HAP SENG CONSOLIDATED BERHAD

Annual Report 2012

37th

ANNUAL GENERAL MEETING

Menara Hap Seng
Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia

Wednesday, 29 May 2013 at 2pm

Please refer to pages 192 to 193 for further Information.

Automotive

Credit Financing

Plantations

Property Holding & Development

Fertilizers Trading

Quarry & Building Materials

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Vision

Creating Value Together. To A Better Future.

Mission Statement

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.

Business Divisions

Plantations

Property Holding & Development

Credit Financing

Automotive

Fertilizers Trading

Quarry & Building Materials

Corporate Information

BOARD OF DIRECTORS

DATO' JORGEN BORNHOFT
Independent Non-Executive Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

LEE WEE YONG
Executive Director

DATUK SIMON SHIM KONG YIP, JP
Non-Independent Non-Executive Director

LT. GEN. (R) DATUK ABDUL AZIZ BIN HASAN
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)

REGISTERED OFFICE

21st Floor, Menara Hap Seng
Jalan P. Ramlee, 50250 Kuala Lumpur
Tel : 03 - 2172 5228
Fax : 03 - 2172 5286
Website : www.hapseng.com.my
E-mail : inquiry@hapseng.com.my

PLACE OF INCORPORATION

Malaysia

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

AUDITORS

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

PRINCIPAL BANKERS

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

GROUP

Hap Seng Consolidated Berhad together with its subsidiaries

Directors' Profile

Dato' Jorgen Bornhoft, a Dane, aged 71, 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 became the chairman on 1 February 2007. He is also the chairman of the Audit Committee, Remuneration Committee and Nominating Committee.

In addition, Dato' Bornhoft is an independent non-executive director of Hap Seng Plantations Holdings Berhad, the Company's subsidiary listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a director of The Royal Bank of Scotland Berhad and the vice-chairman of International Beverage Holdings Limited.

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

Dato' Bornhoft joined Carlsberg Brewery Malaysia Berhad (Carlsberg Malaysia) in 1991 as its chief executive officer, and assumed the position of managing director from 1995 to 2002, after which he was the chairman from 2002 to 2005. He re-joined the board of Carlsberg Malaysia as a non-executive director from 2006 to 2007. He also assumed the position as the chief executive officer of Carlsberg Asia Pte Ltd in Singapore from January 2003 to June 2004. Prior to him joining Carlsberg Malaysia, he was the vice-president of 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 interests with the Company. He has not been convicted of any offence in the past 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2012.

Dato' Jorgen Bornhoft

Independent Non-Executive Chairman

Datuk Edward Lee Ming Foo, JP, a Malaysian, aged 58, is the managing director of Hap Seng Consolidated Berhad. He was first appointed to the Board on 1 November 2000 as a non-independent non-executive director, became an executive director on 25 March 2002 and has assumed the current position since 31 March 2005. He is also a member of the Remuneration Committee.

In addition, Datuk Edward Lee is the managing director of both Gek Poh (Holdings) Sdn Bhd (Gek Poh) and Hap Seng Plantations Holdings Berhad. Gek Poh is the holding company of Hap Seng Consolidated Berhad.

Datuk Edward Lee graduated with a degree in Bachelor of Arts from the McMaster University in Canada in 1977. He joined the Malaysian Mosaics Berhad (MMB) group in 1980, became the group chief operating officer in 1995 and was the managing director from 31 March 2005 to 31 January 2007. He is currently a director of MMB.

Datuk Edward Lee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company save for the related party transactions disclosed in Note 38 to the Financial Statements. He has not been convicted of any offence in the past 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2012.

Datuk Edward Lee Ming Foo, JP

Managing Director

Directors' Profile

Lee Wee Yong, a Malaysian, aged 65, is an executive director of Hap Seng Consolidated Berhad and was appointed to this position on 2 February 2011. In addition, Mr. Lee is a director of Gek Poh (Holdings) Sdn Bhd and an executive director of Hap Seng Plantations Holdings Berhad.

Mr. Lee holds a degree in Bachelor of Commerce and Administration from Victoria University in New Zealand and is a member of the Malaysian Institute of Accountants and Institute of Chartered Accountants of New Zealand. He joined the Malaysian Mosaics Berhad (MMB) group in 1992, assumed the position of group chief financial officer from 1 March 2003 to 15 December 2005, and was an executive director from 1 March 1999 to 6 March 2007. He is currently a director of MMB.

Mr. Lee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2012.

Lee Wee Yong

Executive Director

Datuk Simon Shim Kong Yip, JP, a Malaysian, aged 56, is a non-independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 16 February 1996. He is also a member of the Audit Committee, Remuneration Committee and Nominating Committee.

In addition, Datuk Simon Shim is a non-independent non-executive director of Hap Seng Plantations Holdings Berhad. He is also an independent non-executive director of Lam Soon (Thailand) Public Company Limited, a company listed on the Stock Exchange of Thailand.

Datuk Simon Shim is a director of both Lei Shing Hong Limited and Lei Shing Hong Securities Limited. Lei Shing Hong Securities Limited, a company registered with the Securities and Futures Commission Hong Kong, is the wholly-owned subsidiary of Lei Shing Hong Limited, a company in Hong Kong.

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 both the Chartered Institute of Arbitrators, United Kingdom and the Malaysian Institute of Arbitrators. He is 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 interests with the Company save for the related party transactions disclosed in Note 38 to the Financial Statements. He has not been convicted of any offence in the past 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2012.

Datuk Simon Shim Kong Yip, JP

Non-Independent Non-Executive Director

Directors' Profile

Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan, a Malaysian, aged 67, is an independent non-executive director of Hap Seng Consolidated Berhad. He was first appointed to the Board on 24 September 2003 as a non-independent non-executive director and was subsequently re-designated to an independent non-executive director on 29 November 2012.

Datuk Abdul Aziz started his career in the Malaysian Army since 1964 and retired in 2001 as Deputy Chief of Army. Upon retirement, he was the executive director of Arsenal Industries (M) Sdn Bhd, a subsidiary of Penang Shipyard and Construction Industries, from 2001 to 2002. He was also a director of Jotech Holdings Berhad from 2001 to 2006, and Konsortium Muhibbah Engineering/Lembaga Tabung Angkatan Tentera from 2001 to 2007. He was the chairman of Tien Wah Press Holdings Berhad and its audit committee from 2000 to 2005. From 2002 to 2005, he was the chairman of Tabung Haji Plantations Sdn Bhd and its audit committee as well as the chairman of Hospital Pusrawi Sdn Bhd and its audit committee. He was a director of Transnational Insurance Brokers Sdn Bhd from 2003 to 2010.

Currently, Datuk Abdul Aziz is a director of Pyrotechnical Ordinance (M) Sdn Bhd, a subsidiary of Bousted Heavy Industries Corporation Berhad and a director of Nam Fatt Corporation Berhad (in liquidation).

Datuk Abdul Aziz 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.

Datuk Abdul Aziz does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2012.

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

Independent Non-Executive Director

Dato' Mohammed Hussein, a Malaysian, aged 62, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 15 July 2008. He is also a member of the Audit Committee and Nominating Committee.

In addition, Dato' Mohammed is the non-executive chairman of Quill Capita Management Sdn Bhd which manages Quill Capita Trust, a real estate investment trust listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a director of Danajamin Nasional Berhad, PNB Commercial Sdn Bhd, University Malaysia Kelantan and a member of the Corporate Debt Resolution Committee sponsored by Bank Negara Malaysia to facilitate resolution and restructuring of major corporate debts.

He is also an independent non-executive director of CapitaCommercial Trust Management Ltd which manages CapitaCommercial Trust, a real estate investment trust listed on the Singapore Stock Exchange and chairman of Malaysia Commercial Development Fund Pte Ltd.

Dato' Mohammed graduated with a degree in Bachelor of Commerce (Accounting) from the University of Newcastle, Australia in 1971 and completed the Harvard Business School Advanced Management Program in Boston, USA in 2003.

During his 31-year career with the Malayan Banking Berhad (Maybank) group, Dato' Mohammed was a member of the senior management committee for 20 years to catalyze the progression of Maybank into Malaysia's leading financial services group. The various senior management positions he held include Head of Corporate Banking, Head of Commercial Banking, Head of Malaysian Operations, Head of Investment Banking Group, Executive Director (Business Group). Prior to his retirement in January 2008, he was the 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 interests with the Company. He has not been convicted of any offence in the past 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2012.

Dato' Mohammed Hussein

Independent Non-Executive Director

Directors' Profile

Tan Ghee Kiat, a Malaysian, aged 64, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 1 January 2011. Prior to this, he was a non-executive director of the Company from 31 December 2002 to 31 January 2007. He is also a member of the Audit Committee.

Mr. Tan has more than 30 years of experience in audit and corporate advisory services. He is a fellow member of the Institute of Chartered Accountants in England & Wales as well as a member of both the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

He is a partner in Sekhar & Tan, a firm of chartered accountants which he founded in 1993 after he left Deloitte, Touche & Tohmatsu, Malaysia. He is a director of Prestige Jaya Labuan Limited and also a trustee of Yaw Teck Seng Foundation and Dijaya Tropicana Foundation.

Mr. Tan does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 10 years.

He attended 2 out of the 4 board meetings held during the financial year ended 31 December 2012.

Tan Ghee Kiat

Independent Non-Executive Director

Artist impression of Menara Hap Seng 2

Consolidated Income Statement Summary

	FYE 31.12.2010 RM'000	FYE 31.12.2011 RM'000	FYE 31.12.2012 RM'000
Revenue	2,789,410	3,628,380	**3,958,899**
Gross profit	629,322	866,125	**929,685**
Operating profit	455,222	714,643	**716,715**
Finance costs	(66,188)	(97,216)	**(93,977)**
Profit before tax	504,456	634,999	**677,107**
Tax expense	(95,403)	(141,872)	**(190,653)**
Profit for the year	409,053	493,127	**486,454**
Profit attributable to:			
- Owners of the Company	323,132	375,602	**422,632**
- Non-controlling interests	85,921	117,525	**63,822**
	409,053	493,127	**486,454**
Basic earnings per share (sen)	17.82[1]	18.85	**19.58**
Diluted earnings per share (sen)	-[2]	18.85	**19.55**

Notes:

1 *Basic earnings per share for financial year ended 31.12.2010 has been re-stated to reflect the retrospective adjustments arising from bonus issue and rights issue completed in the financial year ended 31.12.2011 in accordance to "FRS 133, Earnings per Share".*

2 *There is no diluted earnings per share in the financial year ended 31.12.2010.*

Group Financial Highlights

	11 MONTHS PERIOD ENDED 31 DECEMBER 2008	FINANCIAL YEAR ENDED 31 DECEMBER 2009	2010	2011	2012
INCOME (RM'000)					
(i) Revenue	3,165,250	2,464,242	2,789,410	3,628,380	**3,958,899**
(ii) Operating profit	579,296	193,806	455,222	714,643	**716,715**
(iii) Profit before tax *	503,382	172,760	504,456	634,999	**677,107**
(iv) Profit attributable to Owners of the Company *	313,975	100,243	323,132	375,602	**422,632**
** Includes Other Non Operating Items*	*2,252*	*44,781*	*92,685*	*(2,175)*	-
FINANCIAL POSITION (RM'000)					
Key data					
Assets					
(i) Total tangible assets	5,545,179	4,927,920	5,354,031	6,790,374	**6,622,726**
(ii) Net assets	2,302,450	2,335,129	2,586,214	3,293,417	**3,398,641**
(iii) Current assets	2,974,011	1,967,138	1,904,502	3,049,349	**2,692,028**
Liabilities and Shareholders' Funds					
(i) Current liabilities	2,236,091	1,438,466	1,509,219	1,634,653	**1,728,966**
(ii) Paid-up share capital	622,660	622,660	622,660	2,186,357	**2,186,364**
(iii) Shareholders' funds	2,302,450	2,335,129	2,586,214	3,293,417	**3,398,641**
PER SHARE					
(i) Basic earnings (sen) **	17.31 [a]	5.53 [a]	17.82 [a]	18.85	**19.58**
(ii) Net assets (RM) ***	4.09	4.14	4.59	1.51	**1.61**
(iii) Gross dividend (sen)	4.00 [b]	4.00 [b]	8.80 [b]	8.60	**10.50**
(iv) Net dividend (sen)	3.31 [b]	4.00 [b]	8.80 [b]	8.60	**10.50**
*** Based on weighted average number of shares in issue net of treasury shares ('000)*	*1,813,538 [a]*	*1,813,532 [a]*	*1,813,525 [a]*	*1,993,085*	***2,158,584***
**** Based on number of shares in issue net of treasury shares ('000)*	*563,528 [a]*	*563,526 [a]*	*563,524 [a]*	*2,180,927 [c]*	***2,113,108***
FINANCIAL RATIOS					
(i) Return on total tangible assets (%)	5.66	2.03	6.04	5.53	**6.38**
(ii) Return on shareholders' funds (%)	13.64	4.29	12.49	11.40	**12.44**
(iii) Current ratio (times)	1.33	1.37	1.26	1.87	**1.56**
(iv) Gearing ratio (times)	1.06	0.78	0.74	0.77	**0.66**
(v) Gearing ratio net of cash (times)	0.91	0.59	0.66	0.57	**0.51**

Notes:

[a] *Restated to reflect the retrospective adjustments arising from the bonus issue and rights issue completed in the financial year ended 31.12.2011 in accordance to "FRS 133, Earnings per Share".*

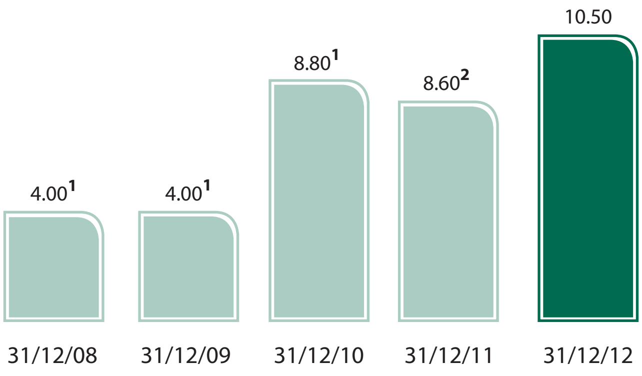
[b] *Restated to reflect the retrospective adjustment arising from the bonus issue completed during the financial year ended 31.12.2011.*

[c] *Includes private placement of 43,800,000 shares, bonus issue of 1,214,643,000 shares and rights issue of 364,392,900 shares.*

Group Financial Highlights

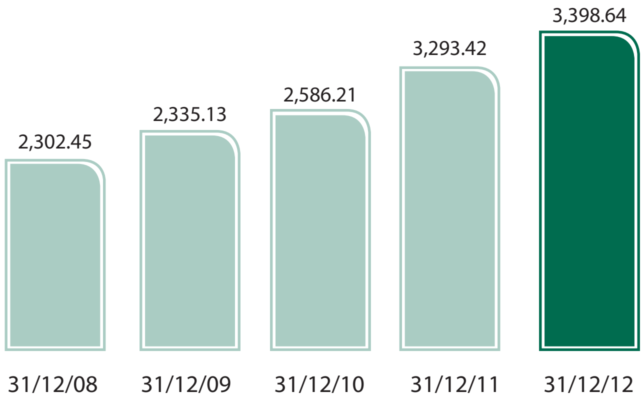
Dividend Per Share (gross)

(sen)



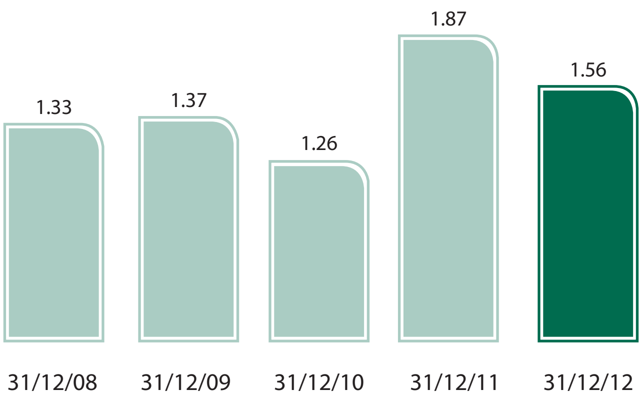
Shareholders' Funds

(RM'million)



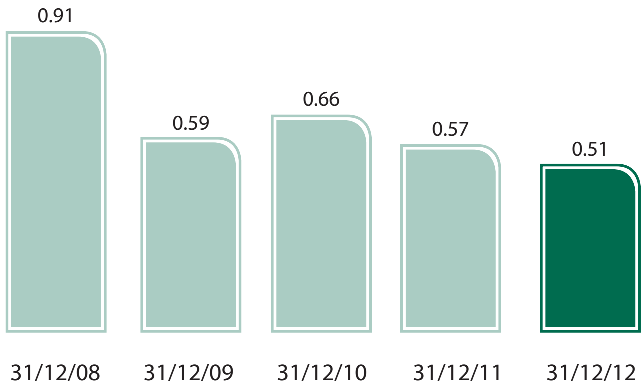
Current Ratio

(times)



Gearing Ratio Net of Cash

(times)



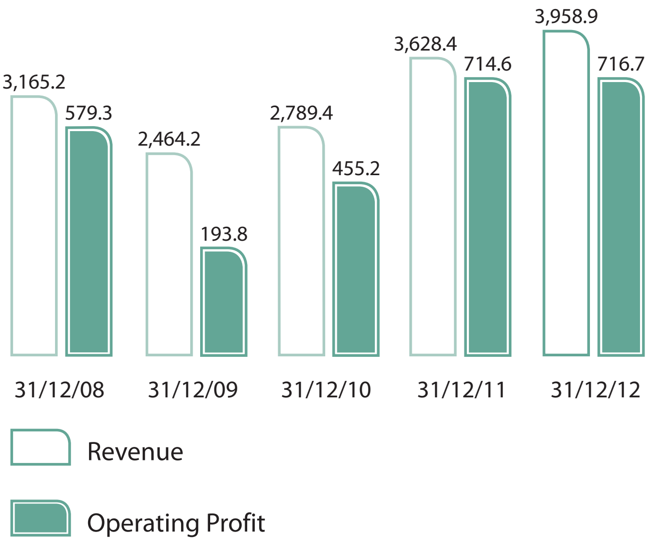
Notes:

1 *Dividend per share (gross) for the financial period ended 2008 and financial years ended 2009 to 2010, have been restated to reflect the retrospective adjustment arising from the bonus issue completed in the financial year ended 31.12.2011.*

2 *Dividend per share (gross) for the financial year ended 31.12.2011 was on the enlarged share capital after the private placement, bonus issue and rights issue.*

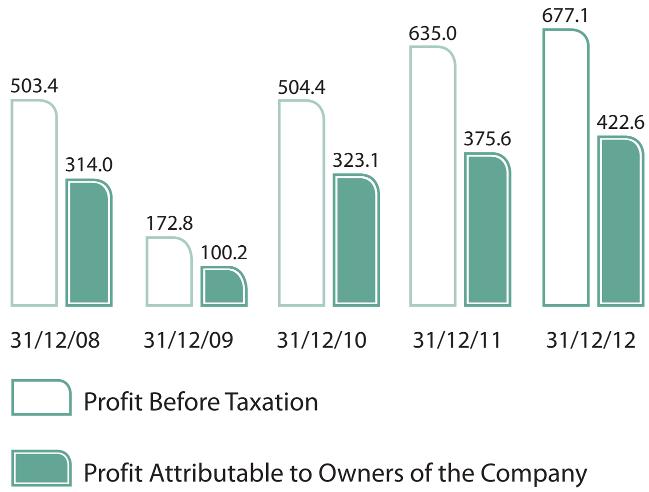
Revenue and Operating Profit

(RM'million)



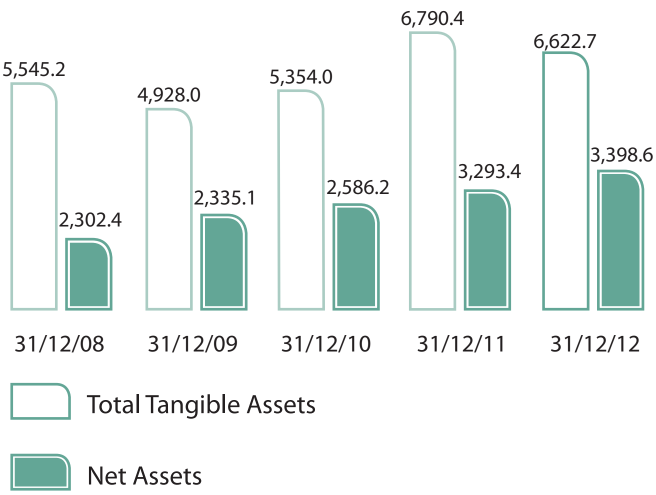
Profit Before Taxation and Profit Attributable to Owners of the Company

(RM'million)

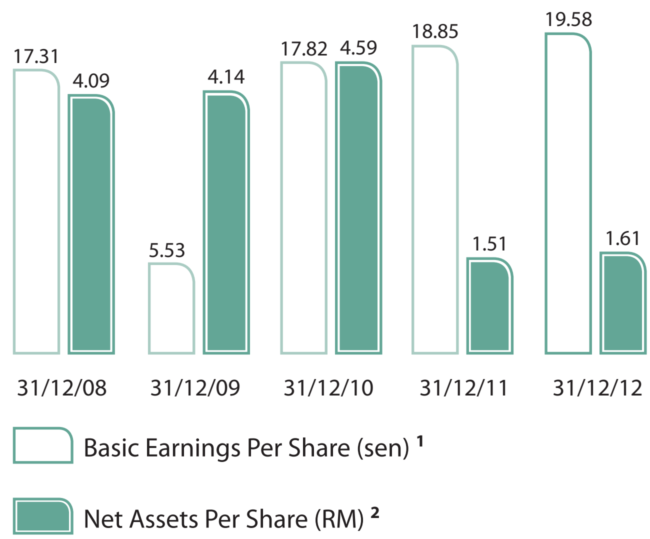


Total Tangible Assets and Net Assets

(RM'million)



Basic Earnings Per Share [1] and Net Assets Per Share [2]



Notes:

1 *Basic earnings per share for the financial period ended 2008 and financial years ended 2009 to 2010, have been restated to reflect the retrospective adjustments arising from the bonus issue and rights issue completed in the financial year ended 31.12.2011 in accordance to "FRS 133, Earnings per Share".*

2 *Net assets per share were computed based on the number of shares in issue net of treasury shares ('000) as follows:-*
Financial period ended 31.12.2008 : 563,528 shares
Financial year ended 31.12.2009 : 563,526 shares
Financial year ended 31.12.2010 : 563,524 shares
Financial year ended 31.12.2011 : 2,180,927 shares
Financial year ended 31.12.2012 : 2,113,108 shares

Chairman's Statement

Dato' Jorgen Bornhoft

Independent Non-Executive Chairman

The Company witnessed another year of robust profit against the global economic downturn.

On behalf of the Board of Directors of the Company (Board), it gives me much pleasure to report that the Company has delivered a commendable set of results against the economic downturn in many developed countries. The financial year ended on 31 December 2012 (FY 2012) witnessed another year of robust profit for the Company.

ECONOMIC REVIEW

The FY 2012 has been arduous for the global economy which was characterized particularly by the euro-zone debt crisis, high unemployment in the United States and the weaker growth in China. Notwithstanding the gloomy global economic situation, the Malaysian economy remained resilient. It recorded a 5.6% gross domestic product (GDP) growth underpinned by strong domestic demand as well as private and public investment outlays propelled mainly by the government's Economic Transformation Programme (ETP).

FINANCIAL PERFORMANCE

Despite a challenging operating environment, the Group posted a 13% growth in profit attributable to shareholders at RM422.6 million (2011: RM375.6 million). Earnings per share were higher at 19.58 sen (2011: 18.85 sen) while net assets per share rose to RM1.61 from RM1.51 as at 31 December 2012. On the back of a 9% revenue growth at RM4.0 billion (2011: RM3.6 billion), the Group recorded higher operating profit at RM716.7 million (2011: RM714.6 million) and profit before tax at RM677.1 million (2011: RM635.0 million).

OPERATIONS REVIEW

Plantations

The Plantations Division's performance was adversely impacted by both the substantially lower average crude palm oil (CPO) price and the significant decline in the fresh fruit bunch (FFB) production. Consequently, the division recorded a 20% decline in revenue to RM526.5 million (2011: RM654.9 million) and a 44% decline in operating profit to RM193.6 million (2011: RM342.9 million).

Property Holding & Development

The Property Holding & Development Division registered a year of sterling performance with 89% growth in revenue at RM645.0 million (2011: RM341.5 million) and 115% growth in operating profit at RM438.9 million (2011: RM204.6 million).

Menara Hap Seng, our flagship investment property, recorded an improved occupancy rate at 96% (2011: 94%) whilst Menara Citibank (approximately 50% held by our Group) also recorded an improved occupancy rate at 95% (2011: 90%). These two major investment properties demonstrated a stable return consistent with the industry's average.

Credit Financing

On the back of a 12% growth in loan base to RM1.5 billion and a low gross non-performing loan ratio at 0.9%, the division registered a 15% growth in revenue at RM111.3 million (2011: RM96.9 million) which translated to a corresponding 15% growth in operating profit at RM90.6 million (2011: RM79.0 million).

Automotive

Despite the highly competitive automobile trading condition in Malaysia, the division registered a 16% growth in revenue at RM550.1 million (2011: RM475.6 million) and garnered a 31% market share in Malaysia.

However, FY 2012 was an extremely difficult year for the automotive business in Vietnam mainly due to the increase in the vehicle registration taxes by the Vietnamese government. In tandem with such market trend, the Automotive Division in Vietnam suffered lower revenue at RM212.6 million (2011: RM335.8 million).

Accordingly, the division posted an overall operating loss of RM7.3 million in FY 2012 (2011: RM20.7 million operating profit).

Fertilizers Trading

During the FY 2012, the Fertilizers Trading Division registered a 12% growth in revenue at RM1.3 billion (2011: RM1.2 billion), with 72% contributed by the Malaysia market and the balance 28% contributed by the Indonesia market (2011: 73% Malaysia; 27% Indonesia). However, the operating profit was 64% lower at RM22.8 million (2011: RM62.4 million), impacted by adverse trading conditions in Indonesia.

Quarry & Building Materials

The Quarry and Building Materials Division chartered a 13% growth in revenue at RM618.5 million (2011: RM549.1 million). However, the division suffered an operating loss of RM3.7 million (2011: RM17.0 million operating profit) due to the poor performance of the trading segment within the division. A rationalization exercise was subsequently undertaken to focus on improving production efficiency and overall management of the quarry and bricks operations.

ASSOCIATES

The Group's share of profit from associates increased significantly to RM54.4 million (2011: RM19.7 million), primarily due to the improved contributions from both Lam Soon (Thailand) Public Company Limited and Inverfin Sdn Bhd, the company which owns Menara Citibank.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF FY 2012

On 8 March 2013, the Group completed the disposal of its entire 25% equity in Lei Shing Hong (Singapore) Pte Ltd for a cash consideration of SGD47,313,553 (approximately RM118 million) which gave rise to a gain of approximately RM78.9 million to the Group.

As announced on 18 March 2013, the Group had on even date entered into a conditional agreement to dispose of its 51% equity in Hap Seng Star (Vietnam) Sdn Bhd (HSSV) for a cash consideration of RM153 million and to accept a put option to dispose of the remaining 49% at the option price of RM147 million. The transactions contemplated therein, if completed, are expected to give rise to a gain of approximately RM209 million.

ENHANCING SHAREHOLDER VALUE

The Company is committed to creating long-term sustainable growth and to return value to you as our valued shareholders. As part of the Company's commitment to pay up to 50% of the Group's profit attributable to shareholders, the Company has declared and paid two interim dividends for the FY 2012, with the first interim dividend of 4.5 sen paid on 8 August 2012 and the second interim dividend of 6.0 sen paid on 29 March 2013. The total dividend of 10.5 sen, constitutes approximately 53% of the Group's profit for FY 2012, compared favourably with the total dividend of 8.6 sen payout in 2011.

To further enhance shareholder value, the Company will be seeking your approval on renewing the share buy-back mandate. This mandate, if obtained, will give the Company the authority and flexibility to purchase the Company's shares, if and when the circumstances justify, in the best interests of the Company.

LOOKING FORWARD

Malaysia's economic outlook is expected to remain stable in 2013 with continuing strong domestic consumption and investments which are bolstered by improved business environment and accommodating interest rates.

Having a well-diversified range of core business activities, the Group is focused on expanding the core businesses as well as maximizing synergies among the various businesses. In all its core businesses, the Group will strive to address near-term challenges and to seize opportunities to strengthen its platform for the future.

In addition, the Group will be actively pursuing the development planning on various parcels of land recently acquired, as part of its strategy to focus on developments in the sought-after addresses in the Klang Valley.

With the progression of the ETP, the Group is optimistic of a better year for the Quarry and Building Materials Division. The division is set to benefit from large infrastructure projects which are the main drivers of the ETP as well as the much touted multi-billion dollar Iskandar Malaysia Project in Johor.

The Automotive Division in Malaysia will continue to step up its efforts to achieve higher market penetration through improving customer satisfaction as well as investing into additional dealership outlets to increase its presence in the Klang Valley.

Team building retreat of Hap Seng Credit's staff members

Hap Seng Properties Development team meeting in Tawau, Sabah

Corporate staff attended the self defence training

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to all our shareholders, business partners, suppliers and customers for their unrelenting support and confidence. I also put on record our appreciation for the dedication and commitment of our staff members for enabling the Company to witness another year of sterling performance.

On 31 December 2012, both Datuk Henry Chin Poy-Wu and Mr. Lau Teong Jin resigned from the Board as independent directors after having served for more than 9 years. I wish to thank them for their immense contributions during their tenure of service.

In this challenging journey of scaling new heights, I assure you of our unwavering focus and commitment to improve the return to you as shareholders.

Jorgen Bornhoft

Review of Operations

PLANTATIONS

The successful RSPO certification of Bukit Mas Palm Oil Mill is a testament of our commitment to palm oil sustainability.

The Plantations Division is held via Hap Seng Plantations Holdings Berhad, a listed subsidiary of the Company. The plantation estates are located at 3 geographical areas in Sabah. The first area, which houses 3 major groups of estates, namely Jeroco Group of Estates (JGOE), Tomanggong Group of Estates (TMGOE) and Sungai Segama Group of Estates (SSGOE), is situated between Lahad Datu and Sandakan. This area, measuring 36,354 hectares, is by far the largest contiguous plot of plantation land held by a listed company in Sabah.

The second area measuring 1,276 hectares, which houses the Ladang Kawa Estate, is situated in Tawau. The third area measuring 2,173 hectares, which houses the Pelipikan Estate and the Kota Marudu Estate, is situated in Kampung Natu, Kota Marudu.

Harvesting of fresh fruit bunch

Bukit Mas Palm Oil Mill

Review of Operations
PLANTATIONS

Selected oil palm seedlings ready for field planting at Kapis Estate, Jeroco Group of Estates

FY 2012 was indeed a challenging year for the palm oil industry in Malaysia due to the much weaker CPO prices and lower CPO production.

The world demand for CPO weakened considerably in the face of prolonged euro-zone crisis and the slowdown in the China's economy as well as the overall weaker vegetable oil prices. Coupled with the higher crop production in the second half of the year, the CPO inventory level in Malaysia hit a historical high of 2.63 million tonnes at the end of FY 2012. Accordingly, from its peak at RM3,600 per tonne in the beginning of FY 2012, CPO prices plummeted to its lowest at RM1,970 per tonne in early December before finishing the year at an average of RM2,764 per tonne (2011: RM3,219 per tonne).

The substantially depressed CPO prices had spurred the Malaysian government to announce a staggered reduction in CPO export taxes as well as a removal of duty-free CPO export quota. In spite of this, any significant strengthening of CPO prices was limited by softer world demand for CPO and weaker vegetable oil prices as well as the lingering concern over the build-up of CPO inventory. On the back of such weak sentiments, the division achieved an average CPO price realisation of RM2,773 per tonne (2011: RM3,226 per tonne) which compared favourably with the average CPO price realisation of RM2,690 per tonne for Sabah.

Due to biological palm stress and heavy rainfall in the early part of FY 2012, total fresh fruit bunches (FFB) production was lower at 665,812 tonnes (2011: 738,969 tonnes) with yield at 21.86 tonnes per hectare (2011: 23.79 tonnes per hectare). This has resulted in a lower CPO production at 154,595 tonnes

Elaeis gold

(2011: 168,025 tonnes) and lower palm kernel production at 34,587 tonnes (2011: 37,050 tonnes).

