HAP SENG CONSOLIDATED BERHAD (26877-W)




ANNUAL REPORT 2010


MENARA HAP SENG

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Fifth Annual General Meeting of Hap Seng Consolidated Berhad will be held at Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Tuesday, 7 June 2011 at 11.00 a.m. to transact the following:-

AS ORDINARY BUSINESS:

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

1. To table the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of Directors and Auditors thereon. **Resolution 1**

2. To declare a final dividend of 22.0 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 2010 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 Dato' Jorgen Bornhoft who retires as Director of the Company pursuant to Article 97 of the Company's Articles of Association. **Resolution 4**

5. To re-elect Datuk Edward Lee Ming Foo, JP who retires as Director of the Company pursuant to Article 97 of the Company's Articles of Association. **Resolution 5**

6. To re-elect Mr. Tan Ghee Kiat who retires as Director of the Company pursuant to Article 103 of the Company's Articles of Association. **Resolution 6**

7. To re-elect Mr. Lee Wee Yong who retires as Director of the Company pursuant to Article 103 of the Company's Articles of Association. **Resolution 7**

8. 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 8**

AS SPECIAL BUSINESS:

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

9. **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 and paid-up share capital of the Company for the time being 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 9**

notice of annual general meeting

By Order of the Board

Cheah Yee Leng (LS0009398)
Quan Sheet Mei (MIA 6742)
Company Secretaries

Kuala Lumpur
16 May 2011

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 2***

   In line with the Company's Dividend Policy announced on 5 January 2011, a final dividend under the single tier system in the sum of approximately RM123.98 million, represented by 22.0 sen per ordinary share of RM1.00 each based on 563,523,500 ordinary shares comprised in the issued and paid-up share capital of the Company after deducting 59,136,500 treasury shares as at 31 December 2010, has been proposed for shareholders' approval to be obtained in this Annual General Meeting. This final dividend if approved, together with the interim dividend, represents approximately 50% of the Group's profit attributable to shareholders of the Company for the financial year ended 31 December 2010.

   The actual amount of final dividend per share will be adjusted based on the increased number of shares in issue (net of treasury shares) as at the entitlement date of this final dividend. Subject to this Ordinary Resolution 2 being passed in this Annual General Meeting, the entitlement date and payment date of the final dividend will be announced at a later date.

3. ***Explanatory Notes for Ordinary Resolution 9***
   Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965

   The approval will allow the Company to procure the renewal of the 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 for the time being. 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 7 May 2011, being the last practicable date prior to the printing of this annual report, 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 27 May 2010, which will lapse at the conclusion of this Annual General Meeting. However, new shares may be issued pursuant to this mandate subsequent to 7 May 2011 before the same lapses in this Annual General Meeting.

   The Section 132D 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.

Vision

Creating Value Together. To A Better Future.

Mission Statements

To provide quality products and excellent services that differentiates us from others.

To be the preferred partner and promote win-win business relationships.

To achieve sustainable growth and returns for our shareholders over the long term.

To be the Employer of Choice.

To be a good corporate citizen in harmony with the environment and the communities we serve.

PROPERTY HOLDING & DEVELOPMENT

PLANTATIONS

AUTOMOTIVE

CREDIT FINANCING

FERTILIZER BUSINESS

QUARRY & BUILDING MATERIALS

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
Executive Director

DATUK SIMON SHIM KONG YIP, JP
Non-Executive Director

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

LAU TEONG JIN
Independent Non-Executive Director

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

TAN GHEE KIAT
Independent Non-Executive Director

COMPANY SECRETARIES

CHEAH YEE LENG (LS 0009398)
QUAN SHEET MEI (MIA 6742)

PLACE OF INCORPORATION

Malaysia

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
E-mail : inquiry@hapseng.com.my

AUDITORS

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

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Tel : 03-7841 8000
Fax : 03-7841 8151/ 8152

PRINCIPAL BANKERS

AmBank (M) Berhad
DBS Bank Ltd
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad


HAP SENG CONSOLIDATED BERHAD

BOARD OF DIRECTORS

from left to right

DATUK EDWARD LEE MING FOO, JP
Managing Director

LEE WEE YONG
Executive Director

DATUK SIMON SHIM KONG YIP, JP
Non-Executive Director

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

board of directors

from left to right

DATO' JORGEN BORNHOFT
Independent Non-Executive Chairman

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

LAU TEONG JIN
Independent Non-Executive Director

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

TAN GHEE KIAT
Independent Non-Executive Director

BOARD OF DIRECTORS' PROFILE

Dato' Jorgen Bornhoft

a Dane, aged 69, 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 Committees, 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 55.15% owned subsidiary and a Director of Mega First Corporation Berhad, both of which are companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). He is also a Director of The Royal Bank of Scotland Berhad and presently the Vice Chairman of International Beverage Holding Limited.

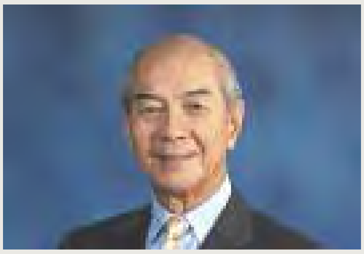
He holds a degree in Accountancy and Finance (Bachelor of Commerce) from the Copenhagen Business School and attended executive management courses at INSEAD.

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) Board Meetings held during the financial year ended 31 December 2010.

board of directors' profile



Datuk Henry Chin Poy-Wu

a Malaysian, aged 74, 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 thirty eight (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 2010.

Datuk Edward Lee Ming Foo, JP

a Malaysian, aged 56, 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 55.15% owned subsidiary which is 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 Malaysian Mosaics Berhad ("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 38 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 2010.

board of directors' profile

Lee Wee Yong

a Malaysian, aged 63, was appointed as an Executive Director of Hap Seng Consolidated Berhad ("HSCB") on 22 February 2011. 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 was the Deputy Managing Director of HSCB from 31 March 2005 to 22 October 2010.

Mr. Lee is also an Executive Director of Hap Seng Plantations Holdings Berhad, the Company's 55.15% owned subsidiary and an Alternate Director in Paos Holdings Berhad. Both companies are listed on the Main Market of Bursa Securities.

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 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 and on 22 November 2010, he became the Chairman of MMB.

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 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 three (3) Board Meetings held during the financial year ended 31 December 2010 prior to his resignation from the Board on 22 October 2010.

board of directors' profile

Datuk Simon Shim Kong Yip, JP

a Malaysian, aged 54, 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 55.15% owned subsidiary and also a Non-Executive Director of Paos Holdings Berhad. Both companies are 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 and a Director of Malaysian Mosaics Berhad.

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 Arbitrator 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 38 to the Financial Statements. He has had no conviction of any offence in the past ten (10) years.

He attended three (3) out of four (4) Board Meetings held during the financial year ended 31 December 2010.

board of directors' profile

Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan

a Malaysian, aged 65, 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 Nam Fatt Corporation Berhad, which is a company listed on the Main Market of Bursa Securities. He also sits on the Board of 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 2010.

Lau Teong Jin

a Malaysian, aged 69, 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 38 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 2010.

board of directors' profile

Dato' Mohammed Hussein

a Malaysian, aged 60, 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 Bachelor of Commerce (Accounting) from the University of Newcastle, Australia in 1971 and has also completed the Harvard Business School Advanced Management Program in Boston, USA in 2003.

He spent thirty one (31) years with the Malayan Banking Berhad ("Maybank") Group and, as a member of the management team for twenty four (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 2010.

Tan Ghee Kiat

a Malaysian, aged 62, was appointed as an Independent Non-Executive Director of Hap Seng Consolidated Berhad ("HSCB") on 1 January 2011. He first served on the Board of HSCB as Non-Independent Non-Executive Director from 31 December 2002 and became an Independent Non-Executive Director on 31 March 2005 until his resignation from the Board on 31 January 2007.

Mr. Tan is a Fellow member of the Institute of Chartered Accountants in England & Wales, a member of Malaysian Institute of Accountants and also of the Malaysian Institute of Certified Public Accountants.

He is currently a partner in Sekhar & Tan, a firm of chartered accountants which he founded in 1993 after he left Deloitte, Touche & Tohmatsu, Malaysia. He is also a trustee of Yaw Teck Sang Foundation.

Mr. Tan has more than thirty (30) years of experience in audit and corporate advisory services.

Mr. Tan 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 did not attend any Board Meetings held during the financial year ended 31 December 2010 as he was appointed to the Board subsequent to the financial year end.

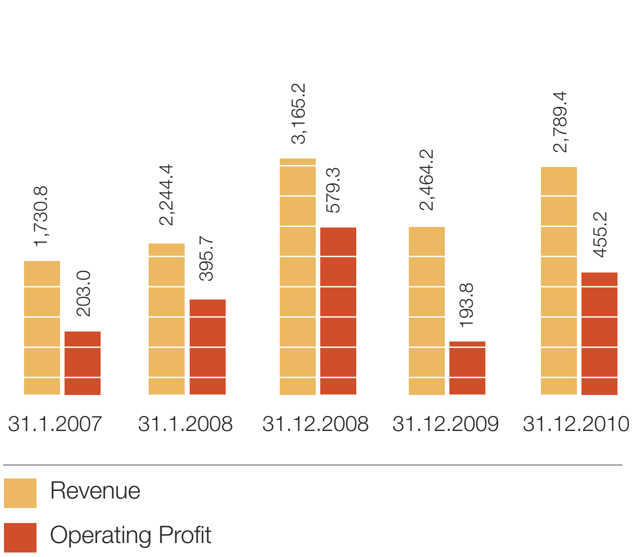
GROUP FINANCIAL HIGHLIGHTS

	FINANCIAL YEAR ENDED 31 JANUARY		11 MONTHS PERIOD ENDED	FINANCIAL YEAR ENDED 31 DECEMBER	
	2007	2008	31.12.2008	2009	2010
INCOME (RM'000)					
(i) Revenue	1,730,835	2,244,456	3,165,250	2,464,242	2,789,410
(ii) Operating profit	203,026	395,730	579,296	193,806	455,222
(iii) Profit before tax *	151,740	933,461	503,382	172,760	504,456
(iv) Profit after tax and minority interests attributable to shareholders of the Company *	106,156	809,981	313,975	100,243	323,132
** Includes Other Non Operating Items*	*-*	*613,849*	*2,252*	*44,781*	*92,685*
BALANCE SHEET (RM'000)					
Assets					
(i) Total tangible assets	3,349,894	4,324,559	5,545,179	4,927,920	5,354,031
(ii) Net assets	1,528,063	2,020,033	2,302,450	2,335,129	2,586,214
(iii) Current assets	1,249,853	1,878,927	2,974,011	1,967,138	1,904,502
Liabilities and Shareholders' Funds					
(i) Current liabilities	1,154,372	1,477,521	2,236,091	1,438,466	1,509,219
(ii) Paid-up share capital	622,660	622,660	622,660	622,660	622,660
(iii) Shareholders' funds	1,528,063	2,020,033	2,302,450	2,335,129	2,586,214
PER SHARE					
(i) Net earnings (sen) **	18.03	139.89	55.72	17.79	57.34
(ii) Net assets (RM) ***	2.59	3.58	4.09	4.14	4.59
(iii) Gross dividend (sen)	7.00	56.50	12.00	12.00	28.00[a]
(iv) Net dividend (sen)	5.15	43.18	9.94	12.00	28.00[a]
***Based on weighted average number of shares in issue net of treasury shares*	*588,906,000*	*579,025,275*	*563,528,773*	*563,526,750*	*563,524,667*
****Based on number of shares in issue net of treasury shares*	*588,955,400*	*563,529,500*	*563,527,500*	*563,525,500*	*563,523,500*
FINANCIAL RATIOS					
(i) Return on total tangible assets (%)	3.17	18.73	5.66	2.03	6.04
(ii) Return on shareholders' funds (%)	6.95	40.10	13.64	4.29	12.49
(iii) Current ratio (times)	1.08	1.27	1.33	1.37	1.26
(iv) Gearing ratio (times)	0.85	0.82	1.06	0.78	0.74

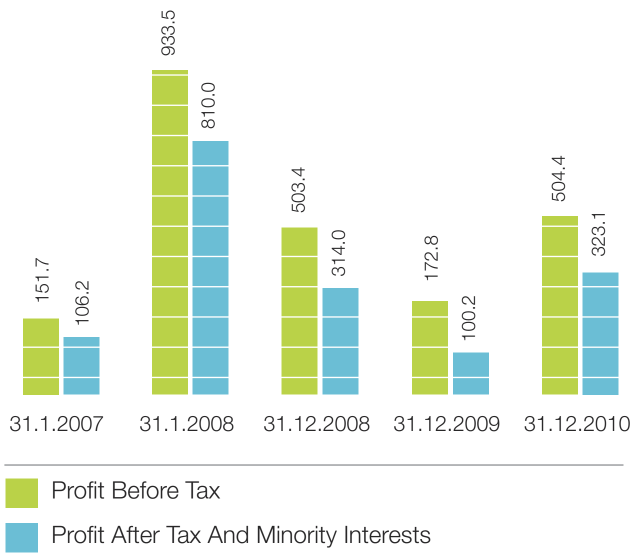
[a] In line with the Company's Dividend Policy announced on 5 January 2011, a final dividend under the single tier system in the sum of approximately RM123.98 million, represented by 22.0 sen per share based on 563,523,500 shares comprised in the issued and paid-up share capital of the Company after deducting 59,136,500 treasury shares as at 31 December 2010 has been proposed for shareholders' approval to be obtained during annual general meeting of the Company to be held on 7 June 2011. This final dividend if approved, together with the interim dividend, represents approximately 50% of the Group's profit attributable to owners of the Company for the financial year ended 31 December 2010. The actual amount of final dividend per share will be adjusted based on the increased number of shares in issue (net of treasury shares) as at the entitlement date of this final dividend.

group financial highlights

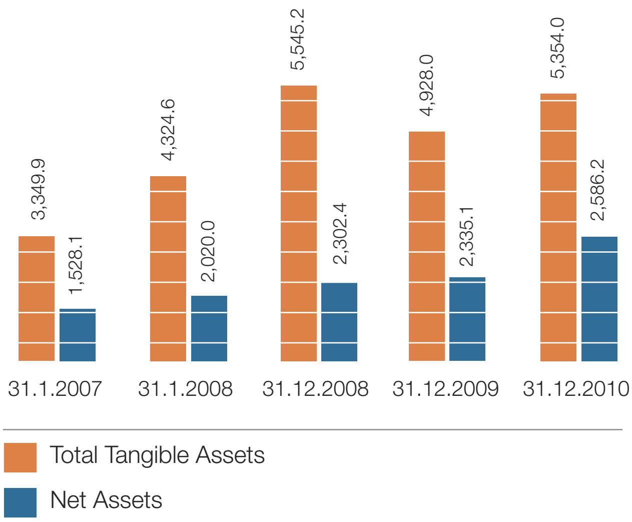
REVENUE / OPERATING PROFIT
(RM'million)



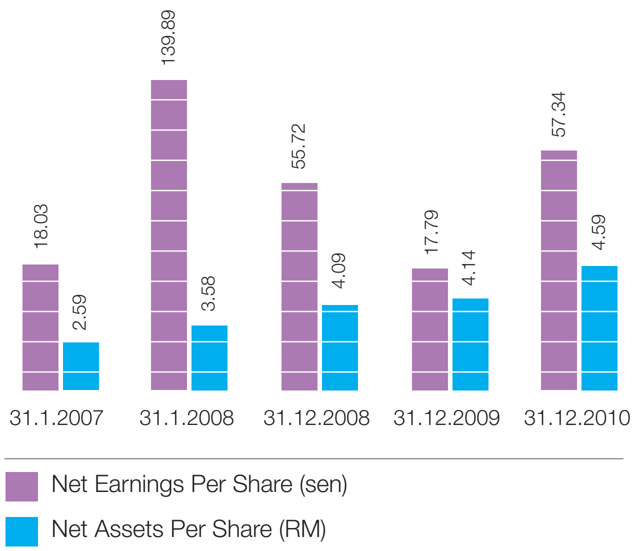
PROFIT BEFORE TAX / PROFIT AFTER TAX AND MINORITY INTERESTS
(RM'million)



TOTAL TANGIBLE ASSETS / NET ASSETS
(RM'million)

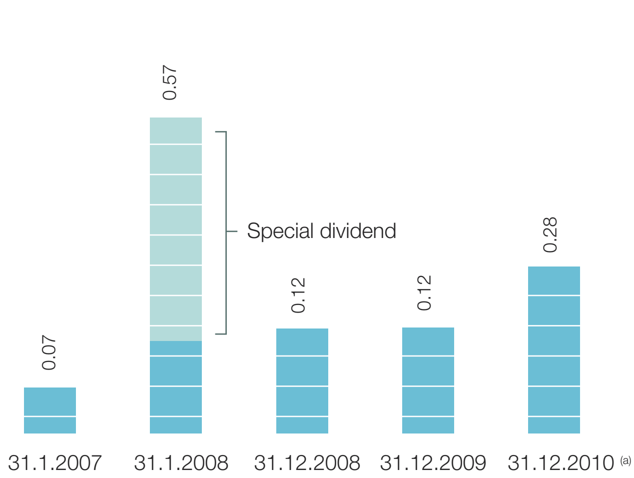


NET EARNINGS PER SHARE / NET ASSETS PER SHARE

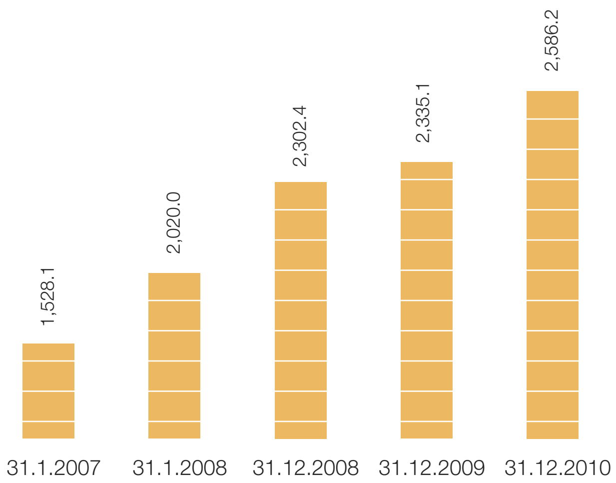


group financial highlights

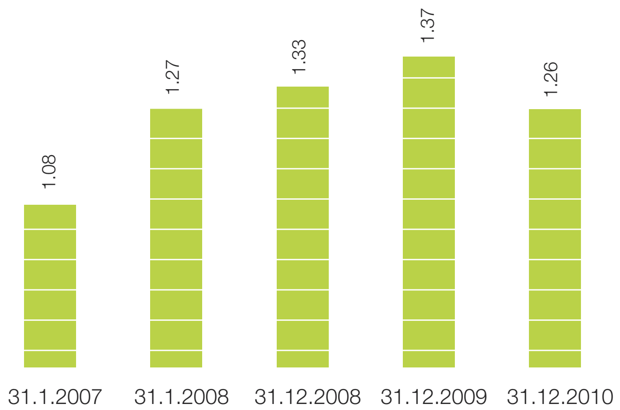
DIVIDEND PER SHARE (GROSS)
(RM)



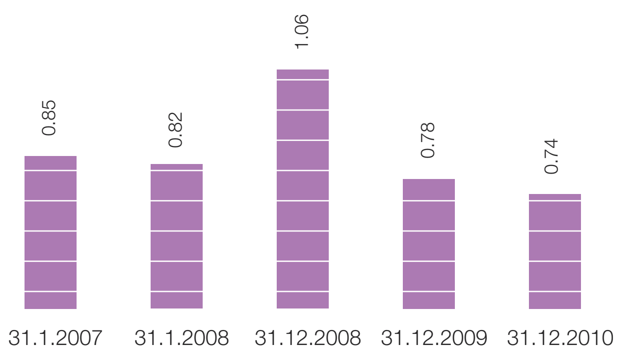
SHAREHOLDERS' FUNDS
(RM'million)



CURRENT RATIO
(times)



GEARING RATIO
(times)



[a] *In line with the Company's Dividend Policy announced on 5 January 2011, a final dividend under the single tier system in the sum of approximately RM123.98 million, represented by 22.0 sen per share based on 563,523,500 shares comprised in the issued and paid-up share capital of the Company after deducting 59,136,500 treasury shares as at 31 December 2010 has been proposed for shareholders' approval to be obtained during annual general meeting of the Company to be held on 7 June 2011. This final dividend if approved, together with the interim dividend, represents approximately 50% of the Group's profit attributable to owners of the Company for the financial year ended 31 December 2010. The actual amount of final dividend per share will be adjusted based on the increased number of shares in issue (net of treasury shares) as at the entitlement date of this final dividend.*

CONSOLIDATED INCOME STATEMENT SUMMARY

	FINANCIAL YEAR ENDED 31.12.2008 [b] RM'000	FINANCIAL YEAR ENDED 31.12.2009 RM'000	FINANCIAL YEAR ENDED 31.12.2010 RM'000	YEAR-ON-YEAR CHANGE (%)
Revenue	3,165,250	2,464,242	2,789,410	13%
Gross profit	813,147	341,390	629,322	84%
Operating profit	579,296	193,806	455,222	135%
Finance costs	(86,451)	(76,286)	(66,188)	-13%
Profit before tax	503,382	172,760	504,456	192%
Tax expense	(126,163)	(23,416)	(95,403)	307%
Profit after tax				
- attributable to shareholders of the Company	313,975	100,243	323,132	222%
- attributable to minority interests	63,244	49,101	85,921	75%
	377,219	149,344	409,053	174%
EPS (sen)	55.72	17.79	57.34	222%

[b] *11 months financial period from 1 February 2008 to 31 December 2008*

CHAIRMAN'S STATEMENT

On behalf of the Board, I have great pleasure in presenting to you the Thirty-Fifth Annual Report and Financial Statements of the Company and the Group for the financial year ended 31 December 2010.

