HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2010

	Quarter ended		Year-to-date ended	
	30.6.2010	**30.6.2009**	**30.6.2010**	**30.6.2009**
	RM'000	RM'000	RM'000	RM'000
Revenue	664,517	629,161	1,251,697	1,138,609
Operating expenses	(583,705)	(588,865)	(1,095,517)	(1,050,631)
Other operating income	6,562	28,676	15,864	38,475
Operating profit	87,374	68,972	172,044	126,453
Financing costs	(16,817)	(19,142)	(31,878)	(42,933)
Other non-operating item	92,685	-	92,685	-
Share of results of associates	6,256	4,508	10,592	2,658
Profit before tax	169,498	54,338	243,443	86,178
Tax expense	(17,930)	(6,490)	(34,437)	(14,032)
Profit for the period	151,568	47,848	209,006	72,146
Profit attributable to:				
Owners of the Company	132,674	36,582	172,156	53,980
Minority interests	18,894	11,266	36,850	18,166
	151,568	47,848	209,006	72,146
Earnings per share (sen)				
Basic	23.54	6.49	30.55	9.58
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 SECOND QUARTER AND YEAR TO DATE ENDED 30 JUNE 2010

	Quarter ended		Year-to-date ended	
	30.6.2010	**30.6.2009**	**30.6.2010**	**30.6.2009**
	RM'000	RM'000	RM'000	RM'000
Profit for the period	151,568	47,848	209,006	72,146
Other comprehensive income:				
Exchange difference on translation of foreign operations, net of tax	(1,882)	(5,640)	(1,996)	4,058
Total comprehensive income for the period, net of tax	149,686	42,208	207,010	76,204
Total comprehensive income attributable to:				
Owners of the Company	130,792	30,942	170,160	58,038
Minority interests	18,894	11,266	36,850	18,166
	149,686	42,208	207,010	76,204

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 30 JUNE 2010

	As at 30.6.2010 RM'000	As at 31.12.2009 RM'000
Non-current assets		
Property, plant and equipment	794,465	757,630
Biological assets	411,624	409,027
Prepaid lease payments	197,943	198,687
Investment properties	414,479	266,010
Associates	356,267	354,964
Land held for property development	400,247	387,538
Long term receivables	534,208	500,863
Deferred tax assets	82,462	86,063
	3,191,695	2,960,782
Current assets		
Inventories	419,175	373,017
Property development costs	286,376	258,543
Receivables	886,604	848,489
Tax recoverable	50,754	58,622
Cash and cash equivalents	208,065	428,467
	1,850,974	1,967,138
TOTAL ASSETS	5,042,669	4,927,920
Equity attributable to owners of the Company		
Share capital	622,660	622,660
Reserves	2,000,096	1,866,928
	2,622,756	2,489,588
Less : Treasury shares	(154,462)	(154,459)
	2,468,294	2,335,129
Minority interests	317,928	289,336
TOTAL EQUITY	2,786,222	2,624,465
Non-current liabilities		
Borrowings	716,839	702,688
Deferred tax liabilities	162,292	160,995
Deferred liabilities	2,426	1,306
	881,557	864,989
Current liabilities		
Payables and provisions	313,280	313,158
Tax payable	23,092	16,418
Borrowings	1,038,518	1,108,890
	1,374,890	1,438,466
TOTAL LIABILITIES	2,256,447	2,303,455
TOTAL EQUITY AND LIABILITIES	5,042,669	4,927,920
Net assets per share (RM)	4.38	4.14
Based on number of shares net of treasury shares	563,524,500	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 30 JUNE 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	-	-	172,156	-	172,156	36,850	209,006
Other comprehensive income	-	(1,996)	-	-	(1,996)	-	(1,996)
Total comprehensive income	-	(1,996)	172,156	-	170,160	36,850	207,010
Purchase of treasury shares	-	-	-	(3)	(3)	(5)	(8)
Change of equity interest in a subsidiary	-	-	-	-	-	11,126	11,126
Dividends to owners of the Company	-	-	(39,447)	-	(39,447)	-	(39,447)
Dividends paid by subsidiary	-	-	-	-	-	(19,379)	(19,379)
At 30 June 2010	622,660	50,299	1,949,797	(154,462)	2,468,294	317,928	2,786,222
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	-	-	53,980	-	53,980	18,166	72,146
Other comprehensive income	-	4,058	-	-	4,058	-	4,058
Total comprehensive income	-	4,058	53,980	-	58,038	18,166	76,204
Purchase of treasury shares	-	-	-	(2)	(2)	(5)	(7)
Dividends to owners of the Company	-	-	(34,868)	-	(34,868)	-	(34,868)
Dividends paid by subsidiary	-	-	-	-	-	(19,379)	(19,379)
At 30 June 2009	622,660	60,868	1,796,546	(154,456)	2,325,618	273,908	2,599,526