Against such adverse operating environment, the division recorded a lower revenue at RM526.5 million (2011: RM654.9 million) and lower operating profit at RM193.6 million (2011: RM342.9 million).

Planted & Mature Area

During the FY 2012, total planted area of the division increased to 35,697 hectares (2011: 35,617 hectares) with 85% or 30,455 hectares accounted by mature palms. In accordance with the division's 4% annual replanting policy, 1,323 hectares were replanted during the year. As at the end of FY 2012, there were 5,096 hectares of immature oil palm area with 927 hectares expected to come into maturity in 2013.

	Total Area (hectares)	Planted Area (hectares)	Matured Area (hectares)
JGOE	14,117	*12,808	10,999
TMGOE	12,331	**11,426	8,687
SSGOE	9,906	8,761	8,761
Ladang Kawa	1,276	1,201	1,201
Pelipikan	1,365	903	209
Kota Marudu	***808	598	598
Total	39,803	35,697	30,455

* *Including 86 hectares planted with jelutong trees*

** *Including 60 hectares planted with sepat trees*

*** *Including 81 hectares of adjoining land currently under application*

Review of Operations
PLANTATIONS

Infield fresh fruit bunch collection with Toughfar at Sungai Segama II

Oil Extraction Rate & Milling

The average oil extraction rate (OER) during FY 2012 improved marginally to 21.29% (2011: 20.96%) due to better weather. Oil per mature hectare was lower at 4.65 tonnes (2011: 4.99 tonnes) due to lower FFB yield which however compared favourably with the average oil per mature hectare of 4.29 tonnes for Sabah.

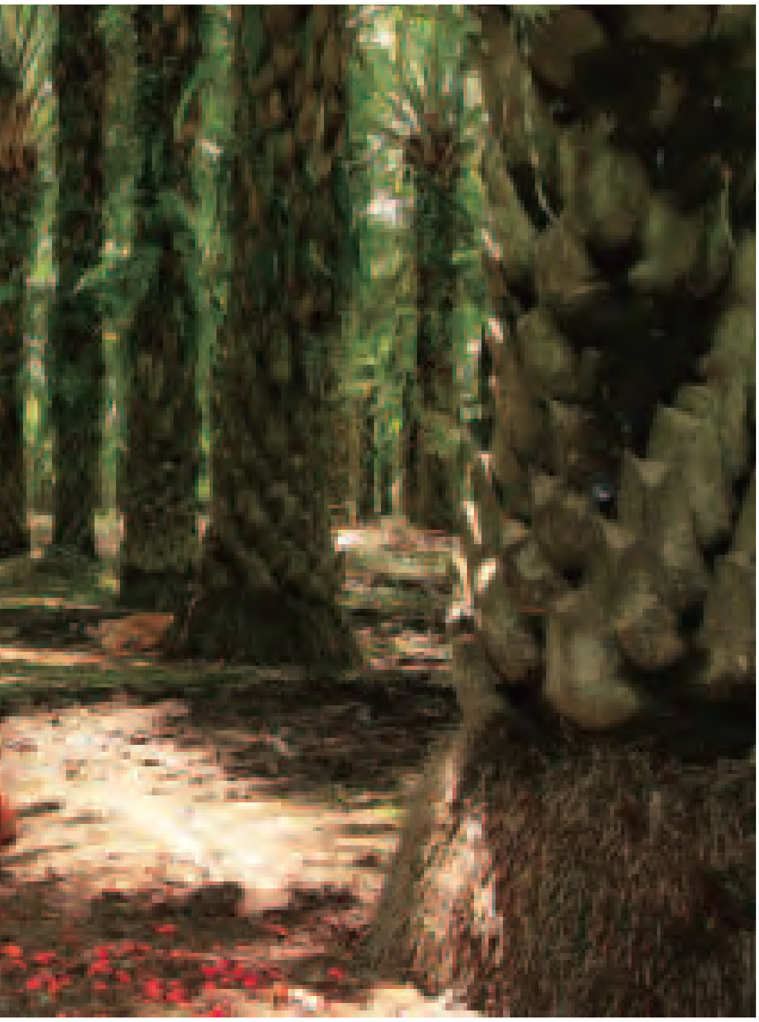
Milling operations are carried out at the division's 4 mills with a total milling capacity of 175 FFB tonnes per hour. However, the average utilisation of such milling capacity was lower at 68% in FY 2012 (2011: 75%) due to the lower FFB processed.

Milling capacity of the 4 mills:–

	FFB tonnes per hour
Jeroco Palm Oil Mill 1	60
Jeroco Palm Oil Mill 2	30
Tomanggong Palm Oil Mill	40
Bukit Mas Palm Oil Mill	45
	175

Roundtable on Sustainable Palm Oil (RSPO) Certification

The division embraces good agricultural practices for sustainability and is a member of the RSPO that promotes the growth and use of sustainable oil palm products through credible global standards and engagement of stakeholders.



Fresh fruit bunch evacuation by harvester

Collection of fresh fruit bunch by harvester

The division has made significant progress in its initiatives towards the production of sustainable palm oil. This has culminated in our Bukit Mas Palm Oil Mill achieving the RSPO certification in May 2012, with which both the Sungai Segama Group of Estates and Bukit Mas Palm Oil Mill are now internationally accredited as sustainable palm oil producers in compliance with global standards of production. The division has also embarked on similar certification exercise for the other 3 oil mills.

Outlook

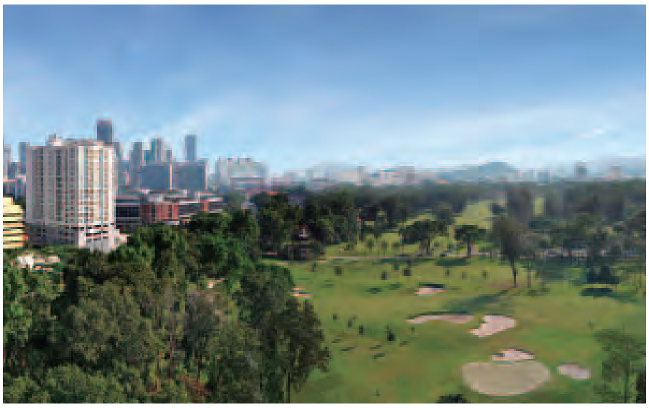
The record high stockpile of 2.63 million tonnes in FY 2012 has come off slightly with exports to-date exceeding production output. With the expectation of lower FFB output evident in recent weeks, the overall inventory level is anticipated to be on the decline. This trend may be further supported by the various biodiesel initiatives undertaken by the government.

However, any significant strengthening of the CPO price may be limited as the CPO stockpile remains high despite the easing off, and such recovery may also be weighed down by the overall weaker vegetable oil price.

Accordingly, it is envisaged that year 2013 is likely to be a challenging year and the division would continue its relentless efforts to maximize operational efficiencies to mitigate the impact of such challenges.

Review of Operations

PROPERTY HOLDING & DEVELOPMENT



View of Royal Selangor golf course and KL City from The Horizon Residences

The division successfully launched a total of 612 units with GDV of RM483 million in FY 2012, including its first luxurious residential development in the Klang Valley, THE HORIZON RESIDENCES.

The division encompasses both property development and property investment in the Klang Valley and Sabah.

Property Development

Klang Valley

In the Klang Valley, the division is building itself into a luxurious residential property developer.

Our presence is graced by 2 landmark property development projects, namely D'Alpinia, Puchong and The Horizon Residences, Kuala Lumpur.

D'Alpinia is our maiden flagship development in Klang Valley. The 76-acre gated and guarded development, built under a 10%-90% build-then-sell concept, was launched in 2007. When completed, it will comprise 1,156 units of

Indah Regency Show Unit in Tawau, Sabah

landed and high-rise residential and shop office. To date, 538 units of landed properties with GDV of RM383 million has been completed including the Urbana comprising 64 units of bungalow and link-bungalow with GDV of RM120 million which was completed in FY 2012. Projects under planning in D'Alpinia include the Andana Condominium and Villa, consisting of 116 condominium units and 30 villas; and Phase 1 of Business Park D'Alpinia, consisting of 34 units of shop offices.

The Horizon Residences marked the division's first foray into the luxurious condominium market in the Klang Valley. The Horizon Residences, strategically located along Jalan Tun Razak bordering the prestigious Royal Selangor Golf Club, features 2 blocks of 26-storey serviced residence with 335 well appointed residential units boasting unparallel view of the KL city skyline and the lush greens of the golf course. With a total GDV of RM380 million, the development is targeted to be completed in early 2015. During FY 2012, The Horizon Residences registered excellent take up-rate among local and overseas buyers.

Sabah

In Sabah, the division is a leading integrated township developer with many successful developments in Kota Kinabalu, Tawau, Sandakan and Lahad Datu.

The developments in Kota Kinabalu include Plaza Kingfisher, Kingfisher Park and Kingfisher Sulaman. Plaza Kingfisher comprises commercial development of 148 units of shop and shop-office with a GDV of RM83 million. Kingfisher Park is a residential development

Indah Regency, Bandar Sri Indah in Tawau

comprising 761 units with a GDV of RM240 million whereas Kingfisher Sulaman comprises 435 residential units and 8 commercial shop units with a total GDV of RM246 million. Moving forward, the division has another 470 acres of land bank in Kota Kinabalu which are currently under various stages of planning and preparation for future launches.

Bandar Sri Indah, a flagship development in Tawau, is a fully integrated township spanning 1,300 acres of mixed residential, commercial and industrial properties. It is complete with facilities such as an eco-park and a 25-acre private school catering for both primary and secondary education. The development has completed 1,474 units of residential, commercial and industrial properties with a GDV of RM451 million. During FY2012, the Indah Regency, forming part of the Bandar Sri Indah township, was completed with 102 units of high-end bungalow and link-bungalow. Located next to a forest reserve, these residential units are resplendent with breathtaking view of the greenery. As part of our commitment to the local community in providing affordable housing, the division also launched the remaining 146 units of single storey terrace houses. Moving forward, the division is planning another 1,151 residential and industrial units in Bandar Sri Indah.

Bandar Sri Perdana, the division's successful township development in Lahad Datu, continues to contribute significantly to the division performance. This 300-acre prominent township, with comprehensive facilities such as hotel, hypermarket, fast food chain and other conveniences, has seen the completion of 1,203 units of residential and commercial property totalling a GDV of RM381 million. In 2011, the division launched

Review of Operations
PROPERTY HOLDING & DEVELOPMENT

Urbana @ D'Alpinia in Puchong

a further 140 commercial shops. Both premium products were well received. Presently, 66 residential units are planned for launching.

Palm Heights, another success story in Lahad Datu, has transformed the locality into a sought after address. The 90-acre development will comprise approximately 780 units of residential and commercial properties of which 350 residential units have been completed to date. During FY 2012, the division launched 96 units of double storey terrace and semidetached residential units and 35 units of commercial shops with a total GDV of RM66 million. Planning for another 231 residential and commercial units in Palm Heights is currently under way.

In Sandakan, the division continues to concentrate on its 98-acre development known as Astana Heights. To date, 241 units of residential and commercial properties with a total GDV of RM92 million have been completed.

Property Investment

In the Klang Valley, the total net lettable area of 1 million square feet made up by both Menara Hap Seng and Menara Citibank (about 50% owned by the Group) recorded stable performance during FY 2012. Menara Hap Seng recorded a 96% occupancy rate (2011: 94%) whereas Menara Citibank recorded a 95% occupancy rate (2011: 90%). In addition, Menara Citibank is the first commercial building in Malaysia to receive a provisional certificate from the Green Building Index Accreditation Panel (GBIP).

Bungalow units at Urbana @ D'Alpinia, Puchong

D'Alpinia, Puchong

The division also undertook a rationalisation exercise to position itself into prime locations within the Klang Valley. Accordingly, the division divested several properties not within the strategic locations at a total net gain of RM256 million, the sale proceeds of which are to be utilised to pursue acquisition opportunities within the prime areas of the Klang Valley.

To cement our presence in the Kuala Lumpur central business district (CBD), the division has commenced the construction of its second flagship commercial building, Menara Hap Seng 2. It is a 30-storey Grade A green building index-compliant office tower which upon completion, will elevate the division's image besides positively changing the landscape and skyline of the CBD.

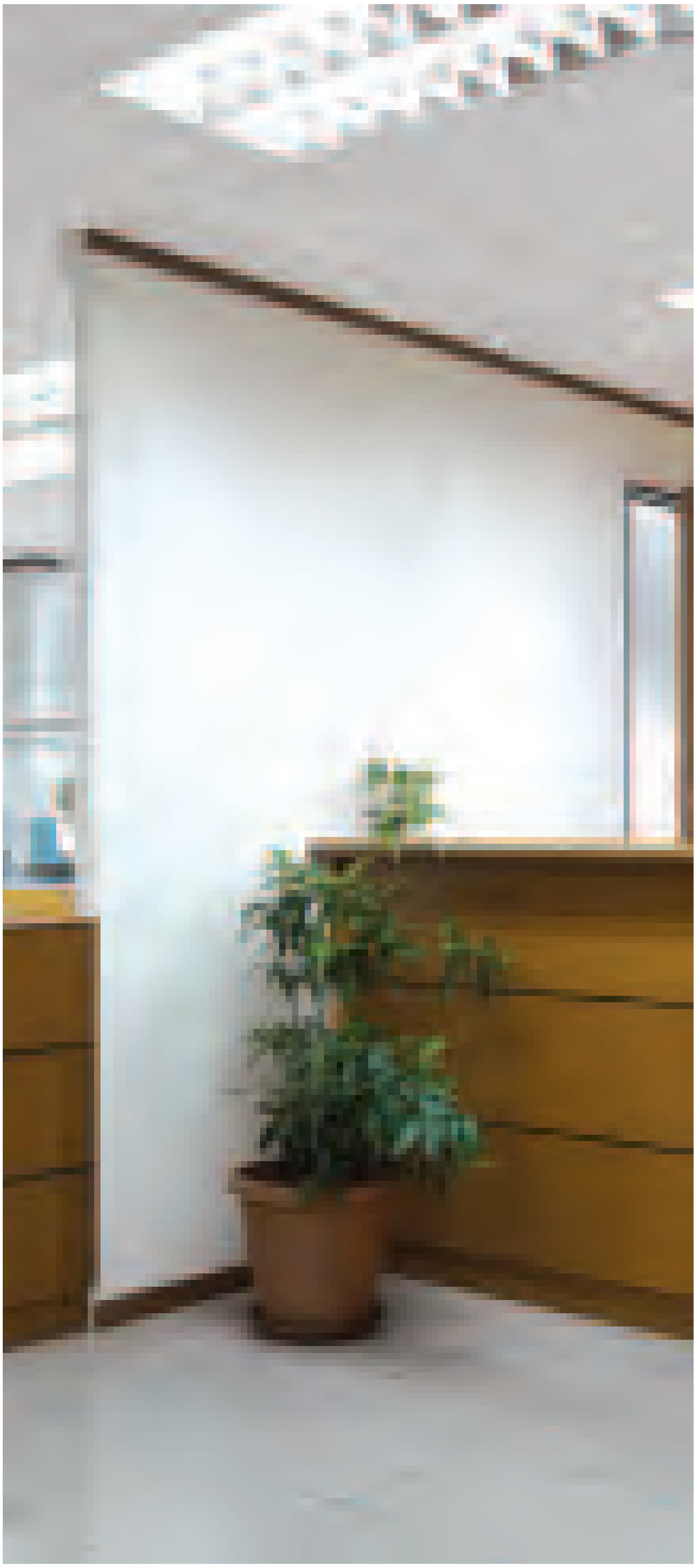
Division Performance

The division recorded a 89% revenue growth to RM645.0 million (2011: RM341.5 million) and 115% operating profit growth to RM438.9 million (2011: RM204.6 million).

The property market in Malaysia is likely to remain buoyant in 2013, particularly for strategically-located properties. With the active progression of our Menara Hap Seng 2 and the re-positioning of our property developments in prime locations of the Klang Valley, we believe the division is well-placed to benefit from such upward trend.

Review of Operations
CREDIT FINANCING

Credit Financing Division achieved 15% growth in gross operating revenue and 12% growth in loan base.



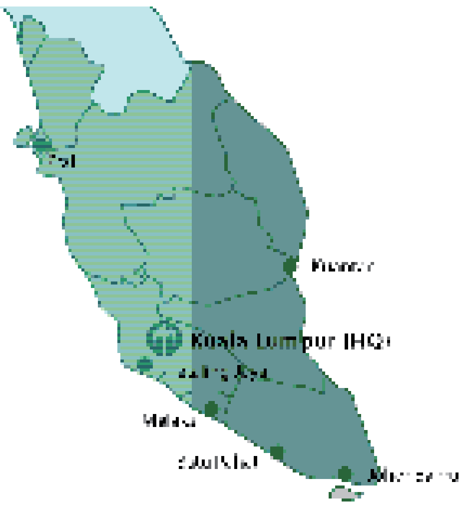
The credit financing business is principally involved in the provision of industrial hire-purchase, leasing and term loans mainly for small and medium enterprises (SME) and is one of the top three lenders in the non-bank sector in Malaysia.

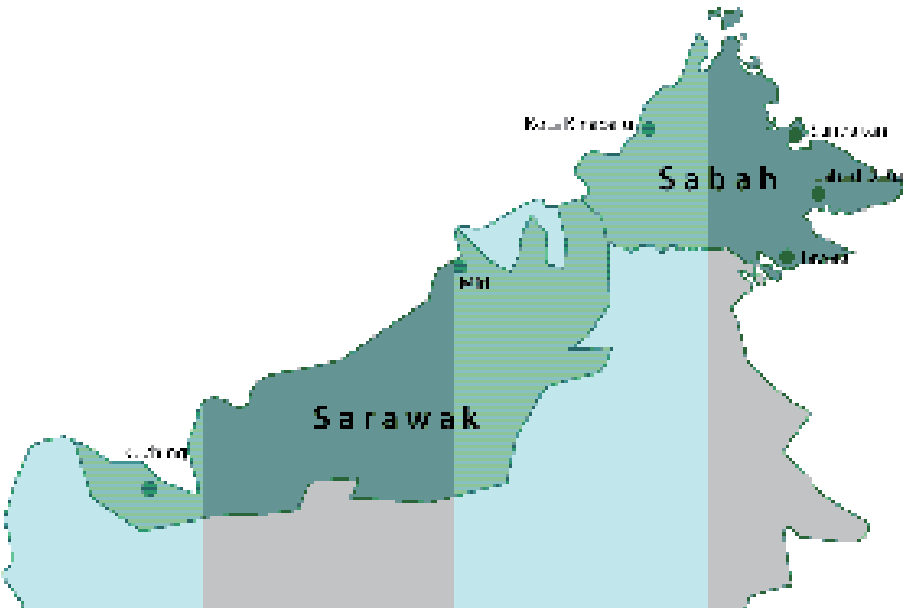
The division recorded a 15% growth in gross operating revenue at RM111.3 million for FY2012 (2011: RM96.9 million). This was achieved on the back of a 12% loan growth to RM1.5 billion (2011: RM1.4 billion) which exceeded the banking industry system loan growth of 10%.

Hap Seng Credit office in Miri, Sarawak

Review of Operations

CREDIT FINANCING





CREDIT FINANCING DIVISION BRANCH NETWORK MAP

The division operates a network of 12 branches with 6 in Peninsular Malaysia, 4 in Sabah and 2 in Sarawak.

Our primary focus is on SMEs requiring working capital and equipment financing. The SME sector forms the bedrock of private sector activities, contributing up to 32% of the Malaysia's GDP and employs 56% of the country's workforce.

Over the years, the division has built up a diversified portfolio which includes manufacturing, business services, landed property and agriculture. To date, the division has approximately 10,000 active accounts.

Quality of loans has improved with gross non-performing loan (NPL) ratio of 0.9% (2011: 1.1%) which compared favourably with the industry average of 2.0%, a testament to the robust and resilient loan sector the division has identified and will continue to pursue in its growth strategy.

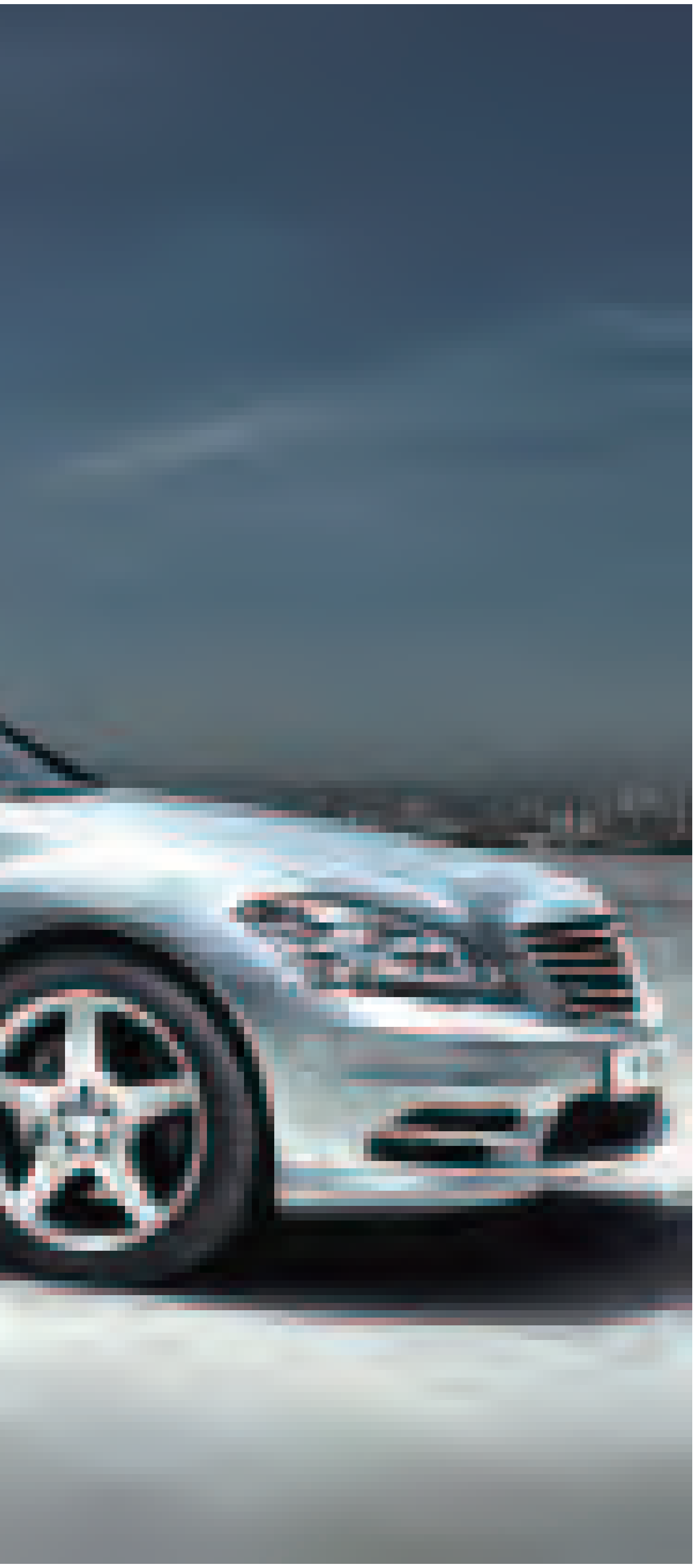
The better turnover and lower NPL ratio have resulted in an improved operating profit at RM90.6 million in FY 2012 (2011: RM79.0 million).

The Group strives to steer the division to greater heights and profitability. In addition to its continuing efforts to further position itself as the leading credit financier for the SME sector, the division seeks to increase its presence in the short or medium term loan sector for non-residential properties to improve its overall yield.

With sustained domestic demand supported by the various Government-initiated economic programmes, the Malaysian economy is projected to grow between 5% – 6% in 2013. These programmes will provide impetus to the growth of the infrastructure and SME sectors, which would translate into increased business lending activities. The manufacturing industry is also expected to benefit from the recovery of exports to global markets which appeared to have stabilized since the third quarter of 2012. These would further enhanced lending opportunities for the credit financing business.

Review of Operations
AUTOMOTIVE

Mercedes-Benz S-Class



Mercedes-Benz M-Class

The automotive operations recorded 16% revenue growth in Malaysia.

Kinrara Autohaus won the coveted Service Excellence Award by Mercedes-Benz.

The Automotive Division operates dealerships for Mercedes-Benz vehicles in Malaysia and Vietnam. In FY2012, the division operates 9 dealerships in Malaysia, with 2 in the Klang Valley and 7 in the major towns of East Malaysia of which 4 are Autohaus outlets located in Kuala Lumpur CBD, Kinrara, Kota Kinabalu and Kuching.

Vietnam operations consist of 4 dealerships with 2 in Ho Chi Minh City and 2 in Hanoi.

Review of Operations
AUTOMOTIVE

Interior of Hap Seng Star Autohaus in Kuala Lumpur

Operations in Malaysia

Despite the highly competitive trading condition, our operations in Malaysia recorded a 16% growth in revenue at RM550.1 million (2011: RM475.6 million). Such robust trend was supported by the 53% growth in the number of Mercedes-Benz vehicles registered by the division at 1,806 units (2011: 1,176 units), with which the division garnered a 31% market share in Malaysia.

FY 2012 also saw the launches of 6 new Mercedes-Benz models into the Malaysian market, namely the B-Class, C-Class Coupe, CLS, SLK, SL and M-Class models.

The division continues to commit and focus on providing excellent after-sales service to our customers. We have expanded our Kinrara Autohaus after-sales facilities in FY 2012. The expanded Autohaus now prides itself with 76 service bays including a full body and paint department which is ISO 9001 & 14001 certified. With the expansion of Kinrara after-sales facilities, the division now operates one of the largest Mercedes-Benz service centres in the South East Asia region. In FY 2012, the status of Kinrara Autohaus has been upgraded to sell new Mercedes-Benz cars in addition to the pre-owned cars under the Mercedes-Benz "Proven Exclusivity" program. It is worth noting that our Kinrara Autohaus serves as the only service centre nationwide fitted to service Maybach.

Hap Seng Star Autohaus in Kuala Lumpur

As a testament to its excellent service, the division won the coveted Service Excellence Award (SEAward) by Mercedes-Benz for 2012.

These outstanding achievements have enabled us to secure additional Mercedes-Benz dealerships in the Klang Valley. We have launched two new outlets in Balakong and Segambut in the first half of 2013. This augurs well for the division premised on the 12% volume growth charted by the luxury car segment against the 4% industry volume growth in Malaysia for FY 2012.

The division continues to invest in human capital development through training programmes by Mercedes-Benz Malaysia specifically designed to refine and enhance the skills of our employees. Such efforts have yielded exemplary results evidenced by the division emerging as champions in both the Certified Diagnosis Technician and Certified System Technician categories of the 2012 Mercedes-Benz Malaysia Skill Competition.

The division will continue to nurture new talents to meet future challenges and strive to create new heights in service benchmark in Malaysia.

Review of Operations

AUTOMOTIVE

Hap Seng Star Autohaus in Kinrara, Puchong

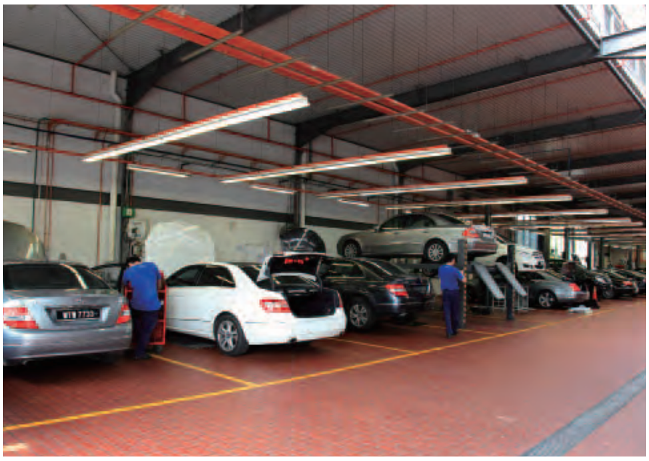
Operations in Vietnam

The year under review was particularly difficult for the automotive business in Vietnam with the introduction of increased government fees and registration taxes on car ownership. The challenging economic conditions in Vietnam in 2012 further aggravated the difficult automotive business. Against this backdrop, the Automotive Division in Vietnam suffered lower revenue at RM212.6 million (2011: RM335.8 million) and lower vehicle sales of 552 units (2011: 1,168 units).

Division Performance

In FY 2012, the division recorded a total revenue of RM762.7 million (2011: RM811.4 million) and operating loss of RM7.3 million (2011: Operating Profit of RM20.7 million). Total vehicle volume sold for the division was 3,100 units (2011: 3,281 unit). The operating loss was primarily attributable to the difficult trading conditions in Vietnam.

Hap Seng Star Autohaus Showroom in Kinrara, Puchong



Hap Seng Star Autohaus Service Centre in Kinrara, Puchong

Moving Forward

2013 will be another exciting year for our Automotive business in Malaysia with the expected launch of 2 additional entry models, the A-Class and CLA-Class. In addition, the highly acclaimed new facelift E-Class scheduled to be launched in 2013 is bound to excite the Malaysian automobile market.

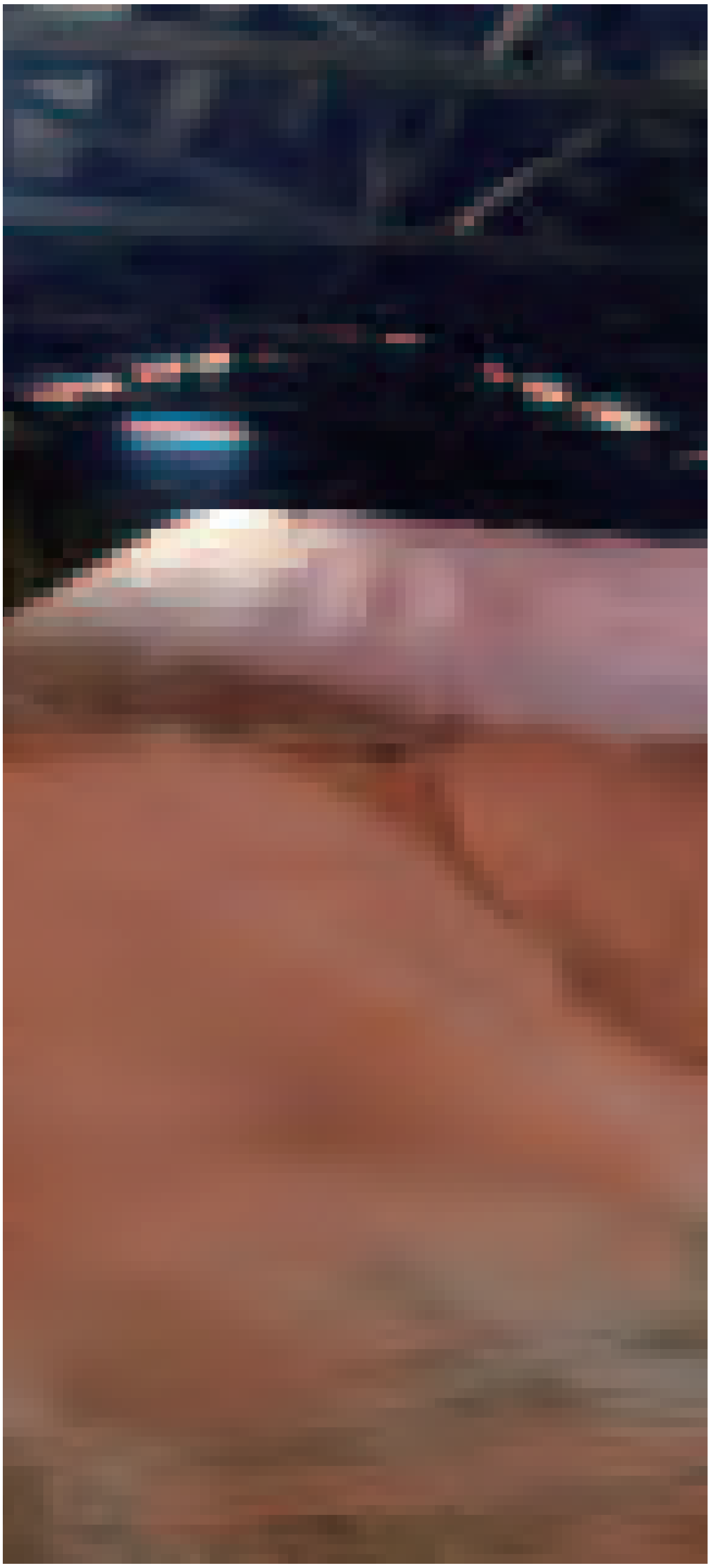
However, the automobile market in Vietnam is expected to remain uncertain in 2013 notwithstanding the introduction of the various economic stimulating policies by the government. Premised on such outlook, the Group had on 18 March 2013 announced its intention to reduce or withdraw its exposure in Vietnam.

