



NEGRI SEMBILAN OIL PALMS BERHAD
(Company No. 592-D)
(Incorporated in Malaysia)

ANNUAL REPORT
2010

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FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

FINANCIAL HIGHLIGHTS - GROUP

	2010	2009
	RM'000	RM'000
Revenue	86,612	79,336
Profit before tax	40,166	36,769
Income tax expense	(10,244)	(8,984)
Profit net of tax	29,922	27,785
Profit net of tax attributable to owners of the Company	25,650	24,075
Profit net of tax attributable to minority interests	4,272	3,710
Dividends	16,848	13,162
Issued and paid-up share capital	70,202	70,202
Equity attributable to owners of the Company	317,522	299,226
Earnings per stock unit		
- Basic	36.54 sen	34.29 sen
- Diluted	36.54 sen	34.29 sen
Dividends		
- First interim dividend	15 % less 25% taxation	10 % less 25% taxation
- Second interim dividend	17 % less 25% taxation	15 % less 25% taxation
Dividend cover (times)	1.52	1.83
Net assets per stock unit attributable to owners of the Company	RM4.52	RM4.26

FINANCIAL CALENDAR

Financial year	1 January 2010 to 31 December 2010
Announcement of results	
First financial quarter ended 31 March 2010	26 May 2010
Second financial quarter ended 30 June 2010	27 August 2010
Third financial quarter ended 30 September 2010	26 November 2010
Fourth financial quarter ended 31 December 2010	28 February 2011
Dividends payment	
First interim	30 June 2010
Second interim	31 December 2010
Despatch of 2010 Annual Report	2 June 2011
Seventy Ninth Annual General Meeting	24 June 2011

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventy Ninth Annual General Meeting of the Company will be held at the Conference Room, Suite 2B-3A-3, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Friday, 24 June 2011 at 10.30 am for the following purposes: -

1. To receive and adopt the Directors' Report and the Financial Statements for the financial year ended 31 December 2010 and the Independent Auditors' Report thereon. (Resolution 1)
2. To approve the directors' fees for the financial year ended 31 December 2010 and to authorise the directors to divide such fees in the proportions and manner to be determined by them. (Resolution 2)
3. To re-elect the following directors retiring under Article 94 of the Articles of Association of the Company: -
 - (i) Mr Keong Choon Keat (Resolution 3)
 - (ii) Mr Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong (Resolution 4)
4. To consider and if thought fit, pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965: -
 - (i) "That Mr Goh Eng Chew, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 5)
 - (ii) "That Mr Wong Aun Phui, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 6)
 - (iii) "That Mr Goh Beng Hwa @ Gho Bin Hoa, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 7)
 - (iv) "That Dato' Ong Bok Lim, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 8)
 - (v) "That Mr Goh Pock Ai, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 9)
5. To re-appoint auditors and authorise the directors to fix their remuneration. (Resolution 10)
6. As special business, to consider and if thought fit, pass the following ordinary resolutions: -

Proposed renewal of shareholders' mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties (Resolution 11 & 12)

The text of the above resolutions together with the details of the proposed renewal of shareholders' mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties are set out in the Circular to Shareholders dated 2 June 2011.
7. To transact any other ordinary business of the Company of which proper notice shall have been given to the Company.

By Order of the Board

Gan Kok Tiong
Company Secretary

Kuala Lumpur
2 June 2011

NOTES:

1. A member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. If the member is a corporation, the Form of Proxy must be executed under its common seal or under the hand of a person duly authorised in writing.
3. The Form of Proxy must be deposited at the Registered Office, Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.
4. For Item 6, further information are set out in the Circular to Shareholders dated 2 June 2011 which is despatched together with the 2010 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Further details of directors who are standing for re-election and re-appointment at the Seventy Ninth Annual General Meeting:-

- (a) Keong Choon Keat - Retiring pursuant to Article 94 of the Articles of Association
Refer to page 6 for further details and pages 83 to 84 for his shareholdings in the Company and the subsidiaries.
- (b) Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong - Retiring pursuant to Article 94 of the Articles of Association
Refer to page 7 for further details and pages 83 to 84 for his shareholdings in the Company and the subsidiaries.
- (c) Goh Eng Chew - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 5 for further details and pages 83 to 84 for his shareholdings in the Company and the subsidiaries.
- (d) Wong Aun Phui - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 5 for further details and pages 83 to 84 for his shareholdings in the Company and the subsidiaries.
- (e) Goh Beng Hwa @ Gho Bin Hoa - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 5 for further details and pages 83 to 84 for his shareholdings in the Company and the subsidiaries.
- (f) Dato' Ong Bok Lim - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 6 for further details and pages 83 to 84 for his shareholdings in the Company and the subsidiaries.
- (g) Goh Pock Ai - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 5 for further details and pages 83 to 84 for his shareholdings in the Company and the subsidiaries.

CORPORATE INFORMATION

BOARD OF DIRECTORS

**Executive Chairman
(Non-Independent)**

Goh Eng Chew

**Executive Directors
(Non-Independent)**

Goh Pock Ai
Wong Aun Phui
Goh Wei Lei

**Non-Executive Directors
(Independent)**

Goh Beng Hwa @ Gho Bin Hoa
Sio Sit Po
Dato' Ong Bok Lim
Keong Choon Keat

**Non-Executive Directors
(Non-Independent)**

Goh Yeok Beng
Gho Lian Chin
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong

Alternate Director

Gho Bun Tjin (alternate to Gho Lian Chin)

AUDIT COMMITTEE

**Chairman
Members**

Keong Choon Keat
Dato' Ong Bok Lim
Sio Sit Po

**NOMINATION COMMITTEE &
REMUNERATION COMMITTEE**

**Chairman
Members**

Gho Lian Chin
Goh Beng Hwa @ Gho Bin Hoa
Dato' Ong Bok Lim
Keong Choon Keat

COMPANY SECRETARY

Gan Kok Tiong B.Commerce (Accounting)(Hons.), CA(M), CPA

REGISTERED OFFICE

Suite 2B-3A-2
Block 2B, Level 3A, Plaza Sentral
Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur
Telephone: 03-2261 4633
Fax: 03-2261 4733

AUDITORS

Ernst & Young
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

**SHARE REGISTRAR AND
MANAGING AGENT**

Sin Thye Management Sdn Bhd
Suite 2B-3A-2
Block 2B, Level 3A, Plaza Sentral
Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur
Telephone: 03-2261 4633
Fax: 03-2261 4733

LEGAL FORM AND DOMICILE

Public Limited Liability Company
Incorporated and Domiciled in Malaysia

WEBSITE

www.nsop.com.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

PROFILE OF DIRECTORS

Goh Eng Chew (Executive Chairman)

79-year-old Mr Goh, a Singaporean, has more than forty years of plantation and financial experience. Appointed to the Board on 17 July 1968. He later served as Chairman from 17 December 1994. He was appointed as the Executive Chairman on 20 December 2000. He had been Chairman of a licensed commercial bank, a licensed finance company and a real estate company, all of which were formerly listed in Singapore. He is also the Executive Chairman of Chin Teck Plantations Berhad. Other public companies in which he heads the Board are Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 88 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Pock Ai and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and the father of Goh Wei Lei.

Number of Board meetings attended during the financial year ended 31 December 2010: 4 out of 4

Goh Pock Ai (Senior Executive Director)

70 years of age, Singaporean. Appointed to the Board on 15 May 1971. He later served as Senior Executive Director from 1 June 2008. He has vast experience and extensive knowledge in oil palm plantation and property development. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 88 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Eng Chew and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong.

Number of Board meetings attended during the financial year ended 31 December 2010: 4 out of 4

Wong Aun Phui (Executive Director)

89 years of age, Malaysian. Has more than fifty years of plantation and banking experience. Appointed to the Board on 15 July 1968. He was conferred Senior Cambridge Certificate by Cambridge University. He had served as Assistant Managing Director of Malayan Banking Berhad, Managing Director of Pan Malayan Finance Limited and Adviser of Bank Bumiputra Malaysia Berhad (now known as CIMB Bank Berhad). Formerly, Chairman of Bandar Raya Development Berhad. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Pan Malaysia Corporation Berhad. He is deemed interested in certain related party transactions as disclosed on page 88 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2010: 4 out of 4

Goh Wei Lei (Executive Director)

42 years of age, Singaporean. He was first appointed as an alternate director on 29 March 1994. He ceased as alternate director on 12 March 1996 and was appointed as a director on that date. He was later appointed as Executive Director on 1 June 2008. Holds a Bachelor of Science from the Oregon State University, USA. He has vast experience and extensive knowledge in oil palm plantation and property development. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 88 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the son of Goh Eng Chew.

