Annual Report 2009

HAP SENG CONSOLIDATED BERHAD (26877-W)


D' ALPINIA

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Fourth Annual General Meeting of Hap Seng Consolidated Berhad will be held at the Auditorium, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 27 May 2010 at 2.00 p.m. to transact the following:-

AS ORDINARY BUSINESS:

To consider and if thought fit, to pass the following Ordinary Resolutions:-

1. To adopt the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of Directors and Auditors thereon. **Resolution 1**

2. To declare a final dividend of 7.0 sen per ordinary share of RM1.00 each under the single-tier system which is tax exempt in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967 in respect of the financial year ended 31 December 2009 as recommended by the Directors. **Resolution 2**

3. To consider and if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:-

   "THAT Datuk Henry Chin Poy-Wu who is retiring in accordance with Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 3**

4. To re-elect Mr. Lau Teong Jin who retires as Director of the Company pursuant to Article 102 of the Company's Articles of Association. **Resolution 4**

5. To re-elect Mr. Soon Seong Keat who retires as Director of the Company pursuant to Article 102 of the Company's Articles of Association. **Resolution 5**

6. To re-elect Datuk Simon Shim Kong Yip, JP who retires as Director of the Company pursuant to Article 102 of the Company's Articles of Association. **Resolution 6**

7. To re-appoint Messrs. Ernst & Young as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors of the Company. **Resolution 7**

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following Ordinary Resolution:-

8. **Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965**

   "**THAT** subject always to the approvals of the relevant authorities, the Directors of the Company be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company at any time upon such terms and conditions, and for such purposes as the Directors of the Company may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company as at the date of this Annual General Meeting and that the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 8**

9. To transact any other business for which due notice shall have been given in accordance with the Articles of Association of the Company and the Companies Act, 1965.

By order of the Board

Lee Wee Yong (MIA 7492)
Cheah Yee Leng (LS0009398)
Company Secretaries

Kuala Lumpur
30 April 2010

Notes:

1. *A member entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies (but not more than two) to attend and vote in his/her stead. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. A proxy does not need to be a member and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The instrument appointing a proxy shall be in writing under the hands of the appointor or his/her attorney, duly authorised in writing, or if the appointor is a corporation, either under the seal or under the hand of an officer or attorney, duly authorised. The instrument appointing a proxy must be deposited at the Registered Office of the Company, 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur, not less than forty eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.*

2. ***EXPLANATORY NOTES FOR ORDINARY RESOLUTION 8***
Authority to allot and issue shares pursuant to Section 132D of the Companies Acts, 1965

   The approval will allow the Company to procure the renewal of the general mandate ("General Mandate") which will empower the Directors of the Company to issue ordinary shares in the Company up to an amount not exceeding in total 10% of the issued and paid-up share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

   As at the date of this Notice, no new shares in the Company had been issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 29 May 2009, which will lapse at the conclusion of this Annual General Meeting.

   The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares for purposes of funding future investment projects, working capital and/or acquisitions.

NOTICE OF FINAL DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that a final dividend of 7.0 sen per ordinary share of RM1.00 each under the single-tier system which is tax exempt in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967 in respect of the financial year ended 31 December 2009, if approved by the shareholders at the Thirty-Fourth Annual General Meeting, will be payable on 11 June 2010 to the shareholders whose names appear on the Company's Register of Members and/or Record of Depositors at the close of business on 2 June 2010.

A depositor shall qualify for entitlement to the dividend only in respect of:-

(a) shares deposited into the depositor's securities account before 12.30 p.m. on 31 May 2010 (in respect of shares which are exempted from mandatory deposit);
(b) shares transferred into the depositor's securities account before 4.00 p.m. on 2 June 2010 in respect of transfers; and
(c) shares bought on the Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO ' JORGEN BORNHOFT
Independent Non-Executive Chairman

DATUK HENRY CHIN POY-WU
Independent Non-Executive Deputy Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

LEE WEE YONG
Deputy Managing Director

SOON SEONG KEAT
Executive Director

LAU TEONG JIN
Independent Non-Executive Director

DATO ' MOHAMMED BIN HAJI CHE HUSSEIN
Independent Non-Executive Director

DATUK SIMON SHIM KONG YIP, JP
Non-Executive Director

LT . GEN. (R) DATUK ABDUL AZIZ BIN HASAN
Non-Executive Director

QUAN SHEET MEI
Alternate to Soon Seong Keat

COMPANY SECRETARIES
Lee Wee Yong (MIA 7492)
Cheah Yee Leng (LS 0009398)

REGISTERED OFFICE
21st Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Tel: 03-2172 5228
Fax: 03-2172 5258
Website: www.hapseng.com.my

SHARE REGISTRAR
SYMPHONY SHARE REGISTRARS SDN. BHD.
Level 6, Symphony House, Block D13
Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301, Petaling Jaya
Tel : 03 - 7841 8000 Fax : 03 - 7841 8008

PLACE OF INCORPORATION
Malaysia

AUDITORS
ERNST & YOUNG (AF: 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

PRINCIPAL BANKERS
DBS Bank Ltd
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad

BOARD OF DIRECTORS

from left to right

DATO ' JORGEN BORNHOFT
Independent Non-Executive Chairman

DATUK HENRY CHIN POY-WU
Independent Non-Executive Deputy Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

LEE WEE YONG
Deputy Managing Director

SOON SEONG KEAT
Executive Director

from left to right

LAU TEONG JIN
Independent Non-Executive Director

LT . GEN. (R) DATUK ABDUL AZIZ BIN HASAN
Non-Executive Director

DATUK SIMON SHIM KONG YIP, JP
Non-Executive Director

DATO ' MOHAMMED BIN HAJI CHE HUSSEIN
Independent Non-Executive Director

QUAN SHEET MEI
Alternate to Soon Seong Keat

BOARD OF DIRECTORS' PROFILE

DATO ' JORGEN BORNHOFT
Chairman

DATUK HENRY CHIN POY-WU
Deputy Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

DATO' JORGEN BORNHOFT, a Dane, aged 68, is the Independent Non-Executive Chairman of Hap Seng Consolidated Berhad. He was first appointed to the Board as an Independent Non-Executive Director on 24 January 2005 and assumed his present position on 1 February 2007. He is also the Chairman of the Audit, Remuneration and Nominating Committee, all of which are sub-committees of the Board.

Dato' Bornhoft is also an Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad, the Company's 51.55% owned subsidiary and a Director of Mega First Corporation Berhad, both of which are companies listed on the Main Market of Bursa Securities. He is also a Director of The Royal Bank of Scotland Berhad.

He holds a degree in Accountancy and Finance (Bachelor of Commerce) from the Copenhagen Business School and attended executive management courses at INSEAD.

Dato' Bornhoft was the Chief Executive Officer of Carlsberg Brewery Malaysia Berhad from April 1991 and was its Managing Director from October 1995. In January 2003, he was appointed as Chief Executive Officer of Carlsberg Asia Pte.Ltd. in Singapore until 30 June 2004. Prior to his appointment to Carlsberg Brewery Malaysia Berhad, he was Vice-President in Carlsberg International A/S, Denmark, responsible for foreign subsidiaries and new projects.

Dato' Bornhoft does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company. He has had no conviction of any offence in the past ten (10) years.

He attended all four (4) of the Board Meetings held during the financial year ended 31 December 2009.

DATUK HENRY CHIN POY-WU, a Malaysian, aged 72, is the Independent Non-Executive Deputy Chairman of the Board. He was first appointed as an Independent Non-Executive Director of Hap Seng Consolidated Berhad on 5 February 2002 and was the Chairman from 12 March 2002 until 31 March 2005. He is also a member of the Audit, Remuneration and Nominating Committee, all of which are sub-committees of the Board.

Datuk Henry Chin is a Director of Glenealy Plantations (Malaya) Berhad and Eastern & Oriental Berhad, both of which are companies listed on the Main Market of Bursa Securities. He is also a Director of JT International Berhad and Karambunai Golf Management Berhad.

Datuk Henry Chin also sits on the Board of University Malaysia Sabah and a Vice President of the National Crime Prevention Foundation.

He served in the Royal Malaysian Police Force for more than 38 years, holding various key positions. His last post was Commissioner of Police in the Federal Territory of Kuala Lumpur until his retirement in August 1993.

Datuk Henry Chin does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company. He has had no conviction of any offence in the past ten (10) years.

He attended all four (4) of the Board Meetings held during the financial year ended 31 December 2009.

DATUK EDWARD LEE MING FOO, JP, a Malaysian, aged 55, is the Managing Director of Hap Seng Consolidated Berhad ("HSCB") since 31 March 2005. He was first appointed as a Non-Independent Non-Executive Director on 1 November 2000 and on 25 March 2002, he became an Executive Director of the Company. He is also a member of the Remuneration Committee, which is a sub-committee of the Board.

Datuk Edward Lee is also the Managing Director of Hap Seng Plantations Holdings Berhad, the Company's 51.55% owned subsidiary and also sits on the Board of Malaysian Mosaics Berhad ("MMB") as an Alternate Director, both of which are companies listed on the Main Market of Bursa Securities.

Datuk Edward Lee is also the Managing Director of Gek Poh (Holdings) Sdn. Bhd., the holding company of HSCB.

Datuk Edward Lee graduated with a Bachelor of Arts degree from the McMaster University in Canada in 1977 and joined the MMB Group in 1980. He has held various senior management positions within MMB Group and was the Group Chief Operating Officer from 1995 until his appointment as Managing Director on 31 March 2005. He relinquished his position as Managing Director of MMB on 31 January 2007 and was appointed as an Alternate Director on 1 February 2007.

Datuk Edward Lee does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company save for the related party transactions disclosed in Note 35 to the Financial Statements. He has had no conviction of any offence in the past ten (10) years.

He attended all four (4) of the Board Meetings held during the financial year ended 31 December 2009.

LEE WEE YONG
Deputy Managing Director

LEE WEE YONG, a Malaysian, aged 62, is the Deputy Managing Director of Hap Seng Consolidated Berhad ("HSCB") since 31 March 2005. He was first appointed as a Non-Independent Non-Executive Director on 12 March 2002 and became an Executive Director on 25 March 2002. He is also the Joint Company Secretary of HSCB.

Mr. Lee was an Executive Director of Malaysian Mosaics Berhad ("MMB") from 1 March 1999 until his redesignation to Non-Independent Non-Executive Director on 1 April 2009. He also sits on the Board of Paos Holdings Berhad as an Alternate Director. Both companies are listed on the Main Market of Bursa Securities.

He holds a Bachelor of Commerce and Administration degree from Victoria University in New Zealand and is a member of the Malaysian Institute of Accountants and Institute of Chartered Accountants of New Zealand.

Mr. Lee joined MMB in 1992 and has held various senior positions in MMB Group, including the Group Chief Financial Officer, a position he held from 1 March 2003 to 15 December 2005. He was the Deputy Managing Director of MMB from 31 March 2005 until his relinquishment on 6 March 2007 but remained as a member of the Board.

Mr. Lee does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company. He has had no conviction of any offence in the past ten (10) years.

He attended all four (4) of the Board Meetings held during the financial year ended 31 December 2009.

SOON SEONG KEAT
Executive Director

SOON SEONG KEAT, a Malaysian, aged 48, was appointed an Executive Director of Hap Seng Consolidated Berhad ("HSCB") on 1 February 2007.

Mr. Soon is also an Executive Director of Hap Seng Plantations Holdings Berhad ("HSP"), the 51.55% owned subsidiary of HSCB on 15 May 2007. On 1 April 2009, he became the Alternate Director to Mr. Lee Wee Yong, a Non-Independent Non-Executive Director of Malaysian Mosaics Berhad ("MMB"). Both HSP and MMB are companies listed on the Main Market of Bursa Securities.

Mr. Soon is a Chartered Accountant with the Malaysian Institute of Accountants and a member of Malaysian Institute of Certified Public Accountants. He started his professional career with KPMG Peat Marwick (now known as KPMG) from 1981 to 1988 during which he acquired his professional qualification.

He joined the Hong Leong Group of Companies in 1988 and became the Group Financial Controller of Malaysian Pacific Industries Berhad in 1993. Shortly thereafter in 1994, he was promoted to become the Group Financial Controller of Hong Leong Industries Berhad ("HLI") Group of Companies. From 2001 to 2005, he was the Group Financial Controller of both HLI and Hume Industries Berhad.

In December 2005, Mr. Soon joined HSCB and is currently its Group Finance Director.

Mr. Soon does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company. He has had no conviction of any offence in the past ten (10) years.

He attended all four (4) of the Board Meetings held during the financial year ended 31 December 2009.

LAU TEONG JIN
Independent Non-Executive Director

DATO' MOHAMMED HUSSEIN
Independent Non-Executive Director

LAU TEONG JIN, a Malaysian, aged 68, was appointed as an Independent Non-Executive Director of Hap Seng Consolidated Berhad ("HSCB") on 9 December 2003. He is also a member of the Audit Committee, which is a sub-committee of the Board.

Mr. Lau completed his law studies in Singapore with a LLB (Hons) in 1967 and was called to the Malaysian Bar in 1968. He practised law in Kuala Lumpur before joining Singapore Legal Service in 1972 and was the Registrar of Companies, Singapore, a position he held until 1979.

From 1980 to 1991, he was the legal advisor to Gek Poh (Holdings) Sdn. Bhd., the holding company of HSCB. He resumed legal practice in Kuala Lumpur in 1991 and retired from law practice in 1996.

Mr. Lau does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company save for the related party transactions disclosed in Note 35 to the Financial Statements. He has had no conviction of any offence in the past ten (10) years.

He attended all four (4) of the Board Meetings held during the financial year ended 31 December 2009.

DATO' MOHAMMED HUSSEIN, a Malaysian, aged 59, was appointed as an Independent Non-Executive Director of Hap Seng Consolidated Berhad on 15 July 2008.

Currently, he is also a non-executive director of several public and private companies namely, Ancom Berhad, a company listed on the Main Market of Bursa Securities, Quill Capita Management Sdn. Bhd. (the management company of Quill Capita Trust in which he is the Chairman, which is listed on the Main Market of Bursa Securities), MCB Bank Limited, a commercial bank listed on the Karachi Stock Exchange, CapitaCommercial Trust Management Limited (the management company of CapitaCommercial Trust which is listed on the Singapore Stock Exchange), Danajamin Nasional Berhad, Export-Import Bank of Malaysia Berhad, PT Bank Maybank Indocorp (a commercial bank operating in Indonesia), PNB Property Holdings Sdn. Bhd. and Malaysia Commercial Development Fund Pte. Ltd. (a property investment fund in which he is the Chairman). He also sits on the Board of Directors of University Malaysia Kelantan, a state-owned public university, and is a member of the Corporate Debt Resolution Committee which is sponsored by Bank Negara Malaysia to facilitate restructuring and resolutions of major corporate debts.

Dato' Mohammed graduated with a Bachelor of Commerce (Accounting) degree from the University of Newcastle, Australia in 1970 and has also completed the Harvard Business School Advanced Management Program in Boston, USA in 2003.

He spent 31 years with the Malayan Banking Berhad ("Maybank") Group and, as a member of the management team for 24 years, was a major player in Maybank's transformation into the leading financial services Group in Malaysia. He held various management positions including Head of Corporate Banking, Head of Commercial Banking, Head of Malaysian Operations, Head of Investment Banking Group, Executive Director (Business Group), and prior to his retirement in January 2008, he was Deputy President/Executive Director/Chief Financial Officer.

Dato' Mohammed does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company. He has had no conviction of any offence in the past ten (10) years.

He attended all four (4) of the Board Meetings held during the financial year ended 31 December 2009.

DATUK SIMON SHIM KONG YIP, JP
Non-Executive Director

DATUK SIMON SHIM KONG YIP, JP, a Malaysian, aged 53, was appointed as a Non-Independent Non-Executive Director of Hap Seng Consolidated Berhad on 16 February 1996. He is also a member of the Audit, Remuneration and Nominating Committees, all of which are sub-committees of the Board.

Datuk Simon Shim is also a Non-Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad, the Company's 51.55% owned subsidiary listed on the Main Market of Bursa Securities.

He is also a Non-Independent Non-Executive Director of Malaysian Mosaics Berhad and a Non-Executive Director of Paos Holdings Berhad, both of which are companies listed on the Main Market of Bursa Securities. In addition, he is an Independent Non-Executive Director of Lam Soon (Thailand) Public Company Limited, a company listed on the Stock Exchange of Thailand.

Datuk Simon Shim is also a Director of Lei Shing Hong Securities Limited, a company registered with the Securities and Futures Commission Hong Kong, as well as Lei Shing Hong Limited, a company formerly listed on the Hong Kong Stock Exchange. Both Lei Shing Hong Securities Limited and Lei Shing Hong Limited are related corporations of the Company.

Datuk Simon Shim is the Managing Partner of Messrs. Shim, Pang & Co.

He holds a Master Degree in law from University College London, London University and is a Barrister-at-law of the Lincoln's Inn, London, an Advocate and Solicitor of the High Court in Sabah and Sarawak, a Notary Public and a Justice of the Peace in Sabah. He is a Chartered Arbitrators and a Fellow of the Chartered Institute of Arbitrators, United Kingdom. He is also a Fellow of the Malaysian Institute of Arbitrators. He is a member of the Malaysian Institute of Corporate Governance, a member of the Malaysian Corporate Law Reform Committee and its Working Group on Corporate Governance and Shareholders' Rights.

Datuk Simon Shim does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company save for the related party transactions disclosed in Note 35 to the Financial Statements. He has had no conviction of any offence in the past ten (10) years.

He attended all four (4) of the Board Meetings held during the financial year ended 31 December 2009

LT. GEN. (R) DATUK ABDUL AZIZ BIN HASAN
Non-Executive Director

LT. GEN. (R) DATUK ABDUL AZIZ BIN HASAN, a Malaysian, aged 64, was appointed as a Non-Independent Non-Executive Director of Hap Seng Consolidated Berhad on 24 September 2003.

Datuk Abdul Aziz is currently a Director of Tien Wah Press Holdings Bhd and Nam Fatt Corporation Berhad, both of which are companies listed on the Main Market of Bursa Securities. He also sits on the Board of Transnational Insurance Brokers Sdn. Bhd. and Hospital Pusrawi Sdn. Bhd.

He holds a Bachelor of Social Science degree with Honours from USM (1981), a Masters in Business Administration from UKM (1986) and a Diploma in Islamic Studies from UKM (1987). He also completed the Wolfson Programme in Wolfson College University of Cambridge in 1992.

He started his career in the Malaysian Army since 1964 and retired in 2001 as the Deputy Chief of Army.

Datuk Abdul Aziz does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company. He has had no conviction of any offence in the past ten (10) years.

He attended all four (4) of the Board Meetings held during the financial year ended 31 December 2009.

QUAN SHEET MEI
Alternate Director

QUAN SHEET MEI, a Malaysian, aged 47, was appointed to the Board as Alternate Director to Mr. Soon Seong Keat on 1 February 2007. She is also the Group General Manager – Finance of Hap Seng Consolidated Berhad.

Madam Quan is a Certified Public Accountant with the Malaysian Institute of Certified Public Accountants ("MICPA") and a Chartered Accountant with the Malaysian Institute of Accountants. She started her career in auditing in 1982 with Hanafiah Raslan & Mohamad (now affiliated with Ernst & Young), pursuing her professional qualification. She qualified as a Certified Public Accountant with MICPA in 1988 and has close to 10 years auditing experience in diverse industries gained from two internationally affiliated accounting firms.

She joined Malaysian Mosaics Berhad, a company listed on the Main Market of Bursa Securities, in 1993 and was the Group General Manager - Finance from 2003 until the completion of its divestment of Hap Seng Consolidated Berhad in August 2006.

Prior to joining Malaysian Mosaics Berhad Group, she was with the Arab Malaysian Corporation Berhad Group from 1991 to 1993.

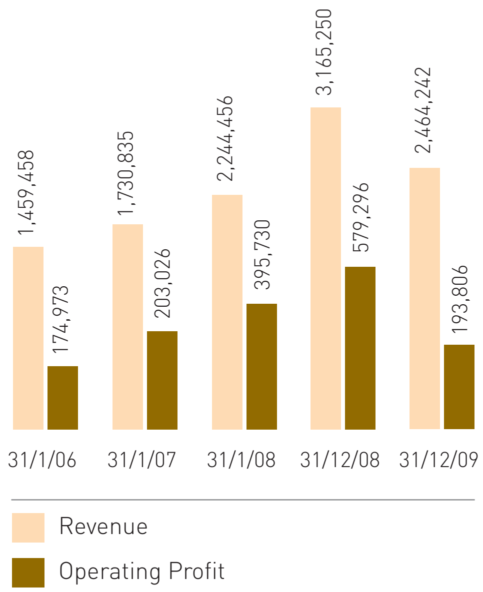
Madam Quan does not have any family relationship with any Director and/or major shareholder nor does she have any conflict of interest with the Company. She has had no conviction of any offence in the past ten (10) years.

She attended all four (4) of the Board Meetings held during the financial year ended 31 December 2009.

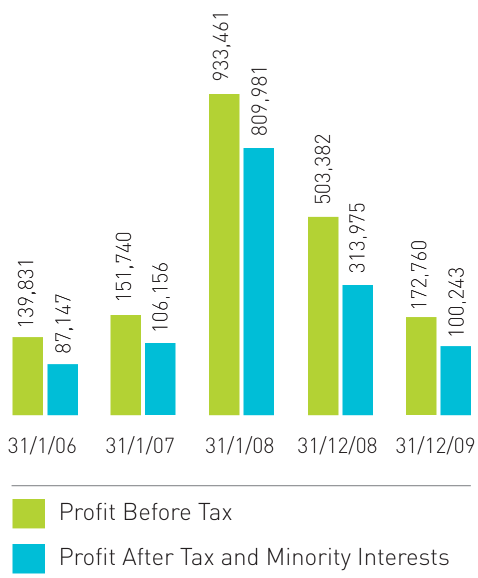
GROUP FINANCIAL HIGHLIGHTS

	Financial Year Ended 31 January 2006	2007	2008	Financial Period Ended 31.12.2008 (11 months)	Financial Year Ended 31.12.2009
INCOME (RM'000)					
(i) Revenue	1,459,458	1,730,835	2,244,456	3,165,250	2,464,242
(ii) Operating profit	174,973	203,026	395,730	579,296	193,806
(iii) Profit before tax *	139,831	151,740	933,461	503,382	172,760
(iv) Profit after tax and minority interests attributable to shareholders of the Company *	87,147	106,156	809,981	313,975	100,243
** Includes Other Non Operating Items*	*273*	*-*	*613,849*	*2,252*	*44,781*
BALANCE SHEET (RM'000)					
Assets					
(i) Total tangible assets	2,869,149	3,349,894	4,324,559	5,545,179	4,927,920
(ii) Net assets	1,440,554	1,528,063	2,020,033	2,302,450	2,335,129
(iii) Current assets	967,462	1,249,853	1,878,927	2,974,011	1,967,138
Liabilities and Shareholders' Funds					
(i) Current liabilities	668,715	1,154,372	1,477,521	2,236,091	1,438,466
(ii) Paid-up share capital	622,660	622,660	622,660	622,660	622,660
(iii) Shareholders' funds	1,440,554	1,528,063	2,020,033	2,302,450	2,335,129
PER SHARE					
(i) Net earnings (sen) **	14.78	18.03	139.89	55.72	17.79
(ii) Net assets (RM) ***	2.45	2.59	3.58	4.09	4.14
(iii) Gross dividend (sen)	7.00	7.00	56.50	12.00	12.00
*** Based on weighted average number of shares in issue net of treasury shares*	*589,516,000*	*588,906,000*	*579,025,275*	*563,528,773*	*563,526,750*
**** Based on number of shares in issue net of treasury shares*	*588,855,600*	*588,955,400*	*563,529,500*	*563,527,500*	*563,525,500*
FINANCIAL RATIOS					
(i) Return on total tangible assets (%)	3.04	3.17	18.73	5.66	2.03
(ii) Return on shareholders' funds (%)	6.05	6.95	40.10	13.64	4.29
(iii) Current ratio	1.45	1.08	1.27	1.33	1.37
(iv) Gearing ratio	0.62	0.85	0.82	1.06	0.78

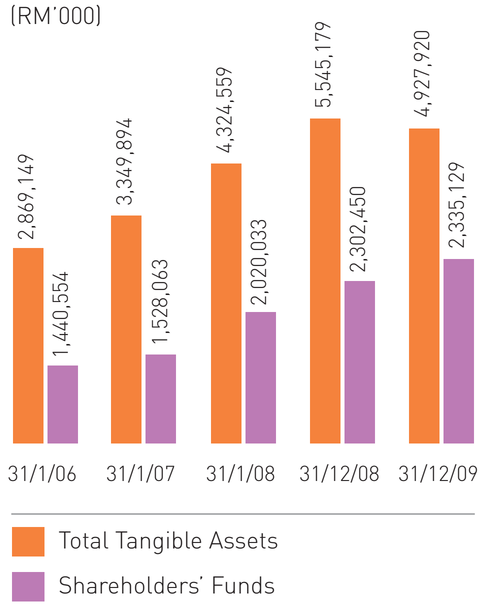
REVENUE / OPERATING PROFIT
(RM'000)



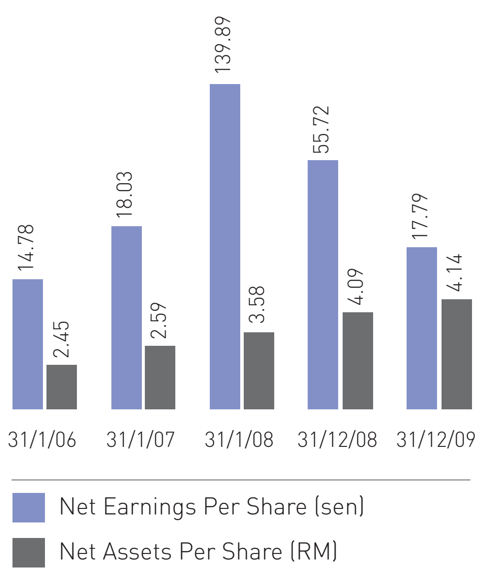
PROFIT BEFORE TAX / PROFIT AFTER TAX AND MINORITY INTERESTS
(RM'000)



TOTAL TANGIBLE ASSETS / SHAREHOLDERS' FUNDS
(RM'000)



NET EARNINGS PER SHARE / NET ASSETS PER SHARE



CHAIRMAN'S STATEMENT

DATO' JORGEN BORNHOFT

On behalf of the Board, I have pleasure in presenting the Thirty-fourth Annual Report and Financial Statements of the Company and the Group for the financial year ended 31 December 2009.