Review of Operations
FERTILIZERS TRADING

Fertilizers Trading Division distributed approximately 1 million tonnes of fertilizers in 2012 and continues to be one of the leading distributors in Malaysia and Indonesia.

The Fertilizers Trading Division, operating through Hap Seng Fertilizers Sdn Bhd in Malaysia and PT Sasco indonesia in Indonesia, is one of the leading fertilizers distributors in Malaysia and Indonesia. Renowned for its quality and reliability, the division services all major oil palm plantations in Malaysia and Indonesia via its 14 strategically located warehouse facilities, of which 8 are in Malaysia and 6 are in Indonesia. In addition to its main products of muriate of potash (MOP), ammonium sulphate and rock phosphate, the division also caters to other fertilizers requirements such as urea, natural kieserite, fused magnesium phosphate, tri super phosphate, ammonium sulphate nitrate, copper sulphate, zinc sulphate, and borate.

Moving of Ammonia Sulphate in fertilizer warehouse



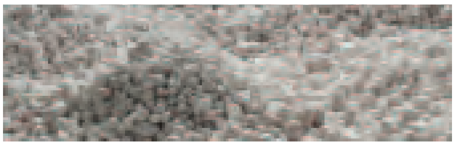
Bulk Muriate of Potash

Review of Operations

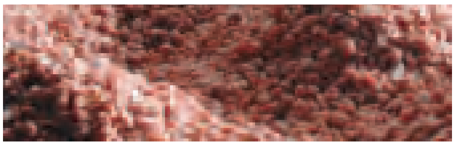
FERTILIZERS TRADING

Ammonium Sulphate – Taiwan

Ammonium Sulphate



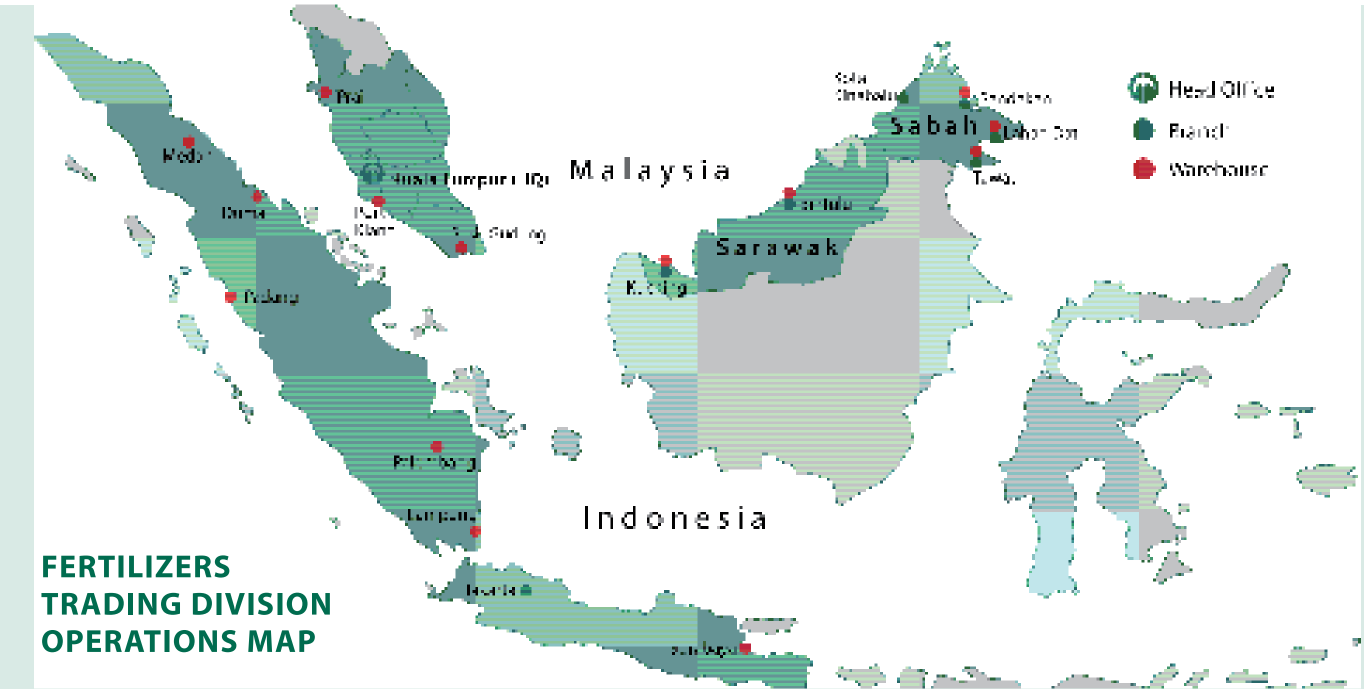
Loongzou NPK Compound



Muriate of Potash – Granular

Muriate of Potash – Standard

Rock Phosphate



FERTILIZERS TRADING DIVISION OPERATIONS MAP

Operations in Indonesia

The division expanded its operations into Indonesia in 2004 with the establishment of PT Sasco Indonesia and has since established itself as a significant fertilizers distributor carrying the hallmark of quality and reliability. For FY 2012, the operations turned in a 17% revenue growth to RM374.8 million (2011: RM319.3 million) and sales volume at 297,000 tonnes (2011: 304,000 tonnes).

Financial Performance and Moving Forward

On the back of declining fertilizers prices due to the extremely competitive trading environment in Indonesia which was further compounded by foreign currency exchange losses, the division suffered a 64% decline in its operating profit to RM22.8 million in FY 2012 (2011: RM62.4 million). The operations in Malaysia however remained relatively stable with margin largely comparable to the previous year.

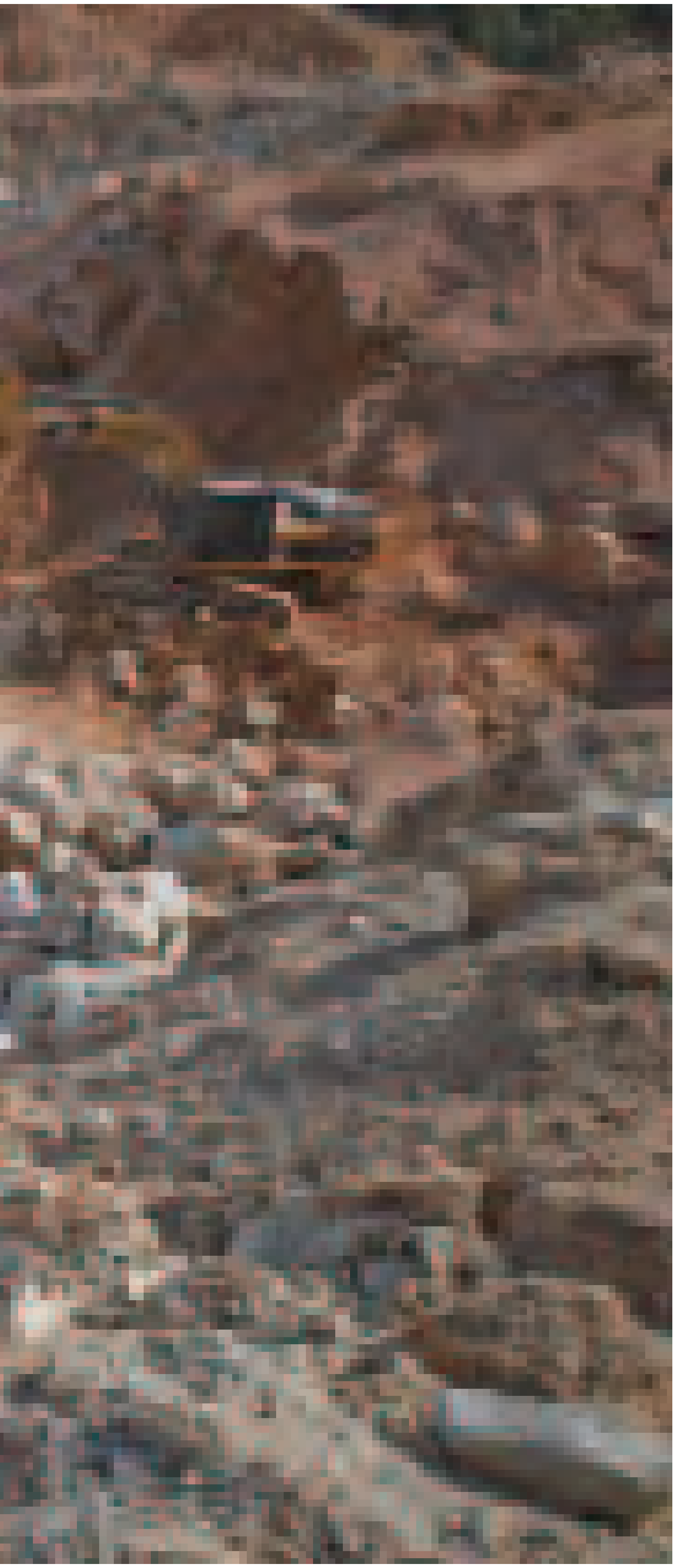
The margin compression experienced in the Indonesian market is expected to ease off going forward. With more than 7 million hectares of land planted with oil palm and most of which are recent plantings, Indonesia does indeed hold enormous growth potential for fertilizers consumption. Accordingly, 2013 is expected to be a better year for PT Sasco Indonesia.

Operations in Malaysia

During FY 2012, the operations in Malaysia recorded a 10% turnover growth to RM946.5 million (2011: RM858.8 million) and sales volume at 665,000 tonnes (2011: 721,000 tonnes). Despite an extremely competitive trading environment, the division continues to be the market leader in the fertilizers business in East Malaysia and one of the leading players in Peninsular Malaysia.

Review of Operations
QUARRY & BUILDING MATERIALS

Merdukasa Quarry in Kuantan



Quarry operations in Kuantan

The division is one of the largest quarry operators in Malaysia with 10 quarries and 8 asphalt plants. It also takes pride in being the second largest clay brick manufacturer in Malaysia with 4 brick factories.

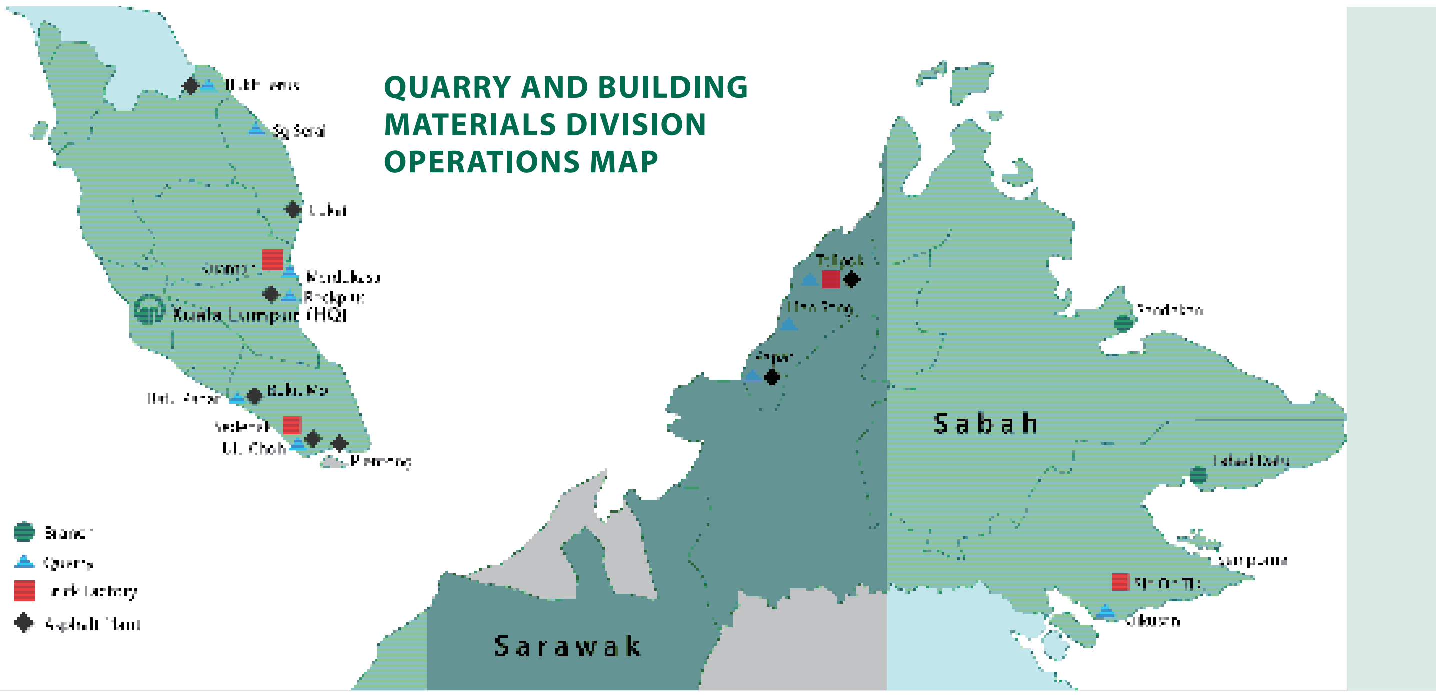
The Quarry and Building Materials Division comprises 3 operating units, the quarry and asphalt operations, the brick operations and the trading operations.

Quarry & Asphalt Operations

This division is one of the largest quarry operators in Malaysia with 10 quarries and 8 asphalt plants. 6 of the asphalt plants are on the quarry sites and 2 are standalone units. These plants are located in Sabah, Kelantan, Terengganu, Pahang and Johor.

Review of Operations

QUARRY & BUILDING MATERIALS

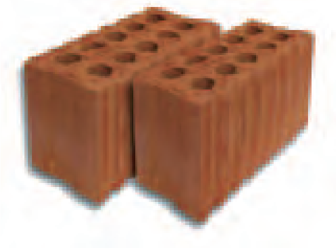


Brick factory in Kuantan

The quarries, with estimated total rock reserves of 294 million tonnes, produce and supply a full range of aggregate products to the construction and infrastructure industries. During the FY 2012, the quarry operations registered a 34% aggregates sales volume growth to 7.1 million tonnes (2011: 5.3 million tonnes).

The robust growth in aggregates volume has been achieved through investments in both development and greenfield quarries including state-of-the-art infrastructure upgrades within the quarries. In view of the robust and expanding aggregates and building materials market in Singapore, the division has set up a new operational team in Singapore to achieve higher market penetrations. Such initiatives augurs well with the division's plan to increase the production volume from its quarries in Johor.

Double Bricks



Common Solid

Facing Bricks

Pavers

The quarries in Sabah also recorded growth albeit at a slower rate compared with Peninsular Malaysia due to the relative maturity of the sites. The division has continued to roll out various measures to improve operational efficiencies. These include the merger of the Papar and Rejumas quarries to better realize operating synergies, and the establishment of the first-of-its-kind loading facility in Tawau whereby the barge loading turnaround time has been reduced from 24 hours to 5 hours.

The asphalt plants on the other hand produce and supply asphalt to the road construction and maintenance markets. Strong demand in Peninsular Malaysia had propelled a 89% growth to 300,000 tonnes during the FY 2012 (2011: 159,000 tonnes). In addition, the lower production costs at the Cukai asphalt plant brought about by plant upgrading together with aggressive marketing efforts have translated into record sales registered in FY 2012.

Brick Operations

With a total monthly production capacity of 20 million bricks contributed by 4 brick factories, we are the second largest clay brick manufacturer in Malaysia. 2 brick factories are in Sabah whereas the other 2 are in Johor and Pahang. The main products, including common clay bricks, facing bricks, double bricks and clay pavers, are distributed both in the local and export markets. Singapore remains to be our leading export market and we are making good progress to export the higher-end pavers to Hong Kong and other East Asian countries.

During the FY 2012, bricks sales volume grew by 15% to 127 million pieces (2011: 110 million pieces) and turnover increased to RM53.9 million (2011: RM25.7 million). This was achieved on the back of increased bricks production at the Johor factory following a series of operational and cost improvement initiatives and progressively better sales in Johor and Singapore. The newly completed brick factory in Kuantan, Pahang was successfully commissioned at the beginning of 2013. This new factory, with a production capacity of 5 million bricks per month, is focussed on supplying to the ever growing east coast market from Mersing to Kota Bharu.

Trading Operations

This operating unit, with 4 branches in Sabah and a main office in Petaling Jaya, is principally involved in the distribution of a range of building material products, including cement, steel bars, sanitary wares and tiles, as well as petroleum products. Notwithstanding the profitable petroleum products trading, the overall trading operations suffered a setback during the FY 2012 due to the stiff competition in the tiles trading. This has resulted in the discontinuation of the tiles trading business subsequent to the year end.

Overall Performance

Against an impressive volume growth achieved by our operations in quarries, asphalt plants and brick factories, the division achieved a 13% revenue growth to RM618.5 million for the FY 2012 (2011: RM549.1 million).

In October 2012 , the division was inaugurated with the Excellence Award from the Institute of Quarries Malaysia, a testament to the division's unwavering commitment to sustainable best quarry practices vis-a-vis the environment, community, marketplace and workplace.

Moving Forward

2013 is expected to witness many large infrastructure projects underpinned by the government's economic transformation programmes as well as the much touted multi-billion dollar Iskandar Malaysia Project in Johor. On the back of our expanding and improved production capabilities in the quarry, asphalt and brick operations, the division is well-positioned to benefit from such growing demand.

Statement on Corporate Governance

The Board is pleased to report on the manner in which the 8 principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 (Code) are applied to the affairs of the Group and the extent of compliance pursuant to paragraph 15.25 and Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements).

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 is committed to ensuring that 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.

BOARD OF DIRECTORS

Board Charter

The Board has formulated and adopted a charter (Board Charter) on 3 April 2013 to define inter-alia the following:–

- Board Composition
- Board Appointments
- Meetings and Board Attendance
- Role of the Chairman, Managing Director and Company Secretary
- Board Function
- Board Committees comprising the Audit, Nominating and Remuneration Committee
- Dichotomy between the Board and Management's role and responsibilities
- Code of Conduct
- Gender Diversity
- Sustainability

This Board Charter, which is subject to periodic review by the Board after taking into the latest legal, regulatory and ethical requirements, is accessible through the Company's website at www.hapseng.com.my.

Board Responsibilities

The Board is responsible for overseeing the management of the business and affairs of the Company, including the commitment to sustainability, in the best long-term interest of the Company. The Board has clear roles and responsibilities in discharging its fiduciary and leadership functions and has established clear functions reserved for the Board and those that were delegated to the management which are embodied in the Board Charter.

All directors are to act in the best interest of the Company and shall disclose to the Board of any interest or potential interest as soon as he becomes aware of such interest. The company secretary shall keep a register of such declarations of interest.

Board Meetings

The directors meet at least 4 times a year. During the FY 2012, 4 board meetings were held with the directors having attended at least 50% of the board meetings.

Based on the recommendation of the Nominating Committee, Datuk Abdul Aziz Hasan was re-designated from a non-independent non-executive director to an independent non-executive director on 29 November 2012.

On 31 December 2012, Datuk Henry Chin Poy-Wu and Mr. Lau Teong Jin resigned from the Board as they had served as independent directors for more than 9 years.

Minutes, proceedings and decisions taken during the board meetings are recorded by the company secretary and would be circulated to the Board members within 2 weeks of the relevant meeting.

Board Meetings (continued)

Directors attendance to board meetings held during FY 2012 is as follows:

Directors	No. of Meetings Attended
Dato' Jorgen Bornhoft	4/4
Datuk Edward Lee Ming Foo, JP	4/4
Mr. Lee Wee Yong	4/4
Datuk Simon Shim Kong Yip, JP	4/4
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan *(redesignated as an independent non-executive director on 29 November 2012)*	4/4
Dato' Mohammed Hussein	4/4
Mr. Tan Ghee Kiat	2/4
Datuk Henry Chin Poy-Wu *(resigned as an independent non-executive deputy chairman on 31 December 2012)*	4/4
Mr. Lau Teong Jin *(resigned as an independent non-executive director on 31 December 2012)*	4/4

Board Composition

As at the date of this annual report, the Board had 7 members comprising 2 executive directors and 5 non-executive directors of which 4 or more than 1/3 were independent of management and had no relationships which could interfere with the exercise of their independent judgment.

The directors will among themselves elect an independent director to be the chairman and appoint an executive director to the office of managing director.

The responsibilities of the chairman and the managing director are divided to ensure a balance of power and authority and are clearly defined in the Board Charter.

Together, the directors have wide-ranging business and financial experience. A brief description of the background of each director is presented on pages 4 to 10.

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 12 as provided under article 82 of the Company's articles of association.

Dato' Jorgen Bornhoft being an independent non-executive director, assumes the role of senior independent non-executive director to address concern that may be raised by shareholders of the Company.

Board Gender Diversity

The Board acknowledges the importance of board diversity, including gender diversity, to the effective functioning of the Board. Female representation will be considered when vacancies arise and suitable candidates are identified, underpinned by the overriding primary aim of selecting the best candidate to support the achievement of the Company's strategic objectives.

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 not in the ordinary course of business (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.

Supply of Information (continued)

The Board is supported by suitably qualified and competent company secretary, who is responsible alongside with Board members, for various legal and compliance obligations under the laws. The role of the company secretary is detailed in the Board Charter.

The company secretary 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 authorises directors to seek independent professional advice if necessary at the Company's expense in the 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 secretary.

Board Committees

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 board committees are limited to making recommendation to the Board as the Board is not empowered to delegate its decision-making authorities to the board committees. The primary responsibilities of these board committees are approved by the Board and are detailed in pages 66 to 72 of the annual report.

Minutes of proceedings and resolutions of all meetings including attendance of members of the committee are recorded by the company secretary and circulated promptly to the members of the board committee and once agreed, to all members of the Board.

The board committees have access to relevant resources to facilitate the carrying out of its duties including obtaining, at the Company's expense, outside legal or other professional advice on any matters within its term of reference.

Appointments to the Board

Appointments to the Board are decided by the members of the Board based on the recommendations of the Nominating Committee. The Nominating Committee, which comprises 3 non-executive directors of which 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 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;
- all the members of the Board are suitably qualified to hold their positions as directors in view of their respective academic and professional qualifications, competencies, experiences, commitment, contribution and performance;
- all the directors at the date of this annual report have updated their knowledge and enhance their skills through appropriate continuing education programmes during the FY 2012; and
- all the independent directors as at the date of this annual report have not exceeded the term of 9 years tenure.

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.

Reappointment and Re-election of Directors

Pursuant to Section 129(6) of the Companies Act, 1965, directors who are over the age of 70 years shall retire at every annual general meeting (AGM) and may offer themselves for reappointment 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 AGM and shall be eligible for re-election by the shareholders. In addition, at the AGM in every calendar year, 1/3 of the directors including the managing director shall retire from office at least once in each 3 years and shall be eligible for re-election by shareholders.

During the year, the Nominating Committee had reviewed both the independence and performance of the 2 independent directors who are due for reappointment or re-election in the forthcoming AGM. Based on satisfactory outcome of the said review, the Nominating Committee had made recommendations to the Board for their reappointment or re-election.

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 Company is conscious of the importance of continuous training and education for the directors to enable the directors to effectively discharge their duties. Where appropriate, talks and seminars are organised for the directors to keep abreast with any changes in the relevant statutory and regulatory requirements.

The directors are also encouraged to attend various external professional programmes on a continuous basis to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates.

Details and updates of directors' training and continuous professional education are tabled to the Board at each board meeting.

The directors had during the FY 2012 evaluated their own training needs on a continuous basis and attended the following programmes:

Directors	Training Programme	Duration
Dato' Jorgen Bornhoft	Financial Reporting Standard Framework – Optimising IFRS Convergence	½ day
	Governance, Risk Management and Compliance: What Directors Should Know	½ day
	Executive Stress Management	½ day
Datuk Edward Lee Ming Foo, JP	Outlook 2012: A Year for the Bold	2 ½ hours
	Macroeconomic Challenges in the US, Europe and China	3 hours
Mr. Lee Wee Yong	Malaysia FRS Update and IFRS Convergence Seminar	1 day
	KPMG Malaysian Tax Summit 2012	1 day
Datuk Simon Shim Kong Yip, JP	Financial Reporting Standard Framework – Optimising IFRS Convergence	½ day

Directors' Training and Education (continued)

Directors	Training Programme	Duration
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	Financial Reporting Standard Framework – Optimising IFRS Convergence	½ day
	Healthcare in Asia 2012 A New Approach for Efficiency and Effectiveness	2 days
	Corporate Governance Blueprint and Malaysian Code on Corporate Governance 2012	½ day
	Governance, Risk Management and Compliance: What Directors Should Know	½ day
	PNB Nominee Directors' Convention 2012	1 day
	Balanced Leadership for the 21st Century	½ day
Dato' Mohammed Hussein	Financial Reporting Standard Framework – Optimising IFRS Convergence	½ day
Mr. Tan Ghee Kiat	National Tax Conference 2012	2 days
	National Tax Conference 2012	1 day
Datuk Henry Chin Poy-Wu *(resigned on 31 December 2012)*	Understanding the Regulatory Environment in Singapore: " What Every Director Ought to Know" for Listed Companies	1 day
	Financial Reporting Standard Framework – Optimising IFRS Convergence	½ day
	How Boards Can Satisfy Regulatory Requirements on Internal Controls	½ day
	Role of the Audit Committee in Assuring the Audit Quality	½ day
	Corporate Governance Blueprint and Malaysian Code on Corporate Governance 2012	½ day
	Managing the Workforce to Achieve Higher Productivity	4 days
	Risk Management Essentials	1 day
Mr. Lau Teong Jin *(resigned on 31 December 2012)*	Financial Reporting Standard Framework – Optimising IFRS Convergence	½ day

DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration

The Board ensures that fair level of remuneration is accorded to attract, retain and motivate directors needed to manage the Company successfully. The component remuneration package for executive directors has been structured to link rewards to corporate and individual performance whilst non-executive directors' remuneration reflects the experience and level of responsibilities undertaken by individual non-executive directors.

Procedure

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.

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 FY 2012 is as follows:

	Executive RM'000	Non-Executive RM'000
Fees	–	615
Salaries and other emoluments	2,618	–
Benefits-in-Kind	116	–
Total Remuneration	2,734	615

(ii) The number of directors who received remuneration from the Company for the FY 2012 and their remuneration including benefits-in-kind are tabulated in the following bands:

Remuneration Range	No. of Directors
Executive Directors	
RM1,000,000 to RM1,050,000	1
RM1,050,001 to RM1,650,000	–
RM1,650,001 to RM1,700,000	1
Non-Executive Directors	
RM50,000 to RM100,000	6
RM100,001 to RM150,000	1

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.

No directors shall be involved in any decisions as to their own remuneration.

(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 includes inter alia car, driver, fuel and mobile phone.

(ii) Remuneration for Non-Executive Directors

Remuneration of the non-executive directors shall be a matter for the executive members of the Board.

SHAREHOLDERS

Dialogue between Company and Investors

The Company is committed to ensure that all shareholders have timely access to all publicly available information of the Company, with which shareholders are enabled to actively participate in the affairs of the Company in an informed manner.

Toward this end, the Board is guided by the disclosure policy enshrined in the Listing Requirement in making immediate announcement of all material information save in the permitted exceptional circumstances, which information is also made available on the Company's website at www.hapseng.com.my after the release of the announcement.

The Board views the AGM as an ideal opportunity to communicate with both institutional and private shareholders. In addition, the Company has a website at www.hapseng.com.my which provides shareholders and investors at large with up-to-date information. Amongst others, the quarterly financial results, annual report, corporate announcements and the like are downloaded onto the website as soon as practicable after such information is released by the Company to Bursa Securities. While the Company endeavours to provide as much information as possible to its shareholders, it is mindful 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 financial results announcements and annual report can be accessed through Bursa Securities' website at www.bursamalaysia.com.

The Annual General Meeting ("AGM")

Notice of AGM which is contained in the annual report is sent out at least 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.

The Board has also formulated a policy to encourage constructive and effective engagement, dialogue and other forms of communication with shareholders, stakeholders, investors and/or the community as contained in the Company's shareholder communication policy which is included in the Board Charter.

CODE OF CONDUCT

In its aspiration to instill and promote appropriate standards of conduct and ethical practices, the Board has established this code of business conduct (Code of Conduct) to be strictly complied with by the directors and members of the management. For the avoidance of doubt, the provisions of this Code of Conduct is in addition to any other obligations imposed on the directors by any applicable rules, laws and regulations. The Board reviews the Code of Conduct periodically.

The Code of Conduct covers the following areas:

- **Honesty and Integrity**

  The success of our business is built on the foundation of trust and confidence. Hence, directors must act honestly and fairly in their business dealings with all stakeholders.

- **Compliance with Laws**

  Directors shall comply and satisfy themselves that appropriate policies and procedures are in place for compliance by employees and officers, with all laws, rules and regulations applicable to the Company and themselves, including insider trading laws. In the event of dealing with the Company's shares both within and outside the closed periods, to comply with the disclosure requirements.

- **Conflict of Interests**

  Directors are to avoid situations that present or create the appearance of a potential conflict between their own interests and those of the Company. Any situation that involves, or may reasonably be expected to involve a conflict of interests must be disclosed promptly to the fellow Board members by notifying the company secretary.

- **Confidentiality**

  Directors must maintain the confidentiality of information entrusted to them by the Company and any other information about the Company which comes to them in their capacity as a director. In addition, a director must not make use of non-public price-sensitive information to advance or pursue his/her personal opportunities, gains or interests, such as the buying or selling of the Company's shares.

- **Whistle-Blowing**

  The Board has formulated a whistle-blowing policy to encourage employees to disclose any malpractice or misconduct of which they become aware of and to provide protection for the reporting of such alleged malpractice or misconduct. The full text of the whistle-blowing policy of the Company is found in the corporate website.

This Code of conduct has been published on the Company's website www.hapseng.com.my.

STRATEGIES FOR SUSTAINABILITY

The Board aspires to strengthen its commitment and investment in corporate sustainability to the mutual benefit of both the Company and the public at large. To this end, various initiatives have been undertaken to harness the market's potential for sustainability products and services on the one hand and to minimize sustainability costs and risks on the other hand.

Summarised below are the various methodologies undertaken as part of the Group's on-going commitment to sustainability:

- In addition to providing safe working environment for all its employees, the Company promotes and implements all aspects of occupational safety and health policies;
- In its management of human resources to maintain workforce capabilities, the Company places great importance on employee satisfaction through continuous trainings, workshops, knowledge-management practices and competitive remuneration and benefits programmes. Employees are therefore able to grow and advance in their career for brighter future;
- According respect to human rights and ensuring non-existence of discrimination in any form, be it religion, race, nationality, background or others;
- Meeting shareholders' demand for sound financial returns through regular dividend stream, economic growth, open communication and transparent financial reporting;
- Establishing and complying with high standards of corporate governance and engagement with shareholders;
- Adopting innovative technologies to minimise or control negative impact on the environment in its business operations. For example, the usage of 3-dimensional laser technology in the Quarry Division has eliminated fly rock projections, improved fragmentation and minimised the quantity of explosives used;
- Helming, supporting and contributing to environmental friendly projects or programmes; for example RM2 million has been contributed to the Sabah Forestry Ministry to support tree replanting project, rehabilitation programmes implemented on quarry sites to re-create sites of ecological value through restoration;
- Taking proactive steps towards reducing carbon footprint, including engaging measures to improve energy performance of office buildings, better management of energy use for office equipment, raising awareness among employees, customers, suppliers through "Reduce, Reuse, and Recycle" campaign, reducing overseas or outstation travelling by encouraging participation in meetings by telephone or video conferencing; and
- Participating in community involvement programs to reach out to the needs of the communities such as making contributions for community hall repair and refurbishment, Crime Awareness Day, and Sports Day and establishing scholarship programs for underprivileged students.

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 responsible for the preparation and fair presentation of the Financial Statements for each financial year that is in accordance with applicable Financial Reporting Standards and the Companies Act, 1965, so as to give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of their financial performance and cash flows for the financial year then ended.

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 Financial Reporting Standards have been followed. Their responsibilities includes ensuring that the Group and Company maintain internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Internal Control

The Group's Statement on Risk Management and Internal Control is set out on pages 61 to 65.

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 66 to 69.

External auditors are invited at least twice a year to attend the Audit Committee meetings as well as the AGM. Dialogue between the Audit Committee and the external auditors are also conducted in the absence of management. The Audit Committee has also received written assurance from the external auditors confirming their independence.