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR YEAR-TO-DATE ENDED 30 JUNE 2010

	Year-to-date ended	
	30.6.2010	**30.6.2009**
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	243,443	86,178
Adjustments for:		
Non-cash items	28,301	2,044
Non-operating items	(103,280)	(2,858)
Net interest expense	28,565	39,659
Operating profit before working capital changes	197,029	125,023
Net changes in working capital	(75,810)	446,460
Net changes in loan receivables	(42,861)	140,053
Net tax paid	(18,810)	(89,689)
Net interest paid	(28,565)	(39,659)
Land held for property development	(38,664)	(28,798)
Net cash (used in)/generated from operating activities	(7,681)	553,390
Cash flows from investing activities		
Dividends received from associates	10,826	3,373
Additional costs incurred on acquisition of an associate	(1,537)	-
Proceeds from disposal of 35% equity interest in a subsidiary	103,811	-
Proceeds from disposal of property, plant and equipment	1,733	1,726
Proceeds from disposal of land held for property development	1,947	2,575
Purchase of property, plant and equipment	(65,226)	(34,906)
Additions to biological assets	(2,597)	(1,053)
Additions to prepaid lease payments	(1,254)	(1,097)
Acquisition/redevelopment/refurbishment of investment properties	(148,469)	(19,733)
Net cash used in investing activities	(100,766)	(49,115)
Cash flows from financing activities		
Dividends paid to owners of the Company and minority interests	(58,826)	(54,247)
Net repayment of borrowings	(77,750)	(365,911)
Shares repurchase at cost	(8)	(7)
Net cash used in financing activities	(136,584)	(420,165)
Net (decrease)/increase in cash and cash equivalents	(245,031)	84,110
Effects on exchange rate changes	(466)	918
Cash and cash equivalents at beginning of the period	415,886	310,529
Cash and cash equivalents at end of the period	170,389	395,557

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	130,344	316,936
Cash in hand and at bank	77,721	102,430
Bank overdrafts	(37,676)	(23,809)
	170,389	395,557

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 or 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 or 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 or loss
Fair value through profit or 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 or 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 or 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 interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.

6. **Other non-operating item**

The other non-operating item in the current quarter under review was in respect of a gain arising from the disposal of 35% equity interest in Hap Seng Star Sdn Bhd by Hap Seng Auto Sdn Bhd, a wholly-owned subsidiary of the Company.

7. **Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity**

Share buy back by the Company

(a) The monthly breakdown of shares bought back and treasury shares cancelled during the quarter under review are as follows:-

Month	No of shares Purchased	Purchase price per share		Average cost Per share	Total cost	No of shares Cancelled
		Lowest	Highest			
		RM	RM	RM	RM	
April 2010	-	-	-	-	-	-
May 2010	1,000	2.770	2.770	2.8138	2,813.84	-
June 2010	-	-	-	-	-	-
Total	1,000	2.770	2.770	2.8138	2,813.84	-

During the current quarter under review, 1,000 shares were bought back and there was no resale or cancellation of treasury shares. All the shares bought back were retained as treasury shares.

(b) As at 30 June 2010, the Company has 59,135,500 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.

8. **Dividends Paid**

The total dividend paid out of shareholders' equity for the ordinary shares during the period is as follows:

	Cumulative Quarter Ended	
	30.6.2010	**30.6.2009**
	RM'000	RM'000
Dividend in respect of financial period ended 31 December 2008:		
- final (3.25 sen less tax and 3.75 sen under single tier system) approved by shareholders on 29 May 2009 and paid on 19 June 2009	-	34,868
Dividend in respect of financial year ended 31 December 2009:		
- final (7.00 sen under single tier system) approved by shareholders on 27 May 2010 and paid on 11 June 2010	39,447	-
	-----------	-----------
	39,447	34,868
	=======	=======

9. **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 30 June 2010							
Revenue							
External revenue	681,015	221,016	35,816	202,225	111,625	-	1,251,697
Inter-segment revenue	20,127	11,150	-	-	4,895	-	36,172
Total revenue	701,142	232,166	35,816	202,225	116,520	-	1,287,869
Segment profit/(loss)	19,180	11,009	26,245	100,500	26,269	(7,363)	175,840
Elimination of inter-segment profits							(3,796)
Operating profit							172,044
Financing costs							(31,878)
Other non-operating item							92,685
Share of results of associates							10,592
Profit before tax							243,443
Segment assets	743,944	399,231	925,357	827,167	1,613,429	44,058	4,553,186
Year-to-date ended 30 June 2009							
Revenue							
External revenue	697,110	135,967	40,146	165,927	99,459	-	1,138,609
Inter-segment revenue	42,360	11,261	-	-	5,007	-	58,628
Total revenue	739,470	147,228	40,146	165,927	104,466	-	1,197,237
Segment profit/(loss)	4,301	8,862	27,810	52,960	43,721	(6,474)	131,180
Elimination of inter-segment profits							(4,727)
Operating profit							126,453
Financing costs							(42,933)
Share of results of associates							2,658
Profit before tax							86,178
Segment assets	1,285,250	264,622	1,040,279	768,974	1,307,175	222,311	4,888,611

10. **Valuation of Property, Plant and Equipment**

The valuation of property, plant and equipment have been brought forward, without amendment from the previous audited financial statements.

11. **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:

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. The Shares Sale Agreement became unconditional on 31 May 2010 with all the approvals required for the Proposed HSS Disposal being obtained.

The Proposed HSS Disposal was completed on 7 June 2010 [“Completion Date”] with HSS becoming a 65% owned subsidiary of the Group and was announced on even date, resulting in a gain of approximately RM92.7 million to the Group.

The Proposed HSS Disposal was deemed a related party transaction as the same involved the interests, direct or indirect of Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, the 36.6% major shareholder of LSH and a director and major shareholder of Gek Poh (Holdings) Sdn. Bhd., the holding company of the Company.

12. **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 20 August 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.

13. **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 20 August 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 30.6.2010	**As at 31.12.2009**
	RM'000	RM'000
Corporate guarantees to banks of subsidiaries in respect of balances outstanding	1,394,737	1,418,291
	=========	=========

14. **Capital Commitments**

The Group has the following capital commitments:

	As at 30.6.2010	**As at 31.12.2009**
	RM'000	RM'000
Contracted but not provided for in this report	53,916	152,514
Authorised but not contracted for	81,476	75,420
	------------	------------
	135,392	227,934
	========	========

15. **Significant Related Party Transactions**

During the current quarter under review and up to 20 August 2010, the Company and its subsidiaries did not enter into any Related Party Transactions ["RPT"] or Recurrent Related Party Transactions of a revenue or trading nature ["RRPT"] that were not included or exceeded by 10% the estimated value in the shareholders' mandate obtained on 29 May 2009 and which has expired on 27 May 2010, except for the Proposed HSS Disposal as disclosed in Note 11 above.

At the extraordinary general meeting on 27 May 2010, the Company obtained a renewed shareholders' mandate for RRPT and from the date thereof up to 20 August 2010, the Company and its subsidiaries did not enter into any RPT or RRPT that were not included or exceeded by 10% the estimated value in the shareholders' mandate obtained on 27 May 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 RM664.5 million was 6% higher than the preceding year corresponding quarter whilst Group operating profit for the current quarter at RM87.4 million was 27% higher than the preceding year corresponding quarter.

Plantation Division recorded 54% improvement in performance attributable to higher sales volume of Crude Palm Oil (CPO) and higher average selling prices of CPO and Palm Kernel (PK) as well as significant reduction in production costs due to lower fertilizers prices. Average selling price of CPO and PK realised for the current quarter were RM2,499 and RM1,455 per tonne as compared to the preceding year corresponding quarter of RM2,468 and RM1,089 per tonne respectively.

Property Division continues to benefit from the sales of its project D'Alpinia in Puchong which was launched in the last quarter of the preceding year. However, operating profit was 64% lower than the preceding year corresponding quarter attributable to a fair value adjustment of a freehold investment property in the preceding period. Excluding the fair value adjustment, the Division's performance was 17% above the preceding year corresponding quarter.

The Fertilizer Trading Division's revenue continued to be affected by lower average selling prices inspite of higher sales volume. Operating profit however improved significantly over the preceding year corresponding quarter attributable to improved margins after clearing most of its stocks carry-over from the previous financial year especially in the Indonesian market.

The Automotive Division's passenger and commercial vehicle segments recorded improved performance from its ongoing efforts to increase market share and improve service level albeit operating in a very competitive environment.

Quarry and Building Materials Division recorded higher revenue attributable mainly to its expanded quarry operations and 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. However, operating profit was 14% lower, impacted by higher selling and distribution expenses in the current quarter as the Division expands its trading network.

Credit Financing Division operating profit was 23% higher than the preceding year corresponding quarter attributable to higher loan disbursements in the current quarter after a period of consolidation in the previous year due to cautious lending attributable to the global financial crisis.

Overall, Group profit before tax and profit after tax for the current financial year-to-date at RM243.4 million and RM209.0 million were 182% and 190% higher than the preceding year corresponding period. The results for the current financial year-to-date included other non-operating item of RM92.7 million arising from the disposal of 35% equity interest in a subsidiary. Basic earnings per share for the current financial year-to-date at 30.55 sen was 219% higher than the preceding year corresponding period of 9.58 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 RM169.5 million was 129% above the preceding quarter of RM73.9 million mainly due to other non-operating item of RM92.7 million arising from the disposal of 35% equity interest in a subsidiary as disclosed in Note 6 of Part A. Excluding the other non-operating item, the Group profit before tax for the current quarter was 4% higher than the preceding quarter attributable to higher contribution from Automotive and Credit Financing Divisions.

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	
	30.6.2010	**30.6.2009**	**30.6.2010**	**30.6.2009**
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	18,833	8,525	33,850	18,936
- deferred tax	(903)	(3,073)	587	(5,942)
	17,930	5,452	34,437	12,994
In respect of prior year				
- income tax	-	28,064	-	28,064
- deferred tax	-	(27,026)	-	(27,026)
	-	1,038	-	1,038
	17,930	6,490	34,437	14,032

The Group's effective tax rate for the current quarter and period were lower than the statutory tax rate mainly due to other non-operating item which is not subjected to tax. The effective tax rate for the preceding year corresponding quarter and period were lower than the statutory tax rate mainly due to the fair value adjustment of a freehold investment property which is not subjected to tax and 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 and financial year-to-date except for shares bought back by the Company as disclosed in Note 7 of Part A.

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

There was no other corporate proposal announced but not completed as at 20 August 2010.

9. **Borrowings and Debt Securities**

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

	As at 30.6.2010				As at 31.12.2009			
	Denominated in				Denominated in			
	RM RM'000	USD RM'000	SGD RM'000	Total RM'000	RM RM'000	USD RM'000	SGD RM'000	Total RM'000
Short term								
Unsecured								
- Bankers acceptances	121,976	-	-	121,976	121,959	-	-	121,959
- Bank overdrafts	37,676	-	-	37,676	12,581	-	-	12,581
- Revolving credits	421,400	61,367	-	482,767	468,400	90,893	-	559,293
- Term loans	269,096	-	-	269,096	406,596	-	-	406,596
- Foreign currency loan	-	127,003	-	127,003	-	8,461	-	8,461
	850,148	188,370	-	1,038,518	1,009,536	99,354	-	1,108,890
Long term								
Unsecured								
- Term loans	560,386	-	-	560,386	546,235	-	-	546,235
- Foreign currency loan	-	-	156,453	156,453	-	-	156,453	156,453
	560,386	-	156,453	716,839	546,235	-	156,453	702,688
	1,410,534	188,370	156,453	1,755,357	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 30 June 2010 are as follows:

	Contract/ Notional Value RM'000	**Fair Value: Assets/ (Liabilities)** RM'000
Forward foreign currency contracts of less than 1 year (US Dollar)		
- Designated as hedging instruments	77,728	(1,023)
- Not designated as hedging instruments	58,939	(24)
	136,667	(1,047)

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 or loss are as follows:

	Gain/(loss)	
	Quarter ended 30.6.2010	**Year-to-date ended 30.6.2010**
	RM'000	RM'000
Forward foreign currency contracts		
- Not designated as hedging instruments	1,577	(24)
	=========	=========

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 30 June 2010 given by the Company's moneylending subsidiaries are as follows:

		Secured	**Unsecured**	**Total**
		RM'000	RM'000	RM'000
(a)	To companies	895,079	2,400	897,479
(b)	To individuals	84,023	60	84,083
(c)	To companies within the listed issuer group	-	-	-
(d)	To related parties	-	-	-
		--------------	--------------	--------------
		979,102	2,460	981,562
		=========	=========	=========

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

		As at 30.6.2010
		RM'000
(a)	Loans given by companies within the Group to the moneylending subsidiaries	154,300
(b)	Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c)	Unsecured bank borrowings guaranteed by the Company	243,857
(d)	Borrowings with other non-bank financial intermediaries	
	(i) unsecured	150,000
	(ii) unsecured - guaranteed by the Company	100,006

		648,163
		===========

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

Moneylending operations (Cont'd)

(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	62,609
(c)	Loans reclassified as performing during the financial year	(47,564)
(d)	Amount recovered	(23,655)
(e)	Amount written off	(6,387)
(f)	Loans converted to securities	-
(g)	Balance as at 30.6.2010	39,830
(h)	Ratio of net loans in default to net loans	4.06%

(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	37,540	31,258	Yes	45,150	No	12 – 180
2nd	Term Loan	21,000	21,271	Yes	19,500	No	60
3rd	Term Loan	14,966	11,379	Yes	22,079	No	70 – 83
4th	Term Loan	24,350	9,379	Yes	15,000	No	20
5th	Term Loan	8,071	7,880	Yes	10,173	No	190 – 191

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 563,525,000 (2009: 563,527,000)

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

15. **Dividends**

(a) The Board of Directors approved the following interim dividend for the financial year ending 31 December 2010:

(i)	Amount per ordinary share of RM1.00 each - Interim Dividend	6.0 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders
(ii)	Previous year corresponding period Amount per ordinary share of RM1.00 each - Interim Dividend	5.0 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders
(iii)	Total dividend approved to date for the current financial year Amount per ordinary share of RM1.00 each	6.0 sen (2009: 5.0 sen) per ordinary share under the single tier system which is tax exempt in the hands of the shareholders

(b) The dividend will be payable on 21 September 2010; and

(c) In respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 13 September 2010.

NOTICE OF INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that an interim dividend of 6.0 sen per ordinary share of RM1.00 each under the single-tier system which is tax exempt in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967 in respect of the financial year ending 31 December 2010 will be payable on 21 September 2010 to the shareholders whose names appear on the Company's Register of Members and/or Record of Depositors at the close of business on 13 September 2010. A depositor shall qualify for entitlement to the dividend only in respect of:-

(a) shares deposited into the depositor's securities account before 12.30 p.m. on 8 September 2010 in respect of shares which are exempted from mandatory deposit;
(b) shares transferred into the depositor's securities account before 4.00 p.m. on 13 September 2010 in respect of transfers; and
(c) shares bought on the Bursa Malaysia Securities Berhad ["Bursa Securities"] on cum entitlement basis according to the Rules of the Bursa Securities.

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

CHEAH YEE LENG
QUAN SHEET MEI
Secretaries

Kuala Lumpur
25 August 2010