



# 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 2011

	Quarter ended		Year-to-date ended	
	31.3.2011	31.3.2010	31.3.2011	31.3.2010
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	751,347	587,180	751,347	587,180
Operating expenses	(637,131)	(511,812)	(637,131)	(511,812)
Other operating income	46,351	9,302	46,351	9,302
	-----	-----	-----	-----
<b>Operating profit</b>	160,567	84,670	160,567	84,670
Financing costs	(19,446)	(15,061)	(19,446)	(15,061)
Share of results of associates	3,864	4,336	3,864	4,336
	-----	-----	-----	-----
<b>Profit before tax</b>	144,985	73,945	144,985	73,945
Tax expense	(35,747)	(16,507)	(35,747)	(16,507)
	-----	-----	-----	-----
<b>Profit for the period</b>	109,238	57,438	109,238	57,438
	=====	=====	=====	=====
<b>Profit attributable to:</b>				
Owners of the Company	82,174	39,482	82,174	39,482
Minority interests	27,064	17,956	27,064	17,956
	-----	-----	-----	-----
	109,238	57,438	109,238	57,438
	=====	=====	=====	=====
<b>Earnings per share (sen)</b>				
Basic	14.58	7.01	14.58	7.01
	=====	=====	=====	=====
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 2010 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 2011

	Quarter ended		Year-to-date ended	
	31.3.2011	31.3.2010	31.3.2011	31.3.2010
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period</b>	109,238	57,438	109,238	57,438
<b>Other comprehensive income:</b>				
Exchange difference on translation of foreign operations	(1,104)	(114)	(1,104)	(114)
	-----	-----	-----	-----
<b>Other comprehensive income for the period, net of tax</b>	(1,104)	(114)	(1,104)	(114)
	-----	-----	-----	-----
<b>Total comprehensive income for the period, net of tax</b>	108,134	57,324	108,134	57,324
	=====	=====	=====	=====
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	81,304	39,368	81,304	39,368
Minority interests	26,830	17,956	26,830	17,956
	-----	-----	-----	-----
	108,134	57,324	108,134	57,324
	=====	=====	=====	=====

*The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010 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 2011

	<b>As at 31.3.2011</b>	<b>As at 31.12.2010</b>
	RM'000	RM'000 (Audited)
<b>Non-current assets</b>		
Property, plant and equipment	1,090,741	1,074,960
Biological assets	415,662	414,548
Investment properties	505,752	502,768
Associates	384,512	380,648
Land held for property development	380,288	378,191
Goodwill	67,188	36,736
Long term receivables	722,453	631,482
Deferred tax assets	65,576	66,932
	-----	-----
	3,632,172	3,486,265
	-----	-----
<b>Current assets</b>		
Inventories	605,408	475,218
Property development costs	293,274	293,184
Receivables	927,096	907,947
Tax recoverable	31,491	34,085
Cash and bank balances	254,068	194,068
	-----	-----
	2,111,337	1,904,502
	-----	-----
<b>TOTAL ASSETS</b>	5,743,509	5,390,767
	=====	=====
<b>Equity attributable to owners of the Company</b>		
Share capital	622,660	622,660
Reserves	2,199,325	2,118,021
	-----	-----
	2,821,985	2,740,681
Less : Treasury shares	(154,467)	(154,467)
	-----	-----
	2,667,518	2,586,214
<b>Minority interests</b>	346,597	330,588
	-----	-----
<b>TOTAL EQUITY</b>	3,014,115	2,916,802
	-----	-----
<b>Non-current liabilities</b>		
Borrowings	790,892	796,862
Deferred tax liabilities	166,789	166,595
Other payables	1,263	1,289
	-----	-----
	958,944	964,746
	-----	-----
<b>Current liabilities</b>		
Payables and provisions, including derivatives	388,990	390,347
Tax payable	12,564	7,096
Borrowings	1,368,896	1,111,776
	-----	-----
	1,770,450	1,509,219
	-----	-----
<b>TOTAL LIABILITIES</b>	2,729,394	2,473,965
	-----	-----
<b>TOTAL EQUITY AND LIABILITIES</b>	5,743,509	5,390,767
	=====	=====
<b>Net assets per share (RM)</b>	4.73	4.59
	=====	=====
Based on number of shares net of treasury shares	563,523,500	563,523,500