2009 was a challenging year for the various businesses of the Group amidst the lingering effects of the global financial crisis in 2008 that swept across the world's major economies. Commodities prices were volatile in the face of global financial uncertainty. The world fertilizer prices took a nosedive as a result of severe contraction in demand and high inventory carry-overs, a sequel to the global financial crisis. On the home front, Bank Negara Malaysia had since early 2009 adopted an accommodative monetary policy as part of its pre-emptive measures to provide a more supportive environment for the domestic economy.

SIGNIFICANT EVENTS

Despite the difficult environment, the assets base of our Group Property Holding and Development Division increased substantially during the financial year under review with two significant acquisitions. On 15 October 2009, the Group through its wholly owned subsidiary, Hap Seng Realty (KL City) Sdn Bhd (formerly known as Rebuild Truck Sdn Bhd) completed the acquisition of 5,000,001 ordinary shares of RM1.00 each in Inverfin Sdn Bhd ("Inverfin") at the purchase price of RM243.52 million. On completion, Inverfin became a 49.99% associated company of the Group. Inverfin is the sole proprietor of Menara Citibank, a 50-storey office building located at 165, Jalan Ampang, Kuala Lumpur with net lettable area of 733,634 square feet.

On 21 December 2009, the Group through its wholly owned subsidiary, Menara Hap Seng Sdn Bhd, entered into a sale and purchase agreement with the wholly owned subsidiary of Eastern & Oriental Berhad, Radiant Kiara Sdn Bhd, to acquire all that parcel of freehold land measuring 4,651 square metres, strategically located adjacent to Menara Hap Seng at the North-East intersection of Jalan P. Ramlee and Jalan Tengah, at the purchase price of RM103 million. With the completion of the said acquisition on 29 March 2010, our Group is currently the proprietor of all three (3) parcels of prestigious commercial properties fronting Jalan P. Ramlee from the intersection of Jalan P. Ramlee and Jalan Tengah Intersection to the intersection of Jalan Sultan Ismail and Jalan P. Ramlee.

As for the Credit Financing Division, our Group had on 24 September 2009 completed the disposal of its Credit Financing business in China held via its wholly owned subsidiary, Hap Seng Consolidated Financial Lease & Rental (China) Co Ltd. The consideration for the said disposal was USD30.294 million which gave rise to a gain of RM37.6 million to the Group. The said disposal was deemed a related party transaction as the same was deemed to involve the interest of our major shareholder, Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak.

In relation to the Plantation Division, the Group's 51.55% listed subsidiary, Hap Seng Plantations Holdings Berhad ("HSP") had on 10 December 2009 completed the acquisition of the entire issued and paid-up share capital of Pelipikan Plantation Sdn Bhd ("Pelipikan") at the purchase consideration of RM31.685 million, with Pelipikan becoming the wholly owned subsidiary of HSP.

Pelipikan is the registered sub-lessee of 251 parcels of land measuring 1,365 hectares situated at Kg. Natu, District of Kota Marudu, Sabah ("the said Land") for a period of 30 years expiring on 28 February 2039, with an option to renew for another lease term of 30 years. The said Land is contiguous with the Group's existing plantation estate situated at Kg. Natu, District of Kota Marudu, measuring 808 hectares. The acquisition of Pelipikan is part of HSP Group's strategy to acquire more plantation land around the existing plantation area, which would strengthen our Plantation Division's position in the Kota Marudu area, and thereby giving rise to economies of scale.

REVIEW OF RESULTS

For the financial year under review, the Group Net Revenue decreased to RM2.5 billion, 22% lower than the previous financial period (2008: RM3.2 billion). Whilst Property Holding and Development Division and Quarry and Building Materials Division recorded improved revenue, all other Divisions recorded lower revenue, with the Fertilizer Trading Division the worst impacted. Consequently, Operating Profit which included stocks write down of RM65.6 million (2008: RM143.7 million), decreased by 67% to RM193.8 million (2008: RM579.3 million) for the financial year under review.

Profit Before Tax at RM172.8 million (2008: RM503.4 million) was 66% lower than the previous financial period whilst Profit After Tax decreased by 60% to RM149.3 million (2008: RM377.2 million). The Group results included Other Non-Operating Items of RM44.8 million (2008: RM2.3 million) mainly attributable to the RM37.6 million gain from the divestment of Hap Seng Consolidated Financial Lease & Rental (China) Co Ltd.

Financing cost at RM76.3 million (2008: RM86.5 million) was 12% lower than the previous financial period due to lower interest rates and lower level of bank borrowings. The bank borrowings of RM1.81 billion (2008: RM2.44 billion) was RM624 million lower than the previous financial period as a result of the reduction in stocks and debtors of the Fertilizer Trading Division and lower loan base of the Credit Financing Division, which reduction was partially offset by higher bank borrowings to support the assets growth of the Property Holding and Development and Quarry and Building Materials Divisions.

Overall, Earnings Per Share for the financial year under review attributable to shareholders was 17.79 sen (2008: 55.72 sen) or 68% (37.93 sen) lower than the previous financial period.

The Gearing Ratio (net of cash) at 31 December 2009 improved to 0.59 (2008: 0.91) with Net Assets increasing marginally by 1.4% to RM2.34 billion (2008: RM2.3 billion).

The previous financial period was for a period of eleven (11) months from 1 February 2008 to 31 December 2008 arising from the change of the Company's financial year end from 31 January to 31 December to be co-terminous with the financial year end of its holding company.

DIVISIONAL PERFORMANCE

Plantation Division

The palm oil industry experienced a very challenging year in 2009 amidst the lingering effects of the global financial crisis in 2008 that swept across the world's major economies pushing many countries into recession. Crude Palm Oil ("CPO") prices which plummeted in the fourth quarter of 2008 recovered in the first half of 2009, supported by positive sentiments on crude oil prices, tight supply of vegetable oils in the world markets and low domestic palm oil stocks. Average monthly CPO prices increased from RM1,839 per metric ton in January 2009 to the high of RM2,743 per metric ton in May 2009.

However, fears of a prolonged global recession brought about a steep decline in prices of crude oil and vegetable oils in the second half of 2009, which saw the average monthly CPO price retreating to RM2,114 per metric ton in July 2009 before recovering to RM2,456 per metric ton in December 2009.

Notwithstanding the volatility in CPO prices, our Plantation Division held via HSP continued to be the largest contributor to the Group's profitability. Overall, HSP recorded revenue of RM373.1 million for the financial year under review, 5.2% lower than the previous financial period (2008: RM393.6 million) and operating profit of RM137.8 million, 18.5% lower than the previous financial period (2008: RM169 million). HSP reported a lower profit before tax and profit after tax of RM135.1 million (2008: RM166.3 million) and RM100.1 million (2008: RM130.8 million) respectively, which were 18.8% and 23.5% respectively lower than the previous financial period.

The average price realisation of CPO achieved was RM2,303 (2008: RM2,314) per metric ton whilst the average palm kernel selling price realised was RM1,012 (2008: RM1,449) per metric ton.

HSP was also negatively impacted by higher cost of production primarily due to higher fertilizers costs and lower CPO production. Average production cost of CPO, before taking into account income arising from the sale of palm kernels (palm kernel credit) was 15% higher at RM1,376 (2008: RM1,197) per metric ton.

Fresh Fruit Bunches ("FFB") yield per hectare for the financial year under review was lower at 20.65 (2008: 21.46), adversely affected by the biological stress on the trees and heavy rainfall experienced in the early part of the financial year under review. Generally, this phenomenon was experienced by the palm oil industry especially in Sabah and Sarawak. Consequently, the FFB production (excluding Pelipikan acquired close to the end of the financial year under review) was lower at 672,768 (2008: 673,131) metric tons.

Oil Extraction Rates ("OER") improved marginally to 21.62% from the previous period of 21.56% whilst Kernel Extraction Rates ("KER") was 4.73% (2008: 4.86%).

With the acquisition of Pelipikan, HSP had increased its total plantation area by 1,365 hectares to 39,803 hectares. As at 31 December 2009, the total planted area of HSP increased by 599 hectares to 34,381 (2008: 33,782) hectares, contributed mainly by Pelipikan with an existing planted area of 417 hectares. Of the total planted area, 32,576 (2008: 31,367) hectares or 94.8% (2008: 92.9%) thereof were with mature palms.


D' ALPINIA

Property Holding and Development Division

The Division's revenue improved by 11% to RM264.4 million (2008: RM239.2 million) and recorded an operating profit of RM111.7 million (2008: RM47.9 million) which was 133% above the previous financial period. Projects development continued to be the primary contributor, accounting for RM225.5 million or 85% of total revenue and RM45.8 million or 41% of total operating profit. The Division continued to maintain its leadership in the Sabah property market with focus mainly on low-rise residential properties in major urban centres. Response continued to be encouraging in major projects such as Taman Kingfisher Sulaman in Kota Kinabalu, Astana Heights in Sandakan, Bandar Sri Indah in Tawau and Bandar Sri Perdana and Palm Heights in Lahad Datu.

In Peninsula Malaysia, the Division launched its maiden project, D'Alpinia, a gated residential development situated on a 76 acre land at Mukim of Dengkil, District of Sepang on a "Build then Sell" concept. Phase 1A comprising 154 units of semi-detached cluster homes and terrace houses was launched in November 2009 and received overwhelming response. The same was followed by the launch of Phase 1B comprising 111 terrace units and town houses in December 2009.

As for the Property Investment segment, our Property Holding and Development Division acquired two significant investments during the financial year under review as mentioned earlier.

Menara Hap Seng, the Group's flagship property, together with all other investment properties within Klang Valley and Sabah contributed 13% to the revenue and 58% to the operating profit of the Division. Average occupancy rate at Menara Hap Seng for the financial year under review was approximately 94% for the tower block and 88% for the podium.

As a result of our continuous commitment to deliver quality projects of international standards, the Division had once again won two prestigious awards during the year under review, honoured by The International Real Estate Federation (FIABCI) and Persatuan Arkitek Malaysia respectively. The two accolades were the FIABCI Malaysia Property Award 2009 under the Office Development Category won by our Menara Hap Seng and the PAM 2009 Awards for Excellence in Architecture under the Industrial Buildings category won by our Hap Seng Star 2S Service Centre in Puchong. Such awards are testaments to the Division's highest standards of professionalism and commitment in its property development and investment.

Credit Financing Division

Our Credit Financing Division underwent a consolidation phase during the financial year under review due to cautious lending necessitated by the global financial crisis. Accordingly, loans portfolio as at the end of the financial year under review decreased by 23% to RM869.6 million (2008: RM1.12 billion).

The Division completed the financial year under review with a 6% decrease in operating profit at RM52.8 million (2008: RM56.2 million) but recorded an increase in profit before tax of 7.8% over the previous financial period at RM25.0 million (2008: RM23.2 million), due to lower financing cost brought forth by lower interest rates.

With the divestment of its operation in China, the Division's operating activities are only carried out in Malaysia through a network of twelve (12) branches in Kuala Lumpur, Melaka, Batu Pahat, Johor Bahru, Kuantan, Prai, Kota Kinabalu, Tawau, Sandakan, Lahad Datu, Kuching and Miri respectively.

The Division reported a higher non performing loans ("NPL") ratio at 5.79% (2008: 4.73%) notwithstanding that the NPL balance was RM2.2 million lower compared to the previous financial period of RM57.1 million.

Fertilizer Trading Division

During the financial year under review, our Fertilizer Trading Division continued to be plagued by the declining trend in the global fertilizer prices, which was accentuated in the middle of the year when fertilizer prices took another nosedive. Most plantation companies were running down their inventory levels, reducing and/or postponing fertilizer applications, in anticipation of possible further decline in fertilizer prices and further aggravated by stocks off-loading at low prices by competitors.

Consequently, our Fertilizer Trading Division, with its presence in Malaysia through Hap Seng Fertilizers Sdn Bhd and in Indonesia through PT. Sasco, ended the financial year under review with a 38% decrease in revenue over the previous financial period at RM1.1 billion (2008: RM1.78 billion) with margins adversely eroded.

Total sale volume of various fertilizers of 790,000 (2008: 1.09 million) metric tons, comprising 490,000 (2008: 605,000) metric tons from the Malaysian market and 300,000 (2008: 490,000) metric tons from the Indonesian market, was 28% lower than the previous financial period.

As a result of the steep decline in fertilizer prices, the Division took a write down of its inventories to net realisable of RM65.6 million as at the end of the financial year under review. Accordingly, the Division recorded an operating loss of RM135 million vis-à-vis an operating profit of RM317.3 million in the previous financial period.

In spite of the adverse market environment, the Division continued to maintain its dominant position in the East Malaysian market whilst defending its market share in Peninsula Malaysia. PT. Sasco, which is in its fourth year of operations in Indonesia, maintained its position as the second largest distributor of the Muriate of Potash fertilizer in Indonesia.

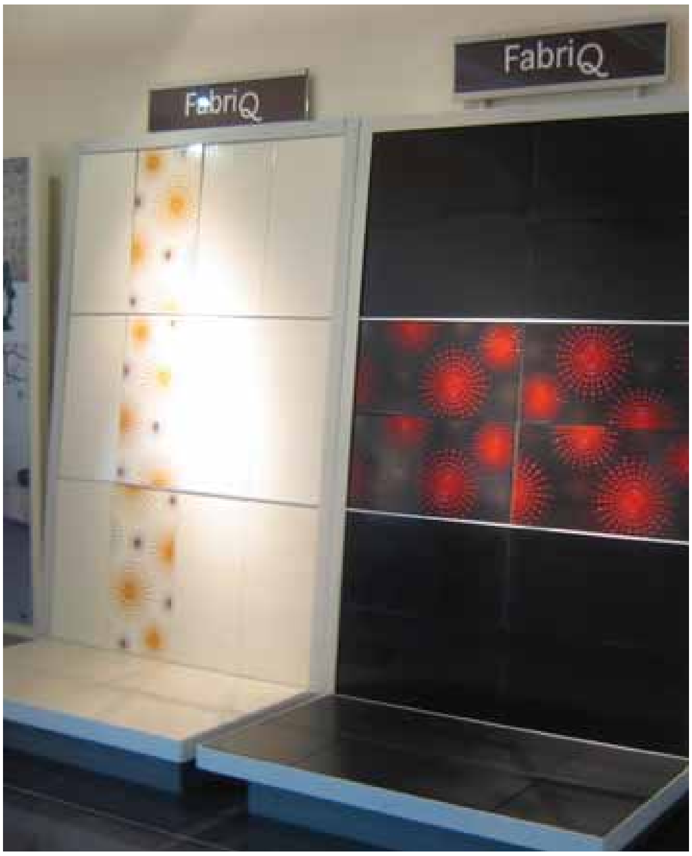
The Malaysian operations continued to be carried out via its network of seven (7) branches and ten (10) warehouses whilst PT. Sasco, Indonesia operations are carried out through a total of six (6) warehouses at Surabaya, Padang, Medan, Lampung, Dumai and Makassar.

Quarry and Building Materials Division

Our Quarry and Building Materials Division continued to expand its quarry operations in the financial year under review as evidenced by the acquisition of another two (2) quarries and thereby giving rise to a total of nine (9) quarries and three (3) asphalt plants. Of the nine (9) quarries, six (6) are in operation whilst three (3) are still at the planning and development stage. Four (4) of the operating quarries are located in Sabah, namely Kukusan quarry in Tawau, Lian Seng quarry in Kota Kinabalu, Papar quarry in the District of Papar, South of Kota Kinabalu and Telipok quarry in the North of Kota Kinabalu and the other two (2) are located in the East Coast of Peninsula Malaysia, namely Rock Plus quarry in Kuantan and Sungai Serai quarry in Kuala Terengganu. The three (3) quarries at the planning and development stage are located in Kuantan, Kota Bahru and Johor respectively and they were expected to commence operations in the first half of 2010. The Division continued to benefit from the plant upgrading initiatives undertaken in the last two years which gave rise to improved production efficiencies within the existing quarries.

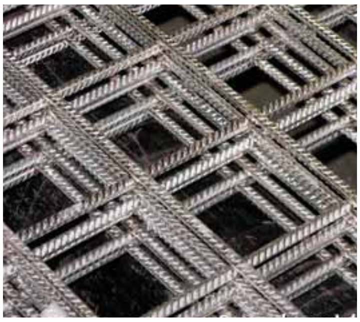
The three (3) asphalt plants are situated in Sandakan, Sabah, South of Kuantan, Pahang and Cukai, Terengganu respectively. During the financial year under review, although the performance of asphalt plants was affected by the slow kick-off of government projects, their revenue and gross contribution had improved by 16% and 54% respectively over the previous financial period.

The Division's brick factory located in Tawau is operating at full capacity and benefited from the project off-takes in the surrounding area. During the financial year under review, the Division acquired another piece of land in Kota Kinabalu, measuring 13.92 acres, for construction of a new brick factory to cater to the rising demand in Kota Kinabalu and its surrounding area. Construction of the new brick factory was still in progress as at the end of the financial year under review and was expected to be completed by the middle of 2010.



Hap Seng Trading (BM) Sdn Bhd, the wholly owned subsidiary under the Building Materials Trading segment, was appointed by Malaysian Mosaics Berhad on 30 June 2009 as its sole and exclusive distributor of MML tiles in Malaysia, which contributed positively to the sales revenue of this segment. However, the performance of Building Materials Trading segment during the financial year under review was adversely affected by the sluggish property market experienced in 2009 which exerted a downward pressure on demands for building materials such as cement, steel bars, pipes and sheets. Consequently, Building Materials Trading segment recorded 7% lower revenue compared to the previous financial period.

Overall, our Quarry and Building Materials Division ended the financial year under review with a marginal increase in revenue at RM347.2 million (2008: RM342.5 million) whilst operating profit was 57% higher at RM19.3 million (2008: RM12.3 million) due to improved production efficiencies and better margins from the sale of its quarry products, asphalt and bricks.



Automotive Division

Our Automotive Division is the exclusive dealer of the Mercedes-Benz vehicles and Mitsubishi Fuso trucks both in Sabah and Sarawak as well the dealer of the Mercedes-Benz vehicles in Klang Valley. In Sabah and Sarawak, our operations are carried out through its seven (7) branches in Kota Kinabalu, Sandakan, Tawau, Kuching, Miri, Sibu and Bintulu whilst in Klang Valley, our operations are carried out through our state-of-the-art Mercedes-Benz Autohaus showroom in the heart of the central business district of Kuala Lumpur and the 2S Service Center in Kinrara Industrial Park, Puchong.

During the financial year under review, the Mercedes-Benz heavy vehicle segment comprising mainly logging trucks continued to be afflicted with the slow down in the logging sector, which was mainly caused by the prolonged soft timber prices and poor global demand for timber products. Sale of Mitsubushi Fuso trucks declined by 26% over the previous financial period due to poor consumer sentiments as well as cautious lending policies in the financial sector.

The Mercedes-Benz passenger vehicles segment slowed down in the first three quarters of the financial year under review in tandem with the industry trend in Malaysia, but staged a strong rebound in the fourth quarter as a result of brisk sales recorded for C-Class, E-Class and pre-owned vehicles.

The Division continued to be a significant dealer of the Mercedes-Benz marque in the Klang Valley with sale of 1,007 (2008: 739) units of Mercedes-Benz passenger cars, a growth of 36% compared to the previous financial period. Including the East Malaysian market, the Division sold approximately 1,130 (2008: 853) units of Mercedes-Benz passenger cars. The After Sales and Services in the Klang Valley improved with throughput at 15% higher than the previous financial period whilst East Malaysia recorded 11% decline in After Sales and Services resulting from the slow down in the heavy and light vehicles segment.

Overall, our Automotive Division's revenue in the financial year under review improved by 10% to RM355.2 million (2008: RM323.8 million) and recorded higher operating profit of RM19 million (2008:RM6.1 million) compared to the previous financial period.

Associates

The contribution from Associates for the financial year under review was higher than the previous financial period by 26%. The improved performance of Paos Holdings Berhad and share of profit from Inverfin upon completion of its acquisition on 15 October 2009 mitigated the lower contribution from Lam Soon (Thailand) Public Company Limited and Vintage Heights Sdn Bhd.

RECURRENT RELATED PARTY TRANSACTIONS

The Group is seeking a renewal of the mandate for its Recurrent Related Party Transactions at the forthcoming Extraordinary General Meeting on 27 May 2010.

SHARE BUY BACK

The Company first obtained its shareholders' mandate to purchase its own shares on 17 November 1998, which mandate was thereafter renewed annually at the Company's General Meetings.

As at 31 December 2009, the Company held 59,134,500 ordinary shares as treasury shares at an average cost of RM2.61 per share and the issued share capital remained unchanged at 622,660,000 ordinary shares of RM1.00 each.

The Company will seek a renewal of mandate from its shareholders at the forthcoming Extraordinary General Meeting on 27 May 2010.

DIVIDENDS

The Board is recommending a final dividend of 7.0 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders (2008: 7.0 sen per ordinary share comprising 3.25 sen less income tax at 25% and 3.75 sen under the single tier system). An interim dividend of 5.0 sen per ordinary share under the single tier system (2008: 5.0 sen per ordinary share less income tax at 25%) approved by the Board on 26 August 2009 was paid on 30 October 2009. The total distribution for the financial year ended 31 December 2009 will amount to 12.0 sen (2008: 12.0 sen) per ordinary share.

The final dividend is subject to the approval of shareholders and if approved, will be payable on 11 June 2010 to shareholders whose names appear on the Register of Members or Record of Depositors of the Company as at 2 June 2010.

EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 9 February 2010, Hap Seng Auto Sdn Bhd, a wholly owned subsidiary of the Company, entered into a conditional shares sale agreement ("HSS SPA") with Pacific Star Automobile Limited ("PSA"), a wholly owned subsidiary of Lei Shing Hong Limited, to dispose of 11,725,000 ordinary shares of RM1.00 each representing 35% of the issued and paid-up share capital of Hap Seng Star Sdn Bhd to PSA for a disposal consideration of RM103.8 million ("Proposed HSS Disposal"), which would result in a gain of RM93 million to the Group upon completion. The Proposed HSS Disposal is conditional upon various approvals being obtained on or before the Cut-off Date (defined in the HSS SPA) and completion shall take place within seven (7) days from the date on which all the approvals are obtained. The Proposed HSS Disposal is deemed a related party transaction as the same is deemed to involve the interest of our major shareholder, Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak.

OUTLOOK AND CURRENT YEAR'S PROSPECTS

The recovery in the global economy is progressing amidst continued policy support and improvements in financial conditions although growth is expected to remain modest. Regional and emerging economies, which recorded stronger recovery in the fourth quarter of 2009, are expected to sustain its growth momentum in 2010. The Malaysian economy is expected to benefit from ongoing measures globally to stabilise economic conditions as growth is projected to rebound into positive territory in 2010. Nevertheless, Bank Negara Malaysia is expected to tighten its monetary policy rate as economy recovery gains a stronger foothold, as evidenced by the 25 basis points increase in the Overnight Policy Rate from 2.00% to 2.25% in March 2010.

In general, we expect 2010 to be a better year. However, our performance will continue to be sensitive to interest and foreign exchange rate movements as well as movements in commodities prices.

The movements in CPO and PK prices as well as FFB yield will continue to have the most significant influence on the Plantation Division results and the overall performance of the Group. More young palms are expected to move into maturity in the current year and this would improve the FFB yield and CPO Extraction Rates, subject however to favourable weather conditions. The Group continues to have a regular replanting programme to maintain its FFB yield and production. The production costs of the Plantation Division are expected to be lower in the current financial year, benefiting from the decline in fertilizers prices. However, dry weather conditions caused by the El-Nino phenomenon are currently experienced in many parts of the country especially the agricultural belt of Sabah where our plantations are situated. Such conditions may adversely impact the FFB yield in the later part of the financial year. Nevertheless, with the improvement in the global economy and the recovery of crude oil and vegetable oils prices, the Group is optimistic that the outlook of CPO prices for 2010 will be positive, which will thereby mitigate the adverse effects of the El-Nino phenomenon on FFB production. Expanding planted land bank via new acquisitions will continue to be one of the long term strategic plans of our Plantation Division. In the shorter term, the Plantation Division will expand its planted area from the existing unplanted area to further enhance its earnings.

Property Holding and Development Division will continue its focus on the development of mixed and residential properties in the major towns of Sabah and Peninsula Malaysia. With the completion of the acquisition of the land adjacent to Menara Hap Seng at the North-East intersection of Jalan P.Ramlee and Jalan Tengah, concerted efforts will be channelled by the Division to develop this land into another prestigious landmark in the heart of the Golden Triangle of Kuala Lumpur.

After a year of consolidation in 2009, our Credit Financing Division is well-positioned for a better year ahead and expects higher loans growth in the current financial year as business confidence resumed. In light of possible further tightening of the monetary policy rate, sourcing for funds effectively and efficiently to maintain its competitiveness will continue to be a challenge for the Division. The Division will continue its strict credit policies and stringent internal management controls to improve its loan delinquencies.

In the current financial year, our Quarry and Building Materials Division expects improvement in its quarry operations with the three (3) quarries at planning and development stage coming into operations in the first half of 2010. In addition, the Division is expected to benefit from the acceleration of projects under the Ninth Malaysian Plan as well as the projects under the two stimulus packages announced by the government. The Division remains vigilant to opportunities to acquire more quarry operations to enhance its position as a significant player in this industry.

Fertilizer Trading Division expects improvement in both the Malaysian and Indonesian market in the current financial year with the recovery of global demand and stabilisation of fertilizer prices. Demand for fertilizers are expected to improve though somewhat subdued as a result of the El-Nino phenomenon. Nevertheless, the Division will continue to improve its market share in Malaysia and Indonesia whilst placing emphasis on inventory and debts control.

The Automotive Division will continue to build the Hap Seng Star Mercedes-Benz marque and market share in the Klang Valley in the current financial year and is committed to further improve its operation and service excellence to its customers. In East Malaysia, the Division will focus on further increasing market acceptance of the Mitsubishi Fuso trucks, and to build its market share in the light-medium vehicles segment. Sale of heavy vehicles comprising mainly logging trucks will continue to be influenced by timber prices although the Division will continue to explore alternative markets for the trucks. In the current financial year, demand for Mercedes-Benz passenger vehicles is expected to improve with launches of new models as well as improved consumer sentiments on the back of global recovery. However, the Division is apprehensive of the performance of the light-medium and heavy vehicles segments.