REVIEW OF RESULTS

On the back of a strong economic recovery in Malaysia, the Group posted a strong financial performance for the year under review with a consolidated revenue of RM2.8 billion (2009: RM2.5 billion), 13.2% higher than the previous financial year. In tandem with the higher revenue, the Group recorded an impressive improvement on its Operating Profit by 135% to finish the year at RM455.2 million (2009: RM193.8 million).

Profit Before Tax which included Other Non-Operating Items of RM92.7 million (2009: RM44.8 million) was RM504.5 million (2009: RM172.8 million), which was 192% higher than the previous financial year whilst Profit After Tax increased by 174% to RM409.1 million (2009: RM149.3 million). The Other Non-Operating Item in the current financial year under review was the gain arising from the divestment of 35% equity interest in Hap Seng Star Sdn. Bhd.

Earnings Per Share for the financial year under review attributable to shareholders showed a significant improvement at 57.34 sen (2009: 17.79 sen) or 222.3% (39.55 sen) higher than the previous financial year.

DIVISIONAL PERFORMANCE

Plantation Division

Palm oil prices traded wider during the year with the highest monthly average Crude Palm Oil ("CPO") price recorded in December 2010 at RM3,620.00 and the lowest attained in July 2010 at RM2,453.00. The average CPO price in 2010 reported by the Malaysian Palm Oil Board ("MPOB") increased by 20.8% to RM2,701.00 against RM2,236.50 in the previous year.

chairman's statement

In tandem with the higher revenue, the Group recorded a marked improvement on its Operating Profit by 135% to finish the year at RM455.2 million.

Our Plantation Division held via its listed subsidiary, Hap Seng Plantations Holdings Berhad ("HSP") recorded revenue of RM473.8 million for the financial year under review which was 27% higher than the previous financial year (2009: RM373.1 million) and operating profit of RM228.1 million, an increase of 65.5% over the previous financial year (2009: RM137.8 million). Profit before tax and profit after tax of RM226.4 million (2009: RM135.1 million) and RM169.1 million (2009: RM100.1 million) respectively were 67.5% and 68.9% respectively higher than the previous financial year owing to the higher average price realisation of CPO achieved at RM2,594 (2009: RM2,303) per metric ton whilst the average palm kernel selling price realised was RM1,629 (2009: RM1,012) per metric ton.

Average production cost of CPO, after taking into account income arising from the sale of palm kernels (palm kernel credit) but before replanting cost was RM866 (2009: RM1,115) per metric ton and 22.3% lower than the previous financial year mainly due to lower fertilizers costs and higher average price realisation of palm kernels.

As reported by MPOB, the palm oil industry experienced a decline in Fresh Fruit Bunches ("FFB") yield by 6.1% to 18.03 tons per hectare with FFB yield in Sabah declining by 4.7% to 20.16 tons per hectare. In spite of this, our Plantation Division's FFB yield per hectare for the financial year under review was higher at 21.10 (2009: 20.65) tons resulting in higher FFB production at 677,071 (2009: 672,768) metric tons. Oil extraction rates ("OER") was marginally lower at 21.45% (2009: 21.62%) affected mainly by the wet weather conditions whilst kernel extraction rates ("KER") improved marginally to 4.78% (2009: 4.73%).

As at 31 December 2010, HSP total plantation area was 39,803 hectares of which 35,185 hectares were planted with oil palm. Of the total planted area, 32,087 (2009: 32,576) hectares or 91.2% (2009: 94.8%) thereof were mature palms of which 51% were at prime mature stages of 7 years to 17 years.

chairman's statement

The Division has approximately 2,350 acres of undeveloped land bank whilst 191 acres are currently ongoing projects and 739 acres are under planning.

Property Holding and Development Division

The Division's revenue improved by 11.2% to RM293.9 million (2009: RM264.4 million) and recorded an operating profit of RM117.9 million (2009: RM111.7 million), approximately 6% higher than the previous financial year.

Project developments continued to be the main contributor of this Division contributing RM255.8 million or 87% of total revenue and generate operating profit of RM64.3 million (2009: RM45.8 million) or 54.5% of the Division's total operating profits during the financial year under review. The Division continued to maintain its leadership position in the Sabah property market.

As at the end of the financial year under review, the Division has approximately 2,350 acres of undeveloped land bank whilst 191 acres are currently ongoing projects and 739 acres are under planning.

On the Property Holding front, the Division's investment properties contributed 13% to the Division's revenue and 45.5% to the total operating profit of the Division. Menara Hap Seng, the Group's flagship property located in the Central Business District of Kuala Lumpur recorded good occupancy rates of approximately 95% for the tower block and 95% for the podium whilst Menara Citibank in which the Group has a 50% equity interest, recorded occupancy rate of approximately 84% and contributed approximately RM12 million (2009: RM2.3 million) to our share of results in associates.

chairman's statement

Credit Financing Division

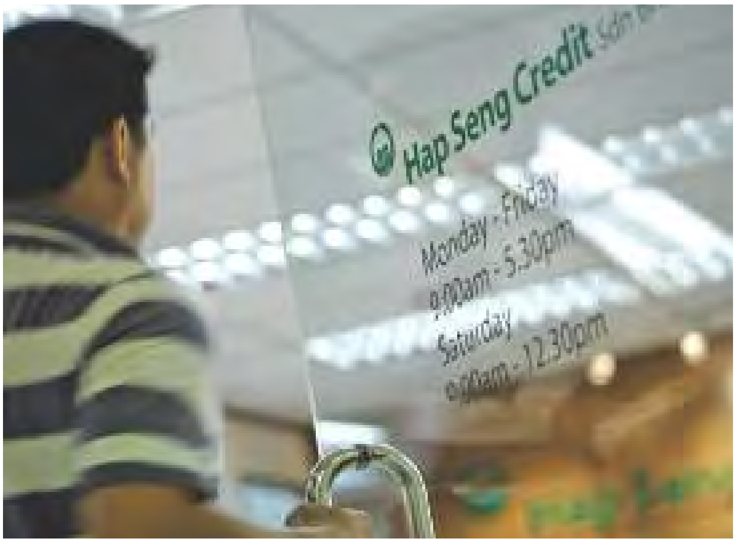
After a phase of consolidation in 2009 due to cautious lending necessitated by the global financial crisis, our Credit Financing Division reported improved performance in the current financial year under review on the back of a stronger economy that spurred lending activities. Accordingly, gross loans portfolio as at end of the financial year under review increased by 15.5% to RM1.09 billion (2009: RM947.3 million).

In tandem with the higher loans portfolio, the Division completed the financial year under review with 11.1% increase in operating profit at RM58.6 million (2009: RM52.8 million) and 30.3% increase in profit before tax at RM32.6 million (2009: RM25.0 million). Lower non performing loans ("NPL") ratio at 3.07% (2009: 5.79%) was also reported by the Division.

Fertilizer Trading Division

Our Fertilizer Trading Division which is carried out by Hap Seng Fertilizers Sdn. Bhd. in Malaysia and P.T. Sasco in Indonesia returned to profitability in the financial year under review with an operating profit of RM28.7 million against an operating loss of RM135 million in the previous financial year. Revenue was however lower at RM894.3 million (2009: RM1.1 billion) due to lower average selling prices although total sales volume of various fertilizers was higher at 837,000 (2009: 790,000) metric tons, an increase of approximately 6% over the previous financial year. The Malaysian market accounted for 72% of the total volume or 606,000 (2009: 490,000) metric tons with the balance of 28% or 231,000 (2009: 300,000) metric tons being distributed in the Indonesian market.

The Division continued to maintain its dominant position in the East Malaysian market whilst defending its market share in Peninsula Malaysia. P.T. Sasco, which is in its fifth year of operations in Indonesia, maintained its position as one of the three largest distributors of the Muriate of Potash fertilizer.



In tandem with the higher loans portfolio, the Division completed the financial year under review with 11.1% increase in operating profit at RM58.6 million.


MENARA HAP SENG

Our Quarry and Building Materials Division ended the financial year under review with revenue increased by 39% to RM481.3 million.

Quarry and Building Materials Division

With the acquisition of four (4) new quarries, the Division has a total of thirteen (13) quarries as at the end of the financial year. These quarries are strategically situated to benefit from the 10th Malaysia Plan and the Government Economic Transformation Programme.

During the financial year under review, our Division has acquired a new brick factory located in Sedenak, Johor as well as a parcel of land planned for a new factory in Kuantan. Such acquisitions would expand the production capacity of our two (2) brick factories located in Tawau and Kota Kinabalu respectively with the current combined capacity of 113 million bricks per annum.

The Division also expanded its asphalt plant operation from three (3) in the previous financial year to thirteen (13) asphalt plants during the financial year under review. As all the asphalt plants are located in the vicinity of our quarries, it is therefore cost-effective for the road base materials to be supplied by the quarries to the asphalt plants.

Our Quarry and Building Materials Division ended the financial year under review with revenue increased by 39% to RM481.3 million (2009: RM347.2 million). Operating profit was higher at RM22.1 million (2009: RM19.3 million), an increase of 15% over the previous financial year.

chairman's statement

Automotive Division

Our Automotive Division's revenue in the financial year under review improved by 67% to RM592.3 million (2009: RM355.2 million).

The Division continued to be a significant dealer of the Mercedes-Benz marque in the Klang Valley with sale of new Mercedes-Benz passenger cars of 884 (2009: 737) units, a growth of 20% compared to the previous financial year. Including the East Malaysian market, the Division sold 1,069 (2009: 853) units of new Mercedes-Benz vehicles. The After Sales and Services in the Klang Valley continued to focus on providing excellent customers' service.

In East Malaysia, the Mercedes-Benz heavy vehicle segment comprising mainly logging trucks picked up in tandem with improving outlook in the logging sector on the back of improving timber prices and better global demand for timber products. Sales of Mitsubishi Fuso trucks have showed encouraging growth compared to previous year.

Associates

The contribution from Associates for the financial year under review was higher than the previous financial year by 117% mainly attributable to the full year share of results from our 50% equity interest in Inverfin Sdn. Bhd. and contribution from our 25% equity interest in Lei Shing Hong (Singapore) Pte. Ltd. which became part of our Group on 28 October 2010. In addition, Vintage Heights Sdn. Bhd. also contributed to the improved contribution from Associates which mitigated the lower contribution from Lam Soon (Thailand) Public Company Limited and Paos Holdings Berhad.

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 7 June 2011.

chairman's statement

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 2010, the Company held 59,136,500 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 7 June 2011.

MAJOR CORPORATE DEVELOPMENTS

On 7 June 2010, the Group completed the disposal of 11,725,000 ordinary shares of RM1.00 each representing 35% of the issued and paid-up share capital in Hap Seng Star Sdn. Bhd., which resulted in a gain of RM92.7 million to the Group as Other Non-Operating Item.

On 3 September 2010, Hap Seng Star Sdn. Bhd., the 65% owned subsidiary of the Company, completed the acquisition of the 100% shareholding in Hap Seng Star Vietnam Limited *(formerly known as LSH Vietnam limited)* ("HSSV") at the purchase consideration of HKD456,494. HSSV operates the Mercedes-Benz business in Vietnam via its wholly owned subsidiary Vietnam Star Automobile Ltd.

On 28 October 2010, the Group completed the acquisition of 25% of the issued and paid-up share capital in Lei Shing Hong (Singapore) Pte. Ltd. for a purchase consideration of SGD8,389,000.

chairman's statement

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On behalf Hap Seng Consolidated Berhad ("HSCB"), CIMB Investment Bank Berhad ["CIMB"] had on 7 January 2011, announced that the Company proposed to undertake a Proposed Private Placement, Proposed Bonus Issue and Proposed Rights Issue with free detachable warrants as detailed below.

(i) Proposed Placement of up to 124,532,000 new ordinary shares of RM1.00 each in HSCB ["HSCB Shares"] representing up to 20% of the issued and paid-up share capital of the Company, to investor(s) to be identified at an issue price to be determined and announced later ["Proposed Private Placement"];

(ii) Proposed Bonus Issue of up to 1,494,384,000 new HSCB Shares ["Bonus Shares"] to be credited as fully paid-up, on the basis of two (2) Bonus Shares for every one (1) existing HSCB Share held by the entitled shareholders of the Company on the entitlement date to be determined and announced later ["Entitlement Date"] ["Proposed Bonus Issue"];

(iii) Proposed Rights Issue of up to 448,315,200 new HSCB Shares ["Rights Shares"] together with up to 448,315,200 new free detachable warrants ["Warrants"] on the basis of one (1) Rights Share together with one (1) Warrant for every five (5) HSCB Shares held by the entitled shareholders of the Company after the Proposed Bonus Issue on the Entitlement Date ["Proposed Rights Issue with Warrants"];

(iv) Proposed increase in the authorised share capital of HSCB from RM1,000,000,000 comprising 1,000,000,000 HSCB Shares to RM5,000,000,000 comprising 5,000,000,000 HSCB Shares; and

(v) Proposed amendments to the Memorandum and Articles of Association of HSCB to facilitate the implementation of the Proposed Bonus Issue and Proposed Rights Issue with Warrants.

Item (i) to (iii) above are collectively referred to as "Corporate Proposal".

All the approvals required for the Corporate Proposal had been obtained and the same is currently pending implementation.

DIVIDENDS

In line with the Company's dividend policy announced on 5 January 2011 to pay up to 50% of the Group's profit attributable to shareholders, the Board is recommending a final dividend payout of approximately RM124 million as final dividend for the financial year ended 31 December 2010 which is represented by 22.0 sen per ordinary share under the single tier system based on the current share capital net of treasury shares of 563,523,500 shares which is tax exempt in the hands of the shareholders.

An interim dividend of 6.0 sen (2009: 5.0 sen) per ordinary share approved by the Board on 25 August 2010 was paid on 21 September 2010. If the final dividend is approved by the shareholders during the forthcoming Annual General Meeting, the total dividend

chairman's statement

distribution for the financial year ended 31 December 2010 will amount to 28.0 sen (2009: 12.0 sen including final 7.0 sen) per ordinary share under the single tier system based on 563,523,500 shares currently in issue (net of treasury shares). The actual amount of the final dividend per share will be adjusted based on the increased number of shares in issue as at the entitlement date of the final dividend.

OUTLOOK AND CURRENT YEAR'S PROSPECTS

We expect 2011 to be a better year given the strong underlining fundamentals of all our core businesses which are poised to benefit from the growth in the Malaysian and Southeast Asian economies as well as the favourable outlook for the Malaysian plantation, construction, property, financing and automotive industries.

APPRECIATION

On behalf of the Board, I would like to welcome Mr. Tan Ghee Kiat who was appointed to the Board on 1 January 2011. I would also like to express our thanks and appreciation to Mr. Soon Seong Keat who resigned from the Board on 2 February 2011, for his services and leadership to the Group.

To the management and staff, I would also like to express our thanks and appreciation to all of you for your loyalty, efforts and dedication which has contributed much to the sterling results of 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
6 May 2011

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 2010, 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 2010.

On 8 July 2010, Madam Quan Sheet Mei ceased to be an Alternate Director to Mr. Soon Seong Keat.

On 22 October 2010, Mr. Lee Wee Yong resigned from the Board as Deputy Managing Director.

Based on the recommendations from the Nominating Committee, Mr. Tan Ghee Kiat was appointed to the Board as an Independent Non-Executive Director on 1 January 2011 and Mr. Lee Wee Yong as an Executive Director on 2 February 2011.

On 2 February 2011, Mr. Soon Seong Keat resigned from the Board as Executive Director.

statement of corporate governance

The attendance of the Directors at Board Meetings held during the financial year ended 31 December 2010 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 *(resigned as Deputy Managing Director on 22 October 2010 and appointed as an Executive Director on 2 February 2011)*	3/3 *
Datuk Simon Shim Kong Yip, JP	3/4
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	4/4
Mr. Lau Teong Jin	4/4
Dato' Mohammed Hussein	4/4
Mr. Tan Ghee Kiat *(appointed as an Independent Non-Executive Director on 1 January 2011)*	- **
Madam Quan Sheet Mei *(ceased to be an Alternate to Mr. Soon Seong Keat on 8 July 2010)*	1/2
Mr. Soon Seong Keat *(resigned as an Executive Director on 2 February 2011)*	4/4

* *Attended all board meetings prior to his resignation on 22 October 2010 for the financial year ended 31 December 2010*

** *Appointed to the Board after the end of the financial year ended 31 December 2010*

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.

statement of corporate governance

Board Balance

As at the date of this annual report, the Board has nine (9) members comprising two (2) Executive Directors and seven (7) Non-Executive Directors of which five (5) 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 10 to 15.

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 41 to 47.

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.

statement of corporate governance

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 at the date of this annual report have received appropriate training during the financial year ended 31 December 2010.

Terms of reference of the Nominating Committee are detailed on pages 46 to 47.