Number of Board meetings attended during the financial year ended 31 December 2010: 4 out of 4

Goh Beng Hwa @ Gho Bin Hoa (Independent Non-Executive Director)

79 years of age, Singaporean. Appointed to the Board on 1 November 1969. He is a member of the Nomination Committee and Remuneration Committee. He had worked for several years in a listed licensed commercial bank in Singapore and was formerly the Managing Director of a licensed finance company listed in Singapore. Other public companies in which he is a director are Chin Teck Plantations Berhad and Eng Thye Plantations Berhad. He is deemed interested in certain related party transactions as disclosed on page 88 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2010: 4 out of 4

PROFILE OF DIRECTORS

Sio Sit Po (Independent Non-Executive Director)

62 years of age, Singaporean. He was first appointed as an alternate director on 16 June 1995 and ceased as alternate director on 10 January 1997. Subsequently, he was appointed as a director on 3 February 1997. He is a member of the Audit Committee. Holds a Bachelor of Science (Hons) from the Nanyang University, Singapore. Worked in a licensed commercial bank listed in Singapore since graduation till 1999. Other public companies in which he is a director are Chin Teck Plantations Berhad and Eng Thye Plantations Berhad. He is deemed interested in certain related party transactions as disclosed on page 88 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2010: 4 out of 4

Dato' Ong Bok Lim (Independent Non-Executive Director)

73 years of age, Malaysian. Appointed to the Board on 31 May 1997. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee. He has vast experience and knowledge in the oil palm plantation industry. He is also a director of Eng Thye Plantations Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2010: 4 out of 4

Keong Choon Keat (Independent Non-Executive Director)

66 years of age, Malaysian. Appointed to the Board on 21 May 2001. He is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales. Attached to Bristol Myers & Company Ltd, England as an Accountant in 1968 and left to join Malaysian Tobacco Company Bhd as an Accountant in 1969. From 1974 to 1999, he was attached to UMW Holdings Bhd where he held various management positions from General Manager to Director, Group Accounts before being promoted to the position of an Executive Director in 1988. Upon retirement in 1999, he joined a consultancy firm providing outplacement and career management consultancy services in Malaysia. Other public companies in which he is a director are JT International Berhad, Malaysian Airline System Berhad, Chin Teck Plantations Berhad and Crest Builder Holdings Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2010: 4 out of 4

Goh Yeok Beng (Non-Independent Non-Executive Director)

62 years of age, Singaporean. Appointed to the Board on 4 August 1982. He has vast experience and extensive knowledge in the oil palm plantation industry and rubber industry. Other public companies in which he is a director are Chin Teck Plantations Berhad, Timor Oil Palm Plantation Berhad (Executive Director) and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 88 of the Annual Report. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2010: 4 out of 4

PROFILE OF DIRECTORS

Gho Lian Chin (Non-Independent Non-Executive Director)

63 years of age, Singaporean. Appointed to the Board on 13 July 1995. Holds a Bachelor of Science from the University of Melbourne, Australia. He is the Chairman of the Nomination Committee and Remuneration Committee. He worked in a licensed commercial bank listed in Singapore as its representative in a foreign country. Subsequently, he was engaged to manage the property division of the bank. He was also formerly a director of a licensed finance company and a real estate company both of which were listed in Singapore. He has extensive experience and knowledge in the rubber industry. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 88 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Gho Bun Tjin.

Number of Board meetings attended during the financial year ended 31 December 2010: 4 out of 4

Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong (Non-Independent Non-Executive Director)

64 years of age, Singaporean. He was first appointed as an alternate director on 22 April 1978. He ceased as alternate director on 29 December 1994 and was appointed as a director on that date. He later resigned as director on 29 February 1996. Subsequently, he was appointed as a director on 28 February 2006. Holds a Bachelor of Business from South Australian Institute of Technology. He has vast experience and extensive knowledge in banking and finance. Attached to DBS Bank Ltd as Senior Officer from 1973 to 1974 and left to join Tat Lee Bank Ltd from 1974 to 1998, during which time he held various positions; credit officer, sub-manager, manager, senior manager, executive director, deputy president and president (from 1995 to 1998). Other public companies in which he is a director are Chin Teck Plantations Berhad, Timor Oil Palm Plantation Berhad (alternate director) and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 88 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Eng Chew and Goh Pock Ai.

Number of Board meeting attended during the financial year ended 31 December 2010: 3 out of 4

Gho Bun Tjin (alternate to Gho Lian Chin)

61 years of age, Singaporean. He was first appointed as an alternate director on 29 June 1979 and ceased as alternate director on 21 June 1995. Subsequently, he was appointed as alternate director of Gho Lian Chin on 8 September 1995. Holds a Bachelor of Science from the University of Waterloo, Canada. He worked for a short period in a licensed commercial bank listed in Singapore. He is now working in a commercial company overseeing the general management. Other public companies in which he is an alternate director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 88 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Gho Lian Chin.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Negri Sembilan Oil Palms Berhad, I take great pleasure in presenting the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2010.

During the financial year under review, the average selling price of crude palm oil was substantially higher when compared with the previous year. Since then, it has further strengthened due to sustained demand and tight supply.

Financial and operation review

Revenue of the Group during the financial year under review increased by 9.17% to RM86,612,276 when compared with the previous financial year.

The average selling prices of ffb, crude palm oil and palm kernel were substantially higher when compared with those of the previous year.

Overall operating expenses increased by 5.46% to RM54,333,105 due mainly to the payments of windfall profit levy as a result of the substantial increase in the average selling price of crude palm oil, an increase in replanting expenses and an amount of loss on foreign exchange.

The Group recorded an overall profit of RM25,999 from its share of the results of associates. However, the jointly controlled entity engaged in the joint venture in oil palm plantation in Indonesia incurred a loss of RM901,815 attributable to the Group as the oil palms are young and have not attained maturity.

Profit before tax, excluding the fair value adjustment of biological assets, increased by 12.30% from RM30,868,373 to RM34,665,760 due mainly to the substantial increases in the average selling prices of ffb, crude palm oil and palm kernel as compared with those of the previous year.

Fair value of biological assets in the financial year under review increased by RM5,500,000 as compared with an increase of RM5,900,000 in the previous financial year. After taking into account of the fair value adjustment of biological assets, profit before tax for the financial year under review increased by 9.24% from RM36,768,373 to RM40,165,760.

Overall profit net of tax for the financial year under review increased by 7.69% from RM27,784,642 to RM29,922,223 due to the reasons mentioned above.

Shareholders' equity increased by 6.11% to RM317,522,142 due mainly to fair value adjustment reserve of RM10,446,953, being the effect of adopting FRS 139 in respect of the Group's quoted investments.

Production of ffb decreased by 15.41% to 126,975 m/t. Purchase of ffb also decreased by 32.10% to 17,018 m/t. Correspondingly, production of crude palm oil decreased by 16.25% to 20,831 m/t and production of palm kernel decreased by 20.73% to 5,554 m/t.

The overall average oil and kernel extraction rates of the mills are 19.25% and 5.13% respectively.

Approximately 36.24% of the matured palms are more than 20 years of age. During the financial year under review, an additional 445 hectares of old and low yield palms were replanted. Replanting of approximately 490 hectares of old and low yield palms will take place during the financial year ending 31 December 2011.

Dividends

Total gross dividends of 32% in respect of the financial year ended 31 December 2010 were paid during the financial year, i.e. a first interim dividend of 15% less 25% taxation was paid on 30 June 2010 and a second interim dividend of 17% less 25% taxation was paid on 31 December 2010. The total dividend payments for the financial year under review increased by 28% from RM13,162,867 to RM16,848,470

In view of the payment of the interim dividends, the Board do not recommend a final dividend in respect of the financial year ended 31 December 2010.

CHAIRMAN'S STATEMENT

Joint venture on oil palm plantation in Indonesia

As at 31 December 2010, approximately 1,992 hectares of land have been planted. The oil palms are young and have not attained maturity.

The joint venture is expected to contribute positively to the future earnings of the Group.

Recurrent related party transactions

The Company announced on 12 May 2011 that it proposes to seek the approval of shareholders for the proposed renewal of the shareholders' mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature at the forthcoming Annual General Meeting. A separate Circular to Shareholders, the purpose of which is to provide information on the proposed renewal of shareholders' mandate and to seek the approval for the ordinary resolutions pertaining to the proposed renewal of shareholders' mandate is enclosed together with the Annual Report.

Outlook for Year 2011

The average selling price of crude palm oil has strengthened since the end of the previous financial year and is expected to remain steady for the financial year ending 31 December 2011.

Appreciation

On behalf of the Board of Directors, I would like to thank the management and staff for their diligence and commitment. Our suppliers and customers also deserve our thanks for their understanding and support. Lastly, I would like to thank our shareholders for your patience and support.

Goh Eng Chew
Executive Chairman

18 May 2011

STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

The Board of Directors is committed to ensure that a high standard of corporate governance is practised throughout the Group in discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

The Board of Directors continuously evaluate the status of the Group's corporate governance practices and procedures with a view to adopt and implement the Best Practices of the Malaysian Code on Corporate Governance ("the Code") wherever applicable in the best interests of the shareholders of the Company. The Board considers that it has generally applied the Principles of the Code and complied with the Best Practices of the Code to the extent described in this statement.

1. Directors

Board Responsibilities

The Board retains full and effective control of the Company and is responsible for the overall performance of the Company. It focuses mainly on strategies, performance and critical business issues and is responsible for the following: -

- Group's strategic plans
- Conduct of the Group's business
- Principal risks identification and their management
- Succession planning for senior management
- Shareholders communication policy
- Group's internal control system and management information system

Composition of the Board

The Board currently consists of eleven directors: -

- An Executive Chairman
- Three Executive Directors
- Four Independent Non-Executive Directors
- Three Non-Independent Non-Executive Directors

There is an alternate director on the Board.

The Executive Chairman and Executive Directors have vast experience and extensive knowledge in managing the Group's core business, plantations. The Non-Executive Directors have broad business and commercial experience. The Independent Directors are actively involved in various Board Committees and they provide independent assessment and opinion. The biographical details of the Board members are set out on pages 5 to 7 of the Annual Report.

The Executive Chairman functions both as Chairman of the Board and Executive Director. The Board is mindful of the combined roles but is comfortable that there is no undue risk involved as the Executive Directors will be informed and consulted before the Executive Chairman makes any significant decision and all major matters and issues are referred to the Board for considerations and approvals. The roles and contributions of Independent Directors also provide an element of objectivity, independent judgment and check and balance on the Board. Furthermore, all related party transactions are dealt with in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

1. Directors (cont'd.)

Composition of the Board (cont'd.)

