


HAP SENG PLANTATIONS HOLDINGS BERHAD

ANNUAL REPORT 2011

Vision

To achieve the Highest Productivity and to be the most Cost Efficient Producer in Malaysia.

RM655mil

Revenue
(2010:RM474mil)

RM339mil

Profit Before Taxation
(2010:RM226mil)

RM253mil

Profit Attributable to Owners of the Company
(2010:RM169mil)

RM2.1bil

Total Tangible Assets
(2010:RM2.0bil)

RM1.9bil

Shareholders' Funds
(2010:RM1.8bil)

31.62sen

Basic Earnings Per Share
(2010:21.14sen)

5th

Annual General Meeting

Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

Monday, 28 May 2012
at 2:00pm

Please refer to pages 113 to 114 for Annual General Meeting Information.

Contents

Pruning oil palm trees

Loose fruit

Corporate Information

Board of Directors

Tan Sri Ahmad Bin Mohd Don
INDEPENDENT NON-EXECUTIVE CHAIRMAN

Datuk Edward Lee Ming Foo, JP
MANAGING DIRECTOR

Lee Wee Yong
EXECUTIVE DIRECTOR

Au Yong Siew Fah
EXECUTIVE DIRECTOR

Dato' Jorgen Bornhoft
INDEPENDENT NON-EXECUTIVE DIRECTOR

Datuk Simon Shim Kong Yip, JP
NON-EXECUTIVE DIRECTOR

Wong Yuen Kuai, Lucien
INDEPENDENT NON-EXECUTIVE DIRECTOR

Tan Sri Abdul Hamid Egoh
NON-EXECUTIVE DIRECTOR

Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan
INDEPENDENT NON-EXECUTIVE DIRECTOR

North Bank ferry

Golf course in our estate

Company Secretary
Cheah Yee Leng (LS 0009398)

Registered Office
21st Floor, Menara Hap Seng
Jalan P. Ramlee, 50250 Kuala Lumpur
T 03 – 2172 5228 **F** 03 – 2172 5258
E inquiry@hapsengplantations.com.my
www.hapsengplantations.com.my

Plantation Headquarters
Off 40KM, Jalan Jeroco
Lahad Datu, Sabah

Place of Incorporation
Malaysia

Share Registrar
Tricor Investor Services Sdn Bhd (118401-V)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
T 03 – 2264 3883 **F** 03 – 2282 1886

Auditors
KPMG (Firm No. AF 0758)
Chartered Accountants
Lot 3, Block 16, Lorong Bandar Indah 4
Bandar Indah, North Road
90000 Sandakan
Sabah

Principal Bankers
Hong Leong Bank Berhad
Malayan Banking Berhad
The Bank of Nova Scotia Berhad

Board of Directors' Profile

Tan Sri Ahmad Bin Mohd Don

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Tan Sri Ahmad Bin Mohd Don, a Malaysian, aged 64, is the Independent Non-Executive Chairman of Hap Seng Plantations Holdings Berhad. He was first appointed to the Board on 9 August 2007 as an Independent Non-Executive Director and became the Chairman since 18 September 2007. He is also the Chairman of the Audit Committee, Remuneration Committee and Nominating Committee.

Tan Sri Ahmad is the Independent Non-Executive Director of MAA Group Berhad (formerly known as MAA Holdings Berhad) and United Malacca Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a Non-Executive Director of both KAF Investment Bank Berhad and J.P. Morgan Chase Bank Berhad.

Tan Sri Ahmad is a summa cum laude graduate in Economics and Business from the University of Wales, United Kingdom. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Certified Public Accountants.

Tan Sri Ahmad has extensive experience in finance and banking, having worked in various capacities with Pernas Securities Sdn. Bhd., Permodalan Nasional Berhad and Malayan Banking Berhad. He was the Group Managing Director and Chief Executive Officer of Malayan Banking Berhad from 1991 to 1994 before assuming the position as the Governor of Bank Negara Malaysia from May 1994 to August 1998.

Tan Sri Ahmad does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company. He has not been convicted of any offence in the past ten (10) years.

He attended all the four (4) Board Meetings held during the financial year ended 31 December 2011.

Datuk Edward Lee Ming Foo, JP

MANAGING DIRECTOR

Datuk Edward Lee Ming Foo, JP, a Malaysian, aged 57, was first appointed as an Executive Director of Hap Seng Plantations Holdings Berhad on 15 May 2007 and was subsequently appointed the Managing Director on 18 September 2007. He is also a member of the Remuneration Committee.

Datuk Edward Lee is the Managing Director of both Gek Poh (Holdings) Sdn. Bhd., the Company's ultimate holding company, and Hap Seng Consolidated Berhad, the Company's immediate holding company which is listed on the Main Market of Bursa Malaysia Securities Berhad.

Datuk Edward Lee graduated with a Bachelor of Arts degree from the McMaster University in Canada in 1977. He joined the Malaysian Mosaics Berhad ("MMB") Group in 1980 and became its Group Chief Operating Officer in 1995. He then assumed the position as the Managing Director of MMB from 31 March 2005 to 31 January 2007. He was subsequently appointed as an Alternate Director of MMB on 1 February 2007.

Datuk Edward Lee does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company save for the related party transactions disclosed in Note 23 to the Financial Statements. He has not been convicted of any offence in the past ten (10) years.

He attended all the four (4) Board Meetings held during the financial year ended 31 December 2011.

Lee Wee Yong

EXECUTIVE DIRECTOR

Lee Wee Yong, a Malaysian, aged 64, was appointed to the Board of Hap Seng Plantations Holdings Berhad as an Executive Director on 2 February 2011.

Mr. Lee is also an Executive Director of Hap Seng Consolidated Berhad, the Company's immediate holding company which is listed on the Main Market of Bursa Malaysia Securities Berhad. Mr. Lee was first appointed as a Non-Independent Non-Executive Director on 12 March 2002, became an Executive Director on 25 March 2002 and thereafter, assumed the position as the Deputy Managing Director from 31 March 2005 to 22 October 2010. Currently Mr. Lee assumed the position of Group Finance Director of Hap Seng Group of Companies. Mr. Lee is also an Alternate Director of Paos Holdings Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

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

Mr. Lee joined the Malaysian Mosaics Berhad ("MMB") Group in 1992 and was its Group Chief Financial Officer from 1 March 2003 to 15 December 2005. He became the Executive Director of MMB on 1 March 1999 and thereafter assumed the position of Deputy Managing Director from 31 March 2005 to 6 March 2007. He was redesignated as the Non-Independent Non-Executive Director of MMB on 1 April 2009.

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

He attended all the four (4) Board Meetings held during the financial year ended 31 December 2011.

Au Yong Siew Fah

EXECUTIVE DIRECTOR

Au Yong Siew Fah, a Malaysian, aged 61, was appointed as an Executive Director of Hap Seng Plantations Holdings Berhad ("HSP") on 31 July 2007. He is also the Chief Executive, Group Plantations of the Hap Seng Consolidated Berhad ("HSCB") Group, the Company's immediate holding company which is listed on the Main Market of Bursa Malaysia Securities Berhad.

He obtained the Diploma of the Associate of Incorporated Society of Planters in 1975. He attended the General Management Course, organised by the Ashridge Management College, United Kingdom in 1979 and also participated in the Royal Agriculture Convention in Stoneleigh, United Kingdom in 1986.

Mr. Au Yong has more than forty (40) years of experience in all aspects of management of large plantations for major crops such as oil palm, rubber, cocoa and coconuts and in the development of mature plantations land from initial purchase of jungle land, establishment of palm oil mills and marketing of produce. He is also one of the founder members of the Malaysian Palm Oil Association ("MPOA") and is also the Honorary Secretary of the MPOA since April 2006 and was appointed as a member of the Malaysian Palm Oil Board ("MPOB") since May 2008.

He started his career as a Cadet Planter with Yule Catto Plantations Sdn. Bhd. in Kluang, Johor in 1969 and rose up through the ranks to the post of Estate Controller when he left in 1991 to be the Planting Adviser to Jeroco Plantations Sdn. Bhd., (now a wholly owned subsidiary of HSP) from 1991 to 1997. He was the General Manager of United Malacca Berhad from 1997 to 2001. He joined the HSCB Group as the Chief Operating Executive, Group Plantations in 2001 and was promoted to Chief Executive, Group Plantations in 2002.

Mr. Au Yong does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company. He has not been convicted of any offence in the past ten (10) years.

He attended all the four (4) Board Meetings held during the financial year ended 31 December 2011.

Board of Directors' Profile

Dato' Jorgen Bornhoft

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Jorgen Bornhoft, a Dane, aged 70, was appointed as an Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad on 9 August 2007. He is also a member of the Audit Committee and Nominating Committee.

Dato' Bornhoft is the Independent Non-Executive Chairman of Hap Seng Consolidated Berhad, the Company's immediate holding company and an Independent Non-Executive Director of Mega First Corporation Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad. In addition, Dato' Bornhoft is a Director of The Royal Bank of Scotland Berhad and the Vice Chairman of International Beverage Holdings Limited.

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

Dato' Bornhoft joined Carlsberg Brewery Malaysia Berhad in 1991 as its Chief Executive Officer, and assumed the position of Managing Director from 1995 to 2002, after which he was the Chairman from 2002 to 2005. He re-joined the Board as a Non-Executive Director from 2006 to 2007. He also assumed the position as the Chief Executive Officer of Carlsberg Asia Pte. Ltd. in Singapore from January 2003 to June 2004. Prior to him joining Carlsberg Brewery Malaysia Berhad, he was the Vice-President of Carlsberg International A/S, Denmark responsible for foreign subsidiaries and new projects.

Dato' Bornhoft does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company. He has not been convicted of any offence in the past ten (10) years.