This Statement on Corporate Governance is made in accordance with a Board resolution.

DATO' JORGEN BORNHOFT
Independent Non-Executive Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

Statement on Risk Management and Internal Control

The Board is committed to maintaining a sound system of risk management and internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control which outlines the nature of internal control of the Group during the financial year ended 31 December 2012 pursuant to paragraph 15.26(b) of the Listing Requirements. In making this statement, the Board is guided by the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" ("SRMIC") which is issued by the Taskforce on Internal Control with the support and endorsement of the Bursa Securities.

For the purposes of this statement, associates are not dealt with as part of the Group, and therefore not covered by this statement.

Board's Responsibility

The Board recognizes the importance of a sound framework of risk management and internal control is fundamental to good corporate governance and an effective risk management process helps the Group to achieve its performance and profitability targets by providing risk information to enable better decisions in the formulating Group's strategies and decision making.

The Board acknowledges its responsibility for the Group's risk management and system of internal controls covering not only financial controls but also operational, environmental and compliance controls as well as risk management including the review of the effectiveness of the risk management process and internal control system.

The risk management process and system of internal control involve every business units and their respective key management, including the Board, and are designed to meet the Group's particular needs and to manage the risks to which it is exposed.

The risk management process and system of internal control, by their nature, can only provide reasonable but not absolute assurance against material loss or against the Group failing to achieve its objectives.

Toward this end, 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 and is an ongoing process.

This framework is designed to be responsive to changes in the business environment and is clearly communicated to all levels through the setup of a Risk Management Committee.

The Audit Committee and Risk Management Committee assist the Board in the reviewing process, however, the Board as a whole remains responsible for all the actions of the Audit Committee and Risk Management Committee with regard to the execution of the delegated role and include the outcome of the review and disclosure on key risks and internal control in this annual report.

Risk Management Committee

The Group Risk Management Committee was formed to take formal executive responsibility for risk management, building upon already established structures and mechanism. Presently, the Group Managing Director heads the Group Risk Management Committee. Each business unit's risk management function is led by the respective Chief Executive who is the head of the respective business unit.

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.

The Committee together with the respective division's management are responsible for implementing the processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking appropriate and timely corrective actions as needed.

To this end, a Group's Risk Methodology had been issued to the heads of the Group's business units who will identify the risks inherent to their respective business units and the appropriate measures and strategies to achieve the overall objectives of the business units.

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 respective 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.

Risk Assessment interviews have been conducted by the Head of Internal Audit Department with the head and operational managers of the respective business units.

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

Any major changes to risk or emerging significant risk for any of the business units in the Group with the appropriate actions and/or strategies to be taken will be brought to the attention of the Board by the Managing Director.

Internal Control

The Board places emphasis on a sound system of internal control to facilitate the effective and efficient operation of the Group's businesses by enabling the Board and the management to respond promptly and appropriately to any significant business, operational, compliance and other risks in the achieving of the Group's objectives.

Nevertheless, the Board also recognises that the system of internal control can only reduces, but cannot eliminate, the possibility of poor judgement in decision-making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and the occurrence of unforeseeable circumstances. As such, the Board reiterates that the system of internal control, by its nature, can only provide reasonable but not absolute assurance against material loss or against the Group failing to achieve its objectives.

Internal Control (continued)

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 and/or processes of individual business units, where applicable, which include processes to generate timely, relevant and reliable information and proper record keeping as well as compliances with applicable laws and regulations and internal policies for the conduct of business.
- 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 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.
- In the presence of the Managing Director, Finance Director and Chief Financial Officer for the purpose of ascertaining the state of internal control and to obtain assurance of the internal control system as to its effectiveness and adequacies in all material aspects, the Audit Committee reviews and holds discussion on significant internal control issues identified in reports prepared by the Internal Audit Department.
- Code of Conduct as set out in the Board Charter.

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.

The head of Internal Audit Department is a member of Malaysian Institute of Accountants and The Institute of Internal Auditors of Malaysia and he is assisted by a team of qualified personnels.

The internal audit functions of the department are carried out using a risk based, systematic and disciplined approach, guided by the standards recommended by recognized professional bodies.

The head of internal audit, whenever deemed necessary, meet with the Audit Committee without the management being present.

The head of internal audit has direct access to the chairman of the board and to the committee.

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 business units of the Group.

Internal Audit Function (continued)

The activities of the Internal Audit Department 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 and environmental compliance with established internal control procedures, management efficiency, risk assessment and reliability of financial records as well as governance processes.
- 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 Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" which was issued by the Task Force on Internal Control with the support and endorsement of Bursa Securities and to facilitate enhancement, where appropriate.
- Assessment of key business risks at each 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 Plantations, Property Holding & Development, Credit Financing, Automotive, Fertilizers Trading and Quarry and Building Materials Divisions.
- Issued a total of thirty-seven (37) internal audit reports to the Audit Committee on the major business units which encompassed identification and assessment of business risks.
- The total costs incurred for the Internal Audit Department in respect of the financial year ended 31 December 2012 was approximately RM2.5 million.

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 the Group's operations.

The Board is also supported by Board Committees with specific delegated responsibilities. These Committees have the authority to examine all matters within their scope and responsibilities, as provided in the Board Charter, and report to the Board with their recommendations. (For more details on the various Committees, please refer to the Statement on Corporate Governance on pages 66 to 72 in this annual report).

The Managing Director 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.

CONCLUSION

Based on the foregoing as well as the inquiries and information provided, the Board is assured that the risk management process, system of internal control and other processes put in place through its Board Committees were operating adequately and effectively in all material aspects to meet the Group's objectives for the year under review and up to the date of approval of this Statement on Risk Management and Internal Control.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement on Risk Management and 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*
Dato' Mohammed Hussein	*(Independent Non-Executive Director) – appointed on 1 January 2013*
Mr. Tan Ghee Kiat	*(Independent Non-Executive Director) – appointed on 1 January 2013*
Datuk Simon Shim Kong Yip, JP	*(Non-Independent Non-Executive Director)*
Datuk Henry Chin Poy-Wu	*(Independent Non-Executive Director) – resigned on 31 December 2012*
Mr. Lau Teong Jin	*(Independent Non-Executive Director) – resigned on 31 December 2012*

Terms of Reference of Audit Committee

Membership

- The Committee shall be appointed by the Board from amongst the directors of the Company on the recommendation of the Nominating Committee and shall consist of not less than 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 Listing Requirements.
- 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 Listing Requirements.
- 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 3 due to resignation or for any reason ceases to be a member, the Board shall within 3 months appoint new member(s) to fill up the vacancy. All members of Audit Committee shall hold office until otherwise determined by the Board or until they cease to be a director of the Company.

Attendance at Meetings

- The quorum necessary for the transactions of business shall be 2 members.
- The company secretary shall act as the secretary of the Committee.

Frequency of Meetings

The Audit Committee shall meet as often as it requires but at least once for every financial quarter.

During the FY 2012, 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 Simon Shim Kong Yip, JP	4/4
Datuk Henry Chin Poy-Wu *(resigned on 31 December 2012)*	4/4
Mr. Lau Teong Jin *(resigned on 31 December 2012)*	4/4
Dato' Mohammed Hussein *(appointed on 1 January 2013)*	– *
Mr. Tan Ghee Kiat *(appointed on 1 January 2013)*	– *

* *Appointed as members of the Audit Committee subsequent to the FY 2012.*

The details of training by the above directors are tabulated on pages 54 to 55 of the annual report.

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 where a quorum is present shall be decided by a majority of votes of the members present, each member having 1 vote.

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, chief financial officer, 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.
- 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, chief financial officer and the head of internal audit department, upon the invitation by the Committee, normally attend the meeting(s).

Primary Responsibilities of the Audit Committee

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

- To monitor the integrity of the Group's financial statements, review its annual accounts and quarterly results to be released to Bursa Securities and any other announcements relating to the Group's financial performance as well as significant financial reporting issues.
- To review the effectiveness of the Group's internal controls and risk management systems and to review and approve statement to be include in the annual report concerning internal controls and risk management.
- To review and report to the Board any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- To monitor and review the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system.
- To approve the appointment and removal of the head of the internal audit function.
- To consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards, particularly to ensure that the internal audit function has adequate standing and is free from management or other restrictions.
- To review and assess the annual internal audit master plan.
- To review promptly all reports on the Group from the internal auditors.
- To review and monitor the management's responsiveness to the findings and recommendations of the internal auditor.

Primary Responsibilities of the Audit Committee
(continued)

- To meet the head of the internal audit whenever deemed necessary, to discuss their remit and any issues arising from the internal audits carried out without management being present. The head of internal audit shall be given the right of direct access to the chairman of the Board and to the Committee.
- To consider and make recommendations to the Board in relation to the appointment, reappointment or removal of the company's external auditors, so that the same could be put to shareholders for approval at the annual general meeting.
- To oversee the selection process of new auditors and if an auditor resigns, to investigate the issues to the resignation.
- To oversee the relationship with the external auditor including:
  - Approval of their remuneration;
  - Approval of their terms of engagement;
  - Assessing annually their independence and objectivity taking into account the regulatory requirements and the relationship with the auditor as a whole;
  - Formulating a policy governing the provision of non-audit services by the external auditor and regularly monitoring the compliance therewith; and
  - Assessing annually their qualifications, expertise and resources and the effectiveness of the audit process.
- To review with the external auditors, the audit plan, their evaluation of the system of internal controls, the audit report and any issues arising from the audit.
- To meet regularly with the external auditors, at least twice a year, without management being present, to discuss their remit and any issues arising from the audit, including the adequacy of the assistance given by the employees of the Company to the external auditors.
- To review the quarterly and year end financial statements before tabling to the Board focusing particularly on:
  - any changes in accounting policies and practices,
  - significant adjustments arising from the audit and other unusual events (if any),
  - compliance with Accounting Standards, relevant legislative framework and other legal requirements,
  - compliance with the Listing Requirements and all other applicable rules and regulations.

Review of the Audit Committee

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

Annually the Nominating Committee will evaluate performance of the board committees collectively as well as performance of members individually.

Reporting Procedures

The chairman of the Committee will brief the Board on the various deliberations and/or issues of concern raised during the course of meeting together with a list of recommendations and/or other matters for the deliberation of the Board.

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

Reporting of Breaches to the Bursa Securities

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 Listing Requirements.

Summary of Audit Committee Activities during the FY 2012

The activities of the Audit Committee during the FY 2012, are summarised below:

- 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 37 internal audit reports covering the business processes of the Group's plantations, 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 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 suitability and independence of external auditors and have received written assurance from external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- Reviewed the Group's quarterly report prepared in compliance with Financial Reporting Standard ("FRS") 134 "Interim Financial Reporting" and Chapter 9 of the Listing Requirements 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 on Corporate Governance and Statement on Risk Management and Internal Control prepared in accordance with the principles set out under the Malaysian Code on Corporate Governance 2012, 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 recommendations 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 Simon Shim Kong Yip, JP	*(Non-Independent Non-Executive Director)*
Datuk Edward Lee Ming Foo, JP	*(Executive Director)*
Datuk Henry Chin Poy-Wu	*(Independent Non-Executive Director) – resigned on 31 December 2012*

Terms of Reference of Remuneration Committee

Membership

The Committee shall be appointed by the Board from amongst the directors of the Company upon the recommendation of the Nominating Committee and shall consist not less than 3 directors, a majority of whom must be non-executive.

Frequency of Meetings

The Remuneration Committee shall meet as often as it requires but at least once per financial year.

Attendance at Meetings

The quorum necessary for the transaction of business shall be 2 members and decisions are by majority votes.

Proceeding of Meetings

- The chairman of the Committee may invite personnel such as the chief executives of the business division, the head of the human resources department as and when appropriate and necessary.
- 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 where a quorum is present shall be decided by a majority of votes of the members present, each member having 1 vote.

Reporting Procedure

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

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.

The remuneration of the non-executive directors shall be a matter for the executive members of the Board.

Primary Responsibilities of Remuneration Committee

- To determine and agree with the Board the broad policy for the remuneration of the executive directors of the Company, after taking into account all relevant factors to ensure that the executive directors are adequately incentivized and remunerated to encourage enhance performance.
- To constantly review the ongoing appropriateness and relevance of the remuneration policy.
- Within the terms of the agreed policy and in consultation with the chairman, to determine the total individual remuneration package of each executive director including bonuses and yearly increment.

Summary of Activities

The Remuneration Committee met on 29 November 2012:

- To review the remuneration policy of the Group and noted the industry forecast for 2012/2013 for the average salary increment; and
- To recommend to the Board, the proposed bonus of the executive directors for the financial year ended 31 December 2012 and their respective proposed increments for the financial year commencing from 1 January 2013.

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 Simon Shim Kong Yip, JP	*(Non-Independent Non-Executive Director)*
Dato' Mohammed Hussein	*(Independent Non-Executive Director) – appointed on 1 January 2013*
Datuk Henry Chin Poy-Wu	*(Independent Non-Executive Director) – resigned on 31 December 2012*

Terms of Reference of Nominating Committee

Membership

- The Committee shall be appointed by the Board from amongst the directors of the Company of not less than 3 non-executive directors, a majority of whom are independent.
- The chairman of the Committee is also the senior independent director of the Company.

Frequency of Meetings

The Nominating Committee shall meet as often as it requires but at least once per financial year.

Attendance at Meetings

The quorum necessary for the transaction of business shall be 2 members and decisions are by majority votes.

Proceeding of Meetings

- The Committee shall have access to sufficient resources to facilitate the carrying out of its duties, including obtaining, at the Company's expense, outside legal or other professional advice on any matters within its term of reference.
- 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 where a quorum is present shall be decided by a majority of votes of the members present, each member having 1 vote.

Reporting Procedure

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

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.

Primary Responsibilities of Nominating Committee

- To consider and recommend candidates onto the Board and board committees and guided by the selection criteria amongst others are integrity and professionalism, expertise and experience, independence and objectivity, personal attributes, dedication and commitment and board diversity. Details of the selection criteria is set out in the Board Charter.
- To annually evaluate performance of the Board and board committees collectively as well as performance of members individually.
- To facilitate board induction and training programmes.
- Assessing directors' training needs periodically and devising relevant professional development programmes based on such assessment for recommendation to the Board.
- To develop a proper succession plan for the Board so as to ensure a smooth transition when directors leave the Board, and that positions are filled and skill gaps addressed.
- To monitor and recommend the functions to be undertaken by the various board committees.
- To review and reassess the adequacy of the Board Charter and Code of Conduct annually.

Board Committees

Primary Responsibilities of Nominating Committee
(continued)

- To evaluate the independence of each independent director on a yearly basis. In this regard, the Committee is guided by the criteria as set out in the Board Charter.
- To recommend directors for reappointment or re-election subject to satisfactory outcome of the evaluation of their performance.

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.
- Evaluated the performance of each Board and board committees collectively as well as performance of members individually and was satisfied that all members of the Board are suitably qualified to hold their positions as directors in view of their respective academic and professional qualifications, competencies, experiences, commitment and contribution to the Board.
- Reviewed the adequacy of the Board Charter for adoption by the Board.
- Reviewed that all directors of the Company had received appropriate continuous training programmes in order to keep abreast with developments in the relevant industry to enhance their skills in a dynamic and complex business environment and with changes in the relevant statutory and regulatory requirements.
- Evaluated the independence of each independent director taking into account both the quantitative and qualitative criterion. In addition all the independent directors at the date of this annual report has served in the Board with a tenure less than the term of 9 years.
- Evaluated the performance of the following independent directors standing for reappointment and/or re-election at the annual general meeting:–
  (i) Dato' Jorgen Bornhoft on his reappointment pursuant to Section 129(6) of the Companies Act, 1965
  (ii) Mr. Tan Ghee Kiat on his re-election pursuant to Article 97 of the Company's articles of association
- Recommended the appointment of Dato' Jorgen Bornhoft as a senior independent director of the Company on 1 January 2013.
- Recommended the redesignation of Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan as an independent non-executive director of the Company on 29 November 2012.
- Noted the resignation of Datuk Henry Chin Poy-Wu of the following positions on 31 December 2012.
  (i) member of the Board;
  (ii) member of Audit Committee;
  (iii) member of Remuneration Committee;
  (iv) member of Nominating Committee; and
  (v) senior independent non-executive director
- Noted the resignation of Mr. Lau Teong Jin as a member of Audit Committee and a director of the Company on 31 December 2012.
- Recommended the appointment of Mr. Tan Ghee Kiat as a member of Audit Committee on 1 January 2013.
- Recommended the appointment of Dato' Mohammed Hussein as a member of Audit Committee and Nominating Committee on 1 January 2013.

Corporate Social Responsibility

Hap Seng Consolidated Berhad (Hap Seng) is committed towards integrating social and environmental concerns in all their business operations on a voluntary basis. We firmly believe that a strategic approach to Corporate Social Responsibility (CSR) forms the very basis of a long-term relationship with our people, shareholders, investors, customers, suppliers, competitors and our community as a whole. Our reputation, together with the trust and confidence of those with whom we deal, is our most valuable asset which would enable the Company to achieve sustainable business success. To this end, we are pleased to share the various CSR initiatives we accomplished during 2012 which covers four key areas of priorities: our environment, our community, our marketplace and our workplace.

Kids Fun Day organized by Hap Seng; with children from Rumah Kanak Kanak Angels

Our Environment

At Hap Seng, we are constantly mindful of the impact of that our operations may have on our environment and constantly engage all possible measures to reduce the carbon footprints.

Over the years, various business divisions have implemented a number of initiatives to conserve paper, water, electricity and office supplies in our day-to-day operations. Our employees are encouraged to suggest innovative ideas that can generate more savings of our resources. The results have been positive not only from a financial standpoint but also in cultivating a culture of environmental awareness and conservatism amongst our employees.

During the year, the Group supported a national conservation project through granting financial contribution to the Malaysian Nature Society, enabling them to purchase video surveillance equipment to monitor nests of endangered hornbills in the Belum-Temengor rainforest in Peninsular Malaysia.

In addition, the Plantations Division achieved the Roundtable on Sustainable Palm Oil (RSPO) Certification for its Bukit Mas oil mill whereas certification for the other three oil mills in Jeroco and Tomanggong are in progress.

Our Quarry and Building Materials Division also completed the installation of the state-of-the-art dust suppression systems in all the 4 quarries in Sabah as well as the 2 quarries in Peninsular Malaysia at the total costs of close to RM2 million. Hap Seng is the first and only quarry operator in Sabah to utilise a foam-based dust suppression system, which is able to achieve up to 90% reduction in airborne dust levels. This is a defining testament of our readiness and steadfastness towards embracing sustainability throughout our value chain.

Our Community

Wherever we do business, we are resolute to contribute positively to the communities that we operate in. Community education is at the heart of this activity. This is premised on our conviction that education is the cornerstone of building a better quality of life. Hence, facilitating and enabling the disadvantaged members of our community access to quality education is a CSR initiative we vigorously engage in.

We regularly carry out projects aimed at equipping the underprivileged with the skills-set and knowledge that can help them alleviate their situation in a long-term and sustainable manner. Since 2009, our Group, together with HSBC Bank Malaysia Berhad, has supported the Project to Improve English in Rural Schools (PIERS) in Sabah. This clever teaching-the-teacher initiative is aimed at improving the quality of teaching among English teachers in primary schools. The primary schools involved are predominantly located in rural communities lacking the resources enjoyed by their urban counterparts.

Leaps of joy – The Humana Schools Children

Our Community (continued)

During the year, following the success achieved in Tawau, Lahad Datu and Papar, we expanded the PIERS programme to the district of Tuaran with a total of 73 participating teachers from 17 schools throughout the district. To date, PIERS has benefited more than 179 teachers from 71 primary schools in total. With the teachers' improved command of the English language and enhanced teaching methods, this will certainly improve the language skills and future prospects of countless students throughout the course of the teachers' career.

In addition, our Plantation Division continued to fund Humana Schools in its three groups of estates. These schools provide basic education to the underprivileged children and children of plantation workers who are not able to access quality education due to poverty, distance or lack of resources. The Humana Schools are managed by Borneo Child Aid Society, a Malaysian-based non-profit NGO. During the year, we also contributed a four-wheel drive vehicle to the society to help facilitate its transportation needs.

Our Quarry and Building Materials Division maintained its annual sponsorship of 40 students from low income rural communities to attend private tuition classes for English, Science and Mathematics. In Peninsular Malaysia, the division took 186 under-privileged children to Kidzania, a theme park that helps children learn about the adult world, socialise and interact actively with each other while learning about the value of money and work.

With the objective of encouraging students in both junior and senior levels to perform better in their studies, our Fertilizers Trading Division has set up the "Naga Scholarship Fund" 11 years ago. Under this scholarship scheme, monetary award is bestowed to students based on each A grade achieved in the PMR and SPM examinations. This scheme is funded by a portion of the proceeds from the sale of the "Naga/Loongzhou" brand

Participants of PIERS Tuaran

Two proud recipients of full scholarships

Our Community (continued)

of fertilizers in Tawau, Sabah. This scholarship covers the schools in Tawau including the Sabah Chinese High School and the Vision Secondary School.

In addition to this ongoing scholarship initiative, our Fertilizers Trading Division also collaborated with its potash business partner based in Canada, Canpotex Ltd, to establish a university scholarship programme in 2012. After a comprehensive screening and testing selection process, full scholarships had been awarded to 2 deserving students to pursue a degree in agriculture at Saskatchewan University in Canada.

Our Plantations Division continued to provide free ferry services in Kampung Tidung throughout 2012. In addition, the division also supported free medical treatments to residents of Kampung Litang. Both these communities are located close to its Tomanggong Group of Estates.

The annual Hap Seng Charity Golf and Dinner 2012, organised by our Quarry and Building Materials Division, achieved a resounding success. The event raised a total of RM650,000 which was channeled to a total of 22 charity organisations throughout Malaysia. Also, the division collaborated in an initiative that saw a total of 200 boer goats being given away to various communities throughout Sabah. These high quality goats, which were imported from Australia, offers additional income opportunities to the recipients.

The Group has also organised blood donation drives to support and replenish the supply of the blood bank within its community.

Our Marketplace

As a Group, we are committed to adhering to the principles and best practices of corporate governance as set out in the Malaysian Code of Corporate Governance.

Our Quarry and Building Materials Division is a forerunner in Malaysia to apply world-class standards and practices in terms of plant and equipment, safety, and environmental controls and overall planning in our quarry operations. The division has hosted site visits for various local and foreign visitors from the quarry and mining industry to visit our state-of-the-art quarries.

Our Workplace

The health and well-being of its employees are also a priority for the Hap Seng Group. Throughout 2012, we have organised a myriad of activities including occupational safety day, free health checks, occupational first aid and CPR training as well as self defense classes and corporate wellness talks for the benefit of our employees.

Awards

Mercedes-Benz Service Excellence Award 2012

IQM Award of Excellence

Our Automotive Division has continued to be at the top of their game when it comes to after-sales service excellence. The division's after-sales team won the Championship award in the Mercedes-Benz Service Excellence Award 2012. The after-sales team also achieved stellar results in the bi-annual 2012 Mercedes-Benz Malaysia Skills Competition, where two of its technicians emerged as champions in the categories of Certified Diagnosis Technician and Certified System Technician. These two categories are regarded as the most challenging, requiring the highest skill-set levels in the competition where participants have to demonstrate highly proficient technical skills.

In 2012, our Quarry and Building Materials Division added another feather to its cap when it was presented with an Award of Excellence from the Institute of Quarrying Malaysia Bhd. This distinguished industry accolade recognised the division's outstanding contribution to the industry in terms of environment preservation, workplace safety, innovation and technology, human capital development and corporate social responsibility.

Mercedes-Benz Skills Competition 2012

Financial Statements

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

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 2012 are as follows:

	Group RM'000	Company RM'000
Profit before tax	677,107	216,842
Tax expense	(190,653)	(5,426)
Profit for the year	486,454	211,416
Attributable to:		
Owners of the Company	422,632	211,416
Non-controlling interests	63,822	–
Profit for the year	486,454	211,416

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.

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.

ISSUE OF SHARES

There were no changes in the authorised, issued and paid-up share capital of the Company except for the issuance of shares pursuant to the exercise of warrants as disclosed below.

WARRANTS

The warrants are constituted by the deed poll dated 6 July 2011 ["Deed Poll"].

On 15 August 2011, the 364,392,900 warrants issued free by the Company pursuant to the Rights Issue with Warrants Exercise on the basis of one (1) warrant for every one (1) rights share subscribed were listed and quoted on the Main Market of Bursa Securities.

WARRANTS (continued)

Salient features of the warrants are as follows:

(a) Each warrant entitles the registered holder thereof ["Warrantholder(s)"] to subscribe for one (1) new ordinary share of RM1.00 in the Company at the exercise price of RM1.65 during the 5-year period expiring on 9 August 2016 ["Exercise Period"], subject to the adjustments as set out in the Deed Poll;

(b) At the expiry of the Exercise Period, any warrants which have not been exercised shall automatically lapse and cease to be valid for any purpose;

(c) Warrantholders must exercise the warrants in accordance with the procedures set out in the Deed Poll and shares allotted and issued upon such exercise shall rank pari passu in all respects with the then existing shares of the Company, and shall be entitled for any dividends, rights, allotments and/or other distributions after the issue and allotment thereof;

(d) For purpose of trading on Bursa Securities, a board lot for the warrants shall be one hundred (100) or such other number of units as may be prescribed by Bursa Securities from time to time and the trading thereof shall be governed by the provisions of the Securities Industry (Central Depositories) Act, 1991 (including any amendment or re-enactment thereof) and the rules of the Bursa Malaysia Depository Sdn Bhd; and

(e) The Deed Poll and accordingly the warrants, are governed by and shall be construed in accordance with the laws of Malaysia.

Movement in the warrants since the listing and quotation thereof is as follows:

	Number of warrants
As of 15 August 2011	364,392,900
Exercised during the period	–
As of 31 December 2011/1 January 2012	364,392,900
Exercised during the year	(6,600)
As of 31 December 2012	364,386,300
Exercised subsequent to 31 December 2012	(3,000)
As of 3 April 2013	364,383,300

During the financial year, a total of 6,600 warrants were exercised and the issued and paid-up share capital of the Company increased to RM2,186,364,000 comprising 2,186,364,000 ordinary shares of RM1.00 each. As of 31 December 2012, 364,386,300 warrants remained unexercised.

Subsequent to the end of the financial year and up to the date of this report, 3,000 warrants were exercised which resulted in 3,000 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities. Consequently, the issued and paid-up share capital of the Company increased to RM2,186,367,000 comprising 2,186,367,000 ordinary shares of RM1.00 each. As of 3 April 2013, 364,383,300 warrants remained unexercised.

TREASURY SHARES

During the extraordinary general meeting of the Company held on 29 May 2012, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 67,826,400 shares at the cost of RM113,777,608 which were held as treasury shares and thereby yielding a cumulative total of 73,256,400 treasury shares. All repurchases of shares were financed by the Company's internal funds.

Movement in the treasury shares is as follows:

	Number of shares	RM	Average cost per share RM
As of 1 January 2011	59,136,500	154,466,564	2.61
Repurchased shares cancelled during the year	(59,138,500)	(154,478,048)	2.61
Repurchased during the year	5,432,000	8,294,929	1.53
As of 31 December 2011/1 January 2012	5,430,000	8,283,445	1.53
Repurchased during the year	67,826,400	113,777,608	1.68
As of 31 December 2012	73,256,400	122,061,053	1.67
Repurchased subsequent to 31 December 2012	3,980,000	6,727,983	1.69
As of 3 April 2013	77,236,400	128,789,036	1.67

The directors of the Company are committed to enhancing the value of the Company and shall undertake the shares repurchase in the best interests of the Company.

As of 3 April 2013, upon the aforementioned issuance of shares pursuant to the exercise of warrants and the repurchase of shares subsequent to the end of the financial year, the issued and paid-up share capital of the Company was RM2,186,367,000 comprising 2,186,367,000 ordinary shares of RM1.00 each, with 77,236,400 ordinary shares thereof being held as treasury shares.

SIGNIFICANT EVENTS DURING THE YEAR

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

SUBSEQUENT EVENTS

Subsequent events other than those detailed in the directors' report are disclosed in Note 41 to the financial statements.

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 2011:	
– Second interim dividend of 4.7 sen per share under the single tier system approved by the Board of Directors on 14 February 2012 and paid on 13 March 2012	102,490
(ii) In respect of the financial year ended 31 December 2012:	
– First interim dividend of 4.5 sen per share under the single tier system approved by the Board of Directors on 10 July 2012 and paid on 8 August 2012	97,084
	199,574

On 28 February 2013, the Board of Directors approved a second interim dividend of 6.0 sen per share under the single tier system in respect of the financial year ended 31 December 2012, amounted to RM126,786,636 and was paid on 29 March 2013. The financial statements for the current financial year do not reflect this dividend and will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2013.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2012.

No dividend is payable for treasury shares held or cancelled.

MATERIAL LITIGATIONS

Details of material litigations 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 Edward Lee Ming Foo, JP	
Lee Wee Yong	
Datuk Simon Shim Kong Yip, JP	
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	
Dato' Mohammed Bin Haji Che Hussein	
Tan Ghee Kiat	
Datuk Henry Chin Poy-Wu	(resigned on 31 December 2012)
Lau Teong Jin	(resigned on 31 December 2012)

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 warrants 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 1.1.2012**	**Acquired**	**Sold**	**As at 31.12.2012**
Hap Seng Consolidated Berhad				
Dato' Jorgen Bornhoft	180,000	–	(80,000)	100,000
Dato' Mohammed Bin Haji Che Hussein	288,000	–	–	288,000
Hap Seng Plantations Holdings Berhad ["HSP"], a listed subsidiary				
Dato' Jorgen Bornhoft	10,000	–	–	10,000
Lee Wee Yong	70,000	–	(70,000)	–
Datuk Simon Shim Kong Yip, JP	180,000	–	–	180,000
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	10,000	–	(5,000)	5,000

	Number of warrants			
Name of director	**As at 1.1.2012**	**Acquired**	**Sold**	**As at 31.12.2012**
Hap Seng Consolidated Berhad				
Dato' Jorgen Bornhoft	30,000	–	–	30,000
Dato' Mohammed Bin Haji Che Hussein	48,000	–	–	48,000

None of the other directors in office at the end of the financial year had any interest in shares and warrants in 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 or 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 3 April 2013.

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 88 to 177 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 2012 and of their financial performance and cash flows for the year then ended.

The information set out in Note 42 to the financial statements on page 178 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 and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 3 April 2013.

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 88 to 178 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 3 April 2013.