The Executive Chairman, Goh Eng Chew, the Executive Directors, Goh Pock Ai and Goh Wei Lei, the three Non-Independent Non-Executive Directors, Goh Yeok Beng, Gho Lian Chin and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and the alternate director, Gho Bun Tjin are directors and/or alternate director and/or shareholders of Tiong Thye Company Berhad, the largest shareholder of the Company holding 55.13% of the issued and paid-up share capital of the Company as at 29 April 2011. Their shareholdings in Tiong Thye Company Berhad are disclosed on page 85 of the Annual Report.

The Board considers that its complement of the Independent Non-Executive Directors and Non-Independent Non-Executive Directors provides an effective Board with a mix of general management, accounting and finance and business experience and fairly reflects the investment in the Company by shareholders. The Board complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that requires at least two directors or one third of the Board, whichever is higher, to be independent directors.

All concerns regarding the Company can be conveyed to any one of the Directors. As such, the Board has not appointed a senior Independent Non-Executive Director to whom concerns regarding the Company may be conveyed.

The Board has established Board committees, which operate within the defined terms of reference. These committees are: -

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Report on Audit Committee for the financial year ended 31 December 2010 is set out on pages 18 to 20 of the Annual Report.

Details of the Nomination Committee and Remuneration Committee are set out on pages 12 to 14 of the Annual Report.

The Board of Directors met four times during the financial year ended 31 December 2010. The Executive Chairman and the Executive Directors explained to the Board the rationale of the matters discussed and the implications on the Group. The Directors participated in the discussion and comments were considered before a decision was made.

The attendances of the Directors were as follows: -

<u>Name</u>	<u>Number of Meetings Attended</u>
Goh Eng Chew	4
Goh Pock Ai	4
Wong Aun Phui	4
Goh Wei Lei	4
Goh Beng Hwa @ Gho Bin Hoa	4
Sio Sit Po	4
Dato' Ong Bok Lim	4
Keong Choon Keat	4
Goh Yeok Beng	4
Gho Lian Chin	4
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	3

STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

1. Directors (cont'd.)

Supply of Information

Each Director receives monthly financial statements, which contain information on financial performance and plantation statistics.

Agenda of Board meeting and Board papers for each agenda item are sent to the directors prior to Board meeting. The Board papers include amongst others, quarterly financial results, performance of the estates, financial position of the Group and of the Company, the sales of crude palm oil and palm kernel, the market value of its quoted investments, summary of budget and capital expenditure, proposals for major acquisitions and disposals and corporate issues, if any.

Directors have access to information within the Group. Any comments and suggestions for improvements are directed to the Executive Chairman and/or Executive Directors. Directors may also obtain independent professional advice when necessary.

Directors also have direct access to the services of the Company Secretary.

Appointments to the Board

The Nomination Committee was established on 21 May 2001. The members of the Nomination Committee are as follows: -

Chairman	Gho Lian Chin	- Non-Independent Non-Executive Director
Members	Goh Beng Hwa @ Gho Bin Hoa	- Independent Non-Executive Director
	Dato' Ong Bok Lim	- Independent Non-Executive Director
	Keong Choon Keat	- Independent Non-Executive Director

The duties and functions of the Nomination Committee are: -

- To propose new nominees for the Board and Board Committee
 - Recommend to the Board, candidates for directorships to be filled by the shareholders or the Board;
 - Consider, in making its recommendations, candidates for directorships proposed by the executive directors and, within the bounds of practicability, by any other senior executive or any director or shareholder;
 - Recommend to the Board, directors to fill the seats on Board Committees
- to assess directors, including executive directors, on an on-going basis
- to annually review the required mix of skills and experience and core competencies of non-executive directors, effectiveness of the Board as a whole and the Board Committees

The Directors have direct access to the services of the Company Secretary who is responsible for ensuring that all appointments are properly made and all necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting the requirements of the Companies Act, 1965, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other regulatory requirements.

One meeting of Nomination Committee were held during the financial year ended 31 December 2010. All members of the Nomination Committee attended the meetings.

Directors' Training

All Directors are required to attend the training programmes that are prescribed by Bursa Malaysia Securities Berhad from time to time.

All the Directors and alternate director had successfully attended the Mandatory Accreditation Programme ("MAP").

The Directors and alternate director evaluated their own training needs on a continuous basis.

STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

1. Directors (cont'd.)

Directors' Training (cont'd)

During the financial year ended 31 December 2010, the Directors and alternate director attended the following programmes: -

Name	Training programme	Duration
Goh Eng Chew	Ancient wisdom for modern management	1/2 day
Goh Pock Ai	Ancient wisdom for modern management	1/2 day
Wong Aun Phui	Ancient wisdom for modern management	1/2 day
Goh Wei Lei	Ancient wisdom for modern management	1/2 day
Goh Beng Hwa @ Gho Bin Hoa	Ancient wisdom for modern management	1/2 day
Sio Sit Po	Ancient wisdom for modern management	1/2 day
Dato' Ong Bok Lim	Ancient wisdom for modern management	1/2 day
Keong Choon Keat	Ancient wisdom for modern management	3 1/2 days
	FRS workshops and industry related training	
Goh Yeok Beng	Ancient wisdom for modern management	1/2 day
Gho Lian Chin	Ancient wisdom for modern management	1/2 day
Goh Tju Kiang @	Ancient wisdom for modern management	1/2 day
Gho Tju Kiang @		
Gho Tju Kiong		
Gho Bun Tjin	Ancient wisdom for modern management	1/2 day

Re-election of Directors

In accordance with the Articles of Association of the Company, all Directors who are appointed by the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment.

The Articles of Association of the Company provides that one-third of the Directors, or if their number is not three or a multiple of three, then the number nearest to one third shall retire from office once at least every three years but shall be eligible for re-election.

Directors who are of or over the age of seventy years shall retire pursuant to Section 129 of the Companies Act, 1965 and shall be re-appointed under the provision of Section 129(6) of the said Act annually.

2. Directors' Remuneration

It is the Company's policy that the level of Directors' remuneration is sufficient to attract and retain the Directors of the calibre needed to run the Group successfully. In the case of Executive Directors, the component parts of the remuneration are structured to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned.

The Remuneration Committee was established on 21 May 2001. The members of the Remuneration Committee are as follows: -

Chairman	Gho Lian Chin	- Non-Independent Non-Executive Director
Members	Goh Beng Hwa @ Gho Bin Hoa	- Independent Non-Executive Director
	Dato' Ong Bok Lim	- Independent Non-Executive Director
	Keong Choon Keat	- Independent Non-Executive Director

The primary duty and responsibility of the Remuneration Committee is to recommend to the Board the remuneration of the Executive Directors and Non-Executive Directors. However, the determination of remuneration packages of directors is a matter for the Board as a whole and individual directors are required to abstain from discussion of their own remuneration.

One meeting of Remuneration Committee was held during the financial year ended 31 December 2010. All members of the Remuneration Committee attended the meeting.

STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

2. Directors' Remuneration (cont'd.)

The shareholders at the annual general meeting approve the annual fees payable to the Directors. The Company reimburse reasonable expenses incurred by the Directors in the course of their duties as Directors. The basic salary for each Executive Director takes into account the compensation practices of other comparable companies and the performance of each individual director. Salary will be reviewed annually (although not necessary increased). Appropriate adjustments will be made to reflect performance and increased responsibilities. Executive Directors are entitled to commission, which is dependent on the financial performance of the Company based on an established formula.

The details of the total Group's remuneration receivable by the Executive Directors and Non-Executive Directors of the Company for the financial year ended 31 December 2010 are as follows:-

	No. of Directors	Fees RM	Salaries RM	Commission RM	Other RM	Total RM
Executive Directors						
	1	58,000	276,000	209,534	20,000	563,534
	1	38,000	188,400	146,673	20,000	393,073
	1	40,000	180,000	146,673	20,000	386,673
	1	36,000	120,000	76,148	20,000	252,148
	4	172,000	764,400	579,028	80,000	1,595,428
Non-Executive Directors						
	1	29,000	84,000	43,296	15,000	171,296
	1	46,000	-	-	22,000	68,000
	1	36,500	-	-	21,000	57,500
	1	31,500	-	-	19,000	50,500
	1	32,000	-	-	16,000	48,000
	1	32,000	-	-	14,500	46,500
	1	18,000	-	-	7,500	25,500
	7	225,000	84,000	43,296	115,000	467,296
		397,000	848,400	622,324	195,000	2,062,724

3. Shareholders

Dialogue between the Company and Investors

The annual and quarterly reports and the various mandatory announcements are the primary modes of communication to report on the Group's financial performance and operations and corporate developments. The annual reports are sent to shareholders. Shareholders and the members of the public can also obtain information on the annual and quarterly reports and the announcements made by accessing the websites of the Company and Bursa Malaysia Securities Berhad. It is not the practice of the Company to organise briefings sessions or investors forums for analysts and fund managers.

Annual General Meeting

The annual general meeting is the principal forum for dialogue with shareholders. Notice of the Annual General Meeting and the Annual Report are despatched to shareholders. Notice of the Annual General Meeting is also published in a leading English newspaper. At the Annual General Meeting, shareholders have direct access to the Directors and are given the opportunity to ask questions during the question and answer session prior to the resolution to receive and adopt the audited annual financial statements and directors' report. Suggestions and comments by shareholders are noted by directors for consideration.

STATEMENT ON THE APPLICATION OF THE PRINCIPLES AND COMPLIANCE WITH THE BEST PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

4. Accountability and Audit

Financial Reporting

In presenting the annual and quarterly financial statements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in ensuring accuracy, adequacy and completeness of information for disclosure.

