
(g)	Balance as at 31.3.2010	85,797
(h)	Ratio of net loans in default to net loans	9.02%

12. **Provision of Financial Assistance (Cont'd)**

Moneylending 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)
1st	Term Loan	32,140	31,045	Yes	45,150	No	71 – 180
	Hire Purchase	83	13	Yes	37	No	36
		32,223	31,058		45,187		
2nd	Term Loan	21,000	21,632	Yes	19,500	No	60
3rd	Term Loan	21,333	17,737	Yes	28,086	No	68 – 191
4th	Term Loan	14,966	11,795	Yes	21,850	No	70 – 83
5th	Term Loan	20,000	5,624	Yes	23,048	No	58 – 61
	Term Loan	3,000	2,632	No	-	No	36
		23,000	8,256		23,048		

13. **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, Genting Plantations Berhad *(formerly known as Asiatic Development Berhad)* ["GPH"] 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 GPH.

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.

14. **Earnings Per Share**

(a) The basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding treasury shares held by the Company, of 563,526,000 (2009: 563,528,000)

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

15. **Dividends**

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

16. **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 December 2009 was not subject to any qualification.

BY ORDER OF THE BOARD

LEE WEE YONG
CHEAH YEE LENG
Secretaries

Kuala Lumpur
27 May 2010