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.

statement of corporate governance

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 as at the date of this annual report 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 2010, evaluated their own training needs on a continuous basis and attended the following programmes :

Directors	Training Programme	Duration
Dato' Jorgen Bornhoft	Directors' Briefing on FRS 139 and FRS 7	2 hours
	Financial Institutions Directors' Education Programme	4 days
	Impact of the Proposed Goods and Services Tax	1 ¼ hours
	Financial Industry Conference 2010	1 day
Datuk Henry Chin Poy-Wu	Forum on FRS 139 Financial Instruments – Recognition and Measurement	½ day
	Directors' Briefing on FRS 139 and FRS 7	2 hours
	(a) Independent Directors – Actual verses perceived independence (b) Views from the Boardroom – Challenges directors face	3 ½ hours
	Impact of the Proposed Goods and Services Tax	1 ¼ hours
Datuk Edward Lee Ming Foo, JP	Directors' Briefing on FRS 139 and FRS 7	2 hours
	Securing Tomorrow's World - Using Nature's Wealth More Sustainably	3 hours
	Impact of the Proposed Goods and Services Tax	1 ¼ hours
Mr. Lee Wee Yong	KPMG Malaysia GST Seminar 2010	1 day
	Directors' Briefing on FRS 139 and FRS 7	2 hours
	New Era of Financial Reporting for Developers	1 day
	Impact of the Proposed Goods and Services Tax	1 ¼ hours
Datuk Simon Shim Kong Yip, JP	Impact of the Proposed Goods and Services Tax	1 ¼ hours
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	(a) Independent Directors – Actual verses perceived independence (b) Views from the Boardroom – Challenges directors face	3 ½ hours
	Workshop on Medical Error and Patient Safety Liability	2 days
	Directors' Training: Getting up to speed with Governance (Part III)	1 day
	Impact of the Proposed Goods and Services Tax	1 ¼ hours
Mr. Lau Teong Jin	Impact of the Proposed Goods and Services Tax	1 ¼ hours
Dato' Mohammed Hussein	Bursa Forum on FRS 139	1 day
	Directors' Briefing on FRS 139 and FRS 7	2 hours
	3rd Annual CFO Forum	2 days
	Bursa Malaysia Mandatory Accreditation Program	2 days
	Singapore Institute of Directors training for Directors	1 day
	Impact of the Proposed Goods and Services Tax	1 ¼ hours
	Singapore Stock Exchange Training for Directors, Module 3	1 day
Mr. Tan Ghee Kiat	*	

* *Appointed to the Board after the end of the financial year ended 31 December 2010*

statement of corporate governance

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 pages 45.

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 2010 is as follows:

Category	Fees RM'000	Salaries and Other Emoluments RM'000	Benefits in Kind RM'000	Total Remuneration RM'000
Executive	-	3,200	127	3,327
Non-Executive	390	-	-	390

(ii) The number of Directors who received remuneration from the Company for the financial year ended 31 December 2010, and their remuneration including benefits in kind which falls within the following bands are as follows:

Remuneration Range	No. of Directors
Executive Directors	
RM800,000 to RM850,000	1
RM850,001 to RM1,050,000	-
RM1,050,001 to RM1,100,000	1
RM1,100,001 to RM1,400,000	-
RM1,400,001 to RM1,450,000	1
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

statement of corporate governance

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.

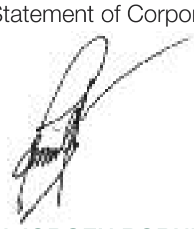
Internal Control

The Group's Statement on Internal Control is set out on pages 38 to 40.

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 41 to 44.

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 2010 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.

statement on internal control

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.

statement on internal control

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, Fertilizers Trading and Quarry and Building Materials Divisions.

- Issued a total of eighteen (18) 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.

board committees

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 2010, 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	3/4

The details of training by the above Directors are tabulated on page 34.

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.

- 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.

board committees

Duties (continued)

- 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 2010

The activities of the Audit Committee during the financial year ended 31 December 2010, 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 eighteen (18) internal audit reports covering the business processes of the Group's Plantation, Property Holding & Development, Credit Financing, Automotive, Fertilizers Trading and Quarry and Building Materials 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.

board committees

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 24 November 2010 to review and to recommend to the Board, the proposed bonus of the Executive Directors for the financial year ended 31 December 2010 and their respective proposed increments for the financial year commencing from 1 January 2011.

board committees

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.

board committees

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.
- Recommended the appointments of Mr. Tan Ghee Kiat to the Board as an Independent Non-Executive Director and Mr. Lee Wee Yong as an Executive Director on 1 January 2011 and 2 February 2011 respectively.

CORPORATE SOCIAL RESPONSIBILITY

Being a socially responsible corporate citizen that contributes positively to the society has long been ingrained in the corporate culture of Hap Seng Consolidated Berhad. As a Group, we continue to be inspired by our founder, the late Tan Sri Datuk Seri Panglima Lau Gek Poh, who was an astute entrepreneur as well as a philanthropist who gave generously to those genuinely in need.

Today, the Hap Seng Group is a progressive and well-established publicly listed company with diversified business interest in the Malaysian economy. Our unwavering commitment toward corporate social responsibility remains. This is reflected in the various activities and initiatives undertaken by the Group as a whole or via our various Divisions on a consistent basis.

The following is a report on Hap Seng Group's CSR efforts throughout our 2010 financial year. It is segmented into Bursa Malaysia-defined categories of the Environment, Community, Workplace and Marketplace.

ENVIRONMENT

Environmental conservation remains a long-term commitment of the Hap Seng Group. Collectively, our Group has consistently strived to find ways and means to minimise our impact on the environment. This includes promoting a 'green workplace' amongst our employees to reduce the consumption of resources such as electricity and paper while cutting down waste like plastic and other non-bio degradable materials.

On a larger-scale, our Plantation Division continues to find solutions that can enhance sustainable agriculture practices while reducing energy consumption. Some of the clever environmentally-friendly practices implemented by the Division include the stacking of cut oil palm fronds across slopes to reduce or prevent soil erosion; the recycling of waste products such as empty fruit bunches to be used as organic fertilisers; and the application of early warning systems to detect pests and diseases early, thus reducing the amount of pest control chemicals.

During the year under review, our Quarry and Building Materials Division also made a noble gesture towards environmental conservation. The Division contributed a total of RM2 million to the Sabah Forestry Department's Forest Conservation Trust Fund. This contribution will support various forest conservation programmes and activities carried out by the Department. In addition, the Division also contributed USD66,000 (RM211,200) directly to the Sabah Forestry Department for a tree planting and rehabilitation exercise involving 66 hectares of land in the Kukusan Forest Reserve in Tawau, Sabah.

corporate social responsibility

COMMUNITY

Enriching the lives in communities we operate in remains an integral part of our Group's overall CSR commitment. We are always mindful of our role and responsibilities to our stakeholders. We believe that a mutually beneficial relationship between a corporate citizen and its stakeholders is vital for sustainable growth and success.

In view of this, the Group and its business divisions have over the years spearheaded numerous initiatives that benefited communities throughout the country. These initiatives are primarily focused on education, welfare and social development.

In terms of education, our Group strongly believes that it is the key that can unlock a brighter future for disadvantaged members of our community. Towards this end, we are pleased to report that our support of a unique programme to improve English proficiency amongst rural students in Lahad Datu in 2010 has achieved positive results.

The programme, called PIERS, was a two-year "teaching the teacher" course that was co-sponsored by the Hap Seng Group and HSBC Bank Malaysia Berhad. It was carried out by CfBT Education Trust in cooperation with the Sabah State Education Department. During the year under review, PIERS Lahad Datu saw a total of 45 teachers from 18 schools completing the programme. Under PIERS, the teachers were able to not only improve their English proficiency but also enhance their quality of teaching via a more student-centred approach. As importantly, based on examinations and student response, PIERS Lahad Datu realised a marked improvement amongst students in proficiency levels as well as class attendance.

In tandem with PIERS, our Quarry and Building Materials Division also spearheaded a programme aimed at helping students read, write and converse fluently in English at an early age. In 2010, it funded two qualified teachers to provide additional English lessons to Standard Four to Six students in selected rural communities in Tawau.

When it comes to helping the less fortunate, the Hap Seng Group has been consistent in stepping forward. In 2010 our Group continued to organise its annual Hap Seng Charity Golf Tournament and Dinner. The event successfully raised RM350,000, which was disbursed to a total of six selected charity organisations. On a need-to-need basis, our Group responded quickly to the needs of flood victims in Northern Peninsular Malaysia at the end of 2010. We gave away sundries and Family Choice cooking oil amounting to RM25,000 to affected families and individuals.

Our Property Holding and Development Division had also been consistent in its efforts to lighten the hearts of disadvantaged children during festive seasons. During the year, the Division organised festive luncheons for residents of orphanages and their respective caretakers at its F&B outlets in Menara Hap Seng.

WORKPLACE

The Hap Seng Group understands that our human capital is our most prized asset. As such, we have been focused on providing platforms that can help our employees develop in terms of personal skills-set and capabilities. In addition, our Group also places importance on enhancing occupational health and safety as well as solidifying teamwork and camaraderie across the Group.

corporate social responsibility

In terms of employee development, the Group via our various Divisions have conducted classes and training sessions throughout 2010. These are aimed at enhancing the capabilities of our employees so that they can do their jobs better, thus enabling them to grow and thrive within our Group.

As a case in point, our Automotive Division via Hap Seng Star Sdn Bhd coordinated a Mercedes-Benz Service Excellence Workshop in 2010. This was to further improve service quality levels of its employees. Hap Seng Star also carried out a team building and motivational trip to Bali during the same year.

Along the same lines, the Group's Credit Financing Division held its Managers Conference on Business Review and Business Plan in 2010. This annual gathering is a way to align its corporate strategy throughout the company. The Division also carried out various training sessions for its front-liners last year including one on property and auto financing.

In terms of occupational health and safety, there were free health checks, bone health awareness, fire drill demonstrations as well as first aid and CPR training organised throughout 2010 for the benefit of our employees.

MARKETPLACE

Our customers, suppliers and trade partners form an integral pillar to our Group's continued growth and success. Moreover, in a highly competitive operating landscape, it is all the more important to solidify relationships with our stakeholders in the marketplace based on mutual-respect, value creation and trust.

From a customer relations management perspective, our Automotive Division via Hap Seng Star treated its customers to exclusive events, including inviting them to several dynamic driving experiences at the Sepang International Circuit organised by Mercedes-Benz Malaysia.

corporate social responsibility

Our Group's Property Holding and Development Division had also sought to build closer ties with the customers of its D'Alpinia development. During the year, Hap Seng Land Sdn Bhd organised a customer appreciation gala dinner and lucky draw exclusively for D'Alpinia homebuyers. Two brand new Mercedes-Benz B Class were given away that very evening.

AWARDS

As a corporate entity that is geared towards delivering excellence, the Hap Seng Group is encouraged by the accolades and recognition it receives from its various stakeholders over the years.

During the year under review, Hap Seng Star reaffirmed its reputation for excellence in after-sales service when its team members clinched the top spot in the Certified System Technician and Certified Service Advisor categories during the biennial Mercedes-Benz Malaysia Skills Competition 2010. Their fellow teammates also recorded impressive results throughout all four categories of this prestigious Mercedes-Benz Malaysia show-down. On top of this, one of Hap Seng Star's employees clinched the Mercedes-Benz Top Sales Award last year, which underscored the company's commitment towards delivering excellence.

Our Plantations Division via Hap Seng Plantations Holdings Berhad was awarded the 'Best Quality CPO Supplier' by its customer IOI Edible Oils Sdn Bhd. This was in recognition of the company's commitment to delivering quality products to its clients.

FINANCIAL STATEMENTS

CONTENTS

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 2010.

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 2010 are as follows:

	Group RM'000	Company RM'000
Profit before tax	504,456	215,343
Tax expense	(95,403)	(36,896)
Profit for the year	409,053	178,447
Attributable to:		
Owners of the Company	323,132	178,447
Minority interests	85,921	-
Profit for the year	409,053	178,447

In the opinion of the directors, the results of the operations 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 effects arising from disposal of 35% equity interest in a subsidiary which resulted in a gain of RM92,685,000 for the Group as disclosed in Note 27 to the financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as 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.

Treasury shares

The shareholders of the Company granted authority to the directors at the Extraordinary General Meeting held on 27 May 2010 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 RM7,861. The repurchase was financed from the Company's internal funds. The average cost paid for the additional shares repurchased during the financial year was RM3.93 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 in treasury shares

	Number of Shares	RM	Average cost per share RM
As of 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 2009/1 January 2010	59,134,500	154,458,703	2.61
Repurchased during the year	2,000	7,861	3.93
As of 31 December 2010	59,136,500	154,466,564	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 25 April 2011, the issued and paid up capital comprises 622,660,000 ordinary shares of RM1.00 each, of which 59,136,500 ordinary shares are held as treasury shares.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events are disclosed in Note 40 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 41 to the financial statements.

directors' report

DIVIDENDS

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

		RM'000
(i)	In respect of the financial year ended 31 December 2009:	
	- Final dividend of 7.0 sen per share under the single tier system approved by shareholders on 27 May 2010 and paid on 11 June 2010	39,447
(ii)	In respect of the financial year ended 31 December 2010:	
	- Interim dividend of 6.0 sen per share under the single tier system approved by the Board of Directors on 25 August 2010 and paid on 21 September 2010	33,811
		73,258

In line with the Company's Dividend Policy announced on 5 January 2011, a final dividend under the single tier system in the sum of approximately RM123.98 million, represented by 22.0 sen per share based on 563,523,500 shares comprised in the issued and paid-up share capital of the Company after deducting 59,136,500 treasury shares as at 31 December 2010 has been proposed for shareholders' approval to be obtained during the forthcoming annual general meeting of the Company. This final dividend if approved, together with the interim dividend, represents approximately 50% of the Group's profit attributable to owners of the Company for the financial year ended 31 December 2010.

The actual amount of final dividend per share will be adjusted based on the increased number of shares in issue (net of treasury shares) as at the entitlement date of this final 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 2011.

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 34 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	(resigned on 22 October 2010 and appointed on 2 February 2011)
Datuk Simon Shim Kong Yip, JP	
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	
Lau Teong Jin	
Dato' Mohammed Bin Haji Che Hussein	
Tan Ghee Kiat	(appointed on 1 January 2011)
Soon Seong Keat	(resigned on 2 February 2011)
Quan Sheet Mei (Alternate to Soon Seong Keat)	(ceased on 8 July 2010)

directors' report

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows:

	◄ Number of ordinary shares of RM1.00 each ►			
Name of director	**As at 1.1.2010**	**Acquired**	**Sold**	**As at 31.12.2010**
Hap Seng Consolidated Berhad				
Dato' Jorgen Bornhoft	-	72,000	(22,000)	50,000
Hap Seng Plantations Holdings Berhad ["HSP"], a subsidiary				
Dato' Jorgen Bornhoft	100,000	-	(90,000)	10,000
Datuk Henry Chin Poy-Wu	110,000	-	(110,000)	-
Datuk Edward Lee Ming Foo, JP	110,000	-	-	110,000
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	50,000	-	(40,000)	10,000
Soon Seong Keat	230,000	50,000	(170,000)	110,000
	75,000[1]	-	(50,000)	25,000

[1] Held through his spouse

None of the other directors in office at the end of the financial year had any interest in shares of the Company or 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 the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 25 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 disclosed in Note 38 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 income statements, statements of comprehensive income and statements of financial position of the Group and of the Company 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 allowance for impairment of trade and other receivables and satisfied themselves that all known bad debts had been written off and that adequate allowance for impairment had been made for trade and other receivables; 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 allowance for impairment of trade and other receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company 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 or liabilities of the Group and of the Company 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 Group and of the Company 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 Group or of the Company 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 Group or of the Company 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 Group or of the Company to meet their 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 Group and of the Company 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 25 April 2011.

DATO' JORGEN BORNHOFT

DATUK EDWARD LEE MING FOO, JP

STATEMENT BY DIRECTORS

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

We, **DATO' JORGEN BORNHOFT** and **DATUK EDWARD LEE MING FOO, JP**, being two of the directors of **HAP SENG CONSOLIDATED BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 63 to 151 are 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 2010 and of their financial performance and cash flows for the year then ended.

The information set out in Note 43 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2011.

DATO' JORGEN BORNHOFT

DATUK EDWARD LEE MING FOO, JP

STATUTORY DECLARATION

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

I, **LEE WEE YONG**, being the director primarily responsible for the financial management of **HAP SENG CONSOLIDATED BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 63 to 152 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 **LEE WEE YONG**
at Kuala Lumpur in the Federal Territory
on 25 April 2011.

LEE WEE YONG

Before me,

PESURUHJAYA SUMPAH
No: W 594
P. VALLIAMAH
MALAYSIA

Lot 112, Tingkat Satu
Wisma MPL, Jalan Raja Chulan
50200 Kuala Lumpur

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 statements of financial position as at 31 December 2010 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows 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 63 to 151.

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 judgement, 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 2010 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 ["the Act"] 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

The supplementary information set out in Note 43 on page 152 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ["MIA Guidance"] and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Kua Choh Leang
No. 2716/01/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
25 April 2011

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2010

		Group			Company	
	Note	2010 RM'000	2009 RM'000 *Restated*	As at 1.1.2009 RM'000 *Restated*	2010 RM'000	2009 RM'000
Non-current assets						
Property, plant and equipment	4	1,074,960	956,317	874,231	1,487	1,959
Biological assets	5	414,548	409,027	393,690	-	-
Investment properties	6	502,768	266,010	191,410	-	-
Subsidiaries	7	-	-	-	1,938,160	1,888,302
Associates	8	380,648	354,964	96,618	81,167	81,167
Land held for property development	9	378,191	387,538	290,562	-	-
Goodwill	10	36,736	-	-	-	-
Long term receivables	11	631,482	500,863	702,462	-	-
Deferred tax assets	19	66,932	86,063	22,195	-	-
		3,486,265	2,960,782	2,571,168	2,020,814	1,971,428
Current assets						
Inventories	12	475,218	373,017	1,290,147	-	-
Property development costs	13	293,184	258,543	283,144	-	-
Trade and other receivables	14	907,947	848,489	1,024,782	804,888	520,056
Tax recoverable		34,085	58,622	30,502	29	8,268
Cash and bank balances	15	194,068	428,467	345,436	52,160	273,165
		1,904,502	1,967,138	2,974,011	857,077	801,489
Total assets		5,390,767	4,927,920	5,545,179	2,877,891	2,772,917
Equity attributable to owners of the Company						
Share capital	20	622,660	622,660	622,660	622,660	622,660
Reserves	21	2,118,021	1,866,928	1,834,244	2,249,141	2,143,952
		2,740,681	2,489,588	2,456,904	2,871,801	2,766,612
Less: Treasury shares	20	(154,467)	(154,459)	(154,454)	(154,467)	(154,459)
		2,586,214	2,335,129	2,302,450	2,717,334	2,612,153
Minority interests		330,588	289,336	275,126	-	-
Total equity		2,916,802	2,624,465	2,577,576	2,717,334	2,612,153

statements of financial position
as at 31 December 2010

		Group			Company	
	Note	2010 RM'000	2009 RM'000 *Restated*	As at 1.1.2009 RM'000 *Restated*	2010 RM'000	2009 RM'000
Non-current liabilities						
Borrowings	18	796,862	702,688	574,998	156,453	156,453
Deferred tax liabilities	19	166,595	160,995	155,643	34	33
Other payables	16	1,289	1,306	871	-	-
		964,746	864,989	731,512	156,487	156,486
Current liabilities						
Trade and other payables, including derivatives	16	387,318	311,024	329,725	4,070	4,278
Provisions	17	3,029	2,134	3,878	-	-
Tax payable		7,096	16,418	41,716	-	-
Borrowings	18	1,111,776	1,108,890	1,860,772	-	-
		1,509,219	1,438,466	2,236,091	4,070	4,278
Total liabilities		2,473,965	2,303,455	2,967,603	160,557	160,764
Total equity and liabilities		5,390,767	4,927,920	5,545,179	2,877,891	2,772,917

The accompanying notes form an integral part of these financial statements.