The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is set out on page 31 of the Annual Report and the Statement explaining the Directors' responsibility for preparing the annual audited accounts pursuant to paragraph 15.27 (a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is set out on page 22 of the Annual Report.

Internal Control

The Directors acknowledge their responsibilities for the Group's system of internal control, which has been designed to meet the Group's particular needs. The system of internal control is designed to manage risks to which the business of the Group is exposed rather than eliminate the risk of failure in achieving business objectives.

The Directors continue to maintain a sound system of internal control to safeguard shareholders' investment and Group's assets.

Internal Audit

The internal audit function has been outsourced to J. S. Lim & Co. with the primary objective to carry out reviews of the business processes as well as the internal control systems to determine if the accounting and internal control system procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

Relationship with the Auditors

The Company has always maintained a formal and transparent relationship with its auditors.

The role of the Audit Committee in relation to the external auditors is set out in the Report on Audit Committee on pages 18 to 20 of the Annual Report.

STATEMENT ON INTERNAL CONTROL

The Board of Directors is pleased to present the statement on the state of internal control of the Group comprising the Company and its subsidiaries.

Responsibility

The Board has overall responsibility for maintaining an effective and sound system of internal control and for reviewing its adequacy and recognises that there are inherent limitations to any system of internal control.

The system of internal control has been designed to meet the particular needs of the Group and to manage risks, which the Group is exposed to rather than eliminating the risk of failure in achieving business objectives.

In pursuing these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement or loss. Furthermore, it should be recognised that the cost of control procedures should not outweigh or exceed the expected benefits.

Internal Control Process

There is continuous process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the financial year under review and up to the date of approval of the annual report and financial statements.

Key Elements of Internal Control

- **Organisational Structure**

The Group is headed by the Executive Chairman and assisted by three Executive Directors. The Executive Chairman and Executive Directors have many years of experience in managing the Group's core business i.e. plantations.

There is in place an operating structure with clear defined lines of accountability and delegated authority for the estates.

- **Policies Manual**

There is a Policies Manual including Authority Limit to serve as guidance for the operations and personnel of the Group to function within the accepted practices of the Group.

- **Audit Committee and Internal Audit**

The Audit Committee was established with a view to assist the Board in discharging its duties. The internal audit function has the primary objective to carry out a review of the internal control systems to determine if the accounting and internal control procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

The internal auditors report directly to the Audit Committee. Internal audit reports were prepared by J. S. Lim & Co. and presented to the Audit Committee. The internal audit reports summarised the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The internal audit reports also covered the follow-up by the management on implementation of recommendations in their earlier reports.

STATEMENT ON INTERNAL CONTROL

Key Elements of Internal Control (cont'd.)

- **Financial Report**

The Group has in place a reporting mechanism whereby Directors receive monthly financial statements, which contain information on financial performance and plantation statistics.

Periodical meetings of the Board and Audit Committee are held. Quarterly financial results, performance of the estates, financial position of the Group, the market value of its quoted investments, the sales of fresh fruit bunches, crude palm oil and palm kernel, summary of budgets and capital expenditure, plantation statistics and progress of oil palm planting and financial performance of the joint venture on oil palm plantation in Indonesia are presented to the Board at the Board meetings.

- **Estates Visits and Estates Managers Meetings**

Executive Directors and the Plantation Controller regularly visit the Group's estates to monitor the state of affairs of the estates. During the visits, the estate managers report on the progress and performance of the respective estates and to discuss and resolve estate operational and key management issues.

Other Directors also visit the Group's estates from time to time and their comments and suggestions for improvements are directed to the Executive Chairman and/or Executive Directors.

Estate Managers Meetings are held twice a year to discuss and resolve estates operational and key management policies and issues.

- **Review of Recurrent Related Party Transactions**

All recurrent related party transactions are dealt with in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Audit Committee and the Board review the recurrent related party transactions at the respective meetings of the Audit Committee and the Board.

Risk Management

Management regularly review, identify, evaluate, monitor and manage the significant risks faced by the Group. In addition, the internal auditors, using a risk-based approach, annually review the operational procedures and processes to ensure the integrity of the management information system.

The Audit Committee chaired by an Independent Non-Executive Director and its members comprising Independent Non-Executive Directors, provide an independent review of the process of the Group for producing financial data, the adequacy, effectiveness and integrity of the system of internal control, compliance with laws, regulations and guidelines, independence of external auditors and the internal audit function. It reviews annually with the internal auditors, their evaluation of the system of internal control.

Conclusion

The Board is of the opinion that the existing system of internal control is adequate to achieve the business objectives of the Group. The Board will continuously assess the adequacy of the system of internal control of the Group and make improvements and enhancements to the system as and when necessary.

REPORT ON AUDIT COMMITTEE

The Board of Directors of Negri Sembilan Oil Palms Berhad is pleased to present the report of the Audit Committee for the financial year ended 31 December 2010.

Members of the Audit Committee

The members of the Audit Committee during the financial year ended 31 December 2010 are as follows:-

Chairman	Keong Choon Keat	- Independent Non-Executive Director
Members	Dato' Ong Bok Lim	- Independent Non-Executive Director
	Sio Sit Po	- Independent Non-Executive Director

Terms of Reference

The Terms of Reference of the Audit Committee are as follows: -

1. Formation

1.1 The Board pursuant to its resolution formed the Audit Committee on 25 June 1994.

2. Membership

2.1 The members of the Audit Committee shall be appointed by the Board from amongst their number and shall consist of not fewer than three (3) members of whom a majority shall be independent directors.

2.2 At least one (1) member of the Audit Committee: -

- (i) must be a member of the Malaysian Institute of Accountants; or
- (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and: -
- (iii) (a) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
- (b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

2.3 No alternate director can be appointed as a member of the Audit Committee.

2.4 The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.

2.5 If a member of the Audit Committee retires, resigns, dies or for any reason ceases to be a member resulting in the non-compliance of paragraph 2.1 and 2.2 above, the Board shall within three (3) months of that event, fill the vacancy.

2.6 The Company Secretary or such other person as the Audit Committee may determine shall be the Secretary of the Audit Committee.

3. Meeting

3.1 Meetings of Audit Committee shall be held at least four (4) times a year.

3.2 In order to form a quorum in respect of a meeting of an Audit Committee, the majority of members present must be independent directors.

3.3 Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the Board or shareholders.

3.4 The Audit Committee shall meet with the external auditors without the presence of the executive directors at least twice a year.

3.5 At least 5 calendar days' notice should be given to members of the Audit Committee before a meeting is held. In an emergency meeting, the notice can be shortened provided majority of members agree.

3.6 Each member is entitled to one vote. Decision arising from any meeting shall be by majority of votes. The Chairman has no casting vote.

3.7 Other directors and employees may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

REPORT ON AUDIT COMMITTEE

Terms of Reference (cont'd.)

4. Authority

- 4.1 The Audit Committee is authorised to investigate any activity within its term of reference.
- 4.2 The Audit Committee shall have the resources, which are required to perform its duties.
- 4.3 The Audit Committee shall have full and unrestricted access to any information pertaining to the Group and is authorised to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Audit Committee and is free to summon any employee to appear before the meeting of the Audit Committee.
- 4.4 The Audit Committee is authorised to communicate directly with the external auditors and person(s) carrying out the internal audit function.
- 4.5 The Audit Committee is authorised to obtain independent professional service or other service and to secure the attendance of persons with relevant experience and expertise at the meeting of the Audit Committee, if it considers necessary.

5. Duties and functions

5.1 The duties and functions of the Audit Committee shall be: -

- (a) to review with the external auditors, the audit plan.
- (b) to review with the external auditors, their evaluation of the system of internal controls.
- (c) to review with the external auditors, their audit report.
- (d) to review the assistance given by the employees to the external auditors.
- (e) to review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- (f) to review the internal audit programme, processes, the results of the internal audit programme, process or investigation and consider the findings and recommendations of the internal audit and management's response.
- (g) to review any appraisal or assessment of the performance of members of the internal audit function and approve any appointment or termination of senior staff members of the internal audit function and take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (h) to review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on: -
 - any change in or implementation of accounting policies and practices
 - the going concern assumption
 - significant and unusual events
 - significant adjustments arising from the audit
 - compliance with accounting standards and other legal requirements
- (i) to review 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.
- (j) to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary)
- (k) to consider the appointment of the external auditors, audit fee and any questions of resignation or dismissal.

5.2 To consider other topics as defined by the Board.

6. Minutes

- 6.1 The Audit Committee shall cause minutes to be duly entered in books provided for the purpose of all proceedings of meetings of Audit Committee.
- 6.2 Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.
- 6.3 The Secretary shall circulate the minutes of meetings of Audit Committee to all members of the Board.

REPORT ON AUDIT COMMITTEE

Terms of Reference (cont'd.)

7. Reporting of breaches to Bursa Malaysia Securities Berhad.

7.1 Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

8. Review of the Audit Committee

8.1 The Board must review the terms of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and the members have carried out their duties in accordance with the terms of reference.

Number of meetings of Audit Committee held during the financial year ended 31 December 2010 and attendance of each member of Audit Committee

During the financial year ended 31 December 2010, a total of four meetings were held.

The attendance of each member is as follows: -

	<u>Number of Meetings Attended</u>
Keong Choon Keat	4
Dato' Ong Bok Lim	4
Sio Sit Po	4

Summary of the activities of the Audit Committee during the financial year ended 31 December 2010

The Audit Committee met at scheduled times. Agendas were planned and itemised so that matters were deliberated and discussed in a focused and detailed manner.