He attended all the four (4) Board Meetings held during the financial year ended 31 December 2011.

Datuk Simon Shim Kong Yip, JP

NON-EXECUTIVE DIRECTOR

Datuk Simon Shim Kong Yip, JP, a Malaysian, aged 55, was appointed as a Non-Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad on 9 August 2007. He is also a member of the Nominating Committee and Remuneration Committee.

Datuk Simon Shim is also a Non-Independent Non-Executive Director of Hap Seng Consolidated Berhad, the Company's immediate holding company and Paos Holdings Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad. He is an Independent Non-Executive Director of Lam Soon (Thailand) Public Company Limited, a company listed on the Stock Exchange of Thailand and a Non-Executive Director of Malaysian Mosaics Berhad.

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

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

Datuk Simon Shim does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company. He has not been convicted of any offence in the past ten (10) years.

He attended all the four (4) Board Meetings held during the financial year ended 31 December 2011.

Wong Yuen Kuai, Lucien

INDEPENDENT NON-EXECUTIVE DIRECTOR

Wong Yuen Kuai, Lucien, a Singaporean, aged 58, was appointed as an Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad on 9 August 2007.

Mr. Wong is also the Chairman of the Maritime and Port Authority of Singapore and a board member of the Monetary Authority of Singapore. He also sits on the Board of Cerebos Pacific Limited, Singapore Airlines Limited and Singapore Press Holdings Limited, all of which are companies listed on the Singapore Stock Exchange.

He is the Managing Partner of Messrs Allen & Gledhill LLP, Singapore. He was called to Singapore Bar in 1979. Specialising in banking, corporate and financial services work, Mr. Wong has extensive experience in debt and equity issues, mergers and acquisitions, banking transactions and securitisations.

Mr. Wong does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company. He has not been convicted of any offence in the past ten (10) years.

He attended three (3) out of the four (4) Board Meetings held during the financial year ended 31 December 2011.

Tan Sri Abdul Hamid Egoh

NON-EXECUTIVE DIRECTOR

Tan Sri Abdul Hamid Egoh, a Malaysian, aged 78, was appointed as a Non-Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad on 9 August 2007.

Tan Sri Abdul Hamid is a member of Tun Razak Foundation and a board member of Malaysia Japanese Economic Association. He is also the Chairman of Steel Industries (Sabah) Sdn. Bhd., INTI College Kinabalu Sdn. Bhd., and University Malaysia Sabah.

He started his career in 1956 with Colonial Civil Service. He graduated with a Bachelor of Arts (Honours) degree from University of Adelaide, Australia in 1965. He also served with the Commonwealth Public Service in Australia between 1964 to 1965. He assumed the position of Private Secretary and Aide-de Camp to the Yang DiPertua Negeri Sabah between 1966 to 1967 after which he was appointed as Secretary of Defence for Sabah until 1971. He served as Under Secretary of the State of Sabah between 1971 to 1975 and assumed the position of State Secretary of Sabah from 1975 to 1988.

Tan Sri Abdul Hamid does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company. He has not been convicted of any offence in the past ten (10) years.

He attended three (3) out of the four (4) Board Meetings held during the financial year ended 31 December 2011.

Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan

INDEPENDENT NON-EXECUTIVE DIRECTOR

Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan, a Malaysian, aged 66, was appointed as an Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad on 1 January 2011. He is also a member of the Audit Committee.

Tuan Haji Nik Ariff is a Director of Koperasi Sri Nilam Berhad and an Executive Director of Arab Bumiputra Equities Sdn. Bhd., an investment holding company. Prior to this, he was the Business Development Manager of Arab Malaysian Merchant Bank Berhad from 1 January 1982 to 30 June 1982 and a Director of Juara Perkasa Corporation Berhad (now known as JT International Berhad) and Southern Bank Berhad from 1985 to 1989 and 1982 to 1993 respectively.

He holds a Diploma in Marketing from Institute of Marketing, London, United Kingdom.

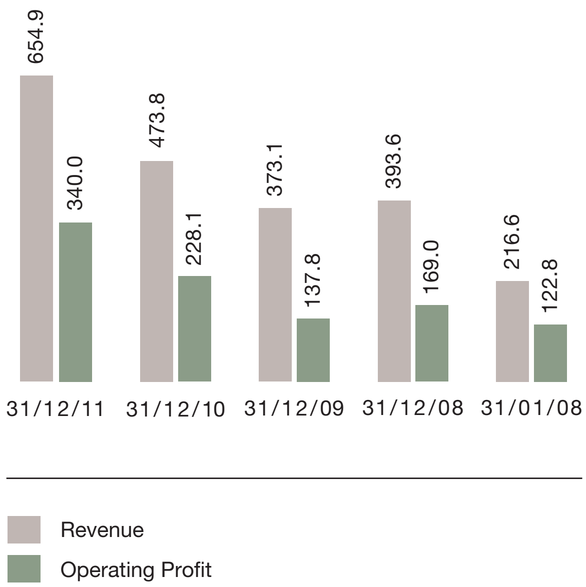
Tuan Haji Nik Ariff does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company. He has not been convicted of any offence in the past ten (10) years.

He attended all the four (4) Board Meetings held during the financial year ended 31 December 2011.

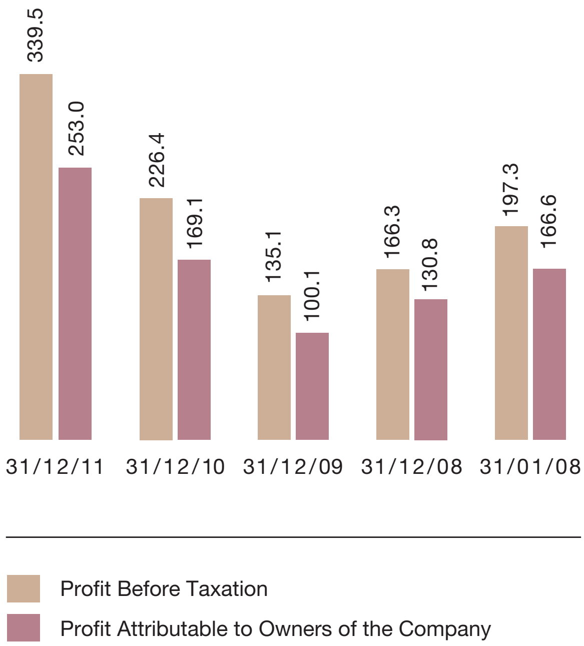
Group Financial Highlights

	← FINANCIAL YEAR ENDED		→	11 MONTHS PERIOD ENDED	PERIOD ENDED 31 JANUARY 2008 (From date of completion 7 September 2007)
	31 DECEMBER 2011	31 DECEMBER 2010	31 DECEMBER 2009	31 DECEMBER 2008	
INCOME (RM'000)					
(i) Revenue	654,866	473,754	373,134	393,605	216,588
(ii) Operating profit	340,028	228,085	137,792	169,017	122,821
(iii) Profit before taxation *	339,473	226,376	135,136	166,274	197,302
(iv) Profit attributable to Owners of the Company *	252,968	169,111	100,097	130,822	165,560
* *Includes Other Non Operating Items*	-	-	-	-	*77,318*
FINANCIAL POSITION (RM'000) - Key data					
Assets					
(i) Total tangible assets	2,114,737	2,019,787	1,988,241	1,967,951	1,939,935
(ii) Net assets	1,878,092	1,761,141	1,680,040	1,651,951	1,601,138
(iii) Current assets	204,836	110,865	87,286	108,357	123,590
Liabilities and Shareholders' Funds					
(i) Current liabilities	46,530	51,146	66,783	73,185	86,252
(ii) Paid-up share capital	800,000	800,000	800,000	800,000	800,000
(iii) Shareholders' funds	1,878,092	1,761,141	1,680,040	1,651,951	1,601,138
PER SHARE					
(i) Basic earnings (sen) **	31.62	21.14	12.51	16.35	41.86
(ii) Net assets (RM) ***	2.35	2.20	2.10	2.06	2.00
(iii) Dividend (sen)	20.00	13.00	9.00	10.00	10.00
** *Based on weighted average number of shares in issue*	*799,986,000*	*799,990,333*	*799,994,167*	*799,998,364*	*395,502,000*
*** *Based on number of shares in issue net of treasury shares*	*799,981,000*	*799,988,000*	*799,992,000*	*799,996,000*	*800,000,000*
FINANCIAL RATIOS					
(i) Return on total tangible assets (%)	11.96	8.37	5.03	6.65	8.53
(ii) Return on shareholders' funds (%)	13.47	9.60	5.96	7.92	10.34
(iii) Current ratio (times)	4.40	2.17	1.31	1.48	1.43
(iv) Gearing ratio (times)	-	0.02	0.05	0.06	0.04
(v) Gearing ratio net of cash (times)	-	-	0.03	0.03	-

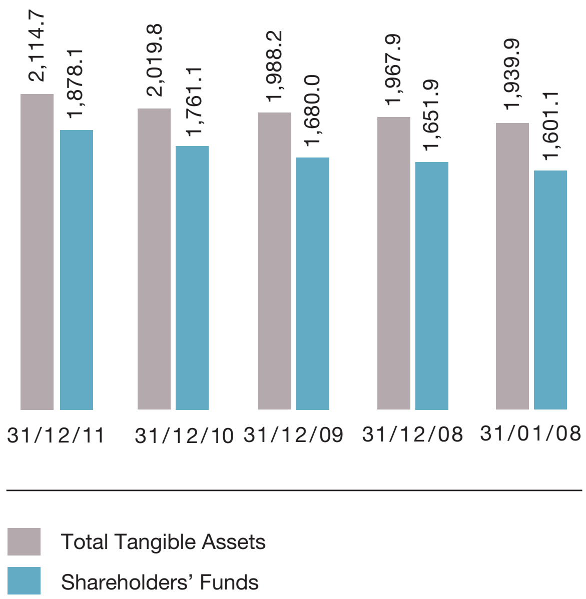
Revenue/ Operating Profit
(RM'million)