APPRECIATION

On behalf of the Board, we would like to express our thanks and appreciation to the management and staff for their loyalty, efforts and dedication to the Group. Last but not least, we would also like to record a special thanks to our shareholders and customers for their continued support to the Group.

Dato' Jorgen Bornhoft
Independent Non-Executive Chairman
30 March 2010

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of Hap Seng Consolidated Berhad is pleased to report on the manner in which the Principles and Best Practices of Corporate Governance are applied and the extent of compliance thereon as set out in Part 1 and Part 2 of the Malaysian Code on Corporate Governance (the "Code") pursuant to paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Main LR").

It is the policy of the Company to manage the affairs of the Group in accordance with the appropriate standards for good corporate governance.

The Board of Directors is committed to ensuring the appropriate standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group and Company.

The provisions of the Code applicable to the Group are divided into four parts.

Part A : **Directors**
Part B : **Directors' Remuneration**
Part C : **Shareholders**
Part D : **Accountability and Audit**

Set out below is a description of how the Group has applied the principles set out in the Code.

DIRECTORS

The Board

The Company is headed by a Board of Directors which leads and controls the Company. The Board meets regularly and is responsible for the proper management of the Company. All Board members bring sound judgment to bear on issues of strategy, performance, resources and standards of conduct. The Board of Directors meet at least four (4) times a year and additional Board meetings are convened as necessary with due notice of issues to be discussed. During the financial year ended 31 December 2009, four (4) meetings were held. Minutes of meetings (including deliberations by the Board of issues discussed and their conclusions thereof) are recorded by the Company Secretary.

All the Directors have attended more than 50% of the total Board meetings held during the financial year ended 31 December 2009.

The Board (continued)

The attendance of the Directors at Board Meetings held during the financial year ended 31 December 2009 are as follows:

Directors	No. of Meetings Attended
Dato' Jorgen Bornhoft	4/4
Datuk Henry Chin Poy-Wu	4/4
Datuk Edward Lee Ming Foo, JP	4/4
Mr. Lee Wee Yong	4/4
Mr. Soon Seong Keat	4/4
Mr. Lau Teong Jin	4/4
Datuk Simon Shim Kong Yip, JP	4/4
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	4/4
Dato' Mohammed Hussein	4/4
Madam Quan Sheet Mei (Alternate to Mr. Soon Seong Keat)	4/4
Madam Sim Siew Meng (ceased as Alternate to Mr. Lee Wee Yong on 1 April 2009)	-

The Board explicitly assumes the following six (6) specific responsibilities, which facilitate the discharge of the Board's stewardship responsibilities:

- Reviewing and adopting strategic plans for the Company;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensure the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Developing and implementing an appropriate investor relations programme or shareholder communications policy for the Company; and
- Reviewing the adequacy and the integrity of the Company's internal control systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Board Balance

As at the date of this annual report, the Board has nine (9) members comprising three (3) Executive Directors and six (6) Non-Executive Directors of which four (4) or more than one-third are independent of management and have no relationships which could interfere with the exercise of their independent judgment. Together, the Directors have wide ranging business and financial experience. A brief description of the background of each Director is presented on pages 8 to 13.

The responsibilities of the Chairman and the Managing Director are divided to ensure a balance of power and authority.

The Board annually examines its size with a view to determine the impact of the number on its effectiveness, provided always that the number of Directors shall not exceed twelve (12) as provided under Article 82 of the Company's Articles of Association. Datuk Henry Chin Poy-Wu being an Independent Non-Executive Director assumes the role as Senior Independent Non-Executive Director. The Board is satisfied that the current Board composition fairly represents the interest of shareholders other than the significant shareholder.

Supply of Information

Board members are given appropriate information in advance of each Board and Committee meeting. For Board meetings these information include:

- A financial report
- Report on current trading and business issues from the Managing Director
- Proposals for capital expenditures (if any)
- Proposals for acquisitions and disposals (if any)
- Annual budget or business plan
- Reports of the sub-committees of the Board (if any)

In addition, the Board also has a formal schedule of matters reserved for its decision including approval of annual and quarterly results. Specific responsibilities are delegated to Board Committees which comprise the Audit Committee, Nominating Committee and Remuneration Committee which shall report to the Board regularly. The terms of reference and authorities of these Board Committees which are determined and approved by the full Board are detailed on pages 42 to 49.

The Company Secretaries together with the Managing Director normally assist the Chairman to organise the information necessary for the Board to deal with the agenda and providing the relevant information to the Directors on a timely basis.

The Board also approves Directors to seek independent professional advice if necessary at the Company's expense in furtherance of their duties. Prior to incurring the professional fees, the Directors shall refer to the Managing Director on the nature and the fees of the professional advice sought.

All information within the Group are accessible to the Directors in the furtherance of their duties and all Directors have access to the services of the Company Secretaries.

Appointments to the Board

The Code endorses as good practice, a formal procedure for appointments to the Board, with a Nominating Committee making recommendations to the full Board. The Nominating Committee, which comprises three (3) Non-Executive Directors of which two (2) are Independent Non-Executive Directors, is responsible for proposing new nominees to the Board on an on-going basis and annually, assessing the contribution of each individual Director, including Independent Non-Executive Directors, as well as the Managing Director and also the effective discharge by the members of the Board sub-committees.

The Nominating Committee has reviewed and is satisfied that the size of the Board is optimum for the effective discharge of the Board's function and that there is appropriate mix of skills and core competencies in the composition of the Board. The Nominating Committee is of the view that all the Members of the Board are suitably qualified to hold their positions as Directors of Hap Seng Consolidated Berhad in view of their respective academic and professional qualifications and experiences. The Nominating Committee has also reviewed and is satisfied that all the Directors have received appropriate training during the financial year ended 31 December 2009.

Terms of reference of the Nominating Committee are detailed on pages 48 to 49.

The Board is entitled to the services of the Company Secretaries who ensures that all appointments are properly made and all necessary information is obtained from Directors, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from Main LR or other regulatory requirements.

The Company Secretaries are appointed by the Board and are persons who are capable of carrying out the duties which the post entails, providing effective support to the Chairman to ensure the effective functioning of the Board. Their removal is a matter for the Board as a whole.

Re-appointment and Re-election of Directors

Pursuant to Section 129(6) of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every Annual General Meeting ("AGM") and may offer themselves for re-appointment to hold office until the next AGM.

In accordance with the Company's Articles of Association, Directors who are appointed by the Board during the year, shall hold office only until the next Annual General Meeting and shall be eligible for re-election by the shareholders. In addition, at the AGM in every calendar year, one-third of the Directors including the Managing Director shall retire from office at least once in each three (3) years and shall be eligible for re-election by shareholders.

Directors' Training and Education

On joining, all new Directors are given background information describing the Company and its activities. Site visits are arranged whenever necessary. All the Directors holding office for the financial year ended 31 December 2009 have completed the Mandatory Accreditation Programme as specified by Bursa Malaysia Securities Berhad ("Bursa Securities"). The Directors are also encouraged to attend various external professional programmes on a continuous basis to enable them to effectively discharge their duties and to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates.

The Directors have during the financial year ended 31 December 2009, evaluated their own training needs on a continuous basis and attended the following programmes :

Directors	Training Programme	Duration
Dato' Jorgen Bornhoft	Hap Seng Public Lecture Series: "The Emergence of China"	2 hours
	"The Global Financial Crisis: Implications for Corporate Governance in Asia"	2 hours
	Directors' Briefing on Livestock Farming	1 hour
	Governance Practices for the Financial Markets in the 21st Century	2 days
	Risk Management Introduction	2 days
	Briefing on "The Potential Impacts of FRS 139"	2 hours
Datuk Henry Chin Poy-Wu	"Building Human Capital for the Future, Catalyst for Economic Development"	½ day
	Seminar on "Asia's New Competitive Games"	1 day
	Akta Universiti dan Kolej Universiti 1971 (Act 30)	1 day
	"Corporate Leadership – Leveraging Sabah as the International Education Hub"	½ day
	FTSE Bursa Malaysia KLCI "Elevating Malaysia's Benchmark Index to Global Standards"	2 hours
	"Excel in Financial Management to improve Accountability"	½ day
	"Strategic Leadership for the Future"	½ day
	Directors' Briefing on Livestock Farming	1 hour
Datuk Edward Lee Ming Foo, JP	Hap Seng Public Lecture Series: "The Emergence of China"	2 hours
	Sime Darby Public Lecture Series: "Developing Sustainable Futures"	2 hours
	FTSE Bursa Malaysia KLCI "Elevating Malaysia's Benchmark Index to Global Standards"	2 hours
	Directors' Briefing on Livestock Farming	1 hour
	Hap Seng Public Lecture Series: "Modernising Directors' Duties and Shareholders' Rights – the recent UK experience"	2 hours
Mr. Lee Wee Yong	Hap Seng Public Lecture Series: "The Emergence of China"	2 hours
	Hap Seng Public Lecture Series: "How government can work with the business sector in Malaysia to face the global economic crisis"	2 hours
	FTSE Bursa Malaysia KLCI "Elevating Malaysia's Benchmark Index to Global Standards"	2 hours
	Technical Briefing – Main Market Listing Requirements	½ day
	Directors' Briefing on Livestock Farming	1 hour
Mr. Soon Seong Keat	FTSE Bursa Malaysia KLCI "Elevating Malaysia's Benchmark Index to Global Standards"	2 hours
	Technical Briefing – Main Market Listing Requirements	½ day
	Directors' Briefing on Livestock Farming	1 hour

Directors	Training Programme	Duration
Mr. Lau Teong Jin	Hap Seng Public Lecture Series: "The Emergence of China"	2 hours
	Hap Seng Public Lecture Series: "How government can work with the business sector in Malaysia to face the global economic crisis"	2 hours
	FTSE Bursa Malaysia KLCI "Elevating Malaysia's Benchmark Index to Global Standards"	2 hours
	Directors' Briefing on Livestock Farming	1 hour
	Forum on "The challenges of implementing FRS 139"	3½ hours
	Hap Seng Public Lecture Series: "Modernising Directors' Duties and Shareholders' Rights – the recent UK experience"	2 hours
Datuk Simon Shim Kong Yip, JP	Public Lecture at London School of Economics entitled "Chinese Pursuit of Modernity"	½ day
	DNA and Its Importance to Forensic Science	½ day
	Seminar on "Stay In Favour Of Arbitration: The Malaysian Perspective – Then And Now" and "Natural Justice: A Natural Concern For The Arbitrator – Some Guidelines From A Recent Singapore Court Of Appeal Decision"	2 hours
	Directors' Briefing on Livestock Farming	1 hour
	Hap Seng Public Lecture Series: "Modernising Directors' Duties and Shareholders' Rights – the recent UK experience"	2 hours
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	Hap Seng Public Lecture Series: "How government can work with the business sector in Malaysia to face the global economic crisis"	2 hours
	FTSE Bursa Malaysia KLCI "Elevating Malaysia's Benchmark Index to Global Standards"	2 hours
	Directors' Briefing on Livestock Farming	1 hour
	Budget 2010 and FRS 139/FRS 7	½ day
	Hap Seng Public Lecture Series: "Modernising Directors' Duties and Shareholders' Rights – the recent UK experience"	2 hours
	Talk on Corporate Governance - Lessons from Hong Kong	½ day
	"Special Audit Committee Forum and Boardroom Agenda for Directors"	1 day
Dato' Mohammed Hussein	FTSE Bursa Malaysia KLCI "Elevating Malaysia's Benchmark Index to Global Standards"	2 hours
	Directors' Briefing on Livestock Farming	1 hour
	Budget 2010 and FRS 139/FRS 7	½ day
	Hap Seng Public Lecture Series: "Modernising Directors' Duties and Shareholders' Rights – the recent UK experience"	2 hours
Madam Quan Sheet Mei	KPMG FRS 139, Financial Instruments: Recognition and Measurement Step-by-Step Conversion Workshops	2 days
	Directors' Briefing on Livestock Farming	1 hour
	Forum on "Profit Maximisation as the Future Way to Do Business – A Myth or Reality"	4 hours
	Hap Seng Public Lecture Series: "Modernising Directors' Duties and Shareholders' Rights – the recent UK experience"	2 hours

DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration

The Board has adopted the policy as recommended by the Code. The Board ensures that the level of remuneration is appropriate to attract and retain Directors needed to manage the Company successfully. The component part of remuneration have been structured to link rewards to corporate and individual performance for Executive Directors whilst Non-Executive Directors' remuneration reflect the experience and level of responsibilities undertaken by individual Non-Executive Directors.

Procedure

The Remuneration Committee which is a sub-committee of the Board presently comprises four (4) members of which two (2) are Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Executive Director. Remuneration packages of newly appointed and existing Executive Directors are reviewed by the Remuneration Committee and recommended to the Board for approval. Directors do not participate in decisions on their own remuneration.

Terms of reference and responsibilities of the Remuneration Committee are detailed on page 47.

Disclosure

Directors' Remuneration and Remuneration Policy are as follows:

Details of Directors' Remuneration

(i) The aggregate remuneration paid or payable by the Company to the Directors of the Company for services in all capacities during the financial year ended 31 December 2009 is as follows:

Category	Fees RM'000	Salaries and Other Emoluments RM'000	Benefits in kind RM'000	Total Remuneration RM'000
Executive	-	3,476	137	3,613
Non-Executive	390	-	-	390

(ii) The number of Directors who received remuneration from the Company for the financial year ended 31 December 2009, and their remuneration including benefits in kind which falls within the following bands are as follows:

Remuneration Range	No. of Directors
Executive Directors	
RM700,000 to RM800,000	1
RM800,001 to RM900,000	-
RM900,001 to RM1,000,000	-
Above RM1,000,000	2
Non-Executive Directors	
RM50,000 to RM100,000	6

Remuneration Policy

The policy of the Remuneration Committee is to ensure that the remuneration practices of the Company are competitive, thereby enabling the Company to attract and retain high calibre Executive Directors and reflecting their respective responsibilities and commitments.

(i) Remuneration for Executive Directors

The remuneration package for the Executive Directors comprises some or all of the following elements.

- **Basic Salary**
  Salaries are reviewed annually. In setting the basic salary of each Director, the Remuneration Committee takes into account market competitiveness and the performance of each individual Director.

- **Annual Bonus**
  The annual bonus plan focuses on annual objectives and is designed to reward appropriately the achievement of results against these objectives.

- **Contribution to EPF**
  Contribution to EPF is based on the statutory rate.

- **Benefits in kind**
  Benefits in kind include interalia car, driver, fuel and mobile phone.

(ii) Remuneration for Non-Executive Directors

Remuneration of the Non-Executive Directors are determined by the Board as a whole. The Non- Executive Directors do not take part in the discussion on their own remuneration.

SHAREHOLDERS

Dialogue between Company and Investors

The Company recognises the importance of communications with shareholders. The Board views the AGM as an ideal opportunity to communicate with both institutional and private investors. In addition, the Company has a website www.hapseng.com.my which provides shareholders and investors at large with up todate information including announcements that have been made by the Company to Bursa Securities. While the Company endeavours to provide as much information as possible to its shareholders, it must also be wary of the legal and regulatory framework governing the release of material and price-sensitive information.

In addition, the Company's announcements, including full version of its quarterly results announcements and Annual Report can be assessed through Bursa Securities' website at www.bursamalaysia.com

The Annual General Meeting ("AGM")

Notice of AGM which is contained in the Annual Report is sent out at least twenty-one (21) days prior to the date of the meeting.

There will be commentary by the Chairman and Managing Director at the AGM regarding the Company's performance for each financial year and a brief review on current trading conditions.

At each AGM, a platform is available to shareholders to participate in the question and answer session. Where appropriate, the Chairman and Managing Director will provide written answers to any significant question that cannot be readily answered.

Each item of special business included in the Notice of AGM will be accompanied by a full explanation of the proposed resolution.

Whenever appropriate, press conference is held at the end of each AGM where the Chairman and Managing Director advise the press on the resolutions passed and answer questions in respect of the Group as well as to clarify and explain any issues.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Company operates, and attaches importance to, clear principles and procedures designed to achieve accountability and control appropriate to the businesses of the Group. In presenting the annual financial statements and quarterly reports, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

Statement of Directors' Responsibility for preparing the Annual Audited Financial Statements

The Directors are required by the Companies Act, 1965, to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Group and Company as at the end of the financial year and of the Group's and Company's Income and Cash Flow Statements for the financial year.

The Directors consider that in preparing the Financial Statements, the Group and the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed. The Directors have responsibility for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the Financial Statements comply with the Companies Act, 1965.

The Directors have overall responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group and Company.

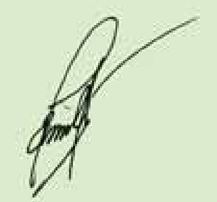
Internal Control

The Group's Statement on Internal Control is set out on pages 39 to 41.

Relationship with Auditors

The Audit Committee and the Board have established formal and transparent arrangements to maintain an appropriate relationship with the Company's auditors as stated on pages 42 to 46.

This Statement of Corporate Governance is made in accordance with a resolution from the Board.



DATO' JORGEN BORNHOFT
Independent Non-Executive Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

STATEMENT ON INTERNAL CONTROL

The Board of Directors is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following Statement on Internal Control which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2009 pursuant to paragraph 15.26(b) of the Main LR.

i. Internal Control

The Directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system involves each business and key management from each business, including the Board, and is designed to meet the Group's particular needs and to manage the risks to which it is exposed. This system, by its nature, can only provide reasonable but not absolute assurance against material loss or against the Group failing to achieve its objectives. For the purposes of this framework, associates are not dealt with as part of the Group, and therefore not covered by this statement.

The key elements of the Group's internal control system are described below:

- Clearly defined delegation of responsibilities to committees of the full Board and to operating units, including authorisation levels for all aspects of the business.
- Documented internal procedures set out in Operating Manuals, whenever applicable.
- Regular internal audit visits which monitor compliance with procedures and assess the integrity of financial information.
- Regular and comprehensive information provided to management, covering financial performance and key business indicators.
- A detailed budgeting process where operating units prepare budgets for the coming year which are approved both at operating unit level and by the full Board.
- A monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary.
- Regular visits to operating units by members of the Board and senior management whenever appropriate.
- Regular review of business processes to assess the effectiveness of internal controls by the Internal Audit Department and the highlighting of significant risks impacting the Group to the Audit Committee. Annual internal audit plan is reviewed by the Audit Committee.
- Review and holding of discussions by the Audit Committee on significant internal control issues identified in reports prepared by the Internal Audit Department.

i. Internal Control (continued)

Following the issuance of "Statement on Internal Control : Guidance for Directors of Public Listed Companies" by Bursa Securities, the Group had, since June 2001, implemented a formal approach towards identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives. This is an ongoing process and is regularly reviewed by the Board and accords with the "Statement on Internal Control : Guidance for Directors of Public Listed Companies".

In line with this:

- A Group Risk Management Committee has been formed to take formal executive responsibility for risk management, building upon already established structures and mechanism. The Committee had been established with the responsibility to identify and communicate to the Board of Directors the critical strategic business risks (both present and potential) the Group faces, their changes and the management action plans to manage the risks. Presently, the Group Managing Director heads the Group Risk Management Committee.

- A Group's Risk Methodology had been issued to the heads of the Group's business units.

- Risk Assessment workshops and interviews have been conducted by the Head of Internal Audit Department with the head and operational managers from the major business units in the Group on the use of risk assessment methodology.

- A database of strategic risks identified and appropriate controls has been created and the information filtered to produce a detailed risk register/scorecard and individual risk profiles for the major business units, which is continuously updated. Key risks to each business unit's objectives aligned with the Group's strategic objectives are identified and scored for likelihood of the risks occurring and the magnitude of the impact.

- The Risks profile of the relevant business units were tabled to the Group Risk Management Committee with highlights on the key business risk, their causes and management action plans thereon.

ii. Internal Audit Function

The Group has an in-house Internal Audit Department which is independent of the activities or operations of other operating units in the Group, which provides the Audit Committee and the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control.

Its principal responsibility is to undertake regular and systematic reviews of the system of internal controls, risk management and governance processes so as to provide reasonable assurance that such system operates satisfactorily and effectively within the Company and the Group and reports to the Audit Committee on a quarterly basis. Internal audit strategy and a detailed annual internal audit plan are presented to the Audit Committee for approval. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the major business units of the Group.

ii. Internal Audit Function (continued)

The activities that were carried out are as follows:

- Undertook internal audit based on the audit plan that had been reviewed and approved by the Audit Committee which includes the review of operational compliance with established internal control procedures, management efficiency, risk assessment and reliability of financial records.

- Attended business review meetings held regularly by the Group's senior management to keep abreast with the strategic and operational planning and development issues. Discussions relating to strategic business risks in particular are recorded and forwarded to the members of the Group Risk Management Committee.

- Conducted investigations with regard to various specific areas of concern as directed by the Audit Committee and the management.

- Formalised approach towards risk assessment in compliance with the guidance on the "Statement on Internal Control : Guidance for Directors of Public Listed Companies" issued by Bursa Securities.

- Assessment of key business risks at each major business units which were identified by risk analysis and continuous monitoring of control compliance through data extraction and analysis techniques.

- Facilitated strategic business risks assessment covering the Group's Plantation, Property Holding & Development, Credit Financing, Automotive, Fertilizer Trading, Quarry and Building Materials and Oil and Fats Divisions.

- Issued a total of twenty two (22) internal audit reports to the Audit Committee on the major business units which encompassed identification and assessment of business risks.

iii. Other Risks and Control Processes

Apart from risk assessment and internal audit, the Group also has in place an organisational structure with defined lines of responsibility, delegation of authority and a process of hierarchical reporting. The existence of formalised Limits of Authority which provides the authority limits of the employees in the approval of various transactions and an Employees Handbook which highlights policies on Group's objectives, terms and conditions of employment, remuneration, training and development, performance review, safety and misconduct are relevant across Group's operations.

The Managing Director also reports to the Board on significant changes in the business and external environment which can affect significant risks. The Board is provided with financial information on a quarterly basis which includes key performance and risk indicators and amongst others, the monitoring of results against budget.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Main LR, the external auditors have reviewed this Statement on Internal Control. Their review was performed in accordance with Recommended Practice Guide 5 (RPG 5) issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group.

BOARD COMMITTEES

AUDIT COMMITTEE

Members of the Audit Committee

Dato' Jorgen Bornhoft	(Independent Non-Executive Director) – Chairman
Datuk Henry Chin Poy-Wu	(Independent Non-Executive Director)
Mr. Lau Teong Jin	(Independent Non-Executive Director)
Datuk Simon Shim Kong Yip, JP	(Non-Independent Non-Executive Director)

Role of the Audit Committee

Assisting the Board in the discharge of its statutory duties and responsibilities in the following areas:

- Reviewing of Financial Statements that give a true and fair view of the Group's affairs and results and recommending the same for approval by the Board.
- Managing of Group's affairs in compliance with laws and regulations and proper standards of conduct.
- Establishing and maintaining of internal controls for areas of risks to provide reasonable assurance for safeguarding of assets and reliable financial information.
- Minimising the number of Directors who need to become involved in detailed reviews of Financial Statements and the results of internal and external audits.
- Providing a forum for Independent Non-Executive Directors to keep abreast of the Group's operations and thus enabling them to perform a more active role.
- Giving additional emphasis to the audit functions performed by the internal and external auditors.
- Providing a formal contact between the Independent Non-Executive Directors who are members of the Audit Committee and the external auditors.

Membership

- The Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three (3) members. All the Audit Committee members must be Non-Executive Directors with a majority of them being Independent Directors. A member shall not have any family relationship with any Executive Director or any related company or relationship which would interfere with independent judgment.
- Independent Director shall be one who fulfills the requirement as provided in Main LR.
- At least one member of the Audit Committee shall be a member of the Malaysian Institute of Accountants or a person approved under section 15.09(1)(c)(ii) and (iii) of the Main LR.
- No Alternate Director shall be appointed as a member of the Audit Committee.
- The Chairman of the Committee who shall be an Independent Director shall be elected by the members of the Committee.
- In the event the number of Audit Committee members are less than the required number of three (3) due to resignation or for any reason ceases to be a member, the Board shall within three (3) months appoint new member(s) to fill up the vacancy. All members of Audit Committee shall hold office until otherwise determined by the Board or until they cease to be a Director of the Company.

Attendance at Meetings

- A quorum shall be two (2) members, a majority of which shall be Independent Directors.
- The Committee may invite other directors, any employee and a representative of the external auditors to attend any particular Audit Committee meeting, specific to the relevant meeting(s). The Group Finance Director and the Head of Internal Audit Department, upon the invitation by the Committee, normally attend the meeting(s).
- The Committee may convene meetings with the external auditors, the Head of Internal Audit Department or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary. At least twice a year, the Committee shall meet with the external auditors without the presence of executive members of the Board.
- The Company Secretary shall act as the Secretary of the Committee.

Frequency of Meetings

Meetings shall be held not less than four (4) times a year.

During the financial year ended 31 December 2009, four (4) meetings were held. The details of Directors' attendance at these meetings are as follows:

Directors	No. of Meetings
Dato' Jorgen Bornhoft	4/4
Datuk Henry Chin Poy-Wu	4/4
Mr. Lau Teong Jin	4/4
Datuk Simon Shim Kong Yip, JP	4/4

The details of training by the above Directors are tabulated on pages 34 to 35.

Proceedings of Meetings

- In the absence of the Chairman, the Committee shall appoint one of the Independent members present to chair the meeting.
- Questions arising at any meeting shall be decided by a majority of votes of the members present, each member having one (1) vote.

Review of the Audit Committee

The term of office and performance of the Committee and each of the member shall be reviewed by the Board at least once every three (3) years to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

Scope of Authority

- The Chairman of the Audit Committee may engage on a continuous basis with senior management such as the Chairman of the Board, the Managing Director, the Group Finance Director, Head of Internal Audit Department and the external auditors in order to be kept informed of matters affecting the Company.

- The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are required to comply with any request made by the Committee.

- The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

- The Terms of Reference of the Audit Committee shall not limit in any way the responsibilities and authorities of the Managing Director to institute or instruct internal audits and reviews to be undertaken from time to time.

- The Chairman of Audit Committee, upon the request of the external auditor, shall convene a meeting of the committee to consider any matter which the external auditors believe should be brought to the attention of the directors or shareholders.

Duties

- To recommend to the Board the appointment of the external auditors, the audit fees, other terms of engagement and to consider any letter of resignation from the external auditor (if any).

- To consider whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment.

- To review the annual audit plan with the external auditors and subsequent changes (if any).

- To consider and discuss with the external auditors before the audit commences, the nature, scope of audit and any difficulties and/or restriction encountered in the course of their audit work.