The Audit Committee carried out the following activities during the financial year ended 31 December 2010: -

- (a) Meeting with external auditors twice without the executive directors present.
- (b) Review of the quarterly and annual financial statements prior to submission to the Board of Directors for consideration and approval.
- (c) Review of the Audit Report and any internal control weaknesses report and recommendations made by the external auditors as well as internal audit reports and recommendations made by internal auditors.
- (d) Review of the audit plans for the financial year prepared by the external and internal auditors as well as the recommendations of their respective fees to the Board.
- (e) Consider and recommend to the Board of Directors the re-appointment of external auditors.
- (f) Review the transactions with related parties as disclosed in the annual financial statements.

Internal audit functions

The internal audit functions have been outsourced to J. S. Lim & Co. with the primary objective to carry out reviews of the business processes as well as the internal control systems to determine if the accounting and internal control system procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

The internal auditors report directly to the Audit Committee.

During the financial year under review, the internal auditors visited the estates of the Group. The internal auditors prepared internal audit reports and presented these to the Audit Committee. The internal audit reports summarise the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The internal audit reports also cover the follow-up by the management on implementation of recommendations in their earlier reports. The internal auditors attended the meetings of Audit Committee twice during the financial year under review. The total cost of internal audit for the financial year under review amounted to RM74,390.

CORPORATE SOCIAL RESPONSIBILITY

Health and Safety

The Group is committed to provide a safe and healthy working environment for all employees. Health and safety consideration will not be compromised in all processes and activities. Relevant health and safety programmes will be implemented with the ultimate objective of achieving “Zero Accident” at work place. To achieve this objective, the Group has established a Health and Safety Committee which is entrusted with the functions of cultivating safe working practices and behaviour at the work place.

Workers at the work place are provided with safety equipment and working procedures. They are also provided with regular training and briefing on health and safety matters.

Injury investigations are conducted and analysis reports are prepared to determine the root cause for the prevention and reduction of accident in the future.

Approved codes of health and safety practices are to be strictly adhered to by all parties concerned.

Environmental Management

Our palm oil mills adhere to strict compliance with the environmental laws governing mill operations, maintenance and improvements in areas relating to environmental standards, emission standards, noise level management and treatment of effluents and waste disposal.

The visiting engineer will also review environmental issues and compliance. Appropriate recommendations are made and necessary actions are taken for further improvement in compliance with environmental and related standards.

Human Resource Development

The Group believes that proper training and development programme is necessary in developing and upgrading workers' skills and knowledge to achieve an optimal performance. Workers are encouraged to attend relevant external trainings and seminars. In-house trainings are also conducted for workers.

Recognising the social needs, quarters are provided to staff and workers in the estates. Furthermore, the estates provide facilities to take care of the young children of the workers. Sports facilities such as football fields, badminton courts and table tennis tables, are provided for workers to engage in healthy activities during their free time. The estates also provide transportation for workers' school going children.

To foster a better rapport among the workforce, the estates organise social events on festive and cultural occasions.

Community

Additionally, the Group also makes monetary donations and contributions to charitable organisations from time to time.

**STATEMENT ON DIRECTORS' RESPONSIBILITY
FOR THE PREPARATION OF ANNUAL AUDITED ACCOUNTS**

The Directors are required by the Companies Act, 1965 ('the Act') to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and their financial performance and cash flows of the Company and of the Group for the financial year.

The Directors are responsible for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and of the Group and which enable them to ensure that the financial statements of the Company and of the Group comply with the Financial Reporting Standards and the Act in Malaysia.

The Directors consider that the financial statements set out on pages 34 to 81 have been prepared using appropriate accounting policies, which are consistently applied and are in accordance with the Financial Reporting Standards and the Act in Malaysia.

The Directors have engaged independent auditors who are required to undertake inspection and make enquiries they consider to be appropriate for the purpose of enabling them to give their audit report set out on pages 32 to 33.

This statement is made in accordance with a resolution of the Board of Directors dated 28 February 2011.

GROUP FINANCIAL PROFILE

	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
Revenue	51,405	74,660	105,456	79,336	86,612
Cost of sales	(27,373)	(31,616)	(46,385)	(37,443)	(38,120)
Gross profit	24,032	43,044	59,071	41,893	48,492
Other income	6,154	5,771	5,784	4,765	3,262
Fair value adjustments of biological assets	14,497	20,000	(19,000)	5,900	5,500
Selling expenses	(1,328)	(1,257)	(1,608)	(1,473)	(1,365)
Administrative expenses	(8,546)	(9,065)	(11,428)	(10,917)	(11,797)
Replanting expenses	(691)	(772)	(1,263)	(1,688)	(2,621)
Other expenses	-	-	(1,059)	-	(429)
Share of results of associates	699	1,258	(940)	341	26
Share of results of a jointly controlled entity	(39)	(270)	(441)	(2,052)	(902)
Profit before tax	34,778	58,709	29,116	36,769	40,166
Income tax expense	(8,691)	(14,241)	(7,948)	(8,984)	(10,244)
Profit net of tax	26,087	44,468	21,168	27,785	29,922
Attributable to:					
Owners of the parent	22,273	38,163	16,519	24,075	25,650
Minority interests	3,814	6,305	4,649	3,710	4,272
	26,087	44,468	21,168	27,785	29,922
Dividends	8,079	12,812	20,780	13,162	16,848
Earnings per stock unit (sen)					
Basic	31.9	54.4	23.5	34.3	36.5
Diluted	31.9	54.4	23.5	34.3	36.5
Net dividend (sen per stock unit)					
First interim	5.76	7.30	14.80	7.50	11.25
Second interim	5.76	10.95	14.80	11.25	12.75
	11.52	18.25	29.60	18.75	24.00
Dividend cover (times)	2.76	2.98	0.79	1.83	1.52

GROUP FINANCIAL PROFILE

	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000
Assets					
Non-current assets					
Property, plant and equipment	149,918	148,793	147,832	146,973	147,013
Biological assets	48,200	68,200	49,200	55,100	60,600
Investments in associates	8,521	10,339	9,919	19,844	19,507
Investment in a jointly controlled entity	16,683	16,336	23,779	24,495	22,914
Investment securities	8,931	9,423	20,233	15,965	40,901
	<u>232,253</u>	<u>253,091</u>	<u>250,963</u>	<u>262,377</u>	<u>290,935</u>
Current assets					
Inventories	1,453	1,984	2,607	2,612	1,461
Receivables	4,244	6,528	4,491	4,559	6,140
Income tax recoverable	335	542	2,634	2,058	1,279
Cash and bank balances	101,061	113,854	108,040	112,970	109,982
	<u>107,093</u>	<u>122,908</u>	<u>117,772</u>	<u>122,199</u>	<u>118,862</u>
Total assets	<u>339,346</u>	<u>375,999</u>	<u>368,735</u>	<u>384,576</u>	<u>409,797</u>
Equity and liabilities					
Current liabilities					
Payables	4,375	5,677	5,920	6,676	5,939
Provision for retirement benefits	18	-	-	-	-
Income tax payable	952	1,061	3	-	965
	<u>5,345</u>	<u>6,738</u>	<u>5,923</u>	<u>6,676</u>	<u>6,904</u>
Non-current liabilities					
Deferred tax liabilities	25,715	28,195	23,332	24,661	25,967
Total liabilities	<u>31,060</u>	<u>34,933</u>	<u>29,255</u>	<u>31,337</u>	<u>32,871</u>
Equity attributable to owners of the parent					
Share capital	70,202	70,202	70,202	70,202	70,202
Share premium	4,336	4,336	4,336	4,336	4,336
Other reserves	60,809	62,338	62,131	61,850	70,869
Retained profits	129,407	155,234	151,449	162,838	172,115
	<u>264,754</u>	<u>292,110</u>	<u>288,118</u>	<u>299,226</u>	<u>317,522</u>
Minority interests	43,532	48,956	51,362	54,013	59,404
Total equity	<u>308,286</u>	<u>341,066</u>	<u>339,480</u>	<u>353,239</u>	<u>376,926</u>
Total equity and liabilities	<u>339,346</u>	<u>375,999</u>	<u>368,735</u>	<u>384,576</u>	<u>409,797</u>
Net assets per stock unit attributable to owners of the parent (RM)	3.77	4.16	4.10	4.26	4.52

GROUP FINANCIAL PROFILE

	2006	2007	2008	2009	2010
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash flows from operating activities	11,146	24,324	32,399	23,341	26,545
Net cash flows (used in)/from investing activities	(12,685)	2,583	(16,869)	(4,462)	(10,778)
Net cash flows used in financing activities	(7,378)	(14,077)	(23,018)	(14,250)	(18,333)
Net (decrease)/increase in cash and cash equivalents	(8,917)	12,830	(7,488)	4,629	(2,566)
Effects of exchange rate changes on cash and cash equivalents	1,452	(43)	1,676	275	(429)
Cash and cash equivalents at beginning of year	108,236	100,771	113,558	107,746	112,650
Cash and cash equivalents at end of year	100,771	113,558	107,746	112,650	109,655
Deposits pledged for banks guarantee facilities	290	296	294	320	327
Cash and bank balances	101,061	113,854	108,040	112,970	109,982

PLANTATIONS STATISTICS

	2006	2007	2008	2009	2010
Malaysia					
Planted Area -Hectares					
Mature	7,069	6,892	6,879	6,857	6,678
Immature	92	269	285	303	482
	<u>7,161</u>	<u>7,161</u>	<u>7,164</u>	<u>7,160</u>	<u>7,160</u>
Mature oil palm					
Age in years					
Above 25	1.82%	0.59%	0.60%	3.09%	2.59%
21 - 25	6.75%	9.61%	14.68%	13.14%	33.65%
16 - 20	44.65%	44.72%	44.15%	43.56%	22.45%
11 - 15	14.05%	17.09%	22.45%	22.52%	23.29%
6 - 10	18.84%	14.73%	15.99%	16.84%	14.75%
Below 6	13.89%	13.26%	2.13%	0.85%	3.27%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Production (m/t)					
ffb					
- own estates	138,249	132,660	147,732	150,110	126,975
- purchased	26,038	18,331	20,263	25,063	17,018
	<u>164,287</u>	<u>150,991</u>	<u>167,995</u>	<u>175,173</u>	<u>143,993</u>
Crude palm oil	<u>19,393</u>	<u>19,867</u>	<u>23,411</u>	<u>24,874</u>	<u>20,831</u>
Palm kernel	<u>5,806</u>	<u>5,639</u>	<u>6,475</u>	<u>7,006</u>	<u>5,554</u>
ffb yield per mature hectare, m/t per hectare	<u>19.56</u>	<u>19.25</u>	<u>21.48</u>	<u>21.89</u>	<u>19.01</u>
Extraction Rate (%)					
Crude palm oil	18.78	18.62	18.79	18.75	19.25
Palm kernel	5.62	5.29	5.20	5.28	5.13
Joint venture in Indonesia					
Planted Area -Hectares					
Immature	-	632	1,673	1,992	1,992

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

Principal activities

The principal activities of the Company are the cultivation of oil palms and sale of fresh fruit bunches and investment holding.