INCOME STATEMENTS
for the year ended 31 December 2010

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue	22	2,789,410	2,464,242	210,417	80,867
Cost of sales	22	(2,160,088)	(2,122,852)	-	-
Gross profit		629,322	341,390	210,417	80,867
Other operating income		77,561	84,414	28,962	26,615
Distribution costs		(100,681)	(83,295)	-	-
Administrative expenses		(130,527)	(130,157)	(14,446)	(13,821)
Other operating expenses		(20,453)	(18,546)	(2,937)	(1,012)
Operating profit	23	455,222	193,806	221,996	92,649
Finance costs	26	(66,188)	(76,286)	(6,653)	(3,928)
Other non-operating items	27	92,685	44,781	-	39,370
Share of results of associates		22,737	10,459	-	-
Profit before tax		504,456	172,760	215,343	128,091
Tax expense	28	(95,403)	(23,416)	(36,896)	(12,209)
Profit for the year		409,053	149,344	178,447	115,882
Profit attributable to:					
Owners of the Company		323,132	100,243	178,447	115,882
Minority interests		85,921	49,101	-	-
		409,053	149,344	178,447	115,882
Basic earnings per share (sen)	29	57.34	17.79		

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Profit for the year		409,053	149,344	178,447	115,882
Other comprehensive income:					
Exchange difference on translation of foreign operations		(1,261)	2,340	-	-
Exchange difference transferred to profit or loss upon disposal of subsidiary		-	(6,855)	-	-
Other comprehensive income for the year, net of tax		(1,261)	(4,515)	-	-
Total comprehensive income for the year, net of tax		407,792	144,829	178,447	115,882
Total comprehensive income attributable to:					
Owners of the Company		321,896	95,728	178,447	115,882
Minority interests		85,896	49,101	-	-
		407,792	144,829	178,447	115,882

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2010

GROUP	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 January 2009	622,660	641	12,477	36,564	7,128	1,777,434	(154,454)	2,302,450	275,126	2,577,576
Profit for the year	-	-	-	-	-	100,243	-	100,243	49,101	149,344
Other comprehensive income	-	-	(4,515)	-	-	-	-	(4,515)	-	(4,515)
Total comprehensive income	-	-	(4,515)	-	-	100,243	-	95,728	49,101	144,829
Purchase of treasury shares	-	-	-	-	-	-	(5)	(5)	-	(5)
Purchase of treasury shares by subsidiary	-	-	-	-	-	-	-	-	(9)	(9)
Dividends (Note 30)	-	-	-	-	-	(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
At 1 January 2010	622,660	641	7,962	36,564	7,128	1,814,633	(154,459)	2,335,129	289,336	2,624,465
- Effects of adopting FRS 139	-	-	-	-	-	2,455	-	2,455	-	2,455
	622,660	641	7,962	36,564	7,128	1,817,088	(154,459)	2,337,584	289,336	2,626,920
Profit for the year	-	-	-	-	-	323,132	-	323,132	85,921	409,053
Other comprehensive income	-	-	(1,236)	-	-	-	-	(1,236)	(25)	(1,261)
Total comprehensive income	-	-	(1,236)	-	-	323,132	-	321,896	85,896	407,792
Disposal of shares in subsidiary to minority interests	-	-	-	-	-	-	-	-	11,126	11,126
Acquisition of shares in subsidiaries from minority interests	-	-	-	-	-	-	-	-	(13,125)	(13,125)
Purchase of treasury shares	-	-	-	-	-	-	(8)	(8)	-	(8)
Purchase of treasury shares by subsidiary	-	-	-	-	-	-	-	-	(11)	(11)
Dividends (Note 30)	-	-	-	-	-	(73,258)	-	(73,258)	-	(73,258)
Dividends paid by subsidiary	-	-	-	-	-	-	-	-	(42,634)	(42,634)
At 31 December 2010	622,660	641	6,726	36,564	7,128	2,066,962	(154,467)	2,586,214	330,588	2,916,802

statements of changes in equity

for the year ended 31 December 2010

COMPANY	Share capital RM'000	Capital redemption reserve RM'000	Retained profits RM'000	Treasury shares RM'000	Total equity RM'000
At 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 comprehensive income for the year	-	-	115,882	-	115,882
Dividends (Note 30)	-	-	(63,044)	-	(63,044)
At 31 December 2009/1 January 2010	622,660	7,128	2,136,824	(154,459)	2,612,153
Purchase of treasury shares	-	-	-	(8)	(8)
Profit for the year, representing total comprehensive income for the year	-	-	178,447	-	178,447
Dividends (Note 30)	-	-	(73,258)	-	(73,258)
At 31 December 2010	622,660	7,128	2,242,013	(154,467)	2,717,334

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2010

	Group		Company	
	2010 RM'000	2009 RM'000 *Restated*	2010 RM'000	2009 RM'000
Cash flows from operating activities				
Profit before tax	504,456	172,760	215,343	128,091
Adjustments for:				
Depreciation of property, plant and equipment	58,381	53,143	890	1,012
Property, plant and equipment written off	769	606	-	-
Biological assets written off	331	-	-	-
Gains from adjustment of fair value of investment properties	(38,439)	(41,955)	-	-
Reversal of impairment loss on investment in an associate	-	(4,120)	-	(2,588)
Gain on disposal of 35% equity interest in a subsidiary	(92,685)	-	-	-
Gain on disposal of a subsidiary	-	(37,617)	-	(36,782)
Gain on disposal of property, plant and equipment	(390)	(1,288)	(243)	(12)
Gain on disposal of investment properties	(62)	-	-	-
Gain on disposal of land held for property development	-	(2,119)	-	-
Gain from liquidation of an associate	-	(3,044)	-	-
Interest expense	66,188	76,286	6,653	3,928
Interest income	(4,986)	(7,093)	(28,506)	(24,154)
Dividend income	-	-	(210,417)	(80,867)
Share of results of associates	(22,737)	(10,459)	-	-
Operating profit/(loss) before working capital changes	470,826	195,100	(16,280)	(11,372)
Working capital changes:				
Inventories	(77,062)	898,399	-	-
Property development costs	2,275	43,119	-	-
Loan receivables	(157,839)	244,524	-	-
Receivables	(17,833)	124,887	(284,832)	(22,257)
Payables	43,561	(20,655)	(208)	(82,572)
Cash generated from/(used in) operations	263,928	1,485,374	(301,320)	(116,201)
Income tax paid	(98,182)	(136,724)	(2,909)	(3,753)
Income tax refunded	33,902	248	7,903	-
Interest paid	(66,188)	(76,286)	(6,653)	(3,928)
Interest received	4,986	7,093	28,506	24,154
Additions to land held for property development	(29,516)	(118,554)	-	-
Net cash generated from/(used in) operating activities	108,930	1,161,151	(274,473)	(99,728)

statements of cash flows

31 December 2010

	Group		Company	
	2010 RM'000	2009 RM'000 *Restated*	2010 RM'000	2009 RM'000
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	6,587	7,951	278	787
Proceeds from disposal of investment properties	412	-	-	-
Proceeds from disposal of land held for property development	1,947	5,179	-	-
Dividends received from subsidiaries	-	-	172,314	67,117
Dividends received from associates	18,703	3,750	4,453	3,750
Purchase of property, plant and equipment	(175,121)	(111,868)	(453)	(1,464)
Additions to biological assets	(5,852)	(2,977)	-	-
Additions to investment properties	(198,669)	(23,006)	-	-
Disposal of 35% equity interest in a subsidiary (Note 7(a))	103,811	-	-	-
Disposal of a subsidiary (Note 7(b))	-	40,093	-	101,642
Acquisition of subsidiaries (Note 7(c))	5,190	(31,861)	-	-
Acquisition of minority interests (Note 7(d))	(49,888)	-	(49,858)	-
Acquisition of additional shares in subsidiaries	-	-	-	(14,860)
Acquisition of an associate	(20,113)	(244,473)	-	-
Additional cost on investment in an associate	(1,537)	-	-	-
Net cash (used in)/generated from investing activities	(314,530)	(357,212)	126,734	156,972
Cash flows from financing activities				
Dividends paid	(73,258)	(63,044)	(73,258)	(63,044)
Dividends paid to minority shareholders	(42,634)	(34,882)	-	-
Shares repurchased at cost	(19)	(14)	(8)	(5)
Net drawdown/(repayment) of borrowings	93,941	(601,284)	-	156,453
Net cash (used in)/generated from financing activities	(21,970)	(699,224)	(73,266)	93,404
Net (decrease)/increase in cash and cash equivalents	(227,570)	104,715	(221,005)	150,648
Effects on exchange rate changes on cash and cash equivalents	(2,887)	642	-	-
Cash and cash equivalents as at 1 January	415,886	310,529	273,165	122,517
Cash and cash equivalents as at 31 December (Note 15)	185,429	415,886	52,160	273,165

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2010

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 are 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 25 April 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ["FRSs"] and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for the financial periods beginning on or after 1 January 2010 as disclosed in Note 2.2.

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ["RM"] and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follow:

On 1 January 2010, the Group and the Company adopted the following new and amended FRSs and IC Interpretations mandatory for annual periods beginning on or after 1 January 2010.

Effective for annual periods beginning on or after 1 July 2009

- FRS 8 *Operating Segments*

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*
- 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 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*
- Improvements to FRSs issued in 2009

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

Adoption of the above FRSs, IC Interpretations and amendments did not have any material effect on the financial performance or position of the Group and of the Company except for those disclosed below:

<u>FRS 7 *Financial Instruments: Disclosures*</u>

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 *Financial Instruments: Disclosure and Presentation*. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

<u>FRS 8 *Operating Segments*</u>

FRS 8 replaces FRS 114 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments and the geographical areas in which the Group operates. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related comparative information, are shown in Note 39.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

FRS 101 *Presentation of Financial Statements* (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as two linked statements.

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 classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group and the Company.

The adoption of this FRS has no impact on the financial position and performance of the Group and of the Company as it affects presentation of the financial statements only.

Amendment to FRS 117 *Leases*

Prior to 1 January 2010, all leases of land and buildings where the title is not expected to pass to the lessee by the end of the lease term and the lessee normally does not receive substantially all of the risks and rewards incidental to ownership were classified by the Group as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 *Leases* clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in all unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy retrospectively and certain comparatives have been restated as disclosed in Note 42. The change in accounting policy does not have an impact to the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

FRS 139 *Financial Instruments: Recognition and Measurement* and Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained profits as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

(i) Non-hedging derivatives

Prior to adoption of FRS 139, all derivative financial instruments were recognised in the financial statements only upon settlement. These instruments do not qualify for hedge accounting under FRS 139. Hence, upon the adoption of FRS 139, all derivatives held by the Group as at 1 January 2010 are recognised at their fair values totalling RM52,000 and are classified as financial assets at fair value through profit and loss.

(ii) Impairment of trade and other receivables

Prior to adoption of FRS 139, an allowance for doubtful debts will be made when a receivable is considered irrecoverable by the management. Upon the adoption of FRS 139, an impairment loss is recognised for trade and other receivables when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. As at 1 January 2010, the Group has remeasured the allowance for impairment losses as at that date in accordance with FRS 139 and the difference is recognised as adjustments to the opening balance of retained profits as at that date.

(iii) The following are effects arising from the above changes in accounting policies:

	Increase/ (decrease) As at 1 January 2010 RM'000
Retained profits	
Adjustments arising from adoption of FRS 139:	
- Gain arising from recognition of derivatives value changes, net of tax	52
- Reversal of impairment of trade and other receivables, net of tax	2,403
	2,455
Trade and other receivables	2,965
Deferred tax assets	(1,496)
Tax payable	(986)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations which have been issued but are only effective for future financial periods:

Effective for annual periods beginning on or after 1 March 2010
- Amendments to FRS 132 *Classification of Rights Issues*

Effective for annual periods beginning on or after 1 July 2010
- FRS 1 *First-time Adoption of Financial Reporting Standards* *
- FRS 3 *Business Combinations* (Revised)
- FRS 127 *Consolidated and Separate Financial Statements* (Revised)
- IC Interpretation 12 *Service Concession Agreements* *
- IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* *
- IC Interpretation 17 *Distribution of Non-cash Assets to Owners* *
- Amendments to FRS 2 *Share-based Payment* *
- Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138 *Intangible Assets*
- Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*

Effective for annual periods beginning on or after 1 January 2011
- IC Interpretation 4 *Determining Whether an Arrangement contains a Lease* *
- IC Interpretation 18 *Transfers of Assets from Customers* *
- Amendment to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters* *
- Amendments to FRS 1 *Additional Exemptions for First-time Adopters* *
- Amendments to FRS 2 *Group Cash-settled Share-based Payment Transactions* *
- Amendments to FRS 7 *Improving Disclosures about Financial Instruments*
- Improvements to FRSs issued in 2010

Effective for annual periods beginning on or after 1 July 2011
- IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14 *Prepayments of a Minimum Funding Requirement* *

Effective for annual periods beginning on or after 1 January 2012
- FRS 124 *Related Party Disclosures* (Revised)
- IC Interpretation 15 *Agreements for the Construction of Real Estate*

* 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 material impact on the financial statements of the Group and the Company upon their initial application:

<u>FRS 3 *Business Combinations* (Revised) and FRS 127 *Consolidated and Separate Financial Statements* (Revised)</u>

FRS 3 (Revised) introduces a number of changes in 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.

The 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective (continued)

Other consequential amendments have been made to FRS 107 *Statement of Cash Flows*, FRS 112 *Income Taxes*, FRS 121 *The Effects of Changes in Foreign Exchange Rates*, FRS 128 *Investments in Associates* and FRS 131 *Interests in Joint Ventures*.

The changes from FRS 3 (Revised) and FRS 127 (Revised) will affect future acquisitions or loss of control of subsidiaries and transactions with minority interests.

<u>Amendments to FRS 7 *Improving Disclosures about Financial Instruments*</u>

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.

<u>IC Interpretation 15 *Agreements for the Construction of Real Estate*</u>

This Interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the Interpretation provides guidance on how to determine whether an agreement is within the scope of FRS 111 *Construction Contracts* or FRS 118 *Revenue*.

The Group currently recognises revenue arising from property development projects using the stage of completion method. Upon the adoption of IC Interpretation 15, the Group may be required to change its accounting policy to recognise such revenues at completion, or upon or after delivery. The Group is in the process of making an assessment of the impact of this Interpretation.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains or losses resulting from intra-group transactions are eliminated in full except where unrealised losses are not eliminated if there is an indication of impairment.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination 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 business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.13. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Transactions with minority interest

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from equity attributable to owners of the Company. Transactions with minority interests are accounted for using the parent entity extension method, whereby, on acquisition of minority interests, the difference between the consideration and the book value of the share of the net assets acquired is recognised in goodwill. Gain or loss on disposal to minority interests is recognised in profit or loss.

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ["the functional currency"]. The consolidated financial statements are presented in RM, which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange difference arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss 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.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the translations. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment

(a) 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 recognised in profit or loss 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.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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:

Leasehold land	56 to 999 years
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 value, 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.

(b) 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 profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

2.8 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 profit or loss. 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 profit or loss during the year when it is incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 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 initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise. 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.

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 profit or loss during the financial period in which they are incurred.

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.

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 gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

Investment property under construction ["IPUC"]

IPUC is measured at fair value (when the fair value is reliably determinable). The fair values of IPUC were determined at the end of the reporting period based on the opinion of a qualified independent valuer. Fair value is arrived at by reference to market evidence of transaction prices for similar properties. Each IPUC is individually assessed.

IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

2.10 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An 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.

The Group's 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 measured in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. 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, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss on the Group's net investment in the associate. The Group determine at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, 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 profit or loss.

2.12 Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs (classified within current assets) when development activities have commenced and where it can be demonstrated that the development activities can be completed within the 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}.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment at each reporting date and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

2.14 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ["CGU"]).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit and loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss and loans and receivables.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 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.

2.18 Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss 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.

Where the financial outcome of a 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 properties 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 as an expense immediately.

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

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within trade payables.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, deposits with licensed financial institutions. These also include bank overdrafts that form an integral part of the Group's cash management.

2.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.21 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Dividend income

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Sale of goods

Revenue on sales of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(d) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(e) 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 three months or more, the uncollected interest from that account is suspended until it is realised on a cash basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Revenue recognition (continued)

(f) Sale of properties

Revenue from sale of properties under development is accounted for by the stage of completion method as described in Note 2.18.

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

2.22 Employee benefits

(a) 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.

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.23 Income tax

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Income tax (continued)

(b) Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.24 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Financial liabilities (continued)

(b) Other financial liabilities (continued)

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.25 Hedge accounting

The Group uses derivatives to manage its exposure to foreign exchange risk and applies hedge accounting for certain hedging relationships which qualify for hedge accounting. The Group's hedging relationships are mainly classified as fair value hedge.

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit and loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

(a) Fair value hedges

The change in the fair value of an interest rate hedging derivative is recognised in the profit or loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in profit or loss as finance costs.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Fair value hedge accounting is discontinued if the hedging instrument expires or sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

(b) Derivatives that are not designated or do not qualify for hedge accounting

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are directly recognised in profit or loss.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.27 Treasury shares

When issued shares of the Company are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares that have not been cancelled are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.28 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

Additional disclosures on each of these segments are shown in Note 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.29 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

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.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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.

(a) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and capital allowances and other deductible temporary differences 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 2010, the Group has deferred tax assets of RM66,932,000 (2009: RM86,063,000).

(b) 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.2 Key sources of estimation uncertainty (continued)

(c) Property development

The Group recognises property development revenue and expenses in the profit or loss 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 property development costs. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. The carrying amounts of assets and liabilities of the Group arising from property development activities are disclosed in Note 13.

(d) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 14. As at 31 December 2010, the allowance for impairment of the Group is RM21,273,000 (2009: RM34,635,000).