- To ensure employees of the Company extend their assistance to the external auditors.

- To review the quarterly and year end financial statements before submission to the Board focusing particularly on:

  i. any changes in accounting policies and practices,
  ii. significant adjustments arising from the audit and other unusual events (if any),
  iii. compliance with Accounting Standards, relevant legislative framework and other legal requirements,
  iv. compliance with the Main LR and all other applicable rules and regulations.

Duties (continued)

- To review the internal audit programme, receive all internal audit reports, consider the major findings of internal audit investigations and management's response thereof.
- To review results of the internal audit process and, where necessary ensure appropriate actions are taken on the recommendations of the internal audit function.
- To review the adequacy of the scope, functions, competency and resources of internal audit and that it has the necessary authority to carry out its work.
- To approve any appointment or termination of senior executives of the Internal Audit Department.
- To review any appraisal or assessment of senior executives of the Internal Audit Department.
- To be informed of any resignation of senior executive of the Internal Audit Department and provide the resigning personnel an opportunity to submit his/her reasons for resigning.
- To keep under review the effectiveness of internal control systems, and in particular review the external auditor's management letter and management's response.
- To scrutinise all related party transactions and to ensure no potential conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- The Audit Committee is to report promptly to Bursa Securities on any matter reported to the Board which has not been satisfactorily resolved resulting in a breach of the Main LR.
- To consider other related matters from time to time as defined by the Board.

Reporting Procedures

The Chairman of the Committee shall report on each meeting to the Board and the Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

Summary of Audit Committee Activities during the Financial Year Ended 31 December 2009

The activities of the Audit Committee during the financial year ended 31 December 2009, are summarised as:

- Reviewed internal audit plan for the financial year which includes review of operational compliance with established control procedures, management efficiency, risk assessment and reliability of financial records.

- Authorised Internal Audit Department to undertake specific investigation on specific areas of concern, reviewed outcome of investigation and deliberated on appropriate actions and/or recommendations arising therefrom.

- Received and reviewed a total of twenty two (22) internal audit reports covering the business processes of the Group's Plantation, Property Holding & Development, Credit Financing, Automotive, Fertilizers Trading, Quarry and Building Materials and Oil and Fats Divisions.

- Reviewed annual audit plans of the Group and Company with the external auditors and recommendation of their audit fees to the Board.

- Reviewed and discussed annual audited Financial Statements with the external auditors prior to recommending the same to the Board for approval; after noting specific points or pertinent issues raised by the external auditors.

- The Audit Committee held two (2) separate and independent meetings with the external auditors in the absence of the executive board members and management representatives during which the external auditors informed that they had received full co-operation from the management as well as unrestricted access to all information required for purpose of their audit and there were no special audit concerns to be highlighted to the Audit Committee.

- Reviewed the Group's quarterly report prepared in compliance with Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" and Chapter 9 of the Main LR and press announcements (if any) prior to submission to the Board for consideration and approval where the Chairman of the Audit Committee will brief the Board on the pertinent points and the recommendations of the Audit Committee.

- Reviewed and considered the disclosure of Related Party Transactions in the Financial Statements and the Recurrent Related Party Transactions Circular to shareholders.

- Reviewed the Statement of Corporate Governance and Statement on Internal Controls prepared in accordance with the provisions set out under the Malaysian Code on Corporate Governance, the extent of compliance with the said Code and recommended to the Board action plans to address identified gaps (if any) between the Group's existing Corporate Governance practices and the prescribed Corporate Governance principles and best practices under the Code.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 27 March 2001 and presently its members are as follows:

Dato' Jorgen Bornhoft	(Independent Non-Executive Director) – Chairman
Datuk Henry Chin Poy-Wu	(Independent Non-Executive Director)
Datuk Simon Shim Kong Yip, JP	(Non-Independent Non-Executive Director)
Datuk Edward Lee Ming Foo, JP	(Executive Director)

Terms of Reference of Remuneration Committee

Membership

The Committee shall be appointed by the Board from amongst the Directors of the Company and in accordance with the Malaysian Code on Corporate Governance which required the Remuneration Committee to consist wholly or mainly of Non-Executive Directors.

Frequency of Meetings

Meetings are held at least once (1) a year and at such other time as and when necessary.

Attendance at Meetings

The quorum of the meeting shall be two (2) members.

Proceeding of Meetings

- In the absence of the Chairman, the Remuneration Committee shall appoint one of the Non-Executive members present to chair the meeting.

- Questions arising at any meeting shall be decided by a majority of votes of the members present, each member having one (1) vote. In the case of an equality of votes, the Chairman shall be entitled to a casting vote in addition to the vote which he is entitled as a member.

Duties

- To review the annual remuneration packages of each individual Executive Director such that the levels of remuneration are sufficient to attract and retain the Executive Directors needed to manage the Company successfully; and

- To recommend to the Board the remuneration packages of the Executive Directors of the Company.

Scope of Authority

The Remuneration Committee does not have the delegated authority from the Board to implement its recommendations but is obliged to report its recommendations to the full Board for its consideration and implementation.

Interest of Remuneration Committee Members

Members of the Remuneration Committee shall not participate or be involved in the deliberations or discussions of their own remuneration.

Reporting Procedure

The Secretary shall circulate the minutes of meetings of the Remuneration Committee to all members of the Board.

Summary of Activities

The Remuneration Committee met on 23 November 2009 to review and to recommend to the Board, the proposed bonus of the Executive Directors for the financial year ended 31 December 2009 and their respective proposed increments for the financial year commencing from 1 January 2010.

NOMINATING COMMITTEE

The Nominating Committee was set up on 27 March 2001 and presently its members are as follows:

Dato' Jorgen Bornhoft	(Independent Non-Executive Director) – Chairman
Datuk Henry Chin Poy-Wu	(Independent Non-Executive Director)
Datuk Simon Shim Kong Yip, JP	(Non-Independent Non-Executive Director)

Terms of Reference of Nominating Committee

Membership

The Committee shall be appointed by the Board from amongst the Directors of the Company and in accordance with the Malaysian Code on Corporate Governance which requires the Nominating Committee to consist exclusively of Non-Executive Directors, a majority of whom are independent.

Frequency of Meetings

Meetings are held at least once (1) a year and at such other time as and when necessary.

Attendance at Meetings

The quorum of the meeting shall be two (2) members.

Proceeding of Meetings

- In the absence of the Chairman, the Nominating Committee shall appoint one of the Independent Non-Executive members present to chair the meeting.
- Questions arising at any meeting shall be decided by a majority of votes of the members present, each member having one (1) vote. In the case of an equality of votes, the Chairman shall be entitled to a casting vote in addition to the vote which he is entitled as a member.

Duties

- To nominate and recommend suitable candidates for all directorships to be filled by the Board after considering the required mix, skills, knowledge, experience and other qualities including core competencies, expertise, professionalism and integrity which the Directors should bring to the Board.
- To evaluate the ability of candidates for the position of Independent Non-Executive Directors to discharge such responsibilities or functions as expected from Independent Non-Executive Directors.
- To nominate and recommend qualified Directors to be Audit Committee members and to sit on other Board Committees from time to time.
- To consider candidates for directorships proposed by the Managing Director's office and, within bounds of practicability, by any other senior executive or any Director or shareholder.
- To annually assess the effectiveness of the Board and contribution of individual Director.
- To determine the appropriate board size and number of Non-Executive participation in order to comply with Main LR.
- To ensure all the new Directors participate in the Directors' training programme.

Scope of Authority

The Nominating Committee does not have the delegated authority from the Board to implement its recommendations but is obliged to report its recommendations to the full Board for its consideration and implementation. The actual decision as to who shall be appointed is the responsibility of the full Board after considering the recommendations of the Committee.

Reporting Procedure

The Secretary shall circulate the minutes of meetings of the Nominating Committee to all members of the Board.

Summary of Activities

- Reviewed the current Audit Committee size and composition and was of the view that the members were aptly qualified to discharge their respective duties and responsibilities after taking into account their professional qualifications and experiences.

- Reviewed the current Remuneration Committee size and composition and was satisfied that the Remuneration Committee was effective in the discharge of its function.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Business entities must be consistently mindful of how it impacts the society and communities in which it operates.

Towards this end, Hap Seng Consolidated Berhad has taken to heart the essence of corporate social responsibility (CSR) that has been defined by Bursa Malaysia as the open and transparent business practices that are based on ethical values and respect for the community, employees, the environment, shareholders and other stakeholders.

As a progressive and well-established publicly listed company with diversified businesses in major segments of the Malaysian economy, Hap Seng Group continues to be committed to delivering sustainable value to the society. This is achieved via various socially responsible processes, activities and initiatives on a long-term as well as from a need-to-need basis. The following is a report on the multitude of CSR platforms we have undertaken throughout our 2009 financial year.

Environment

Our Group has been steadfast in our efforts to ensure that our business operations and processes are managed in a way that minimizes its impact on our environment. This includes developing and implementing environmental friendly practices Group-wide and being attentive on how we utilise our natural resources.

On an overall Group perspective, we have consistently strived to encourage a more environmental conscious mindset amongst our employees to reduce their carbon footprint at the work place through the practice of "Reduce, Reuse, Recycle".

Our Plantation Division, through its Plantation Environmental Committee and the Plantation Energy Conservation Committee, continued to develop and implement sustainable agricultural practices while ensuring the optimum usage of energy in our plantations. Such efforts have benefitted both the environment and our shareholders with the improved bottom-line results.

During the year, our Property Holding and Development Division spearheaded a unique campaign dubbed *Green Lifestyle at the Podium*. Centered on Menara Hap Seng's three-storey lifestyle and retail center, the Podium, the initiative sought to encourage corporate Malaysia to embrace a more environmentally conscious lifestyle. Activities that were held during the campaign included an *Adopt-A-Tree* drive in collaboration with Nokia, a *Say No to Plastic Bags* promotion, as well as a treasure hunt on foot event called *Walk KL* to encourage Malaysians to walk more instead of driving.

Community

Corporate entities are inter-linked with the communities they operate in. A mutually beneficial and symbiotic relationship between businesses and its communities is integral to ensure both prosper and grow as a whole.

Towards this end, the Hap Seng Group has spearheaded and supported numerous initiatives tailored to benefit communities. Our focus has been in the areas of education, culture and social development. Our goal is to work alongside members of the community to contribute in a way that will improve their quality of life from a socio-economic and knowledge perspective.

Corporate Social Responsibility (CSR)

As a business organisation, the Hap Seng Group strongly believes that education is the primary platform to success and progress. On this score, the Group continued to provide financial support in contributing towards plantation estates' children's school fees for the Humana Child Aid Society Sabah. Our Group successfully completed the first year of the Project To Improve English in Rural Schools (PIERS) programme in Tawau, Sabah in 2009. This two-year training programme, run by CfBT Education Malaysia in cooperation with the Sabah State Education Department and HSBC Bank Malaysia Berhad, aims to improve the quality of teaching amongst English, Math and Science teachers in rural communities.

On the same note, the Hap Seng Group, along with Hap Seng Plantations Holdings Berhad and Malaysian Mosaics Berhad, continued to organise the highly popular Hap Seng Public Lecture Series throughout the year under review. The series is aimed at creating a better-informed and educated society via open sharing of information and positive discourse. Notable speakers featured in 2009 included Professor Wang Gungwu, Chairman of the East Asian Institute in Singapore, who spoke about the emergence of China; and YBhg. Tan Sri Mohd Sidek, Chief Secretary to the Government, who elaborated on how the Government can work with the business sector in Malaysia to face the global economic crisis. The Right Honourable Lady Justice Mary Arden D.B.E., member of the Court of Appeal of England and Wales, capped off the year with a talk on modernizing director's duties and shareholders' rights.

The Group remains committed to contributing positively to its communities from an education standpoint. During the second quarter of 2009, the Property Holding and Development Division saw the launch of a Vision School in its township, Bandar Sri Indah, Sabah. The Vision School was built on land that has been contributed by the Division.

Towards the last quarter of 2009, our Quarry and Building Materials Division began delivery of its contribution of personal computers to a school in Benoni, Sabah. This is an effort to equip rural students with the information technology skill-set required in today's competitive working environment. This initiative is well in line with our commitment to contribute positively to the communities in which we operate.

Corporate Social Responsibility (CSR)

In terms of culture and social development, our Group organized festive celebrations and party events for our valued customers in appreciation of their loyalty and for the benefit of members of the public. The less fortunate were invited to a luncheon in conjunction with the festive lunar new year celebrations. Our Group also organised a blood donation campaign during the year at Menara Hap Seng. These efforts are platforms to foster greater community relations and civic consciousness amongst Malaysians.

Our Group also focuses on community improvement efforts in an effort to maintain strong relations with the community members, while at the same time enhancing their quality of life. Significant investments have been made to develop infrastructure like new roads for better access and to support social causes involving under-privileged children, the physically handicapped and mentally disabled.

Marketplace

Our customers, suppliers and investors play a crucial role in the continued growth and success of the Group. This is all the more important as the operating marketplace is ever challenging and highly competitive. On this point, the Hap Seng Group intends to leverage on good corporate governance and sound business practices throughout our day-to-day engagements with the said stakeholders in our quest to deliver positive results on a long-term basis.

From a customer relations' perspective, our Group carried out various engagement activities that included a tour of facilities to cultivate a deeper understanding of the processes involved in order to improve overall productivity and delivery systems.

The Automotive Division held a *"Mega May Carnival"* during the year at our Mercedes-Benz Kuala Lumpur Autohaus and Kinrara Pre-Owned Cars Centre in Selangor. The Automotive Division also held various test drive events and the new Mercedes-Benz E-Class launch, which were ideal occassions for its passenger car retail segment to interact and solidify relations with its current and potential customers.

In terms of investor relations, our Plantation Division organised a tour for analysts and fund managers to our Group's oil palm plantations in Sabah. This initiative enabled investors and key opinion leaders to learn more about the Division's operations and prospects.

Also during the year, our Property Holding and Development Division continued to support and encourage closer relationships amongst participants of Sabah's real estate community. The Division has once again participated in the Sabah Housing and Real Estate Developers Association's (SHAREDA) 2009 property expo. It also hosted the 5th SHAREDA Friendship Golf Tournament 2009 in Kota Kinabalu, Sabah.

We also keep our shareholders abreast on corporate milestones and other activities at shareholder meetings to ensure they are well informed and updated on the Group's progress.

Corporate Social Responsibility (CSR)

Workplace

CSR is as relevant to our internal stakeholders as much as our external stakeholders. Our human capital is the very fuel that drives the Hap Seng Group forward. As such, our Group has placed significant importance in ensuring that all our employees are equipped with the necessary motivation, skills and tools to perform their duties well. At the same time, we also strive to create a workplace environment that is conducive to enhancing productivity and cohesion.

The well-being and welfare of our employees are also essential to our Group's performance. Throughout the year, initiatives such as health talks, crime prevention dialogues and fire drill exercises were carried out to promote a healthy and safety mindset amongst our employees.

At the same time, the Group also believes that sport activities are an ideal conduit to engender greater camaraderie and working relationships within our staff force. As such, our Group has been supportive of sporting events such as the Hap Seng Badminton Closed Tournament, Inter-estate Football Tournament and Estates' Sports and Family Day that were organized by our respective divisions during the year.

In terms of technical skills-set, the Group organized several training modules for our employees in 2009. These initiatives include technical training in relation to letter of credit and the financing of transportation busses spearheaded by our Credit Financing Division. Our Group's Quarry and Building Materials Division also participated in a heavy machinery operator training. Similarly, our Automotive Division and Credit Financing Division held their respective Retail Conference and Mid-Term Business Review, which are useful platforms to share notes, exchange ideas and fostering greater working relationships within the Division.

Awards And Recognition

Hap Seng's Property Holding and Development Division clinched the Best Office Development award for Menara Hap Seng at the prestigious International Real Estate Federation (FIABCI) Malaysia Property Awards 2009. This significant achievement is a reflection of the innovation, creativity and detailed planning the Group has invested into the refurbishment of our iconic corporate building.

On the same note, Persatuan Arkitek Malaysia (PAM) selected the Hap Seng Star Mercedes-Benz Autohaus Service Center as the winner of the Industrial Buildings category at the PAM 2009 Awards.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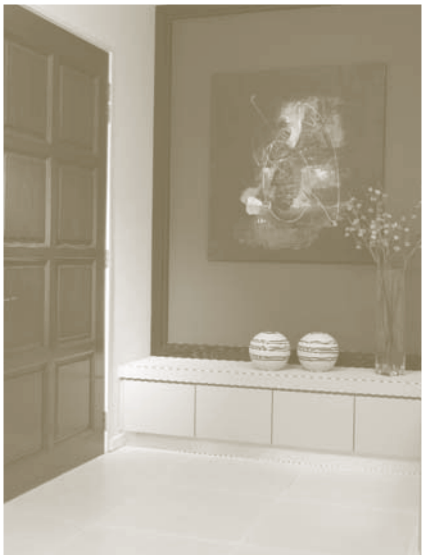


financial STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the subsidiaries and associates are disclosed in Notes 7 and 8 to the financial statements, respectively. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

The results of the Group and of the Company for the financial year ended 31 December 2009 are as follows:-

	Group RM'000	Company RM'000
Profit before tax	172,760	128,091
Tax expense	(23,416)	(12,209)
Profit for the year	149,344	115,882
Attributable to:		
Equity holders of the Company	100,243	115,882
Minority interests	49,101	-
Profit for the year	149,344	115,882

In the opinion of the directors, the results of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the gain arising from disposal of a subsidiary as disclosed in Note 26 to the financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

SHARE CAPITAL

Issue of shares

There were no changes in the authorised, issued and paid up share capital of the Company during the financial year.

Share repurchase

The shareholders of the Company granted authority to the directors at the Extraordinary General Meeting held on 29 May 2009 to further repurchase the Company's shares from the open market. During the financial year, the Company repurchased a further 2,000 of its issued ordinary shares from the open market for a total cost of RM5,107. The repurchase was financed from the Company's internal funds. The average cost paid for the additional shares repurchased during the financial year was RM2.55 per share. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. During the financial year, there was no cancellation of treasury shares.

Movement of shares repurchased

	Number of shares	RM	Average cost per share RM
As of 1 February 2008	59,130,500	154,448,860	2.61
Repurchased during the period	2,000	4,736	2.37
As of 31 December 2008/1 January 2009	59,132,500	154,453,596	2.61
Repurchased during the year	2,000	5,107	2.55
As of 31 December 2009	59,134,500	154,458,703	2.61

The directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan would be applied in the best interests of the Company and its shareholders.

As of 26 March 2010, the issued and paid up capital comprises 622,660,000 ordinary shares of RM1.00 each, of which 59,134,500 ordinary shares are held as treasury shares.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events are disclosed in Note 37 to the financial statements.

EVENT SUBSEQUENT TO BALANCE SHEET DATE

Details of an event subsequent to balance sheet date are disclosed in Note 38 to the financial statements.

Directors' Report

DIVIDENDS

During the financial year, the following dividends were paid by the Company:-

In respect of the financial period ended 31 December 2008:-

(i) A final dividend of 7.0 sen per share comprising 3.25 sen per share less tax under the taxable imputation system and 3.75 sen per share under the single tier system amounting to a total of RM34,868,183.

In respect of the current financial year:-

(i) An interim dividend of 5.0 sen per share under the single tier system amounting to RM28,176,325.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2009, of 7.0 sen per share under the single tier system amounting to RM39,446,785 based on the paid-up share capital net of treasury shares as at 31 December 2009 of 563,525,500 ordinary shares of RM1.00 each will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2010.

No dividend is payable in respect of shares repurchased which were either held as treasury shares or cancelled.

LITIGATION MATTER

Details of a litigation matter are disclosed in Note 33 to the financial statements.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:-

Dato' Jorgen Bornhoft
Datuk Henry Chin Poy-Wu
Datuk Edward Lee Ming Foo, JP
Lee Wee Yong
Soon Seong Keat
Datuk Simon Shim Kong Yip, JP
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan
Lau Teong Jin
Dato' Mohammed Bin Haji Che Hussein
Quan Sheet Mei (Alternate to Soon Seong Keat)
Sim Siew Meng (Alternate to Lee Wee Yong) (resigned on 1 April 2009)

Directors' Report

DIRECTORS' INTERESTS

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations of those who were directors at year end as recorded in the Register of Directors' Shareholdings, are as follows:-

	←Number of ordinary shares of RM1.00 each→			
	As at 1.1.2009	Bought	Sold	As at 31.12.2009
Hap Seng Consolidated Berhad				
Dato' Jorgen Bornhoft	55,000	-	(55,000)	-
Hap Seng Plantations Holdings Berhad ("HSP"), a subsidiary				
Dato' Jorgen Bornhoft	100,000	-	-	100,000
Datuk Henry Chin Poy-Wu	110,000	-	-	110,000
Datuk Edward Lee Ming Foo, JP	110,000	-	-	110,000
Lee Wee Yong	70,000	-	-	70,000
Soon Seong Keat	166,000	64,000	-	230,000
	75,000[1]	-	-	75,000
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	50,000	-	-	50,000
Quan Sheet Mei	82,000	-	-	82,000

[1] Held through his spouse

None of the other directors holding office at year end had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby directors might acquire benefits by means of the acquisition of shares in, and/or debentures of the Company or any other body corporate.

Since the end of the previous financial period, no director has received or become entitled to receive any benefits other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 24 to the financial statements by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, other than as shown in Note 35 to the financial statements.

HOLDING COMPANY

The holding company is Gek Poh (Holdings) Sdn Bhd, a company incorporated in Malaysia.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Company and of the Group were made out, the directors took reasonable steps:-

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:-

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company and of the Group inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Company and of the Group misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets and liabilities of the Company and of the Group misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company and of the Group which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:-

(i) any charge on the assets of the Company or of the Group which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Company or of the Group which has arisen since the end of the financial year.

(f) In the opinion of the directors:-

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company or of the Group to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 March 2010.

DATUK EDWARD LEE MING FOO, JP

LEE WEE YONG

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

We, **DATUK EDWARD LEE MING FOO**, JP and **LEE WEE YONG**, being two of the directors of **HAP SENG CONSOLIDATED BERHAD**, do hereby state that, in the opinion of the directors, the financial statements set out on pages 65 to 132 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2009 and of the results and the cash flows of the Company and of the Group for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 March 2010.

DATUK EDWARD LEE MING FOO, JP

LEE WEE YONG

STATUTORY DECLARATION

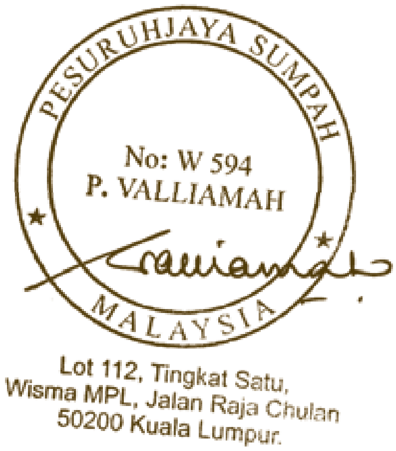
pursuant to Section 169(16) of the Companies Act, 1965

I, **SOON SEONG KEAT**, being the director primarily responsible for the financial management of **HAP SENG CONSOLIDATED BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 65 to 132 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovementioned **SOON SEONG KEAT** at Kuala Lumpur in the Federal Territory on 26 March 2010.

SOON SEONG KEAT

Before me,



INDEPENDENT AUDITORS' REPORT

to the members of Hap Seng Consolidated Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hap Seng Consolidated Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 65 to 132.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report

to the members of Hap Seng Consolidated Berhad

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

LEE SENG HUAT
No. 2518/12/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia
Date: 26 March 2010

BALANCE SHEETS

as at 31 December 2009

	Note	Group 31.12.2009 RM'000	Group 31.12.2008 RM'000	Company 31.12.2009 RM'000	Company 31.12.2008 RM'000
Non-current assets					
Property, plant and equipment	3	757,630	691,564	1,959	2,282
Biological assets	4	409,027	393,690	-	-
Prepaid lease payments	5	198,687	182,667	-	-
Investment properties	6	266,010	191,410	-	-
Subsidiaries	7	-	-	1,888,302	1,938,302
Associates	8	354,964	96,618	81,167	78,579
Land held for property development	9	387,538	290,562	-	-
Long term receivables	10	500,863	702,462	-	-
Deferred tax assets	18	86,063	22,195	-	-
		2,960,782	2,571,168	1,971,428	2,019,163
Current assets					
Inventories	11	373,017	1,290,147	-	-
Property development costs	12	258,543	283,144	-	-
Trade and other receivables	13	848,489	1,024,782	520,056	497,799
Tax recoverable		58,622	30,502	8,268	6,724
Deposits with licensed banks	14	355,468	256,210	271,785	119,645
Cash in hand and at banks	14	72,999	89,226	1,380	2,872
		1,967,138	2,974,011	801,489	627,040
Total Assets		4,927,920	5,545,179	2,772,917	2,646,203
Equity attributable to equity holders of the Company					
Share capital	19	622,660	622,660	622,660	622,660
Reserves	20	1,866,928	1,834,244	2,143,952	2,091,114
		2,489,588	2,456,904	2,766,612	2,713,774
Less: Treasury shares	19	(154,459)	(154,454)	(154,459)	(154,454)
		2,335,129	2,302,450	2,612,153	2,559,320
Minority interests		289,336	275,126	-	-
Total Equity		2,624,465	2,577,576	2,612,153	2,559,320

Balance Sheets

as at 31 December 2009

	Note	Group 31.12.2009 RM'000	Group 31.12.2008 RM'000	Company 31.12.2009 RM'000	Company 31.12.2008 RM'000
Non-current liabilities					
Borrowings	17	702,688	574,998	156,453	-
Deferred tax liabilities	18	160,995	155,643	33	33
Lease and hire purchase deposits received		1,306	871	-	-
		864,989	731,512	156,486	33
Current liabilities					
Trade and other payables	15	311,024	329,725	4,278	86,850
Provisions	16	2,134	3,878	-	-
Tax payable		16,418	41,716	-	-
Borrowings	17	1,108,890	1,860,772	-	-
		1,438,466	2,236,091	4,278	86,850
Total Liabilities		2,303,455	2,967,603	160,764	86,883
Total Equity and Liabilities		4,927,920	5,545,179	2,772,917	2,646,203

The accounting policies set out on pages 73 to 83 and the notes on pages 84 to 132 form an integral part of these financial statements.

INCOME STATEMENTS

for the year ended 31 December 2009

		Group		Company	
		1.1.2009 to 31.12.2009	**1.2.2008 to 31.12.2008**	**1.1.2009 to 31.12.2009**	**1.2.2008 to 31.12.2008**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	21	2,464,242	3,165,250	80,867	83,096
Cost of sales		(2,122,852)	(2,352,103)	-	-
Gross profit		341,390	813,147	80,867	83,096
Other operating income		84,414	34,556	26,615	19,128
Distribution costs		(83,295)	(109,177)	-	-
Administrative expenses		(130,157)	(126,307)	(13,821)	(16,088)
Other operating expenses		(18,546)	(32,923)	(1,012)	(937)
Operating profit	22	193,806	579,296	92,649	85,199
Finance costs	25	(76,286)	(86,451)	(3,928)	(2)
Other non-operating items	26	44,781	2,252	39,370	(4,233)
Share of results of associates		10,459	8,285	-	-
Profit before tax		172,760	503,382	128,091	80,964
Tax expense	27	(23,416)	(126,163)	(12,209)	(10,324)
Profit for the year/period		149,344	377,219	115,882	70,640
Attributable to:					
Equity holders of the Company		100,243	313,975	115,882	70,640
Minority interests		49,101	63,244	-	-
Profit for the year/period		149,344	377,219	115,882	70,640
Basic earnings per share (sen)	28	17.79	55.72		

The accounting policies set out on pages 73 to 83 and the notes on pages 84 to 132 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2009

GROUP	Note	Share capital RM'000	Capital reserve in respect of associate RM'000	Foreign exchange reserve RM'000	Revaluation reserve RM'000	Capital redemption reserve RM'000	Retained profits RM'000	Treasury shares RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
		← Attributable to Equity Holders of the Company →									
At 1 February 2008		622,660	641	(6,688)	36,564	7,128	1,514,177	(154,449)	2,020,033	252,016	2,272,049
Translation differences*		-	-	19,165	-	-	-	-	19,165	-	19,165
Profit for the period		-	-	-	-	-	313,975	-	313,975	63,244	377,219
Total recognised income and expense for the period		-	-	19,165	-	-	313,975	-	333,140	63,244	396,384
Acquisition of shares in subsidiary from minority interests		-	-	-	-	-	-	-	-	(1,366)	(1,366)
Purchase of treasury shares		-	-	-	-	-	-	(5)	(5)	-	(5)
Purchase of treasury shares by subsidiary		-	-	-	-	-	-	-	-	(9)	(9)
Dividends	29	-	-	-	-	-	(50,718)	-	(50,718)	-	(50,718)
Dividends paid by subsidiary		-	-	-	-	-	-	-	-	(38,759)	(38,759)
At 31 December 2008/ 1 January 2009		622,660	641	12,477	36,564	7,128	1,777,434	(154,454)	2,302,450	275,126	2,577,576
Translation differences*		-	-	2,340	-	-	-	-	2,340	-	2,340
Profit for the year		-	-	-	-	-	100,243	-	100,243	49,101	149,344
Total recognised income and expense for the year		-	-	2,340	-	-	100,243	-	102,583	49,101	151,684
Reserve realised upon disposal of subsidiary		-	-	(6,855)	-	-	-	-	(6,855)	-	(6,855)
Purchase of treasury shares		-	-	-	-	-	-	(5)	(5)	-	(5)
Purchase of treasury shares by subsidiary		-	-	-	-	-	-	-	-	(9)	(9)
Dividends	29	-	-	-	-	-	(63,044)	-	(63,044)	-	(63,044)
Dividends paid by subsidiary		-	-	-	-	-	-	-	-	(34,882)	(34,882)
At 31 December 2009		622,660	641	7,962	36,564	7,128	1,814,633	(154,459)	2,335,129	289,336	2,624,465

* Represent net income recognised directly in equity

Statements of Changes in Equity

for the year ended 31 December 2009

COMPANY	Note	Share capital RM'000	Capital redemption reserve RM'000	Retained profits RM'000	Treasury shares RM'000	Total equity RM'000
At 1 February 2008		622,660	7,128	2,064,064	(154,449)	2,539,403
Purchase of treasury shares		-	-	-	(5)	(5)
Profit for the period, representing total recognised income and expense for the period		-	-	70,640	-	70,640
Dividends	29	-	-	(50,718)	-	(50,718)
At 31 December 2008/ 1 January 2009		622,660	7,128	2,083,986	(154,454)	2,559,320
Purchase of treasury shares	-	-	-	-	(5)	(5)
Profit for the year, representing total recognised income and expense for the year	-	-	-	115,882	-	115,882
Dividends	29	-	-	(63,044)	-	(63,044)
At 31 December 2009		622,660	7,128	2,136,824	(154,459)	2,612,153

The accounting policies set out on pages 73 to 83 and the notes on pages 84 to 132 form an integral part of these financial statements.

STATEMENTS OF CASH FLOW

for the year ended 31 December 2009

	Group		Company	
	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Cash flows from operating activities				
Profit before tax	172,760	503,382	128,091	80,964
Adjustments for:-				
Depreciation of property, plant and equipment	49,766	39,755	1,012	937
Amortisation of prepaid lease payments	3,377	2,135	-	-
Property, plant and equipment written off	606	340	-	-
Changes in fair value of investment properties	(41,955)	-	-	-
Impairment loss on investment in an associate	-	-	-	6,485
Reversal of impairment loss on investment in an associate	(4,120)	-	(2,588)	-
Gain on disposal of a subsidiary	(37,617)	-	(36,782)	-
Gain on disposal of property, plant and equipment	(497)	(2,413)	(12)	(47)
Gain on disposal of properties under prepaid lease payments	(791)	(1,353)	-	-
Gain on disposal of land held for development	(2,119)	(164)	-	-
Gain from liquidation of an associate	(3,044)	-	-	-
Interest expense	76,286	86,451	3,928	2
Interest income	(7,093)	(5,616)	(24,154)	(17,101)
Dividend income	-	-	(80,867)	(83,096)
Share of results of associates	(10,459)	(8,285)	-	-
Gain on disposal of shares in other investments	-	(2,252)	-	(2,252)
Operating profit/(loss) before working capital changes	195,100	611,980	(11,372)	(14,108)
Working capital changes:-				
Inventories	898,399	(662,431)	-	-
Property development costs	43,119	(16,501)	-	-
Loan receivables	244,524	(81,626)	-	-
Receivables	124,887	(149,311)	(22,257)	709,678
Payables	(20,655)	50,142	(82,572)	(51,986)
Cash generated from/(used in) operations c/f	1,485,374	(247,747)	(116,201)	643,584

Statements of Cash Flow

for the year ended 31 December 2009

		Group		Company	
		1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Cash generated from/(used in) operations b/f		1,485,374	(247,747)	(116,201)	643,584
Income tax paid		(136,724)	(124,869)	(3,753)	(626)
Income tax refunded		248	10,848	-	10,466
Interest paid		(76,286)	(86,451)	(3,928)	(2)
Interest received		7,093	5,616	24,154	17,101
Additions in land held for property development		(118,554)	(20,152)	-	-
Net cash generated from/(used in) operating activities		1,161,151	(462,755)	(99,728)	670,523
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		5,961	11,645	787	211
Proceeds from disposal of properties under prepaid lease payments		1,990	2,980	-	-
Proceeds from disposal of other investments		-	4,228	-	4,228
Proceeds from disposal of land held for property development		5,179	373	-	-
Dividends received from subsidiaries		-	-	67,117	71,241
Dividends received from associates		3,750	1,855	3,750	1,855
Purchase of property, plant and equipment		(110,757)	(92,040)	(1,464)	(5)
Additions to biological assets		(2,977)	(1,843)	-	-
Additions to prepaid lease payments		(1,111)	(18,704)	-	-
Purchase of investment properties		(23,006)	(13,033)	-	-
Interim return on liquidation by an associate	(Note 8)	-	11,053	-	11,053
Acquisition of subsidiaries	(Note 7)	(31,861)	(30,350)	-	-
Disposal of a subsidiary	(Note 7)	40,093	-	101,642	-
Acquisition of additional shares in subsidiaries		-	-	(14,860)	(734,305)
Acquisition of associate		(244,473)	-	-	-
Acquisition of shares in a subsidiary from minority interests		-	(1,366)	-	-
Net cash (used in)/generated from investing activities		(357,212)	(125,202)	156,972	(645,722)

Statements of Cash Flow

for the year ended 31 December 2009

		Group		Company	
		1.1.2009 to 31.12.2009 RM'000	**1.2.2008 to 31.12.2008 RM'000**	**1.1.2009 to 31.12.2009 RM'000**	**1.2.2008 to 31.12.2008 RM'000**
Cash flows from financing activities					
Dividends paid		(63,044)	(50,718)	(63,044)	(50,718)
Dividends paid to minority shareholders		(34,882)	(38,759)	-	-
Shares repurchased at cost		(14)	(14)	(5)	(5)
Net (repayment)/ drawdown of borrowings		(601,284)	782,386	156,453	-
Net cash (used in)/generated from financing activities		(699,224)	692,895	93,404	(50,723)
Net increase/(decrease) in cash and cash equivalents		104,715	104,938	150,648	(25,922)
Effects on exchange rate changes		642	6,836	-	-
Cash and cash equivalents as at beginning of the year/period		310,529	198,755	122,517	148,439
Cash and cash equivalents as at end of year/period	(Note 14)	415,886	310,529	273,165	122,517

The accounting policies set out on pages 73 to 83 and the notes on pages 84 to 132 form an integral part of these financial statements.

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies of the Group are summarised below:-

(a) Basis of Preparation of Financial Statements

The financial statements of the Group and of the Company have been prepared under the historical cost convention, except for investment properties that have been measured at their fair values.

The financial statements of the Group and of the Company comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards (FRSs) in Malaysia.

The financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

(b) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in income statement.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(c) Associates

Associates are entities in which the Group has significant influence and that are neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results are arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's balance sheet, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in income statement.

(d) Other Investments

Other investments held on a long-term basis are stated at cost less impairment losses, if any. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in income statement.

(e) Property, Plant and Equipment, and Depreciation

(i) Assets

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost of property, plant and equipment comprises their purchase price and any directly attributable costs including interest costs capitalised in bringing the property, plant and equipment to working condition. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Freehold land and assets under construction are not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives. The estimated useful lives are:-

Buildings	10 to 60 years
Road and infrastructure	25 to 83 years
Plant and equipment	
- Plant and machinery	4 to 20 years
- Office equipment, furniture, fixtures and fittings	3 to 10 years
- Motor vehicles	4 to 7 years

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

(ii) Disposal of property, plant and equipment

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(f) Biological Assets

Biological assets comprise new planting expenditure incurred from land clearing to the point of harvesting. Expenditures incurred after maturity of crops are charged to the income statement. Estate overheads are apportioned to revenue and plantation development expenditure on the basis of proportion of mature and immature areas.

No amortisation is considered necessary for plantation development expenditure as the estate is maintained through replanting programmes and replanting expenditure is charged to the income statement during the year when it is incurred.

Principal Accounting Policies

(g) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties. In the absence of current prices in an active market, alternative methods such as recent prices on a less active market or discounted cash flow projections are used. These valuations are reviewed or performed by independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Changes in the fair values of investment properties are recognised in income statement in the year in which they arise.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Upon disposal of the investment property, any surplus previously recorded in equity is transferred to retained profits, the transfer is not made through the income statement.

When an item of inventory or property development is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to the transfer and its fair value is recognised in the income statement.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in income statement in the year in which they arise.

(h) Land Held for Property Development

Land held for property development comprising freehold and long term leasehold land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the Group's normal operating cycle. Such land is classified as non-current asset and is stated at cost less any accumulated impairment losses.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and is expected to be completed within the Group's normal operating cycle.

Land held for property development comprise cost associated with the acquisition of land and all cost incurred subsequent to the acquisition but prior to the transfer to property development costs on activities necessary to prepare the land for its intended use.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where the Group had previously recorded the land at revalued amount, it continues to retain this amount as its surrogate cost as allowed by FRS 201_{2004}.

(i) Property Development Costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is shown as accrued billings under accounts receivable and the excess of billings to purchasers over revenue recognised in the income statement is shown as progress billings under accounts payable.

(j) Operating Leases and Prepaid Lease Payments

Operating leases are leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item. Operating lease expenses are recognised in the income statement as incurred over the period of the respective leases, which is normally on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made on entering into or acquiring a leasehold land are accounted as prepaid lease payments and are amortised on a straight-line basis over the lease term.

Leasehold land of the Group is amortised over the period of the respective leases which range from 56 to 999 years.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value as disclosed in Note (g).

Leasehold land held for property development is stated at cost less any accumulated impairment losses as disclosed in Note (h).

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined principally as follows:-

Properties held for sale	- specific identification method
Quarry reserves	- specific identification method
Raw materials	- weighted average cost method
Produce inventories	- weighted average cost method
Work-in-progress	- weighted average cost method
Livestocks	- weighted average cost method
Finished goods	
- vehicle and equipment	- specific identification method
- others	- weighted average cost method

Properties held for sale include costs of land, construction and appropriate development overheads.

Quarry reserves arising from the acquisition of subsidiaries are amortised over the lease extraction of 20 years.

Cost of produce inventories includes estate production costs, processing and transport charges.

Costs of work-in-progress and finished goods produced by the Group include costs of direct materials, labour and a proportion of production overheads.

Livestocks are measured at the lower of cost and net realisable value using the weighted average method as the main basis for cost. Cost of livestocks includes direct production costs and attributable production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sales.

(l) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(m) Foreign Currencies

(i) Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

All exchange rate differences are taken to the income statement.

(ii) Foreign entities

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in income statement for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in income statement. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in income statement in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate. Exchange differences arising on the translation of non-monetary items carried at fair value are included in income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:-

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2007 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(n) Income Tax

Income tax on the profit or loss for the year comprises current and deferred taxes. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised on temporary differences that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. A change in deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(o) Employees Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by the employees of the Group. Short term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The Group and the Company make such contributions to the Employees Provident Fund ("EPF") as required by Malaysian law. Such contributions are recognised as an expense in the income statement as incurred.

(p) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash in hand and at bank, deposits with licensed financial institutions, net of outstanding bank overdrafts.

(q) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Dividend income

Dividend income is recognised when the right to receive payment is established.

(ii) Interest income

Interest income is recognised on an accrual basis.

(iii) Goods sold

Revenue on sales of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

(iv) Rental income

Rental income is derived from letting out of properties and recognised as it accrues.

(v) Hire purchase, finance lease and loan receivables

Income on hire purchase and finance leases is recognised using the "sum-of-digit" method. Interest income on term loan is accounted for on an accrual basis by reference to rest periods as stipulated in the loan agreements, which are either daily or monthly. Where the repayment of an account is in arrears for six months or more, the uncollected interest from that account is suspended until it is realised on a cash basis.

(vi) Property development

Revenue from property development activities is recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in the income statement.

(vii) Completed properties held for resale

Revenue from sale of completed properties held for resale is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(r) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets (other than investment properties, deferred tax assets, inventories, property development costs and financial assets, which are reviewed pursuant to the relevant accounting policies) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(s) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the assets and settle the liability simultaneously.

(i) Non-current investments

Non-current investments are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note (r).

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date. Specific allowance for doubtful debts is based on an individual evaluation of receivables or group of receivables, and the underlying market value of leased and hire purchase assets.

(iii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services rendered.

(s) Financial Instruments (continued)

(iv) Interest-bearing borrowings

Interest-bearing bank borrowings are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for intended use. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining another qualifying asset. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of that borrowing.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(v) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

When issued shares of the Company are repurchased, the consideration paid, including any attributable transaction costs is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity.

(vi) Derivative financial instruments

Derivative financial instruments are not recognised in the financial statements on inception.

(t) Significant Accounting Estimates and Judgements

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(i) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement as to whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(t) Significant Accounting Estimates and Judgements (continued)

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Property development

The Group recognises property development revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. Details of property development costs are disclosed in Note 12.

(ii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As of 31 December 2009, the Group has deferred tax assets of RM89,202,000 (31.12.2008: RM23,155,000).

(iii) Allowance for doubtful debts

The Group makes allowance for bad and doubtful debts based on an assessment of recoverability of trade and other receivables. Allowances are adopted to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debt requires the use of judgements and estimates, where the expectation is different from the original estimate, such difference will impact the carrying values of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed. As at 31 December 2009, the allowance for doubtful debts of the Group is RM34,635,000 (31.12.2008: RM36,516,000).

(iv) Write-down of inventories

A review is made periodically on inventory for excess inventory obsolescence and declines in net realisable value below cost and a reversal or an allowance is recorded against the inventory balance for any such excess or declines. Possible changes in these estimates would result in revisions to the valuation of inventory.

1. CORPORATE INFORMATION

The Company is an investment holding company.

The principal activities of the subsidiaries and associates are disclosed in Notes 7 and 8, respectively. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at 21st Floor, Menara Hap Seng, Jalan P.Ramlee, 50250 Kuala Lumpur, Malaysia.

The holding company of the Company is Gek Poh (Holdings) Sdn Bhd which is incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 March 2010.

2. EFFECTS OF ADOPTING REVISED FINANCIAL REPORTING STANDARDS

FRSs, IC Interpretations and amendments issued but not effective

The Group and the Company have not early adopted the following FRSs, IC Interpretations and amendments which have been issued but are only effective for future financial periods:

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

- FRS 8, Operating Segments

FRSs, IC Interpretations and amendments effective for annual 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 FRS (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 *

Amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, Financial Instruments: Presentation

2. EFFECTS OF ADOPTING REVISED FINANCIAL REPORTING STANDARDS (continued)

FRSs, IC Interpretations and amendments effective for annual 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)
- 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
- IC Interpretation 12, Service Concession Agreements *
- IC Interpretation 15, Agreements for the Construction of Real Estate
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distribution of Non-cash Assets to Owners

Amendments effective for annual periods beginning on or after 1 January 2011

- Amendment to FRS 1, First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7, Disclosure for First-Time Adopters
- Amendments to FRS 7, Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

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

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application:

FRS 3, *Business Combinations (revised)* and FRS 127, *Consolidated and Separate Financial Statements (revised)*

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

FRS 127 (revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

The changes by FRS 3 (revised) and FRS 127 (revised) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

FRS 8, *Operating Segment*

FRS 8 replaces FRS 114_{2004}: *Segment Reporting* and requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

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

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

2. EFFECTS OF ADOPTING REVISED FINANCIAL REPORTING STANDARDS (continued)

FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures, Amendments to FRS 7, Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

The new Standard on FRS 139, *Financial Instruments: Recognition and Measurement* establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132, *Financial Instruments: Presentation* and the requirements for disclosing information about financial instruments are in FRS 7, *Financial Instruments: Disclosures.*

FRS 7, *Financial Instruments*: *Disclosures* is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and Company's exposure to risks, enhanced disclosure regarding components of the Group's and Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

The amendments to FRS 7 - Improving Disclosures about Financial Instruments, reinforce existing principles for disclosures about liquidity risk. Also, the amendments require enhanced disclosures about fair value measurements in which a three-level fair value hierarchy is introduced. An entity is required to classify fair value measurements using this hierarchy which aims to reflect the inputs used in making the measurement.

In accordance with the respective transitional provisions, the Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application.

Amendments to FRSs 'Improvements to FRSs (2009)'

- FRS 117 *Leases*: Clarifies on the classification of leases of land and buildings. The Group is still assessing the potential implication as a result of the reclassification of its unexpired land leases as operating or finance leases. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings. The Group is currently in the process of assessing the impact of this amendment.
- FRS 140 *Investment Property*: Property under construction or development for future use as an investment property is classified as investment property. Where the fair value model is applied, such property is measured at fair value. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. The amendment also includes changes in terminology in the Standard to be consistent with FRS 108. The change will be applied prospectively.

Amendment to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

In the amendment to FRS 127, there is no longer a distinction between pre-acquisition and post-acquisition dividends. The amendment also requires the cost of the investment of a new parent in a group (in a reorganisation meeting certain criteria) to be measured at the carrying amount of its share of equity as shown in the separate financial statements of the previous parent. The amendments also remove the definition of the cost method from FRS 127 and will be applied prospectively that affect only the financial statements of the Company and do not have an impact on the financial statements of the Group.

IC Interpretation 15, *Agreements for the Construction of Real Estate*

This IC requires that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit. Change in accounting policy shall be accounted for retrospectively in accordance with FRS 108. The Group currently recognises property development revenue and expenses in the income statement by using the stage of completion method. The Group is currently assessing the potential impact arising from the initial application of this IC.

3. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold land RM'000	Buildings RM'000	Road and infra-structure RM'000	Plant and equipment RM'000	Assets under construction RM'000	Total RM'000
At Cost or Valuation						
At 1 February 2008	107,025	348,666	90,581	294,585	65,100	905,957
Additions	8,123	3,469	6,373	49,371	24,704	92,040
Reclassification	-	59,338	2,078	18,200	(79,616)	-
Transfer from/(to):						
- investment properties	1,659	1,004	-	-	(1,477)	1,186
- inventories	-	5,580	-	-	-	5,580
Disposals	-	(6,773)	-	(16,354)	(80)	(23,207)
Write off	-	(476)	-	(1,012)	-	(1,488)
Exchange differences	-	220	-	370	-	590
At 31 December 2008/ 1 January 2009	116,807	411,028	99,032	345,160	8,631	980,658
Additions	3,743	15,077	8,307	37,607	46,023	110,757
Reclassification	1	9,381	2,168	6,358	(17,908)	-
Transfer from investment properties	11,428	-	-	-	-	11,428
Disposal of subsidiary	-	-	-	(370)	-	(370)
Disposals	-	(4,099)	-	(8,349)	-	(12,448)
Write off	-	(2,942)	-	(4,712)	-	(7,654)
Exchange differences	-	(20)	-	(24)	-	(44)
At 31 December 2009	131,979	428,425	109,507	375,670	36,746	1,082,327
Accumulated Depreciation and Impairment Losses						
At 1 February 2008	-	78,009	10,587	175,576	-	264,172
Depreciation charge for the period	-	9,535	4,921	25,299	-	39,755
Disposals	-	(1,897)	-	(12,078)	-	(13,975)
Write off	-	(447)	-	(701)	-	(1,148)
Exchange differences	-	32	-	258	-	290
At 31 December 2008/ 1 January 2009	-	85,232	15,508	188,354	-	289,094
Depreciation charge for the year	-	11,184	6,841	31,741	-	49,766
Disposal of subsidiary	-	-	-	(93)	-	(93)
Disposals	-	(2,318)	-	(4,666)	-	(6,984)
Write off	-	(2,483)	-	(4,565)	-	(7,048)
Exchange differences	-	(6)	-	(32)	-	(38)
At 31 December 2009	-	91,609	22,349	210,739	-	324,697
Net Book Value						
At 31 December 2008	116,807	325,796	83,524	156,806	8,631	691,564
At 31 December 2009	131,979	336,816	87,158	164,931	36,746	757,630

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Cost RM'000	Valuation 1984 RM'000	Total RM'000
Analysis of Cost or Valuation :-			
At 31 December 2009			
Freehold land	131,979	-	131,979
Buildings	425,950	2,475	428,425
Road and infrastructure	109,507	-	109,507
Plant and equipment	375,670	-	375,670
Assets under construction	36,746	-	36,746
	1,079,852	2,475	1,082,327
At 31 December 2008			
Freehold land	116,807	-	116,807
Buildings	408,553	2,475	411,028
Road and infrastructure	99,032	-	99,032
Plant and equipment	345,160	-	345,160
Assets under construction	8,631	-	8,631
	978,183	2,475	980,658

The 1984 valuation of certain building had been undertaken by the directors on the basis of an independent valuation by a professional firm of valuers on an existing use basis. The property, plant and equipment have continued to be stated on the basis of their 1984 valuations as allowed by the transitional provisions issued by the Malaysian Accounting Standards Board ("MASB") upon adoption of International Accounting Standard No.16 (Revised), Property, Plant and Equipment.

Had the revalued property, plant and equipment of the Group been stated at historical cost less accumulated depreciation, the revalued property, plant and equipment would have been fully depreciated.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings RM'000	Plant and equipment RM'000	Total RM'000
At Cost			
At 1 February 2008	187	5,404	5,591
Additions	-	5	5
Disposals	-	(661)	(661)
Write off	-	(58)	(58)
At 31 December 2008/1 January 2009	187	4,690	4,877
Additions	-	1,464	1,464
Disposals	-	(1,044)	(1,044)
Write off	-	(1)	(1)
At 31 December 2009	187	5,109	5,296
Accumulated Depreciation			
At 1 February 2008	137	2,076	2,213
Charge for the period	4	933	937
Disposals	-	(497)	(497)
Write off	-	(58)	(58)
At 31 December 2008/1 January 2009	141	2,454	2,595
Charge for the year	4	1,008	1,012
Disposals	-	(269)	(269)
Write off	-	(1)	(1)
At 31 December 2009	145	3,192	3,337
Net Book Value			
At 31 December 2008	46	2,236	2,282
At 31 December 2009	42	1,917	1,959

4. BIOLOGICAL ASSETS

	Group	
	31.12.2009	**31.12.2008**
	RM'000	**RM'000**
At Cost or Valuation		
At 1 January 2009/1 February 2008	393,690	363,048
Additions	2,977	1,843
Transfer to property development costs	-	(755)
Acquisition of subsidiaries	12,360	29,554
At 31 December	409,027	393,690
Analysis of Cost or Valuation		
Cost	336,112	320,775
Valuation 1984	72,915	72,915
	409,027	393,690

The 1984 valuation of certain plantation land had been undertaken by the directors on the basis of an independent valuation by a professional firm of valuers on an existing use basis. The biological assets have continued to be stated on the basis of their 1984 valuations as allowed by the transitional provisions issued by the Malaysian Accounting Standards Board ("MASB") upon adoption of International Accounting Standard No.16 (Revised), Property, Plant and Equipment.

The net book value of biological assets stated at valuation had they been stated at cost would have been RM27,586,000 (31.12.2008: RM27,586,000) in respect of the Group.