The principal activities of the subsidiaries are the cultivation of oil palms, process and sale of crude palm oil and palm kernel.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM	Company RM
Profit net of tax	29,922,223	17,625,230
Attributable to:		
Owners of the parent	25,649,821	17,625,230
Minority interests	4,272,402	-
	<u>29,922,223</u>	<u>17,625,230</u>

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

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.

Dividends

The amount of dividends paid by the Company since 31 December 2009 were as follows:

	RM
In respect of the financial year ended 31 December 2010:	
First interim dividend of 15% less 25% taxation, on 70,201,962 ordinary stock units, declared on 26 May 2010 and paid on 30 June 2010	7,897,720
Second interim dividend of 17% less 25% taxation, on 70,201,962 ordinary stock units, declared on 26 November 2010 and paid on 31 December 2010	8,950,750
	<u>16,848,470</u>

In view of the payment of the interim dividends, the directors do not recommend any final dividend in respect of the current financial year.

Directors

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

Goh Eng Chew
Goh Pock Ai
Wong Aun Phui
Goh Wei Lei
Goh Beng Hwa @ Gho Bin Hoa
Goh Yeok Beng
Gho Lian Chin
Sio Sit Po
Dato' Ong Bok Lim
Keong Choon Keat
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong
Gho Bun Tjin (alternate to Gho Lian Chin)

DIRECTORS' REPORT

Directors (cont'd.)

In accordance with the Company's Articles of Association, Keong Choon Keat and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Goh Eng Chew, Wong Aun Phui, Goh Beng Hwa @ Gho Bin Hoa, Dato' Ong Bok Lim and Goh Pock Ai retire pursuant to Section 129 of the Companies Act, 1965 and resolutions are being proposed for their reappointment as directors under the provisions of Section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

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 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 or the fixed salary of a full-time employee of the Company as shown in Note 8 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 he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

Directors' interests

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

	<----- Number of ordinary stock units of RM1.00 each ----->			
	1 January 2010	Bought	Sold	31 December 2010
The Company				
Direct interest:				
Goh Eng Chew	400,000	-	-	400,000
Goh Pock Ai	401,100	-	-	401,100
Wong Aun Phui	645,850	-	-	645,850
Goh Beng Hwa @ Gho Bin Hoa	3,002,202	-	-	3,002,202
Goh Yeok Beng	400,000	-	-	400,000
Gho Lian Chin	2,200	-	-	2,200
Sio Sit Po	482,466	126,502	-	608,968
Gho Bun Tjin	2,200	-	-	2,200
Indirect interest:				
Goh Eng Chew	38,701,009	-	-	38,701,009
Wong Aun Phui #	59,785	-	-	59,785
Gho Lian Chin	38,852,673	-	-	38,852,673

DIRECTORS' REPORT

Directors' interests (cont'd.)

	<----- Number of ordinary shares of RM1.00 each ----->			
	1 January 2010	Bought	Sold	31 December 2010
Eng Thye Plantations Berhad				
- Subsidiary				
Direct interest:				
Wong Aun Phui	3,500	-	-	3,500
Goh Beng Hwa @ Gho Bin Hoa	3,500	-	-	3,500
Dato' Ong Bok Lim	35,000	-	-	35,000
Indirect interest:				
Goh Eng Chew	15,783,250	-	-	15,783,250
Gho Lian Chin	15,783,250	-	-	15,783,250
Timor Oil Palm Plantation Berhad				
- Subsidiary				
Direct interest:				
Goh Eng Chew	10,000	-	-	10,000
Goh Pock Ai	10,000	-	-	10,000
Wong Aun Phui	1,000	-	-	1,000
Goh Yeok Beng	10,000	-	-	10,000
Gho Lian Chin	10,000	-	-	10,000
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	10,000	-	-	10,000
Indirect interest:				
Goh Eng Chew	6,112,300	-	-	6,112,300
Wong Aun Phui #	39,000	-	-	39,000
Gho Lian Chin	6,112,300	-	-	6,112,300
Tiong Thye Company Berhad				
- Holding company				
Direct interest:				
Gho Lian Chin	1,000	-	-	1,000
Gho Bun Tjin	1,000	-	-	1,000
Indirect interest:				
Goh Eng Chew	13,649,000	-	-	13,649,000
Gho Lian Chin	5,670,000	-	-	5,670,000

Interest by virtue of the interests of children

Goh Eng Chew and Gho Lian Chin by virtue of their interests in the holding company, are also deemed interested in the shares of all its subsidiaries to the extent the holding company has an interest.

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

DIRECTORS' REPORT

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 provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise their value 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) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
 - (ii) the values attributed to 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 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 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 as and 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 28 February 2011.

Goh Eng Chew

Wong Aun Phui

STATEMENT BY DIRECTORS

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

We, Goh Eng Chew and Wong Aun Phui, being two of the directors of Negri Sembilan Oil Palms Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 34 to 81 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

Other matters

The information set out in Note 32 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 February 2011.

Goh Eng Chew

Wong Aun Phui

**STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Gan Kok Tiong, being the officer primarily responsible for the financial management of Negri Sembilan Oil Palms Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 34 to 82 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 abovenamed Gan Kok Tiong
at Kuala Lumpur in the Federal Territory
on 28 February 2011.

Gan Kok Tiong

Before me,

Ooi Ah Bah
No. W152
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEGRI SEMBILAN OIL PALMS BERHAD

Report on the financial statements

We have audited the financial statements of Negri Sembilan Oil Palms Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows 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 34 to 81.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts 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.
- (c) The auditors' report on the accounts 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEGRI SEMBILAN OIL PALMS BERHAD

Other matters

The supplementary information set out in Note 32 on page 82 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 Main Market Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Ernst & Young
AF: 0039
Chartered Accountants

Ong Chee Wai
No. 2857/07/12(J)
Chartered Accountant

Kuala Lumpur, Malaysia
28 February 2011

**INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

	Note	Group		Company	
		2010	2009	2010	2009
		RM	RM	RM	RM
Revenue	4	86,612,276	79,336,183	27,690,772	25,874,470
Cost of sales	4	(38,120,560)	(37,442,528)	(7,487,272)	(7,421,416)
Gross profit		48,491,716	41,893,655	20,203,500	18,453,054
Other items of income					
Interest income		1,916,772	1,659,302	1,007,723	921,092
Dividend income from investment securities	5	1,236,372	1,012,590	6,631,244	5,159,707
Other income	6	109,261	2,092,782	23,040	1,052,687
Fair value adjustment of biological assets	14	5,500,000	5,900,000	1,800,000	1,400,000
Other items of expense					
Selling expenses		(1,365,264)	(1,472,840)	(475,593)	(632,953)
Administrative expenses		(11,796,833)	(10,917,291)	(4,624,860)	(4,550,128)
Replanting expenses		(2,621,491)	(1,688,880)	(989,016)	(359,475)
Other expenses		(428,957)	-	(5,387)	-
Share of results of associates		25,999	341,456	-	-
Share of results of a jointly controlled entity		(901,815)	(2,052,401)	-	-
Profit before tax	7	40,165,760	36,768,373	23,570,651	21,443,984
Income tax expense	10	(10,243,537)	(8,983,731)	(5,945,421)	(5,068,906)
Profit net of tax		29,922,223	27,784,642	17,625,230	16,375,078
Attributable to:					
Owners of the parent		25,649,821	24,074,598	17,625,230	16,375,078
Minority interests		4,272,402	3,710,044	-	-
		29,922,223	27,784,642	17,625,230	16,375,078
Earnings per stock unit attributable to owners of the parent (sen per stock unit)					
Basic	11	36.54	34.29		
Diluted	11	36.54	34.29		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