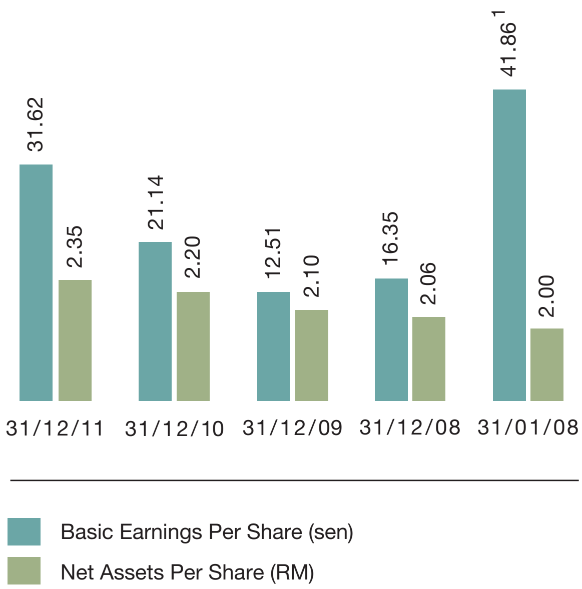
Profit Before Taxation/ Profit Attributable to Owners of the Company
(RM'million)



Total Tangible Assets/ Shareholders' Funds
(RM'million)



Basic Earnings Per Share/ Net Assets Per Share



Note:

[1] *Basic earnings per share for financial period ended 31.1.2008 includes other Non Operating items of RM77.3 million.*

Tan Sri Ahmad Bin Mohd Don

INDEPENDENT NON-EXECUTIVE CHAIRMAN

On behalf of the Board, I have pleasure in presenting the Fifth Annual Report and Financial Statements of the Company and the Group for the financial year ended 31 December 2011.

REVIEW OF RESULTS

The Malaysian palm oil industry recorded an outstanding performance on the back of higher Crude Palm Oil ("CPO") prices in 2011. The average price of CPO for 2011 was the highest in the history of the Malaysian palm oil industry at RM3,219 per tonne. The CPO price peaked in February at an average price of RM3,811 per tonne but subsequently softened in the second half of 2011 due to the weakening world vegetable oils market. The lowest average CPO price was recorded in October at RM2,838 per tonne before recovering to RM3,000 per tonne in the last two months of the year.

The Group's performance for the financial year improved significantly over the preceding financial year in tandem with the overall performance of the Malaysian palm oil industry. Group revenue for the financial year under review was RM654.9 million, 38.2% higher than the previous financial year of RM473.8 million. Operating profit increased by 49.1% over the previous financial year to RM340.0 million (2010: RM228.1 million). Group profit before tax and profit after tax at RM339.5 million (2010: RM226.4 million) and RM253.0 million (2010: RM169.1 million) respectively were 50% and 49.6% higher than the previous financial year. Consequently, the earnings per share attributable to the shareholders of 31.62 sen (2010: 21.14 sen) was 49.6% higher than the previous financial year.

REVIEW OF OPERATIONS

PLANTATIONS

Planted and Mature Area

During the financial year, our Group increased its planted area by 286 acres through new planting. With this addition, the new planting area of the Group presently stands at 1,809 hectares with 374 hectares expected to mature in 2012.

The Group now adopts a disciplined annual replanting policy of approximately 4% of the total planted area. In 2011, our Group has 2,594 hectares of replanted area pending maturity with 399 hectares expected to mature in 2012.

As at the end of the financial year, our Group has 35,617 (2010: 35,331) hectares of planted areas out of a total area of 39,803 hectares situated at three (3) different geographical areas. The first is a contiguous plot of land measuring approximately 36,354 hectares or 91.3% of the total area situated between Lahad Datu and Sandakan, which houses our three (3) major group of estates, namely Jeroco Group of Estates ("JGOE"), Tomanggong Group of Estates ("TMGOE") and Sungai Segama Group of Estates ("SSGOE"). The second area, measuring approximately 1,276 hectares, namely Ladang Kawa Estate is in Tawau and the third area, measuring approximately 2,173 hectares, is at Kampung Natu, Kota Marudu, where our Pelipikan and Kota Marudu Estates are located.

Our Group area statement as of 31 December 2011 are as follow:

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of mature area
JGOE	14,117	* 12,808	11,455	89.4%
TMGOE	12,331	** 11,199	8,811	78.7%
SSGOE	9,906	8,761	8,758	99.9%
Ladang Kawa	1,276	1,201	1,201	100.0%
Pelipikan	1,365	1,050	245	23.3%
Kota Marudu	*** 808	598	598	100.0%
Total	39,803	35,617	31,068	87.2%

* *Including 86 hectares planted with jelutong trees*
** *Including 60 hectares planted with sepat trees*
*** *Including 81 hectares of land adjoining to the existing land of which the land title is currently under application*

Of the total planted area, more than 87% or 31,068 (2010: 32,087) hectares are mature palms. The age profile of the planted area, reserves and others as of 31 December 2011 are as follow:

	hectares
Immature	4,403
30 months to 7 years	2,289
> 7 years to 17 years	16,009
> 17 years	12,770
Total planted – oil palm	35,471
Immature – other crops	146
Total planted area	35,617
Reserves plantable	358
Buildings, roads, reserves etc	3,828
Total area	39,803

The total dividend for the year of 20 sen per share constituted approximately 63% of the Group's profit attributable to shareholders for the financial year.

Production and Yield

After two years of declining yield in 2009 and 2010 due to biological stress on the trees and adverse weather patterns, Fresh Fruit Bunches ("FFB") yield recovered during the year although still affected somewhat by the La Nina phenomenon which started in 2010 and continued until May 2011 as well as the wet weather conditions in the 4th quarter of 2011.

Our Group's FFB yield improved to 23.79 tonnes per hectare from the previous year of 21.10 tonnes per hectare. Consequently, total FFB production from our Group's estates for the financial year under review at 738,969 was 9.1% higher than the previous year's FFB production of 677,071 tonnes.

Average oil extraction rate ("OER") for the financial year was marginally lower at 20.96% (2010: 21.45%), impacted by the wet weather conditions both at the beginning and end of the year. Nevertheless, oil per mature hectare was higher at 4.99 (2010: 4.53) tonnes due to higher FFB yield for the year.

Our Group's CPO production for the year was 168,025 tonnes, 12% higher than the previous year of 149,941 tonnes, benefiting from the higher FFB yield as well as higher outside FFB purchased of 107,623 tonnes (2010: 63,001 tonnes).

Milling operations were carried out at the Group's four (4) mills namely Jeroco Palm Oil Mill 1, Jeroco Palm Oil Mill 2, Tomanggong Palm Oil Mill and Bukit Mas Palm Oil Mill with the combined milling capacity of 175 FFB tonnes per hour. During the year, production was at an average of 75% (2010: 66%) of the total milling capacity.

The plantation industry continued to be impacted by labour shortages and higher wages due to competition for workers especially harvesters from the expansion of plantation hectarage in both Malaysia and Indonesia. In this respect, our Group's plantation estates were also not spared. Higher labour costs were incurred by our Group to retain our plantation workers and this has consequently impacted our CPO production cost.

CPO production cost excluding replanting cost (after taking into account the income from the sale of palm kernels) for the financial year was approximately 8% higher at RM938 per tonne compared to the previous year of RM866 per tonne. The increase in production cost was mainly due to higher labour costs and higher external FFB purchase cost arising from higher FFB purchase price. This was mitigated somewhat by higher CPO production and the continued effort of the Group to keep its production costs low by exercising good plantation husbandry and best practices which improved FFB yield.

We are a member of the Roundtable on Sustainable Palm Oil ("RSPO") and are currently awaiting the RSPO certification of our Sungai Segama Group of Estates and Bukit Mas Palm Oil Mill. In the meantime, preparation is underway to obtain the RSPO certification for both the Jeroco Group of Estates and Tomanggong Group of Estates.

Unloading fresh fruit bunches at the mill

Our Group's CPO production for the year was 168,025 tonnes, 12% higher than the previous year.

Price Realisation

On the back of a bullish CPO market in 2011, our Group recorded a commendable average price realisation of CPO and Palm Kernel ("PK") at RM3,226 per tonne (2010: RM2,594 per tonne) and RM2,200 per tonne (2010: RM1,629 per tonne) respectively during the year. Our price realisation of both CPO and PK were also above the average price realisation for Sabah of RM3,212 per tonne and RM2,114 per tonne respectively as recorded by the Malaysian Palm Oil Board ("MPOB").

As we do not have any milling facilities within the vicinity of our Ladang Kawa Estate in Tawau and Kota Marudu and Pelipikan estates in Kampung Natu, Kota Marudu, all the FFB production from the said estates were sold and the average FFB price realisation during the year was higher at RM697 per tonne (2010: RM579 per tonne) in tandem with the higher CPO prices.

RECURRENT RELATED PARTY TRANSACTIONS

Our Company will be seeking a renewal of the mandate from our shareholders for Recurrent Related Party Transactions at the forthcoming Extraordinary General Meeting on 28 May 2012.

Tomanggong Palm Oil Mill

Bukit Mas Palm Oil Mill

SHARE BUY-BACK

Our Company first obtained the shareholders' mandate to purchase its own shares on 24 June 2008, which mandate was thereafter renewed annually at the Company's General Meetings.