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010 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 2011

	← 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 2011</b>	622,660	51,059	2,066,962	(154,467)	2,586,214	330,588	2,916,802
Profit for the period	-	-	82,174	-	82,174	27,064	109,238
Other comprehensive income	-	(870)	-	-	(870)	(234)	(1,104)
Total comprehensive income	-	(870)	82,174	-	81,304	26,830	108,134
Change of equity interest in subsidiary	-	-	-	-	-	(10,821)	(10,821)
<b>At 31 March 2011</b>	622,660	50,189	2,149,136	(154,467)	2,667,518	346,597	3,014,115
<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	-	-	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
<b>At 31 March 2010</b>	622,660	52,181	1,856,570	(154,459)	2,376,952	307,292	2,684,244

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 2010 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 2011

	<b>Year-to-date ended</b>	
	<b>31.3.2011</b>	<b>31.3.2010</b>
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	144,985	73,945
Adjustments for:		
Non-cash items	16,987	14,091
Non-operating items	(35,967)	(5,721)
Net interest expense	18,856	12,994
	-----	-----
Operating profit before working capital changes	144,861	95,309
Net changes in working capital	(136,480)	142,355
Net changes in loan receivables	(105,166)	(4,680)
Net tax paid	(27,402)	(10,610)
Net interest paid	(18,856)	(12,994)
Additions to land held for property development	(2,839)	(10,031)
	-----	-----
<b>Net cash (used in) / generated from operating activities</b>	(145,882)	199,349
	-----	-----
<b>Cash flows from investing activities</b>		
Dividends received from associates	-	6,750
Additional cost on investment in an associate	-	(1,537)
Acquisition of minority interests	(41,273)	-
Proceeds from disposal of property, plant and equipment	53,750	491
Proceeds from disposal of land held for property development	705	1,947
Purchase of property, plant and equipment	(55,372)	(18,107)
Additions to biological assets	(1,114)	(851)
Additions to investment properties	(2,984)	(161,213)
	-----	-----
<b>Net cash used in investing activities</b>	(46,288)	(172,520)
	-----	-----
<b>Cash flows from financing activities</b>		
Net proceed from borrowings	250,053	14,893
	-----	-----
<b>Net cash generated from financing activities</b>	250,053	14,893
	-----	-----
<b>Net increase in cash and cash equivalents</b>	57,883	41,722
Effects on exchange rate changes	(437)	(1,109)
<b>Cash and cash equivalents at beginning of the period</b>	185,429	415,886
	-----	-----
<b>Cash and cash equivalents at end of the period</b>	242,875	456,499
	=====	=====

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	142,448	389,928
Cash in hand and at bank	111,620	86,982
Bank overdrafts	(11,193)	(20,411)
	-----	-----
	242,875	456,499
	=====	=====

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010 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 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 2010.

#### **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 2010, except for the changes arising from the adoption of revised Financial Reporting Standards (FRSs), IC Interpretations and Amendments that are effective for financial period beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011 as follows:

##### Amendments effective for financial periods beginning on or after 1 March 2010

- Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues

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

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)\*
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- IC Interpretation 12, Service Concession Agreements\*
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation\*
- IC Interpretation 17, Distributions of Non-cash Assets to Owners\*
- Amendments to FRS 2, Share-based Payment\*
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

##### FRSs, IC Interpretations and Amendments effective for financial periods beginning on or after 1 January 2011

- IC Interpretation 4, Determining whether an Arrangement contains a Lease\*
- IC Interpretation 18, Transfers of Assets from Customers\*
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards\*
  - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
  - Additional Exemptions for First-time Adopters
- Amendments to FRS 2, Group Cash-settled Share Based Payment Transactions\*
- Amendments to FRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
- Improvements to FRSs (2010)

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

The adoption of the above revised FRSs, IC Interpretation and Amendments do not have any significant financial impact on 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 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 2011, the Company has 59,136,500 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.

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8. **Segment Information**

	<b>Plantation</b> RM'000	<b>Property</b> RM'000	<b>Credit financing</b> RM'000	<b>Fertilizer trading</b> RM'000	<b>Quarry and building materials</b> RM'000	<b>Automotive</b> RM'000	<b>Other non- reportable segments</b> RM'000	<b>Eliminations</b> RM'000	<b>Consolidated</b> RM'000
<b><u>Year-to-date ended 31 March 2011</u></b>									
<b>Revenue</b>									
External revenue	144,051	50,400	21,433	228,807	115,496	170,072	21,088	-	751,347
Inter-segment revenue	-	2,576	-	12,653	5,902	4,177	-	(25,308)	-
<b>Total revenue</b>	<b>144,051</b>	<b>52,976</b>	<b>21,433</b>	<b>241,460</b>	<b>121,398</b>	<b>174,249</b>	<b>21,088</b>	<b>(25,308)</b>	<b>751,347</b>
<b>Operating profit</b>	78,035	45,905	17,476	15,294	4,876	5,856	(1,658)	(5,217)	160,567
Financing costs									(19,446)
Share of results of associates									3,864
<b>Profit before tax</b>									<b>144,985</b>
<b>Segment assets</b>	973,354	1,663,272	1,137,686	588,599	549,800	267,045	82,174		5,261,930
<b><u>Year-to-date ended 31 March 2010</u></b>									
<b>Revenue</b>									
External revenue	101,401	48,364	14,934	202,894	103,672	102,260	13,655	-	587,180
Inter-segment revenue	-	2,452	-	11,032	5,228	16	-	(18,728)	-
<b>Total revenue</b>	<b>101,401</b>	<b>50,816</b>	<b>14,934</b>	<b>213,926</b>	<b>108,900</b>	<b>102,276</b>	<b>13,655</b>	<b>(18,728)</b>	<b>587,180</b>
<b>Operating profit</b>	50,356	13,663	11,672	7,580	6,353	2,039	(4,783)	(2,210)	84,670
Financing costs									(15,061)
Share of results of associates									4,336
<b>Profit before tax</b>									<b>73,945</b>
<b>Segment assets</b>	841,181	1,603,938	879,251	384,582	357,293	245,297	269,224		4,580,766





**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.

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

There were no material events subsequent to the end of the current quarter and up to 3 May 2011, 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.

**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 3 May 2011, 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>31.3.2011</b>	<b>As at</b> <b>31.12.2010</b>
	RM'000	RM'000
Corporate guarantees to banks of subsidiaries in respect of balances outstanding	1,968,335	1,717,185
	=====	=====

**13. Capital Commitments**

The Group has the following capital commitments:

	<b>As at</b> <b>31.3.2011</b>	<b>As at</b> <b>31.12.2010</b>
	RM'000	RM'000
Contracted but not provided for in this report	69,693	89,398
Authorised but not contracted for	105,882	103,694
	-----	-----
	175,575	193,092
	=====	=====

**14. Significant Related Party Transactions**

During the current quarter under review and up to 3 May 2011, 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 had not been included or exceeded by 10% of the estimated value which had been mandated by the shareholders during the extraordinary general meeting held on 27 May 2010.

**PART B**

**Explanatory Notes Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

**1. Review of Performance**

Revenue for the current quarter under review at RM751.3 million was 28% higher than the preceding year corresponding quarter with improvement in revenue in all divisions. Group operating profit for the current quarter at RM160.6 million was 90% higher than the preceding year corresponding quarter with higher contribution from all divisions except for Quarry and Building Materials Division.

Plantation Division recorded a significant improvement of 55% in operating profit mainly attributable to higher average selling prices of Crude Palm Oil (CPO) and Palm Kernel (PK) but mitigated somewhat by lower sales volume of CPO. Average selling price of CPO and PK realised for the current quarter were RM3,542 and RM2,907 per tonne which were higher than the preceding year corresponding quarter of RM2,476 and RM1,359 per tonne respectively. CPO sales volume at 31,831 tonnes was lower than the preceding year corresponding quarter by 7% whilst PK sales volume at 8,048 tonnes was marginally higher than the preceding year corresponding quarter. The lower CPO sales volume for the current quarter under review was generally affected by seasonal cropping pattern and relatively wet weather conditions as well as lower mature area due to higher replanting undertaken during the period.

Property Division benefited from higher project sales and gain from disposal of two investment properties in Tawau, Sabah during the current quarter and recorded operating profit which was RM32.2 million (236%) higher than the preceding year corresponding quarter.

Credit Financing Division's operating profit was 50% higher than the preceding year corresponding quarter in tandem with the higher loan portfolio of approximately RM1.2 billion as compared to RM952 million as at the end of the preceding year corresponding quarter.

The Fertilizer Trading Division recorded significant improvement of 102% in operating profit over the preceding year corresponding quarter mainly attributable to higher sales volume and better margins as the higher cost inventories in the preceding financial year have been cleared and the plantation industry have also returned to their normal fertilizers applications.

The Automotive Division performance for the current quarter improved over the preceding year corresponding quarter as it continues its effort to increase market share and improve service level whilst at the same time also benefited from the expansion of its Mercedes Benz business in Vietnam. The Division's operating profit for the current quarter was RM3.8 million (187%) above the preceding year corresponding quarter.

Quarry and Building Materials Division continues to expand its quarry, bricks manufacturing and building materials trading operations. During the current quarter, the Division commenced operations of its third brick factory, two new quarries and two new asphalt plants. The Division recorded improvement in revenue by 11% but operating profit was 23% lower than the preceding year corresponding quarter due to lower margins from the aforesaid new operations, impacted by higher production costs as the optimal level of production have not been reached during the start-up period.

Overall, Group profit before tax and profit after tax for the current quarter under review at RM145.0 million and RM109.2 million were 96% and 90% higher than the preceding year corresponding quarter. Basic earnings per share for the current quarter at 14.58 sen was 108% higher than the preceding year corresponding quarter of 7.01 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 RM145.0 million was 15% lower than the preceding quarter of RM171.5 million. Generally, performance of the Property and Quarry and Building Materials Divisions were affected by the slow down in construction activity in the first quarter attributable to the timing of seasonal festive period. In addition, the Property Division's preceding quarter results also included fair value adjustments on some of its investment properties in accordance with the accounting policy on Investment Properties adopted by the Group.

**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.

Capitalising on the strong underlying fundamentals of all our core businesses, we expect the performance of our group for the rest of the year to be consistent with that of the first quarter.

**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	
	31.3.2011 RM'000	31.3.2010 RM'000	31.3.2011 RM'000	31.3.2010 RM'000
In respect of current period				
- income tax	34,924	15,017	34,924	15,017
- deferred tax	386	1,490	386	1,490
	-----	-----	-----	-----
	35,310	16,507	35,310	16,507
	-----	-----	-----	-----
In respect of prior year				
- income tax	446	-	446	-
- deferred tax	(9)	-	(9)	-
	-----	-----	-----	-----
	437	-	437	-
	-----	-----	-----	-----
	35,747	16,507	35,747	16,507
	=====	=====	=====	=====

The Group's effective tax rate for the current quarter excluding under provision of tax in respect of prior year was close to the statutory tax rate. The effective tax rate for the preceding year corresponding quarter was lower than the statutory tax rate mainly due to utilisation of unrecognised deferred tax assets on reinvestment allowance.

**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 under review.



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

Save as disclosed below, there was no other corporate proposal announced but not completed as at 3 May 2011.

On behalf of Hap Seng Consolidated Berhad ["HSCB"/ the "Company"], CIMB Investment Bank Berhad ["CIMB"] had on 7 January 2011, announced that the Company proposed to undertake the following:

- (i) proposed private placement of up to 124,532,000 new ordinary shares of RM1.00 each in HSCB ["HSCB Shares"] representing up to 20% of the issued and paid-up share capital of the Company, to investor(s) to be identified at an issue price to be determined and announced later ["Proposed Placement"];
- (ii) proposed bonus issue of up to 1,494,384,000 new HSCB Shares ["Bonus Shares"] to be credited as fully paid-up, on the basis of two (2) Bonus Shares for every one (1) existing HSCB Share held by the entitled shareholders of the Company on the entitlement date to be determined and announced later ["Entitlement Date"] ["Proposed Bonus Issue"];
- (iii) proposed renounceable rights issue of up to 448,315,200 new HSCB Shares ["Rights Shares"] together with up to 448,315,200 new free detachable warrants ["Warrants"] on the basis of one (1) Rights Share together with one (1) Warrant for every five (5) HSCB Shares held by the entitled shareholders of the Company after the Proposed Bonus Issue on the Entitlement Date ["Proposed Rights Issue with Warrants"];
- (iv) proposed increase in the authorised share capital of HSCB from RM1,000,000,000 comprising 1,000,000,000 HSCB Shares to RM5,000,000,000 comprising 5,000,000,000 HSCB Shares; and
- (v) proposed amendments to the Memorandum and Articles of Association of HSCB to facilitate the implementation of the Proposed Bonus Issue and Proposed Rights Issue with Warrants].

(collectively, (i) to (v) above are referred to as the "Proposals")

All the approvals required for the Proposals have been obtained on the respective date as set out below:

On 17 February 2011, approval was obtained from Bursa Malaysia Securities Berhad ["Bursa Securities"] for the following:

- (i) listing of and quotation for the new HSCB Shares to be issued pursuant to the Proposed Placement;
- (ii) listing of and quotation for the new HSCB Shares to be issued pursuant to the Proposed Bonus Issue and Proposed Right Issue with Warrants and the new HSCB Shares to be issued and arising from the exercise of Warrants, on the Main Market of Bursa Securities; and
- (iii) admission, listing of and quotation for the Warrants to be issued pursuant to the Proposed Rights Issue with Warrants on the Official List of the Main Market of Bursa Securities.

On 2 March 2011, approval was obtained from Ministry of International Trade and Industry for the Proposed Placement.

On 3 March 2011, approval was obtained from Bank Negara Malaysia for the issuance of the Warrants to non-resident shareholders of HSCB pursuant to the Proposed Right Issue with Warrants.

On 15 March 2011, approval was obtained from the shareholders of the Company on the Proposals during the extraordinary general meeting held on even date.

The Proposals are currently pending implementation by the Company.



9. **Borrowings and Debt Securities**

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

	← As at 31.3.2011 →					← As at 31.12.2010 →				
	Denominated in				Total RM'000	Denominated in				Total RM'000
	RM RM'000	USD RM'000	SGD RM'000	VND RM'000		RM RM'000	USD RM'000	SGD RM'000	VND RM'000	
<u>Current</u>										
Unsecured										
- Bankers acceptances	76,911	784	-	-	77,695	35,477	-	-	-	35,477
- Bank overdrafts	11,193	-	-	-	11,193	8,639	-	-	-	8,639
- Revolving credits	728,000	49,736	-	19,646	797,382	563,400	63,792	-	8,852	636,044
- Term loans	337,602	-	-	-	337,602	368,057	-	-	-	368,057
- Foreign currency loan	-	145,024	-	-	145,024	-	63,559	-	-	63,559
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	1,153,706	195,544	-	19,646	1,368,896	975,573	127,351	-	8,852	1,111,776
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
<u>Non-current</u>										
Unsecured										
- Term loans	634,439	-	-	-	634,439	640,409	-	-	-	640,409
- Foreign currency loan	-	-	156,453	-	156,453	-	-	156,453	-	156,453
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	634,439	-	156,453	-	790,892	640,409	-	156,453	-	796,862
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	1,788,145	195,544	156,453	19,646	2,159,788	1,615,982	127,351	156,453	8,852	1,908,638
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====



**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 2011 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	10,005	(64)
- Not designated as hedging instruments	86,904	(235)
	-----	-----
	96,909	(299)
	=====	=====

The Group has no significant concentration 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.

**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:

	← <b>Gain/(loss)</b> →	
	<b>Quarter ended 31.3.2011</b>	<b>Year-to-date ended 31.3.2011</b>
	RM'000	RM'000
Forward foreign currency contracts		
- Not designated as hedging instruments	(218)	(218)
	=====	=====

*(The remainder of this page has been intentionally left blank)*

12. **Disclosure of Realised and Unrealised Profits (Unaudited)**

	<b>As at 31.3.2011 RM'000</b>
Total retained profits of the Company and its subsidiaries:	
- Realised	3,617,867
- Unrealised	7,264
	-----
	3,625,131
Total share of retained profits from associates	
- Realised	23,070
- Unrealised	979
- Breakdown unavailable*	10,567
	-----
	3,659,747
Less: Consolidation adjustments	(1,510,611)
	-----
Total group retained profits as per consolidated financial statements	2,149,136
	=====

\* This represents the share of retained profits of Lam Soon (Thailand) Public Company Limited ["LST"], an associate which is listed in the Stock Exchange of Thailand. The information required by Bursa Securities was not made available by LST due to the requirement to comply with the Guideline on Disclosure of Information of Listed Companies issued by the Stock Exchange of Thailand.

13. **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 2011 given by the Company's moneylending subsidiaries are as follows:

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	RM'000	RM'000	RM'000
(a) To companies	1,082,152	1,683	1,083,835
(b) To individuals	114,178	61	114,239
(c) To companies within the listed issuer group	-	-	-
(d) To related parties	-	-	-
	-----	-----	-----
	1,196,330	1,744	1,198,074
	=====	=====	=====

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

Moneylending operations (Cont'd)

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

	<b>As at 31.3.2011</b>
	RM'000
(a) Loans given by companies within the Group to the moneylending subsidiaries	17,000
(b) Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c) Unsecured bank borrowings guaranteed by the Company	575,059
(d) Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company	250,008
	-----
	842,067
	=====

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

	RM'000
(a) Balance as at 1.1.2011	33,629
(b) Loans classified as in default during the financial year	6,730
(c) Loans reclassified as performing during the financial year	(12,448)
(d) Amount recovered	(5,747)
(e) Amount written off	-
(f) Loans converted to securities	-
	-----
(g) Balance as at 31.3.2011	22,164
	=====
(h) Ratio of net loans in default to net loans	1.85%
	=====

(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	52,500	52,315	Yes	52,272	No	60
2 <sup>nd</sup>	Term Loan	21,000	21,691	Yes	19,500	No	60
3 <sup>rd</sup>	Term Loan	23,200	17,803	Yes	30,030	No	12 – 180
4 <sup>th</sup>	Term Loan	24,350	11,356	Yes	15,000	No	20
5 <sup>th</sup>	Hire Purchase	14,663	10,680	Yes	15,148	No	36 – 60





**14. 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 10 August 2004 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 appeal was heard on 9 and 10 December 2010 and the ruling thereof has been reserved to a date to be fixed by the Court of Appeal.

The Company's Solicitors are of the opinion that both the above mentioned appeal and the Plaintiffs' claim to the Native Customary Rights against the alienated land after the issuance of the title are unlikely to succeed.

**15. 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 563,524,000 (2010: 563,526,000)

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

**16. Dividends**

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

**17. 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 2010 was not subject to any qualification.

**BY ORDER OF THE BOARD**

**CHEAH YEE LENG**

**QUAN SHEET MEI**

Secretaries

Kuala Lumpur

6 May 2011