	Note	Group		Company	
		2010 RM	2009 RM	2010 RM	2009 RM
Profit before tax		29,922,223	27,784,642	17,625,230	16,375,078
Other comprehensive income:					
Foreign currency translation		(1,063,112)	223,667	-	-
Net gain on fair value changes of available-for-sale investment securities		3,110,830	-	1,344,762	-
Net gain on fair value changes of available-for-sale investment in subsidiaries	15	-	-	11,743,155	23,588,183
Share of other comprehensive income of an associate		1,517	-	-	-
Total comprehensive income for the year		<u>31,971,458</u>	<u>28,008,309</u>	<u>30,713,147</u>	<u>39,963,261</u>
Attributable to:					
Owners of the parent		27,355,045	24,268,931	30,713,147	39,963,261
Minority interests		4,616,413	3,739,378	-	-
		<u>31,971,458</u>	<u>28,008,309</u>	<u>30,713,147</u>	<u>39,963,261</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	Group			Company		
		2010 RM	2009 (restated) RM	As at 1.1.2009 (restated) RM	2010 RM	2009 (restated) RM	As at 1.1.2009 (restated) RM
Assets							
Non-current assets							
Property, plant and equipment	13	147,013,365	146,973,523	147,832,640	62,520,251	62,729,637	63,209,567
Biological assets	14	60,600,000	55,100,000	49,200,000	26,300,000	24,500,000	23,100,000
Investments in subsidiaries	15	-	-	-	172,295,634	160,552,479	136,964,296
Investments in associates	16	19,507,439	19,844,128	9,919,100	11,063,584	11,063,584	4,664,304
Investment in a jointly controlled entity	17	22,914,300	24,494,968	23,778,588	13,781,480	13,781,480	12,519,020
Investment securities	18	40,900,629	15,964,954	20,233,061	6,980,922	3,015,423	6,337,654
		<u>290,935,733</u>	<u>262,377,573</u>	<u>250,963,389</u>	<u>292,941,871</u>	<u>275,642,603</u>	<u>246,794,841</u>
Current assets							
Inventories	19	1,461,053	2,612,278	2,607,250	200,203	347,113	426,647
Receivables	20	6,139,733	4,558,443	4,491,284	6,714,960	2,967,074	1,903,408
Income tax recoverable		1,279,142	2,057,621	2,633,965	-	1,295,086	2,034,165
Cash and bank balances	21	109,981,525	112,970,106	108,039,846	42,930,529	45,330,933	46,921,996
		<u>118,861,453</u>	<u>122,198,448</u>	<u>117,772,345</u>	<u>49,845,692</u>	<u>49,940,206</u>	<u>51,286,216</u>
Total assets		<u>409,797,186</u>	<u>384,576,021</u>	<u>368,735,734</u>	<u>342,787,563</u>	<u>325,582,809</u>	<u>298,081,057</u>
Equity and liabilities							
Current liabilities							
Payables	22	5,939,203	6,676,186	5,920,531	1,902,347	2,001,211	1,521,362
Income tax payable		964,863	-	2,806	521,789	-	-
		<u>6,904,066</u>	<u>6,676,186</u>	<u>5,923,337</u>	<u>2,424,136</u>	<u>2,001,211</u>	<u>1,521,362</u>
Non-current liabilities							
Deferred tax liabilities	26	25,966,917	24,661,426	23,332,287	12,296,111	11,894,604	11,673,095
Total liabilities		<u>32,870,983</u>	<u>31,337,612</u>	<u>29,255,624</u>	<u>14,720,447</u>	<u>13,895,815</u>	<u>13,194,457</u>
Equity attributable to owners of the parent							
Share capital	23	70,201,962	70,201,962	70,201,962	70,201,962	70,201,962	70,201,962
Share premium	23	4,335,840	4,335,840	4,335,840	4,335,840	4,335,840	4,335,840
Other reserves	24	70,868,914	61,849,017	62,130,985	168,249,083	152,930,635	129,627,366
Retained profits	25	172,115,426	162,837,774	151,449,742	85,280,231	84,218,557	80,721,432
		<u>317,522,142</u>	<u>299,224,593</u>	<u>288,118,529</u>	<u>328,067,116</u>	<u>311,686,994</u>	<u>284,886,600</u>
Minority interests		<u>59,404,061</u>	<u>54,013,816</u>	<u>51,361,581</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity		<u>376,926,203</u>	<u>353,238,409</u>	<u>339,480,110</u>	<u>328,067,116</u>	<u>311,686,994</u>	<u>284,886,600</u>
Total equity and liabilities		<u>409,797,186</u>	<u>384,576,021</u>	<u>368,735,734</u>	<u>342,787,563</u>	<u>325,582,809</u>	<u>298,081,057</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)**

2009 Group	Note	Equity, total RM	Equity attributable to owners of the parent, total RM				Attributable to owners of the parent ----->>>		----->>> Non-distributable		Minority interests RM
			Equity, total RM	Share capital RM	Share premium RM	Retained profits RM	Asset revaluation reserve -- lands RM	Foreign currency translation reserve RM	Distributable <-----	Non-distributable ----->	
Opening balance at 1 January 2009		339,480,110	288,118,529	70,201,962	4,335,840	151,449,742	59,912,816	2,218,169		51,361,581	
Total comprehensive income		28,008,309	24,268,931	-	-	24,074,598	-	194,333		3,739,378	
Revaluation reserve of leasehold land realised		-	-	-	-	476,301	(476,301)	-		-	
Transaction with owners											
Dividends, representing total transaction with owners	12	(14,250,010)	(13,162,867)	-	-	(13,162,867)	-	-		(1,087,143)	
Closing balance at 31 December 2009		353,238,409	299,224,593	70,201,962	4,335,840	162,837,774	59,436,515	2,412,502		54,013,816	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

2010 Company	Note	Equity, total RM	<----- Non-distributable ---->			<----- Non-distributable ----->		
			Share capital RM	Share premium RM	Retained profits RM	Asset revaluation reserve – lands RM	Assets revaluation reserve – investments in subsidiaries RM	Fair value adjustment reserve RM
Opening balance at 1 January 2010	2.2 (f)	311,686,994	70,201,962	4,335,840	84,218,557	28,230,807	-	-
Effects of adopting of FRS 139		2,515,445	-	-	-	-	124,699,828	2,515,445
		314,202,439	70,201,962	4,335,840	84,218,557	28,230,807	124,699,828	2,515,445
Total comprehensive income		30,713,147	-	-	17,625,230	-	11,743,155	1,344,762
Revaluation reserve of leasehold land realised		-	-	-	284,914	(284,914)	-	-
Transaction with owners								
Dividends, representing total transaction with owners	12	(16,848,470)	-	-	(16,848,470)	-	-	-
Closing balance at 31 December 2010		328,067,116	70,201,962	4,335,840	85,280,231	27,945,893	136,442,983	3,860,207

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONT'D)**

2009 Company	Note	Equity, total RM	Non-distributable --->		Distributable --->		Non-distributable ----->	
			Share capital RM	Share premium RM	Share premium RM	Retained profits RM	Asset revaluation reserve -- lands RM	Assets revaluation reserve -- investments in subsidiaries RM
Opening balance at 1 January 2009		284,886,600	70,201,962	4,335,840	80,721,432	28,515,721	101,111,645	
Total comprehensive income		39,963,261	-	-	16,375,078	-	23,588,183	
Revaluation reserve of leasehold land realised		-	-	-	284,914	(284,914)	-	
Transaction with owners								
Dividends, representing total transaction with owners	12	(13,162,867)	-	-	(13,162,867)	-	-	
Closing balance at 31 December 2009		311,686,994	70,201,962	4,335,840	84,218,557	28,230,807	124,699,828	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Operating activities				
Profit before tax	40,165,760	36,768,373	23,570,651	21,443,984
Adjustments for:				
Bad debts written off	-	41,396	-	-
Depreciation of property, plant and equipment	1,977,683	1,873,292	735,455	701,280
Fair value increase in biological assets	(5,500,000)	(5,900,000)	(1,800,000)	(1,400,000)
Gain on sale of property, plant and equipment	(14,000)	-	(14,000)	-
Gain on sale of investment securities	(1,986)	(696,776)	-	(270,933)
Gross dividend income	(1,236,372)	(1,012,590)	(6,631,244)	(5,159,707)
Interest income	(1,916,772)	(1,659,302)	(1,007,723)	(921,092)
Reversal of impairment loss of investment securities	-	(1,013,270)	-	(722,607)
Share of results of associates	(25,999)	(341,456)	-	-
Share of loss of a jointly controlled entity	901,815	2,052,401	-	-
Unrealised loss/(gain) on foreign exchange	429,327	(274,617)	5,506	(43,699)
Total adjustments	(5,386,304)	(6,930,922)	(8,712,006)	(7,816,758)
Operating cash flows before changes in working capital	34,779,456	29,837,451	14,858,645	13,627,226
Changes in working capital				
Decrease/(increase) in inventories	1,151,225	(5,028)	146,910	79,534
Increase in receivables	(1,507,767)	(199,830)	(3,685,702)	(1,128,783)
(Decrease)/increase in payables	(736,983)	755,655	(98,864)	479,849
Total changes in working capital	(1,093,525)	550,797	(3,637,656)	(569,400)
Cash flows from operations	33,685,931	30,388,248	11,220,989	13,057,826
Taxes paid	(7,141,128)	(7,047,179)	(2,105,790)	(2,874,000)
Net cash flows from operating activities	26,544,803	23,341,069	9,115,199	10,183,826
Investing activities				
Investment in an associate	-	(9,587,070)	-	(6,399,280)
Investment in a jointly controlled entity	-	(2,541,615)	-	(1,262,460)
Interest received	1,843,248	1,723,577	945,538	986,209
Net dividends received	893,706	1,005,714	4,981,698	3,925,389
Purchase of property, plant and equipment	(2,017,525)	(1,014,175)	(526,069)	(284,683)
Purchase of investment securities	(11,506,855)	(1,854,081)	(76,794)	(554,152)
Proceeds from sale of property, plant and equipment	14,000	-	14,000	63,333
Proceeds from sale of investment securities	1,986	7,832,234	-	4,869,923
Placement of fixed deposits pledged to banks	(6,906)	(26,717)	(4,568)	(16,397)
Net cash flows (used in) / generated from investing activities	(10,778,346)	(4,462,133)	5,333,805	1,327,882
Financing activities				
Dividends paid to owners of the parent	(16,848,470)	(13,162,867)	(16,848,470)	(13,162,867)
Dividends paid to minority interests	(1,484,147)	(1,087,143)	-	-
Net cash flows used in financing activities	(18,332,617)	(14,250,010)	(16,848,470)	(13,162,867)
Net (decrease)/increase in cash and cash equivalents	(2,566,160)	4,628,926	(2,399,466)	(1,651,159)
Effects of exchange rate changes on cash and cash equivalents	(429,327)	274,617	(5,506)	43,699
Cash and cash equivalents at 1 January	112,649,529	107,745,986	45,138,344	46,745,804
Cash and cash equivalents at 31 December (Note 21)	109,654,042	112,649,529	42,733,372	45,138,344

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

The immediate and ultimate holding company of the Company is Tiong Thye Company Berhad, which is incorporated in Malaysia and produces financial statements available for public use.