During the financial year, our Company repurchased a total of 7,000 shares. As at 31 December 2011, our issued and paid up share capital remained unchanged at 800,000,000 ordinary shares of RM1.00 each with all the 19,000 shares bought back at a total cost of RM48,138 averaging RM2.53 per share being retained as treasury shares.

Our Company will be seeking a renewal of mandate from its shareholders for the purchase of its own shares at the forthcoming Extraordinary General Meeting on 28 May 2012.

DIVIDENDS

Since our listing on Bursa Malaysia Securities Berhad in 2007, our Company has consistently adhered to its dividend policy of paying dividends of up to 60% of the profit attributable to shareholders. This is a testament of our commitment to optimise returns to shareholders and thereby enhancing shareholders' value. It is also our intention that dividends be declared and paid every six months to create a regular dividend flow to our shareholders.

Hence, our Company has declared and paid two interim dividends for the financial year ended 31 December 2011. The first interim dividend of 10 sen per ordinary share was declared by the Board on 23 August 2011 and paid to shareholders on 27 September 2011 whilst the second interim dividend of 10 sen per ordinary share which was in lieu of the final dividend was declared on 14 February 2012 and paid on 12 March 2012, with both dividends under the single-tier system which is tax exempt in the hands of shareholders.

In the previous financial year, an interim dividend of 6 sen per ordinary share was approved by the Board on 25 August 2010 and paid to shareholders on 20 September 2010 whilst a final dividend of 7 sen was recommended by the Board and approved by shareholders at the Annual General Meeting held on 6 June 2011 which was subsequently paid on 23 June 2011. Both of these dividends were also under the single-tier system which is tax exempt in the hands of shareholders.

The total dividend for the year of 20 sen (2010: 13 sen) per share constituted approximately 63% (2010: 61%) of the Group's profit attributable to shareholders for the financial year, which exceeded our dividend policy of paying up to 60% of the profits attributable to shareholders.

We endeavour to continue rewarding our shareholders with improved dividend returns in tandem with earnings growth of our Group.

OUTLOOK AND CURRENT YEAR'S PROSPECTS

The Malaysian palm oil industry in 2012 is expected to be challenging in the light of the changes in Indonesia's export tax structure on crude palm oil which will have an impact on the competitiveness of Malaysian CPO. FFB yield will continue to be impacted by changes in weather condition and cropping patterns.

We will continue to look for new plantation lands to expand our planted area. However, this will very much depend on the availability of suitable land for oil palms and the costs of acquisition. In the immediate term, we will continue to adhere to the annual replanting policy of approximately 4% of total planted area and to optimise planting on our existing land bank.

Our FFB yield and CPO extraction rate are expected to improve marginally in the current financial year with older palm trees to be replanted.

Labour shortages and higher wages are expected to be ongoing challenges faced by the plantation industry. We will continue to improve our operational efficiencies to mitigate the effects of the rising production costs.

APPRECIATION

On behalf of the Board, I would like to express our thanks and appreciation to the management and staff for their loyalty, efforts and dedication to the Group and also to record a special thanks to our shareholders and business associates for their continuing support to the Group.

Ahmad Bin Mohd Don
Independent Non-Executive Chairman
10 April 2012

The Board of Directors of Hap Seng Plantations Holdings Berhad is pleased to report on the manner in which the Principles and Best Practices of Corporate Governance are applied and the extent of compliance thereon as set out in Part 1 and Part 2 of the Malaysian Code on Corporate Governance (Revised 2007) (the “CG Code”) pursuant to paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Main LR”).

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

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

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

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

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

DIRECTORS

The Board

The Company is headed by a Board of Directors which leads and controls the Company. The Board meets regularly and is responsible for the proper management of the Company. All Board members bring sound judgment to bear on issues of strategy, performance, resources and standards of conduct. The Board of Directors meet at least four (4) times a year and additional Board meetings are convened as necessary with due notice of issues to be discussed. During the financial year ended 31 December 2011, four (4) meetings were held. Minutes of meetings (including deliberations by the Board of issues discussed and their conclusions thereof) are recorded by the Company Secretary.

All the Directors have attended more than 50% of the total Board meetings held during the financial year ended 31 December 2011.

The attendance of the Directors at Board Meetings held during the financial year ended 31 December 2011 are as follows:

Directors	No. of Meetings Attended
Tan Sri Ahmad Bin Mohd Don	4/4
Datuk Edward Lee Ming Foo, JP	4/4
Mr. Lee Wee Yong	4/4
Mr. Au Yong Siew Fah	4/4
Dato' Jorgen Bornhoft	4/4
Datuk Simon Shim Kong Yip, JP	4/4
Mr. Wong Yuen Kuai, Lucien	3/4
Tan Sri Abdul Hamid Egoh	3/4
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	4/4
Mr. Soon Seong Keat *(resigned as an Executive Director on 2 February 2011)*	-*

* *There was no Board meeting held prior to his resignation on 2 February 2011 for the financial year ended 31 December 2011.*

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

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

Board Balance

As at the date of this annual report, the Board has nine (9) members comprising three (3) Executive Directors and six (6) Non-Executive Directors of which four (4) or more than one-third are independent of management and have no relationships which could interfere with the exercise of their independent judgment. Together, the Directors have wide ranging business and financial experience. A brief description of the background of each Director is presented on pages 4 to 12.

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

The Board annually examines its size with a view to determine the impact of the number on its effectiveness, provided always that the number of Directors shall not exceed twelve (12) as provided under Article 107 of the Company's Articles of Association. Tan Sri Ahmad Bin Mohd Don being an Independent Non-Executive Director assumes the role as Senior Independent Non-Executive Director. The Board is satisfied that the current Board composition fairly represents the interest of shareholders other than the significant shareholder.

Supply of Information

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

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

In addition, the Board also has a formal schedule of matters reserved for its decision including approval of annual and quarterly results. Specific responsibilities are delegated to Board Committees which comprise the Audit Committee, Nominating Committee and Remuneration Committee which shall report to the Board regularly. The terms of reference and authorities of these Board Committees which are determined and approved by the full Board are detailed on pages 36 to 43.

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

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

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

Appointments to the Board

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

The Nominating Committee has reviewed and is satisfied that the size of the Board is optimum for the effective discharge of the Board's function and that there is appropriate mix of skills and core competencies in the composition of the Board. The Nominating Committee is of the view that all the Members of the Board are suitably qualified to hold their positions as Directors of Hap Seng Plantations Holdings Berhad in view of their respective academic and professional qualifications and experiences. The Nominating Committee has also reviewed and is satisfied that all the Directors have received appropriate training during the financial year ended 31 December 2011.

Terms of reference of the Nominating Committee are detailed on pages 42 to 43.

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

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

Re-appointment and Re-election of Directors

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

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

Directors' Training and Education

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

The Directors have during the financial year ended 31 December 2011, evaluated their own training needs on a continuous basis and attended the following programmes:

Directors	Training Programme	Duration
Tan Sri Ahmad Bin Mohd Don	Up-date on Financial Reporting Standards	4 hours
	Economic and Capital Market Review	4 hours
	Prospects of the Palm Oil Industry and the Impact on Plantation Companies; and Global & Regional Economic Outlook	1 hour
Datuk Edward Lee Ming Foo, JP	Corporate Integrity and Anti-Corruption Principles for Corporations in Malaysia	2 ½ hours
	Economic Transformation Programme Update	6 hours
	Directors & Officers Liability – A Changing Landscape	3 hours
	Prospects of the Palm Oil Industry and the Impact on Plantation Companies; and Global & Regional Economic Outlook	1 hour
Mr. Lee Wee Yong	Prospects of the Palm Oil Industry and the Impact on Plantation Companies; and Global & Regional Economic Outlook	1 hour
	Malaysia FRS Update and IFRS Convergence Seminar	1 day
Mr. Au Yong Siew Fah	Sustainability Programme for Corporate Malaysia (Plantation, Construction, Property & Hotel)	½ day
	Palm and Lauric Oils Conference	3 days
	Corporate Integrity and Anti-Corruption Principles for Corporations in Malaysia	2 ½ hours
	Prospects of the Palm Oil Industry and the Impact on Plantation Companies; and Global & Regional Economic Outlook	1 hour
	It Is All About Balance	1 ½ hours

Directors' Training and Education (continued)

Directors	Training Programme	Duration
Dato' Jorgen Bornhoft	Sustainability Programme for Corporate Malaysia (Trading/Services & Industrial Products)	½ day
	Invest Malaysia 2011	2 days
	Prospects of the Palm Oil Industry and the Impact on Plantation Companies; and Global & Regional Economic Outlook	1 hour
	Forbes Global CEO Conference in Kuala Lumpur	2 days
Datuk Simon Shim Kong Yip, JP	Prospects of the Palm Oil Industry and the Impact on Plantation Companies; and Global & Regional Economic Outlook	1 hour
Mr. Wong Yuen Kuai, Lucien	Thomson Reuters 2011 Asia Pacific Legal Executive Briefing, Hong Kong	3 days
	5th Singapore Maritime Lecture	4 hours
	Thomson Reuters 2011 Legal Executive Briefing, San Francisco	4 days
Tan Sri Abdul Hamid Egoh	Sustainability Programme for Corporate Malaysia (Plantation, Construction, Property & Hotel)	½ day
	Corporate Integrity and Anti-Corruption Principles for Corporations in Malaysia	2 ½ hours
	Prospects of the Palm Oil Industry and the Impact on Plantation Companies; and Global & Regional Economic Outlook	1 hour
	Oxford Union Style CG Debate Motion : Independent Directors are a Myth	1 ½ hours
	Corporate Governance + Corporate Responsibility + Innovation : The Building Blocks for Economics Sustainability	1 ½ hours
	Risk Management & Internal Controls – Are the Boards aware what they are up against ?	1 ½ hours
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	Sustainability Programme for Corporate Malaysia (Plantation, Construction, Property & Hotel)	½ day
	Corporate Integrity and Anti-Corruption Principles for Corporations in Malaysia	2 ½ hours
	Governance Programme - Assessing the Risk and Control Environment	½ day
	Prospects of the Palm Oil Industry and the Impact on Plantation Companies; and Global & Regional Economic Outlook	1 hour

DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration

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

Procedure

The Remuneration Committee which is a sub-committee of the Board presently comprises three (3) members of one (1) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Executive Director. Remuneration packages of newly appointed and existing Executive Directors are reviewed by the Remuneration Committee and recommended to the Board for approval. Directors do not participate in decisions on their own remuneration.