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4. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold land RM'000	Leasehold land Long term RM'000	Leasehold land Short term RM'000	Buildings RM'000	Road and infra-structure RM'000	Plant and equipment RM'000	Assets under cons-truction RM'000	Total RM'000
At cost or valuation:								
At 1 January 2009								
- As previously stated	116,807	-	-	411,028	99,032	345,160	8,631	980,658
- Effects of adopting amendment to FRS 117	-	202,463	3,321	-	-	-	-	205,784
- As restated	116,807	202,463	3,321	411,028	99,032	345,160	8,631	1,186,442
Additions	3,743	1,111	-	15,077	8,307	37,607	46,023	111,868
Reclassification	1	-	-	9,381	2,168	6,358	(17,908)	-
Transfer from investment properties	11,428	-	-	-	-	-	-	11,428
Acquisition of a subsidiary	-	-	19,501	-	-	-	-	19,501
Disposal of a subsidiary	-	-	-	-	-	(370)	-	(370)
Disposals	-	(1,320)	-	(4,099)	-	(8,349)	-	(13,768)
Written off	-	-	-	(2,942)	-	(4,712)	-	(7,654)
Exchange differences	-	-	(21)	(20)	-	(24)	-	(65)
At 31 December 2009/ 1 January 2010	131,979	202,254	22,801	428,425	109,507	375,670	36,746	1,307,382
Additions	7,520	8,360	-	21,516	17,209	58,318	62,198	175,121
Reclassification	2,066	(12,295)	12,295	4,676	8,446	29,304	(44,492)	-
Acquisition of subsidiaries	-	-	1,376	3,654	-	8,945	353	14,328
Disposals	-	-	-	(97)	-	(11,273)	-	(11,370)
Written off	-	-	-	(800)	-	(4,665)	-	(5,465)
Exchange differences	-	-	(383)	(471)	-	(1,135)	(16)	(2,005)
At 31 December 2010	141,565	198,319	36,089	456,903	135,162	455,164	54,789	1,477,991
Accumulated depreciation:								
At 1 January 2009								
- As previously stated	-	-	-	85,232	15,508	188,354	-	289,094
- Effects of adopting amendment to FRS 117	-	22,590	527	-	-	-	-	23,117
- As restated	-	22,590	527	85,232	15,508	188,354	-	312,211
Depreciation charge for the year (Note 23)	-	3,307	70	11,184	6,841	31,741	-	53,143
Disposal of a subsidiary	-	-	-	-	-	(93)	-	(93)
Disposals	-	(121)	-	(2,318)	-	(4,666)	-	(7,105)
Written off	-	-	-	(2,483)	-	(4,565)	-	(7,048)
Exchange differences	-	-	(5)	(6)	-	(32)	-	(43)
At 31 December 2009/1 January 2010	-	25,776	592	91,609	22,349	210,739	-	351,065
Depreciation charge for the year (Note 23)	-	3,849	420	11,737	7,641	34,734	-	58,381
Reclassification	-	(929)	929	-	-	-	-	-
Acquisition of subsidiaries	-	-	204	1,070	-	2,976	-	4,250
Disposals	-	-	-	(97)	-	(5,076)	-	(5,173)
Written off	-	-	-	(77)	-	(4,619)	-	(4,696)
Exchange differences	-	-	(70)	(107)	-	(619)	-	(796)
At 31 December 2010	-	28,696	2,075	104,135	29,990	238,135	-	403,031
Net carrying amount:								
At 1 January 2009 (restated)	116,807	179,873	2,794	325,796	83,524	156,806	8,631	874,231
At 31 December 2009 (restated)	131,979	176,478	22,209	336,816	87,158	164,931	36,746	956,317
At 31 December 2010	141,565	169,623	34,014	352,768	105,172	217,029	54,789	1,074,960

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Cost RM'000	Valuation 1984 RM'000	Total RM'000
Analysis of cost or valuation:			
At 31 December 2010			
Freehold land	141,565	-	141,565
Long term leasehold land	198,319	-	198,319
Short term leasehold land	36,089	-	36,089
Buildings	454,428	2,475	456,903
Road and infrastructure	135,162	-	135,162
Plant and equipment	455,164	-	455,164
Assets under construction	54,789	-	54,789
	1,475,516	2,475	1,477,991
At 31 December 2009 (restated)			
Freehold land	131,979	-	131,979
Long term leasehold land	202,254	-	202,254
Short term leasehold land	22,801	-	22,801
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
	1,304,907	2,475	1,307,382
At 1 January 2009 (restated)			
Freehold land	116,807	-	116,807
Long term leasehold land	202,463	-	202,463
Short term leasehold land	3,321	-	3,321
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
	1,183,967	2,475	1,186,442

The 1984 valuation of certain buildings 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 buildings of the Group been measured using the cost model, the revalued buildings would have been fully depreciated.

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4. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings RM'000	Plant and equipment RM'000	Total RM'000
At cost:			
At 1 January 2009	187	4,690	4,877
Additions	-	1,464	1,464
Disposals	-	(1,044)	(1,044)
Written off	-	(1)	(1)
At 31 December 2009/1 January 2010	187	5,109	5,296
Additions	-	453	453
Disposals	-	(1,144)	(1,144)
At 31 December 2010	187	4,418	4,605
Accumulated depreciation:			
At 1 January 2009	141	2,454	2,595
Charge for the year (Note 23)	4	1,008	1,012
Disposals	-	(269)	(269)
Written off	-	(1)	(1)
At 31 December 2009/1 January 2010	145	3,192	3,337
Charge for the year (Note 23)	4	886	890
Disposals	-	(1,109)	(1,109)
At 31 December 2010	149	2,969	3,118
Net carrying amount:			
At 31 December 2009	42	1,917	1,959
At 31 December 2010	38	1,449	1,487

notes to the financial statements

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5. BIOLOGICAL ASSETS

	Group	
	2010	**2009**
	RM'000	**RM'000**
At cost or valuation:		
At 1 January	409,027	393,690
Additions	5,852	2,977
Written off (Note 23)	(331)	-
Acquisition of subsidiaries	-	12,360
At 31 December	414,548	409,027
Analysis of cost or valuation:		
Cost	341,633	336,112
Valuation 1984	72,915	72,915
	414,548	409,027

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 MASB upon adoption of International Accounting Standard No.16 (Revised), Property, Plant and Equipment.

The net carrying amount of biological assets stated at valuation had they been stated at cost would have been RM27,586,000 (2009: RM27,586,000) in respect of the Group.

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6. INVESTMENT PROPERTIES

Investment properties owned by the Group comprise completed investment properties and IPUC. Completed investment properties include land that are held for a currently undetermined future use or held for long term capital appreciation.

Group

	2010			2009
	Completed investment properties RM'000	IPUC, at fair value RM'000	Total RM'000	Completed investment properties, representing total RM'000
At 1 January	266,010	-	266,010	191,410
Additions from acquisition	82,197	106,654	188,851	17,710
Additions from subsequent expenditure	-	9,818	9,818	5,296
Transfer from/(to)				
- property, plant and equipment	-	-	-	(11,428)
- inventories	-	-	-	21,067
Disposal	(350)	-	(350)	-
Gains from fair value adjustments recognised in profit and loss (Note 23)	25,257	13,182	38,439	41,955
At 31 December	373,114	129,654	502,768	266,010
Represented by:				
Freehold land and buildings			263,233	100,710
Long term leasehold land and buildings			239,535	165,300
			502,768	266,010

Included in additions from subsequent expenditure for IPUC is interest expense capitalised amounting to RM214,000 (2009: Nil).

7. SUBSIDIARIES

	Company 2010 RM'000	Company 2009 RM'000
Quoted shares in Malaysia, at cost	801,840	751,982
Unquoted shares, at cost	1,136,320	1,136,320
	1,938,160	1,888,302
Market value of quoted shares	1,435,696	948,550

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7. SUBSIDIARIES (continued)

The subsidiaries as of 31 December 2010 are:

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2010	2009
Held by the Company:				
* Hap Seng Plantations Holdings Berhad	Investment holding and carrying out marketing and trading activities for its subsidiaries	Malaysia	53.57	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
# Aceford Food Industry Pte Ltd	Packing, marketing and wholesale trading of edible oils 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
Euro-Asia Brand Holding Company Sdn Bhd	Dormant	Malaysia	100	100

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7. SUBSIDIARIES (continued)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2010	2009
	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	100
*	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

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7. SUBSIDIARIES (continued)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2010	2009
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	Property development	Malaysia	100	100
* VIP Builders Sdn Bhd	Property development	Malaysia	100	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

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7. SUBSIDIARIES (continued)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2010	2009
	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
	Hap Seng Leisure Sdn Bhd	Providing recreational facilities and services	Malaysia	100	100
	Hap Seng Realty (KL City) Sdn Bhd	Investment holding	Malaysia	100	100
	Hap Seng Realty (KK I) Sdn Bhd	Property investment	Malaysia	100	100
	Prosperity Projections Sdn Bhd	Property investment	Malaysia	100	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	65	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 Star Sdn Bhd:				
#	Hap Seng Star Vietnam Limited *(formerly known as LSH Vietnam Limited)*	Investment holding	Hong Kong	100	-

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7. SUBSIDIARIES (continued)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2010	2009
Held by Hap Seng Star Vietnam Limited *(formerly known as LSH Vietnam Limited)*:				
# Vietnam Star Automobile Limited	Distribution, sale and service of domestically made and imported vehicles and parts	Vietnam	100	-
Held by Hap Seng Fertilizers Sdn Bhd:				
Hap Seng Chemicals Sdn Bhd	Manufacture and sale 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
Held by Hap Seng Building Materials Holdings Sdn Bhd:				
Hap Seng Building Materials Sdn Bhd	Manufacture and trading of bricks, operating of stone quarries and asphalt plants, 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	Dormant	Malaysia	100	70
Hap Seng (Oil & Transport) Sdn Bhd	Trading in petroleum products	Malaysia	100	100
Hap Seng Clay Products Sdn Bhd	Manufacture and trading of clay products	Malaysia	100	100
Western Works Industries Sdn Bhd	Dormant	Malaysia	100	100

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7. SUBSIDIARIES (continued)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2010	Equity interest held (%) 2009
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 oils and food products	Singapore	100	100
* Wintercorn Edible Products Pty Ltd	Wholesale trading of edible oil products	Australia	100	100

* Audited by a firm other than Ernst & Young

\# Audited by member firms of Ernst & Young Global in the respective countries

(a) Disposal of 35% equity interest in a subsidiary

During the financial year, the Group disposed of 35% equity interest in Hap Seng Star Sdn Bhd for a total cash consideration of RM103,811,400 million as disclosed in Note 40(ii).

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

	2010 RM'000
Proceeds from disposal	103,811
Less: Net assets disposed	(11,126)
Gain on disposal to the Group	92,685

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7. SUBSIDIARIES (continued)

(b) Disposal of a subsidiary

In the previous 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 (approximately RM105,120,000).

The disposal of the abovementioned subsidiary had the following effect on the financial position of the Group as at the end of the previous financial year:

	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 on disposal	40,093

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

	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)

(c) Acquisition of subsidiaries

During the financial year, the Group acquired 100% equity interest in Hap Seng Star Vietnam Limited (*formerly known as LSH Vietnam Limited*) for a cash consideration of HKD456,494 (approximately RM184,000) as disclosed in Note 40(iv).

In the previous financial year, the Group acquired 100% equity interest in Pelipikan Plantation Sdn Bhd for a cash consideration of RM31.685 million.

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

	2010 RM'000	2009 RM'000
Property, plant and equipment	10,078	19,501
Biological assets	-	12,360
Deferred tax assets	210	-
Inventories	34,095	-
Trade and other receivables	19,836	-
Cash and cash equivalents	5,374	-
Trade and other payables	(52,632)	-
Tax payable	(1,094)	-
Borrowings	(15,683)	-
Cash consideration paid/fair value of net assets	184	31,861
Less: Cash and cash equivalents of subsidiaries acquired	(5,374)	-
Net cash (inflow)/outflow on acquisitions	(5,190)	31,861

(d) Acquisition of minority interests

During the financial year, the Company acquired an additional 16,153,000 ordinary shares of RM1.00 each, representing approximately 2.02% equity in Hap Seng Plantations Holdings Berhad ["HSP"] from the market of Bursa Malaysia Securities Berhad, for total cash consideration of RM49,858,000, thereby increasing its shareholding in HSP to 53.57%. On the date of acquisition, the carrying value of the additional interest acquired was RM13,122,000. The difference between the consideration and the book value of the interest acquired of RM36,736,000 is reflected as goodwill as disclosed in Note 10.

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

notes to the financial statements
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8. ASSOCIATES

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 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	294,123	272,473	28,000	28,000
	375,456	353,806	103,741	103,741
Share of post-acquisition reserves	30,752	26,718	-	-
	406,208	380,524	103,741	103,741
Less: Accumulated impairment losses				
- quoted shares	(25,560)	(25,560)	(22,574)	(22,574)
	380,648	354,964	81,167	81,167
Market value of quoted shares	107,619	88,266	107,619	88,266

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

	Group 2010 RM'000	Group 2009 RM'000
Quoted shares:		
Share of net assets	70,472	70,307
Goodwill on acquisition	25,598	25,598
Less: Accumulated impairment losses	(25,560)	(25,560)
	70,510	70,345
Unquoted shares:		
Share of net assets	310,138	284,619
	380,648	354 ,964

notes to the financial statements
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8. ASSOCIATES (continued)

The associates as of 31 December 2010 are:

	Name of Associates	Principal activities	Country of incorporation	Financial Year End	Equity interest held (%) 2010	2009
*	Paos Holdings Berhad	Investment holding	Malaysia	31 May	24.96	24.96
#	Lam Soon (Thailand) Public Company Limited	Manufacture and distribution of palm oil	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	49.99
*	Lei Shing Hong (Singapore) Pte Ltd	Trading in automobiles parts, ship building materials and timber products	Singapore	31 December	25.00	-

* Audited by a firm other than Ernst & Young

Audited by member firm of Ernst & Young Global in the respective country

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 2010 and the financial statements of Vintage Heights Sdn Bhd for the year ended 30 June 2010 have been used and appropriate adjustments have been made for the effects of significant transactions between 31 December 2010 and those dates.

EAC Holdings (Malaysia) Sdn Bhd is currently in the process of liquidation.

Detail of the acquisition of equity interest in Lei Shing Hong (Singapore) Pte Ltd during the financial year are disclosed in Note 40(v).

notes to the financial statements
31 December 2010

8. ASSOCIATES (continued)

The summarised financial information of the associates, not adjusted for the equity interest held by the Group (%), is as follows:

	2010 RM'000	2009 RM'000
Assets and liabilities:		
Current assets	1,002,364	405,786
Non-current assets	1,162,999	1,150,823
Total assets	2,165,363	1,556,609
Current liabilities	780,565	266,356
Non-current liabilities	258,896	266,689
Total liabilities	1,039,461	533,045
Results:		
Revenue	965,999	857,445
Profit for the year	68,906	43,127

9. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	2010 RM'000	2009 RM'000
Cost:		
At 1 January	388,836	291,860
Additions	29,516	118,554
Transfer to property development costs (Note 13)	(36,916)	(18,518)
Disposal	(1,947)	(3,060)
At 31 December	379,489	388,836
Accumulated impairment losses:		
At 1 January/31 December	(1,298)	(1,298)
Carrying amount at 31 December	378,191	387,538
Represented by:		
At cost		
Freehold land	22,741	19,975
Leasehold land	295,141	310,514
Land development expenditure	49,507	46,247
	367,389	376,736
At net realisable value		
Land development expenditure	10,802	10,802
	378,191	387,538

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10. GOODWILL

	Group 2010 RM'000	Group 2009 RM'000
At 1 January	-	-
Additions arising from acquisition of additional shares in a subsidiary	36,736	-
At 31 December	36,736	-

Goodwill arising from acquisition of additional shares in HSP, a subsidiary listed in the Bursa Malaysia Securities Berhad has been tested for impairment at end of the reporting period. The recoverable amount of the CGU has been determined based on the fair value less costs to sell.

During the year, no impairment loss was recognised as the recoverable amount is more than the carrying amount.

11. LONG TERM RECEIVABLES

	Group 2010 RM'000	Group 2009 RM'000
Trade receivables		
Lease, hire purchase and loan receivables		
- Receivable between one to five years	563,487	451,228
- Receivable after five years	67,995	49,635
	631,482	500,863

12. INVENTORIES

	Group 2010 RM'000	Group 2009 RM'000
Properties held for sale	30,360	33,396
Quarry reserves	9,158	9,858
Raw materials	45,214	46,324
Produce inventories	2,912	5,405
Work-in-progress	6,465	8,754
Finished goods	380,282	268,559
Livestock	827	721
	475,218	373,017

Quarry reserves relate to the estimated reserves with remaining 13 years (2009: 14 years) lease of extraction.

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13. PROPERTY DEVELOPMENT COSTS

	Group 2010 RM'000	Group 2009 RM'000
At 1 January		
Freehold land	-	11,119
Leasehold land	76,633	76,394
Development costs	484,997	358,052
Accumulated costs charged to profit or loss	(303,087)	(162,421)
	258,543	283,144
Transfer from/(to)		
- land held for property development (Note 9)	36,916	18,518
- inventories	-	(25,221)
Cost incurred during the year	182,525	148,497
Costs charged to profit or loss	(184,800)	(154,531)
Disposal	-	(11,864)
	34,641	(24,601)
At 31 December	293,184	258,543
Represented by:		
Leasehold land	80,872	76,633
Development costs	548,006	484,997
Accumulated costs charged to profit or loss	(335,694)	(303,087)
	293,184	258,543

Included in the property development costs incurred during the financial year are interest expense capitalised of RM271,000 (2009: RM547,000).

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14. TRADE AND OTHER RECEIVABLES

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Current				
Trade receivables				
Third parties	421,612	415,351	-	-
Lease receivables	3,017	3,007	-	-
Hire purchase receivables	377,151	357,561	-	-
Loan receivables	54,422	55,994	-	-
Accrued billings	23,337	4,999	-	-
Amounts due from related companies	1,010	2,277	-	-
	880,549	839,189	-	-
Less: Allowance for impairment	(12,571)	(18,920)	-	-
Interest in suspense	(8,129)	(11,900)	-	-
Advances received	(22,290)	(23,947)	-	-
	837,559	784,422	-	-
Other receivables				
Sundry receivables	70,342	64,015	11,440	2,135
Amounts due from subsidiaries	-	-	793,402	517,869
Amounts due from associates	46	52	46	52
	70,388	64,067	804,888	520,056
	907,947	848,489	804,888	520,056
Non-current				
Trade receivables				
Lease receivables	4,435	3,690	-	-
Hire purchase receivables	449,973	350,665	-	-
Loan receivables	213,254	186,483	-	-
	667,662	540,838	-	-
Less: Allowance for impairment	(8,702)	(15,715)	-	-
Advances received	(27,478)	(24,260)	-	-
	631,482	500,863	-	-
Total trade and other receivables *(current and non-current)*	1,539,429	1,349,352	804,888	520,056

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14. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables

(i) Third parties

These amounts are non-interest bearing. The Group's normal trade credit term ranges from 30 to 90 days (2009: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

(ii) Lease receivables and hire purchase payables

Lease receivables and hire purchase payables consist of the following:

	2010			2009		
	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	423,593	(43,425)	380,168	396,970	(36,402)	360,568
Between 1 and 5 years	485,681	(33,168)	452,513	376,401	(22,665)	353,736
More than 5 years	1,910	(15)	1,895	654	(35)	619
	911,184	(76,608)	834,576	774,025	(59,102)	714,923

(iii) Amounts due from related companies

Amounts due from related companies are non-interest bearing and repayable in accordance with the normal trade credit terms disclosed in Note 14(a)(i).

(b) Other receivables

(i) Sundry receivables

Included in previous year's sundry receivables are deposits paid to vendors amounting to RM13,150,000 for the acquisition of properties which were completed in the current financial year.

(ii) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, interest bearing and repayable on demand. During the current financial year, interest is charged at 3.50% to 4.56% (2009: 3.25% to 4.25%) per annum.

14. TRADE AND OTHER RECEIVABLES (continued)

(b) Other receivables (continued)

(iii) Amounts due from associates

Amounts due from associates are unsecured, non-interest bearing and repayable on demand.

Included in trade and other receivables of the Group and of the Company are amounts denominated in foreign currencies (currencies which are other than the respective functional currencies of the Group entities) as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
United States Dollar ["USD"]	9,185	-	18,316	24,428
Australian Dollar ["AUD"]	-	-	2,330	4,682
Singapore Dollar ["SGD"]	-	-	1,801	-
Indonesian Rupiah ["IDR"]	31,454	42,670	-	-
	40,639	42,670	22,447	29,110

Other information on financial risks of trade and other receivables are disclosed in Note 36.

15. CASH AND BANK BALANCES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash at banks and on hand	82,223	72,999	2,065	1,380
Deposits with licensed banks	111,845	355,468	50,095	271,785
Cash and bank balances	194,068	428,467	52,160	273,165
Less: Bank overdrafts (Note 18)	(8,639)	(12,581)	-	-
Cash and cash equivalents	185,429	415,886	52,160	273,165

Included in cash at banks of the Group are amounts of RM5,920,000 (2009: RM15,556,000), the utilisation of which is subject to the Housing Developers (Housing Development Account) Amendment Regulation 2002 and the Housing Development (Control and Licensing) Enactment 1978.

Included in cash and bank balances of the Group are amounts denominated in foreign currencies (currencies which are other than the respective functional currencies of the Group entities) as follows:

	Group	
	2010 RM'000	2009 RM'000
USD	2,199	1,844
SGD	265	236
IDR	4,463	2,374
AUD	873	205
	7,800	4,659

Other information on financial risks of cash and cash equivalents are disclosed in Note 36.

16. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current				
Trade payables				
Third parties	168,172	123,355	-	-
Amounts due to subsidiaries	-	-	39	204
Amounts due to related companies	19,840	26,890	-	71
	188,012	150,245	39	275
Other payables				
Accruals	78,703	47,681	3,669	3,647
Sundry payables	120,207	113,098	362	356
	198,910	160,779	4,031	4,003
	386,922	311,024	4,070	4,278
Derivatives - forward currency contracts:				
Designated at fair value through profit or loss	17	-	-	-
Fair value hedges	379	-	-	-
	396	-	-	-
	387,318	311,024	4,070	4,278
Non-current				
Other payables				
Deposits from lessees	1,289	1,306	-	-
Total trade and other payables, including derivatives *(current and non-current)*	388,607	312,330	4,070	4,278

16. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES (continued)

(a) Trade payables

(i) Third parties

These amounts are non-interest bearing. The normal trade credit terms granted to the Group range from 30 to 90 days (2009: 30 to 90 days).

(ii) Amounts due to subsidiaries

Amounts due to subsidiaries are non-interest bearing and are payable in accordance with the normal trade credit terms disclosed in Note 16(a)(i).

(iii) Amounts due to related companies

Amounts due to related companies are non-interest bearing and are payable in accordance with the normal trade credit terms disclosed in Note 16(a)(i).

(b) Other payables

These amounts are non-interest bearing and payable in accordance with the normal trade terms.

(c) Derivatives

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD for which firm commitments existed at the reporting date, extending to March 2011. Hedges of foreign currency risk of firm commitments which meet the strict criteria for hedge accounting have been accounted for as a fair value hedge. Other hedges of foreign currency risk that have not been accounted for as a fair value hedge or those that do not qualify for hedge accounting, have been designated at fair value through profit or loss.

Included in trade and other payables of the Group are amounts denominated in foreign currencies (currencies which are other than the respective functional currencies of the Group entities) as follows:

	Group	
	2010 RM'000	2009 RM'000
USD	126	466
IDR	1,750	2,027
	1,876	2,493

17. PROVISIONS

Group	Property development obligations RM'000	Provision for warranties and free maintenance service RM'000	Total RM'000
At 1 January 2009	1,552	2,326	3,878
Provision made during the year	-	112	112
Provision utilised during the year	(141)	(1,424)	(1,565)
Provision reversed during the year	-	(291)	(291)
At 31 December 2009/1 January 2010	1,411	723	2,134
Provision made during the year	1,608	9	1,617
Provision utilised during the year	-	(568)	(568)
Provision reversed during the year	-	(154)	(154)
At 31 December 2010	3,019	10	3,029

(a) Property development obligations

The provision for property development obligations relates to infrastructure works of completed 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.

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18. BORROWINGS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current				
Unsecured:				
Term loans	368,057	406,596	-	-
Revolving credits	636,044	559,293	-	-
Bankers' acceptances	35,477	121,959	-	-
Foreign currency loans	63,559	8,461	-	-
Bank overdrafts	8,639	12,581	-	-
	1,111,776	1,108,890	-	-
Non-current				
Unsecured:				
Term loans	640,409	546,235	-	-
Foreign currency loans	156,453	156,453	156,453	156,453
	796,862	702,688	156,453	156,453
Total loans and borrowings	1,908,638	1,811,578	156,453	156,453

The remaining maturities of the borrowings are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Within one year	1,111,776	1,108,890	-	-
More than 1 year and less than 2 years	259,333	337,055	156,453	-
More than 2 years and less than 5 years	398,744	262,088	-	156,453
More than 5 years	138,785	103,545	-	-
	1,908,638	1,811,578	156,453	156,453

Included in borrowings are amounts denominated in foreign currencies (currencies which are other than the respective functional currencies of the Group entities) as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
SGD	156,453	156,453	156,453	156,453
USD	63,559	8,461	-	-
	220,012	164,914	156,453	156,453

Other information on financial risks of borrowings are disclosed in Note 36.

19. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 January				
- As previously stated	74,932	133,448	33	33
- Effects of adopting FRS 139	1,496	-	-	-
- As restated	76,428	133,448	33	33
Recognised in profit or loss (Note 28)	17,109	(59,223)	1	-
Acquisition of subsidiaries	(210)	-	-	-
Exchange differences	6,336	707	-	-
At 31 December	99,663	74,932	34	33
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	166,595	160,995	34	33
Deferred tax assets	(66,932)	(86,063)	-	-
	99,663	74,932	34	33

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 2010	109,061	55,073	-	164,134
Recognised in profit or loss	21,625	3,685	171	25,481
At 31 December 2010	130,686	58,758	171	189,615
Less: Deferred tax assets offset				(23,020)
Deferred tax liabilities recognised				166,595
At 1 January 2009	107,995	48,515	93	156,603
Recognised in profit or loss	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

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

Deferred tax assets of the Group:

	Unabsorbed capital allowances RM'000	Tax losses RM'000	Others RM'000	Total RM'000
At 1 January 2010				
- As previously stated	(573)	(6,238)	(82,391)	(89,202)
- Effects of adopting FRS 139	-	24	1,472	1,496
- As restated	(573)	(6,214)	(80,919)	(87,706)
Recognised in profit or loss	(10,737)	(65,487)	67,852	(8,372)
Acquisition of subsidiaries	-	(160)	(50)	(210)
Exchange differences	-	5,217	1,119	6,336
At 31 December 2010	(11,310)	(66,644)	(11,998)	(89,952)
Offset against deferred tax liabilities				23,020
Deferred tax assets recognised				(66,932)
At 1 January 2009	(86)	(1,575)	(21,494)	(23,155)
Recognised in profit or loss	(487)	(4,663)	(61,604)	(66,754)
Exchange differences	-	-	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)

Deferred tax liabilities of the Company:

	2010 RM'000	2009 RM'000
Accelerated capital allowances		
At 1 January	33	33
Recognised in profit or loss	1	-
At 31 December	34	33

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

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

	Group	
	2010 RM'000	2009 RM'000
Unutilised tax losses	5,863	8,885
Unabsorbed reinvestment allowances	1,492	27,670
Unabsorbed capital and agricultural allowances	185	297
Other deductible temporary differences	728	98
	8,268	36,950

The above unutilised tax losses, unabsorbed reinvestment allowances, unabsorbed capital and agricultural allowances are subject to agreement with the Inland Revenue Board. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

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.

20. SHARE CAPITAL

	Number of ordinary shares of RM1.00 each		Amount	
	2010 '000	2009 '000	2010 RM'000	2009 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

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

Treasury shares

The shareholders of the Company granted authority to the directors at the Extraordinary General Meeting held on 27 May 2010 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 RM7,861. The repurchase was financed from the Company's internal funds. The average cost paid for the additional shares repurchased during the financial year was RM3.93 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.

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20. SHARE CAPITAL (continued)

Movement in treasury shares:

	Number of shares	RM	Average cost per share RM
As of 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 2009/1 January 2010	59,134,500	154,458,703	2.61
Repurchased during the year	2,000	7,861	3.93
As of 31 December 2010	59,136,500	154,466,564	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 25 April 2011, the issued and paid up capital comprises 622,660,000 ordinary shares of RM1.00 each, of which 59,136,500 ordinary shares are held as treasury shares.

21. RESERVES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Reserves comprise:				
Capital reserve in respect of an associate	641	641	-	-
Foreign exchange reserve in respect of subsidiaries	6,726	7,962	-	-
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	2,066,962	1,814,633	2,242,013	2,136,824
Total reserves	2,118,021	1,866,928	2,249,141	2,143,952
Analysed as:				
Distributable reserves	1,912,495	1,660,174	2,087,546	1,982,365
Non-distributable reserves	205,526	206,754	161,595	161,587
	2,118,021	1,866,928	2,249,141	2,143,952

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

At the reporting date, the amount of retained profits of RM154,467,000 (2009: RM154,459,000) equivalent to the cost of treasury shares held is classified as non-distributable reserves.

21. RESERVES (continued)

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 in respect of the Company

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

(e) Retained profits

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.

As at 31 December 2010, the 108 balance of the Company is nil. The Company had fully utilised its credit in the 108 balance to pay franked dividends in the previous financial year. The Company may distribute dividends out of its entire retained profits as at 31 December 2010 under the single tier system.

22. REVENUE AND COST OF SALES

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Dividend income				
- From subsidiaries	-	-	205,964	77,117
- From associates	-	-	4,453	3,750
Sale of plantation produce	473,754	373,134	-	-
Sale of goods and services	1,956,878	1,757,339	-	-
Interest income - provision of financial services	74,626	79,604	-	-
Property development	255,010	225,519	-	-
Sale of completed properties	1,300	1,422	-	-
Property rental	27,842	27,224	-	-
	2,789,410	2,464,242	210,417	80,867

Cost of sales represents cost directly attributable to the generation of the above revenues except for dividend income.

Segment information on revenue, operating profit, assets and liabilities of the Group is analysed in Note 39.

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23. OPERATING PROFIT

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Operating profit is arrived at after charging/(crediting):				
Auditors' remuneration:				
- auditors of the Company	228	226	58	58
- other auditors	436	430	-	-
Non audit fees for services rendered by				
- auditors of the Company	10	10	10	10
- firm affiliated to the auditors of the Company	61	50	16	16
Operating lease – minimum lease payments on:				
- land and buildings	5,887	5,711	-	-
- plant and machinery	13,670	9,238	-	-
- motor vehicles	683	1,707	748	837
Depreciation of property, plant and equipment (Note 4)	58,381	53,143	890	1,012
Property, plant and equipment written off	769	606	-	-
Replanting expenditure	5,984	5,445	-	-
Biological assets written off (Note 5)	331	-	-	-
Bad debts written off	397	46	-	-
Allowance for impairment losses				
- trade receivables (Note 36)	1,282	7,935	-	-
Write down of inventories	-	67,556	-	-
Employee benefits expenses (Note 24)	142,861	126,882	4,147	3,742
Direct operating expenses arising from investment properties	9,630	9,640	-	-
Net foreign exchange (gains)/losses	(915)	(8,266)	2,047	(473)
Gain on disposal of property, plant and equipment	(390)	(1,288)	(243)	(12)
Gain on disposal of investment properties	(62)	-	-	-
Gains from fair value adjustments of investment properties (Note 6)	(38,439)	(41,955)	-	-
Gain on disposal of land held for property development	-	(2,119)	-	-
Reversal of impairment losses				
- trade receivables (Note 36)	(1,595)	(1,002)	-	-
Recovery of bad debts	(4,062)	(114)	-	-
Rental income from properties	(374)	(1,462)	(10)	(10)
Interest income from:				
- third parties	(4,986)	(7,093)	(2,317)	(3,923)
- subsidiaries	-	-	(26,189)	(20,231)

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24. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Salaries and other staff related expenses	132,715	117,279	3,726	3,369
Pension costs – defined contribution plans	10,146	9,603	421	373
	142,861	126,882	4,147	3,742

Included in employee benefits expenses of the Group and of the Company are executive directors' remuneration amounting to RM12,795,000 (2009: RM11,732,000) and RM3,200,000 (2009: RM3,476,000) respectively as further disclosed in Note 25.

25. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Executive directors' remuneration				
Other emoluments				
- Directors of the Company	3,743	3,969	3,200	3,476
- Other directors	9,052	7,763	-	-
	12,795	11,732	3,200	3,476
Non-executive directors' remuneration				
Fees				
- Directors of the Company	472	562	390	390
- Other directors	722	752	-	-
	1,194	1,314	390	390
Total directors' remuneration	13,989	13,046	3,590	3,866
Other key management personnel compensation	18,084	15,090	123	-
	32,073	28,136	3,713	3,866

Included in key management personnel compensation of the Group and of the Company are contributions to the Employees Provident Fund amounting to RM3,263,000 (2009: RM2,810,000) and RM356,000 (2009: RM373,000) respectively.

25. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors of the Company	127	137	127	137
Other directors	415	384	-	-
Other key management personnel	592	663	4	-
	1,134	1,184	131	137

26. FINANCE COSTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest expense on:				
Bank borrowings	52,878	60,704	6,653	3,928
Borrowings from other institution	13,795	16,129	-	-
	66,673	76,833	6,653	3,928
Less: Interest expense capitalised in:				
- Investment properties – IPUC (Note 6)	(214)	-	-	-
- Property development costs (Note 13)	(271)	(547)	-	-
	66,188	76,286	6,653	3,928

27. OTHER NON-OPERATING ITEMS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Gain on disposal of 35% equity interest in a subsidiary	92,685	-	-	-
Gain from liquidation of an associate	-	3,044	-	-
Reversal of impairment loss on investment in an associate	-	4,120	-	2,588
Gain on disposal of a subsidiary	-	37,617	-	36,782
	92,685	44,781	-	39,370

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28. TAX EXPENSE

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Malaysian income tax:				
- Current income tax	84,554	55,137	36,858	12,209
- (Over)/under provision in prior year	(7,431)	(541)	37	-
	77,123	54,596	36,895	12,209
Foreign income tax:				
- Current income tax	1,248	27	-	-
- (Over)/under provision in prior year	(77)	28,016	-	-
	1,171	28,043	-	-
	78,294	82,639	-	-
Deferred tax (Note 19):				
- Relating to origination and reversal of temporary differences	11,216	(31,977)	1	-
- (Over)/under provision in prior year	5,893	(27,246)	-	-
	17,109	(59,223)	1	-
Total tax expense	95,403	23,416	36,896	12,209

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year. 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 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Profit before tax	504,456	172,760	215,343	128,091
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	126,114	43,190	53,836	32,023
Effect of different tax rates in other countries	559	3,090	-	-
Income not subject to tax	(29,227)	(18,978)	(19,206)	(20,804)
Expenses not deductible for tax purposes	9,751	5,783	2,229	990
Utilisation of previously unrecognised deferred tax assets	(4,495)	(7,283)	-	-
Effect of share of results of associates	(5,684)	(2,615)	-	-
(Over)/under provision in prior year				
- income tax	(7,508)	27,475	37	-
- deferred tax	5,893	(27,246)	-	-
Tax expense for the year	95,403	23,416	36,896	12,209

29. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group are calculated by dividing the profit attributable to owners of the Company 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	
	2010	**2009**
Profit attributable to owners of the Company (RM'000)	323,132	100,243
Weighted average number of ordinary shares in issue ('000)	563,525	563,527
Basic earnings per share (sen)	57.34	17.79

(b) Fully diluted earnings per share

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

30. DIVIDENDS

	Group/Company	
	2010 RM'000	**2009 RM'000**
Recognised during the year:		
Dividends paid in respect of financial period ended 31 December 2008:		
- 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
- final (7.0 sen under single tier system)	39,447	-
Dividends paid in respect of financial year ended 31 December 2010:		
- interim (6.0 sen under single tier system)	33,811	-
	73,258	63,044

In line with the Company's Dividend Policy announced on 5 January 2011, a final dividend under the single tier system in the sum of approximately RM123.98 million, represented by 22.0 sen per share based on 563,523,500 shares comprised in the issued and paid-up share capital of the Company after deducting 59,136,500 treasury shares as at 31 December 2010 has been proposed for shareholders' approval to be obtained during the forthcoming annual general meeting of the Company. This final dividend if approved, together with the interim dividend, represents approximately 50% of the Group's profit attributable to owners of the Company for the financial year ended 31 December 2010.

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30. DIVIDENDS (continued)

The actual amount of final dividend per share will be adjusted based on the increased number of shares in issue (net of treasury shares) as at the entitlement date of this final 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 2011.

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

31. COMMITMENTS

	Group	
	2010	**2009**
	RM'000	**RM'000**
Capital expenditure		
Approved and contracted for:		
- Property, plant and equipment	59,149	30,249
- Investment properties	30,249	118,350
	89,398	152,514
Approved but not contracted for:		
- Property, plant and equipment	103,694	75,420
	193,092	227,934

32. OPERATING LEASE COMMITMENTS (AS LESSEE)

Total future minimum rentals payable under non-cancellable operating leases are as follows:

	Group	
	2010	**2009**
	RM'000	**RM'000**
Due within one year	3,177	1,542
Due after one year but not more than five years	7,827	2,950
Due after five years	2,354	2,307
	13,358	6,799

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33. CONTINGENT LIABILITIES

	Company 2010 RM'000	Company 2009 RM'000
Bank guarantees		
Unsecured:		
Corporate guarantees to banks of subsidiaries in respect of balances outstanding as at 31 December	1,717,185	1,418,291

34. LITIGATION MATTER

As disclosed in the financial statements of previous year, 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 10 August 2004 on the same to another date to be fixed.

The Plaintiffs had earlier filed an application for injunction restraining the second and third defendants from carrying out, inter alia, planting activities on the Tongod Land or part thereof. During the hearing held on 5 July 2004 on the said injunction application, the defendants had raised a preliminary objection to the Court's jurisdiction to determine Native Customary Rights. Pursuant to the hearing of the Defendant's preliminary objection on 5 July 2004, the Court has on 20 June 2008 upheld the said preliminary objection and dismissed the Tongod Suit with costs awarded to the Defendants ["the said Decision"]. The Plaintiffs had on 7 July 2008 filed their Notice of Appeal to the Court of Appeal appealing against the said Decision. The appeal was heard on 9 and 10 December 2010 and the ruling thereof has been reserved to a date to be fixed by the Court of Appeal.

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

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables ["L&R"];
(ii) Fair value through profit or loss ["FVTPL"];
(iii) Other financial liabilities ["OFL"]; and
(iv) Derivative that is designated as effective hedging instrument ["Others"].

	Carrying amount RM'000	L&R/ (OFL) RM'000	FVTPL RM'000	Others RM'000
2010				
Financial assets:				
Group				
Trade and other receivables	1,516,092	1,516,092	-	-
Cash and bank balances	194,068	194,068	-	-
	1,710,160	1,710,160	-	-
Company				
Trade and other receivables	804,888	804,888	-	-
Cash and bank balances	52,160	52,160	-	-
	857,048	857,048	-	-
Financial liabilities:				
Group				
Trade and other payables, including derivatives	(388,607)	(388,211)	(17)	(379)
Borrowings	(1,908,638)	(1,908,638)	-	-
	(2,297,245)	(2,296,849)	(17)	(379)
Company				
Trade and other payables	(4,070)	(4,070)	-	-
Borrowings	(156,453)	(156,453)	-	-
	(160,523)	(160,523)	-	-

35. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments

The carrying values of financial instruments of the Group and of the Company at the reporting date approximated their fair values.

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

(i) Cash and cash equivalents, sundry receivables, other payables and current bank borrowings

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

(ii) Third parties receivables and payables, lease, hire purchase and loan receivables, and amount due to/from subsidiaries, associates, and related companies

The carrying amounts of third parties receivables and payables and amounts due to/from subsidiaries, associates, and related companies approximate fair values because these amounts are expected to be settled in the short term.

The carrying amounts of lease, hire purchase and loan receivables, which are based on principal amounts outstanding representing approximately the cash flow receivables discounted at their effective yields. The carrying amounts of lease, hire purchase and loan receivables closely approximate their fair values.

(iii) Non-current borrowings

The carrying values of non-current 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.

(iv) 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 reporting date applied to a contract of similar quantum and maturity portfolio.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, liquidity risk and credit risk.

The Group operates within clearly defined guidelines and it is the Group's policy not to engage in speculative transactions. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

(a) 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.

Exposure to interest rate risk

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed rate instruments				
Financial assets				
Deposits with licensed banks	111,845	355,468	50,095	271,785
Financial liabilities				
Term loans	(411,507)	(411,508)	-	-
	(299,662)	(56,040)	50,095	271,785
Floating rate instruments				
Financial liabilities				
Term loans	(596,959)	(541,323)	-	-
Revolving credits	(636,044)	(559,293)	-	-
Bankers' acceptances	(35,477)	(121,959)	-	-
Foreign currency loans	(220,012)	(164,914)	(156,453)	(156,453)
Bank overdrafts	(8,639)	(12,581)	-	-
	(1,497,131)	(1,400,070)	(156,453)	(156,453)

The weighted average effective interest rates of deposits with licensed banks as at 31 December 2010 for the Group and the Company were 2.92% (2009: 2.24%) and 1.33% (2009: 1.68%) and will mature within 1 year (2009: 1 year).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk (continued)

Cash flow sensitivity analysis for floating rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		Company	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
2010				
Floating rate instruments	(11,229)	11,229	(1,173)	1,173

(b) 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 currencies. The Group is also exposed to currency risk in respect of its foreign investments in subsidiaries and associates. The Group 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 that are not denominated in the respective functional currencies of the Group entities are as follows:

	Net financial assets/(liabilities) held in non-functional currencies				
Functional Currency of Group Entities	USD RM'000	SGD RM'000	IDR RM'000	AUD RM'000	Total RM'000
2010					
RM	(61,702)	-	-	-	(61,702)
Hong Kong Dollar ["HKD"]	187	-	-	-	187
Vietnamese Dong ["VND"]	9,192	-	-	-	9,192
SGD	22	-	-	-	22
USD	-	265	34,167	873	35,305
	(52,301)	265	34,167	873	(16,996)

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk (continued)

Currency risk sensitivity analysis

A 5 percentage strengthening of the USD against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group RM'000
2010	
RM	(2,314)
HKD	8
VND	345
SGD	(9)
IDR	(1,220)
AUD	(29)

A 5 percentage weakening of the USD against the above currencies at the end of the reporting period would have had equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

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

	Net financial assets/(liabilities) held in non-functional currencies			
Functional Currency of the Company	**USD RM'000**	**SGD RM'000**	**AUD RM'000**	**Total RM'000**
2010				
RM	18,316	1,801	2,330	22,447

Currency risk sensitivity analysis

A 5 percentage strengthening of the below foreign currencies against the functional currency of the Company at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Company RM'000
2010	
USD	687
SGD	68
AUD	87

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk (continued)

Currency risk sensitivity analysis (continued)

A 5 percentage weakening of the above foreign currencies against the functional currency of the Company at the end of the reporting period would have had equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Hedging activities

At the reporting date, the Group had entered into forward foreign exchange contracts with the following notional amounts and maturities:

	Currency	Within 1 year RM'000	Nominal amount RM'000	Fair value Assets RM'000	Fair value (Liabilities) RM'000
2010					
Designated as fair value through profit or loss					
Receivables hedge	USD	52,929	52,929	-	-
Payables hedge	USD	5,415	5,415	-	(14)
Firm commitment hedge	USD	1,712	1,712	-	(3
		60,056	60,056	-	(17)
Designated as fair value hedges					
Firm commitment hedge	USD	111,585	111,585	-	(379)
		171,641	171,641	-	(396)

(c) 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.

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 Year RM'000	1 – 2 Years RM'000	2 – 5 Years RM'000	More than 5 Years RM'000
2010							
Group							
Non-derivative financial liabilities							
Unsecured borrowings							
Term loans	1,008,466	2.98 – 5.90	1,110,133	404,396	127,826	433,280	144,631
Revolving credits	636,044	2.37 – 14.35	636,930	636,930	-	-	-
Bankers' acceptances	35,477	3.27	35,477	35,477	-	-	-
Foreign currency loans	220,012	1.01 – 4.56	229,589	70,693	158,896	-	-
Bank overdrafts	8,639	6.80 – 7.05	8,639	8,639	-	-	-
Trade and other payables	388,211	-	388,211	386,922	732	557	-
	2,296,849		2,408,979	1,543,057	287,454	433,837	144,631
Derivative financial liabilities							
Designated at fair value through profit or loss	17	-	17	17	-	-	-
Fair value hedges	379	-	379	379	-	-	-
	2,297,245		2,409,375	1,543,453	287,454	433,837	144,631
Company							
Non-derivative financial liabilities							
Unsecured borrowings							
Foreign currency loans	156,453	4.56	166,030	7,134	158,896	-	-
Trade and other payables	4,070	-	4,070	4,070	-	-	-
	160,523		170,100	11,204	158,896	-	-

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) 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.

The ageing analysis of the Group's trade receivables is as follows:

	Group 2010 RM'000
Neither past due nor impaired	560,859
Past due but not impaired:	
- Past due 1 – 30 days	78,214
- Past due 31 – 90 days	55,797
- Past due more than 90 days	10,246
	144,257
Assessed for individual impairment	43,370
Assessed for collective impairment	799,725
Total trade receivables	1,548,211

Impairment losses in respect of trade receivables are recorded as allowance. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The movements of the total allowance for impairment in Note 14 are as follows:

	Group 2010 RM'000
At 1 January	34,635
Effects of adopting FRS 139	(2,913)
Allowance for impairment (Note 23)	1,282
Reversal of impairment losses (Note 23)	(1,595)
Written off	(10,069)
Exchange differences	(67)
At 31 December	21,273

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Credit risk (continued)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM144,257,000 that are past due at the reporting date but not impaired.

Receivables that are assessed for individual impairment

The Group's trade receivables that are assessed for individual impairment at the reporting date are as follows:

	Group RM'000
2010	
Trade receivables - nominal amounts	43,370
Less: Allowance for impairment	(16,196)
	27,174

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in financial difficulties and have defaulted on payments. More than 82% of these receivables are secured by collateral. The main types of collateral held by the Group to mitigate credit risk are commercial and residential properties, machineries and motor vehicles.

Receivables that are assessed for collective impairment

This is in respect of hire purchase receivables which have been assessed for collective impairment as follows:

	Group RM'000
2010	
Trade receivables - nominal amounts	799,725
Less: Allowance for impairment	(5,077)
	794,648

All the above receivables are secured by collateral and the main types of collateral held by the Group to mitigate credit risk are machineries and motor vehicles.

37. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

There were no changes in the Group's approach to capital management during the year. The debt-to-equity ratios at 31 December 2010 and at 31 December 2009 were as follows:

	Group	
	2010 RM'000	2009 RM'000
Borrowings (Note 18)	1,908,638	1,811,578
Cash and bank balances (Note 15)	(194,068)	(428,467)
Net debt	1,714,570	1,383,111
Total equity	2,916,802	2,624,465
Debt-to-equity ratio	0.59	0.53

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38. 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:

	Transactions	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Director of the Company:					
Datuk Edward Lee Ming Foo, JP	Rental expenses	(46)	(36)	-	-
Lau Teong Jin	Legal consultancy fees	(180)	(180)	(180)	(180)
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company ^	Advisory fees	(1,800)	(1,800)	(1,800)	(1,800)
Foundation connected to Datuk Edward Lee Ming Foo, JP Directors of the Company: Lau Gek Poh Foundation #	Donation	(4,050)	(4,454)	(4,050)	(4,454)
Firm connected to Datuk Edward Lee Ming Foo, JP, a Director of the Company: Corporated International Consultants	Project consultancy fee payable	(5,421)	(6,762)	-	-
Firm in which Datuk Simon Shim Kong Yip, JP, a Director of the Company, has interest: Shim, Pang & Co	Legal fees	(478)	(490)	-	(100)
	Servicing of motor vehicles	2	12	-	-

^ Tan Sri 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.

An organisation principally involved in charitable activities.

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38. RELATED PARTY TRANSACTIONS (continued)

	Transactions	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Companies connected to Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company: ^					
Glenealy Plantations (Malaya) Berhad Group	Sales of products	20,216	20,261	-	-
Lingui Developments Berhad Group	Sales of products	19,842	10,017	-	-
Samling Strategic Corporation Sdn Bhd Group	Sales of products	250	33	-	-
Lei Shing Hong Limited Group	Disposal of subsidiary	-	105,120	-	105,120
	Disposal of 35% equity interest in a subsidiary	103,811	-	-	-
	Acquisition of subsidiary	(184)	-	-	-
	Acquisition of associate	(20,113)	-	-	-
	Handling commission	690	-	-	-
	Purchase of products	(31,815)	(20,529)	-	-
Company in which Tong Chin Hen, a Director of a subsidiary, has interest:					
Imaspro Resources Sdn Bhd	Purchase of products	(155)	(101)	-	-
	Sales of products	354	-	-	-
Malaysian Mosaics Berhad and its subsidiaries	Management fees	360	360	-	-
	Sales of products	1,313	3,134	-	-
	Rental income	939	923	-	-
	Rental of software license	-	9	-	-
	Servicing of motor vehicles	-	3	-	-
	Purchase of products	(165,640)	(74,148)	-	-
	Trademark licence	-	(2,700)	-	-
	Logistic fees	(600)	-		
	Fees on use of assets	(720)	(360)	-	-
Gek Poh (Holdings) Sdn Bhd and its other subsidiaries	Rental income	101	67	-	-
	Sales of products	1	12	-	-
	Servicing of motor vehicles	27	25	-	-
	Insurance premium	(9,064)	(8,354)	(139)	(144)
	Acquisition of subsidiary	-	(3)	-	-

38. RELATED PARTY TRANSACTIONS (continued)

	Transactions	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Associates	Dividend income				
	- gross	23,453	3,750	4,453	3,750
	Management fees				
	received	184	184	184	184
	Rental income	10	10	10	10
	Sales of products	951	1,588	-	-
Subsidiaries	Dividend income				
	- gross	-	-	205,964	77,117
	Interest income	-	-	26,189	20,231
	Guarantee fees	-	-	-	1,754
	Servicing of motor				
	vehicles	-	-	(125)	(9)
	Purchase of motor				
	vehicles	-	-	(442)	(1,315)
	Rental expenses	-	-	(151)	(382)
	Management fees	-	-	(133)	(423)
	Car usage	-	-	(745)	(754)
	Purchase of products	-	-	(2)	-

Compensation to key management personnel is as disclosed in Note 25.

39. SEGMENT INFORMATION

For management purposes, the Group is organised into business units according to their nature of activities and has six reportable operating segments as follows:

(i) Plantation - Cultivation of oil palm and processing of fresh fruit bunches
(ii) Property - Property investment and property development
(iii) Credit financing - Provision of financial services
(iv) Fertilizer trading - Trading and distribution of fertilizers and agro-chemicals
(v) Quarry and building materials - Operating of stone quarries and asphalt plants, manufacture of bricks and trading in building materials
(vi) Automotive - Trading in motor vehicles, spare parts and servicing of motor vehicles

Segment accounting policies are the same as the policies as described in Significant Accounting Policies. 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 third parties.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group financing are not allocated to operating segments.

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39. SEGMENT INFORMATION (continued)

2010	Plantation RM'000	Property RM'000	Credit financing RM'000	Fertilizer trading RM'000	Quarry and building materials RM'000	Automotive RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Revenue									
External revenue	473,754	284,183	74,626	859,446	459,008	577,066	61,327	-	2,789,410
Inter-segment revenue	-	9,742	-	34,817	22,294	15,223	233	(82,309)	-
Total revenue	473,754	293,925	74,626	894,263	481,302	592,289	61,560	(82,309)	2,789,410
Results									
Operating profit	230,971	117,897	58,625	28,671	22,065	13,447	(9,843)	(6,611)	455,222
Finance costs									(66,188)
Other non-operating items									92,685
Share of results of associates									22,737
Profit before tax									504,456
Tax expense									(95,403)
Profit for the year									409,053
Minority interests									(85,921)
Profit attributable to owners of the Company									323,132
Assets and Liabilities									
Segment assets	877,439	1,683,800	1,042,772	438,448	496,493	262,551	107,599		4,909,102
Unallocated assets									101,017
Investment in associates									380,648
Total assets									5,390,767
Segment liabilities	59,050	766,589	761,239	245,437	185,319	117,083	165,557		2,300,274
Unallocated liabilities									173,691
Total liabilities									2,473,965
Other information									
Additions to non-current assets		70,501	231,935	107	451	137,876	18,425	927	460,222
Depreciation of property, plant and equipment		21,515	5,031	652	1,425	22,375	4,341	3,042	58,381

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39. SEGMENT INFORMATION (continued)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Fertilizer trading RM'000	Quarry and building materials RM'000	Automotive RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
2009									
Revenue									
External revenue	373,134	254,199	79,604	1,032,336	320,320	339,299	65,350	-	2,464,242
Inter-segment revenue	-	10,173	-	68,466	26,898	15,933	364	(121,834)	-
Total revenue	373,134	264,372	79,604	1,100,802	347,218	355,232	65,714	(121,834)	2,464,242
Results									
Operating profit	140,678	111,733	52,789	(134,955)	19,267	18,960	(5,152)	(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 year									149,344
Minority interests									(49,101)
Profit attributable to owners of the Company									100,243
Assets and Liabilities									
Segment assets	804,918	1,450,140	883,995	412,066	333,593	219,651	323,908		4,428,271
Unallocated assets									144,685
Investment in associates									354,964
Total assets									4,927,920
Segment liabilities	102,576	746,032	596,987	306,239	112,282	94,900	167,026		2,126,042
Unallocated liabilities									177,413
Total liabilities									2,303,455
Other information									
Additions to non-current assets	65,527	151,771	240	6,396	59,175	1,688	3,469		288,266
Depreciation of property, plant and equipment	20,492	5,040	791	1,500	18,588	3,355	3,377		53,143

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39. SEGMENT INFORMATION (continued)

Additions to non-current assets consist of:

	2010 RM'000	2009 RM'000
Property, plant and equipment	189,449	131,369
Biological assets	5,852	15,337
Investment properties	198,669	23,006
Land held for property development	29,516	118,554
Goodwill	36,736	-
	460,222	288,266

Geographical Segments

The Group's geographical segments are based on the location of the customers and the assets.

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysia	2,310,492	1,993,409	2,390,155	2,010,693
Indonesia	251,285	404,502	75	122
Vietnam	166,073	-	9,979	-
Others	61,560	66,331	6,994	8,077
	2,789,410	2,464,242	2,407,203	2,018,892

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2010 RM'000	2009 RM'000
Property, plant and equipment	1,074,960	956,317
Biological assets	414,548	409,027
Investment properties	502,768	266,010
Land held for property development	378,191	387,538
Goodwill	36,736	-
	2,407,203	2,018,892

40. SIGNIFICANT EVENTS DURING THE YEAR

(i) 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, 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 ["E&O Land Acquisition"]. The purchase consideration for the E&O Land Acquisition is Ringgit Malaysia One Hundred and Three Million (RM103,000,000).

The E&O Land Acquisition is consistent with the business direction of the 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"]. The E&O Land Acquisition was completed on 29 March 2010 in accordance with the terms and conditions of the E&O SPA. As a result, the Group now owns 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.

(ii) On 9 February 2010, Hap Seng Auto Sdn Bhd, a wholly-owned subsidiary of the Company entered into a conditional shares sale agreement ["Shares Sale Agreement"] with Pacific Star Automobile Limited ["PSA"], 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"] to PSA pursuant to the terms and subject to the conditions contained in the Shares Sale Agreement ["HSS Disposal"]. The disposal consideration for the HSS Disposal is Ringgit Malaysia One Hundred Three Million Eight Hundred Eleven Thousand and Four Hundred (RM103,811,400.00).

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

The HSS Disposal was completed on 7 June 2010 with HSS becoming a 65% owned subsidiary of the Group, resulted in a gain of approximately RM92.7 million to the Group.

(iii) On 10 August 2010, Hap Seng Building Materials Holdings Sdn Bhd ["HSBMH"], the wholly-owned subsidiary of the Company, acquired from Impiana Citra Sdn Bhd , its entire 30% shareholding in Konsep Sistematik (M) Sdn Bhd ["Konsep"] comprising 30,000 ordinary shares of RM1.00 each for a cash consideration of Ringgit Malaysia Thirty Thousand (RM30,000) and on 27 August 2010, HSBMH acquired from its wholly-owned subsidiary Hap Seng Building Materials Sdn Bhd, its entire 0.001% shareholding in Konsep comprising one (1) ordinary share of RM1.00 each for a cash consideration of Ringgit Malaysia One (RM1.00).

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

(iv) On 27 August 2010, Hap Seng Star Sdn Bhd ["HSS"], the 65% owned subsidiary of Hap Seng Auto Sdn Bhd, which in turn is the wholly-owned subsidiary of the Company entered into a shares sale agreement with Great Horizon Limited ["GHL"], the wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], to acquire from GHL its entire 100% shareholding in Hap Seng Star Vietnam Limited (*formerly known as LSH Vietnam Limited*) ["HSSV"] comprising 16,000,000 ordinary shares of HKD1.00 each ["HSSV Acquisition"]. The purchase consideration for the HSSV Acquisition was Hong Kong Dollars Four Hundred Fifty Six Thousand Four Hundred and Ninety Four (HKD456,494), which is approximately RM184,000.

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

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

40. SIGNIFICANT EVENTS DURING THE YEAR (continued)

(v) On 19 October 2010, Hap Seng Building Materials Holdings Sdn Bhd ["HSBMH"], a wholly-owned subsidiary of the Company entered into a shares sale agreement with Lei Shing Hong Limited ["LSH"] to acquire from LSH 1,750,000 ordinary shares representing 25% of the issued and paid-up share capital of Lei Shing Hong (Singapore) Pte. Ltd. ["LSHS"] ["LSHS Acquisition"]. The purchase consideration for the LSHS Acquisition was Singapore Dollars Eight Million Three Hundred and Eighty Nine Thousand (SGD8,389,000), which is approximately RM20,113,000.

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

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

(vi) During the financial year, the Company acquired an additional 16,153,000 ordinary shares of RM1.00 each representing approximately 2.02% equity in HSP from the market of Bursa Malaysia Securities Berhad, for total cash consideration of RM49,858,000, thereby increasing its shareholding in HSP to 53.57%.

41. SUBSEQUENT EVENTS

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

(i) proposed private placement of up to 124,532,000 new ordinary shares of RM1.00 each in HSCB ["HSCB Shares"] ["Placement Shares"] representing up to 20% of the issued and paid-up share capital of the Company, to investor(s) to be identified at an issue price to be determined and announced later ["Proposed Placement"];

(ii) proposed bonus issue of up to 1,494,384,000 new HSCB Shares ["Bonus Shares"] to be credited as fully paid-up, on the basis of two (2) Bonus Shares for every one (1) existing HSCB Share held by the entitled shareholders of the Company on the entitlement date to be determined and announced later ["Entitlement Date"] ["Proposed Bonus Issue"];

(iii) proposed renounceable rights issue of up to 448,315,200 new HSCB Shares ["Rights Shares"] together with up to 448,315,200 new free detachable warrants ["Warrants"] on the basis of one (1) Rights Share together with one (1) Warrant for every five (5) HSCB Shares held by the entitled shareholders of the Company after the Proposed Bonus Issue on the Entitlement Date ["Proposed Rights Issue with Warrants"];

(iv) proposed increase in the authorised share capital of HSCB from RM1,000,000,000 comprising 1,000,000,000 HSCB Shares to RM5,000,000,000 comprising 5,000,000,000 HSCB Shares ["Proposed Increase in Authorised Share Capital"]; and

(v) proposed amendments to the Memorandum and Articles of Association ["M&A"] of HSCB to facilitate the implementation of the Proposed Bonus Issue, Proposed Rights Issue with Warrants ["Proposed M&A Amendments"].