The principal activities of the Company are the cultivation of oil palms and sale of fresh fruit bunches and investment holding. The principal activities of the subsidiaries are the cultivation of oil palms, process and sale of crude palm oil and palm kernel. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 February 2011.

2. Summary of 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 and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements have been prepared on a historical basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Changes in accounting policies

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

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

- FRS 7 *Financial Instruments: Disclosures*
- FRS 8 *Operating Segments*
- FRS 101 *Presentation of Financial Statements (Revised)*
- FRS 123 *Borrowing Costs*
- FRS 139 *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 2 *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 132 *Financial Instruments: Presentation*
- Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*, FRS 7 *Financial Instruments: Disclosures* and IC Interpretation 9 *Reassessment of Embedded Derivatives*.
- Improvements to FRS issued in 2009
- IC Interpretation 9 *Reassessment of Embedded Derivatives*
- IC Interpretation 10 *Interim Financial Reporting and Impairment*
- IC Interpretation 11 *FRS 2 - Group and Treasury Share Transactions*
- IC Interpretation 13 *Customer Loyalty Programmes*
- IC Interpretation 14 *FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

FRS 4 *Insurance Contracts* and TR i-3 *Presentation of Financial Statements of Islamic Financial Institutions* will also be effective for annual periods beginning on or after 1 January 2010. These FRSS are, however, not applicable to the Group or the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

(a) FRS 7 Financial Instruments: Disclosures

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

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

(b) FRS 8 Operating Segments

FRS 8, which replace FRS 114 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas un which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously determined by FRS 114. The Group had adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 27 to the financial statements.

(c) FRS 101 Presentation of Financial Statements (Revised)

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

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 31).

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

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

(d) FRS 139 *Financial Instruments: Recognition and Measurement*

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

• Equity instruments

Prior to 1 January 2010, the Group classified its investments in equity instruments which were held for non-trading purposes as non-current investments. Such investments were carried at cost less impairment losses. Upon the adoption of FRS 139, these investments are designated at 1 January 2010 as available-for-sale financial assets and accordingly are stated at their fair values as at that date with an increase in value of RM10,028,899. The adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of fair value adjustment as at 1 January 2010. The effects on the statements of financial position as at 31 December 2010 and profit and loss for the financial year ended 31 December 2010 are set out in Note 2.2(f).

On the other hand, the Company has opted for early adoption of this Standard in prior years in respect of its investments in subsidiaries to state the investments at fair value instead of at cost less impairment as described in Note 2.4 to the financial statements.

(e) Amendments to FRS 117 : *Leases*

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

The amendments to FRS 117 *Leases* clarify that leases of land and buildings are classified as operating and finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy retrospectively and certain comparatives have been restated. The effects to the consolidated statements of financial position as at 31 December 2010 arising from the above change in accounting policy are set out in Note 2.2(f) and Note 2.2(g).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

(f) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following are effects arising from the above changes in accounting policies had the previous policies been applied in the current financial year:

Effects on statements of financial position as at 31 December 2010

	Increase/(Decrease)		Total RM
	FRS 139 Note 2.2(d)^ RM	FRS 117 Note 2.2(e) RM	
Group			
Property, plant and equipment	-	64,835,000	64,835,000
Prepared land lease payments	-	(64,835,000)	(64,835,000)
Investment in associates	1,517	-	1,517
Investment securities – available-for-sale financial assets	3,110,830	-	3,110,830
Minority interest	456,368	-	456,368
Fair value adjustment reserve	2,655,979	-	2,655,979
Company			
Property, plant and equipment	-	37,335,000	37,335,000
Prepared land lease payments	-	(37,335,000)	(37,335,000)
Investment securities – available-for-sale financial assets	1,344,762	-	1,344,762
Fair value adjustment reserve	1,344,762	-	1,344,762

^ Being effects on financial position excluding day 1 adjustment as shown below.

Effects on statements of financial position as at 1 January 2010

	Increase FRS 139 Note 2.2(d)	
	Group RM	Company RM
Investment in associates	20,054	-
Investment securities – available-for-sale financial assets	10,028,899	2,515,445
Minority interest	2,257,979	-
Fair value adjustment reserve	7,790,974	2,515,445

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

(f) Summary of effects of adopting new and revised FRSs on the current year's financial statements (cont'd.)

Effects on statements of comprehensive income and income statements for the financial year ended 31 December 2010

	Increase FRS 139 Note 2.2(d)		Increase/(Decrease) FRS 117 Note 2.2(e)	
	Group RM	Company RM	Group RM	Company RM
Net gain on fair value changes of available-for-sale investment securities*	3,110,830	1,344,792	-	-
Net gain on fair value changes of available-for-sale investment in subsidiaries*	-	11,743,155	-	-
Share of other comprehensive income of an associate*	1,517	-	-	-
Depreciation #	-	-	991,250	491,250
Amortisation of prepaid land lease payments #	-	-	(991,250)	(491,250)

* Being effects on statements of comprehensive income

Being effects on income statements

(g) Restatement of comparatives

The following comparatives amounts have been restated as a result of adopting FRS 117:

Effects on statements of financial position as at 31 December 2009

	Increase/(Decrease) FRS 117 Note 2.2(e)	
	Group RM	Company RM
Property, plant and equipment	65,826,250	37,826,260
Prepaid land lease payments	(65,825,250)	(37,826,260)

Effects on statements of financial position as at 1 January 2009

	Increase/(Decrease) FRS 117 Note 2.2(e)	
	Group RM	Company RM
Property, plant and equipment	66,817,500	38,317,500
Prepaid land lease payments	(66,817,500)	(38,317,500)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

2. Summary of significant accounting policies (cont'd.)

2.3 Standards and interpretations issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Effective for financial periods beginning on or after 1 March 2010:

Amendments to FRS 132 *Classification of Rights Issues*

Effective for financial periods beginning on or after 1 July 2010:

FRS 1 *First-time Adoption of Financial Reporting Standards*
FRS 3 *Business Combinations* (Revised)
Amendments to FRS 2 *Share-based Payment*
Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
Amendments to FRS 127 *Consolidated and Separate Financial Statements*
Amendments to FRS 138 *Intangible Assets*
Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*
IC Interpretation 12 *Service Concession Agreements*
IC Interpretation 15 *Agreements for the Construction of Real Estate*
IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*
IC Interpretation 17 *Distributions of Non-cash Assets to Owners*

Effective for financial periods beginning on or after 1 January 2011:

Amendments to FRS 1 *Limited Exemption from comparative FRS 7 First-time Adopters*
Amendments to FRS 7 *Improving Disclosures about Financial Instruments*

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial applications. The nature of the impending changes in accounting policy on adoption of the revised FRS 3, the amendments to FRS 127 is as described below.

Revised FRS 3 *Business Combinations* and Amendments to FRS 127 *Consolidated and Separate Financial Statements*

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 *Statement of Cash Flows*, FRS 112 *Income Taxes*, FRS 121 *The Effects of Changes in Foreign Exchange Rates*, FRS 128 *Investments in Associates* and FRS 131 *Interest in Joint Ventures*. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

2. Summary of significant accounting policies (cont'd.)

2.4 Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In the Company's separate financial statements, investments in subsidiaries are classified as available-for-sale financial assets in accordance with FRS 139. These financial assets are measured at fair value. Any gains or losses from changes in fair value are recognised in other comprehensive income except that impairment losses 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 such investment is derecognised.

Any dividends received from a subsidiary after the revaluation, which are paid out of profits earned before the revaluation of the investment in that subsidiary, are offset against the carrying amount of the investments in the books of the Company.

On derecognition of such investments, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2.5 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 translation are eliminated.

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

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

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. Summary of significant accounting policies (cont'd.)

2.6 Transactions with minority interests

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

2.7 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 using equity method. Under the equity method, the investment in associate is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associates 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 for 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 an additional impairment loss on the Group's investment in its associates. The Group determines 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 impairments 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.

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.

2.8 Jointly controlled entity

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in jointly controlled entity is accounted for in the Group's financial statements using the equity method of accounting as described in Note 2.7.

In the Company's separate financial statements, investment in a jointly controlled entity is stated at cost less impairment losses.

On disposal of the investment, the difference between net disposal proceeds and its carrying amount is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

2. Summary of significant accounting policies (cont'd.)

2.9 Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customers. 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.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

2.10 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, property, plant and equipment except for freehold and leasehold lands are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in profit or loss as incurred.

Freehold and leasehold lands are measured at fair value and impairment loss is recognised after the date of revaluation. Valuations are performed at least once every five years to ensure that the carrying amount does not differ materially from the fair value of the freehold and leasehold lands at the reporting date. Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit recognised in profit or loss, except to the extent that it offset an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Capital-work-in-progress are not depreciated as these assets are not yet available for use. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold lands	Over the lease period
Buildings	5 to 25 years
Motor vehicles	5 years
Plant and machinery, estate equipment, office equipment, and furniture and fittings	5 to 10 years