Terms of reference and responsibilities of the Remuneration Committee are detailed on page 41.

Disclosure

Directors' Remuneration and Remuneration Policy are as follows:

Details of Directors' Remuneration

(i) The aggregate remuneration paid or payable by the Company and or its subsidiaries to the Directors of the Company for services in all capacities during the financial year ended 31 December 2011 is as follows:

Category	Fees RM'000	Salaries and Other Emoluments RM'000	Benefits in Kind RM'000	Total Remuneration RM'000
Executive	-	1,751	68	1,819
Non-Executive	365*	-	-	365*

* *Subject to shareholders' approval of Resolution 5 at the forthcoming AGM. (Amount disclosed in Note 15 to the Financial Statements was based on the previous year's fees of RM270,000).*

(ii) The number of Directors who received remuneration from the Company and or its subsidiaries for the financial year ended 31 December 2011, and their remuneration including benefits in kind which falls within the following bands are as follows:

Remuneration Range	No. of Directors
Executive Directors	
Less than RM50,000	1
RM50,000 to RM200,000	-
RM200,001 to RM250,000	1
RM250,001 to RM350,000	-
RM350,001 to RM400,000	1
RM400,001 to RM1,200,000	-
RM1,200,001 to RM1,250,000	1
Non-Executive Directors	
RM50,000 to RM100,000	6

Disclosure (continued)

Details of the Directors' remuneration are set out in applicable bands of RM50,000 which comply with Main LR. Whilst the CG Code has prescribed for individual disclosure of directors' remuneration packages, the Board is of the view that transparency and accountability aspects of the Corporate Governance in respect of the Directors' remuneration are appropriately and adequately addressed by the band disclosure method adopted by the Board.

Remuneration Policy

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

(i) Remuneration for Executive Directors

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

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

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

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

- **Benefits in Kind**
  Benefits in kind include inter alia car, driver, fuel and mobile phone.

(ii) Remuneration for Non-Executive Directors

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

SHAREHOLDERS

Dialogue Between Company and Investors

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

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

The Annual General Meeting ("AGM")

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

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

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

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

The Directors consider that in preparing the financial statements, the Group and the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable Financial Reporting Standards have been followed. Their responsibilities includes ensuring that the Group and Company maintain internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Internal Control

The Group's Statement on Internal Control is set out on pages 33 to 35.

Relationship with Auditors

The Audit Committee and the Board have established formal and transparent arrangements to maintain an appropriate relationship with the Company's auditors as stated on pages 36 to 40.

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

Tan Sri Ahmad Bin Mohd Don
Independent Non-Executive Chairman

Datuk Edward Lee Ming Foo, JP
Managing Director

The Board of Directors is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following Statement on Internal Control which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2011 pursuant to paragraph 15.26(b) of the Main LR.

(i) Internal Control

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

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

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

(i) Internal Control (continued)

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

In line with this:

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

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

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

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

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

(ii) Internal Audit Function

The Group has an Internal Audit function which is outsourced to Hap Seng Management Services Sdn. Bhd., a wholly owned subsidiary of Hap Seng Consolidated Berhad, at a cost of RM400,000 per annum. The Internal Audit function is independent of the activities or operations of other operating units in the Group, which provides the Audit Committee and the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control.

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

(ii) Internal Audit Function (continued)

The activities that were carried out are as follows:

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

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

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

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

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

- Facilitated strategic business risks assessment covering the Group's business activities.

- Issued a total of fifteen (15) internal audit reports to the Audit Committee on the Plantation Division which encompassed identification and assessment of business risk.

(iii) Other Risks and Control Processes

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

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

Board Committees

AUDIT COMMITTEE

Members of the Audit Committee

Tan Sri Ahmad Bin Mohd Don	*(Independent Non-Executive Director)* – *Chairman*
Dato' Jorgen Bornhoft	*(Independent Non-Executive Director)*
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	*(Independent Non-Executive Director)*

Role of the Audit Committee

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

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

Membership

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

Attendance at Meetings

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

Frequency of Meetings

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

During the financial year ended 31 December 2011, four (4) meetings were held. The details of Directors' attendance at these meetings are as follows:

Directors	No. of Meetings
Tan Sri Ahmad Bin Mohd Don	4/4
Dato' Jorgen Bornhoft	4/4
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	4/4

The details of training by the above Directors are tabulated on pages 27 to 28.

Proceedings of Meetings

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

Review of the Audit Committee

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

Scope of Authority

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

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

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

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

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

Duties

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

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

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

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

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

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

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

- To review the internal audit programme, receive all internal audit reports, consider the major findings of internal audit investigations and management's response thereof.

- To review results of the internal audit process and, where necessary ensure appropriate actions are taken on the recommendations of the internal audit function.

- To review the adequacy of the scope, functions, competency and resources of the internal audit and that it has the necessary authority to carry out its work.

- To approve any appointment or termination of senior internal audit executives.

- To review any appraisal or assessment of senior internal audit executives.

- To be informed of any resignation of senior internal audit executives and provide the resigning personnel an opportunity to submit his/her reasons for resigning.

- To keep under review the effectiveness of internal control systems, and in particular review the external auditor's management letter and management's response.

- To scrutinise all related party transactions and to ensure no potential conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

- The Audit Committee is to report promptly to Bursa Securities on any matter reported to the Board which has not been satisfactorily resolved resulting in a breach of the Main LR.

- To consider other related matters from time to time as defined by the Board.

Reporting Procedures

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

Summary of Audit Committee Activities during the Financial Year Ended 31 December 2011

The activities of the Audit Committee during the financial year ended 31 December 2011, are summarised as:

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

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

- Received and reviewed a total of fifteen (15) internal audit reports covering the business processes of Plantation Division.

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

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

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

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

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

- Reviewed the Statement of Corporate Governance and Statement on Internal Controls prepared in accordance with the provisions set out under the Malaysian Code on Corporate Governance (Revised 2007), the extent of compliance with the said CG Code and recommended to the Board action plans to address identified gaps (if any) between the Group's existing corporate governance practices and the prescribed corporate governance principles and best practices under the CG Code.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 7 September 2007 and presently its members are as follows:

Tan Sri Ahmad Bin Mohd Don	*(Independent Non-Executive Director) – Chairman*
Datuk Simon Shim Kong Yip, JP	*(Non-Independent Non-Executive Director)*
Datuk Edward Lee Ming Foo, JP	*(Executive Director)*

Terms of Reference of Remuneration Committee

Membership

The Committee shall be appointed by the Board from amongst the Directors of the Company and in accordance with the Malaysian Code on Corporate Governance (Revised 2007) which required the Remuneration Committee to consist wholly or mainly of Non-Executive Directors.

Frequency of Meetings

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

Attendance at Meetings

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

Proceeding of Meetings

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

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

Duties

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

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

Scope of Authority

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

Interest of Remuneration Committee Members

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

Reporting Procedure

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

Summary of Activities

The Remuneration Committee met on 25 November 2011 to review and recommend to the Board, the proposed bonus of an Executive Director for the financial year ended 31 December 2011 and his proposed increment for the financial year commencing from 1 January 2012.

NOMINATING COMMITTEE

The Nominating Committee was set up on 7 September 2007 and presently its members are as follows:

Tan Sri Ahmad Bin Mohd Don	*(Independent Non-Executive Director) – Chairman*
Dato' Jorgen Bornhoft	*(Independent Non-Executive Director)*
Datuk Simon Shim Kong Yip, JP	*(Non-Independent Non-Executive Director)*

Terms of Reference of Nominating Committee

Membership

The Committee shall be appointed by the Board from amongst the Directors of the Company and in accordance with the Malaysian Code on Corporate Governance (Revised 2007) which requires the Nominating Committee to consist exclusively of Non-Executive Directors, a majority of whom are independent.

Frequency of Meetings

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

Attendance at Meetings

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

Proceeding of Meetings

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

Duties

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

Scope of Authority

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

Reporting Procedure

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

Summary of Activities

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

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

Corporate Social Responsibility

Students from Humana School

As a socially responsible corporate citizen, Hap Seng Plantations Holdings Berhad ("HSP") is focused on ensuring that our business operations are conducted in a way that adds value to our stakeholders. Moreover, being a publicly listed company and a division of Hap Seng Consolidated Berhad, a well-established diversified corporation, it is only natural that we fully embrace the concept of People, Planet and Profit.

In line with this, our corporate social responsibility ("CSR") efforts are tailored to encompass the broad gamut of sustainable business practices. This would include, amongst others, environment conservation, community assistance and development, creating a viable workplace environment and robust corporate governance. The following is a report of our CSR initiatives carried out during our 2011 financial year.

Embracing Sustainability

The Company is a member of the Roundtable on Sustainable Palm Oil ("RSPO"), a global multi-stakeholder initiative aimed at promoting the growth and use of sustainable palm oil. In accordance with our membership, we are currently in the process of certifying our estates based on the RSPO Principles and Criteria for Sustainable Palm Oil Production. These Principles and Criteria are said to be the world's toughest standards for sustainable agriculture production. In order to be certified, we have to implement global best practices throughout our operations to ensure that the palm oil we produce does not cause any undue harm to the environment or society.