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

41. SUBSEQUENT EVENTS (continued)

The Proposals are subject to and conditional upon approvals being obtained from the following:

(a) Bursa Malaysia Securities Berhad ["Bursa Securities"] for the following:

(i) listing of and quotation for the new HSCB Shares to be issued pursuant to the Proposed Placement;

(ii) listing of and quotation for the new HSCB Shares to be issued pursuant to the Proposed Bonus Issue and Proposed Rights Issue with Warrants and the new HSCB Shares to be issued and arising from the exercise of Warrants, on the Main Market of Bursa Securities; and

(iii) admission, listing of and quotation for the Warrants to be issued pursuant to the Proposed Rights Issue with Warrants on the Official List of the Main Market of Bursa Securities

(b) the approval of Bank Negara Malaysia for the issuance of the Warrants to non-residents pursuant to the Proposed Rights Issue with Warrants;

(c) Ministry of International Trade and Industry, for the Proposed Placement (if required);

(d) the shareholders of the Company at the forthcoming Extraordinary General Meeting to be convened, for the following:

(i) Additional Shareholders' Mandate (as defined below);

(ii) Proposed Bonus Issue, Proposed Rights Issue with Warrants, Proposed Increase in Authorised Share Capital and Proposed M&A Amendments; and

(e) any other relevant authorities and/or parties, if required.

During the Annual General Meeting ["AGM"] of the Company held on 27 May 2010, the Board of Directors had been authorised by the shareholders of the Company pursuant to Section 132D of the Companies Act, 1965 ["Act"] to issue up to 10% of the issued and paid-up share capital of the Company (excluding treasury shares)["Existing S132D Mandate"]. The Existing S132D Mandate shall continue to be in force until the conclusion of the next AGM of the Company, which is expected to be after the completion of the Proposed Placement.

In compliance with Paragraph 6.03(1) of the Listing Requirements of the Main Market of Bursa Securities ["Listing Requirements"] and based on the issued and paid-up share capital of HSCB (excluding treasury shares) as the date hereof, HSCB could issue up to 56,352,350 Placement Shares pursuant to the Existing S132D Mandate, being 10% of the nominal value of the issued and paid-up share capital of HSCB of RM563,523,500 comprising 563,523,500 HSCB Shares (excluding treasury shares).

Accordingly, the Company shall be seeking its shareholders' approval to allot and issue up to 68,179,650 HSCB Shares representing approximately 10.95% of the issued and paid-up share capital of HSCB as part of the Proposed Placement ["Additional Shareholders' Mandate"].

On 28 January 2011, CIMB had announced on behalf of the Company that it had, on even date submitted the listing application to Bursa Securities for the following:

(a) admission to the Official List of Bursa Securities and for the initial listing of and quotation for up to 448,315,200 Warrants on the Main Market of Bursa Securities; and

41. SUBSEQUENT EVENTS (continued)

(b) additional listing of and quotation for:

(i) a total of up to 2,067,231,200 new HSCB Shares in relation to the Proposed Placement, Proposed Bonus Issue and Proposed Rights Issue with Warrants; and

(ii) up to 448,315,200 new HSCB Shares to be issued pursuant to the exercise of the Warrants;

on the Main Market of Bursa Securities.

On 10 February 2011, CIMB announced on behalf of the Company that it had on even date submitted the following applications:

(a) the application to the Ministry of International Trade and Industry for the Proposed Placement; and

(b) the application to the Controller of Foreign Exchange (Bank Negara Malaysia) for the issuance of the Warrants to foreign shareholders of HSCB and/or their renouncee(s) pursuant to the implementation of the Proposed Rights Issue with Warrants.

On 17 February 2011, CIMB announced on behalf of the Company that Bursa Securities has on even date approved the following:

(a) Admission to the Official List and listing and quotation of up to 448,315,200 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants;

(b) Listing and quotation of up to:

(i) 124,532,000 new HSCB Shares to be issued pursuant to the Proposed Placement;

(ii) 1,494,384,000 new HSCB shares to be issued pursuant to the Proposed Bonus Issue; and

(iii) 448,315,200 new HSCB Shares to be issued pursuant to the Proposed Rights Issue with Warrants; and

(c) Listing and quotation of up to 448,315,200 new HSCB Shares to be issued pursuant to the exercise of the Warrants.

The approval granted by Bursa Securities for the listing and quotation of up to 1,494,384,000 new HSCB Shares to be issued pursuant to the Proposed Bonus Issue is subject to the following conditions:

(a) HSCB and CIMB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonus Issue;

(b) HSCB and CIMB to inform Bursa Securities upon the completion of the Proposed Bonus Issue;

(c) HSCB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonus Issue is completed;

(d) HSCB and CIMB are required to make the relevant announcements pursuant to Paragraph 6.35(2)(a) & (b), 6.35(3) and 6.35(5) of the Listing Requirements; and

(e) inform Bursa Malaysia Depository Sdn Bhd ["Bursa Depository"] on the actual number of Bonus Shares to be issued and the latest issued and paid-up share capital of HSCB (after the Bonus Shares) when submitting the allotment information to Bursa Depository for the crediting of the Bonus Shares.

41. SUBSEQUENT EVENTS (continued)

The approval granted by Bursa Securities for the Proposed Placement and Proposed Rights Issue with Warrants is subject to the following conditions:

(a) HSCB and CIMB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Placement and Proposed Rights Issue with Warrants;

(b) HSCB and CIMB to inform Bursa Securities upon the completion of the Proposed Placement and Proposed Rights Issue with Warrants;

(c) HSCB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Placement and Proposed Rights Issue with Warrants are completed;

(d) HSCB to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of the Warrants, as at the end of each quarter together with a detailed computation of listing fees payable; and

(e) Certified true copy of the resolution passed by the shareholders in a general meeting approving the Proposed Placement.

HSCB is required to ensure full compliance of all the requirements as provided under the Listing Requirements at all times.

On 18 February 2011, CIMB announced on behalf of the Company that Extraordinary General Meeting of the Company will be held at Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Tuesday, 15 March 2011 at 9.00 a.m. or at an adjournment thereof, for the purpose of considering and, if though fit, passing with or without modifications, the resolutions as set out in the Notice of EGM.

On 2 March 2011, CIMB announced on behalf of the Company that the Ministry of International Trade and Industry ["MITI"] has on even date, approved the proposed private placement of up to 124,532,000 new ordinary shares of RM1.00 each in HSCB representing up to 20% of the existing issued and paid-up share capital of HSCB, at an issue price to be determined later. HSCB is required to inform MITI upon the completion of the Proposed Placement.

On 3 March 2011, CIMB announced on behalf of the Company that the Controller of Foreign Exchange (Bank Negara Malaysia) has vide its letter dated 1 March 2011, which was received on even date, approved the issuance of the Warrants to non-resident shareholders of HSCB. Accordingly, all the approvals required from the relevant authorities for the Proposals have been obtained.

On 15 March 2011, CIMB announced on behalf of the Company that all the resolutions in respect of the Proposals were passed at the Extraordinary General Meeting held on even date.

notes to the financial statements
31 December 2010

42. COMPARATIVES

The presentation and classification in the current financial statements have been consistent with the previous financial year except that certain comparatives have been re-presented to conform with the presentation and disclosures required under the revised FRS 101 and the retrospective restatement as a result of the adoption of amendments to FRS 117 as explained in Note 2.2.

	Group		
	As previously stated RM'000	Adoption of Amendment to FRS 117 RM'000	As restated RM'000
At 31 December 2009:			
Statement of financial position			
Property, plant and equipment	757,630	198,687	956,317
Prepaid lease payments	198,687	(198,687)	-
Statement of cash flows			
Adjustments for:			
Depreciation of property, plant and equipment	49,766	3,377	53,143
Amortisation of prepaid lease payments	3,377	(3,377)	-
Gain on disposal of property, plant and equipment	(497)	(791)	(1,288)
Gain on disposal of properties under prepaid lease payments	(791)	791	-
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	5,961	1,990	7,951
Proceeds from disposal of properties under prepaid lease payments	1,990	(1,990)	-
Purchase of property, plant and equipment	(110,757)	(1,111)	(111,868)
Additions to prepaid lease payments	(1,111)	1,111	-
At 1 January 2009:			
Statement of financial position			
Property, plant and equipment	691,564	182,667	874,231
Prepaid lease payments	182,667	(182,667)	-

43. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group and of the Company as at 31 December 2010 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	2010	
	Group RM'000	**Company RM'000**
Total retained profits of the Company and its subsidiaries		
- Realised	3,497,097	2,245,129
- Unrealised	5,738	(3,116)
	3,502,835	2,242,013
Total share of retained profits from associates		
- Realised	17,355	-
- Unrealised	1,156	-
- Breakdown unavailable *	12,241	-
	3,533,587	2,242,013
Less: Consolidation adjustments	(1,466,625)	-
Total group retained profits as per consolidated financial statements	2,066,962	2,242,013

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

OTHER INFORMATION

1. 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.

2. 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 2010, except for the following:-

i. Related Party Transactions during the financial year ended 31 December 2010 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 38 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 7 June 2011 immediately after the conclusion of the Annual General Meeting to be held on the same date.

PARTICULARS OF TOP TEN PROPERTIES OF THE GROUP

31 December 2010

Location	Area	Description	Date of Acquisition/ Revaluation	Tenure	Year of Expiry	Approximate Age of Buildings (Years)	Net Book Value At 31/12/2010 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	--	38	230,559
Lot 595, Seksyen 57, Jalan P. Ramlee Kuala Lumpur	4,651 m^2	Investment property under construction	March 2010	Freehold	--	--	129,654
Lot 28, Section 90, Kuala Lumpur	5,478 m^2	Vacant land	August 2007	Freehold	--	--	91,000
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	22-23	37,241
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	20-21	41,337
CL 105478831/ CL 105420666/ CL 105420675/ CL 105420684/ Mile 10-10 1/2, Jalan Apas	1,208,877 m^2	Land held for development, oil palm plantation, central workshop, heavy commercial vehicle body fabrication workshop, spare parts stores, staff quarters and open space	January 2004/ January 2001	Leasehold 99 years/ 60 years	2060 2081/2042	36	50,260
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	--	92,231

particulars of top ten properties of the group

31 December 2010

Location	Area	Description	Date of Acquisition/ Revaluation	Tenure	Year of Expiry	Approximate Age of Buildings (Years)	Net Book Value At 31/12/2010 RM'000
KINABATANGAN							
Batangan Estate	3,633 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	5-29	
Lutong Estate	2,448 ha	Oil palm plantation & buildings	July 1996/ July 2003	Leasehold 99 years	2078/2098/ 2099	10-21	
Lokan Estate	3,155 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	10-15	271,235
Kapis Estate	2,681 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	8-24	
Lungmanis Estate	2,200 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	10-16	
Tomanggong Estate	4,890 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years/ 999 years	2067/2094/ 2894	2-42	
Tabin Estate	2,579 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years	2067/2076/ 2093/2097	2-26	
Tagas Estate	2,010 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years	2067/2076	2-35	
Litang Estate	1,571 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years/ 999 years	2076/2091 2887/2900	2-28	298,806
Sungai Segama Estate	5,174 ha	Oil palm plantation & buildings	December 1990	Leasehold 99 years	2089	9-13	
Bukit Mas Estate	4,733 ha	Oil palm plantation & buildings	December 1990	Leasehold 99 years/ 999 years	2089/2887	3-11	
KOTA MARUDU							
Pelipikan Estate	* 808 ha	Oil palm plantation & buildings	August 2008	Leasehold 99 years	2101/2102	3-11	43,075

* *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 21 April 2011

Authorised Share Capital	: RM5,000,000,000
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	: 9,248

DISTRIBUTION OF SHAREHOLDERS

Size of Holding	No. of Shareholders	% of Shareholders	* No. of Shares Held	% of Issued Capital
1 to 99	550	5.95	12,742	#
100 to 1,000	2,495	26.98	2,117,221	0.37
1,001 to 10,000	5,054	54.65	21,105,356	3.75
10,001 to 100,000	1,048	11.33	28,267,129	5.02
100,001 to less than 5% of issued shares	98	1.06	143,971,752	25.55
5% & above of issued shares	3	0.03	368,049,300	65.31
Total	9,248	100.00	563,523,500	100.00

* *The number of 563,523,500 ordinary shares was arrived at after deducting the number of 59,136,500 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	242,016,000	42.95
2.	Cimsec Nominees (Tempatan) Sdn Bhd - Gek Poh (Holdings) Sdn Bhd	70,000,000	12.42
3.	Pembangunan Melati Sdn Bhd	56,033,300	9.94
4.	Citigroup Nominees (Asing) Sdn Bhd - UBS Ag Hong Kong for Lei Shing Hong Investment Limited	25,200,700	4.47
5.	Affin Nominees (Asing) Sdn Bhd - Exempt AN for Phillip Securities (Hong Kong) Ltd (Clients' Account)	23,410,000	4.15
6.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	19,051,600	3.38
7.	ECML Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Kong Hwa Ling	13,536,500	2.40
8.	Gek Poh (Holdings) Sdn Bhd	10,959,886	1.94
9.	Bank Pertanian Malaysia Berhad	7,031,248	1.25
10.	Chinchoo Investment Sdn Berhad	2,998,900	0.53
11.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for dimensional Emerging Markets Value Fund	2,467,200	0.44
12.	Nithiabala A/L T Balasingam	2,328,000	0.41
13.	Amanahraya Trustees Berhad - Skim Amanah Saham Bumiputera	2,000,000	0.35

analysis of shareholding
as at 21 April 2011

	Shareholding	% [3]
14. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (Norges BKNlend)	2,000,000	0.35
15. Gan Teng Siew Realty Sdn Berhad	1,908,000	0.34
16. Key Development Sdn Berhad	1,790,000	0.32
17. Mikdavid Sdn Bhd	1,743,000	0.31
18. HSBC Nominees (Asing) Sdn Bhd - BBH and Co Boston for GMO Emerging Markets Fund	1,736,600	0.31
19. HSBC Nominees (Asing) Sdn Bhd - BNY Brussels for Powershares DWA Emerging Markets Technical Leaders Portfolio	1,601,200	0.28
20. Mayban Nominees (Tempatan) Sdn Bhd - Avenue Invest Berhad for Kumpulan Wang Persaraan (diperbadankan) (E00170-220136)	1,300,543	0.23
21. Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	1,015,900	0.18
22. Goh Phaik Lynn	1,000,000	0.18
23. Rengo Malay Estate Sendirian Berhad	960,000	0.17
24. Bidor Tahan Estates Sdn Bhd	900,000	0.16
25. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund 2DCN for John Hancock Funds II Emerging Markets Fund	676,700	0.12
26. Soon Khiat Voon	665,000	0.12
27. Lee Chee Hai	632,000	0.11
28. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	622,500	0.11
29. Victoria Capital Sdn Bhd	506,700	0.09
30. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund 2CIA for Emerging Markets Value Trust (John Hnck Trust)	504,200	0.09
Total	496,595,677	88.10

SUBSTANTIAL SHAREHOLDERS

	Shareholding			
	Direct	% [3]	Indirect	% [3]
Gek Poh (Holdings) Sdn Bhd	322,975,886	57.31	56,033,300 [1]	9.94
Pembangunan Melati Sdn Bhd	56,033,300	9.94	-	-
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	404,209,886 [2]	71.73

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 and Lei Shing Hong Investment Limited 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 563,523,500 which was arrived at by deducting 59,136,500 treasury shares held by the Company from its issued and paid-up capital of 622,660,000*

DIRECTORS' SHAREHOLDING
as at 21 April 2011

Company :	Direct Shareholding		Indirect Shareholding	
Hap Seng Consolidated Berhad ["HSCB"]	**No. of Shares**	**% (1)**	**No. of Shares**	**% (1)**
Dato' Jorgen Bornhoft	50,000	0.0089	-	-
Related Corporation :				
Hap Seng Plantations Holdings Berhad ["HSP"]	**No. of Shares**	**% (2)**	**No. of Shares**	**% (2)**
Dato' Jorgen Bornhoft	10,000	0.0013	-	-
Datuk Edward Lee Ming Foo, JP	110,000	0.0138	-	-
Lee Wee Yong	70,000	0.0088	-	-
Datuk Simon Shim Kong Yip, JP	180,000	0.0225	-	-
Lt.Gen (R) Datuk Abdul Aziz Bin Hasan	10,000	0.0013	-	-

(1) *For the purpose of computing the percentage of HSCB shareholding above, the number of ordinary shares used was 563,523,500 which was arrived at by deducting 59,136,500 treasury shares held by HSCB from its issued and paid-up capital of 622,660,000.*

(2) *For the purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,988,000 which was arrived at by deducting 12,000 treasury shares held by HSP from its issued and paid-up share capital of 800,000,000.*

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-10	-	-	-	-	-
February-10	-	-	-	-	-
March-10	-	-	-	-	-
April-10	-	-	-	-	-
May-10	1,000	2.77	2.77	2.81	2,813.84
June-10	-	-	-	-	-
July-10	-	-	-	-	-
August-10	-	-	-	-	-
September-10	-	-	-	-	-
October-10	-	-	-	-	-
November-10	1,000	5.00	5.00	5.05	5,046.50
December-10	-	-	-	-	-
Total	2,000	2.77	5.00	3.93	7,860.34

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 2010 were 59,136,500.

PLANTATION STATISTICS

	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	FINANCIAL YEAR ENDED 31.12.2010
CROP PRODUCTION - TONNES					
FFB	768,716	774,710	673,131	672,768	677,071
PROCESSED - TONNES					
FFB - own	730,469	736,739	637,099	630,412	636,033
FFB - purchased	11,048	16,040	19,126	21,635	63,001
Palm Oil	162,145	165,809	141,464	140,985	149,941
Palm Kernel	35,607	36,074	31,900	30,821	33,409
EXTRACTION RATE - %					
Palm Oil	21.87	22.03	21.56	21.62	21.45
Palm Kernel	4.80	4.79	4.86	4.73	4.78
MATURE AREA - HECTARES					
Oil Palm					
Young mature (30 months to less than 7 years)	1,020	2,034	1,329	2,634	2,892
Prime mature (7 years to less than 17 years)	20,637	20,637	19,008	17,899	17,899
Mature (17 years onwards)	8,648	8,489	11,030	12,043	11,296
Total mature area	30,305	31,160	31,367	32,576	32,087
AVERAGE YIELD - TONNES/HECTARE					
FFB	25.37	24.86	21.46	20.65	21.10
Oil per mature hectare	5.55	5.48	4.63	4.47	4.53
AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE					
FFB	301	565	579	445	579
Palm Oil	1,460	2,076	2,314	2,303	2,594
Palm Kernel	839	1,434	1,449	1,012	1,629

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2010

	River Estates Group	Jeroco	* HSP (KM)	Pelipikan Plantation	Total Plantation Division
Oil Palm					
Mature	18,939	12,133	598	417	32,087
Immature	1,714	579	-	805	3,098
Total Oil Palm	20,653	12,712	598	1,222	35,185
Other crop	60	86	-	-	146
Total planted area	20,713	12,798	598	1,222	35,331
Reserves	725	18	81	143	967
Buildings, roads, etc	2,075	1,301	129	-	3,505
Grand Total	23,513	14,117	808	1,365	39,803

Conversion Rate : 1 Hectare = 2.4710 acres

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

FORM OF PROXY

HAP SENG CONSOLIDATED BERHAD (26877-W)

No. of shares	
CDS Account No:	

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 OF PROXY 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-Fifth Annual General Meeting of the Company to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Tuesday, 7 June 2011 at 11.00 a.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	9
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 2011

……..................…………………...............
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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