LEE WEE YONG

Before me,
P. Valliamah
(No: W594)
Commissioner of Oaths

Independent Auditors' Report

TO THE MEMBERS OF HAP SENG CONSOLIDATED BERHAD
(Incorporated in Malaysia)

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 2012 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 of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 88 to 177.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of financial statements that give a true and fair view 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 2012 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 ["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 reporting responsibilities

The supplementary information set out in Note 42 to the financial statements on page 178 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.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Lee Seng Huat
No. 2518/12/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
3 April 2013

Statements of Financial Position

AS AT 31 DECEMBER 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Non-current assets					
Property, plant and equipment	4	**1,220,417**	1,156,171	**2,179**	1,394
Biological assets	5	**428,798**	420,539	**–**	–
Investment properties	6	**445,325**	475,153	**–**	–
Subsidiaries	7	**–**	–	**2,235,359**	2,332,209
Associates	8	**429,775**	387,303	**81,167**	81,167
Other investment	9	**30,000**	30,000	**–**	–
Land held for property development	10	**375,164**	371,366	**–**	–
Goodwill	11	**36,736**	36,736	**–**	–
Long term receivables	14	**949,841**	828,747	**–**	–
Deferred tax assets	19	**51,378**	71,746	**–**	–
		3,967,434	3,777,761	**2,318,705**	2,414,770
Current assets					
Inventories	12	**550,219**	941,461	**–**	–
Property development costs	13	**359,939**	249,725	**–**	–
Trade and other receivables	14	**1,236,375**	1,147,407	**663,453**	645,170
Tax recoverable		**26,236**	43,855	**136**	58
Cash and bank balances	15	**519,259**	666,901	**229,372**	410,443
		2,692,028	3,049,349	**892,961**	1,055,671
Total assets		**6,659,462**	6,827,110	**3,211,666**	3,470,441
Equity attributable to owners of the Company					
Share capital	20	**2,186,364**	2,186,357	**2,186,364**	2,186,357
Reserves	21	**1,334,338**	1,115,343	**1,143,428**	1,131,582
		3,520,702	3,301,700	**3,329,792**	3,317,939
Less: Treasury shares	20	**(122,061)**	(8,283)	**(122,061)**	(8,283)
		3,398,641	3,293,417	**3,207,731**	3,309,656
Non-controlling interests		**365,102**	358,631	**–**	–
Total equity		**3,763,743**	3,652,048	**3,207,731**	3,309,656

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Non-current liabilities					
Borrowings	18	**991,108**	1,370,710	**–**	–
Deferred tax liabilities	19	**169,781**	168,051	**27**	36
Other payables	16	**5,864**	1,648	**–**	–
		1,166,753	1,540,409	**27**	36
Current liabilities					
Trade and other payables, including derivatives	16	**413,793**	436,173	**3,908**	4,296
Provisions	17	**3,300**	3,606	**–**	–
Tax payable		**51,253**	20,401	**–**	–
Borrowings	18	**1,260,620**	1,174,473	**–**	156,453
		1,728,966	1,634,653	**3,908**	160,749
Total liabilities		**2,895,719**	3,175,062	**3,935**	160,785
Total equity and liabilities		**6,659,462**	6,827,110	**3,211,666**	3,470,441

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

Income Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	22	**3,958,899**	3,628,380	**212,533**	217,375
Cost of sales	22	**(3,029,214)**	(2,762,255)	**–**	–
Gross profit		**929,685**	866,125	**212,533**	217,375
Other operating income		**98,927**	160,707	**23,282**	30,832
Distribution costs		**(114,023)**	(133,389)	**–**	–
Administrative expenses		**(166,712)**	(153,400)	**(15,128)**	(13,858)
Other operating expenses		**(31,162)**	(25,400)	**(1,257)**	(594)
Operating profit	23	**716,715**	714,643	**219,430**	233,755
Finance costs	26	**(93,977)**	(97,216)	**(2,588)**	(7,537)
Other non-operating items	27	**–**	(2,175)	**–**	–
Share of results of associates		**54,369**	19,747	**–**	–
Profit before tax		**677,107**	634,999	**216,842**	226,218
Tax expense	28	**(190,653)**	(141,872)	**(5,426)**	(20,342)
Profit for the year		**486,454**	493,127	**211,416**	205,876
Profit attributable to:					
Owners of the Company		**422,632**	375,602	**211,416**	205,876
Non-controlling interests		**63,822**	117,525	**–**	–
		486,454	493,127	**211,416**	205,876
Earnings per share (sen)					
Basic	29	**19.58**	18.85		
Diluted	29	**19.55**	18.85		

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

Statements of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2012

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Profit for the year	**486,454**	493,127	**211,416**	205,876
Other comprehensive income, net of tax:				
Foreign currency translation differences for foreign operations	**(2,095)**	(379)	**–**	–
Share of foreign currency translation differences of associates	**(1,972)**	–	**–**	–
Other comprehensive income for the year, net of tax	**(4,067)**	(379)	**–**	–
Total comprehensive income for the year, net of tax	**482,387**	492,748	**211,416**	205,876
Total comprehensive income attributable to:				
Owners of the Company	**418,565**	375,682	**211,416**	205,876
Non-controlling interests	**63,822**	117,066	**–**	–
	482,387	492,748	**211,416**	205,876

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

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

GROUP	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Foreign exchange reserve RM'000	Revaluation reserve RM'000	Capital redemption reserve RM'000	Warrant reserve RM'000	Other reserve RM'000	Retained profits RM'000	Treasury shares RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Attributable to Owners of the Company												
	Non-distributable								Distributable				
At 1 January 2011	622,660	–	641	6,726	36,564	7,128	–	–	2,066,962	(154,467)	2,586,214	330,588	2,916,802
Profit for the year	–	–	–	–	–	–	–	–	375,602	–	375,602	117,525	493,127
Other comprehensive income	–	–	–	80	–	–	–	–	–	–	80	(459)	(379)
Total comprehensive income	–	–	–	80	–	–	–	–	375,602	–	375,682	117,066	492,748
Private placement	43,800	186,150	–	–	–	–	–	–	–	–	229,950	–	229,950
Bonus issue	1,214,643	(177,489)	–	–	–	–	–	–	(1,037,154)	–	–	–	–
Rights issue	364,393	–	–	–	–	–	49,193	(30,973)	–	–	382,613	–	382,613
Share issuance expenses	–	(8,661)	–	–	–	–	–	–	–	–	(8,661)	–	(8,661)
Acquisition of shares in subsidiaries from non-controlling interests	–	–	–	–	–	–	–	–	(54,925)	–	(54,925)	(28,008)	(82,933)
Purchase of treasury shares	–	–	–	–	–	–	–	–	–	(8,294)	(8,294)	–	(8,294)
Purchase of treasury shares by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(19)	(19)
Cancellation of treasury shares	(59,139)	–	–	–	–	59,139	–	–	(154,478)	154,478	–	–	–
Dividends (Note 30)	–	–	–	–	–	–	–	–	(209,162)	–	(209,162)	–	(209,162)
Dividends paid by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(60,996)	(60,996)
At 31 December 2011/ 1 January 2012	**2,186,357**	**–**	**641**	**6,806**	**36,564**	**66,267**	**49,193**	**(30,973)**	**986,845**	**(8,283)**	**3,293,417**	**358,631**	**3,652,048**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**422,632**	**–**	**422,632**	**63,822**	**486,454**
Other comprehensive income	**–**	**–**	**–**	**(4,067)**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,067)**	**–**	**(4,067)**
Total comprehensive income	**–**	**–**	**–**	**(4,067)**	**–**	**–**	**–**	**–**	**422,632**	**–**	**418,565**	**63,822**	**482,387**
Transfer of reserve	**–**	**–**	**34,397**	**–**	**(34,397)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Reserve realised upon disposal of assets	**–**	**–**	**–**	**–**	**(2,167)**	**–**	**–**	**–**	**2,167**	**–**	**–**	**–**	**–**
Exercise of warrants	**7**	**5**	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**–**	**11**	**–**	**11**
Disposal of shares in subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**50**	**50**
Purchase of treasury shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(113,778)**	**(113,778)**	**–**	**(113,778)**
Purchase of treasury shares by a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12)**	**(12)**
Dividends (Note 30)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(199,574)**	**–**	**(199,574)**	**–**	**(199,574)**
Dividends paid by a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(57,389)**	**(57,389)**
At 31 December 2012	**2,186,364**	**5**	**35,038**	**2,739**	**–**	**66,267**	**49,192**	**(30,973)**	**1,212,070**	**(122,061)**	**3,398,641**	**365,102**	**3,763,743**

COMPANY	← Non-distributable Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Warrant reserve RM'000	Other reserve RM'000 →	Distributable Retained profits RM'000	Treasury shares RM'000	Total equity RM'000
At 1 January 2011	622,660	–	7,128	–	–	2,242,013	(154,467)	2,717,334
Profit for the year, representing total comprehensive income for the year	–	–	–	–	–	205,876	–	205,876
Private placement	43,800	186,150	–	–	–	–	–	229,950
Bonus issue	1,214,643	(177,489)	–	–	–	(1,037,154)	–	–
Rights issue	364,393	–	–	49,193	(30,973)	–	–	382,613
Share issuance expenses	–	(8,661)	–	–	–	–	–	(8,661)
Purchase of treasury shares	–	–	–	–	–	–	(8,294)	(8,294)
Cancellation of treasury shares	(59,139)	–	59,139	–	–	(154,478)	154,478	–
Dividends (Note 30)	–	–	–	–	–	(209,162)	–	(209,162)
At 31 December 2011/ 1 January 2012	**2,186,357**	**–**	**66,267**	**49,193**	**(30,973)**	**1,047,095**	**(8,283)**	**3,309,656**
Profit for the year, representing total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**211,416**	**–**	**211,416**
Purchase of treasury shares	**–**	**–**	**–**	**–**	**–**	**–**	**(113,778)**	**(113,778)**
Exercise of warrants	**7**	**5**	**–**	**(1)**	**–**	**–**	**–**	**11**
Dividends (Note 30)	**–**	**–**	**–**	**–**	**–**	**(199,574)**	**–**	**(199,574)**
At 31 December 2012	**2,186,364**	**5**	**66,267**	**49,192**	**(30,973)**	**1,058,937**	**(122,061)**	**3,207,731**

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

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2012

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before tax	**677,107**	634,999	**216,842**	226,218
Adjustments for:				
Depreciation of property, plant and equipment	**78,643**	68,597	**710**	594
Property, plant and equipment written off	**788**	1,520	**–**	–
Investment properties written off	**1,099**	–	**–**	–
Biological assets written off	**–**	460	**–**	–
Gains from fair value adjustments of investment properties	**(31,806)**	–	**–**	–
Impairment loss on investment in an associate	**–**	2,175	**–**	–
Gain on disposal of property, plant and equipment	**(852)**	(32,669)	**(285)**	–
Gain on disposal of investment properties	**(1,820)**	(69,386)	**–**	–
Gain on disposal of land held for property development	**–**	(179)	**–**	–
Interest expense	**93,977**	97,216	**2,588**	7,537
Interest income	**(10,626)**	(12,042)	**(22,812)**	(30,009)
Dividend income	**(1,200)**	(562)	**(212,533)**	(217,375)
Share of results of associates	**(54,369)**	(19,747)	**–**	–
Operating profit/(loss) before changes in working capital	**750,941**	670,382	**(15,490)**	(13,035)
Changes in working capital:				
Inventories	**380,312**	(477,661)	**–**	–
Property development costs	**39,109**	65,619	**–**	–
Loan receivables	**(165,202)**	(262,061)	**–**	–
Receivables	**(48,693)**	(174,066)	**(18,283)**	159,717
Payables	**(4,797)**	55,678	**(388)**	227
Cash flows generated from/(used in) operations	**951,670**	(122,109)	**(34,161)**	146,909
Income tax paid	**(154,095)**	(156,202)	**(5,513)**	(5,317)
Income tax refunded	**29,494**	16,481	**–**	–
Interest paid	**(93,977)**	(97,216)	**(2,588)**	(7,537)
Interest received	**10,626**	12,042	**22,812**	30,009
Additions to land held for property development	**(62,091)**	(18,128)	**–**	–
Proceeds from disposal of land held for property development	**–**	2,972	**–**	–
Net cash flows generated from/(used in) operating activities	**681,627**	(362,160)	**(19,450)**	164,064

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	**9,676**	65,556	**530**	–
Proceeds from disposal of investment properties	**7,000**	133,370	**–**	–
Redemption of preference shares by subsidiaries	**–**	–	**218,000**	500,000
Dividends received from subsidiaries	**–**	–	**210,608**	199,359
Dividends received from associates	**9,925**	10,917	**1,925**	2,964
Purchase of property, plant and equipment	**(136,055)**	(184,510)	**(1,740)**	(501)
Additions to biological assets	**(8,259)**	(6,451)	**–**	–
Additions to investment properties	**(35,675)**	(36,369)	**–**	–
Acquisition of other investment	**–**	(30,000)	**–**	–
Acquisition of subsidiaries (Note 7(a))	**(17,581)**	–	**–**	–
Acquisition of non-controlling interests (Note 7(b))	**–**	(82,933)	**–**	(41,549)
Proceeds from issuance of shares to non-controlling interests	**50**	–	**–**	–
Acquisition of additional shares in subsidiaries	**–**	–	**(121,150)**	(852,500)
Net cash flows (used in)/generated from investing activities	**(170,919)**	(130,420)	**308,173**	(192,227)
Cash flows from financing activities				
Dividends paid	**(199,574)**	(209,162)	**(199,574)**	(209,162)
Dividends paid to minority shareholders	**(57,389)**	(60,996)	**–**	–
Proceeds from issuance of shares pursuant to the private placement	**–**	229,950	**–**	229,950
Proceeds from issuance of shares pursuant to the rights issue	**–**	382,613	**–**	382,613
Share issuance expenses	**–**	(8,661)	**–**	(8,661)
Shares repurchased at cost	**(113,790)**	(8,313)	**(113,778)**	(8,294)
Proceeds from issuance of shares pursuant to the exercise of warrants	**11**	–	**11**	–
Net (repayment)/drawdown of borrowings	**(277,512)**	635,132	**(156,453)**	–
Net cash flows (used in)/generated from financing activities	**(648,254)**	960,563	**(469,794)**	386,446
Net (decrease)/increase in cash and cash equivalents	**(137,546)**	467,983	**(181,071)**	358,283
Effects on exchange rate changes on cash and cash equivalents	**(592)**	1,516	**–**	–
Cash and cash equivalents as at 1 January	**654,928**	185,429	**410,443**	52,160
Cash and cash equivalents as at 31 December (Note 15)	**516,790**	654,928	**229,372**	410,443

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

Notes to the Financial Statements

31 DECEMBER 2012

1. CORPORATE INFORMATION

The Company is an investment holding company.

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

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

The holding company 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 3 April 2013.

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.

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.

2.2 Effects of adopting new and amended Financial Reporting Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the changes arising from the adoption of the following new and amended FRSs and IC Interpretations that are mandatory for annual periods beginning on or after 1 July 2011 and 1 January 2012 as follows.

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

- Amendments to FRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters *
- Amendments to FRS 7: Transfers of Financial Assets *
- Amendments to FRS 112: Deferred Tax: Recovery of Underlying Assets
- FRS 124 Related Party Disclosures
- Amendments to FRS 7: Mandatory Effective Date of FRS 9 and Transition Disclosures *#

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

\# *Effective immediately as of 1 March 2012*

The adoption of the above new and amended FRSs and IC Interpretations do not have any significant financial impact on the Group.

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 of the FRS framework which have been issued but are only effective for future financial periods:

	Effective for annual periods beginning on or after
Amendments to FRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of Interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 Employee Benefits	1 January 2013
FRS 127 Separate Financial Statements	1 January 2013
FRS 128 Investment in Associates and Joint Ventures	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to FRS 1: Government Loans	1 January 2013
Amendments to FRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 10, FRS 11 and FRS 12: Transition Guidance	1 January 2013
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2012)"	1 January 2013
Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities	1 January 2014
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 9 Financial Instruments	1 January 2015

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no impact on the financial statements of the Group and of the Company upon their initial application, except as discussed below:

Amendments to FRS 101: Presentation of Items of Other Comprehensive Income

The amendments to FRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no financial impact on the Group's financial position or performance.

FRS 9 Financial Instruments

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The adoption of the first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group is in the process of making an assessment of the impact of adoption of FRS 9.

FRS 12 Disclosure of Interests in Other Entities

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no financial impact on the Group's financial position or performance.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective (continued)

FRS 13 Fair Value Measurement

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted. The Group is currently assessing the impact of adoption of FRS 13.

Amendments to FRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments require additional information to be disclosed to enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment affects disclosure only and has no financial impact on the Group's financial position or performance.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional two years. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group falls within the definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare its financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 December 2014. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

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 and losses resulting from intra-group transactions are eliminated in full. Intra-group losses may indicate impairment that requires recognition in the consolidated financial statements.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation (continued)

Acquisitions of subsidiaries are accounted for by applying the acquisition 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. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 2.13. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

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.

2.5 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in consolidated income statement, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency (continued)

(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 transactions. 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.

2.7 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 costs 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment (continued)

(a) Assets (continued)

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 life. The estimated useful lives are:

Leasehold land	23 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 revaluation surplus included in the revaluation reserve in respect of the asset is transferred directly to retained profits.

2.8 Biological assets

In accordance with paragraph 54 of FRS 101, the Group has presented plantation development expenditure as biological assets.

New planting which include land clearing, planting, field upkeep and maintenance of oil palm plantings to maturity are capitalised as plantation development expenditure. Oil palm plantings are considered mature 30 months after the date of planting. Expenditures incurred after maturity of crops are charged to profit or loss. Estate overhead expenditure is apportioned to revenue and plantation development expenditure on the basis of the proportion of mature and immature areas.

Net income from scout harvesting prior to maturity is offset against plantation development expenditure.

No amortisation is considered necessary for plantation development expenditure as the estate is maintained through replanting programmes and replanting expenditure is written off to 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 and/or management. 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. 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.

Subsequent expenditure is included in the investment property'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 recognised in 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 based on the opinion of a qualified independent valuer and/or assessment performed by the management. 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.

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.

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, loans and receivables and available-for-sale financial assets.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Financial assets (continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

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.

(a) 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)

2.16 Impairment of financial assets (continued)

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost 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 current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Property development costs (continued)

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.

2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Revenue recognition (continued)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Income tax (continued)

(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.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition 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 deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2.9, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

(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.

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

2.25 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying assets if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. Capitalisation of borrowing costs shall cease when substantially all the activities to prepare the asset for its intended use or sale are completed.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 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 fair value hedges.

Fair value hedges

The change in the fair value of a foreign exchange derivative is recognised in the profit or loss. 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.

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.

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.

2.27 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 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.

2.29 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.

2.30 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.

2.31 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

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) Useful lives of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 4 to 20 years. These are common life expectancies applied in the industries that the subsidiaries are operating in. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the reporting date is disclosed in Note 4.

(b) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount of timing of future taxable income. Given the variety of businesses in various countries, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective tax countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.2 Key sources of estimation uncertainty (continued)

(b) Taxes (continued)

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 2012, the Group has deferred tax assets of RM51,378,000 (2011: RM71,746,000).

(c) 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.

(d) 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.

(e) 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 2012, the allowance for impairment of the Group is RM12,942,000 (2011: RM15,093,000).

(f) Material litigation

The Group determines whether a present obligation in relation to a material litigation exists at the reporting date by taking into account all available evidence, including the opinion of its solicitors and subsequent events after the reporting date. On the basis of such evidence, the Group evaluates if a provision needs to be recognised in the financial statements. Further details of the material litigation involving the Group are disclosed in Note 34.

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	Roads and infrastructure RM'000	Plant and equipment RM'000	Assets under construction RM'000	Total RM'000
At cost or valuation								
At 1 January 2011	141,565	198,319	36,089	456,903	135,162	455,164	54,789	1,477,991
Additions	38,738	–	76	8,267	13,838	59,538	64,053	184,510
Reclassifications	79	(228)	2,648	8,248	8,231	45,509	(64,487)	–
Disposals	–	(19,126)	–	(6,290)	–	(21,772)	–	(47,188)
Written off	–	–	–	(211)	–	(4,662)	–	(4,873)
Exchange differences	–	–	14	(123)	–	(270)	(2)	(381)
At 31 December 2011/ 1 January 2012	**180,382**	**178,965**	**38,827**	**466,794**	**157,231**	**533,507**	**54,353**	**1,610,059**
Additions	**57**	**361**	**84**	**12,551**	**12,571**	**51,761**	**58,670**	**136,055**
Reclassifications	**4,638**	**12,626**	**–**	**13,171**	**2,898**	**37,810**	**(71,143)**	**–**
Acquisition of subsidiary	**–**	**8,098**	**1,365**	**6,394**	**–**	**14,891**	**–**	**30,748**
Disposals	**–**	**–**	**–**	**(218)**	**–**	**(17,009)**	**–**	**(17,227)**
Written off	**–**	**–**	**–**	**(78)**	**–**	**(2,533)**	**–**	**(2,611)**
Exchange differences	**–**	**–**	**(142)**	**(217)**	**–**	**(619)**	**(136)**	**(1,114)**
At 31 December 2012	**185,077**	**200,050**	**40,134**	**498,397**	**172,700**	**617,808**	**41,744**	**1,755,910**
Analysis of cost or valuation								
Cost	**185,077**	**200,050**	**40,134**	**495,922**	**172,700**	**617,808**	**41,744**	**1,753,435**
Valuation 1984	**–**	**–**	**–**	**2,475**	**–**	**–**	**–**	**2,475**
	185,077	**200,050**	**40,134**	**498,397**	**172,700**	**617,808**	**41,744**	**1,755,910**
Accumulated depreciation								
At 1 January 2011	–	28,696	2,075	104,135	29,990	238,135	–	403,031
Depreciation charge for the year (Note 23)	–	2,927	1,376	12,618	9,474	42,202	–	68,597
Reclassifications	–	(781)	781	–	–	–	–	–
Disposals	–	(2,734)	–	(2,287)	–	(9,280)	–	(14,301)
Written off	–	–	–	(4)	–	(3,349)	–	(3,353)
Exchange differences	–	–	2	(45)	–	(43)	–	(86)
At 31 December 2011/ 1 January 2012	**–**	**28,108**	**4,234**	**114,417**	**39,464**	**267,665**	**–**	**453,888**
Depreciation charge for the year (Note 23)	**–**	**2,878**	**1,360**	**14,187**	**10,538**	**49,680**	**–**	**78,643**
Acquisition of subsidiary	**–**	**34**	**124**	**2,699**	**–**	**10,756**	**–**	**13,613**
Disposals	**–**	**–**	**–**	**(218)**	**–**	**(8,185)**	**–**	**(8,403)**
Written off	**–**	**–**	**–**	**(63)**	**–**	**(1,760)**	**–**	**(1,823)**
Exchange differences	**–**	**–**	**(33)**	**(75)**	**–**	**(317)**	**–**	**(425)**
At 31 December 2012	**–**	**31,020**	**5,685**	**130,947**	**50,002**	**317,839**	**–**	**535,493**
Net carrying amount								
At 31 December 2011	180,382	150,857	34,593	352,377	117,767	265,842	54,353	1,156,171
At 31 December 2012	**185,077**	**169,030**	**34,449**	**367,450**	**122,698**	**299,969**	**41,744**	**1,220,417**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

The revalued buildings of RM2,475,000 (2011: RM2,475,000) had been undertaken by the directors on the basis of an independent valuation by a professional firm of valuers on an existing use basis conducted in 1984. The property, plant and equipment 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.

The title of the Group's long term leasehold land with net book value of RM3,905,000 stipulated that not less than 30% of the undivided share of the said land or not less than 30% of the equity of the subsidiary being the registered owner of the said land, shall be transferred to/held by/registered in the name of native(s) on or before July 2012 ["Native Condition"]. During the year, the Land and Survey Department in Kota Kinabalu had granted further extension up to July 2017 to comply with the Native Condition.

Private caveat was entered by third parties on the Group's long term leasehold land with carrying value of RM3,166,000 as disclosed in Note 34(b) to the financial statements.

During the year, caveats by the Assistant Collector of Land Revenue were lodged over parcels of native title which a subsidiary had subleased from natives. The sublease is disclosed as leasehold land with unexpired period of less than 50 years and with a carrying value of RM18,523,000.

Company

	Buildings RM'000	Plant and equipment RM'000	Total RM'000
At cost			
At 1 January 2011	187	4,418	4,605
Additions	–	501	501
At 31 December 2011/1 January 2012	**187**	**4,919**	**5,106**
Additions	**–**	**1,740**	**1,740**
Disposals	**–**	**(1,720)**	**(1,720)**
At 31 December 2012	**187**	**4,939**	**5,126**
Accumulated depreciation			
At 1 January 2011	149	2,969	3,118
Charge for the year (Note 23)	4	590	594
At 31 December 2011/1 January 2012	**153**	**3,559**	**3,712**
Charge for the year (Note 23)	**4**	**706**	**710**
Disposals	**–**	**(1,475)**	**(1,475)**
At 31 December 2012	**157**	**2,790**	**2,947**
Net carrying amount			
At 31 December 2011	34	1,360	1,394
At 31 December 2012	**30**	**2,149**	**2,179**

5. BIOLOGICAL ASSETS

	Group	
	2012 RM'000	2011 RM'000
At cost or valuation		
At 1 January	**420,539**	414,548
Additions	**8,259**	6,451
Written off (Note 23)	**–**	(460)
At 31 December	**428,798**	420,539
Analysis of cost or valuation		
Cost	**355,883**	347,624
Valuation 1984	**72,915**	72,915
	428,798	420,539

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 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 (2011: RM27,586,000) in respect of the Group.

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.

	Completed investment properties RM'000	IPUC, at fair value RM'000	Total RM'000
At 1 January 2011	373,114	129,654	502,768
Additions from acquisition	14,623	–	14,623
Additions from subsequent expenditure	266	21,480	21,746
Disposals	(63,984)	–	(63,984)
At 31 December 2011/1 January 2012	**324,019**	**151,134**	**475,153**
Additions from subsequent expenditure	**–**	**35,675**	**35,675**
Reclassification	**(25,555)**	**25,555**	**–**
Transfer to property development costs (Note 13)	**(91,030)**	**–**	**(91,030)**
Disposals	**(5,180)**	**–**	**(5,180)**
Write off	**(1,099)**	**–**	**(1,099)**
Gains from fair value adjustments recognised in profit or loss (Note 23)	**26,761**	**5,045**	**31,806**
At 31 December 2012	**227,916**	**217,409**	**445,325**

6. INVESTMENT PROPERTIES (continued)

	2012 RM'000	2011 RM'000
Represented by:		
Freehold land and buildings	**243,939**	299,429
Long term leasehold land and buildings	**201,386**	175,724
	445,325	475,153

Included in additions from subsequent expenditure for IPUC was interest expense capitalised amounted to RM4,419,000 (2011: RM3,075,000).

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed by registered independent valuers and/or assessment performed by the management. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and in the absence of current prices in an active market, depreciated replacement cost method has been used.

In the previous financial year, the management have assessed that there were no material changes to its investment properties. The management have performed the assessment by reference to market evidence of transaction prices for similar properties and in the absence of current prices in an active market, depreciated replacement cost method had been used.

7. SUBSIDIARIES

	Company	
	2012 RM'000	2011 RM'000
Quoted shares in Malaysia, at cost	**843,389**	843,389
Unquoted shares, at cost	**1,391,970**	1,488,820
	2,235,359	2,332,209
Market value of quoted shares	**1,244,463**	1,217,985

7. SUBSIDIARIES (continued)

The subsidiaries as of 31 December 2012 are:

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2012	2011
	Held by the Company:				
*	Hap Seng Plantations Holdings Berhad	Investment holding and carrying out marketing and trading activities for its subsidiaries	Malaysia	**55.16**	55.16
	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 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
	Macro Arch (M) Sdn Bhd (previously held by Hap Seng Fertilizers Sdn Bhd)	Investment holding	Malaysia	**100**	100
	Palms Edge (M) Sdn Bhd (previously held by Hap Seng (Oil & Transport) Sdn Bhd)	Investment holding	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

7. SUBSIDIARIES (continued)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2012	2011
	Held by the Company: (continued)				
	Hap Seng Management Sdn Bhd	Investment holding	Malaysia	**100**	100
	Hap Seng Agrotech Sdn Bhd	Dormant	Malaysia	**100**	100
	Euro-Asia Brand Holding Company Sdn Bhd	Dormant	Malaysia	**100**	100
	Held by Hap Seng Plantations Holdings Berhad:				
*	Jeroco Plantations Sdn Bhd	Cultivation of oil palm and processing of fresh fruit bunches	Malaysia	**100**	100
*	Hap Seng Plantations (River Estates) Sdn Bhd	Cultivation of oil palm, processing of fresh fruit bunches and investment holding	Malaysia	**100**	100
*	Hap Seng Plantations (Kota Marudu) Sdn Bhd	Cultivation of oil palm	Malaysia	**100**	100
*	Hap Seng Plantations Livestocks (Kota Marudu) Sdn Bhd	Dormant	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

7. SUBSIDIARIES (continued)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2012	2011
	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
	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	Dormant	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 development	Malaysia	**100**	100
*	Hap Seng Land Development (Jesselton Hill) Sdn Bhd	Property development	Malaysia	**100**	100
*	Hap Seng Commercial Development (Jesselton Hill) Sdn Bhd	Dormant	Malaysia	**100**	100
	Hap Seng Land Development (Bangsar) Sdn Bhd *(formerly known as Estet Perkasa Sdn Bhd)*	Property development	Malaysia	**80**	100

7. SUBSIDIARIES (continued)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2012	Equity interest held (%) 2011
	Held by Hap Seng Properties Development Sdn Bhd:				
*	Hap Seng Commercial Development Sdn Bhd	Property development	Malaysia	**100**	100
*	Hap Seng Land Development (KK) Sdn Bhd	Property development	Malaysia	**100**	100
	Held by Hap Seng Realty Sdn Bhd:				
	Menara Hap Seng Sdn Bhd	Property investment	Malaysia	**100**	100
	Hap Seng Realty (Autohaus) Sdn Bhd	Property investment	Malaysia	**100**	100
	Hap Seng Property Investment Sdn Bhd	Property investment	Malaysia	**100**	100
	Hap Seng Realty (Auto) Sdn Bhd	Property investment	Malaysia	**100**	100
	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	Dormant	Malaysia	**100**	100
	Prosperity Projections Sdn Bhd	Property investment	Malaysia	**100**	100
	Lakaran Warisan Sdn Bhd	Property investment	Malaysia	**100**	100
	Hap Seng Land Development (JTR 2) Sdn Bhd *(formerly known as Tabir Amanbina Sdn Bhd)*	Dormant	Malaysia	**100**	–
	Held by Hap Seng Auto Sdn Bhd:				
*	Hap Seng Star Sdn Bhd	Trading in motor vehicles, spare parts and servicing of motor vehicles	Malaysia	**100**	100
*	SKI Segar Sdn Bhd	Trading in motor vehicles	Malaysia	**100**	100
*	Hap Seng Industrial Sdn Bhd	Dormant	Malaysia	**100**	100

7. SUBSIDIARIES (continued)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2012	2011
	Held by Hap Seng Star Sdn Bhd:				
#	Hap Seng Star Vietnam Limited	Dormant	Hong Kong	**100**	100
	Hap Seng Star (Vietnam) Sdn Bhd	Investment holding	Malaysia	**100**	100
	Held by Hap Seng Star (Vietnam) Sdn Bhd:				
#	Vietnam Star Automobile Limited (previously held by Hap Seng Star Vietnam Limited)	Distribution, sale and service of domestically made and imported vehicles and parts	Vietnam	**100**	100
	Held by Hap Seng Fertilizers Sdn Bhd:				
	Hap Seng Chemicals Sdn Bhd	Manufacture and sale of agro-chemicals	Malaysia	**70**	70
	Held by Hap Seng Building Materials Holdings Sdn Bhd:				
	Hap Seng Building Materials Sdn Bhd	Operation of stone quarries and asphalt plants, manufacture and trading of bricks	Malaysia	**100**	100
	Hap Seng Trading (BM) Sdn Bhd	Trading in building materials	Malaysia	**100**	100
	Hap Seng Trading Holdings Sdn Bhd *(formerly known as Konsep Sistematik (M) Sdn Bhd)*	Dormant	Malaysia	**100**	100
	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
	Hap Seng Equity Sdn Bhd *(formerly known as Western Works Industries Sdn Bhd)*	Dormant	Malaysia	**100**	100

7. SUBSIDIARIES (continued)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2012	2011
	Held by Hap Seng Building Materials Holdings Sdn Bhd: (continued)				
#	Hap Seng Building Materials Marketing Pte Ltd *(formerly known as Hap Seng Fertilizers Holdings Pte Ltd)* (previously held by the Company)	Trading in building materials	Singapore	**100**	100
	Held by Hap Seng Clay Products Sdn Bhd:				
	Kao Fu Bricks Sdn Bhd	Manufacture and trading of bricks	Malaysia	**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 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*

7. SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries

During the financial year, the Group acquired the entire equity interest in Kao Fu Bricks Sdn Bhd ["KFBSB"] for a total cash consideration of approximately RM19,321,000 as disclosed in Note 40(d).

The carrying amounts/fair values of the identifiable assets and liabilities of the subsidiary as at the date of acquisition and the effect of the acquisition of cash flows were as follows:

	Carrying amount RM'000	Fair value RM'000
Property, plant and equipment	6,058	17,135
Inventories	1,646	1,646
Trade and other receivables	160	160
Tax recoverable	90	90
Cash and cash equivalents	1,740	1,740
Trade and other payables	(78)	(78)
Deferred tax liabilities	(91)	(1,372)
Net identifiable assets	9,525	19,321

Cash consideration paid	19,321
Less: Cash and cash equivalents of subsidiary acquired	(1,740)
Net cash outflow on acquisition	17,581

Impact of acquisition in income statement

From the date of acquisition, KFBSB has recorded loss after tax of RM369,000. If the acquisition had taken place at the beginning of the financial year, the Group's profit after tax would have been RM485,009,000 and revenue would have been RM3,963,677,000.

The acquisition of another subsidiary during the financial year as disclosed in Note 40(e) does not have any material effect on the financial position and results of the Group.

7. SUBSIDIARIES (continued)

(b) Acquisition of non-controlling interests

In the previous financial year:

(i) the Group acquired an additional 35% equity interest in Hap Seng Star Sdn Bhd from its non-controlling interests for a total cash consideration of RM41,384,000. As a result of this acquisition, Hap Seng Star Sdn Bhd became a wholly-owned subsidiary of Hap Seng Auto Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company. On the date of this acquisition, the carrying value of the additional interest acquired was RM17,112,000. The difference between the consideration and the carrying value of the interest acquired of RM24,272,000 is reflected in the statement of changes in equity.

(ii) the Company also acquired an additional 12,732,800 ordinary shares of RM1.00 each, representing approximately 1.59% equity in Hap Seng Plantations Holdings Berhad ["HSP"] from the market of Bursa Malaysia Securities Berhad, for total cash consideration of RM41,549,000, thereby increasing its shareholding in HSP to 55.16%. On the date of acquisition, the carrying value of the additional interest acquired was RM10,896,000. The difference between the consideration and the carrying value of the interest acquired of RM30,653,000 is reflected in the statement of changes in equity.

8. ASSOCIATES

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 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**	294,123	**28,000**	28,000
	375,456	375,456	**103,741**	103,741
Share of post-acquisition reserves	**84,026**	39,582	**–**	–
	459,482	415,038	**103,741**	103,741
Exchange differences	**(1,972)**	–	**–**	–
	457,510	415,038	**103,741**	103,741
Less: Accumulated impairment losses – quoted shares	**(27,735)**	(27,735)	**(22,574)**	(22,574)
	429,775	387,303	**81,167**	81,167
Market value of quoted shares	**79,099**	65,810	**79,099**	65,810

8. ASSOCIATES (continued)

The associates as of 31 December 2012 are:

	Name of Associates	Principal Activities	Country of Incorporation	Financial Year End	Equity interest held (%) 2012	2011
*	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**	25.00

* *Audited by a firm other than Ernst & Young*

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

The financial statements of the above associates are coterminous with those of the Group, except for Paos Holdings Berhad and Vintage Heights Sdn Bhd whose financial year end on 31 May and 30 June respectively are coterminous with their respective 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 2012 and the financial statements of Vintage Heights Sdn Bhd for the year ended 30 June 2012 have been used and appropriate adjustments have been made for the effects of significant transactions between those dates and 31 December 2012.

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

8. ASSOCIATES (continued)

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

	2012 RM'000	2011 RM'000
Assets and liabilities:		
Current assets	**599,838**	812,112
Non-current assets	**1,675,481**	1,177,320
Total assets	**2,275,319**	1,989,432
Current liabilities	**771,702**	599,087
Non-current liabilities	**227,597**	238,220
Total liabilities	**999,299**	837,307
Results:		
Revenue	**1,388,974**	1,557,491
Profit for the year	**146,524**	55,364

9. OTHER INVESTMENT

	Group	
	2012 RM'000	2011 RM'000
At cost		
Unquoted shares in Malaysia, representing total available-for-sale financial assets	**30,000**	30,000

10. LAND HELD FOR PROPERTY DEVELOPMENT

	Group 2012 RM'000	2011 RM'000
Cost:		
At 1 January	**371,366**	379,489
Additions	**62,091**	18,128
Transfer to property development costs (Note 13)	**(58,293)**	(23,458)
Disposal	**–**	(2,793)
At 31 December	**375,164**	371,366
Accumulated impairment losses:		
At 1 January	**–**	(1,298)
Transfer to property development costs (Note 13)	**–**	1,298
At 31 December	**–**	–
Carrying amount at 31 December	**375,164**	371,366
Represented by:		
At cost		
Freehold land	**60,182**	21,066
Leasehold land	**249,493**	289,309
Land development expenditure	**65,489**	60,991
	375,164	371,366

11. GOODWILL

	Group 2012 RM'000	2011 RM'000
At 1 January/31 December	**36,736**	36,736

The goodwill arising from the acquisition of additional shares in HSP, a subsidiary listed in the Bursa Malaysia Securities Berhad has been tested for impairment at the 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 financial year, no impairment loss was recognised as the recoverable amount is more than the carrying amount.

12. INVENTORIES

	Group 2012 RM'000	Group 2011 RM'000
Properties held for sale	**22,164**	24,357
Quarry reserves	**7,758**	8,458
Raw materials	**78,644**	63,819
Produce inventories	**7,750**	4,843
Work-in-progress	**2,206**	1,739
Finished goods	**431,697**	837,563
Livestock	**–**	682
	550,219	941,461

Quarry reserves relate to the estimated reserves with remaining 11 years (2011: 12 years) lease of extraction.

13. PROPERTY DEVELOPMENT COSTS

Group	Leasehold land RM'000	Development costs RM'000	Accumulated costs charged to profit or loss RM'000	Total RM'000
At 1 January 2011	80,872	548,006	(335,694)	293,184
Transfer from land held for property development (Note 10)	16,732	5,428	–	22,160
Unsold units transferred to inventories	–	(5,762)	–	(5,762)
Costs incurred during the year	–	136,139	–	136,139
Costs charged to profit or loss	–	–	(195,996)	(195,996)
Reversal of completed projects	(8,921)	(108,092)	117,013	–
At 31 December 2011/1 January 2012	**88,683**	**575,719**	**(414,677)**	**249,725**
Transfer from:				
– Investment properties (Note 6)	**91,000**	**30**	**–**	**91,030**
– Land held for property development (Note 10)	**55,020**	**3,273**	**–**	**58,293**
Costs incurred during the year	**–**	**163,999**	**–**	**163,999**
Costs charged to profit or loss	**–**	**–**	**(151,073)**	**(151,073)**
Disposals	**(49,823)**	**(2,212)**	**–**	**(52,035)**
At 31 December 2012	**184,880**	**740,809**	**(565,750)**	**359,939**

Included in the property development costs incurred during the financial year were interest expense capitalised of RM1,952,000 (2011: RM22,000).

14. TRADE AND OTHER RECEIVABLES

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Current				
Trade receivables				
Third parties	**628,752**	566,428	**–**	–
Lease receivables	**4,563**	3,786	**–**	–
Hire purchase receivables	**450,556**	421,760	**–**	–
Loan receivables	**84,326**	70,086	**–**	–
Accrued billings	**10,907**	36,180	**–**	–
Amounts due from related companies	**3,108**	1,724	**–**	–
Amounts due from associates	**150**	394	**17**	17
	1,182,362	1,100,358	**17**	17
Less: Allowance for impairment	**(8,636)**	(9,550)	**–**	–
Interest in suspense	**(6,062)**	(7,248)	**–**	–
Advances received	**(24,172)**	(21,918)	**–**	–
	1,143,492	1,061,642	**17**	17
Other receivables				
Sundry receivables	**62,102**	65,971	**726**	1,800
Prepayment	**30,755**	19,743	**3,128**	8,614
Amounts due from subsidiaries	**–**	–	**659,556**	634,688
Amounts due from associates	**26**	51	**26**	51
	92,883	85,765	**663,436**	645,153
	1,236,375	1,147,407	**663,453**	645,170
Non-current				
Trade receivables				
Lease receivables	**15,424**	4,685	**–**	–
Hire purchase receivables	**545,756**	558,621	**–**	–
Loan receivables	**423,687**	301,393	**–**	–
	984,867	864,699	**–**	–
Less: Allowance for impairment	**(4,306)**	(5,543)	**–**	–
Advances received	**(30,720)**	(30,409)	**–**	–
	949,841	828,747	**–**	–
Total trade and other receivables (current and non-current)	**2,186,216**	1,976,154	**663,453**	645,170
Less: Accrued billings	**(10,907)**	(36,180)	**–**	–
Prepayment	**(30,755)**	(19,743)	**(3,128)**	(8,614)
Add: Cash and bank balances (Note 15)	**519,259**	666,901	**229,372**	410,443
Total loans and receivables	**2,663,813**	2,587,132	**889,697**	1,046,999

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 (2011: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

(ii) Lease receivables and hire purchase receivables

Lease receivables and hire purchase receivables consist of the following:

	2012			2011		
	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	**509,464**	**(54,345)**	**455,119**	478,892	(53,346)	425,546
Between 1 and 5 years	**599,645**	**(38,465)**	**561,180**	606,224	(42,966)	563,258
More than 5 years	**–**	**–**	**–**	49	(1)	48
	1,109,109	**(92,810)**	**1,016,299**	1,085,165	(96,313)	988,852

(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).

(iv) Amounts due from associates

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

14. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

Ageing analysis of trade receivables

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Total trade receivables				
– Current	**1,182,362**	1,100,358	**17**	17
– Non-current	**984,867**	864,699	**–**	–
	2,167,229	1,965,057	**17**	17
Less: Accrued billings	**(10,907)**	(36,180)	**–**	–
	2,156,322	1,928,877	**17**	17

The ageing analysis of trade receivables is as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Neither past due nor impaired	**843,309**	711,099	**17**	17
Past due but not impaired:				
– Past due 1 – 30 days	**149,316**	116,747	**–**	–
– Past due 31 – 90 days	**122,369**	83,374	**–**	–
– Past due more than 90 days	**34,757**	31,438	**–**	–
	306,442	231,559	**–**	–
Assessed for individual impairment	**20,263**	21,447	**–**	–
Assessed for collective impairment	**986,308**	964,772	**–**	–
Total trade receivables	**2,156,322**	1,928,877	**17**	17

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.

14. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

Ageing analysis of trade receivables (continued)

The movement in the allowance for impairment account is as follows:

	Group	
	2012	**2011**
	RM'000	**RM'000**
At 1 January	**15,093**	21,273
Allowance for impairment (Note 23)	**1,294**	1,215
Reversal of impairment losses (Note 23)	**(875)**	(3,799)
Written off	**(2,561)**	(3,606)
Exchange differences	**(9)**	10
At 31 December	**12,942**	15,093

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 RM306,442,000 (2011: RM231,559,000) 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	
	2012	**2011**
	RM'000	**RM'000**
Trade receivables – nominal amounts	**20,263**	21,447
Less: Allowance for impairment	**(8,893)**	(10,195)
	11,370	11,252

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 70% (2011: 74%) 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.

14. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

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 2012 RM'000	Group 2011 RM'000
Not past due	**831,186**	825,491
Past due 1 – 30 days	**99,911**	95,136
Past due 31 – 90 days	**55,211**	44,145
Total assessed for collective impairment – nominal amounts	**986,308**	964,772
Less: Allowance for impairment	**(4,049)**	(4,898)
	982,259	959,874

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.

(b) Other receivables

(i) 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 1.50% to 4.89% (2011: 1.50% to 4.93%) per annum.

(ii) 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 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
United States Dollar ["USD"]	**5,311**	771	**14,401**	16,188
Australian Dollar ["AUD"]	**–**	–	**2,402**	2,387
Singapore Dollar ["SGD"]	**–**	–	**1,949**	1,876
Indonesian Rupiah ["IDR"]	**91,682**	55,516	**–**	–
	96,993	56,287	**18,752**	20,451

15. CASH AND BANK BALANCES

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash at banks and on hand	**117,842**	80,171	**1,320**	1,535
Deposits with licensed banks	**401,417**	586,730	**228,052**	408,908
Cash and bank balances	**519,259**	666,901	**229,372**	410,443
Less: Bank overdrafts (Note 18)	**(2,469)**	(11,973)	**–**	–
Cash and cash equivalents	**516,790**	654,928	**229,372**	410,443

Included in cash at banks of the Group are amounts of RM31,402,000 (2011: RM13,162,000), the utilisation of which is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002 and the Housing Developers (Project Account) Rules 1995.

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 2012 RM'000	Group 2011 RM'000
USD	**3,676**	344
SGD	**329**	204
IDR	**12,085**	4,295
AUD	**9**	7
	16,099	4,850

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

16. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current				
Trade payables				
Third parties	**242,545**	193,109	**–**	–
Progress billings	**9,904**	11,854	**–**	–
Amounts due to subsidiaries	**–**	–	**825**	324
Amounts due to related companies	**1,210**	20,745	**–**	22
	253,659	225,708	**825**	346
Other payables				
Accruals	**80,686**	80,303	**2,928**	3,676
Sundry payables	**79,432**	130,155	**155**	274
	160,118	210,458	**3,083**	3,950
	413,777	436,166	**3,908**	4,296
Derivatives – forward currency contracts:				
Not designated as hedging instrument	**–**	7	**–**	–
Designated as hedging instrument – Fair value hedges	**16**	–	**–**	–
Total financial liabilities carried at fair value through profit or loss	**16**	7	**–**	–
Total trade and other payables, including derivatives (current)	**413,793**	436,173	**3,908**	4,296
Non-current				
Other payables				
Deposits from lessees	**5,864**	1,648	**–**	–
Total trade and other payables, including derivatives	**419,657**	437,821	**3,908**	4,296
Total trade and other payables, (excluding derivatives)	**419,641**	437,814	**3,908**	4,296
Less: Progress billings	**(9,904)**	(11,854)	**–**	–
Add: Borrowings (Note 18)	**2,251,728**	2,545,183	**–**	156,453
Total financial liabilities carried at amortised cost	**2,661,465**	2,971,143	**3,908**	160,749

(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 (2011: 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).

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

(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 January 2013 (2011: January 2012). 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	
	2012	**2011**
	RM'000	**RM'000**
USD	**46,510**	2,182
IDR	**1,406**	5,570
	47,916	7,752

17. PROVISIONS

Group	**Property development obligations RM'000**	**Provision for warranties and free maintenance service RM'000**	**Total RM'000**
At 1 January 2011	3,019	10	3,029
Provision made during the year	587	–	587
Provision reversed during the year	–	(10)	(10)
At 31 December 2011/1 January 2012	**3,606**	**–**	**3,606**
Provision made during the year	**471**	**–**	**471**
Provision used during the year	**(40)**	**–**	**(40)**
Provision reversed during the year	**(737)**	**–**	**(737)**
At 31 December 2012	**3,300**	**–**	**3,300**

(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.

18. BORROWINGS

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Current				
Unsecured:				
Term loans	**422,611**	139,852	**–**	–
Revolving credits	**619,123**	484,626	**–**	–
Bankers' acceptances	**208,526**	123,914	**–**	–
Foreign currency loans	**7,891**	414,108	**–**	156,453
Bank overdrafts	**2,469**	11,973	**–**	–
	1,260,620	1,174,473	**–**	156,453
Non-current				
Unsecured:				
Term loans	**484,233**	863,448	**–**	–
Foreign currency loans	**506,875**	507,262	**–**	–
	991,108	1,370,710	**–**	–
Total borrowings	**2,251,728**	2,545,183	**–**	156,453

The remaining maturities of the borrowings are as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Within one year	**1,260,620**	1,174,473	**–**	156,453
More than 1 year and less than 2 years	**278,604**	422,558	**–**	–
More than 2 years and less than 5 years	**700,261**	895,535	**–**	–
More than 5 years	**12,243**	52,617	**–**	–
	2,251,728	2,545,183	**–**	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 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
SGD	**494,645**	651,098	**–**	156,453
USD	**20,121**	270,272	**–**	–
	514,766	921,370	**–**	156,453

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

19. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
At 1 January	**96,305**	99,663	**36**	34
Recognised in profit or loss (Note 28)	**18,603**	(1,755)	**(9)**	2
Acquisition of subsidiary	**1,372**	–	**–**	–
Exchange differences	**2,123**	(1,603)	**–**	–
At 31 December	**118,403**	96,305	**27**	36
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	**169,781**	168,051	**27**	36
Deferred tax assets	**(51,378)**	(71,746)	**–**	–
	118,403	96,305	**27**	36

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 2012	**145,689**	**54,595**	**3,371**	**203,655**
Recognised in profit or loss	**7,300**	**(7,993)**	**(3,461)**	**(4,154)**
Acquisition of subsidiary	**–**	**1,114**	**258**	**1,372**
At 31 December 2012	**152,989**	**47,716**	**168**	**200,873**
Less: Deferred tax assets offset				**(31,092)**
Deferred tax liabilities recognised				**169,781**
At 1 January 2011	130,686	58,758	171	189,615
Recognised in profit or loss	15,004	(4,163)	3,200	14,041
Exchange differences	(1)	–	–	(1)
At 31 December 2011	145,689	54,595	3,371	203,655
Less: Deferred tax assets offset				(35,604)
Deferred tax liabilities recognised				168,051

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 2012	**(23,921)**	**(72,792)**	**(10,637)**	**(107,350)**
Recognised in profit or loss	**2,178**	**17,743**	**2,836**	**22,757**
Exchange differences	**–**	**2,109**	**14**	**2,123**
At 31 December 2012	**(21,743)**	**(52,940)**	**(7,787)**	**(82,470)**
Offset against deferred tax liabilities				**31,092**
Deferred tax assets recognised				**(51,378)**
At 1 January 2011	(11,310)	(66,644)	(11,998)	(89,952)
Recognised in profit or loss	(12,611)	(4,574)	1,389	(15,796)
Exchange differences	–	(1,574)	(28)	(1,602)
At 31 December 2011	(23,921)	(72,792)	(10,637)	(107,350)
Offset against deferred tax liabilities				35,604
Deferred tax assets recognised				(71,746)

Deferred tax liabilities of the Company:

	2012 RM'000	2011 RM'000
Accelerated capital allowances		
At 1 January	**36**	34
Recognised in profit or loss	**(9)**	2
At 31 December	**27**	36

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

	Group 2012 RM'000	2011 RM'000
Unutilised tax losses	**169,878**	7,093
Unabsorbed capital and agricultural allowances	**200**	480
Other deductible temporary differences	**19,802**	200
	189,880	7,773

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, WARRANTS AND TREASURY SHARES

(a) Share capital

	Number of ordinary shares of RM1.00 each		Amount	
	2012	**2011**	**2012**	**2011**
	'000	**'000**	**RM'000**	**RM'000**
Authorised:				
At 1 January	**5,000,000**	1,000,000	**5,000,000**	1,000,000
Creation	**–**	4,000,000	**–**	4,000,000
At 31 December	**5,000,000**	5,000,000	**5,000,000**	5,000,000
Issued and fully paid:				
At 1 January	**2,186,357**	622,660	**2,186,357**	622,660
Exercise of warrants	**7**	–	**7**	–
Private placement	**–**	43,800	**–**	43,800
Bonus issue	**–**	1,214,643	**–**	1,214,643
Rights issue	**–**	364,393	**–**	364,393
Cancellation of treasury shares	**–**	(59,139)	**–**	(59,139)
At 31 December	**2,186,364**	2,186,357	**2,186,364**	2,186,357

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.

In the previous financial year, the authorised share capital of the Company was increased from RM1,000,000,000 comprising 1,000,000,000 ordinary shares of RM1.00 each to RM5,000,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each on 15 March 2011 and its issued and paid-up share capital was increased and/or decreased in the following manner:

(i) On 23 May 2011, the private placement exercise undertaken by the Company was completed with the listing of and quotation for 43,800,000 new ordinary shares of RM1.00 each on the Main Market of Bursa Malaysia Securities Berhad ["Bursa Securities"] at the issue price of RM5.25 per share. Consequently, the issued and paid-up share capital of the Company increased from RM622,660,000 comprising 622,660,000 ordinary shares of RM1.00 each to RM666,460,000 comprising 666,460,000 ordinary shares of RM1.00 each, with 59,138,500 ordinary shares thereof being held as treasury shares.

(ii) On 15 August 2011, both the Bonus Issue Exercise (defined below) and Rights Issue with Warrants Exercise (defined below) were completed with the listing of and quotation for the following new ordinary shares on the Main Market of Bursa Securities:

   (a) 1,214,643,000 new ordinary shares of RM1.00 each credited as fully paid-up on the basis of two (2) bonus shares ["Bonus Shares"] for every one (1) existing ordinary share held ["Bonus Issue Exercise"]; and

20. SHARE CAPITAL, WARRANTS AND TREASURY SHARES (continued)

(a) Share capital (continued)

(b) 364,392,900 new ordinary shares of RM1.00 each ["Rights Shares"] on the basis of one (1) Rights Share together with one (1) free detachable warrant for every five (5) existing ordinary shares held after the Bonus Issue, at the issue price of RM1.05 per Rights Share ["Rights Issue with Warrants Exercise"];

Consequently, the issued and paid-up share capital of the Company increased from RM666,460,000 comprising 666,460,000 ordinary shares of RM1.00 each to RM2,245,495,900 comprising 2,245,495,900 ordinary shares of RM1.00 each, with 59,138,500 ordinary shares thereof being held as treasury shares.

(iii) With the cancellation of the entire 59,138,500 treasury shares on 24 August 2011, the Company's issued and paid-up share capital decreased from RM2,245,495,900 comprising 2,245,495,900 ordinary shares of RM1.00 each to RM2,186,357,400 comprising 2,186,357,400 ordinary shares of RM1.00 each.

During the financial year, 6,600 ordinary shares were issued pursuant to the exercise of warrants disclosed in Note 20(b) below. Consequently, the Company's issued and paid-up share capital increased to RM2,186,364,000 comprising 2,186,364,000 ordinary shares of RM1.00 each, with 73,256,400 ordinary shares thereof being held as treasury shares.

(b) Warrants

The warrants are constituted by the deed poll dated 6 July 2011 ["Deed Poll"].

On 15 August 2011, the 364,392,900 warrants issued free by the Company pursuant to the Rights Issue with Warrants Exercise on the basis of one (1) warrant for every one (1) rights share subscribed were listed and quoted on the Main Market of Bursa Securities.

Salient features of the warrants are as follows:

(i) Each warrant entitles the registered holder thereof ["Warrantholder(s)"] to subscribe for one (1) new ordinary share of RM1.00 in the Company at the exercise price of RM1.65 during the 5-year period expiring on 9 August 2016 ["Exercise Period"], subject to the adjustments as set out in the Deed Poll;

(ii) At the expiry of the Exercise Period, any warrants which have not been exercised shall automatically lapse and cease to be valid for any purpose;

(iii) Warrantholders must exercise the warrants in accordance with the procedures set out in the Deed Poll and shares allotted and issued upon such exercise shall rank pari passu in all respects with the then existing shares of the Company, and shall be entitled for any dividends, rights, allotments and/or other distributions after the issue and allotment thereof;

(iv) For purpose of trading on Bursa Securities, a board lot for the warrants shall be one hundred (100) or such other number of units as may be prescribed by Bursa Securities from time to time and the trading thereof shall be governed by the provisions of the Securities Industry (Central Depositories) Act, 1991 (including any amendment or re-enactment thereof) and the rules of the Bursa Malaysia Depository Sdn Bhd; and

(v) The Deed Poll and accordingly the warrants, are governed by and shall be construed in accordance with the laws of Malaysia.

20. SHARE CAPITAL, WARRANTS AND TREASURY SHARES (continued)

(b) Warrants (continued)

Movement in the warrants since the listing and quotation thereof is as follows:

	Number of warrants
As of 15 April 2011	364,392,900
Exercised during the period	–
As of 31 December 2011/1 January 2012	**364,392,900**
Exercised during the year	**(6,600)**
As of 31 December 2012	**364,386,300**
Exercised subsequent to 31 December 2012	**(3,000)**
As of 3 April 2013	**364,383,300**

During the financial year, a total of 6,600 warrants were exercised and the issued and paid-up share capital of the Company increased to RM2,186,364,000 comprising 2,186,364,000 ordinary shares of RM1.00 each. As of 31 December 2012, 364,386,300 warrants remained unexercised.

Subsequent to the end of the financial year and up to the date of this report, 3,000 warrants were exercised which resulted in 3,000 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities. Consequently, the issued and paid-up share capital of the Company increased to RM2,186,367,000 comprising 2,186,367,000 ordinary shares of RM1.00 each. As of 3 April 2013, 364,383,300 warrants remained unexercised.

(c) Treasury shares

During the extraordinary general meeting of the Company held on 29 May 2012, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 67,826,400 shares at the cost of RM113,777,608 which were held as treasury shares and thereby yielding a cumulative total of 73,256,400 treasury shares. All repurchases of shares were financed by the Company's internal funds.

Movement in the treasury shares is as follows:

	Number of shares	RM	Average cost per share RM
As of 1 January 2011	59,136,500	154,466,564	2.61
Repurchased shares cancelled during the year	(59,138,500)	(154,478,048)	2.61
Repurchased during the year	5,432,000	8,294,929	1.53
As of 31 December 2011/1 January 2012	**5,430,000**	**8,283,445**	**1.53**
Repurchased during the year	**67,826,400**	**113,777,608**	**1.68**
As of 31 December 2012	**73,256,400**	**122,061,053**	**1.67**
Repurchased subsequent to 31 December 2012	**3,980,000**	**6,727,983**	**1.69**
As of 3 April 2013	**77,236,400**	**128,789,036**	**1.67**

20. SHARE CAPITAL, WARRANTS AND TREASURY SHARES (continued)

(c) Treasury shares (continued)

The directors of the Company are committed to enhancing the value of the Company and shall undertake the shares repurchase in the best interests of the Company.

As of 3 April 2013, upon the aforementioned issuance of shares pursuant to the exercise of warrants and the repurchase of shares subsequent to the end of the financial year, the issued and paid-up share capital of the Company was RM2,186,367,000 comprising 2,186,367,000 ordinary shares of RM1.00 each, with 77,236,400 ordinary shares thereof being held as treasury shares.

21. RESERVES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Reserves comprise:				
Share premium	**5**	–	**5**	–
Capital reserve				
– in respect of a subsidiary	**34,397**	–	**–**	–
– in respect of an associate	**641**	641	**–**	–
Foreign exchange reserve	**2,739**	6,806	**–**	–
Revaluation reserve	**–**	36,564	**–**	–
Capital redemption reserve	**66,267**	66,267	**66,267**	66,267
Warrant reserve	**49,192**	49,193	**49,192**	49,193
Other reserve	**(30,973)**	(30,973)	**(30,973)**	(30,973)
Retained profits	**1,212,070**	986,845	**1,058,937**	1,047,095
Total reserves	**1,334,338**	1,115,343	**1,143,428**	1,131,582

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

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

(a) Capital reserve

Capital reserve in respect of a subsidiary represents the revaluation reserve which was capitalised for bonus issue by a subsidiary whilst capital reserve in respect of an associate represents the revaluation reserve of an associate.

(b) Foreign exchange reserve

The foreign exchange reserve arises from translation of financial statements of foreign subsidiaries and share of foreign currency translation differences of associates.

(c) Revaluation reserve

The revaluation reserve of the Group comprises primarily revaluation reserve on long-term leasehold land held by subsidiaries.

21. RESERVES (continued)

(d) Capital redemption reserve

This reserve represents the amount equivalent to the nominal value of the shares repurchased which was cancelled by the Company.

(e) Warrant reserve/Other reserve

These reserves arose from the Rights Issue with Warrants Exercise undertaken by the Company.

(f) 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 section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the section 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 2012, the section 108 balance of the Company is nil (2011: nil). Accordingly, the Company may distribute dividend out of its entire retained profits as at 31 December 2012 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	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Dividend income				
– From subsidiaries	**–**	–	**210,608**	214,411
– From associates	**–**	–	**1,925**	2,964
Sale of plantation produce	**526,499**	654,866	**–**	–
Sale of goods and services	**2,685,684**	2,544,845	**–**	–
Interest income – provision of financial services	**111,270**	96,947	**–**	–
Property development	**596,323**	297,670	**–**	–
Sale of completed properties	**11,228**	5,840	**–**	–
Property rental	**27,895**	28,212	**–**	–
	3,958,899	3,628,380	**212,533**	217,375

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

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

23. OPERATING PROFIT

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Operating profit is arrived at after charging/(crediting):				
Auditors' remuneration:				
– current year				
– Ernst & Young, Malaysia	**357**	246	**85**	75
– overseas affiliates of Ernst & Young, Malaysia	**143**	118	**–**	–
– other auditors	**444**	388	**–**	–
– under provision in prior years				
– Ernst & Young, Malaysia	**15**	15	**–**	15
– overseas affiliates of Ernst & Young, Malaysia	**5**	64	**–**	–
– other auditors	**26**	6	**–**	–
Non audit fees for services rendered by				
– Ernst & Young, Malaysia	**108**	95	**10**	95
– local affiliates of Ernst & Young, Malaysia	**64**	56	**14**	13
Operating lease – minimum lease payments on:				
– land and buildings	**12,380**	11,048	**–**	–
– plant and machinery	**22,494**	23,569	**–**	–
– motor vehicles	**76**	85	**427**	396
Depreciation of property, plant and equipment (Note 4)	**78,643**	68,597	**710**	594
Property, plant and equipment written off	**788**	1,520	**–**	–
Replanting expenditure	**15,721**	10,497	**–**	–
Biological assets written off (Note 5)	**–**	460	**–**	–
Investment properties written off (Note 6)	**1,099**	–	**–**	–
Bad debts written off	**211**	12	**–**	–
Allowance for impairment losses				
– trade receivables (Note 14)	**1,294**	1,215	**–**	–
Write down of inventories	**31,560**	753	**–**	–
Employee benefits expenses (Note 24)	**203,960**	186,500	**2,955**	2,807
Direct operating expenses arising from investment properties				
– rental generating properties	**9,562**	10,083	**–**	–
Net foreign exchange losses/(gains)	**2,838**	1,470	**(547)**	(613)
Gain on disposal of property, plant and equipment	**(852)**	(32,669)	**(285)**	–
Gain on disposal of investment properties	**(1,820)**	(69,386)	**–**	–
Gains from fair value adjustments of investment properties (Note 6)	**(31,806)**	–	**–**	–
Gain on disposal of land held for property development	**–**	(179)	**–**	–
Dividend income from other investment	**(1,200)**	(562)	**–**	–
Reversal of write down on inventories	**(5,493)**	(1,933)	**–**	–
Reversal of impairment losses				
– trade receivables (Note 14)	**(875)**	(3,799)	**–**	–
Reversal of provision	**(2,788)**	–	**–**	–
Recovery of bad debts	**(627)**	(616)	**–**	–
Rental income from properties	**(535)**	(359)	**(10)**	(10)
Interest income from:				
– third parties	**(10,626)**	(12,042)	**(5,322)**	(5,500)
– subsidiaries	**–**	–	**(17,490)**	(24,509)

24. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Salaries and other staff related expenses	**190,230**	173,118	**2,644**	2,507
Pension costs – defined contribution plans	**13,730**	13,382	**311**	300
	203,960	186,500	**2,955**	2,807

Included in employee benefits expenses of the Group and of the Company are executive directors' remuneration amounting to RM15,253,000 (2011: RM13,512,000) and RM2,618,000 (2011: RM2,341,000) respectively as further disclosed in Note 25.

25. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Executive directors' remuneration				
Other emoluments				
– Directors of the Company	**3,273**	2,926	**2,618**	2,341
– Other directors	**11,980**	10,586	**–**	–
	15,253	13,512	**2,618**	2,341
Non-executive directors' remuneration				
Fees				
Current year				
– Directors of the Company	**725**	522	**615**	440
– Other directors	**789**	722	**–**	–
	1,514	1,244	**615**	440
Prior year				
– Directors of the Company	**203**	–	**175**	–
– Other directors	**67**	–	**–**	–
	270	–	**175**	–
Total directors' remuneration	**17,037**	14,756	**3,408**	2,781
Other key management personnel compensation	**27,170**	22,576	**–**	127
	44,207	37,332	**3,408**	2,908

Included in key management personnel compensation of the Group and of the Company were contributions to the Employees Provident Fund amounted to RM4,260,000 (2011: RM3,790,000) and RM281,000 (2011: RM265,000) respectively.

25. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

The estimated monetary 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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors of the Company	**116**	101	**116**	101
Other directors	**382**	406	**–**	–
Other key management personnel	**833**	755	**–**	5
	1,331	1,262	**116**	106

26. FINANCE COSTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest expense on:				
Bank borrowings	**90,137**	87,940	**2,588**	7,537
Borrowings from other institutions	**10,211**	12,373	**–**	–
	100,348	100,313	**2,588**	7,537
Less: Interest expense capitalised in:				
– Investment properties – IPUC (Note 6)	**(4,419)**	(3,075)	**–**	–
– Property development costs (Note 13)	**(1,952)**	(22)	**–**	–
	93,977	97,216	**2,588**	7,537

27. OTHER NON-OPERATING ITEMS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Impairment loss on investment in an associate	**–**	(2,175)	**–**	–
	–	(2,175)	**–**	–

28. TAX EXPENSE

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
– Current income tax	**170,556**	140,395	**4,791**	20,186
– Under provision in prior year	**1,472**	2,132	**644**	154
	172,028	142,527	**5,435**	20,340
Foreign income tax:				
– Current income tax	**22**	1,100	**–**	–
	172,050	143,627	**5,435**	20,340
Deferred tax (Note 19):				
– Relating to origination and reversal of temporary differences	**(1,570)**	(1,324)	**(9)**	2
– Under/(over) provision in prior year	**20,173**	(431)	**–**	–
	18,603	(1,755)	**(9)**	2
Total tax expense	**190,653**	141,872	**5,426**	20,342

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 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		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Profit before tax	**677,107**	634,999	**216,842**	226,218
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	**169,277**	158,750	**54,211**	56,555
Effect of different tax rates in other countries	**(61)**	948	**–**	–
Effect of capital gains taxed at Real Property Gains Tax rate	**(346)**	(22,114)	**–**	–
Income not subject to tax	**(18,786)**	(3,633)	**(53,394)**	(39,506)
Expenses not deductible for tax purposes	**16,139**	11,513	**3,965**	3,139
Effect of share of results of associates	**(13,592)**	(4,937)	**–**	–
Deferred tax assets not recognised	**16,377**	–	**–**	–
Utilisation of previously unrecognised deferred tax assets	**–**	(356)	**–**	–
Under/(over) provision in prior year				
– income tax	**1,472**	2,132	**644**	154
– deferred tax	**20,173**	(431)	**–**	–
Tax expense for the year	**190,653**	141,872	**5,426**	20,342

29. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year excluding treasury shares held by the Company, calculated as follows:

	Group	
	2012	**2011**
Profit attributable to owners of the Company (RM'000)	**422,632**	375,602
Weighted average number of ordinary shares ('000)		
Issued ordinary shares net of treasury shares at 1 January	**2,180,927**	563,524
Effect of ordinary shares issued during the year		
– Exercise of warrants	**5**	–
– Private placement	**–**	27,240
– Bonus issue	**–**	1,181,524
– Rights issue	**–**	221,013
Effect of shares buyback during the year	**(22,348)**	(216)
Weighted average number of ordinary shares at 31 December	**2,158,584**	1,993,085
Basic earnings per share (sen)	**19.58**	18.85

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year after adjustment for the effects of dilutive potential ordinary shares, calculated as follows:

	Group	
	2012	**2011**
Profit attributable to owners of the Company (RM'000)	**422,632**	375,602
Weighted average number of ordinary shares for basic earnings per share computation ('000)	**2,158,584**	1,993,085
Dilutive potential ordinary shares		
– Assumed exercise of warrants	**3,402**	–
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	**2,161,986**	1,993,085
Diluted earnings per share (sen)	**19.55**	18.85

In the previous financial year, diluted earnings per share was the same as basic earnings per share as the potential ordinary shares from the assumed exercise of warrants were anti-dilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements other than the exercise of 3,000 warrants which resulted in 3,000 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Main Market of Bursa Securities.

30. DIVIDENDS

	Group/Company 2012 RM'000	2011 RM'000
Recognised during the year:		
Dividends paid in respect of financial year ended 31 December 2010:		
– final (20.4 sen under single tier system)	**–**	123,894
Dividends paid in respect of financial year ended 31 December 2011:		
– interim (3.9 sen under single tier system)	**–**	85,268
– second interim (4.7 sen under single tier system)	**102,490**	–
Dividends paid in respect of financial year ended 31 December 2012:		
– first interim (4.5 sen under single tier system)	**97,084**	–
	199,574	209,162

On 28 February 2013, the Board of Directors approved a second interim dividend of 6.0 sen per share under the single tier system in respect of the financial year ended 31 December 2012, amounted to RM126,786,636 and was paid on 29 March 2013. The financial statements for the current financial year do not reflect this dividend and will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2013.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2012.

No dividend is payable for treasury shares held or cancelled.

31. COMMITMENTS

	Group 2012 RM'000	2011 RM'000
Capital expenditure		
Approved and contracted for:		
– Property, plant and equipment	**81,030**	42,539
– Investment properties	**145,653**	17,484
	226,683	60,023
Approved but not contracted for:		
– Property, plant and equipment	**132,740**	103,999
	359,423	164,022

32. OPERATING LEASE COMMITMENTS (AS LESSEE)

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

	Group	
	2012 RM'000	2011 RM'000
Due within one year	**5,642**	6,013
Due after one year but not more than five years	**10,515**	7,330
Due after five years	**10,186**	3,700
	26,343	17,043

33. CONTINGENT LIABILITIES

There are no material contingent liabilities to be disclosed for the Group and the Company.

34. MATERIAL LITIGATIONS

(a) On 24 October 2002, the Company was served with a Writ of Summons ["said Writ"] in the High Court in Sabah and Sarawak at Kota Kinabalu ["Tongod Suit"] wherein the Company was named as the First Defendant, Genting Plantations Berhad *(formerly known as Asiatic Development Berhad)* ["GPB"] as the Second Defendant, Tanjung Bahagia Sdn Bhd as the Third Defendant, Director of Department of Lands and Surveys, Sabah as the Fourth Defendant and the Government of the State of Sabah as the Fifth Defendant. The Tongod Suit was instituted by certain natives of Sabah claiming Native Customary Rights ["NCR"] over all that parcel of land held under Title No. CL095330724 situated in Sungai Tongod, District of Kinabatangan, Sandakan [the "Tongod Land"] or part thereof. The Company had on 9 May 2002 completed its disposal of the Tongod Land to Tanjung Bahagia Sdn Bhd, the wholly-owned subsidiary of GPB.

The Company filed its Statement of Defence and an application to strike out the said Writ on 11 February 2003 ["Striking-out Application"]. The Deputy Registrar dismissed the Striking-out Application on 13 June 2003, which decision was appealed against by the Company ["said Striking-out Appeal"].

The Plaintiffs had earlier filed an application for injunction restraining the Second Defendant and the Third Defendant from carrying out, inter alia, planting activities on the Tongod Land or part thereof ["Injunction Application"]. During the 5 July 2004 High Court hearing on the Injunction Application, the Defendants raised a preliminary objection to the High Court's jurisdiction to determine Native Customary Rights. The preliminary objection was upheld by the High Court on 20 June 2008 and the Tongod Suit was thereupon dismissed with costs awarded to the Defendants [the "PO Decision"]. The Plaintiffs's appeal against the PO Decision was dismissed by the Court of Appeal on 9 June 2011 [the "said Dismissal Decision"]. Thereafter, the Plaintiffs filed an application by way of Notice of Motion to the Federal Court seeking leave to appeal against the said Dismissal Decision ["said Leave Application"].

On 25 July 2011, the Federal Court allowed the said Leave Application with which the Plaintiffs were granted leave and stay of the said Dismissal Decision pending hearing of the Plaintiffs' appeal ["said Appeal"]. On 24 November 2011, the Federal Court allowed the said Appeal and set aside both the PO Decision and said Dismissal Decision. The Federal Court further ordered that the said Striking-out Appeal be remitted to the High Court.

34. MATERIAL LITIGATIONS (continued)

(a) (continued)

On 21 March 2012, the High Court dismissed the said Striking-out Appeal with costs awarded to the Plaintiffs ["Striking-out Appeal Dismissal"]. Upon the Plaintiffs' application, the High Court further on 12 April 2012 ordered that the Assistant Collector of Land Revenues, Tongod and Registrar of Titles be added as the Sixth Defendant and Seventh Defendant respectively in the Tongod Suit. On 13 April 2012, the Company filed a Notice of Appeal to the Court of Appeal appealing against the Striking-out Appeal Dismissal which is now fixed for hearing on 8 May 2013.

The Plaintiffs were granted leave by the High Court on 7 November 2012 to add the Assistant Collector of Land Revenues, Kota Kinabatangan as the Eighth Defendant in the Tongod Suit.

The Tongod Suit was part-heard from 26 to 29 November 2012, 14 to 18 January 2013, 18 to 22 February 2013 and 11 to 15 March 2013. Hearing of the Tongod Suit would continue from 13 to 17 May 2013.

The Company's Solicitors are of the opinion that the Plaintiffs' NCR claim is unlikely to succeed.

(b) Hap Seng Plantations (River Estates) Sdn Bhd ["RESB"], the wholly-owned subsidiary of Hap Seng Plantations Holdings Berhad ["HSP"], the 55.16%-owned listed subsidiary of the Company, is the registered and beneficial proprietor of all that parcel of land held under CL095310017, District of Kinabatangan, State of Sabah measuring approximately 6,454 acres ["said Land"]. On 16 January 2012, a purported sale and purchase agreement in respect of the said Land was entered into between Mr. Heng Chin Hing @ Wong Chin Hing (NRIC No. H0699157/570811-12-5731) ["HCH"] as the purported vendor and Excess Interpoint Sdn Bhd ["EISB"] as the purported purchaser [the "Purported SPA"]. HCH alleged that he is the donee of a power of attorney dated 8.2.1977 allegedly created in respect of the said Land [the "Alleged PA"]. On the basis of the Purported SPA, a private caveat was entered on the said Land on 3 April 2012 by EISB.

On 23 May 2012, RESB filed a writ of summon and an application for interlocutory injunction ["said Interlocutory Injunction Application"] through its solicitors in Kuala Lumpur, Messrs Wong Kian Kheong, against EISB ["1st Defendant"] at the Kuala Lumpur High Court ["KLHC"] vide Civil Suit No. 22NCVC-631-05/2012 ["RESB Suit"]. On 14 June 2012, the KLHC granted an ad interim injunction in favour of RESB ["said Ad Interim Injunction"] pending disposal of the hearing of the said Interlocutory Injunction Application subject to RESB's undertaking to pay damages to the 1st Defendant for losses suffered by the 1st Defendant resulting from the said Ad Interim Injunction in the event that the said Ad Interim Injunction is subsequently discharged or set aside. On 16 June 2012, HCH was added as a co-defendant ["2nd Defendant"] to the RESB Suit upon RESB's application.

RESB is claiming for the following in the RESB Suit:

(a) That RESB be declared as the registered and beneficial owner of the said Land;

(b) That the Purported SPA be declared null and void;

(c) That the Alleged PA be declared null and void;

34. MATERIAL LITIGATIONS (continued)

(b) (continued)

(d) An injunction restraining the 1st Defendant from:

(i) effecting any further dealings including but not limited to disposal, assignment, transfer, mortgage, charge, lease, tenancy over the said Land with any third party;

(ii) taking any actions to fulfill the terms and conditions in the Purported SPA; and

(iii) taking any further action to complete the Purported SPA.

(e) An injunction restraining the 2nd Defendant from effecting any steps, actions and/or representations in respect of the Alleged PA;

(f) Costs of the RESB Suit; and

(g) Such further or other relief as the Court deems fit and just.

Upon application by the 1st Defendant, the KLHC had on 10 August 2012 transferred the RESB Suit to the High Court of Sabah & Sarawak at Kota Kinabalu ["KKHC"]. KKHC has registered the transferred RESB Suit as Civil Suit No. BKI-22-209/9-2012 with the said Ad Interim Injunction continuing to be in effect. With the transfer of the RESB Suit to KKHC, RESB is currently represented by Messrs Jayasuria Kah & Co.

The RESB Suit has been stayed pending a Court of Appeal decision in another case on the constitutionality of the transfer of civil suits from West Malaysia to Sabah and vice versa. The KKHC has fixed the next mention of the RESB Suit on 22 April 2013.

HSP has been advised by both Messrs Wong Kian Kheong and Messrs Jayasuria Kah & Co. that RESB has good grounds to succeed in the RESB Suit.

(c) Chee Ah Nun @ Sia Yi Chan (NRIC No. 550808-12-5663) ["SYC" or the "Plaintiff"] has filed a separate legal suit against RESB in respect of the said Land in KKHC vide Originating Summon No. BKI-24-127/5-2012, and the same was served on RESB on 11 June 2012 [the "KK Suit"].

The KK Suit is premised on a purported deed of appointment of substitute by attorney dated 24 June 2010 ["Alleged Deed of Substitute"] allegedly executed by HCH pursuant to which HCH had allegedly divested to SYC all his interests or claims on the said Land pursuant to the Alleged PA.

SYC is claiming for the following in the KK Suit:

(a) that by virtue of the Alleged PA, RESB had allegedly divested its ownership and all interests or claims to the said Land to HCH;

(b) that pursuant to the Alleged Deed of Substitute, SYC is the beneficial owner and has rights to take possession of the said Land;

34. MATERIAL LITIGATIONS (continued)

(c) (continued)

(c) an order that RESB forthwith deliver vacant possession of the said Land to SYC free of encumbrances with all fixtures and crops planted thereon;

(d) an injunction restraining RESB, its servants and/or employees or agents from harvesting crops on the said Land or removing anything thereon and/or otherwise from doing anything or interfering with SYC's rights thereon;

(e) costs of the KK Suit; and

(f) such further or other relief as the Court deems fit and just.

RESB has through its solicitors in Sabah, Messrs Jayasuria Kah & Co., filed an application to convert the KK Suit from being an originating summon action into a writ action ["Conversion Application"]. The KKHC has on 21 November 2012 granted a stay of the KK Suit. The next mention of the KK Suit has been fixed on 12 April 2013.

HSP has been advised by its solicitors that the KK Suit is unlikely to succeed.

35. FINANCIAL INSTRUMENTS

(a) 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 except for other investment.

Fair value information has not been disclosed for the Group's investments in unquoted shares (Note 9) that are carried at cost because it is not practicable to estimate its fair value due to lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

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.

35. FINANCIAL INSTRUMENTS (continued)

(a) Fair value of financial instruments (continued)

(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.

(b) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Liabilities measured at fair value

	31 December 2012 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Foreign currency contracts – hedged	**16**	**–**	**16**	**–**

	31 December 2011 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Foreign currency contracts – non-hedged	7	–	7	–

During the reporting year ended 31 December 2012, there were no transfers between Level 1 and Level 2 fair value measurements.

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 banks and other 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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fixed rate instruments				
Financial assets				
Deposits with licensed banks	**401,417**	586,730	**228,052**	408,908
Financial liabilities				
Term loans	**(305,972)**	(370,731)	**–**	–
Foreign currency loans	**(494,645)**	(494,645)	**–**	–
	(800,617)	(865,376)	**–**	–
	(399,200)	(278,646)	**228,052**	408,908
Floating rate instruments				
Financial liabilities				
Term loans	**(600,872)**	(632,569)	**–**	–
Revolving credits	**(619,123)**	(484,626)	**–**	–
Bankers' acceptances	**(208,526)**	(123,914)	**–**	–
Foreign currency loans	**(20,121)**	(426,725)	**–**	(156,453)
Bank overdrafts	**(2,469)**	(11,973)	**–**	–
	(1,451,111)	(1,679,807)	**–**	(156,453)

The weighted average effective interest rates of deposits with licensed banks as at 31 December 2012 for the Group and the Company were 2.88% (2011: 3.10%) and 2.89% (2011: 2.19%) and will mature within 1 year (2011: 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
2012				
Floating rate instruments	**(10,886)**	**10,886**	**–**	**–**
2011				
Floating rate instruments	(12,598)	12,598	(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 unhedged financial assets/(liabilities) held in non-functional currencies				
	USD RM'000	SGD RM'000	IDR RM'000	AUD RM'000	Total RM'000
Functional Currency of Group Entities					
2012					
RM	**(48,632)**	**–**	**–**	**–**	**(48,632)**
Hong Kong Dollar ["HKD"]	**933**	**–**	**–**	**–**	**933**
Vietnamese Dong ["VND"]	**(10,022)**	**–**	**–**	**–**	**(10,022)**
SGD	**77**	**–**	**–**	**–**	**77**
USD	**–**	**329**	**102,361**	**9**	**102,699**
	(57,644)	**329**	**102,361**	**9**	**45,055**
2011					
RM	(257,507)	–	–	–	(257,507)
HKD	192	–	–	–	192
VND	(14,028)	–	–	–	(14,028)
SGD	4	–	–	–	4
USD	–	204	54,241	7	54,452
	(271,339)	204	54,241	7	(216,887)

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	
	2012 RM'000	2011 RM'000
RM	**(1,824)**	(9,657)
HKD	**39**	8
VND	**(376)**	(526)
SGD	**(10)**	(8)
IDR	**(3,656)**	(1,937)

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 unhedged financial assets/(liabilities) held in non-functional currencies			
	USD RM'000	SGD RM'000	AUD RM'000	Total RM'000
Functional Currency of the Company				
2012				
RM	**14,401**	**1,949**	**2,402**	**18,752**
2011				
RM	16,188	1,876	2,387	20,451

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk (continued)

Currency risk sensitivity analysis (continued)

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	
	2012 RM'000	2011 RM'000
USD	**540**	607
SGD	**73**	70
AUD	**90**	90

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
2012					
Designated as fair value through profit or loss					
Receivables hedge	**USD**	**188,933**	**188,933**	**–**	**–**
Designated as fair value hedges					
Firm commitment hedge	**USD**	**7,651**	**7,651**	**–**	**(16)**
		196,584	**196,584**	**–**	**(16)**
2011					
Designated as fair value through profit or loss					
Receivables hedge	USD	111,397	111,397	–	(7)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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.

Maturity analysis

The table below summarises the maturity profile of the Group'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
Group							
2012							
Non-derivative financial liabilities							
Unsecured borrowings							
Term loans	906,844	3.34 – 4.78	968,056	455,869	290,156	209,013	13,018
Revolving credits	619,123	2.77 – 4.32	621,117	621,117	–	–	–
Bankers' acceptances	208,526	1.32 – 3.79	208,526	208,526	–	–	–
Foreign currency loans	514,766	1.53 – 5.38	598,709	34,435	26,544	537,730	–
Bank overdrafts	2,469	7.10 – 7.35	2,469	2,469	–	–	–
Trade and other payables (excluding progress billings)	409,737	–	409,737	403,873	764	5,100	–
	2,661,465		2,808,614	1,726,289	317,464	751,843	13,018
Derivative financial liabilities							
Designated as hedging instrument – fair value hedges	16		16	16	–	–	–
	2,661,481		2,808,630	1,726,305	317,464	751,843	13,018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the maturity profile of the Group'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
Group							
2011							
Non-derivative financial liabilities							
Unsecured borrowings							
Term loans	1,003,300	3.36 – 5.90	1,101,408	179,839	456,571	423,219	41,779
Revolving credits	484,626	2.85 – 16.14	485,921	485,921	–	–	–
Bankers' acceptances	123,914	3.27 – 3.85	123,914	123,914	–	–	–
Foreign currency loans	921,370	1.68 – 5.38	1,034,435	443,264	26,536	551,844	12,791
Bank overdrafts	11,973	7.35	11,973	11,973	–	–	–
Trade and other payables							
(excluding progress billings)	425,960	–	425,960	424,312	161	1,487	–
	2,971,143		3,183,611	1,669,223	483,268	976,550	54,570
Derivative financial liabilities							
Designated at fair value through							
profit or loss	7		7	7	–	–	–
	2,971,150		3,183,618	1,669,230	483,268	976,550	54,570

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the maturity profile 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
Company							
2012							
Non-derivative financial liabilities							
Trade and other payables	**3,908**	**–**	**3,908**	**3,908**	**–**	**–**	**–**
2011							
Non-derivative financial liabilities							
Unsecured borrowings							
Foreign currency loans	156,453	4.89	159,073	159,073	–	–	–
Trade and other payables	4,296	–	4,296	4,296	–	–	–
	160,749		163,369	163,369	–	–	–

(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.

Financial guarantees

The Company provides unsecured financial guarantees to banks and other institutions in respect of facilities granted to certain subsidiaries.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Credit risk (continued)

Corporate guarantees with a nominal amount of RM2,251,728,000 (2011: RM2,388,730,000) were provided by the Company to the banks and other institutions in respect of facilities of its subsidiaries.

As at the reporting date, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised as their fair values on initial recognition were not material as the risk of default from subsidiaries is low.

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 are determined 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 as at the end of the reporting period were as follows:

	Group	
	2012	**2011**
	RM'000	**RM'000**
Borrowings (Note 18)	**2,251,728**	2,545,183
Cash and bank balances (Note 15)	**(519,259)**	(666,901)
Net debt	**1,732,469**	1,878,282
Total equity	**3,763,743**	3,652,048
Debt-to-equity ratio	**0.46**	0.51

38. RELATED PARTIES

(a) Related party transactions

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

	Transactions	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Directors of the Company:					
Datuk Edward Lee Ming Foo, JP	Rental expenses	**(42)**	(49)	**–**	–
Datuk Simon Shim Kong Yip, JP	Professional charges	**–**	(1,200)	**–**	(1,200)
Lau Teong Jin	Legal consultancy fees	**(90)**	(180)	**(90)**	(180)
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company^	Advisory fees	**(2,170)**	(2,480)	**(2,170)**	(2,480)
Foundation connected to Datuk Edward Lee Ming Foo, JP Directors of the Company: Lau Gek Poh Foundation#	Donation	**(2,120)**	(800)	**(2,120)**	(800)
Firm connected to Datuk Edward Lee Ming Foo, JP, a Director of the Company: Corporated International Consultants	Project consultancy fee payable	**(3,522)**	(6,142)	**–**	–
Firm in which Datuk Simon Shim Kong Yip, JP, a Director of the Company, has interest: Shim, Pang & Co	Legal fees	**(607)**	(767)	**(250)**	–
	Servicing of motor vehicles	**39**	22	**–**	–

^ *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.

38. RELATED PARTIES (continued)

(a) Related party transactions (continued)

	Transactions	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 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	**21,626**	15,499	**–**	–
Lingui Developments Berhad Group	Sales of products	**28,269**	37,646	**–**	–
Samling Strategic Corporation Sdn Bhd Group	Sales of products	**193**	7,599	**–**	–
Lei Shing Hong Limited Group	Disposal of property	**–**	85,000	**–**	–
	Acquisition of 35% equity interest in a subsidiary	**–**	(41,384)	**–**	–
	Sales of products	**13,981**	1,960	**–**	–
	Administration fees	**63**	–	**–**	–
	Purchase of products	**(92,583)**	(83,427)	**–**	–
	Rental expenses	**(546)**	–	**–**	–
Company in which Tong Chin Hen, a Director of a subsidiary, has interest:					
Imaspro Resources Sdn Bhd	Purchase of products	**(181)**	(77)	**–**	–
Malaysian Mosaics Berhad and its subsidiaries	Management fees	**360**	360	**–**	–
	Sales of products	**7,649**	2,830	**–**	–
	Rental income	**1,025**	932	**–**	–
	Servicing of motor vehicles	**10**	5	**–**	–
	Construction works charges	**83**	314	**–**	–
	Purchase of products	**(105,870)**	(125,385)	**–**	–
	Logistic fees	**(600)**	(600)	**–**	–
	Fees on use of assets	**(540)**	(720)	**–**	–
Gek Poh (Holdings) Sdn Bhd and its other subsidiaries	Rental income	**164**	164	**–**	–
	Sales of products	**135**	364	**–**	–
	Servicing of motor vehicles	**–**	6	**–**	–
	Insurance premium	**(9,444)**	(9,542)	**(143)**	(196)

38. RELATED PARTIES (continued)

(a) Related party transactions (continued)

	Transactions	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Associates	Management fees received	**175**	180	**175**	180
	Rental income	**10**	10	**10**	10
	Sales of products	**793**	989	**–**	–
Subsidiaries	Servicing of motor vehicles	**–**	–	**(87)**	(86)
	Purchase of motor vehicles	**–**	–	**(1,777)**	(500)
	Rental expenses	**–**	–	**(165)**	(166)
	Management fees	**–**	–	**(175)**	(494)
	Car usage	**–**	–	**(427)**	(451)
	Purchase of products	**–**	–	**(324)**	(2)

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

(b) Balances with related parties

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Amount due from/(to)				
Corporated International Consultants	**(1,117)**	(1,275)	**–**	–
Shim, Pang & Co	**(56)**	(116)	**–**	–
Glenealy Plantations (Malaya) Berhad Group	**8,985**	2,834	**–**	–
Lingui Developments Berhad Group	**16,263**	19,901	**–**	–
Samling Strategic Corporation Sdn Bhd Group	**141**	131	**–**	–
Lei Shing Hong Limited Group	**4,457**	1,963	**–**	–
Imaspro Resources Sdn Bhd	**–**	(9)	**–**	–
Malaysian Mosaics Berhad and its subsidiaries	**2,793**	(18,677)	**–**	–
Gek Poh (Holdings) Sdn Bhd and its other subsidiaries	**(895)**	(344)	**–**	(22)
Associates	**150**	394	**17**	17

The above balances arose from recurrent related party transactions of revenue or trading nature.

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	– Operation 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 described in Significant Accounting Policies. All inter-segment transactions have been entered 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 on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group financing are not allocated to operating segments.

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
2012									
Revenue									
External revenue	526,499	635,472	111,270	1,271,196	595,140	740,213	79,109	–	3,958,899
Inter-segment revenue	–	9,577	–	50,149	23,327	22,542	–	(105,595)	–
Total revenue	526,499	645,049	111,270	1,321,345	618,467	762,755	79,109	(105,595)	3,958,899
Results									
Operating profit/(loss)	193,606	438,933	90,577	22,778	(3,723)	(7,284)	(8,134)	(10,038)	716,715
Finance costs									(93,977)
Share of results of associates									54,369
Profit before tax									677,107
Tax expense									(190,653)
Profit for the year									486,454
Non-controlling interests									(63,822)
Profit attributable to owners of the Company									422,632
Assets and liabilities									
Segment assets	987,024	1,668,213	1,493,818	607,866	666,564	453,366	275,222	–	6,152,073
Investment in associates									429,775
Deferred tax assets									51,378
Tax recoverable									26,236
Total assets									6,659,462
Segment liabilities	24,644	685,621	805,601	344,455	164,182	140,180	510,002	–	2,674,685
Deferred tax liabilities									169,781
Tax payable									51,253
Total liabilities									2,895,719
Other information									
Additions to non-current assets	41,492	99,150	418	779	91,068	22,927	3,381	–	259,215
Depreciation of property, plant and equipment	23,782	4,835	657	1,374	39,414	5,875	2,706	–	78,643

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
2011									
Revenue									
External revenue	654,866	331,751	96,947	1,135,228	519,285	797,970	92,333	–	3,628,380
Inter-segment revenue	–	9,746	–	42,850	29,841	13,381	191	(96,009)	–
Total revenue	654,866	341,497	96,947	1,178,078	549,126	811,351	92,524	(96,009)	3,628,380
Results									
Operating profit/(loss)	342,914	204,555	79,039	62,444	16,975	20,711	(4,443)	(7,552)	714,643
Finance costs									(97,216)
Other non-operating items									(2,175)
Share of results of associates									19,747
Profit before tax									634,999
Tax expense									(141,872)
Profit for the year									493,127
Non-controlling interests									(117,525)
Profit attributable to owners of the Company									375,602
Assets and liabilities									
Segment assets	983,581	1,606,415	1,338,390	979,734	617,554	311,678	486,854	–	6,324,206
Investment in associates									387,303
Deferred tax assets									71,746
Tax recoverable									43,855
Total assets									6,827,110
Segment liabilities	23,983	721,820	656,792	586,649	205,935	128,616	662,815	–	2,986,610
Deferred tax liabilities									168,051
Tax payable									20,401
Total liabilities									3,175,062
Other information									
Additions to non-current assets	27,489	55,646	31,115	1,998	143,726	13,916	1,568	–	275,458
Depreciation of property, plant and equipment	22,720	4,916	650	1,396	30,956	5,252	2,707	–	68,597
Impairment loss	–	–	–	–	–	–	2,175	–	2,175

39. SEGMENT INFORMATION (continued)

Additions to non-current assets consist of:

	2012 RM'000	2011 RM'000
Property, plant and equipment	**153,190**	184,510
Biological assets	**8,259**	6,451
Investment properties	**35,675**	36,369
Land held for property development	**62,091**	18,128
Other investment	**–**	30,000
	259,215	275,458

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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Malaysia	**3,274,179**	2,880,735	**2,510,703**	2,466,943
Indonesia	**374,829**	319,328	**17**	35
Vietnam	**212,625**	335,793	**19,303**	16,238
Others	**97,266**	92,524	**6,417**	6,749
	3,958,899	3,628,380	**2,536,440**	2,489,965

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

	2012 RM'000	2011 RM'000
Property, plant and equipment	**1,220,417**	1,156,171
Biological assets	**428,798**	420,539
Investment properties	**445,325**	475,153
Land held for property development	**375,164**	371,366
Other investment	**30,000**	30,000
Goodwill	**36,736**	36,736
	2,536,440	2,489,965

40. SIGNIFICANT EVENTS DURING THE YEAR

(a) On 27 April 2012, Hap Seng Land Development (Bangsar) Sdn Bhd *(formerly known as Estet Perkasa Sdn Bhd)* ["HSLD(B)"] issued and allotted 249,998 ordinary shares of RM1.00 each fully paid at par to the following:

	Number of shares allotted and fully paid	Cash consideration RM
Hap Seng Land Development Sdn Bhd ["HSLD"]	199,997	199,997
Hap Seng Land Sdn Bhd	1	1
Jinee Sdn Bhd	50,000	50,000
	249,998	249,998

Prior to this, the entire issued and paid-up share capital of HSLD(B) comprising 2 ordinary shares of RM1.00 each was held by HSLD, a wholly-owned subsidiary of the Company. With the completion of the aforesaid allotment and issuance, HSLD(B), with an enlarged issued and paid-up share capital of RM250,000 comprising 250,000 ordinary shares of RM1.00 each, became a 80% owned subsidiary of the Company.

(b) As part of the Group's re-organisation, the Company had on 17 May 2012 transferred the 2 ordinary shares representing the entire issued and paid-up share capital of Hap Seng Fertilizers Holdings Pte Ltd ["HSFHPL"] held by the Company to Hap Seng Building Materials Holdings Sdn Bhd, a wholly-owned subsidiary of the Company for a cash consideration of Singapore Dollar Two (SGD2.00) only. HSFHPL is the Company's wholly-owned subsidiary in Singapore.

(c) As announced on 23 May 2012, the Company has been advised on even date that the transfer of the charter share capital of USD11,000,000 representing the entire equity interest in Vietnam Star Automobile Limited from Hap Seng Star Vietnam Limited ["HSSVL"] to Hap Seng Star (Vietnam) Sdn Bhd ["HSSVSB"] has been approved by the relevant authority in Vietnam. Both HSSVL and HSSVSB are wholly-owned subsidiaries of the Company.

(d) On 6 July 2012, Hap Seng Clay Products Sdn Bhd, a wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of Kao Fu Bricks Sdn Bhd ["KFBSB"] comprising 13,300,000 ordinary shares of RM1.00 each at the cash consideration of Ringgit Malaysia Seventeen Million and Five Hundred Thousand Only (RM17,500,000) which such amount was subject to adjustments as provided in the agreement. The final consideration for the acquisition of KFBSB was approximately Ringgit Malaysia Nineteen Million Three Hundred Twenty One Thousand (RM19,321,000). KFBSB is a private limited company incorporated in Malaysia which is principally involved in the manufacturing and sales of bricks for the domestic market in Sabah.

(e) On 8 November 2012, Hap Seng Realty Sdn Bhd, a wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of Hap Seng Land Development (JTR 2) Sdn Bhd *(formerly known as Tabir Amanbina Sdn Bhd)* ["HSLD(JTR 2)"] comprising 2 ordinary shares of RM1.00 each at the cash consideration of Ringgit Malaysia Two only (RM2.00). HSLD(JTR 2) is a private limited company incorporated in Malaysia which is currently dormant.

40. SIGNIFICANT EVENTS DURING THE YEAR (continued)

(f) On 28 December 2012, the Company acquired the entire issued and paid-up share capital of Macro Arch (M) Sdn Bhd ["MASB"] and Palms Edge (M) Sdn Bhd ["PESB"] from its wholly-owned subsidiaries, Hap Seng Fertilizers Sdn Bhd and Hap Seng (Oil & Transport) Sdn Bhd for cash consideration of Ringgit Malaysia Fifty Five Million and Two only (RM55,000,002) and Ringgit Malaysia Six Million One Hundred Fifty Thousand and Two only (RM6,150,002) respectively. Both MASB and PESB are investment holding companies. The issued and paid-up share capital of MASB comprises 2 ordinary shares of RM1.00 each and 55,000 Redeemable Preference Shares ["RPS"] of RM1.00 each whilst PESB's issued and paid-up share capital comprises 2 ordinary shares of RM1.00 each and 6,150 RPS of RM1.00 each. All RPS had been issued at a premium of RM999.

41. SUBSEQUENT EVENTS

Subsequent events other than those detailed elsewhere in the financial statements are as follows:

(a) On 9 January 2013, Hap Seng Land Development Sdn Bhd ["HSLD"] acquired from Hap Seng Realty Sdn Bhd, the entire issued and paid-up share capital of Hap Seng Land Development (JTR 2) Sdn Bhd *(formerly known as Tabir Amanbina Sdn Bhd)* ["HSLD(JTR 2)"] comprising 2 ordinary shares of RM1.00 each at the cash consideration of Ringgit Malaysia Two only (RM2.00).

(b) On 21 January 2013, HSLD (JTR 2) issued and allotted 99,998 ordinary shares of RM1.00 each fully paid at par to the following:

	Number of shares allotted and fully paid	**Cash consideration RM**
HSLD	79,997	79,997
Hap Seng Land Sdn Bhd	1	1
Jinee Sdn Bhd	20,000	20,000
	99,998	99,998

Prior to this, the entire issued and paid-up share capital of HSLD (JTR 2) comprising 2 ordinary shares of RM1.00 was held by HSLD, the wholly-owned subsidiary of the Company. With the completion of the aforesaid allotment and issuance, HSLD (JTR 2), with an enlarged issued and paid-up share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each, became a 80% owned subsidiary of the Company.

(c) On 4 February 2013, Hap Seng Building Materials Holdings Sdn Bhd, a wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of Blue Ocean Pearl Sdn Bhd ["BOP"] comprising 2 ordinary shares of RM1.00 each at a cash consideration of Ringgit Malaysia Two only (RM2.00). BOP is a private limited company incorporated in Malaysia which is currently dormant.

41. SUBSEQUENT EVENTS (continued)

(d) On 19 February 2013, the Company acquired the entire issued and paid-up share capital of Hap Seng Trading Holdings Sdn Bhd *(formerly known as Konsep Sistematik (M) Sdn Bhd)* ["HSTH"] from its wholly-owned subsidiary, Hap Seng Building Materials Holdings Sdn Bhd ["HSBMH"] at the cash consideration of Ringgit Malaysia Sixty Thousand Three Hundred and Forty Six only (RM60,346). The issued and paid-up share capital of HSTH comprises 100,000 ordinary shares of RM1.00 each. HSTH is a private limited company incorporated in Malaysia which is principally involved in investment holding.

(e) On 19 February 2013, HSTH, the wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of Hap Seng (Oil & Transport) Sdn Bhd ["HSOT"] and Hap Seng Trading (BM) Sdn Bhd ["HSTBM"] from HSBMH for cash consideration of Ringgit Malaysia Twenty One Million Six Hundred Forty Nine Thousand Seven Hundred and Seventy Four only (RM21,649,774) and Ringgit Malaysia Two only (RM2) respectively. The issued and paid-up share capital of HSOT comprises 2,000,000 ordinary shares of RM1.00 each whilst the issued and paid-up share capital of HSTBM comprises 9,000,000 ordinary shares of RM1.00 each and 21,000 RPS of RM1.00 each (issued at a premium of RM999). The principal activities of HSOT and HSTBM are trading of petroleum products and trading of building materials respectively.

(f) On 26 February 2013, HSBMH entered into a shares sale agreement with Lei Shing Hong Limited ["LSH"], to dispose its 1,750,000 ordinary shares representing 25% of the issued and paid-up share capital in Lei Shing Hong (Singapore) Pte Ltd to LSH for a cash consideration of Singapore Dollars Forty Seven Million Three Hundred and Thirteen Thousand Five Hundred and Fifty Three only (SGD47,313,553), approximately Ringgit Malaysia One Hundred Eighteen Million only (RM118,000,000) ["Shares Sale Agreement"].

The Share Sale Agreement was deemed a related party transaction as it involved the interests of Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, the 37.68% major shareholder of LSH, who is a director and major shareholder of Gek Poh (Holdings) Sdn Bhd, the holding company of the Company. The Shares Sale Agreement was completed on 8 March 2013, resulted in a gain of approximately RM78.9 million to the Group.

(g) As part of the Group's re-organisation, the Company had on 13 March 2013 acquired from HSBMH, the entire issued and paid-up share capital of Hap Seng Equity Sdn Bhd *(formerly known as Western Works Industries Sdn Bhd)* ["HSE"] comprising 2 ordinary shares of RM1.00 each at the cash consideration of Ringgit Malaysia Two only (RM2). HSE which was previously dormant has commenced operations in the trading of marketable securities subsequent to the re-organisation.

41. SUBSEQUENT EVENTS (continued)

(h) On 18 March 2013, Hap Seng Star Sdn Bhd ["HSS"], a wholly-owned subsidiary of the Company entered into a conditional agreement with Prestige Sports Cars (HK) Limited ["PSC"], a wholly-owned subsidiary Lei Shing Hong Limited ["LSH"], pursuant to which:

(i) HSS has agreed to dispose of its 51% equity in Hap Seng Star (Vietnam) Sdn Bhd ["HSSV"] comprising 510,000 ordinary shares of RM1.00 each ["HSSV Ordinary Shares"] and 51,102 redeemable preference shares of RM 1.00 each ["HSSV RPS"] [collectively the "Sale Shares"] to PSC and PSC has agreed to acquire from HSS the Sale Shares at a cash consideration of Ringgit Malaysia One Hundred and Fifty Three Million (RM153,000,000) ["Proposed Disposal"]; and

(ii) PSC has granted to HSS a put option to sell up to 49% of the equity in HSSV comprising 490,000 HSSV Ordinary Shares and 49,098 HSSV RPS [collectively the "Option Shares"] to PSC [the "said Option"] at a total option price of Ringgit Malaysia One Hundred and Forty Seven Million (RM147,000,000) [the "Exercise Price"]. The Exercise Price is to be pro-rated accordingly based on the actual number of Option Shares put to PSC. HSS has accepted the said Option, which is only exercisable after the completion of the Proposed Disposal. The said Option can be exercised progressively over the period of twelve (12) months from the date of completion of the Proposed Disposal.

The Proposed Disposal and the said Option are collectively referred to as the "Proposals".

The Proposals are deemed a related party transaction as it involved the interests of Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, the 37.68% major shareholder of LSH and a 56.00% major shareholder and director of Gek Poh (Holdings) Sdn Bhd which is the holding company of the Company.

The Proposals are subject to the approvals being obtained from the directors and shareholders of HSS, the Company and PSC at an extraordinary general meeting to be convened.

42. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group and of the Company 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.

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained profits of the Company and its subsidiaries				
– Realised	**2,681,804**	2,540,575	**1,061,980**	1,049,600
– Unrealised	**(1,518)**	5,947	**(3,043)**	(2,505)
	2,680,286	2,546,522	**1,058,937**	1,047,095
Total share of retained profits from associates				
– Realised	**40,905**	30,466	**–**	–
– Unrealised	**28,255**	47	**–**	–
– Breakdown unavailable *	**14,866**	9,069	**–**	–
	2,764,312	2,586,104	**1,058,937**	1,047,095
Less: Consolidation adjustments	**(1,552,242)**	(1,599,259)	**–**	–
Total retained profits as per financial statements	**1,212,070**	986,845	**1,058,937**	1,047,095

* *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.*

The following additional information are provided in accordance with Paragraph 9.25 Appendix 9C of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

(i) Private Placement

The private placement undertaken by the Company ["Private Placement"] was completed on 23 May 2011 with the listing of and quotation for 43,800,000 new ordinary shares of RM1.00 each ["Placement Shares"] on the Main Market of Bursa Malaysia Securities Berhad. The Placement Shares were issued at an issue price of RM5.25 per share and accordingly, the Company raised a gross proceeds of RM229.95 million ["Private Placement Proceeds"] from the Private Placement.

Set out below is the status of the utilisation of the Private Placement Proceeds:

Purpose	* Adjusted Proposed Utilisation RM' Million	As at 31.12.2012 Utilisation RM' Million	As at 31.12.2012 Balance unutilised RM' Million	Intended timeframe for Utilisation
Capital expenditure for expansion of the existing business operations of our Group	72.18	**72.18**	**–**	–
Repayment of borrowings	90.22	**90.22**	**–**	–
General working capital	61.54	**61.94**	**–**	–
Estimated expenses	6.01	**5.61**	**#**	–
Total	229.95	**229.95**	**–**	–

* *The adjusted proposed utilization was adjusted using the same fraction of the Proposed Utilisation as per the Circular to Shareholders dated 21 February 2011 to reflect the actual proceeds from the Private Placement.*

\# *Under spent in expenses have been utilized for general working capital.*

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS (continued)

(ii) Rights Issue with Warrant

Subsequent to the Private Placement, a bonus issue on the basis of two (2) bonus shares ["Bonus Shares"] for every one (1) existing ordinary share held was undertaken ["Bonus Issue"], which was followed by a renounceable rights issue with warrants ["Rights Issue with Warrants"] on the basis of one (1) rights share ["Rights Share"] together with one (1) free detachable warrant ["Warrant"] for every five (5) ordinary shares held after the Bonus Issue, at an issue price of RM1.05 per Rights Share ["Rights Issue"]. Both the Bonus Issue and Rights Issue with Warrants were completed on 15 August 2011 with the listing of and quotation for 1,214,643,000 Bonus Shares, 364,392,900 Rights Shares and 364,392,900 Warrants on the Main Market of Bursa Malaysia Securities Berhad, with the gross proceeds of RM382.61 million raised from the Rights Issue ["Rights Issue Proceeds"].

Set out below is the status of the utilisation of the Rights Issue Proceeds:

Purpose	* Adjusted Proposed Utilisation RM' Million	← As at 31.12.2012 → Utilisation RM' Million	Balance unutilised RM' Million	Intended timeframe for Utilisation
Capital expenditure for expansion of the existing business operations of our Group and acquisition of potential land for development	220.00	**59.32**	**160.68**	Within 3 years from completion
General working capital	159.00	**159.56**	**–**	–
Estimated expenses	3.61	**3.05**	**#**	–
Total	382.61	**221.93**	**160.68**	–

* *The adjusted proposed utilization was adjusted using the same fraction of the Proposed Utilisation as per the Circular to Shareholders dated 21 February 2011 to reflect the actual proceeds from the Private Placement.*

\# *Under spent in expenses have been utilized for general working capital.*

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year under review, 6,600 warrants were exercised with a balance of 364,386,300 warrants unexercised as at 31 December 2012. These warrants are constituted by the deed poll dated 6 July 2011.

3. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

The Company did not sponsor any ADR or GDR programme for the year.

4. PARTICULARS OF SANCTIONS AND/OR PENALTIES IMPOSED

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2012.

5. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered by the external auditors and/or its affiliates to the Group for the financial year ended 31 December 2012 was RM172,000 as disclosed in Note 23 to the Financial Statements.

6. VARIATION IN RESULTS

There were no material variances in the Company's audited consolidated financial results for the financial year ended 31 December 2012 and the unaudited results for the same period previously released in the quarterly report to Bursa Malaysia Securities Berhad on 28 February 2013.

7. PROFIT GUARANTEES

There was no profit guarantee given by the Company during the financial year ended 31 December 2012.

8. MATERIAL CONTRACTS

Save for the following, there were no other material contracts of the Company and its subsidiaries involving directors' and major shareholders' interests, which still subsisted as at 31 December 2012, or entered into since 31 December 2011:

- Related party transactions in the ordinary course of business on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority interests, which were entered into during the financial year ended 31 December 2012 as disclosed in Note 38 to the Financial Statements.

The Company will be seeking new or renewed shareholders' mandate for recurrent related party transactions at the extraordinary general meeting to be convened on 29 May 2013 immediately after the conclusion of the annual general meeting to be held on the same date.

Particulars of Top Ten Properties of the Group

Location	Area	Description	Date of Acquisition/ Revaluation	Tenure	Year of Expiry	Approximate Age of Buildings (Years)	Net Book Value At 31/12/2012 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	–	40	226,018
Lot 595 Seksyen 57, Jalan P. Ramlee Kuala Lumpur	4,376 m^2	Investment property under construction	March 2010	Freehold	–	–	186,809
SABAH							
KOTA KINABALU							
CL 015483806/ CL 015483815/ CL 015483824/ CL 015483833/ CL 015483842/ CL 015483851/ CL 015483888/ CL 015483897 Jalan Tuaran, Kota Kinabalu	1,735,308 m^2	Undeveloped land	August 2009	Leasehold 999 years	2905	–	44,109
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	24-25	43,140
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	22-23	47,864
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	38	65,237
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	–	90,528

Location	Area	Description	Date of Acquisition/ Revaluation	Tenure	Year of Expiry	Approximate Age of Buildings (Years)	Net Book Value At 31/12/2012 RM'000
KINABATANGAN							
Batangan Estate	3,633 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	7-31	275,799
Lutong Estate	2,448 ha	Oil palm plantation & buildings	July 1996/ July 2003	Leasehold 99 years	2078/ 2098/ 2099	12-23	
Lokan Estate	3,155 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	12-17	
Kapis Estate	2,681 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	10-26	
Lungmanis Estate	2,200 ha	Oil palm plantation	July 1996	Leasehold 99 years	2078	12-18	
Tomanggong Estate	4,890 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years/ 999 years	2067/ 2094/ 2894	4-44	305,318
Tabin Estate	2,579 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years	2067/ 2076/ 2093/ 2097	4-28	
Tagas Estate	2,010 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years	2067/ 2076	4-37	
Litang Estate	1,571 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years/ 999 years	2076/ 2091 2887/ 2900	4-30	
Sungai Segama Estate	5,174 ha	Oil palm plantation & buildings	December 1990	Leasehold 99 years	2089	11-15	
Bukit Mas Estate	4,733 ha	Oil palm plantation & buildings	December 1990	Leasehold 99 years/ 999 years	2089/ 2887	5-13	
KOTA MARUDU							
Pelipikan Estate	*808 ha	Oil palm plantation & buildings	August 2008	Leasehold 99 years	2101/2102	5-13	44,413

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

Plantation Statistics

	FINANCIAL PERIOD ENDED 31.12.2008 (11 months)	FINANCIAL YEAR ENDED 31 DECEMBER			
		2009	2010	2011	2012
CROP PRODUCTION - TONNES					
FFB	673,131	672,768	677,071	738,969	**665,812**
PROCESSED - TONNES					
FFB - own	637,099	630,412	636,033	693,901	**620,770**
FFB - purchased	19,126	21,635	63,001	107,623	**105,469**
Palm Oil	141,464	140,985	149,941	168,025	**154,595**
Palm Kernel	31,900	30,821	33,409	37,050	**34,587**
EXTRACTION RATE - %					
Palm Oil	21.56	21.62	21.45	20.96	**21.29**
Palm Kernel	4.86	4.73	4.78	4.62	**4.76**
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	1,329	2,634	2,892	2,289	**2,788**
> 7 years to 17 years	19,008	17,899	17,899	16,009	**13,332**
> 17 years onwards	11,030	12,043	11,296	12,770	**14,335**
Total mature area	31,367	32,576	32,087	31,068	**30,455**
AVERAGE YIELD - TONNES/HECTARE					
FFB yield per mature hectare	21.46	20.65	21.10	23.79	**21.86**
Oil per mature hectare	4.63	4.47	4.53	4.99	**4.65**
AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE					
FFB	579	445	579	697	**560**
Palm Oil	2,314	2,303	2,594	3,226	**2,773**
Palm Kernel	1,449	1,012	1,629	2,200	**1,494**

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2012

	River Estates Group	Jeroco	* HSP (Kota Marudu)	Pelipikan Plantation	Total Plantation Division
Oil Palm					
Mature	18,649	10,999	598	209	30,455
Immature	2,679	1,723	–	694	5,096
Total Oil Palm	21,328	12,722	598	903	35,551
Other crop	60	86	–	–	146
Total planted area	21,388	12,808	598	903	35,697
Reserves	578	312	81	330	1,301
Buildings, roads, etc	1,547	997	129	132	2,805
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.*

Share Buy-Backs Summary

Month	No. of shares bought back 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'000
January/12	300,000	1.59	1.60	1.5938	478
February/12	–	–	–	–	–
March/12	4,297,700	1.59	1.70	1.6615	7,141
April/12	4,060,000	1.64	1.71	1.6728	6,792
May/12	4,990,000	1.61	1.69	1.6566	8,266
June/12	8,500,000	1.64	1.83	1.7461	14,842
July/12	7,169,500	1.71	1.80	1.7354	12,442
August/12	–	–	–	–	–
September/12	2,973,800	1.63	1.67	1.6493	4,905
October/12	8,506,000	1.61	1.66	1.6410	13,958
November/12	14,279,400	1.62	1.68	1.6499	23,560
December/12	12,750,000	1.65	1.75	1.6780	21,394
Total	**67,826,400**	**1.59**	**1.83**	**1.6775**	**113,778**

During the financial year, all the shares bought back 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 2012 were 73,256,400.

Analysis of Shareholding

AS AT 8 APRIL 2013

Authorised share capital	: RM5,000,000,000
Issued and fully paid-up capital	: RM2,186,367,000
Class of shares	: ordinary shares of RM1.00 each
Voting rights	: 1 vote per ordinary share
Number of shareholders	: 12,220

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Capital
1 to 99	427	3.49	7,748	#
100 to 1,000	826	6.76	515,333	0.02
1,001 to 10,000	6,476	53.00	32,795,851	1.56
10,001 to 100,000	4,044	33.09	117,869,133	5.59
100,001 to less than 5% of issued shares	443	3.63	388,755,795	18.43
5% & above of issued shares	4	0.03	1,569,186,740	74.40
TOTAL	**12,220**	**100.00**	**2,109,130,600**	**100.00**

* *The number of 2,109,130,600 ordinary shares was arrived at after deducting the number of 77,236,400 treasury shares retained by the Company from the original issued and paid-up share capital of 2,186,367,000 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	871,257,600	41.31
2.	Gek Poh (Holdings) Sdn Bhd	293,253,500	13.90
3.	Affin Nominees (Asing) Sdn Bhd – Exempt AN for Lei Shing Hong Securities Limited (Clients Account)	287,258,760	13.62
4.	Hap Seng Insurance Services Sdn Bhd	117,416,880	5.57
5.	Affin Nominees (Asing) Sdn Bhd – Exempt AN for Philip Securities (Hong Kong) Ltd (Clients' Account)	75,882,400	3.60
6.	Lembaga Tabung Angkatan Tentera	29,695,900	1.41
7.	Bank Pertanian Malaysia Berhad	17,312,492	0.82
8.	HSBC Nominees (Asing) Sdn Bhd – BNY Brussels for Wisdomtree Emerging Markets Equity Income Fund	14,623,800	0.69
9.	Citigroup Nominees (Asing) Sdn Bhd – CBNY for Dimensional Emerging Markets Value Fund	13,517,200	0.64
10.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	12,622,280	0.60
11.	Chinchoo Investment Sdn Berhad	11,796,040	0.56
12.	HSBC Nominees (Asing) Sdn Bhd – BNY Brussels for Wisdomtree Emerging Markets Smallcap Dividend Fund	9,668,692	0.46
13.	Gan Teng Siew Realty Sdn Berhad	8,368,800	0.40
14.	Maybank Nominees (Tempatan) Sdn Bhd – Maybank Trustees Berhad for Public Aggressive Growth Fund (N14011940110)	7,803,000	0.37
15.	Key Development Sdn Berhad	7,434,800	0.35
16.	Mikdavid Sdn Bhd	7,274,800	0.34

Analysis of Shareholding

AS AT 8 APRIL 2013

LIST OF 30 LARGEST SHAREHOLDERS (continued)

		Shareholding	%[3]
17.	Nithiabala A/L T Balasingam	7,228,000	0.34
18.	Citigroup Nominees (Asing) Sdn Bhd – CBNY for DFA Emerging Markets Small Cap Series	4,696,240	0.22
19.	Citigroup Nominees (Asing) Sdn Bhd – CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	4,047,740	0.19
20.	Rengo Malay Estate Sendirian Berhad	3,456,000	0.16
21.	Bidor Tahan Estates Sdn Bhd	3,240,000	0.15
22.	Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Teh Win Kee (8016787)	3,145,800	0.15
23.	Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Lim Nyuk Sang @ Freddy Lim (8071811)	3,107,000	0.15
24.	HSBC Nominees (Asing) Sdn Bhd – Exempt AN for JPMorgan Chase Bank, National Association (U.S.A)	3,029,000	0.14
25.	Maybank Nominees (Tempatan) Sdn Bhd – Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	2,645,200	0.13
26.	Soon Khiat Voon	2,321,000	0.11
27.	HSBC Nominees (Asing) Sdn Bhd – BNY Brussels for City of New York Group Trust	2,125,260	0.10
28.	RHB Capital Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Su Ming Yaw	2,078,000	0.10
29.	Cartaban Nominees (Asing) Sdn Bhd – Exempt AN for State Street Bank & Trust Company (West CLT OD67)	2,029,000	0.10
30.	Cartaban Nominees (Asing) Sdn Bhd – SSBT Fund 2CIA for Emerging Markets Value Trust (JHVIT)	1,815,120	0.09
Total		**1,830,150,304**	**86.77**

SUBSTANTIAL SHAREHOLDERS

	Shareholding			
	Direct	%[3]	Indirect	%[3]
Gek Poh (Holdings) Sdn Bhd	1,164,511,100	55.21	117,416,880[1]	5.57
Hap Seng Insurance Services Sdn Bhd (Hap Seng Insurance)	117,416,880	5.57	–	–
Affin Nominees (Asing) Sdn Bhd – Exempt AN for Lei Shing Hong Securities Limited (Clients A/C for Lei Shing Hong Investment Limited)	279,933,360	13.27	–	–
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	–	–	1,561,861,340[2]	74.05

Notes:

(1) Deemed interests through its wholly-owned subsidiary, Hap Seng Insurance, 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 2,109,130,600 which was arrived at by deducting 77,236,400 treasury shares held by the Company from its issued and paid-up capital of 2,186,367,000.

Analysis of Warrantholding

AS AT 8 APRIL 2013

Total warrants issued	:	364,392,900
Less: Total warrants exercised	:	9,600
Balance warrants unexercised	:	364,383,300

DISTRIBUTION OF WARRANTHOLDERS

Size of Warrantholdings	No. of Warrantholders	% of Warrantholders	No. of Warrants Held	% of Warrantholding
1 to 99	156	2.59	9,913	#
100 to 1,000	1,410	23.43	783,275	0.22
1,001 to 10,000	3,336	55.44	11,806,351	3.24
10,001 to 100,000	982	16.32	28,896,518	7.93
100,001 to less than 5% of issued warrants	129	2.15	55,201,421	15.15
5% & above of issued warrants	4	0.07	267,685,822	73.46
TOTAL	**6,017**	**100.00**	**364,383,300**	**100.00**

Negligible

LIST OF 30 LARGEST WARRANTHOLDERS

		Warrantholding	%
1.	Maybank Securities Nominees (Tempatan) Sdn Bhd – Maybank International (L) Ltd for Gek Poh (Holdings) Sdn Bhd	145,209,600	39.85
2.	Gek Poh (Holdings) Sdn Bhd	50,373,842	13.82
3.	Affin Nominees (Asing) Sdn Bhd – Exempt AN for Lei Shing Hong Securities Limited (Clients Account)	38,482,400	10.56
4.	Hap Seng Insurance Services Sdn Bhd	33,619,980	9.23
5.	Affin Nominees (Asing) Sdn Bhd – Exempt AN for Philip Securities (Hong Kong) Ltd (Clients' Account)	12,122,800	3.33
6.	Bank Pertanian Malaysia Berhad	2,718,748	0.75
7.	Chinchoo Investment Sdn Berhad	1,799,340	0.49
8.	HDM Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Leou Thiam Lai (M09)	1,590,200	0.43
9.	ECML Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Keng Eng Hai (10K34873M)	1,210,000	0.33
10.	Public Invest Nominees (Asing) Sdn Bhd – Exempt AN for Phillip Securities Pte Ltd (Clients)	1,150,075	0.31
11.	Gan Teng Siew Realty Sdn Berhad	1,144,800	0.31
12.	Seah Yong Kwong	1,090,000	0.30
13.	Key Development Sdn Berhad	1,074,000	0.29
14.	Mikdavid Sdn Bhd	1,045,800	0.29
15.	Chia Hiang Nooi	1,000,000	0.27
16.	HDM Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Sim Hui Leng (M09)	930,460	0.26
17.	Toh Kok Huat	898,000	0.25
18.	Ng Siew Lee	860,000	0.24
19.	Ooi Peng Cuan	830,000	0.23
20.	Lam Yee Foon	828,966	0.23

Analysis of Warrantholding

AS AT 8 APRIL 2013

LIST OF 30 LARGEST WARRANTHOLDERS (continued)

		Warrantholding	%
21.	Alliancegroup Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Lim Nyuk Sang @ Freddy Lim (8071811)	760,100	0.21
22.	CIMSEC Nominees (Tempatan) Sdn Bhd – CIMB Bank for Cheang Wai Kett (MM1156)	620,000	0.17
23.	Rengo Malay Estate Sendirian Berhad	576,000	0.16
24.	Bidor Tahan Estates Sdn Bhd	540,000	0.15
25.	Tan Teong Hua	500,000	0.14
26.	ECML Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Ling Yoke Tek (10L00006M)	480,000	0.13
27.	Teh Siew Fuen	465,000	0.13
28.	Nithiabala A/L T Balasingam	435,800	0.12
29.	Kong Chou Keh	400,000	0.11
30.	Soon Khiat Voon	396,000	0.11
Total		**303,151,911**	**83.20**

Directors' Shareholdings and Warrantholdings

AS AT 8 APRIL 2013

Company:	Direct Shareholding No. of Shares	%(1)	Indirect Shareholding No. of Shares	%(1)
Hap Seng Consolidated Berhad ("HSCB")				
Dato' Jorgen Bornhoft	100,000	0.0047	–	–
Dato' Mohammed Bin Haji Che Hussein	288,000	0.0137	–	–

Related Corporation:	No. of Shares	%(2)	No. of Shares	%(2)
Hap Seng Plantations Holdings Berhad ("HSP")				
Dato' Jorgen Bornhoft	10,000	0.0013	–	–
Datuk Simon Shim Kong Yip, JP	180,000	0.0225	–	–
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	5,000	0.0006	–	–

Company:	Direct Warrantholding No. of Warrants	%(3)	Indirect Warrantholding No. of Warrants	%(3)
HSCB				
Dato' Jorgen Bornhoft	30,000	0.0082	–	–
Dato' Mohammed Bin Haji Che Hussein	48,000	0.0132	–	–

Notes:

(1) For the purpose of computing the percentage of HSCB shareholding above, the number of ordinary shares used was 2,109,130,600 which was arrived at by deducting 77,236,400 treasury shares held by HSCB from its issued and paid-up capital of 2,186,367,000.

(2) For the purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,977,000 which was arrived at by deducting 23,000 treasury shares held by HSP from its issued and paid-up capital of 800,000,000.

(3) For the purpose of computing the percentage of HSCB warrantholding above, the number of unexercised warrants was 364,383,300 which was arrived at by deducting 9,600 warrants which had been exercised from the total 364,392,900 warrants issued pursuant to the Rights Issue with Warrants.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 37th annual general meeting of Hap Seng Consolidated Berhad will be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 29 May 2013 at 2pm to transact the following:–

AGENDA

AS ORDINARY BUSINESS:

1. To table the audited financial statements for the financial year ended 31 December 2012 together with the reports of directors and auditors. Note 1

To consider and if thought fit, to pass the following ordinary resolutions:–

2. To reappoint Dato' Jorgen Bornhoft pursuant to section 129(6) of the Companies Act, 1965 as director of the Company to hold office until the conclusion of the next annual general meeting of the Company. Note 2

   Resolution 1

3. To re-elect Datuk Simon Shim Kong Yip, JP who shall retire in accordance with article 97 of the Company's articles of association and being eligible, has offered himself for re-election. Note 3

   Resolution 2

4. To re-elect Mr. Tan Ghee Kiat who shall retire in accordance with article 97 of the Company's articles of association and being eligible, has offered himself for re-election. Note 3

   Resolution 3

5. To approve the payment of directors' fees of RM615,000.00 for the financial year ended 31 December 2012.

   Resolution 4

6. To reappoint 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. Note 4

   Resolution 5

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following ordinary resolution:–

7. **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." Note 6

   Resolution 6

By order of the Board

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

Kuala Lumpur
8 May 2013

Explanatory notes to the Agenda:–

1. *Pursuant to section 169(1) of the Companies Act, 1965 ("Act"), the directors shall lay before the Company at its annual general meeting its annual financial statements made up to a date not more than 6 months before the date of the meeting. There will be no resolution to be passed on this item 1.*

2. *Pursuant to section 129(2) of the Act, the office of a director of a public company or of a subsidiary of a public company shall become vacant at the conclusion of the annual general meeting commencing next after he attains the age of seventy years. However, section 129(6) of the Act states that a person of or over the age of seventy years may by a resolution of which no shorter notice than that required to be given to the members of the company of an annual general meeting has been duly given, passed by a majority of not less than three-fourths of such members of the company as being entitled so to do vote in person or, where proxies are allowed, by proxy, at a general meeting of that company, be appointed or reappointed as a director of that company to hold office until the next annual general meeting of the company.*

3. *Pursuant to article 97 of the Company's articles of association and paragraph 7.26(2) of the Main Market Listing Requirements, at least one-third of the directors of the Company for the time being shall retire from office at every annual general meeting, but shall be eligible for re-election.*

4. *Pursuant to section 172(2) of the Act, the Company shall at every annual general meeting appoint its auditors who shall hold office until the conclusion of the next annual general meeting.*

5. *Based on the satisfactory outcome of its review, the Nominating Committee had made recommendations to the Board for these independent directors to be re-elected or reappointed, as the case may be.*

6. *This section 132D authority, if approved, will empower the directors of the Company to issue ordinary shares in the Company up to 10% of the issued and paid-up share capital of the Company for the time being, subject to compliance with all other regulatory requirements and this will enable the Company to finance investments projects, working capital and/or acquisitions by issuing new shares as and when the need arises without delay or incurring costs in convening a separate general meeting. This authority, unless revoked or varied at an earlier general meeting, will expire at the conclusion of the next annual general meeting of the Company.*

   As at the date of this notice of annual general meeting, the Company has not issued any new shares pursuant to the existing section 132D authority approved by the shareholders during the last annual general meeting held on 29 May 2012, which authority shall lapse at the conclusion of this annual general meeting.

Notes to the notice of annual general meeting:–

1. *A depositor shall not be regarded as a member entitled to attend this general meeting and to speak and vote thereat unless his/her name appears in the record of depositors as at 22 May 2013 (which is not less than 3 market days before the date of this meeting) issued by Bursa Malaysia Depository Sdn Bhd (Bursa Depository) upon the Company's request in accordance with the rules of the Bursa Depository.*

2. *Subject to note 3 below, a member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies (but not more than 2) to attend and vote in his/her stead. Where a member appoints more than 1 proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. The proxy or proxies need(s) not be a member of the Company and there shall be no restriction as to the qualification of the proxy or proxies.*

3. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit on the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

4. *The instrument appointing a proxy shall be in writing under the hand 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, and such duly executed 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 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

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HAP SENG CONSOLIDATED BERHAD (26877-W)

Proxy Form

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/members of Hap Seng Consolidated Berhad, do hereby appoint ....

.... NRIC No./Company No. ....
(FULL NAME OF PROXY IN BLOCK LETTERS)

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 37th 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 Wednesday, 29 May 2013 at 2pm or at any adjournment thereof in the manner as indicated below:-

Agenda

1. To table the audited financial statements for the financial year ended 31 December 2012 together with the reports of directors and auditors.

ORDINARY BUSINESS		**FOR**	**AGAINST**
2. To reappoint Dato' Jorgen Bornhoft pursuant to section 129(6) of the Companies Act, 1965 as director of the Company to hold office until the conclusion of the next annual general meeting of the Company.	**Resolution 1**		
3. To re-elect Datuk Simon Shim Kong Yip, JP who shall retire in accordance with article 97 of the Company's articles of association and being eligible, has offered himself for re-election.	**Resolution 2**		
4. To re-elect Mr. Tan Ghee Kiat who shall retire in accordance with article 97 of the Company's articles of association and being eligible, has offered himself for re-election.	**Resolution 3**		
5. To approve the payment of directors' fees of RM615,000.00 for the financial year ended 31 December 2012.	**Resolution 4**		
6. To reappoint 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 5**		
SPECIAL BUSINESS		**FOR**	**AGAINST**
7. Authority to allot and issue shares pursuant to section 132D of the Companies Act, 1965.	**Resolution 6**		

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

Signed this .... day of 2013

....

Signature / Common Seal of appointor

Notes:-

1. *A depositor shall not be regarded as a member entitled to attend this general meeting and to speak and vote thereat unless his/her name appears in the record of depositors as at 22 May 2013 (which is not less than 3 market days before the date of this meeting) issued by Bursa Malaysia Depository Sdn Bhd (Bursa Depository) upon the Company's request in accordance with the rules of the Bursa Depository.*
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3. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit on the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *The instrument appointing a proxy shall be in writing under the hand 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, and such duly executed 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 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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