



# HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE THIRD QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2010

	Quarter ended		Year-to-date ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	726,832	646,030	1,978,529	1,784,639
Operating expenses	(635,635)	(626,104)	(1,731,152)	(1,676,735)
Other operating income	7,763	9,208	23,627	47,683
<b>Operating profit</b>	98,960	29,134	271,004	155,587
Financing costs	(16,139)	(17,187)	(48,017)	(60,120)
Other non-operating items	-	37,617	92,685	37,617
Share of results of associates	6,678	5,582	17,270	8,240
<b>Profit before tax</b>	89,499	55,146	332,942	141,324
Tax expense	(20,346)	(4,940)	(54,783)	(18,972)
<b>Profit for the period</b>	69,153	50,206	278,159	122,352
<b>Profit attributable to:</b>				
Owners of the Company	47,877	38,570	220,033	92,550
Minority interests	21,276	11,636	58,126	29,802
	69,153	50,206	278,159	122,352
<b>Earnings per share (sen)</b>				
Basic	8.50	6.84	39.05	16.42
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 THIRD QUARTER AND YEAR TO DATE ENDED 30 SEPTEMBER 2010

	Quarter ended		Year-to-date ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period</b>	69,153	50,206	278,159	122,352
<b>Other comprehensive income:</b>				
Exchange difference on translation of foreign operations	(336)	(153)	(2,332)	3,905
Exchange difference transferred to income statement upon disposal of subsidiary	-	(6,855)	-	(6,855)
<b>Other comprehensive income for the period, net of tax</b>	(336)	(7,008)	(2,332)	(2,950)
<b>Total comprehensive income for the period, net of tax</b>	68,817	43,198	275,827	119,402
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	47,847	31,562	218,007	89,600
Minority interests	20,970	11,636	57,820	29,802
	68,817	43,198	275,827	119,402

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 SEPTEMBER 2010

	As at 30.9.2010 RM'000	As at 31.12.2009 RM'000
<b>Non-current assets</b>		
Property, plant and equipment	829,414	757,630
Biological assets	412,755	409,027
Prepaid lease payments	197,597	198,687
Investment properties	414,968	266,010
Associates	355,445	354,964
Land held for property development	408,119	387,538
Long term receivables	591,046	500,863
Deferred tax assets	79,161	86,063
	----- 3,288,505	----- 2,960,782
<b>Current assets</b>		
Inventories	447,130	373,017
Property development costs	289,489	258,543
Receivables	888,338	848,489
Tax recoverable	53,562	58,622
Cash and cash equivalents	124,786	428,467
	----- 1,803,305	----- 1,967,138
<b>TOTAL ASSETS</b>	----- 5,091,810 =====	----- 4,927,920 =====
<b>Equity attributable to owners of the Company</b>		
Share capital	622,660	622,660
Reserves	2,014,132	1,866,928
	----- 2,636,792	----- 2,489,588
Less : Treasury shares	(154,462)	(154,459)
	----- 2,482,330	----- 2,335,129
<b>Minority interests</b>	315,640	289,336
<b>TOTAL EQUITY</b>	----- 2,797,970	----- 2,624,465
<b>Non-current liabilities</b>		
Borrowings	625,103	702,688
Deferred tax liabilities	162,694	160,995
Deferred liabilities	2,248	1,306
	----- 790,045	----- 864,989
<b>Current liabilities</b>		
Payables and provisions	387,164	313,158
Tax payable	19,627	16,418
Borrowings	1,097,004	1,108,890
	----- 1,503,795	----- 1,438,466
<b>TOTAL LIABILITIES</b>	----- 2,293,840	----- 2,303,455
<b>TOTAL EQUITY AND LIABILITIES</b>	----- 5,091,810 =====	----- 4,927,920 =====
<b>Net assets per share (RM)</b>	4.41	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 SEPTEMBER 2010

	← Attributable to Owners of the Company →				Total RM'000	Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Non- distributable Reserves RM'000	Distributable Reserves RM'000	Treasury Shares RM'000			
<b>At 1 January 2010</b>							
- 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	-	-	220,033	-	220,033	58,126	278,159
Other comprehensive income	-	(2,026)	-	-	(2,026)	(306)	(2,332)
Total comprehensive income	-	(2,026)	220,033	-	218,007	57,820	275,827
Purchase of treasury shares	-	-	-	(3)	(3)	(5)	(8)
Change of equity interest in a subsidiary	-	-	-	-	-	11,123	11,123
Dividends to owners of the Company	-	-	(73,258)	-	(73,258)	-	(73,258)
Dividends paid by subsidiary	-	-	-	-	-	(42,634)	(42,634)
<b>At 30 September 2010</b>	622,660	50,269	1,963,863	(154,462)	2,482,330	315,640	2,797,970
<b>At 1 January 2009</b>	622,660	56,810	1,777,434	(154,454)	2,302,450	275,126	2,577,576
Profit for the period	-	-	92,550	-	92,550	29,802	122,352
Other comprehensive income	-	(2,950)	-	-	(2,950)	-	(2,950)
Total comprehensive income	-	(2,950)	92,550	-	89,600	29,802	119,402
Purchase of treasury shares	-	-	-	(2)	(2)	(5)	(7)
Dividends to owners of the Company	-	-	(63,044)	-	(63,044)	-	(63,044)
Dividends paid by subsidiary	-	-	-	-	-	(34,882)	(34,882)
<b>At 30 September 2009</b>	622,660	53,860	1,806,940	(154,456)	2,329,004	270,041	2,599,045

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 30 SEPTEMBER 2010

	<b>Year-to-date ended</b>	
	<b>30.9.2010</b>	<b>30.9.2009</b>
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	332,942	141,324
Adjustments for:		
Non-cash items	43,594	19,887
Non-operating items	(109,825)	(46,368)
Net interest expense	44,105	55,107
	-----	-----
Operating profit before working capital changes	310,816	169,950
Net changes in working capital	(19,200)	738,802
Net changes in loan receivables	(116,631)	215,242
Net tax paid	(46,693)	(111,115)
Net interest paid	(44,105)	(55,107)
Land held for property development	(42,328)	(110,536)
	-----	-----
<b>Net cash generated from operating activities</b>	41,859	847,236
	-----	-----
<b>Cash flows from investing activities</b>		
Dividends received from associates	18,326	3,373
Additional costs incurred on acquisition of an associate	(1,537)	-
Acquisition of shares in a subsidiary from minority interests	(30)	-
Acquisition of subsidiary net of cash acquired	5,190	-
Proceeds from disposal of 35% equity interest in a subsidiary	103,811	-
Proceeds from disposal of subsidiary net of cash disposed	-	40,093
Proceeds from disposal of property, plant and equipment	5,001	2,264
Proceeds from disposal of properties under prepaid lease payment	-	132
Proceeds from disposal of land held for property development	1,947	3,010
Purchase of property, plant and equipment	(109,261)	(61,141)
Additions to biological assets	(4,059)	(2,046)
Additions to prepaid lease payments	(937)	(1,097)
Acquisition/redevelopment/refurbishment of investment properties	(148,958)	(19,885)
	-----	-----
<b>Net cash used in investing activities</b>	(130,507)	(35,297)
	-----	-----
<b>Cash flows from financing activities</b>		
Dividends paid to owners of the Company and minority interests	(116,198)	(54,248)
Net repayment of borrowings	(113,992)	(585,948)
Shares repurchase at cost	(8)	(7)
	-----	-----
<b>Net cash used in financing activities</b>	(230,198)	(640,203)
	-----	-----
<b>Net (decrease)/increase in cash and cash equivalents</b>	(318,846)	171,736
Effects on exchange rate changes	(1,996)	936
<b>Cash and cash equivalents at beginning of the period</b>	415,886	310,529
	-----	-----
<b>Cash and cash equivalents at end of the period</b>	95,044	483,201
	=====	=====

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	15,958	375,961
Cash in hand and at bank	108,828	117,324
Bank overdrafts	(29,742)	(10,084)
	-----	-----
	95,044	483,201
	=====	=====

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:

FRS effective for financial periods beginning on or after 1 July 2009

- FRS 8, Operating Segment

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

- 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:

	<b>Retained profits</b>
	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
	2,455

Derivative

Prior to adoption of 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 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.
- (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 items**

The other non-operating items were in respect of the following:

	Quarter Ended		Year-to-date	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of a subsidiary	-	37,617	-	37,617
Gain on disposal of 35% equity interest in a subsidiary	-	-	92,685	-
	-----	-----	-----	-----
	-	37,617	92,685	37,617
	=====	=====	=====	=====

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

Share buy back by the Company

- (a) During the current quarter under review, there was no buyback of shares nor resale or cancellation of treasury shares.
- (b) As at 30 September 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	
	30.9.2010	30.9.2009
	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:		
- interim (5.0 sen under single tier system) approved by the Board of Directors on 26 August 2009 and paid on 30 October 2009	-	28,176
- final (7.00 sen under single tier system) approved by shareholders on 27 May 2010 and paid on 11 June 2010	39,447	-
Dividend in respect of financial year ending 31 December 2010:		
- interim (6.0 sen under single tier system) approved by the Board of Directors on 25 August 2010 and paid on 21 September 2010	33,811	-
	-----	-----
	73,258	63,044
	=====	=====



**HAP SENG CONSOLIDATED BERHAD** (26877-W)  
**THIRD QUARTER ENDED 30 SEPTEMBER 2010**

9. **Segment Information**

	<b>Trading</b> RM'000	<b>Quarry and Building Materials</b> RM'000	<b>Financing</b> RM'000	<b>Agricultural Produce</b> RM'000	<b>Property</b> RM'000	<b>Investment Holding</b> RM'000	<b>Total</b> RM'000
<b><u>Year-to-date ended</u></b>							
<b><u>30 September 2010</u></b>							
<b>Revenue</b>							
External revenue	1,096,191	335,784	54,628	316,320	175,606	-	1,978,529
Inter-segment revenue	30,201	16,273	-	-	7,328	-	53,802
<b>Total revenue</b>	<b>1,126,392</b>	<b>352,057</b>	<b>54,628</b>	<b>316,320</b>	<b>182,934</b>	<b>-</b>	<b>2,032,331</b>
<b>Segment profit/(loss)</b>	<b>27,327</b>	<b>15,337</b>	<b>45,607</b>	<b>154,953</b>	<b>41,704</b>	<b>(10,126)</b>	<b>274,802</b>
Elimination of inter-segment profits							(3,798)
<b>Operating profit</b>							<b>271,004</b>
Financing costs							(48,017)
Other non-operating item							92,685
Share of results of associates							17,270
<b>Profit before tax</b>							<b>332,942</b>
<b>Segment assets</b>	<b>719,018</b>	<b>464,817</b>	<b>990,940</b>	<b>806,818</b>	<b>1,601,492</b>	<b>20,557</b>	<b>4,603,642</b>
<b><u>Year-to-date ended</u></b>							
<b><u>30 September 2009</u></b>							
<b>Revenue</b>							
External revenue	1,104,550	216,946	60,345	256,295	146,503	-	1,784,639
Inter-segment revenue	71,724	19,611	-	-	7,579	-	98,914
<b>Total revenue</b>	<b>1,176,274</b>	<b>236,557</b>	<b>60,345</b>	<b>256,295</b>	<b>154,082</b>	<b>-</b>	<b>1,883,553</b>
<b>Segment profit/(loss)</b>	<b>(19,302)</b>	<b>12,324</b>	<b>42,767</b>	<b>85,299</b>	<b>49,371</b>	<b>(7,329)</b>	<b>163,130</b>
Elimination of inter-segment profits							(7,543)
<b>Operating profit</b>							<b>155,587</b>
Financing costs							(60,120)
Other non-operating item							37,617
Share of results of associates							8,240
<b>Profit before tax</b>							<b>141,324</b>
<b>Segment assets</b>	<b>996,639</b>	<b>292,915</b>	<b>911,801</b>	<b>751,427</b>	<b>1,426,071</b>	<b>341,675</b>	<b>4,720,528</b>



**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:

- (a) On 10 August 2010, Hap Seng Building Materials Holdings Sdn Bhd ["HSBMH"], the wholly-owned subsidiary of the Company, acquired from Impiana Citra Sdn Bhd ["Impiana"], its entire 30% shareholding in Konsep Sistematik (M) Sdn Bhd ["Konsep"] comprising 30,000 ordinary shares of RM1.00 each for a cash consideration of Ringgit Malaysia Thirty Thousand (RM30,000) and on 27 August 2010, HSBMH acquired from its wholly-owned subsidiary Hap Seng Building Materials Sdn Bhd, its shareholding in Konsep of one (1) ordinary share of RM1.00 at par value.

With the aforesaid acquisitions, Konsep became a wholly-owned subsidiary of HSBMH.

- (b) On 27 August 2010, Hap Seng Star Sdn Bhd ["HSS"], the 65% owned subsidiary of Hap Seng Auto Sdn Bhd, which in turn is the wholly-owned subsidiary of the Company entered into a shares sale agreement with Great Horizon Limited ["GHL"], the wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], to acquire from GHL its entire 100% shareholding in LSH Vietnam Limited ["LSHV"] comprising 16,000,000 ordinary shares of HKD1.00 each ["LSHV Acquisition"]. The purchase consideration for the LSHV Acquisition was Hong Kong Dollars Four Hundred Fifty Six thousand Four Hundred and Ninety Four (HKD456,494).

The LSHV Acquisition was deemed a related party transaction as it involved the interests of Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, the 36.6% major shareholder of LSH, who is a director and major shareholder of Gek Poh (Holdings) Sdn. Bhd., the holding company of the Company.

The LSHV Acquisition was completed on 3 September 2010 and LSHV became a wholly-owned subsidiary of HSS.

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

Save as disclosed below, there was no material event subsequent to the end of the current quarter and up to 19 November 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.

On 19 October 2010, Hap Seng Building Materials Holdings Sdn Bhd ["HSBMH"], a wholly-owned subsidiary of the Company entered into a shares sale agreement with Lei Shing Hong Limited ["LSH"] to acquire from LSH 1,750,000 ordinary shares representing 25% of the issued and paid-up share capital of Lei Shing Hong (Singapore) Pte. Ltd. ["LSHS"] ["LSHS Acquisition"]. The purchase consideration for the LSHS Acquisition was Singapore Dollars Eight Million Three Hundred and Eighty Nine Thousand (SGD8,389,000).

The LSHS Acquisition was deemed a related party transaction as it involved the interests of Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, the 36.6% major shareholder of LSH, who is a director and major shareholder of Gek Poh (Holdings) Sdn. Bhd., the holding company of the Company.

The LSHS Acquisition was completed on 28 October 2010 and LSHS became an associate of HSBMH.



**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 19 November 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:

	<b>As at</b> <b>30.9.2010</b>	<b>As at</b> <b>31.12.2009</b>
	RM'000	RM'000
Corporate guarantees to banks of subsidiaries in respect of balances outstanding	1,376,986 =====	1,418,291 =====

**14. Capital Commitments**

The Group has the following capital commitments:

	<b>As at</b> <b>30.9.2010</b>	<b>As at</b> <b>31.12.2009</b>
	RM'000	RM'000
Contracted but not provided for in this report	44,721	152,514
Authorised but not contracted for	67,462	75,420
	----- 112,183 =====	----- 227,934 =====

**15. Significant Related Party Transactions**

During the current quarter under review and up to 19 November 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 27 May 2010, except for the LSHV Acquisition and the LSHS Acquisition as disclosed in Note 11(b) and Note 12 respectively.

**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 RM726.8 million was 13% higher than the preceding year corresponding quarter whilst Group operating profit for the current quarter at RM99 million was RM69.8 million (240%) higher than the preceding year corresponding quarter.

Plantation Division recorded 68% improvement in performance attributable to higher sales volume and higher average selling prices of Crude Palm Oil (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 RM2,487 and RM1,575 per tonne as compared to the preceding year corresponding quarter of RM2,358 and RM1,018 per tonne respectively.

Property Division benefitted from higher project sales in particular from its D'Alpinia project in Puchong which was launched in the last quarter of the preceding year. Consequently, operating profit was 173% higher than the preceding year corresponding quarter.

The Fertilizer Trading Division's revenue was affected by lower average selling prices inspite of higher sales volume. However, operating profit improved over the preceding year corresponding quarter attributable to improved margins.

The Automotive Division's passenger and commercial vehicle segments recorded improved performance with a 41% increase in operating profits over the preceding year corresponding quarter 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 higher sales of building materials. Consequently, operating profit was 25% higher than the preceding year corresponding quarter.

Credit Financing Division operating profit was 29% 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 RM332.9 million and RM278.2 million were 136% and 127% higher than the preceding year corresponding period. Basic earnings per share for the current financial year-to-date at 39.05 sen was 138% higher than the preceding year corresponding period of 16.42 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 RM89.5 million was 47% below the preceding quarter of RM169.5 million mainly due to other non-operating item of RM92.7 million arising from the disposal of 35% equity interest in a subsidiary in the preceding quarter. Excluding the other non-operating item, the Group profit before tax for the current quarter was 17% higher than the preceding quarter mainly attributable to higher contribution from Plantation, Property 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	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	20,237	10,771	55,816	29,707
- deferred tax	402	(6,311)	989	(12,253)
	-----	-----	-----	-----
	20,639	4,460	56,805	17,454
	-----	-----	-----	-----
In respect of prior quarter/year				
- income tax	(293)	377	(2,022)	28,441
- deferred tax	-	103	-	(26,923)
	-----	-----	-----	-----
	(293)	480	(2,022)	1,518
	-----	-----	-----	-----
	20,346	4,940	54,783	18,972
	=====	=====	=====	=====

The Group's effective tax rate for the current quarter excluding overprovision of tax in respect of prior quarter/year was in line with the statutory tax rate whilst the effective tax rate for the year to date was lower than the statutory tax rate mainly due to other non-operating item which was 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 other non-operating item which was 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 was 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 19 November 2010.



**9. Borrowings and Debt Securities**

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

	← As at 30.9.2010 →					← As at 31.12.2009 →				
	← Denominated in →				Total	← Denominated in →				Total
	RM RM'000	USD RM'000	SGD RM'000	VND RM'000		RM RM'000	USD RM'000	SGD RM'000	Total RM'000	
<u>Short term</u>										
Unsecured										
- Bankers acceptances	39,691	-	-	-	39,691	121,959	-	-	-	121,959
- Bank overdrafts	29,742	-	-	-	29,742	12,581	-	-	-	12,581
- Revolving credits	543,400	70,706	-	3,668	617,774	468,400	90,893	-	-	559,293
- Term loans	363,741	-	-	-	363,741	406,596	-	-	-	406,596
- Foreign currency loan	-	46,056	-	-	46,056	-	8,461	-	-	8,461
	976,574	116,762	-	3,668	1,097,004	1,009,536	99,354	-	-	1,108,890
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
<u>Long term</u>										
Unsecured										
- Term loans	468,650	-	-	-	468,650	546,235	-	-	-	546,235
- Foreign currency loan	-	-	156,453	-	156,453	-	-	156,453	-	156,453
	468,650	-	156,453	-	625,103	546,235	-	156,453	-	702,688
	1,445,224	116,762	156,453	3,668	1,722,107	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 September 2010 are as follows:

	<b>Contract/ Notional Value</b>	<b>Fair Value: Assets/ (Liabilities)</b>
	RM'000	RM'000
Forward foreign currency contracts of less than 1 year (US Dollar)		
- Designated as hedging instruments	24,704	(417)
- Not designated as hedging instruments	48,843	(17)
	-----	-----
	73,547	(434)
	=====	=====

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) →	
	<b>Quarter ended 30.9.2010 RM'000</b>	<b>Year-to-date ended 30.9.2010 RM'000</b>
Forward foreign currency contracts		
- Not designated as hedging instruments	7	(17)
	=====	=====

**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 September 2010 given by the Company's moneylending subsidiaries are as follows:

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
(a) To companies	956,378	2,166	958,544
(b) To individuals	95,378	61	95,439
(c) To companies within the listed issuer group	-	-	-
(d) To related parties	-	-	-
	-----	-----	-----
	1,051,756	2,227	1,053,983
	=====	=====	=====

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

	<b>As at 30.9.2010 RM'000</b>
(a) Loans given by companies within the Group to the moneylending subsidiaries	58,300
(b) Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c) Unsecured bank borrowings guaranteed by the Company	394,669
(d) Borrowings with other non-bank financial intermediaries	
(i) unsecured	150,000
(ii) unsecured - guaranteed by the Company	100,007
	-----
	702,976
	=====



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	70,942
(c) Loans reclassified as performing during the financial year	(51,882)
(d) Amount recovered	(29,635)
(e) Amount written off	(6,387)
(f) Loans converted to securities	-
	-----
(g) Balance as at 30.9.2010	37,865
	=====
(h) Ratio of net loans in default to net loans	3.59%
	=====

(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 <sup>st</sup>	Term Loan	37,540	31,397	Yes	45,150	No	12 – 180
2 <sup>nd</sup>	Term Loan	21,000	21,682	Yes	19,500	No	60
3 <sup>rd</sup>	Term Loan	14,966	11,105	Yes	22,079	No	70 – 83
4 <sup>th</sup>	Term Loan	12,362	10,638	Yes	15,777	No	115 – 120
5 <sup>th</sup>	Term Loan	9,509	7,083	Yes	6,171	No	36 – 60

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 Court of Appeal has fixed 9 December 2010 for the hearing of the appeal.

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**

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**

**CHEAH YEE LENG**  
**QUAN SHEET MEI**  
Secretaries

Kuala Lumpur  
24 November 2010