5. PREPAID LEASE PAYMENTS

	Group	
	31.12.2009	**31.12.2008**
	RM'000	**RM'000**
At 1 January 2009/1 February 2008	182,667	142,368
Acquisition of subsidiaries	19,501	13,531
Additions	1,111	18,704
Transfer from		
- Inventories	-	9,252
- Land held for property development	-	2,376
Amortisation for the year/period	(3,377)	(2,135)
Disposals	(1,199)	(1,627)
Exchange differences	(16)	198
At 31 December	198,687	182,667
Represented by:		
Unexpired period more than 50 years	165,112	179,873
Unexpired period less than 50 years	33,575	2,794
	198,687	182,667

6. INVESTMENT PROPERTIES

	Group	
	31.12.2009 RM'000	31.12.2008 RM'000
At 1 January 2009/1 February 2008	191,410	181,005
Additions from acquisition	17,710	11,423
Additions from subsequent expenditure	5,296	1,610
Transfer from/(to)		
- property, plant and equipment	(11,428)	(1,186)
- inventories	21,067	-
- land held for property development	-	(1,442)
Changes in fair value	41,955	-
At 31 December	266,010	191,410
Represented by:		
Freehold land and buildings	100,710	68,425
Long term leasehold land and buildings	165,300	122,985
	266,010	191,410

7. SUBSIDIARIES

	Company	
	31.12.2009 RM'000	31.12.2008 RM'000
Quoted shares in Malaysia – at cost	751,982	751,982
Unquoted shares – at cost	1,136,320	1,186,320
	1,888,302	1,938,302
Market value of quoted shares	948,550	655,737

7. SUBSIDIARIES (continued)

The subsidiaries as of 31 December 2009 are:-

	Name of Subsidiaries	Principal Activities	Country of Incorporation	Equity Interest Held (%) 31.12.2009	31.12.2008
	Held by the Company:				
*	Hap Seng Plantations Holdings Berhad	Investment holding and carrying out marketing and trading activities for its subsidiaries	Malaysia	51.55	51.55
	Hap Seng Land Sdn Bhd	Property development, investment holding and provision of management services	Malaysia	100	100
*	Hap Seng Auto Sdn Bhd	Trading in motor vehicles and spare parts, servicing of motor vehicles and investment holding	Malaysia	100	100
	Hap Seng Fertilizers Sdn Bhd	Trading and distribution of fertilisers and agro-chemicals	Malaysia	100	100
#	Hap Seng Fertilizers Holdings Pte Ltd	Dormant	Singapore	100	100
	Hap Seng Building Materials Holdings Sdn Bhd	Investment holding	Malaysia	100	100
*	Hap Seng Credit Sdn Bhd	Provision of financial services	Malaysia	100	100
*	Hap Seng Automotive Acceptance Sdn Bhd	Provision of financial services	Malaysia	100	100
#	Hap Seng Consolidated Financial Lease & Rental (China) Co Ltd	Provision of financial services	People's Republic of China	-	100
#	Aceford Food Industry Pte Ltd	Packing, marketing and wholesale trading of edible oil and food products	Singapore	100	100
	Hap Seng Management Services Sdn Bhd	Provision of management services	Malaysia	100	100
	Hap Seng Management Sdn Bhd	Investment holding	Malaysia	100	100
	Hap Seng Agrotech Sdn Bhd	Investment holding	Malaysia	100	100

7. SUBSIDIARIES (continued)

	Name of Subsidiaries	Principal Activities	Country of Incorporation	Equity Interest Held (%) 31.12.2009	31.12.2008
	Held by the Company (continued):				
	Euro-Asia Brand Holding Company Sdn Bhd	Dormant	Malaysia	100	100
	Hap Seng Realty (KL City) Sdn Bhd *(formerly known as Rebuild Truck Sdn Bhd)*	Investment holding	Malaysia	^	100
	Held by Hap Seng Plantations Holdings Berhad:				
*	Jeroco Plantations Sdn Bhd	Cultivation of oil palm and processing of fresh fruit bunches	Malaysia	100	100
*	Hap Seng Plantations (River Estates) Sdn Bhd	Cultivation of oil palm, processing of fresh fruit bunches and investment holding	Malaysia	100	100
*	Hap Seng Plantations (Kota Marudu) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
*	Hap Seng Plantations Livestocks (Kota Marudu) Sdn Bhd	Livestock farming	Malaysia	100	100
*	Pelipikan Plantation Sdn Bhd	Cultivation of oil palm	Malaysia	100	-
	Held by Hap Seng Plantations (River Estates) Sdn Bhd:				
*	Hap Seng Plantations (Wecan) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
*	Hap Seng Plantations (Tampilit) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
*	Hap Seng Plantations (Ladang Kawa) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
	Held by Hap Seng Land Sdn Bhd:				
*	Hap Seng Land Development Sdn Bhd	Investment holding	Malaysia	100	100
	Hap Seng Realty Sdn Bhd	Property investment and investment holding	Malaysia	100	100

7. SUBSIDIARIES (continued)

	Name of Subsidiaries	Principal Activities	Country of Incorporation	Equity Interest Held (%) 31.12.2009	31.12.2008
	Held by Hap Seng Land Development Sdn Bhd:				
*	Hap Seng Properties Development Sdn Bhd	Property development and investment holding	Malaysia	100	100
*	Hap Seng Land Development (Kluang) Sdn Bhd	Property development	Malaysia	100	100
	Hap Seng Land Development (Puchong) Sdn Bhd	Property development	Malaysia	100	100
	Hap Seng Land Development (OKR) Sdn Bhd	Property development	Malaysia	100	100
	Hap Seng Properties Services (Sabah) Sdn Bhd	Property management and property maintenance	Malaysia	100	100
	Hap Seng Land Development (JTR) Sdn Bhd	Property investment	Malaysia	100	100
*	Hap Seng Land Development (Jesselton Hill) Sdn Bhd *(formerly known as My Matrix Sdn Bhd)*	Property development	Malaysia	100	-
*	VIP Builders Sdn Bhd	Dormant	Malaysia	100	-
	Held by Hap Seng Properties Development Sdn Bhd:				
*	Hap Seng Commercial Development Sdn Bhd	Property development	Malaysia	100	100
*	Hap Seng Land Development (Sandakan) Sdn Bhd	Property development	Malaysia	100	100
	Held by Hap Seng Realty Sdn Bhd:				
	Menara Hap Seng Sdn Bhd	Property investment	Malaysia	100	100
	Hap Seng Realty (Autohaus) Sdn Bhd	Property investment	Malaysia	100	100
	Hap Seng Property Investment Sdn Bhd	Property investment	Malaysia	100	100
	Hap Seng Realty (Auto) Sdn Bhd	Property investment	Malaysia	100	100

7. SUBSIDIARIES (continued)

	Name of Subsidiaries	Principal Activities	Country of Incorporation	Equity Interest Held (%) 31.12.2009	31.12.2008
	Held by Hap Seng Realty Sdn Bhd (continued):				
	Hap Seng Leisure Sdn Bhd	Providing recreational facilities and services	Malaysia	100	100
	Hap Seng Realty (KL City) Sdn Bhd *(formerly known as Rebuild Truck Sdn Bhd)*	Investment holding	Malaysia	100	^
	Hap Seng Realty (KK I) Sdn Bhd *(formerly known as Crest Contracts Sdn Bhd)*	Property investment	Malaysia	100	-
	Prosperity Projections Sdn Bhd	Dormant	Malaysia	100	-
	Held by Hap Seng Auto Sdn Bhd:				
*	Hap Seng Star Sdn Bhd	Trading in motor vehicles, spare parts and servicing of motor vehicles	Malaysia	100	100
*	SKI Segar Sdn Bhd	Trading in motor vehicles	Malaysia	100	100
*	Hap Seng Industrial Sdn Bhd	Fabrication and sales of commercial trailers	Malaysia	100	100
	Held by Hap Seng Fertilizers Sdn Bhd:				
	Hap Seng Chemicals Sdn Bhd	Manufacturing and marketing of agro-chemicals	Malaysia	70	70
	Macro Arch (M) Sdn Bhd	Investment holding	Malaysia	100	100
	Held by Macro Arch (M) Sdn Bhd:				
*	PT. Sasco Indonesia *(90% nominal equity interest is held through Macro Arch (M) Sdn Bhd whilst the remaining 10% is held through Palms Edge (M) Sdn Bhd)*	Trading in fertilisers	Indonesia	100	100

7. SUBSIDIARIES (continued)

	Name of Subsidiaries	Principal Activities	Country of Incorporation	Equity Interest Held (%) 31.12.2009	31.12.2008
	Held by Hap Seng Building Materials Holdings Sdn Bhd:				
	Hap Seng Building Materials Sdn Bhd	Manufacturing and trading of bricks, operating of stone quarries, trading in building materials and construction of roads	Malaysia	100	100
	Hap Seng Trading (BM) Sdn Bhd	Trading in building materials	Malaysia	100	100
	Konsep Sistematik (M) Sdn Bhd	Carrying out of quarrying operations	Malaysia	70	70
	Hap Seng (Oil & Transport) Sdn Bhd	Trading in petroleum products	Malaysia	100	100
	Hap Seng Clay Products Sdn Bhd	Dormant	Malaysia	100	100
	Western Works Industries Sdn Bhd	Dormant	Malaysia	100	100
	Held by Hap Seng (Oil & Transport) Sdn Bhd:				
	Palms Edge (M) Sdn Bhd	Investment holding	Malaysia	100	100
	Held by Aceford Food Industry Pte Ltd:				
#	Wintercorn Edible Products Pte Ltd	Packing and marketing of edible oil and food products	Singapore	100	100
*	Wintercorn Edible Products Pty Ltd	Trading of edible oil products	Australia	100	100

* Audited by other auditors

\# Audited by member firm of Ernst & Young

^ On 24 July 2009, Hap Seng Realty (KL City) Sdn Bhd *(formerly known as Rebuild Truck Sdn Bhd)* ("HSR (KL City)") became a wholly-owned subsidiary of Hap Seng Realty Sdn Bhd, a wholly-owned subsidiary of Hap Seng Land Sdn Bhd which in turn is a wholly-owned subsidiary of the Company. Prior to this, HSR (KL City) was a directly held wholly-owned subsidiary of the Company.

7. **SUBSIDIARIES** (continued)

(a) Disposal of a subsidiary

During the financial year, the Group disposed of its 100% equity interest in Hap Seng Consolidated Financial Lease & Rental (China) Co Ltd ["HSCFLR"] at a cash consideration of USD30.294 million as disclosed in Note 37 (iii).

The disposal of the abovementioned subsidiary had the following effect on the financial position of the Group:

	31.12.2009 RM'000
Property, plant and equipment	(277)
Trade and other receivables	(9,802)
Cash and cash equivalents	(61,549)
Trade and other payables	748
Net assets disposed	(70,880)
Transfer from foreign exchange reserve	6,855
	(64,025)
Proceeds from disposal (net of withholding tax)	101,642
Gain on disposal to the Group	37,617
Cash inflow arising on disposal:	
Cash consideration	105,120
Less: withholding tax	(3,478)
	101,642
Cash and cash equivalents of subsidiary disposed	(61,549)
Net cash inflow of the Group	40,093

The disposal of the abovementioned subsidiary had the following effect on the financial results of the Company:

	31.12.2009 RM'000
Proceeds from disposal (net of withholding tax)	101,642
Less: Cost of investment in a subsidiary	(64,860)
Gain on disposal of a subsidiary	36,782

7. SUBSIDIARIES (continued)

(b) Acquisition of subsidiaries

During the financial year, the Group acquired 100% equity interest in Pelipikan Plantation Sdn Bhd for a cash consideration of RM31.685 million as disclosed in Note 37 (iv).

In the previous financial period, the Group acquired 100% equity interest in Hap Seng Plantations (Kota Marudu) Sdn Bhd for a cash consideration of RM27 million.

The fair values/carrying amounts of the assets acquired and liabilities assumed from the acquisition of the abovementioned subsidiaries were as follows:

	31.12.2009 RM'000	31.12.2008 RM'000
Biological assets	12,360	29,554
Prepaid lease payments	19,501	13,531
Cash and cash equivalents	-	(3,000)
Borrowings	-	(12,000)
Deferred tax liabilities	-	(735)
Cash consideration paid/fair value of net assets	31,861	27,350
Cash and cash equivalents of subsidiaries acquired	-	3,000
Net cash consideration paid on acquisitions net of cash acquired	31,861	30,350

The acquisition of subsidiaries which do not have any material effect on the financial position and results of the Group are not shown above.

8. ASSOCIATES

	Group		Company	
	31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Quoted shares at cost				
- In Malaysia	49,711	49,711	49,711	49,711
- Outside Malaysia	31,622	31,622	26,030	26,030
	81,333	81,333	75,741	75,741
Unquoted shares at cost	272,473	34,485	28,000	34,485
	353,806	115,818	103,741	110,226
Share of post-acquisition reserves	26,718	10,480	-	-
	380,524	126,298	103,741	110,226
Less: Accumulated impairment losses				
- quoted shares	(25,560)	(29,680)	(22,574)	(31,647)
	354,964	96,618	81,167	78,579
Market value of quoted shares	88,266	57,313	88,266	57,313

8. ASSOCIATES (continued)

The Group's interests in the associates are analysed as follows:-

	Group	
	31.12.2009 RM'000	**31.12.2008 RM'000**
Quoted shares:		
Share of net assets	70,307	66,097
Goodwill on acquisition	25,598	25,598
Less: Accumulated impairment losses	(25,560)	(29,680)
	70,345	62,015
Unquoted shares:		
Share of net assets	284,619	34,603
	354,964	96,618

The associates as of 31 December 2009 are:-

	Name of Associates	Principal Activities	Country of Incorporation	Financial Year End	Equity Interest Held (%) 31.12.2009	31.12.2008
*	Paos Holdings Berhad	Investment holding, manufacturing and distribution of soap, specialty fats and its related products	Malaysia	31 May	24.96	24.96
#	Lam Soon (Thailand) Public Company Limited	Manufacture and distribution of palm oil products	Thailand	31 December	20.00	20.00
	Vintage Heights Sdn Bhd	Property development and operation of oil palm estate	Malaysia	30 June	20.00	20.00
*	EAC Holdings (Malaysia) Sdn Bhd	In liquidation	Malaysia	31 December	20.00	20.00
*	Inverfin Sdn Bhd	Property investment, office and food court management	Malaysia	31 December	49.99	-

* Audited by other auditors

Audited by member firm of Ernst & Young

8. ASSOCIATES (continued)

The financial statements of the above associates are coterminous with those of the Group, except for Paos Holdings Berhad and Vintage Heights Sdn Bhd which have financial year end of 31 May and 30 June respectively to conform with their holding companies' financial year end. For the purpose of applying the equity method of accounting, the financial statements of Paos Holdings Berhad for the year ended 31 May 2009 and the financial statements of Vintage Heights Sdn Bhd for the year ended 30 June 2009 have been used and appropriate adjustments have been made for the effects of significant transactions between 31 December 2009 and those dates.

EAC Holdings (Malaysia) Sdn Bhd is currently in the process of liquidation. The Company received an interim return on liquidation amounting to RM11.053 million in the previous financial period.

The summarised financial information of the associates are as follows:-

	31.12.2009 RM'000	**31.12.2008 RM'000**
Assets and liabilities		
Current assets	405,786	378,725
Non-current assets	1,150,823	501,473
Total assets	1,556,609	880,198
Current liabilities	266,356	272,916
Non-current liabilities	266,689	102,598
Total liabilities	533,045	375,514
Results		
Revenue	857,445	1,220,945
Profit for the year	43,127	42,223

9. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	31.12.2009 RM'000	31.12.2008 RM'000
At Cost		
At 1 January 2009/1 February 2008	291,860	323,653
Additions	118,554	20,152
Transfer from/(to)		
- investment properties	-	1,442
- property development costs	(18,518)	(50,802)
- prepaid lease payments	-	(2,376)
Disposal	(3,060)	(209)
At 31 December	388,836	291,860
Accumulated impairment losses		
At 1 January 2009/1 February 2008	(1,298)	(1,298)
Impairment loss during the year/period	-	-
At 31 December	(1,298)	(1,298)
Carrying amount at 31 December	387,538	290,562
Representing items:		
At cost		
Freehold land	19,975	5,376
Leasehold land	310,514	235,086
Land development expenditure	46,247	39,298
	376,736	279,760
At net realisable value		
Land development expenditure	10,802	10,802
	387,538	290,562

10. LONG TERM RECEIVABLES

	Group	
	31.12.2009 RM'000	31.12.2008 RM'000
Lease, hire purchase and loan receivables		
- Receivable between one to five years	451,228	620,917
- Receivable after five years	49,635	81,545
	500,863	702,462

11. INVENTORIES

	Group 31.12.2009 RM'000	Group 31.12.2008 RM'000
Properties held for sale	33,396	44,197
Quarry reserves	9,858	10,569
Raw materials	46,324	66,411
Produce inventories	5,405	4,289
Work-in-progress	8,754	4,493
Finished goods	268,559	1,158,931
Livestock	721	1,257
	373,017	1,290,147

Quarry reserves relate to the estimated reserves with remaining 14 years (31.12.2008: 15 years) lease of extraction.

12. PROPERTY DEVELOPMENT COSTS

	Group 31.12.2009 RM'000	Group 31.12.2008 RM'000
At 1 January 2009/1 February 2008		
Freehold land	11,119	-
Leasehold land	76,394	86,742
Development costs	358,052	516,456
Accumulated costs charged to income statement	(162,421)	(388,112)
	283,144	215,086
Transfer from/(to)		
- land held for property development	18,518	50,802
- biological assets	-	755
- inventories	(25,221)	(3,540)
Cost incurred during the year/period	148,497	178,842
Costs charged to income statement	(154,531)	(139,154)
Disposal	(11,864)	(19,647)
	(24,601)	68,058
At 31 December	258,543	283,144
Represented by:		
Freehold land	-	11,119
Leasehold land	58,540	76,394
Development costs	351,522	358,052
Accumulated costs charged to income statement	(151,519)	(162,421)
	258,543	283,144

Included in the property development costs incurred during the financial year are interest expense capitalised of RM5,938,000 (31.12.2008: RM1,068,000).

13. TRADE AND OTHER RECEIVABLES

		Group		Company	
		31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Trade receivables		415,351	529,512	-	-
Lease receivables		6,697	13,557	-	-
Hire purchase receivables		708,226	928,582	-	-
Loan receivables		242,477	272,921	-	-
Accrued billings		4,999	7,633	-	-
Sundry debtors and prepayments		64,015	73,993	2,135	1,338
Related companies		2,277	1,811	-	-
Subsidiaries		-	-	517,869	496,364
Associates		52	97	52	97
		1,444,094	1,828,106	520,056	497,799
Allowance for doubtful debts		(34,635)	(36,516)	-	-
Interest in suspense		(11,900)	(12,600)	-	-
Advances received		(48,207)	(51,746)	-	-
		1,349,352	1,727,244	520,056	497,799
Lease, hire purchase and loan receivables - amount receivable after one year included in long term receivables	(Note 10)	(500,863)	(702,462)	-	-
		848,489	1,024,782	520,056	497,799

The Group's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

Included in sundry debtors and prepayments are deposits paid to vendors amounting to RM13,150,000 (31.12.2008: RM Nil) for the acquisition of properties which have yet to be completed within the financial year.

Amounts due from related companies and associates are trade in nature and are repayable in accordance with the normal trade terms.

Amounts due from subsidiaries are non-trade in nature, unsecured, interest bearing and have no fixed terms of repayment. During the current financial year, interest is charged at 3.25% to 4.25% per annum (31.12.2008: 3.0% per annum).

Hire purchase and lease receivables consist of the following:

	← 31.12.2009 →			← 31.12.2008 →		
	Gross receivables RM'000	Unearned interest RM'000	Net receivables RM'000	Gross receivables RM'000	Unearned interest RM'000	Net receivables RM'000
Group						
Less than 1 year	396,970	(36,402)	360,568	457,320	(52,143)	405,177
Between 1 and 5 years	376,401	(22,665)	353,736	572,012	(39,990)	532,022
More than 5 years	654	(35)	619	4,996	(56)	4,940
	774,025	(59,102)	714,923	1,034,328	(92,189)	942,139

13. TRADE AND OTHER RECEIVABLES (continued)

Included in trade and other receivables of the Group and Company are amounts denominated in foreign currencies as follows:

	Group		Company	
	31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
US Dollar (USD)	23,449	170,050	24,428	20,618
Australian Dollar (AUD)	2,439	2,093	4,682	3,525
Indonesian Rupiah (IDR)	42,670	33,918	-	-
Singapore Dollar (SGD)	2,651	3,712	-	-
Yuan Renminbi (CNY)	-	6,498	-	-
	71,209	216,271	29,110	24,143

14. CASH AND CASH EQUIVALENTS

		Group		Company	
		31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Cash in hand and at banks		72,999	89,226	1,380	2,872
Deposits with licensed banks		355,468	256,210	271,785	119,645
Cash and bank balances		428,467	345,436	273,165	122,517
Less: Bank overdrafts	(Note 17)	(12,581)	(34,907)	-	-
Cash and cash equivalents		415,886	310,529	273,165	122,517

Included in cash at banks of the Group are amounts of RM15,556,000 (31.12.2008: RM11,401,000), the utilisation of which is subject to the Housing Development (Housing Development Account) Regulation 1991 and the Housing (Control and Licensing of Developers) Enactment 1978.

Included in cash and bank balances of the Group are amounts denominated in foreign currencies as follows:

	Group	
	31.12.2009 RM'000	31.12.2008 RM'000
US Dollar (USD)	8,915	61,746
Singapore Dollar (SGD)	503	362
Indonesian Rupiah (IDR)	2,374	1,191
Australian Dollar (AUD)	503	220
Yuan Renminbi (CNY)	-	1,893
	12,295	65,412

Other information on financial risks of cash and cash equivalents are disclosed in Note 34.

15. TRADE AND OTHER PAYABLES

	Group		Company	
	31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Trade payables	123,355	197,138	-	-
Accruals	47,681	78,433	3,647	2,651
Sundry payables	113,098	50,451	356	554
Subsidiaries	-	-	204	83,645
Related companies	26,890	3,703	71	-
	311,024	329,725	4,278	86,850

The normal trade credit terms granted to the Group range from 30 to 90 days.

Amounts due to related companies are trade in nature and are payable in accordance with the normal trade terms.

Amounts due to subsidiaries comprised trade and non-trade balances of RM204,000 (31.12.2008: RM300,000) and RM Nil (31.12.2008: RM83,345,000) respectively. The trade balances are payable in accordance with the normal trade terms. The non-trade balances are unsecured, non-interest bearing and have no fixed terms of repayment.

Included in trade and other payables of the Group are amounts denominated in foreign currencies as follows:

	Group	
	31.12.2009 RM'000	31.12.2008 RM'000
US Dollar (USD)	1,222	81,019
Indonesian Rupiah (IDR)	2,027	2,325
Australian Dollar (AUD)	51	52
	3,300	83,396

16. PROVISIONS

Group	Property development obligations RM'000	Provision for warranties and free maintenance service RM'000	Total RM'000
At 1 February 2008	1,689	2,432	4,121
Provision made during the period	-	807	807
Provision used during the period	(137)	(204)	(341)
Provision reversed during the period	-	(709)	(709)
At 31 December 2008/1 January 2009	1,552	2,326	3,878
Provision made during the year	-	112	112
Provision used during the year	(141)	(1,424)	(1,565)
Provision reversed during the year	-	(291)	(291)
At 31 December 2009	1,411	723	2,134

16. PROVISIONS (continued)

(a) Property development obligations

The provision for property development obligations relates to infrastructure works of completed and current development projects undertaken by certain subsidiaries. The provision is estimated based on historical data associated with similar property development projects.

(b) Provision for warranties and free maintenance service

Provision for warranties and free maintenance service is recognised when the underlying products are sold. The provision is estimated based on historical data.

17. BORROWINGS

	Group		Company	
	31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Secured:				
Term loan	-	12,000	-	-
Bank overdraft	-	100	-	-
	-	12,100	-	-
Unsecured:				
Term loans	952,831	720,900	-	-
Revolving credits	559,293	780,231	-	-
Bankers' acceptances	121,959	310,340	-	-
Foreign currency loans	164,914	577,392	156,453	-
Bank overdrafts	12,581	34,807	-	-
	1,811,578	2,423,670	156,453	-
	1,811,578	2,435,770	156,453	-
Analysed as:				
Short term borrowings	1,108,890	1,860,772	-	-
Long term borrowings	702,688	574,998	156,453	-
	1,811,578	2,435,770	156,453	-

17. BORROWINGS (continued)

The secured term loan and bank overdraft in the previous period were secured by a charge over two parcels of oil palm plantation estate of a subsidiary which was acquired during the period and a first debenture for RM15 million covering fixed and floating charge over the subsidiary's present and future assets, including stocks and debts. The carrying amounts of assets pledged as security are as follows:

	Group 31.12.2008 RM'000
Property, plant and equipment	79
Biological assets	17,739
Prepaid lease payments	10,546
	28,364

Included in borrowings of the Group are amounts denominated in foreign currencies as follows:

	Group	
	31.12.2009 RM'000	31.12.2008 RM'000
Singapore Dollar (SGD)	156,453	-
US Dollar (USD)	99,354	641,938
	255,807	641,938

Other information on financial risks of borrowings are disclosed in Note 34.

18. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group		Company	
	31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
At 1 January 2009/1 February 2008	133,448	156,257	33	33
Recognised in the income statement	(59,223)	(23,541)	-	-
Acquisition of subsidiaries	-	735	-	-
Exchange difference	707	(3)	-	-
At 31 December	74,932	133,448	33	33
Presented after appropriate offsetting as follows:-				
Deferred tax liabilities	160,995	155,643	33	33
Deferred tax assets	(86,063)	(22,195)	-	-
	74,932	133,448	33	33

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

18. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (continued)

The components and movement of deferred tax liabilities and assets during the financial year are as follows:-

Deferred tax liabilities of the Group:

	Accelerated capital and agriculture allowances RM'000	Revaluation of assets RM'000	Others RM'000	Total RM'000
At 1 January 2009	107,995	48,515	93	156,603
Recognised in the income statement	1,066	6,558	(93)	7,531
At 31 December 2009	109,061	55,073	-	164,134
Less: Deferred tax assets offset				(3,139)
Deferred tax liabilities recognised				160,995
At 1 February 2008	119,458	51,339	42	170,839
Recognised in the income statement	(11,463)	(3,559)	54	(14,968)
Addition arising from acquisition of subsidiaries	-	735	-	735
Exchange difference	-	-	(3)	(3)
At 31 December 2008	107,995	48,515	93	156,603
Less: Deferred tax assets offset				(960)
Deferred tax liabilities recognised				155,643

Deferred tax assets of the Group:

	Unabsorbed capital allowances RM'000	Tax losses RM'000	Others RM'000	Total RM'000
At 1 January 2009	(86)	(1,575)	(21,494)	(23,155)
Recognised in the income statement	(487)	(4,663)	(61,604)	(66,754)
Exchange difference	-	-	707	707
At 31 December 2009	(573)	(6,238)	(82,391)	(89,202)
Offset against deferred tax liabilities				3,139
Deferred tax assets recognised				(86,063)
At 1 February 2008	(2,353)	(3,418)	(8,811)	(14,582)
Recognised in the income statement	2,267	1,843	(12,683)	(8,573)
At 31 December 2008	(86)	(1,575)	(21,494)	(23,155)
Offset against deferred tax liabilities				960
Deferred tax assets recognised				(22,195)

18. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (continued)

Deferred tax liabilities of the Company:

	31.12.2009 RM'000	31.12.2008 RM'000
Accelerated capital allowances		
At 1 January 2009/1 February 2008	33	33
Recognised in the income statement	-	-
At 31 December	33	33

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	31.12.2009 RM'000	31.12.2008 RM'000
Unutilised tax losses	8,885	25,191
Unabsorbed reinvestment allowances	27,670	26,710
Unabsorbed capital and agricultural allowances	297	19
Other deductible temporary differences	98	216
	36,950	52,136

The above unutilised tax losses, unabsorbed reinvestment allowances, unabsorbed capital and agricultural allowances are subject to agreement with the Inland Revenue Board.

Deferred tax assets have not been recognised in respect of the above items as it is not probable that future taxable profits will be available in these subsidiaries against which the Group can utilise the benefits.

19. SHARE CAPITAL

	Number of ordinary shares of RM1.00 each		Amount	
	31.12.2009 '000	31.12.2008 '000	31.12.2009 RM'000	31.12.2008 RM'000
Authorised:				
At 31 December	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:				
At 31 December	622,660	622,660	622,660	622,660

Share repurchase

The shareholders of the Company granted authority to the directors at the Extraordinary General Meeting held on 29 May 2009 to further repurchase the Company's shares from the open market. During the financial year, the Company repurchased a further 2,000 of its issued ordinary shares from the open market for a total cost of RM5,107. The repurchase was financed from the Company's internal funds. The average cost paid for the additional shares repurchased during the financial year was RM2.55 per share. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. During the financial year, there was no cancellation of treasury shares.

19. SHARE CAPITAL (continued)

Movement of shares repurchased

	Number of shares	RM	Average cost per share RM
As of 1 February 2008	59,130,500	154,448,860	2.61
Repurchased during the period	2,000	4,736	2.37
As of 31 December 2008/1 January 2009	59,132,500	154,453,596	2.61
Repurchased during the year	2,000	5,107	2.55
As of 31 December 2009	59,134,500	154,458,703	2.61

The directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan would be applied in the best interests of the Company and its shareholders.

As of 26 March 2010, the issued and paid up capital comprises 622,660,000 ordinary shares of RM1.00 each, of which 59,134,500 ordinary shares are held as treasury shares.

20. RESERVES

	Group		Company	
	31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Reserves are made up of:-				
Capital reserve in respect of an associate	641	641	-	-
Foreign exchange reserve in respect of subsidiaries	7,962	12,477	-	-
Revaluation reserve in respect of subsidiaries	36,564	36,564	-	-
Capital redemption reserve in respect of the Company	7,128	7,128	7,128	7,128
Retained profits	1,814,633	1,777,434	2,136,824	2,083,986
Total reserves	1,866,928	1,834,244	2,143,952	2,091,114
Analysed as:-				
Distributable reserves	1,660,174	1,622,980	1,982,365	1,929,532
Non-distributable reserves	206,754	211,264	161,587	161,582
	1,866,928	1,834,244	2,143,952	2,091,114

20. RESERVES (continued)

The movements on reserves are set out in the respective statements of changes in equity.

At the balance sheet date, the amount of retained profits of RM154,459,000 (31.12.2008: RM154,454,000) equivalent to the cost of treasury shares held is classified as non-distributable reserves.

The nature and purpose of each category of reserve are as follows:-

(a) Capital reserve in respect of an associate

This reserve comprises primarily revaluation reserve of an associate.

(b) Foreign exchange reserve in respect of subsidiaries

The foreign exchange reserve is arising from translation of financial statements of foreign subsidiaries.

(c) Revaluation reserve in respect of subsidiaries

The revaluation reserve of the Group comprises primarily revaluation reserve on long-term leasehold plantation lands and biological assets held by subsidiaries.

(d) Capital redemption reserve

This reserve is created to account for the nominal amounts of cancelled treasury shares repurchased.

In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. During the financial year, the Company has fully utilised its credit in the 108 balance to pay franked dividends. The Company may distribute dividends out of its entire retained profits as at 31 December 2009 under the single tier system.

21. REVENUE

Revenue of the Group and of the Company consists of the following:-

	Group		Company	
	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Dividend income				
From subsidiaries	-	-	77,117	81,241
From associates	-	-	3,750	1,855
Plantation produce	373,134	393,605	-	-
Goods and services	1,757,339	2,473,649	-	-
Hire purchase, leasing and term loan	79,604	80,842	-	-
Property development	225,519	191,648	-	-
Completed properties	1,422	4,296	-	-
Property rental	27,224	21,210	-	-
	2,464,242	3,165,250	80,867	83,096

22. OPERATING PROFIT

		Group		Company	
		1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Operating profit is arrived at after charging/(crediting):-					
Auditors' remuneration:					
- auditors of the Company		226	211	58	58
- other auditors		430	438	-	-
Non audit fees for services rendered by					
- auditors of the Company		10	10	10	10
- firm affiliated to the auditors of the Company		50	35	16	18
Rental of land and buildings		5,711	6,289	-	351
Hire of plant and machinery		9,238	13,141	-	-
Vehicles lease rental		1,707	3,484	837	405
Depreciation of property, plant and equipment		49,766	39,755	1,012	937
Amortisation of prepaid lease payments		3,377	2,135	-	-
Property, plant and equipment written off		606	340	-	-
Replanting expenditure		5,445	6,278	-	-
Bad debts written off		46	13	-	-
Allowance for doubtful debts		7,935	6,267	-	-
Write down of inventories		67,556	153,158	-	-
Employee benefits expenses	(Note 23)	126,882	117,853	3,742	4,992

22. OPERATING PROFIT (continued)

	Group		Company	
	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Operating profit is arrived at after charging/(crediting):-				
Net foreign exchange (gains)/losses	(8,266)	15,927	(473)	(1,143)
Gain on disposal of property, plant and equipment	(497)	(2,413)	(12)	(47)
Gain on disposal of properties under prepaid lease payments	(791)	(1,353)	-	-
Fair value adjustment on investment properties	(41,955)	-	-	-
Gain on disposal of land held for property development	(2,119)	(164)	-	-
Reversal of allowance for doubtful debts	(1,002)	(69)	-	-
Hire income of plant and machinery	-	(2)	-	-
Rental income from properties	(1,462)	(1,330)	(10)	(14)
Recovery of bad debts	(114)	(27)	-	-
Interest income from:				
- third parties	(7,093)	(5,616)	(3,923)	(2,457)
- subsidiaries	-	-	(20,231)	(14,644)

23. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Salaries and other staff related expenses	117,279	108,924	3,369	4,502
Pension costs – defined contribution plans	9,603	8,929	373	490
	126,882	117,853	3,742	4,992

Included in employee benefits expenses of the Group and of the Company are executive directors' remuneration amounting to RM11,732,000 (31.12.2008: RM12,162,000) and RM3,476,000 (31.12.2008: RM3,372,000) respectively as further disclosed in Note 24.

24. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Executive directors' remuneration				
Other emoluments				
- Directors of the Company	3,969	3,853	3,476	3,372
- Other directors	7,763	8,309	-	-
	11,732	12,162	3,476	3,372
Non-executive directors' remuneration				
Fees				
- Directors of the Company	562	518	390	333
- Other directors	752	633	-	-
	1,314	1,151	390	333
Total directors' remuneration	13,046	13,313	3,866	3,705
Other key management personnel compensation	15,090	13,832	-	-
	28,136	27,145	3,866	3,705

Included in key management personnel compensation of the Group and of the Company are contributions to the Employees Provident Fund amounting to RM2,810,000 (31.12.2008: RM2,784,000) and RM373,000 (31.12.2008: RM361,000) respectively.

The estimated money value of directors' benefits-in-kind in respect of the Group and of the Company, which have not been included in the above key management personnel compensation, are as follows:-

	Group		Company	
	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Directors of the Company	137	148	137	148
Other directors	384	408	-	-
Other key management personnel	663	533	-	-
	1,184	1,089	137	148

25. FINANCE COSTS

	Group		Company	
	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Interest expense on :				
Bank borrowings	60,157	76,313	3,928	2
Borrowings from other institution	16,129	10,138	-	-
	76,286	86,451	3,928	2

26. OTHER NON-OPERATING ITEMS

	Group		Company	
	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Gain on disposal of shares in other investment	-	2,252	-	2,252
Gain from liquidation of an associate	3,044	-	-	-
Reversal of impairment loss in an associate	4,120	-	2,588	-
Impairment loss on investment in an associate	-	-	-	(6,485)
Gain on disposal of a subsidiary	37,617	-	36,782	-
	44,781	2,252	39,370	(4,233)

27. TAX EXPENSE

	Group		Company	
	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Malaysian taxation based on results for the year/period:				
- Current taxation	55,137	118,708	12,209	12,308
- Over provision in prior year	(541)	(1,775)	-	(1,984)
	54,596	116,933	12,209	10,324
Foreign tax :				
- Current taxation	27	32,771	-	-
- Under provision in prior year	28,016	-	-	-
	28,043	32,771	-	-
	82,639	149,704	-	-

27. TAX EXPENSE (continued)

		Group		Company	
		1.1.2009 to 31.12.2009 RM'000	**1.2.2008 to 31.12.2008 RM'000**	**1.1.2009 to 31.12.2009 RM'000**	**1.2.2008 to 31.12.2008 RM'000**
Deferred tax :	(Note 18)				
- Relating to origination and (reversal) of temporary differences		(31,977)	(13,848)	-	-
- Relating to changes in tax rate		-	(6,005)	-	-
- Over provision in prior year		(27,246)	(3,688)	-	-
		(59,223)	(23,541)	-	-
		23,416	126,163	12,209	10,324

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the year/period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:-

	Group		Company	
	1.1.2009 to 31.12.2009 RM'000	**1.2.2008 to 31.12.2008 RM'000**	**1.1.2009 to 31.12.2009 RM'000**	**1.2.2008 to 31.12.2008 RM'000**
Profit before tax	172,760	503,382	128,091	80,964
Taxation at Malaysian statutory tax rate of 25%	43,190	125,846	32,023	20,241
Effect of change in tax rate on deferred tax	-	(6,005)	-	-
Effect of different tax rates in other countries	3,090	7,190	-	-
Income not subject to tax	(18,978)	(2,075)	(20,804)	(11,359)
Expenses not deductible for tax purposes	5,783	9,014	990	3,426
Utilisation of previously unrecognised deferred tax assets	(7,283)	(273)	-	-
Effect of share of results of associates	(2,615)	(2,071)	-	-
Under/(Over) provision in prior year	229	(5,463)	-	(1,984)
Tax expense for the year/period	23,416	126,163	12,209	10,324

28. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group has been computed by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the year. For the purpose of this computation, the number of shares repurchased and either held as treasury shares or cancelled has been excluded from the weighted average number of shares in issue.

	Group	
	1.1.2009 to 31.12.2009	**1.2.2008 to 31.12.2008**
Profit attributable to ordinary equity holders of the Company (RM'000)	100,243	313,975
Weighted average number of ordinary shares in issue ('000)	563,527	563,529
Basic earnings per share (sen)	17.79	55.72

(b) Fully diluted earnings per share

The Group does not have any diluted earnings per share for the year and for the previous financial period.

29. DIVIDENDS

	Group/Company	
	1.1.2009 to 31.12.2009 RM'000	**1.2.2008 to 31.12.2008 RM'000**
Recognised during the year/period:		
Dividends paid in respect of financial year ended 31 January 2008:		
- final (7.0 sen less tax)	-	29,585
Dividends paid in respect of financial period ended 31 December 2008:		
- interim (5.0 sen less tax)	-	21,133
- final (3.25 sen less tax and 3.75 sen under single tier system)	34,868	-
Dividends paid in respect of financial year ended 31 December 2009:		
- interim (5.0 sen under single tier system)	28,176	-
	63,044	50,718

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2009, of 7.0 sen per share under the single tier system amounting to RM39,446,785 based on the paid-up share capital net of treasury shares as at 31 December 2009 of 563,525,500 ordinary shares of RM1.00 each will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2010.

30. COMMITMENTS

	Group 31.12.2009 RM'000	Group 31.12.2008 RM'000
Capital expenditure:		
- commitments in respect of contracts placed	152,514	32,419
- other amounts approved by directors but not contracted for	75,420	112,851
	227,934	145,270

31. LEASE COMMITMENTS

Total future lease payments under non-cancellable operating leases are as follows:-

	Group 31.12.2009 RM'000	Group 31.12.2008 RM'000
Due within one year	1,542	2,549
Due after one year but not more than five years	2,950	3,643
Due after five years	2,307	2,848
	6,799	9,040

32. CONTINGENT LIABILITIES

	Company 31.12.2009 RM'000	Company 31.12.2008 RM'000
Bank guarantees		
Unsecured:		
Corporate guarantees to banks of subsidiaries in respect of balances outstanding as at 31 December	1,418,291	2,192,003

33. LITIGATION MATTER

As disclosed in the Directors' Report of the previous period, the Company had on 24 October 2002, been served with a Writ of Summons ("said Writ") in the High Court in Sabah and Sarawak at Kota Kinabalu ("Tongod Suit") wherein the Company was named as the first defendant, Genting Plantations Berhad *(formerly known as Asiatic Development Berhad)* ("GPH") as the second defendant, Tanjung Bahagia Sdn Bhd as the third defendant, Director of Department of Lands and Surveys, Sabah as the fourth defendant and the Government of the State of Sabah as the fifth defendant. The Tongod Suit was instituted by certain natives of Sabah claiming Native Customary Rights over all that parcel of land held under Title No. CL095330724 situated in Sungai Tongod, District of Kinabatangan, Sandakan ("the Tongod Land") or part thereof. The Company had on 9 May 2002 completed its disposal of the Tongod Land to Tanjung Bahagia Sdn Bhd, the wholly-owned subsidiary of GPH.

The Company has filed its Statement of Defence and an application to strike out the said Writ on 11 February 2003 ("Striking Out Application").

As announced on 13 June 2003, the learned Deputy Registrar dismissed the Company's Striking Out Application with costs. The Company is appealing against the said decision and the Court had adjourned its original hearing date of 15 April 2005 on the same to another date to be fixed.

The Plaintiffs had earlier filed an application for injunction restraining the second and third defendants from carrying out, inter alia, planting activities on the Tongod Land or part thereof. During the hearing held on 5 July 2004 on the said injunction application, the defendants had raised a preliminary objection to the Court's jurisdiction to determine Native Customary Rights. Pursuant to the hearing of the Defendant's preliminary objection on 5 July 2004, the Court has on 20 June 2008 upheld the said preliminary objection and dismissed the Tongod Suit with costs awarded to the Defendants ("the said Decision"). The Plaintiffs had on 7 July 2008 filed their Notice of Appeal to the Court of Appeal appealing against the said Decision.

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

34. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines and it is the Group's policy not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to fixed deposits and borrowings with financial institutions. The Group does not use derivative financial instruments to hedge any debt obligations. The Group manages interest costs using a prudent mix of fixed and floating rate bank facilities.

34. FINANCIAL INSTRUMENTS (continued)

(b) Interest Rate Risk (continued)

The following tables set out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the balance sheet date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	WAEIR %	Within 1 Year RM'000	1 – 2 Years RM'000	2 – 3 Years RM'000	3 – 4 Years RM'000	4 – 5 Years RM'000	More than 5 Years RM'000	Total RM'000
At 31 December 2009								
Group								
Fixed rate:								
- Term loans	4.98	(280,003)	(100,005)	(31,500)	-	-	-	(411,508)
Floating rate:								
- Deposits with licensed banks	2.24	355,468	-	-	-	-	-	355,468
- Bank overdrafts	6.31	(12,581)	-	-	-	-	-	(12,581)
- Revolving credits	2.69	(559,293)	-	-	-	-	-	(559,293)
- Bankers' acceptances	2.39	(121,959)	-	-	-	-	-	(121,959)
- Term loans	3.25	(126,593)	(237,050)	(30,380)	(20,895)	(22,860)	(103,545)	(541,323)
- Foreign currency loans	3.70	(8,461)	-	(156,453)	-	-	-	(164,914)
Company								
Floating rate:								
- Deposits with licensed banks	1.68	271,785	-	-	-	-	-	271,785
- Foreign currency loan	3.81	-	-	(156,453)	-	-	-	(156,453)
At 31 December 2008								
Group								
Fixed rate:								
- Term loans	5.14	(86,000)	(279,999)	(100,000)	(31,500)	-	-	(497,499)
Floating rate:								
- Deposits with licensed banks	3.24	256,210	-	-	-	-	-	256,210
- Bank overdrafts	7.20	(34,907)	-	-	-	-	-	(34,907)
- Revolving credits	4.36	(780,231)	-	-	-	-	-	(780,231)
- Bankers' acceptances	4.06	(310,340)	-	-	-	-	-	(310,430)
- Term loans	4.37	(71,902)	(80,758)	(35,174)	(28,256)	(11,688)	(7,623)	(235,401)
- Foreign currency loans	4.50	(577,392)	-	-	-	-	-	(577,392)
Company								
Floating rate:								
- Deposits with licensed banks	3.35	119,645	-	-	-	-	-	119,645

Other information on financial risks of amount due from subsidiaries are disclosed in Note 13.

34. FINANCIAL INSTRUMENTS (continued)

(c) Foreign Currency Risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by subsidiaries in currencies other than their functional currency. The Group is also exposed to currency risk in respect of its foreign investments in subsidiaries and associates. These companies enter into forward foreign currency exchange contracts with relatively short-term maturities where appropriate to limit their exposure on foreign currency receivables and payables, and on cash flows generated from anticipated transactions denominated in foreign currencies.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

Functional Currency of Group Companies	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies		
	US Dollar RM'000	Indonesian Rupiah RM'000	Total RM'000
At 31 December 2009			
Ringgit Malaysia	(304)	-	(304)
US Dollar	-	30,072	30,072
	(304)	30,072	29,768
At 31 December 2008			
Ringgit Malaysia	(78,675)	-	(78,675)
US Dollar	-	31,593	31,593
	(78,675)	31,593	(47,082)

The net unhedged financial assets and financial liabilities of the Company that is not denominated in its functional currency are as follows:

Functional Currency of the Company	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies		
	Australian Dollar RM'000	US Dollar RM'000	Total RM'000
At 31 December 2009			
Ringgit Malaysia	4,682	24,428	29,110
At 31 December 2008			
Ringgit Malaysia	3,525	20,618	24,143

34. FINANCIAL INSTRUMENTS (continued)

(c) Foreign Currency Risk (continued)

As at balance sheet date, the Group had entered into forward foreign exchange contracts with the following notional amounts and maturities:

	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies		
	Currency	**Within 1 year RM'000**	**Total Nominal Amount RM'000**
At 31 December 2009			
Receivables hedge	US Dollar	148,478	148,478
Payables hedge	US Dollar	10,847	10,847
		159,325	159,325

The Group had not entered into any forward foreign exchange contracts as at the end of the previous financial period.

(d) Liquidity Risk

As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash equivalents and adequate amounts of credit facilities to meet its working capital requirements. In addition, the Group strives to maintain flexibility in funding by keeping its credit lines available at a reasonable level. As far as possible, the Group raises funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(e) Credit Risk

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit worthiness review is regularly performed for new customers and existing customers who trade on credit, to mitigate exposure on credit risk. Where appropriate, the Group requires its customers to provide collateral before approvals are given to trade on credit.

The Group does not have any significant exposure to any individual customer or counterparty, nor does it have any major concentration of credit risk related to any financial instruments. The maximum exposure to credit risk is represented by the carrying amount of these financial assets.

34. FINANCIAL INSTRUMENTS (continued)

(f) Fair Values

The carrying values of financial assets and financial liabilities of the Group and of the Company at the balance sheet date approximated their fair values, except as set out below:-

	Group		Company	
	Book value RM'000	Fair value RM'000	Book value RM'000	Fair value RM'000
At 31 December 2009				
Amounts due from subsidiaries	-	-	517,869	#
Amounts due from related companies and associates	2,329	#	52	#
Amounts due to subsidiaries	-	-	204	#
Amounts due to related companies	26,890	#	71	#
At 31 December 2008				
Amounts due from subsidiaries	-	-	496,364	#
Amounts due from related companies and associates	1,908	#	97	#
Amounts due to subsidiaries	-	-	83,645	#
Amounts due to related companies	3,703	#	-	#
Forward foreign exchange contracts	-	51	-	-

\# It is not practicable to estimate the fair values of amounts due to/from holding company, subsidiaries, related companies and associates principally due to a lack of fixed repayment terms entered into by the parties involved.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:-

Cash and cash equivalents, other receivables, other payables and short-term bank borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

Trade, lease, hire purchase and loan receivables, and trade payables

The net carrying amounts of trade receivables and payables approximate fair values because these are expected to be settled in the short term. The net carrying amounts of hire purchase and loan receivables, which are based on principal amounts outstanding representing approximately the cash flow receivables discounted at their effective yields, closely approximate their fair values.

Long-term borrowings

The carrying values of long-term borrowings which bear fixed and floating interest rates are expected to approximate fair values and would not be significantly different from the values that would eventually be settled.

Forward foreign exchange contracts

The fair value of forward foreign exchange contracts is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity portfolio.

35. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year/period:

	Transactions	Group 1.1.2009 to 31.12.2009 RM'000	Group 1.2.2008 to 31.12.2008 RM'000	Company 1.1.2009 to 31.12.2009 RM'000	Company 1.2.2008 to 31.12.2008 RM'000
Director of the Company:					
Datuk Edward Lee Ming Foo, JP	Rental expenses	(36)	(21)	-	-
Lau Teong Jin	Legal consultancy fees	(180)	(165)	(180)	(165)
Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company ^	Advisory fees	(1,800)	(1,100)	(1,800)	(1,100)
Foundation connected to Datuk Edward Lee Ming Foo, JP and Sim Siew Meng**, Directors of the Company: Lau Gek Poh Foundation #	Donation	(4,454)	(7,886)	(4,454)	(5,886)
Firm connected to Datuk Edward Lee Ming Foo, JP, a Director of the Company: Corporated International Consultants	Project consultancy fee payable	(6,762)	(18,710)	-	-
Firm in which Datuk Simon Shim Kong Yip, JP, a Director of the Company, has interest: Shim, Pang & Co	Legal fees	(490)	(766)	(100)	(80)
	Sale of vehicle	-	633	-	-
	Servicing of motor vehicles	12	2	-	-

An organisation principally involved in charitable activities.

^ Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak is a major shareholder of the Company by virtue of his substantial shareholding in Gek Poh (Holdings) Sdn Bhd, the holding company of the Company.

** Sim Siew Meng resigned as Alternate Director to Lee Wee Yong on 1 April 2009.

35. RELATED PARTY TRANSACTIONS (continued)

	Transactions	Group 1.1.2009 to 31.12.2009 RM'000	Group 1.2.2008 to 31.12.2008 RM'000	Company 1.1.2009 to 31.12.2009 RM'000	Company 1.2.2008 to 31.12.2008 RM'000
Companies connected to Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company: ^					
Glenealy Plantations (Malaya) Berhad Group	Sales of products	20,261	20,382	-	-
Lingui Developments Berhad Group	Sales of products	10,017	18,933	-	-
Samling Strategic Corporation Sdn Bhd Group	Sales of products	33	16,849	-	-
	Credit facilities	-	1,024	-	-
Lei Shing Hong Limited Group	Disposal of subsidiary	105,120	-	105,120	-
	Purchase of products	(20,529)	-	-	-
Company in which Tong Chin Hen, a Director of a subsidiary, has interest:					
Imaspro Resources Sdn Bhd	Purchase of products	(101)	-	-	-
Imaspro Process Technology Sdn Bhd	Consultancy services	-	(28)	-	-
Malaysian Mosaics Berhad and its subsidiaries	Rental income	923	783	-	-
	Sales of products	3,134	2,742	-	-
	Management fees	360	330	-	-
	Rental of software license	9	3	-	-
	Servicing of motor vehicles	3	25	-	-
	Rental of motor vehicles	-	2	-	-
	Purchase of products	(74,148)	(8,677)	-	(13)
	Trademark licence	(2,700)	-	-	-
	Fees on use of assets	(360)	-	-	-

35. RELATED PARTY TRANSACTIONS (continued)

	Transactions	Group 1.1.2009 to 31.12.2009 RM'000	Group 1.2.2008 to 31.12.2008 RM'000	Company 1.1.2009 to 31.12.2009 RM'000	Company 1.2.2008 to 31.12.2008 RM'000
Gek Poh (Holdings) Sdn Bhd and its other subsidiaries	Rental income	67	62	-	-
	Sales of products	12	2	-	-
	Servicing of motor vehicles	25	14	-	-
	Insurance premium	(8,354)	(9,922)	(144)	(168)
	Acquisition of subsidiary	(3)	-	-	-
Associate	Management fees received	184	170	184	170
	Rental income	10	14	10	14
	Sales of products	1,588	2,304	-	-
Subsidiaries	Dividend income	-	-	77,117	81,241
	Interest income	-	-	20,231	14,789
	Guarantee fees	-	-	1,754	620
	Servicing of motor vehicles	-	-	(9)	(39)
	Purchase of motor vehicles	-	-	(1,315)	-
	Rental expenses	-	-	(382)	(321)
	Management fees	-	-	(423)	(291)
	Car usage	-	-	(754)	(190)

Compensation to key management personnel is as disclosed in Note 24.

36. SEGMENTAL INFORMATION

Business Segments

The Group's operating businesses are organised according to the nature of activities, namely trading, quarry and building materials, financing, agricultural produce, property and investment holding. Segment accounting policies are the same as the policies as described in Principal Accounting Policies on page 73 to 83, all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

	Trading RM'000	Quarry and Building Materials RM'000	Financing RM'000	Agricultural Produce RM'000	Property RM'000	Investment Holding RM'000	Eliminations RM'000	Consolidated RM'000
Year ended 31 December 2009								
Revenue								
External revenue	1,436,985	320,320	79,604	373,134	254,199	-	-	2,464,242
Inter-segment revenue	84,369	26,898	-	-	10,173	-	(121,440)	-
Total revenue	1,521,354	347,218	79,604	373,134	264,372	-	(121,440)	2,464,242
Results								
Operating profit	(113,145)	19,267	52,789	140,678	111,733	(8,002)	(9,514)	193,806
Finance costs								(76,286)
Other non-operating items								44,781
Share of results of associates								10,459
Profit before tax								172,760
Tax expense								(23,416)
Profit for the period								149,344
Minority interests								(49,101)
Profit attributable to equity holders of the Company								100,243
Assets and Liabilities								
Segment assets	671,017	333,593	883,995	804,918	1,694,613	40,135		4,428,271
Unallocated assets								144,685
Investment in associates								354,964
Total assets								4,927,920
Segment liabilities								2,126,042
Unallocated liabilities								177,413
Total liabilities								2,303,455
Other information								
Capital expenditure	9,122	58,064	240	30,689	10,211	2,431		110,757
Depreciation and amortisation	5,419	18,588	791	20,492	5,040	2,813		53,143

36. SEGMENTAL INFORMATION (continued)

Business Segments (continued)

	Trading RM'000	Quarry and Building Materials RM'000	Financing RM'000	Agricultural Produce RM'000	Property RM'000	Investment Holding RM'000	Eliminations RM'000	Consolidated RM'000
Period ended 31 December 2008								
Revenue								
External revenue	2,156,200	317,417	80,842	393,605	217,186	-	-	3,165,250
Inter-segment revenue	71,408	25,059	-	-	22,003	-	(118,470)	-
Total revenue	2,227,608	342,476	80,842	393,605	239,189	-	(118,470)	3,165,250
Results								
Operating profit	313,486	12,274	56,167	171,663	47,890	(12,828)	(9,356)	579,296
Finance costs								(86,451)
Other non-operating items								2,252
Share of results of associates								8,285
Profit before tax								503,382
Tax expense								(126,163)
Profit for the period								377,219
Minority interests								(63,244)
Profit attributable to equity holders of the Company								313,975
Assets and Liabilities								
Segment assets	1,794,426	247,723	1,204,750	771,753	1,236,292	140,920		5,395,864
Unallocated assets								52,697
Investment in associates								96,618
Total assets								5,545,179
Segment liabilities	1,267,721	50,573	852,501	106,782	488,109	4,558		2,770,244
Unallocated liabilities								197,359
Total liabilities								2,967,603
Other information								
Capital expenditure	3,655	52,222	961	19,254	10,129	5,819		92,040
Depreciation and amortisation	4,536	12,068	733	18,667	4,060	1,826		41,890

36. SEGMENTAL INFORMATION (continued)

Geographical Segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. Segment accounting policies are the same as the policies as described in Principal Accounting Policies on page 73 to 83, all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

The following table provides an analysis of the Group's revenue by geographical segments:

	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Malaysia	1,993,409	2,200,662
Indonesia	404,502	837,444
Others	66,331	127,144
	2,464,242	3,165,250

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by geographical segments:

	Segment Assets		Capital Expenditure	
	31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Malaysia	4,660,270	4,604,772	109,708	90,057
Indonesia	228,329	839,974	11	26
Others	39,321	100,433	1,038	1,957
	4,927,920	5,545,179	110,757	92,040

37. SIGNIFICANT EVENTS DURING THE YEAR

(i) On 24 July 2009, Hap Seng Realty (KL City) Sdn Bhd *(formerly known as Rebuild Truck Sdn Bhd)* ["HSR (KL City)"] became a wholly-owned subsidiary of Hap Seng Realty Sdn Bhd, a wholly-owned subsidiary of Hap Seng Land Sdn Bhd which in turn is a wholly-owned subsidiary of the Company. Prior to this, HSR (KL City) was a directly held wholly-owned subsidiary of the Company.

On 7 August 2009, HSR (KL City) entered into a sale and purchase of shares agreement ["Inverfin SPA"] with CapitaLand Limited and Amsteel Corporation Berhad [collectively referred to as the "Vendors"] to acquire the Vendors' entire shareholding of 5,000,001 ordinary shares of RM1.00 each ["Sale Shares"] in Inverfin Sdn Bhd ["Inverfin"], free from all encumbrances, on the terms and conditions contained in the Inverfin SPA ["Inverfin Acquisition"].

Inverfin is a special purpose entity and investment company for the sole purpose of owning and operating Menara Citibank, a 50-storey office building located at 165, Jalan Ampang, Kuala Lumpur with net lettable area of approximately 733,634 sq.ft.

The Inverfin Acquisition was completed on 15 October 2009 with payment of the balance purchase price (after deducting the deposit of RM30,372,447.60) amounting to RM213,145,208.90.

(ii) On 29 July 2009, Hap Seng Land Development Sdn Bhd, a wholly-owned subsidiary of Hap Seng Land Sdn Bhd which in turn is a wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of Hap Seng Land Development (Jesselton Hill) Sdn Bhd *(formerly known as My Matrix Sdn Bhd)* comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.

(iii) On 23 September 2009, the Company entered into an equity transfer agreement with Lei Shing Hong Venture Capital Limited ["LSHVC"], a company incorporated in Hong Kong, to dispose of its entire equity interests in Hap Seng Consolidated Financial Lease & Rental (China) Co Ltd ["HSCFLR"] at a cash consideration of USD30.294 million ["Disposal"].

LSHVC is wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], a company incorporated in Hong Kong. Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a director and major shareholder of Gek Poh (Holdings) Sdn Bhd, the holding company of the Company, is a major shareholder of LSH and is deemed interested in the Disposal.

The Disposal was completed on 24 September 2009 and resulted in a gain of approximately RM37.6 million to the Group.

(iv) On 20 November 2009, Hap Seng Plantations Holdings Berhad ["HSP"], the 51.55% listed subsidiary of the Company entered into a conditional sale of shares agreement ["SSA"] to acquire the entire issued and paid-up share capital of Pelipikan Plantation Sdn Bhd ["Pelipikan"] comprising 10 ordinary shares of RM1.00 each at a purchase consideration of RM31.685 million on the terms and conditions contained in the SSA ["Pelipikan Acquisition"]. The Pelipikan Acquisition was completed on 10 December 2009 with Pelipikan becoming a wholly-owned subsidiary of HSP.

Pelipikan is the registered sub-lessee of 251 parcels of land measuring approximately 3,371 acres situated in Kg. Natu, District of Kota Marudu, Sabah ["the said Land"]. Pursuant to the said sub-lease, in consideration of an annual rental of RM1.8 million, Pelipikan is entitled to use the said Land for cultivation of oil palm for a period of 30 years ending 28 February 2039 with an option to renew for another term of 30 years.

The said Land is contiguous with the Group's existing plantation estate situated at Kg. Natu, District of Kota Marudu, measuring approximately 2,000 acres. Of the total area of 3,371 acres, approximately 1,030 acres of the said Land are planted with oil palm of about 3 years of age and the balance of 2,341 acres is unplanted.

The Pelipikan Acquisition is part of HSP Group's strategy to acquire more plantation land around the existing plantation area, which would strengthen its position in the Kota Marudu area, and thereby giving rise to economies of scale.

37. SIGNIFICANT EVENTS DURING THE YEAR (continued)

(v) On 30 November 2009, Hap Seng Realty Sdn Bhd, a wholly-owned subsidiary of Hap Seng Land Sdn Bhd which in turn is a wholly-owned subsidiary of the Company acquired from Gek Poh (Holdings) Sdn Bhd ["GPHSB"], the entire issued and paid-up share capital of Hap Seng Realty (KK I) Sdn Bhd *(formerly known as Crest Contracts Sdn Bhd)* comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM3,000. Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a director and major shareholder of GPHSB, the holding company of the Company, is deemed interested in the acquisition.

(vi) On 10 December 2009, Hap Seng Realty Sdn Bhd, a wholly-owned subsidiary of Hap Seng Land Sdn Bhd which in turn is a wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of Prosperity Projections Sdn Bhd comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.

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

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

(a) the sum of Ringgit Malaysia Ten Million and Three Hundred Thousand (RM10,300,000.00) representing ten percentum (10%) of the Purchase Price shall be paid to the Vendor upon execution of the E&O SPA; and

(b) the balance sum of Ringgit Malaysia Ninety Two Million and Seven Hundred Thousand (RM92,700,000.00) representing ninety percentum (90%) of the Purchase Price shall be paid within three (3) months of the date of the E&O SPA.

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

(viii) On 22 December 2009, Hap Seng Land Development Sdn Bhd, a wholly-owned subsidiary of Hap Seng Land Sdn Bhd which in turn is a wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of VIP Builders Sdn Bhd comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.

38. EVENT SUBSEQUENT TO BALANCE SHEET DATE

On 9 February 2010, Hap Seng Auto Sdn Bhd ["HSA" or the "Vendor"], a wholly-owned subsidiary of the Company entered into a conditional shares sale agreement ["Shares Sale Agreement"] with Pacific Star Automobile Limited ["PSA" or the "Purchaser"], the wholly-owned subsidiary of Lei Shing Hong Automobile Limited, which in turn is a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], to dispose of its 11,725,000 ordinary shares of RM1.00 each representing 35% of the issued and paid-up share capital of Hap Seng Star Sdn Bhd ["HSS"] ["Sale Shares"] to PSA pursuant to the terms and subject to the conditions contained in the Shares Sale Agreement ["Proposed HSS Disposal"]. The disposal consideration for the Proposed HSS Disposal is Ringgit Malaysia One Hundred Three Million Eight Hundred Eleven Thousand and Four Hundred (RM103,811,400.00) [the "Disposal Consideration"] to be paid in the following manner:-

(i) within seven (7) days from the date of the Shares Sale Agreement, the Purchaser shall pay to the Vendor thirty percent (30%) of the Disposal Consideration in the sum of Ringgit Malaysia Thirty One Million One Hundred Forty Three Thousand and Four Hundred Twenty (RM31,143,420.00) as part payment towards the Disposal Consideration; and

(ii) the balance seventy percent (70%) of the Disposal Consideration in the sum of Ringgit Malaysia Seventy Two Million Six Hundred Sixty Seven Thousand Nine Hundred and Eighty (RM72,667,980.00) shall be paid by the Purchaser on Completion Date (defined below).

The Proposed HSS Disposal is conditional upon the following approvals being obtained within two (2) months from the date of the Shares Sale Agreement or such extended period as may be mutually agreed between HSA and PSA:-

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

The date on which the last of the approvals shall be fulfilled or obtained is referred to as the "Unconditional Date".

Completion of the Proposed HSS Disposal shall take place within seven (7) days of the Unconditional Date ["Completion Date"].

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

39. COMPARATIVES

In the previous financial period, the Company changed its financial year end from 31 January to 31 December to be coterminous with the financial year end of its holding company. Consequently, the financial statements of the previous financial period were for a period of 11 months from 1 February 2008 to 31 December 2008.

OTHER INFORMATION

PARTICULARS OF SANCTIONS AND/OR PENALTIES IMPOSED

During the financial year under review, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies.

MATERIAL CONTRACTS

There were no material contracts involving the Company and its subsidiaries with directors' and/or major shareholders' interest, either still subsisting at the end of the financial year, or if not subsisting, entered into since the end of the financial year ended 31 December 2009, except for the following:-

i. Related Party Transactions during the financial year ended 31 December 2009 entered in the ordinary course of business and on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority interests, have been disclosed in Note 35 to the Financial Statements.

   The Company will be seeking Shareholders' Mandate for Recurrent Related Party Transactions at an Extraordinary General Meeting which will be convened on 27 May 2010 immediately after the conclusion of the Annual General Meeting to be held on the same date.

ii. Hap Seng Auto Sdn Bhd ("HSA" or the "Vendor"), a wholly-owned subsidiary of the Company, has on 9th February 2010 entered into a conditional shares sale agreement ("Shares Sale Agreement") with Pacific Star Automobile Limited ("PSA" or the "Purchaser"), the wholly-owned subsidiary of Lei Shing Hong Automobile Limited, which in turn is a wholly-owned subsidiary of Lei Shing Hong Limited ("LSH"), to dispose of its 11,725,000 ordinary shares of RM1.00 each representing 35% of the issued and paid-up share capital of Hap Seng Star Sdn Bhd ("HSS") ("Sale Shares") to PSA pursuant to the terms and subject to the conditions contained in the Shares Sale Agreement ("Proposed HSS Disposal"). The disposal consideration for the Proposed HSS Disposal is Ringgit Malaysia One Hundred Three Million Eight Hundred Eleven Thousand and Four Hundred (RM103,811,400.00) (the "Disposal Consideration").

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

   The aforementioned transaction was announced by the Company on 9th February 2010.

PARTICULARS OF TOP TEN PROPERTIES OF THE GROUP

Location	Area	Description	Date of Acquisition/ Revaluation	Tenure	Year of Expiry	Approximate Age of Buildings (Years)	Net Book Value At 31/12/2009 RM'000
KUALA LUMPUR							
Lot 593 & 594, Seksyen 57, Jalan P. Ramlee Kuala Lumpur	7,436 m^2	22-storey office building for rental	June 2004	Freehold	--	37	232,815
Lot 546 & 1246, Seksyen 57, Jalan P. Ramlee Kuala Lumpur	2,896 m^2	2-storey Mercedes-Benz showroom & office	June 2004	Freehold	--	4	33,619
Lot 28, Section 90, Kuala Lumpur	5,478 m^2	Vacant land	August 2007	Freehold	--	--	83,000
SABAH							
TAWAU							
CL 105360674 & CL 105396647 KM 6, Jalan Tg. Batu Laut	198,215 m^2	Industrial lands with single-storey buildings for rental	January 2004	Leasehold 99 years	2076/2080	21-22	34,739
CL 105451607 & CL 105459158 KM 6, Jalan Tg. Batu Laut	222,415 m^2	Industrial lands with single-storey buildings for rental	January 2004	Leasehold 99 years	2086/2087	19-20	38,678
CL 105478831/ CL 105420666/ CL 105420675/ CL 105420684 Mile 10-10 1/2, Jalan Apas	1,382,811 m^2	Land held for development, oil palm plantation, central workshop,	January 2004/ January 2001	Leasehold 99 years/ 60 years	2060 2081/2042	35	59,960
Mile 10, Jalan Apas	323.6 ha	Oil palm plantation and land held for development	January 2004	Leasehold 99 years	2049/2060/ 2061/2062/ 2073	--	95,788

Particulars Of Top Ten Properties Of The Group

Location	Area	Description	Date of Acquisition/ Revaluation	Tenure	Year of Expiry	Approximate Age of Buildings (Years)	Net Book Value At 31/12/2009 RM'000
KINABATANGAN							
Batangan Estate	3,633 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	4-28	
Lutong Estate	2,448 ha	Oil palm plantation & buildings	July 1996/ July 2003	Leasehold 99 years	2078/2098/ 2099	9-20	
Lokan Estate	3,155 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	9-14	273,297
Kapis Estate	2,681 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	7-23	
Lungmanis Estate	2,200 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	9-15	
Tomanggong Estate	4,890 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years/ 999 years	2067/2094/ 2894	1-41	
Tabin Estate	2,579 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years	2067/2076/ 2093/2097	1-25	
Tagas Estate	2,010 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years	2067/2076	1-34	
Litang Estate	1,571 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years/ 999 years	2076/2091 2887/2900	1-27	289,610
Sungai Segama Estate	5,174 ha	Oil palm plantation & buildings	December 1990	Leasehold 99 years	2089	8-12	
Bukit Mas Estate	4,733 ha	Oil palm plantation & buildings	December 1990	Leasehold 99 years/ 999 years	2089/2887	2-10	
KOTA MARUDU							
Pelipikan Estate	*808 ha	Oil palm plantation & buildings	August 2008	Leasehold 99 years	2101/2102	2-10	43,656

* *Including 200 acres (81 hectares) of land adjoining the existing land of which the land title are currently under application.*

ANALYSIS OF SHAREHOLDING

as at 5 April 2010

Authorised Share Capital	: RM1,000,000,000
Issued and Fully Paid-up Capital	: RM622,660,000
Class of Shares	: Ordinary Share of RM1.00 each
Voting Rights	: One Vote per Ordinary Share
Number of Shareholders	: 9,735

DISTRIBUTION OF SHAREHOLDERS

Size of Holding	No. of Shareholders	% of Shareholders	No. of Shares Held *	% of Issued Capital
1 to 99	546	5.61	12,854	#
100 to 1,000	2,355	24.19	1,992,724	0.35
1,001 to 10,000	5,441	55.89	23,887,199	4.24
10,001 to 100,000	1,282	13.17	35,551,461	6.31
100,001 to less than 5% of issued shares	110	1.13	190,065,262	33.73
5% & above of issued shares	1	0.01	312,016,000	55.37
TOTAL	9,735	100.00	563,525,500	100.00

* *The number of 563,525,500 ordinary shares was arrived at after deducting the number of 59,134,500 treasury shares retained by the Company, adding the number of 7,128,000 ESOS shares issued and allotted by the Company and deducting the cancellation of 7,128,000 treasury shares from the original issued and paid-up share capital of 622,660,000 ordinary shares of the Company.*

Negligible

LIST OF 30 LARGEST SHAREHOLDERS

		Shareholding	%[3]
1.	Mayban Securities Nominees (Tempatan) Sdn Bhd - Maybank International (L) Ltd for Gek Poh (Holdings) Sdn Bhd	312,016,000	55.37
2.	Yong Foo San	28,140,490	4.99
3.	Amanahraya Trustees Berhad - Skim Amanah Saham Bumiputera	26,469,300	4.70
4.	Pembangunan Melati Sdn Bhd	23,480,400	4.17
5.	Employees Provident Fund Board	22,481,800	3.99
6.	Lo Suk Lan	12,060,210	2.14
7.	Gek Poh (Holdings) Sdn Bhd	10,959,886	1.94
8.	Permodalan Nasional Berhad	10,762,000	1.91
9.	Bank Pertanian Malaysia Berhad	7,031,248	1.25
10.	Affin Nominees (Asing) Sdn Bhd - Exempt AN for Phillip Securities (Hong Kong) Ltd (Clients' Account)	5,868,500	1.04
11.	Alliancegroup Nominees (Tempatan) Sdn Bhd - Pheim Asset Management Sdn Bhd for Employees Provident Fund	3,561,300	0.63
12.	Chinchoo Investment Sdn Berhad	2,728,100	0.48
13.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	2,582,300	0.46
14.	Gan Teng Siew Realty Sdn Berhad	1,908,000	0.34
15.	Mikdavid Sdn Bhd	1,743,000	0.31
16.	Key Development Sdn Berhad	1,700,000	0.30
17.	Niels John Madsen	1,484,000	0.26

LIST OF 30 LARGEST SHAREHOLDERS (continued)

		Shareholding	%[3]
18.	Mayban Nominees (Tempatan) Sdn Bhd - Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100)	1,319,800	0.23
19.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (Taiwan)	1,035,800	0.18
20.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	1,015,900	0.18
21.	Rengo Malay Estate Sendirian Berhad	960,000	0.17
22.	Soon Khiat Voon	933,900	0.17
23.	Bidor Tahan Estates Sdn Bhd	900,000	0.16
24.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for Prudential Fund Management Berhad	645,500	0.11
25.	Wan Wai Mun	640,000	0.11
26.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (Stich Shell Pen)	636,800	0.11
27.	Lee Chee Hai	632,000	0.11
28.	Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund 2DCN for Emerging Markets Value Fund (John Hnck FDSII)	524,000	0.09
29.	HSBC Nominees (Asing) Sdn Bhd - BNY Brussels for Queensland Investment Corporation	523,600	0.09
30.	Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund 2CIA for Emerging Markets Value Trust (John Hnck Trust)	517,900	0.09
	Total	485,261,734	86.11

SUBSTANTIAL SHAREHOLDERS

	Shareholding			
	Direct	%[3]	Indirect	%[3]
Gek Poh (Holdings) Sdn Bhd	322,975,886	57.31	23,480,400 [1]	4.17
Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	346,456,286 [2]	61.48

Notes:

[1] *Deemed interests through its wholly-owned subsidiary, Pembangunan Melati Sdn Bhd, pursuant to Section 6A(4) of Companies Act, 1965.*

[2] *Deemed interests by virtue of his substantial interests in Gek Poh (Holdings) Sdn Bhd pursuant to Section 6A(4) of Companies Act, 1965.*

[3] *For the purpose of computing the percentage of shareholding above, the number of ordinary shares used was 563,525,500 which was arrived at by deducting 59,134,500 treasury shares held by the Company from its issued and paid-up capital of 622,660,000.*

DIRECTORS' SHAREHOLDING

as at 5 April 2010

	Direct Shareholding		Direct Shareholding	
	No. of Shares	%[1]	No. of Shares	%[1]
Related Corporation :				
Hap Seng Plantations Holdings Berhad ("HSP")				
Dato' Jorgen Bornhoft	100,000	0.0125	-	-
Datuk Henry Chin Poy-Wu	110,000	0.0138	-	-
Datuk Edward Lee Ming Foo, JP	110,000	0.0138	-	-
Lee Wee Yong	70,000	0.0088	-	-
Soon Seong Keat	230,000	0.0288	75,000*	0.0094
Datuk Simon Shim Kong Yip, JP	180,000	0.0225	-	-
Lt. Gen (R) Datuk Abdul Aziz Bin Hasan	50,000	0.0063	-	-
Quan Sheet Mei (Alternate to Soon Seong Keat)	82,000	0.0103	-	-

[1] *For the purpose of computing the precentage of HSP shareholding above, the number of ordinary shares used was 799,992,000 which was arrived at by deducting 8,000 treasury shares held by HSP from its issued and paid-up capital of 800,000,000.*

* *Held through his spouse.*

SHARE BUY-BACK SUMMARY

Month	No. of shares purchased and retained as treasury shares	Lowest price paid per share (RM)	Highest price paid per share (RM)	Average cost per share (RM)	Total cost (RM)
January-09	-	-	-	-	-
February-09	-	-	-	-	-
March-09	-	-	-	-	-
April-09	-	-	-	-	-
May-09	-	-	-	-	-
June-09	1,000	2.60	2.60	2.6438	2,643.78
July-09	-	-	-	-	-
August-09	-	-	-	-	-
September-09	-	-	-	-	-
October-09	-	-	-	-	-
November-09	1,000	2.42	2.42	2.4637	2,463.73
December-09	-	-	-	-	-
TOTAL	**2,000**	**2.42**	**2.60**	**2.5538**	**5,107.51**

During the financial year, all the repurchased shares by the Company were retained as treasury shares. None of the treasury shares were resold or cancelled during the financial year. Consequently, the balance cumulative treasury shares held as at 31 December 2009 were 59,134,500.

PLANTATION STATISTICS

	FINANCIAL YEAR ENDED 31.1.2006	FINANCIAL YEAR ENDED 31.1.2007	FINANCIAL YEAR ENDED 31.1.2008	FINANCIAL PERIOD ENDED 31.12.2008 (11 months)	FINANCIAL YEAR ENDED 31.12.2009
CROP PRODUCTION - TONNES					
FFB	796,498	768,716	774,710	673,131	672,768
PROCESSED - TONNES					
FFB	767,185	741,517	752,779	656,225	652,047
Palm Oil	168,375	162,145	165,809	141,464	140,985
Palm Kernel	37,471	35,607	36,074	31,900	30,821
EXTRACTION RATE - %					
Palm Oil	21.95	21.87	22.03	21.56	21.62
Palm Kernel	4.88	4.80	4.79	4 .86	4.73
MATURE AREA - HECTARES					
Oil Palm					
Young mature (30 months to less than 7 years)	1,908	1,020	2,034	1,329	2,634
Prime mature (7 years to less than 17 years)	20,102	20,637	20,637	19,008	17,899
Mature (17 years onwards)	9,207	8,648	8,489	11,030	12,043
Total mature area	31,217	30,305	31,160	31,367	32,576
AVERAGE YIELD - TONNES/HECTARE					
FFB	25.51	25.37	24.86	21.46	20.65
Oil per mature hectare	5.39	5.35	5.32	4.51	4.33
AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE					
FFB	271	301	565	579	445
Palm Oil	1,352	1,460	2,076	2,314	2,303
Palm Kernel	958	839	1,434	1,449	1,012

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2009

	River Estates Group	Jeroco	**HSP (KM)	*Pelipikan Plantation	Total Plantation Division
Oil Palm					
Mature	19,307	12,254	598	417	32,576
Immature	1,347	458	-	-	1,805
Total Oil Palm	20,654	12,712	598	417	34,381
Other crop	-	86	-	-	86
Total planted area	20,654	12,798	598	417	34,467
Reserves	725	18	81	948	1,772
Buildings, roads etc	2,134	1,301	129	-	3,564
Grand Total	23,513	14,117	808	1,365	39,803

Conversion Rate : 1 Hectare = 2.4710 acres

* Pelipikan Plantation Sdn Bhd was acquired on 10 December 2009.

** Including 200 acres (81 hectares) of land adjoining to the existing land of which the land title are currently under application.

FORM OF PROXY

No. of shares	
CDS Account No:	

HAP SENG CONSOLIDATED BERHAD (26877-W)

I/We ....NRIC No./Company No. ....
(FULL NAME IN BLOCK LETTERS)

Telephone No...of...
(FULL ADDRESS)

....

being a member(s) of Hap Seng Consolidated Berhad, do hereby appoint ....
(FULL NAME IN BLOCK LETTERS)

.... NRIC No./Company No..

Telephone No...of...

....
(FULL ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Thirty-Fourth Annual General Meeting of the Company to be held at the Auditorium, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 27 May 2010 at 2.00 p.m. or at any adjournment thereof, on the following resolutions referred to in the Notice of Annual General Meeting:-

RESOLUTION	1	2	3	4	5	6	7	8
FOR								
AGAINST								

Please indicate with a "✓" in the spaces above, how you wish your vote to be cast. In the absence of specific instructions, the proxy will vote or abstain at his/her discretion.

Signed this .... day of 2010

....
Signature / Common Seal of appointor

Notes:

A member entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies (but not more than two) to attend and vote in his/her stead. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. A proxy does not need to be a member and the provision of section 149(1)(b) of the Companies Act, 1965 shall not apply. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The instrument appointing a proxy shall be in writing under the hands of the appointer or his/her attorney duly authorised in writing, or if the appointer is a corporation, either under the seal or under the hand of an officer or attorney duly authorised. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

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Postage

THE COMPANY SECRETARY

HAP SENG CONSOLIDATED BERHAD

(Company No. 26877-W)

21st Floor, Menara Hap Seng

Jalan P. Ramlee

50250 Kuala Lumpur

Malaysia

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