At the end of our 2011 financial year, our Sungai Segama group of estates and Bukit Mas palm oil mill were fully evaluated for compliance to the RSPO Principles and Criteria. We are now currently awaiting certification. At the same time, preparation is also well underway for our Jeroco group of estates and Tomanggong group of estates to be certified.

Once our estates and mills are certified, HSP will be a part of an elite group of responsible producers of sustainable palm oil that is recognised globally. In addition, the certification will also enable us to cater to a growing number of buyers who are willing to pay a premium for certified sustainable palm oil.

Ladang Kawa Annual Family & Sports Day

Medical facilities for the community

Along the same lines, we are also in the advanced stage of implementing the Clean Development Mechanism ("CDM"). The CDM project which we have undertaken involves capturing biogas emitted from the fermentation process of palm oil mill effluence. The captured biogas is first purified then fed into a gas engine to generate electricity for power supply to our workers' homes. This system is expected to help reduce and minimize fuel usage.

In terms of protecting and conserving our environment, we have a strict no burn policy in all replantings as well as new plantings in 2011. We have embarked on a mission to reduce green house emissions by 2015. At the same time, we also assessed our estates for chemical health risk to safeguard our employees, community and the environment.

Developing Communities Through Education

The Company has been consistent in its efforts to improve the quality of life of members of the communities it operates in.

In 2011, we continued to fund a total of five Humana Learning Centres at our Tomanggong group of estates. These Centres, which are operated by the Humana Child Aid Society, play a vital role in providing underprivileged children access to education. On top of this, we have also constructed buildings and provide accommodations for use by the teachers of these learning centres at our own cost. Our support was premised on the belief that education is the avenue for disadvantaged members of society to improve their opportunities in life. On this score, we have provided funds towards an additional 17 learning centres in our Jeroco group of estates and Sungai Segama group of estates. Classes are expected to start in the first half of 2012.

Apart from education, we have also made contributions in cash or in kind to improve public amenities, services and infrastructure in communities surrounding our estates during the year. For example, we offer free ferry service to residents and visitors in Kampung Tidung, located close to our Tomanggong group of estates.

Employment Best Practices

The agriculture industry is labor intensive. Hence, it is integral for HSP to ensure that the workplace environment is conducive towards enhancing morale, productivity and efficiency.

Towards this end, we have continued to invest in employee development and motivation programmes across the board. In 2011, we carried out a total of five programmes that are conducted within our estates. These included training activities in relation to agriculture and mill policies as well as a unique motivation initiative based on the Merit Point System. In addition, a total of 14 external training programmes were conducted for our employees of all levels. Topics ranged from health and safety to biotechnology.

At the same time, we were also highly supportive of activities that are able to improve team work and camaraderie. Throughout 2011, we continued to encourage and support family days, sports days and annual dinners organised by our employees in our estates.

Responsible Industry Participant

The Company is single minded in its efforts to becoming an invaluable contributor to Malaysia's agriculture industry. To achieve this, we aim to always conduct our business in a responsible, transparent and trustworthy manner backed by strong corporate governance.

In tandem with this, we also want to be an industry role model for product and operational quality and excellence. To achieve this, we intend to continuously improve in terms of operations and processes to be on par with the world's leading palm oil producers in terms of product quality and productivity.

Plantation Annual Dinner 2011

March pass parade by participants from Sungai Segama group of estates

Financial Statements

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2011.

Principal activities

The Company is principally engaged in investment holding and carrying out marketing and trading activities for its subsidiaries whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	252,968	144,826

Reserves and provisions

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

Dividends

Since the end of previous financial year, the Company paid:-

(i) a final dividend of 7 sen per ordinary share under the single-tier system totalling RM55,999,020 in respect of the financial year ended 31 December 2010 on 23 June 2011; and

(ii) an interim dividend of 10 sen per ordinary share under the single-tier system totalling RM79,998,600 in respect of the financial year ended 31 December 2011 on 27 September 2011.

On 14 February 2012, the Board of Directors approved a second interim dividend in respect of the financial year ended 31 December 2011, of 10 sen per share under the single-tier system amounting to RM79,998,100 based on the paid-up share capital of 799,981,000 ordinary shares of RM1.00 each after deducting 19,000 treasury shares and was paid on 12 March 2012. The financial statements for the current financial year do not reflect this dividend and it will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2012.

As the aforesaid second interim dividend was approved in lieu of final dividend, the Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2011.

No dividend is payable for treasury shares held.

Directors of the Company

Directors who served since the date of last report are:

Tan Sri Ahmad Bin Mohd Don	Non-Executive Director Independent Non-Executive Chairman
Datuk Edward Lee Ming Foo, JP	Executive Director Managing Director
Lee Wee Yong	Executive Director
Au Yong Siew Fah	Executive Director
Dato' Jorgen Bornhoft	Independent Non-Executive Director
Datuk Simon Shim Kong Yip, JP	Non-Independent Non-Executive Director
Wong Yuen Kuai, Lucien	Independent Non-Executive Director
Tan Sri Abdul Hamid Egoh	Non-Independent Non-Executive Director
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	Independent Non-Executive Director

Directors' interests

The interests and deemed interests in the ordinary shares and warrants over ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year ended 31 December 2011 (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2011/ date of appointment	Bought	Sold	At 31.12.2011
Hap Seng Plantations Holdings Berhad				
Tan Sri Ahmad Bin Mohd Don	20,000	-	-	20,000
Datuk Edward Lee Ming Foo, JP	110,000	-	(110,000)	-
Lee Wee Yong (appointed on 2.2.2011)	70,000	-	-	70,000
Au Yong Siew Fah	163,000	-	-	163,000
Dato' Jorgen Bornhoft	10,000	-	-	10,000
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000
Wong Yuen Kuai, Lucien	110,000	-	-	110,000
	*50,000	-	-	50,000
Tan Sri Abdul Hamid Egoh	110,000	-	-	110,000
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan (appointed on 1.1.2011)	490,000	100,000	-	590,000

* Held through his spouse

Directors' interests (continued)

	Number of ordinary shares of RM1.00 each At 1.1.2011	Bought	Sold	At 31.12.2011
Hap Seng Consolidated Berhad (HSCB), Immediate holding company				
Au Yong Siew Fah	67,000	^134,000	-	
		#41,600	-	250,000
		7,400	-	
Dato' Jorgen Bornhoft	50,000	^100,000	-	180,000
		#30,000	-	

^ Allotment of bonus shares pursuant to the Bonus Issue Exercise undertaken by HSCB on the basis of 2 bonus shares for every 1 existing ordinary share held.

Allotment of rights shares pursuant to the Rights Issue with Warrants Exercise undertaken by HSCB.

	Number of warrants over ordinary shares of RM1.00 each At 1.1.2011	Bought	Sold	At 31.12.2011
HSCB				
Au Yong Siew Fah	-	+41,600	-	41,600
Dato' Jorgen Bornhoft	-	+30,000	-	30,000

+ Free detachable warrants issued and allotted pursuant to the Rights Issue with Warrants Exercise undertaken by HSCB. Each warrant entitles the registered holder to subscribe for one (1) ordinary share in HSCB.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 15 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, other than as disclosed in Note 23 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares

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

Treasury shares

During the extraordinary general meeting of the Company held on 6 June 2011, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 7,000 shares at the total cost of RM19,077, which were held as treasury shares. All the repurchases of shares were financed by the Company's internal funds.

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

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
At 1 January 2010	8,000	18,587	2.32
Repurchase during the year	4,000	10,474	2.62
At 31 December 2010 / 1 January 2011	12,000	29,061	2.42
Repurchase during the year	7,000	19,077	2.73
At 31 December 2011	19,000	48,138	2.53

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Holding companies

The immediate holding company is Hap Seng Consolidated Berhad and the ultimate holding company is Gek Poh (Holdings) Sdn Bhd. Both companies are incorporated in Malaysia.

Other statutory information

Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

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

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

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Edward Lee Ming Foo, JP

Au Yong Siew Fah

Kuala Lumpur

9 April 2012

Statements of Financial Position

AS AT 31 DECEMBER 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Assets					
Property, plant and equipment	3	571,468	576,940	956	414
Biological assets	4	1,338,433	1,331,982	-	-
Investment in subsidiaries	5	-	-	1,581,451	1,581,451
Total non-current assets		1,909,901	1,908,922	1,582,407	1,581,865
Inventories	6	28,150	17,523	-	-
Receivables	7	30,244	26,686	20,107	8,679
Tax recoverable		267	7,957	-	-
Cash and cash equivalents	8	146,175	58,699	1,349	5,001
Total current assets		204,836	110,865	21,456	13,680
Total assets		2,114,737	2,019,787	1,603,863	1,595,545
Equity					
Share capital	9	800,000	800,000	800,000	800,000
Share premium		675,578	675,578	675,578	675,578
Retained earnings	9	402,562	285,592	99,744	90,916
		1,878,140	1,761,170	1,575,322	1,566,494
Less: Treasury shares	9	(48)	(29)	(48)	(29)
Total equity		1,878,092	1,761,141	1,575,274	1,566,465
Liabilities					
Bank borrowings	10	-	17,500	-	-
Deferred tax liabilities	11	190,115	190,000	-	-
Total non-current liabilities		190,115	207,500	-	-
Payables	12	35,733	29,417	28,505	28,879
Provision for taxation		10,797	4,229	84	201
Bank borrowings	10	-	17,500	-	-
Total current liabilities		46,530	51,146	28,589	29,080
Total liabilities		236,645	258,646	28,589	29,080
Total equity and liabilities		2,114,737	2,019,787	1,603,863	1,595,545

The notes on pages 60 to 97 are an integral part of these financial statements.

Statements of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue	13	654,866	473,754	153,422	129,767
Cost of goods sold		(252,098)	(196,389)	-	-
Gross profit		402,768	277,365	153,422	129,767
Other operating income		4,818	2,570	90	183
Distribution expenses		(43,946)	(32,697)	-	-
Administrative expenses		(18,030)	(14,037)	(7,020)	(5,087)
Other operating expenses		(5,582)	(5,116)	(200)	(138)
Results from operating activities		340,028	228,085	146,292	124,725
Interest expense		(555)	(1,709)	-	(505)
Profit before tax	14	339,473	226,376	146,292	124,220
Tax expense	16	(86,505)	(57,265)	(1,466)	(1,044)
Profit for the year representing total comprehensive income for the year		252,968	169,111	144,826	123,176
Basic earnings per ordinary share (sen)	17	31.62	21.14		

The notes on pages 60 to 97 are an integral part of these financial statements.

Consolidated Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2011

		Attributable to owners of the Company				
		Non-Distributable			Distributable	
	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
Group						
At 1 January 2010		800,000	675,578	(18)	204,480	1,680,040
Total comprehensive income for the year		-	-	-	169,111	169,111
Purchase of treasury shares	9	-	-	(11)	-	(11)
Dividends	18	-	-	-	(87,999)	(87,999)
At 31 December 2010 / 1 January 2011		800,000	675,578	(29)	285,592	1,761,141
Total comprehensive income for the year		-	-	-	252,968	252,968
Purchase of treasury shares	9	-	-	(19)	-	(19)
Dividends	18	-	-	-	(135,998)	(135,998)
At 31 December 2011		800,000	675,578	(48)	402,562	1,878,092
Company						
At 1 January 2010		800,000	675,578	(18)	55,739	1,531,299
Total comprehensive income for the year		-	-	-	123,176	123,176
Purchase of treasury shares	9	-	-	(11)	-	(11)
Dividends	18	-	-	-	(87,999)	(87,999)
At 31 December 2010 / 1 January 2011		800,000	675,578	(29)	90,916	1,566,465
Total comprehensive income for the year		-	-	-	144,826	144,826
Purchase of treasury shares	9	-	-	(19)	-	(19)
Dividends	18	-	-	-	(135,998)	(135,998)
At 31 December 2011		800,000	675,578	(48)	99,744	1,575,274

The notes on pages 60 to 97 are an integral part of these financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash flows from operating activities					
Profit before tax		339,473	226,376	146,292	124,220
Adjustments for:					
Depreciation of property, plant and equipment	3	26,031	24,401	200	138
Dividend income		-	-	(145,631)	(124,145)
(Gain)/Loss on disposal of property, plant and equipment		(17)	(40)	49	31
Interest income		(2,965)	(760)	(90)	(214)
Interest expense		555	1,709	-	505
Biological assets written off	4	-	331	-	-
Property, plant and equipment written off		54	757	-	-
Operating profit before changes in working capital		363,131	252,774	820	535
Inventories		(10,627)	6,147	-	-
Receivables		(3,558)	(7,140)	(13)	60
Payables		6,316	4,502	288	(145)
Cash generated from operations		355,262	256,283	1,095	450
Tax refunded		14,035	-	-	-
Tax paid		(86,167)	(57,940)	(1,583)	(705)
Interest received		2,965	760	90	214
Interest paid		(555)	(1,709)	-	(505)
Net cash generated from/(used in) operating activities		285,540	197,394	(398)	(546)

The notes on pages 60 to 97 are an integral part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash flows from investing activities					
Additions to biological assets	4	(6,451)	(5,852)	-	-
Dividends received from subsidiaries (net)		-	-	145,631	124,145
Purchase of property, plant and equipment	3	(21,038)	(27,917)	(1,168)	(249)
Proceeds from disposal of property, plant and equipment		442	353	377	185
Net cash (used in)/generated from investing activities		(27,047)	(33,416)	144,840	124,081
Cash flows from financing activities					
Balances with related companies		-	-	663	(32)
Balances with subsidiaries		-	-	(12,740)	10,743
Dividends paid to shareholders of the Company (net)		(135,998)	(87,999)	(135,998)	(87,999)
Repayment of bank borrowings		(35,000)	(51,834)	-	(43,500)
Shares repurchased at cost		(19)	(11)	(19)	(11)
Net cash used in financing activities		(171,017)	(139,844)	(148,094)	(120,799)
Net increase/(decrease) in cash and cash equivalents		87,476	24,134	(3,652)	2,736
Cash and cash equivalents at 1 January		58,699	34,565	5,001	2,265
Cash and cash equivalents at 31 December	(i)	146,175	58,699	1,349	5,001

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash and bank balances	9,773	7,209	1,349	601
Deposits with licensed banks	136,402	51,490	-	4,400
	146,175	58,699	1,349	5,001

Notes to the Financial Statements

Hap Seng Plantations Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company are as follows:

21st Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur

The consolidated financial statements of the Company as at end of the financial year ended 31 December 2011 comprise the Company and its subsidiaries.

The Company is principally engaged in investment holding and the carrying out of marketing and trading activities for its subsidiaries whilst the principal activities of the subsidiaries are as stated in Note 5.

The immediate holding company is Hap Seng Consolidated Berhad ("HSCB") and ultimate holding company is Gek Poh (Holdings) Sdn Bhd ("Gek Poh"). Both companies are incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 9 April 2012.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs"), generally accepted accounting principles and the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad.

The Group and the Company have not applied the following accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but are only effective for future financial periods:

	Effective for annual periods beginning on or after
IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
Amendments to FRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 7: Transfers of Financial Assets	1 January 2012
Amendments to FRS 112: Deferred Tax: Recovery of Underlying Assets	1 January 2012
FRS 124 Related Party Disclosures (revised)	1 January 2012
Amendments to FRS 7: Mandatory Effective Date of FRS 9 and Transition Disclosures	*
Amendments to FRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 Employee Benefits (revised)	1 January 2013
FRS 127 Separate Financial Statements (revised)	1 January 2013
FRS 128 Investment in Associate and Joint Ventures (revised)	1 January 2013

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

	Effective for annual periods beginning on or after
IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to FRS 7: Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 132: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 9: Financial Instruments	1 January 2015

* Effective immediately as of 1 March 2012

The Group and the Company plan to apply the above mentioned standards, amendments and interpretations when they become effective in the respective financial period.

These standards, amendments and interpretations are not expected to have any significant impacts on the financial statements of the Group and the Company upon their initial adoption.

<u>Malaysian Financial Reporting Standards ("MFRS Framework")</u>

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

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

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

The Group falls within the definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will first prepare its financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 December 2013. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2013.

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Group's and the Company's functional currency. All financial information presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group and the Company.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011 the Group has applied FRS 3, *Business Combinations* (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Loss of control

The Group applied FRS 127, *Consolidated and Separate Financial Statements* (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(h)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

The Group and the Company have not designated any financial liabilities as fair value through profit or loss. The Group's and the Company's other financial liabilities include payables and bank borrowings.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Road and infrastructure	1% to 4%
Buildings	2% to 10%
Plant, machinery and motor vehicles	7% to 25%
Furniture, fittings and equipment	10% to 33 1/3%

Leasehold land of the Group is amortised over the period of the respective leases which range from 59 to 999 years.

Depreciation methods, useful lives and residual value are reviewed, and adjusted as appropriate at the end of the reporting period.

(d) Biological assets

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

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

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

No amortisation is considered necessary for plantation development expenditure as the estate is maintained through replanting programmes and replanting expenditure is written off to profit or loss during the year when it is incurred.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition.

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

2. Significant accounting policies (continued)

(f) Receivables

Trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(b).

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, deposits with licensed banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with Note 2(b).

(h) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as cash-generating unit).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or the group of the cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. Significant accounting policies (continued)

(i) Share capital

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Shares issue expenses

Incremental costs directly attributable to issue of shares and share options classified as equity are recognised as a deduction from equity.

(ii) Repurchase, disposal and reissue of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in the share premium.

(j) Employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

The Group's contributions to the Employees' Provident Fund are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(k) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

2. Significant accounting policies (continued)

(l) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Significant accounting policies (continued)

(n) Earnings per share

The Group presents basic earnings per share data for its ordinary shares (EPS).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own share held.

(o) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3. Property, plant and equipment

	Leasehold land RM'000	Road and infrastructure RM'000	Buildings RM'000	Plant, machinery and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work in progress RM'000	Total RM'000
Group							
Cost							
1 January 2010	371,607	86,050	155,960	158,816	11,007	18,388	801,828
Additions	-	1,050	132	8,511	461	17,763	27,917
Disposals	-	-	(97)	(1,086)	(39)	-	(1,222)
Write off	-	-	(800)	(649)	(408)	-	(1,857)
Reclassifications	-	8,264	3,311	5,672	6	(17,253)	-
At 31 December 2010 / 1 January 2011	371,607	95,364	158,506	171,264	11,027	18,898	826,666
Additions	-	760	1,472	8,277	704	9,825	21,038
Disposals	-	-	-	(651)	-	-	(651)
Write off	-	-	(4)	(1,869)	(428)	-	(2,301)
Reclassifications	-	12,346	4,666	1,472	216	(18,700)	-
At 31 December 2011	371,607	108,470	164,640	178,493	11,519	10,023	844,752
Accumulated depreciation							
1 January 2010	22,370	13,437	66,616	115,313	9,598	-	227,334
Charge for the year	4,385	2,744	5,915	10,849	508	-	24,401
Disposals	-	-	(97)	(773)	(39)	-	(909)
Write off	-	-	(77)	(638)	(385)	-	(1,100)
At 31 December 2010 / 1 January 2011	26,755	16,181	72,357	124,751	9,682	-	249,726
Charge for the year	4,384	3,350	6,117	11,665	515	-	26,031
Disposals	-	-	-	(226)	-	-	(226)
Write off	-	-	(4)	(1,829)	(414)	-	(2,247)
At 31 December 2011	31,139	19,531	78,470	134,361	9,783	-	273,284
Carrying amounts							
At 31 December 2010	344,852	79,183	86,149	46,513	1,345	18,898	576,940
At 31 December 2011	340,468	88,939	86,170	44,132	1,736	10,023	571,468

3. Property, plant and equipment (continued)

Leasehold land represented by:

	Group	
	2011 RM'000	2010 RM'000
Unexpired period more than 50 years	321,619	325,677
Unexpired period less than 50 years	18,849	19,175
	340,468	344,852

	Furniture, fittings & equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
Cost			
1 January 2010	83	614	697
Additions	-	249	249
Disposals	-	(244)	(244)
At 31 December 2010 / 1 January 2011	83	619	702
Additions	13	1,155	1,168
Disposals	-	(492)	(492)
At 31 December 2011	96	1,282	1,378
Accumulated depreciation			
1 January 2010	20	158	178
Charge for the year	15	123	138
Disposals	-	(28)	(28)
At 31 December 2010 / 1 January 2011	35	253	288
Charge for the year	15	185	200
Disposals	-	(66)	(66)
At 31 December 2011	50	372	422
Carrying amounts			
At 31 December 2010	48	366	414
At 31 December 2011	46	910	956

4. Biological assets

	Group 2011 RM'000	Group 2010 RM'000
Cost		
At 1 January	1,331,982	1,326,461
Additions	6,451	5,852
Write off	-	(331)
At 31 December	1,338,433	1,331,982

5. Investments in subsidiaries

	Company 2011 RM'000	Company 2010 RM'000
Unquoted shares, at cost	1,581,451	1,581,451

Details of the subsidiaries as at 31 December 2011 which are all incorporated in Malaysia are as follows:

Name of subsidiaries	Principal activities	Effective ownership interest (%) 2011	Effective ownership interest (%) 2010
Jeroco Plantations Sdn Bhd	Cultivation of oil palm and processing of fresh fruit bunches	100	100
Hap Seng Plantations (River Estates) Sdn Bhd and it subsidiaries	Cultivation of oil palm, processing of fresh fruit bunches and investment holding	100	100
Hap Seng Plantations (Ladang Kawa) Sdn Bhd	Cultivation of oil palm	100	100
Hap Seng Plantations (Wecan) Sdn Bhd	Cultivation of oil palm	100	100
Hap Seng Plantations (Tampilit) Sdn Bhd	Cultivation of oil palm	100	100
Hap Seng Plantations (Kota Marudu) Sdn Bhd	Cultivation of oil palm	100	100
Hap Seng Plantations Livestocks (Kota Marudu) Sdn Bhd	Livestock farming	100	100
Pelipikan Plantation Sdn Bhd	Cultivation of oil palm	100	100

6. Inventories

	Group	
	2011 RM'000	2010 RM'000
Consumables stores	22,625	13,784
Planting materials	2,376	1,820
Produce stocks	2,467	1,092
Livestocks	682	827
	28,150	17,523
Recognised in profit or loss:		
Inventories recognised as cost of sales	232,390	180,685
Write down to net realisable value	431	348

7. Receivables

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade					
Trade receivables	a	29,773	25,700	-	-
Amount due from subsidiaries	a	-	-	718	723
		29,773	25,700	718	723
Non-trade					
Other receivables		471	795	19	6
Amount due from subsidiaries	b	-	-	19,370	7,950
Amount due from related companies	b	-	191	-	-
		471	986	19,389	7,956
		30,244	26,686	20,107	8,679

Note a
All trade balances are denominated in the functional currency, which is in Ringgit Malaysia (RM), interest free and receivable within its normal trade terms.

Note b
The non-trade amount due from subsidiaries and related companies are unsecured, interest free and repayable on demand.

8. Cash and cash equivalents

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits with licensed banks	136,402	51,490	-	4,400
Cash and bank balances	9,773	7,209	1,349	601
	146,175	58,699	1,349	5,001

9. Capital and reserves

	Group and Company			
	2011		2010	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Share capital				
Authorised				
Ordinary shares of RM1 each				
At 31 December	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid				
Ordinary shares of RM1 each				
At 31 December	800,000	800,000	800,000	800,000

9. Capital and reserves (continued)

Treasury shares

During the extraordinary general meeting of the Company held on 6 June 2011, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 7,000 shares at the total cost of RM19,077, which were held as treasury shares. All the repurchases of shares were financed by the Company's internal funds.

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

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
At 1 January 2010	8,000	18,587	2.32
Repurchase during the year	4,000	10,474	2.62
At 31 December 2010 / 1 January 2011	12,000	29,061	2.42
Repurchase during the year	7,000	19,077	2.73
At 31 December 2011	19,000	48,138	2.53

Retained earnings

The Company has opted for the single-tier system on 28 January 2008 under which retained earnings are distributable as single-tier tax exempt dividends.

10. Bank borrowings

This note provides information about the contractual terms of the Group interest bearing bank borrowings.

	Group	
	2011 RM'000	2010 RM'000
Non-current		
Unsecured term loan	-	17,500
Current		
Unsecured term loan	-	17,500

The unsecured term loan was repayable between 1 to 3 years.

All bank borrowings were denominated in the functional currency, which was in Ringgit Malaysia ("RM").

Interest rates

The interest rate charged for bank borrowings was based on floating rate at 3.32% (2010: 2.53% to 3.46%) per annum.

The unsecured term loan was fully settled during the year.

11. Deferred tax liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Property, plant and equipment	-	-	(117,089)	(116,305)	(117,089)	(116,305)
Biological assets	-	-	(75,246)	(74,853)	(75,246)	(74,853)
Unutilised tax losses	2,220	1,158	-	-	2,220	1,158
Net tax assets/ (liabilities)	2,220	1,158	(192,335)	(191,158)	(190,115)	(190,000)

Movement in temporary differences during the year

	Group				
	At 1.1.2010 RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2010/ 1.1.2011 RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2011 RM'000
Property, plant and equipment	(113,061)	(3,244)	(116,305)	(784)	(117,089)
Biological assets	(73,775)	(1,078)	(74,853)	(393)	(75,246)
Unutilised tax losses	418	740	1,158	1,062	2,220
	(186,418)	(3,582)	(190,000)	(115)	(190,115)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2011 RM'000	2010 RM'000
Unabsorbed capital allowances	202	86
Unutilised tax losses	4,087	3,251
Other taxable temporary differences	(173)	(71)
	4,116	3,266

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

12. Payables

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Trade					
Trade payables	a	15,378	8,494	-	-
Amount due to ultimate holding company	a	-	108	-	-
Amount due to subsidiaries	a	-	-	300	-
Amount due to related companies	a	3,806	2,604	1,492	829
		19,184	11,206	1,792	829
Non-trade					
Other payables		16,435	18,211	1,392	1,104
Amount due to subsidiaries	b	-	-	25,321	26,946
Amount due to related companies	b	114	-	-	-
		16,549	18,211	26,713	28,050
		35,733	29,417	28,505	28,879

Note a
All trade balances are denominated in the functional currency, which is in Ringgit Malaysia (RM), interest free and subject to the normal trade terms.

Note b
The non-trade balance due to subsidiaries and related companies are unsecured, interest free and repayable on demand.

13. Revenue

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Sales of plantation produce	654,866	473,754	-	-
Gross dividend income	-	-	145,631	124,145
Selling commission	-	-	7,791	5,622
	654,866	473,754	153,422	129,767

14. Profit before tax

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit before tax is arrived at after charging:				
Auditors' remuneration:				
- Statutory audit				
KPMG				
- current year	145	145	25	25
- under provision in prior years	-	15	-	-
- Other services				
KPMG	11	11	11	11
Affiliates of KPMG				
- current year	25	30	6	6
- over provision in prior years	(5)	(6)	-	-
Depreciation of property, plant and equipment	26,031	24,401	200	138
Equipment hiring charges	3,234	3,032	-	-
Loss on disposal of property, plant and equipment	-	-	49	31
Management fees	2,520	2,520	2,520	2,520
Personnel expenses (including key management personnel)				
- Contributions to Employees' Provident Fund	3,189	2,110	228	108
- Wages, salaries and others	75,425	58,123	2,278	1,251
Property, plant and equipment written off	54	757	-	-
Biological assets written off	-	331	-	-
Write down of inventories	431	348	-	-
Rental expenses	2,246	1,981	143	91
Replanting expenses	10,497	5,984	-	-
and after crediting:				
Dividend income from subsidiaries				
– unquoted shares	-	-	145,631	124,145
Gain on disposal of property, plant and equipment	17	40	-	-
Plantation management fee income	53	56	-	-
Rental income from letting of shops in estates	178	201	-	-
Interest income	2,965	760	90	214
Insurance claim received	503	738	-	-

15. Key management personnel compensations

The key management personnel compensations are as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Directors of the Company:				
- Fees	270	270	270	270
- Remuneration	1,751	1,654	585	543
- Other short term employee benefits *	68	41	-	-
	2,089	1,965	855	813
Other Directors:				
- Fees	198	198	-	-
- Remuneration	-	-	-	-
- Other short term employee benefits *	-	-	-	-
	198	198	-	-
	2,287	2,163	855	813
Other key management personnel:				
- Remuneration	5,413	3,871	1,509	732
- Other short term employee benefits *	222	194	57	36
	5,635	4,065	1,566	768

* