



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 2011

	Quarter ended		Year-to-date ended	
	30.6.2011	30.6.2010	30.6.2011	30.6.2010
	RM'000	RM'000	RM'000	RM'000
Revenue	958,521	664,517	1,709,868	1,251,697
Operating expenses	(783,073)	(583,705)	(1,420,204)	(1,095,517)
Other operating income	14,254	6,562	60,605	15,864
	-----	-----	-----	-----
Operating profit	189,702	87,374	350,269	172,044
Financing costs	(22,647)	(16,817)	(42,093)	(31,878)
Other non-operating item	-	92,685	-	92,685
Share of results of associates	4,077	6,256	7,941	10,592
	-----	-----	-----	-----
Profit before tax	171,132	169,498	316,117	243,443
Tax expense	(45,327)	(17,930)	(81,074)	(34,437)
	-----	-----	-----	-----
Profit for the period	125,805	151,568	235,043	209,006
	=====	=====	=====	=====
Profit attributable to:				
Owners of the Company	90,533	132,674	172,707	172,156
Minority interests	35,272	18,894	62,336	36,850
	-----	-----	-----	-----
	125,805	151,568	235,043	209,006
	=====	=====	=====	=====
Earnings per share (sen)				
Basic	4.82	7.32	9.35	9.49
	=====	=====	=====	=====
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 SECOND QUARTER AND YEAR TO DATE ENDED 30 JUNE 2011

	Quarter ended		Year-to-date ended	
	30.6.2011 RM'000	30.6.2010 RM'000	30.6.2011 RM'000	30.6.2010 RM'000
Profit for the period	125,805	151,568	235,043	209,006
Other comprehensive income:				
Exchange difference on translation of foreign operations, net of tax	(1,275)	(1,882)	(2,379)	(1,996)
Total comprehensive income for the period, net of tax	<u>124,530</u> =====	<u>149,686</u> =====	<u>232,664</u> =====	<u>207,010</u> =====
Total comprehensive income attributable to:				
Owners of the Company	89,789	130,792	171,093	170,160
Minority interests	34,741	18,894	61,571	36,850
	<u>124,530</u> =====	<u>149,686</u> =====	<u>232,664</u> =====	<u>207,010</u> =====

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 30 JUNE 2011

	As at 30.6.2011	As at 31.12.2010
	RM'000	RM'000 <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	1,122,302	1,074,960
Biological assets	417,045	414,548
Investment properties	511,176	502,768
Associates	386,002	380,648
Land held for property development	373,521	378,191
Goodwill	67,188	36,736
Long term receivables	784,617	631,482
Deferred tax assets	65,428	66,932
	-----	-----
	3,727,279	3,486,265
	-----	-----
Current assets		
Inventories	816,398	475,218
Property development costs	264,385	293,184
Receivables	1,096,772	907,947
Tax recoverable	22,823	34,085
Cash and bank balances	495,005	194,068
	-----	-----
	2,695,383	1,904,502
	-----	-----
TOTAL ASSETS	6,422,662	5,390,767
	=====	=====
Equity attributable to owners of the Company		
Share capital	666,460	622,660
Reserves	2,351,370	2,118,021
	-----	-----
	3,017,830	2,740,681
Less : Treasury shares	(154,478)	(154,467)
	-----	-----
	2,863,352	2,586,214
Minority interests	356,217	330,588
	-----	-----
TOTAL EQUITY	3,219,569	2,916,802
	-----	-----
Non-current liabilities		
Borrowings	712,627	796,862
Deferred tax liabilities	166,831	166,595
Other payables	927	1,289
	-----	-----
	880,385	964,746
	-----	-----
Current liabilities		
Payables and provisions, including derivatives	418,348	390,347
Tax payable	31,620	7,096
Borrowings	1,872,740	1,111,776
	-----	-----
	2,322,708	1,509,219
	-----	-----
TOTAL LIABILITIES	3,203,093	2,473,965
	-----	-----
TOTAL EQUITY AND LIABILITIES	6,422,662	5,390,767
	=====	=====
Net assets per share (RM)	4.71	4.59
	-----	-----
Based on number of shares net of treasury shares	607,321,500	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 30 JUNE 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			
At 1 January 2011	622,660	51,059	2,066,962	(154,467)	2,586,214	330,588	2,916,802
Profit for the period	-	-	172,707	-	172,707	62,336	235,043
Other comprehensive income	-	(1,614)	-	-	(1,614)	(765)	(2,379)
Total comprehensive income	-	(1,614)	172,707	-	171,093	61,571	232,664
Issuance of shares pursuant to the Private Placement	43,800	186,150	-	-	229,950	-	229,950
Change of equity interest in subsidiary	-	-	-	-	-	(10,821)	(10,821)
Purchase of treasury shares	-	-	-	(11)	(11)	-	(11)
Purchase of treasury shares by subsidiary	-	-	-	-	-	(5)	(5)
Dividends to owners of the Company	-	-	(123,894)	-	(123,894)	-	(123,894)
Dividends paid by subsidiary	-	-	-	-	-	(25,116)	(25,116)
At 30 June 2011	<u>666,460</u>	<u>235,595</u>	<u>2,115,775</u>	<u>(154,478)</u>	<u>2,863,352</u>	<u>356,217</u>	<u>3,219,569</u>
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	<u>622,660</u>	<u>52,295</u>	<u>1,817,088</u>	<u>(154,459)</u>	<u>2,337,584</u>	<u>289,336</u>	<u>2,626,920</u>
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
Change of equity interest in subsidiary	-	-	-	-	-	11,126	11,126
Purchase of treasury shares	-	-	-	(3)	(3)	-	(3)
Purchase of treasury shares by subsidiary	-	-	-	-	-	(5)	(5)
Dividends to owners of the Company	-	-	(39,447)	-	(39,447)	-	(39,447)
Dividends paid by subsidiary	-	-	-	-	-	(19,379)	(19,379)
At 30 June 2010	<u>622,660</u>	<u>50,299</u>	<u>1,949,797</u>	<u>(154,462)</u>	<u>2,468,294</u>	<u>317,928</u>	<u>2,786,222</u>

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 30 JUNE 2011

	Year-to-date ended	
	30.6.2011	30.6.2010
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	316,117	243,443
Adjustments for:		
Non-cash items	35,501	28,301
Non-operating items	(40,700)	(103,280)
Net interest expense	39,100	28,565
	-----	-----
Operating profit before working capital changes	350,018	197,029
Net changes in working capital	(422,917)	(75,810)
Net changes in loan receivables	(189,227)	(42,861)
Net tax paid	(45,822)	(18,810)
Net interest paid	(39,100)	(28,565)
Additions to land held for property development	(13,930)	(38,664)
	-----	-----
Net cash used in operating activities	(360,978)	(7,681)
	-----	-----
Cash flows from investing activities		
Dividends received from associates	2,587	10,826
Proceeds from disposal of 35% equity interest in a subsidiary	-	103,811
Acquisition of minority interests	(41,273)	-
Additional cost on investment in an associate	-	(1,537)
Proceeds from disposal of property, plant and equipment	57,919	1,733
Proceeds from disposal of land held for property development	2,972	1,947
Purchase of property, plant and equipment	(109,084)	(66,480)
Additions to biological assets	(2,497)	(2,597)
Additions to investment properties	(8,408)	(148,469)
	-----	-----
Net cash used in investing activities	(97,784)	(100,766)
	-----	-----
Cash flows from financing activities		
Dividends paid to owners of the Company and minority interests	(149,010)	(58,826)
Shares repurchase at cost	(16)	(8)
Net proceed from/(repayment of) borrowings	681,566	(77,750)
Proceed from issuance of shares pursuant to the Private Placement	229,950	-
	-----	-----
Net cash generated from/(used in) financing activities	762,490	(136,584)
	-----	-----
Net increase/(decrease) in cash and cash equivalents	303,728	(245,031)
Effects on exchange rate changes	(572)	(466)
Cash and cash equivalents at beginning of the period	185,429	415,886
	-----	-----
Cash and cash equivalents at end of the period	488,585	170,389
	=====	=====
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	365,270	130,344
Cash in hand and at bank	129,735	77,721
Bank overdrafts	(6,420)	(37,676)
	-----	-----
	488,585	170,389
	=====	=====

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 slowdown 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 previous year 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

(a) Share buyback by the Company

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 2011	-	-	-	-	-	-
May 2011	2,000	5.700	5.700	5.7419	11,483.82	-
June 2011	-	-	-	-	-	-
Total	2,000	5.700	5.700	5.7419	11,483.82	-

During the current quarter under review, 2,000 shares were bought back and there was no resale or cancellation of treasury shares. All shares bought back were retained as treasury shares. As at 30 June 2011, the Company held 59,138,500 ordinary shares as treasury shares.

(b) Private Placement [as defined in Note 12 below]

On 23 May 2011, 43,800,000 new ordinary shares of RM1.00 each pursuant to the Private Placement were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad. Accordingly, the issued and paid-up share capital of the Company increased to RM666,460,000 comprising 666,460,000 ordinary shares of RM1.00 each with 59,138,500 ordinary shares thereof being held as treasury shares.

8. Dividends Paid

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

	Cumulative Quarter Ended	
	30.6.2011	30.6.2010
	RM'000	RM'000
Dividend in respect of financial year ended 31 December 2009:		
- final (7.0 sen) under the single tier system approved by shareholders on 27 May 2010 and paid on 11 June 2010	-	39,447
Dividend in respect of financial year ended 31 December 2010:		
- final (20.4 sen) under the single tier system approved by shareholders on 7 June 2011 and paid on 24 June 2011	123,894	-
	-----	-----
	123,894	39,447
	=====	=====

9. **Segment Information**

	Plantation RM'000	Property RM'000	Credit financing RM'000	Fertilizer trading RM'000	Quarry and building materials RM'000	Automotive RM'000	Other non- reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
<u>Year-to-date ended 30 June 2011</u>									
Revenue									
External revenue	326,447	161,916	44,889	518,490	248,410	363,544	46,172	-	1,709,868
Inter-segment revenue	-	4,969	-	22,749	13,084	7,726	191	(48,719)	-
Total revenue	326,447	166,885	44,889	541,239	261,494	371,270	46,363	(48,719)	1,709,868
Operating profit	181,291	79,978	36,183	38,173	12,141	12,304	(2,979)	(6,822)	350,269
Financing costs									(42,093)
Share of results of associates									7,941
Profit before tax									316,117
Segment assets	975,825	1,696,162	1,224,515	843,845	607,620	280,922	319,520		5,948,409
<u>Year-to-date ended 30 June 2010</u>									
Revenue									
External revenue	202,225	111,625	35,816	437,208	221,016	214,066	29,741	-	1,251,697
Inter-segment revenue	-	4,895	-	20,062	11,150	65	-	(36,172)	-
Total revenue	202,225	116,520	35,816	457,270	232,166	214,131	29,741	(36,172)	1,251,697
Operating profit	100,500	26,269	26,245	11,570	11,009	6,121	(5,874)	(3,796)	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	827,167	1,613,429	925,357	500,744	399,231	207,649	79,609		4,553,186

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:

On 22 June 2011, Hap Seng Star Sdn Bhd, the 65% owned subsidiary of Hap Seng Auto Sdn Bhd, which in turn is the wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of Hap Seng Star (Vietnam) Sdn Bhd (*formerly known as Makna Rezeki Sdn Bhd*) ["HSSV"] comprising 2 ordinary shares of RM1.00 each at a cash consideration of Ringgit Malaysia Two only (RM2.00).

The above change in composition of the Group does not have any significant financial effect on the Group.

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 August 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.

- (a) 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) 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 ["Private Placement"];
 - (ii) 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"] ["Bonus Issue"];
 - (iii) 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 ["Rights Issue with Warrants"];
 - (iv) 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) amendments to the Memorandum and Articles of Association of HSCB to facilitate the implementation of the Bonus Issue and Rights Issue with Warrants].
- (b) The Private Placement was completed on 23 May 2011 with the listing of and quotation for 43,800,000 new HSCB Shares on the Main Market of Bursa Malaysia Securities Berhad ["Bursa Securities"]
- (c) The Bonus Issue and Right Issue with Warrants were completed on 15 August 2011 with the listing of and quotation for the following on the Main Market of Bursa Securities.
- (i) 1,214,643,000 new HSCB Shares arising from the Bonus Issue;
 - (ii) 364,392,900 new HSCB Shares arising from the Rights Issue; and
 - (iii) 364,392,900 Warrants pursuant to the Rights Issue with Warrants.

As stated in Note 7(b) above, the issued and paid-up share capital of the Company increased to RM666,460,000 comprising 666,460,000 ordinary shares of RM1.00 each with the completion of the Private Placement and thereafter increased to RM2,245,495,900 comprising 2,245,495,900 ordinary shares of RM1.00 each with the completion of the Bonus Issue and Rights Issue with Warrants, with 59,138,500 ordinary shares thereof being held as treasury shares.

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 19 August 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:

	As at	As at
	30.6.2011	31.12.2010
	RM'000	RM'000
Corporate guarantees to banks of subsidiaries in respect of balances outstanding	2,428,914	1,717,185
	=====	=====

14. Capital Commitments

The Group has the following capital commitments:

	As at	As at
	30.6.2011	31.12.2010
	RM'000	RM'000
Approved and contracted for	84,530	89,398
Approved but not contracted for	121,926	103,694
	-----	-----
	206,456	193,092
	=====	=====

15. Significant Related Party Transactions

During the current quarter under review and up to 19 August 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 and has expired on 7 June 2011.

As at the extraordinary general meeting on 7 June 2011, the Company obtained a renewed shareholders' mandate for RRPT and from the date thereof up to 19 August 2011, the Company and its subsidiaries did not enter into any RPT or RRPT that were not included or exceeded by 10% the estimated value which had been mandated by the shareholders on 7 June 2011.

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PART B

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

1. Review of Performance

During the quarter under review, all Divisions recorded improvement in performance. The Group revenue for the current quarter under review at RM958.3 million was 44% higher than the preceding year corresponding quarter whilst the Group operating profit for the current quarter at RM189.7 million was 117% higher than the preceding year corresponding quarter.

Plantation Division's operating profit was 106% higher than the preceding year corresponding quarter mainly attributable to higher average selling price of Crude Palm Oil (CPO) and Palm Kernel (PK) for the current quarter of RM3,372 and RM2,497 per tonne which were higher than the preceding year corresponding quarter of RM2,499 and RM1,455 per tonne respectively. In addition, the better performance was also contributed by higher CPO and PK sales volume for the current quarter which were 28% and 52% respectively higher than the preceding year corresponding quarter attributable to higher CPO production with higher Fresh Fruit Bunches (FFB) yield resulting from the changes in cropping pattern and increase in the purchase of FFB.

Property Division benefited mainly from ongoing sales and higher progress work completion from its projects in both East and Peninsula Malaysia and recorded operating profit which was 170% higher than the preceding year corresponding quarter.

Credit Financing Division's operating profit was 28% higher than the preceding year corresponding quarter benefitting from the higher loan portfolio of approximately RM1.3 billion as compared to RM982 million as at the end of the preceding year corresponding quarter.

The Fertilizer Trading Division recorded significant improvement of 473% in operating profit over the preceding year corresponding quarter mainly attributable to higher sales volume and better margins achieved in both the Malaysian and Indonesian markets.

The Automotive Division's operating profit for the current quarter was 58% above the preceding year corresponding quarter with better performance from its heavy vehicles business.

Quarry and Building Materials Division's existing quarries, brick factories and asphalt plants continue to contribute to the overall improvement in performance of the Division. The Division's revenue and operating profit were higher by 14% and 56% respectively over the preceding year corresponding quarter.

Overall, Group profit before tax ["PBT"] and profit after tax ["PAT"] for the current financial year to date at RM316.1 million and RM235.0 million were 30% and 12% higher than the preceding year corresponding period. Profit attributable to owners of the Company for the current financial year to date at RM172.7 million was marginally higher than the preceding year corresponding period. Excluding the other non-operating item of RM92.7 million, profit attributable to owners of the Company for the year to date was 117% higher than the preceding year corresponding period.

Basic earnings per share for the current financial year at 9.35 sen was marginally below the preceding year corresponding period of 9.49 sen calculated based on the weighted average number of shares in issue after the Private Placement of 43,800,000 shares which was completed on 23 May 2011 and reflecting the retrospective adjustments arising from the Bonus Issue and Rights Issue which was completed on 15 August 2011 as required by "FRS133, Earnings per Share" and disclosed in Note 15 below.

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 RM171.1 million was 18% higher than the preceding quarter of RM145.0 million mainly attributable to higher contribution from Plantation Division which benefitted from higher sales volume of CPO and PK.



3. Current Year Prospects

The Group's prospects for the second half of 2011 are generally likely to be influenced by the looming global economic uncertainty. However, the overall results of the Group for the current financial year is expected to be better than the previous year benefitting from a strong first half performance from all Divisions.

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	
	30.6.2011	30.6.2010	30.6.2011	30.6.2010
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	45,019	18,833	79,943	33,850
- deferred tax	(486)	(903)	(100)	587
	-----	-----	-----	-----
	44,533	17,930	79,843	34,437
	-----	-----	-----	-----
In respect of prior year				
- income tax	101	-	547	-
- deferred tax	693	-	684	-
	-----	-----	-----	-----
	794	-	1,231	-
	-----	-----	-----	-----
	45,327	17,930	81,074	34,437
	=====	=====	=====	=====

The Group's effective tax rate for the current quarter and year to date excluding under provision of tax in respect of prior year were marginally above the statutory tax rate mainly due to certain expenses being disallowed for tax purposes. The effective tax rate for the preceding year corresponding quarter and period were lower than the statutory tax rate mainly due to the other non-operating item which was not subjected to tax.

6. Profits/(Losses) on sale of unquoted investments and/or properties respectively for the current quarter and financial year to date

There was no disposal of unquoted investment for the current quarter and year to date. 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 August 2011.

9. Borrowings and Debt Securities

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

	← As at 30.6.2011 →					← As at 31.12.2010 →				
	Denominated in				Total	Denominated in				Total
	RM	USD	SGD	VND		RM	USD	SGD	VND	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Current</u>										
Unsecured										
- Bankers acceptances	215,933	2,461	-	-	218,394	35,477	-	-	-	35,477
- Bank overdrafts	6,420	-	-	-	6,420	8,639	-	-	-	8,639
- Revolving credits	828,700	66,719	-	14,548	909,967	563,400	63,792	-	8,852	636,044
- Term loans	322,928	-	-	-	322,928	368,057	-	-	-	368,057
- Foreign currency loan	-	258,578	156,453	-	415,031	-	63,559	-	-	63,559
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	1,373,981	327,758	156,453	14,548	1,872,740	975,573	127,351	-	8,852	1,111,776
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
<u>Non-current</u>										
Unsecured										
- Term loans	700,489	-	-	-	700,489	640,409	-	-	-	640,409
- Foreign currency loan	-	12,138	-	-	12,138	-	-	156,453	-	156,453
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	700,489	12,138	-	-	712,627	640,409	-	156,453	-	796,862
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	2,074,470	339,896	156,453	14,548	2,585,367	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 30 June 2011 are as follows:

	Contract/ Notional Value	Fair Value: Assets/ (Liabilities)
	RM'000	RM'000
Forward foreign currency contracts of less than 1 year (US Dollar)		
- Designated as hedging instruments	42,129	(283)
- Not designated as hedging instruments	67,596	(134)
	-----	-----
	109,725	(417)
	=====	=====

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:

	← Gain/(loss) →	
	Quarter ended	Year-to-date ended
	30.6.2011	30.6.2011
	RM'000	RM'000
Forward foreign currency contracts		
- Not designated as hedging instruments	101	(117)
	=====	=====

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

	As at 30.6.2011 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	3,597,870
- Unrealised	7,012

	3,604,882
Total share of retained profits from associates	
- Realised	27,948
- Unrealised	770
- Breakdown unavailable*	7,388

	3,640,988
Less: Consolidation adjustments	(1,525,213)

Total group retained profits as per consolidated financial statements	2,115,775 =====

* 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 30 June 2011 given by the Company's moneylending subsidiaries are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
(a) To companies	1,163,352	1,436	1,164,788
(b) To individuals	118,899	-	118,899
(c) To companies within the listed issuer group	-	-	-
(d) To related parties	-	-	-
	-----	-----	-----
	1,282,251	1,436	1,283,687
	=====	=====	=====

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

Moneylending operations (Cont'd)

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

	As at 30.6.2011
	RM'000
(a) Loans given by companies within the Group to the moneylending subsidiaries	-
(b) Borrowings which are secured by companies within the Group in favour of the moneylending operations	-
(c) Unsecured bank borrowings guaranteed by the Company	668,139
(d) Unsecured borrowings with other non-bank financial intermediaries guaranteed by the Company	250,008

	918,147
	=====

(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	13,036
(c) Loans reclassified as performing during the financial year	(16,719)
(d) Amount recovered	(9,261)
(e) Amount written off	-
(f) Loans converted to securities	-

(g) Balance as at 30.6.2011	20,685
	=====
(h) Ratio of net loans in default to net loans	1.61%
	=====

(iv) The top 5 loans are as follows:-

Ranking	Type of Facility	Limit RM'000	Outstanding Amount RM'000	Security Provided (Yes/No)	Value of Security RM'000	Related Party (Yes/No)	Term of Repayment (month)
1 st	Term Loan	52,500	53,320	Yes	52,272	No	60
2 nd	Term Loan	21,000	21,287	Yes	19,500	No	60
3 rd	Term Loan	28,600	21,085	Yes	30,030	No	26 – 180
4 th	Term Loan	17,000	10,674	Yes	20,000	No	24
	Term Loan	3,000	1,436	No	-	No	36
		-----	-----		-----		
		20,000	12,110		20,000		
		-----	-----		-----		
5 th	Hire Purchase	14,663	9,970	Yes	9,234	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*) ["GPB"] 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 GPB.

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 defendant and the third defendant 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. Such preliminary objection was upheld by the Court on 20 June 2008 and accordingly, the Tongod Suit was dismissed with costs awarded to the defendants [the "PO Decision"].

The Plaintiffs filed their Notice of Appeal to the Court of Appeal on 7 July 2008 to appeal against the PO Decision, which appeal was dismissed by the Court of Appeal on 9 June 2011 pursuant to which various consequential orders were granted [the "said Dismissal Decision"]. The Plaintiffs have thereafter filed an application by way of Notice of Motion to the Federal Court seeking leave to appeal against the said Dismissal Decision ["said Application"].

The Federal Court has on 25 July 2011 allowed the said Application pursuant to which leave to the Plaintiffs and a stay of the said Dismissal Decision were granted pending hearing of the appeal on a later date to be fixed.

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 as follows:

	Quarter Ended		Year-to-date ended	
	30.6.2011	30.6.2010	30.6.2011	30.6.2010
Profit attributable to owners of the Company (RM'000)	90,533	132,674	172,707	172,156
Weighted average number of ordinary shares in issue ('000)	1,880,123	1,813,526	1,847,006	1,813,527
Basic earnings per share (sen)	4.82	7.32	9.35	9.49

The weighted average number of ordinary shares in issue for the current quarter and year to date were after the Private Placement of 43,800,000 shares which was completed on 23 May 2011 and reflecting the retrospective adjustments arising from the Bonus Issue and Rights Issue which was completed on 15 August 2011 as required by "FRS133, Earnings per Share".

The weighted average number of ordinary shares in issue for the preceding year corresponding quarter and period have been restated to reflect the retrospective adjustments arising from the aforementioned Bonus Issue and Rights Issue.

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

16. **Dividends**

- (a) The Board of Directors approved the following interim dividend for the financial year ending 31 December 2011:
- (i) Amount per ordinary share of RM1.00 each
- Interim Dividend

3.9 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders on the enlarged share capital of 2,186,357,400 shares of RM1.00 each (after cancellation of the entire 59,138,500 treasury shares on 24 August 2011) amounting to approximately RM85.3 million, representing approximately 50% of the Group's Profit attributable to owners of the Company for the year to date ended 30 June 2011.

 - (ii) Previous year corresponding period
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 on a share capital of 563,524,500 shares of RM1.00 each (after deducting 59,135,500 treasury shares) amounting to approximately RM33.8 million.

 - (iii) Total dividend approved to date for the current financial year
Amount per ordinary share of RM1.00 each

3.9 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders on the enlarged share capital of 2,186,357,400 shares of RM1.00 each (after cancellation of the entire 59,138,500 treasury shares on 24 August 2011) amounting to approximately RM85.3 million, representing approximately 50% of the Group's Profit attributable to owners of the Company for the year to date ended 30 June 2011.
- (b) The dividend will be payable on 28 September 2011; 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 2011.

NOTICE OF INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that an interim dividend of 3.9 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 2011 will be payable on 28 September 2011 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 2011. 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 9 September 2011 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 2011 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.



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
24 August 2011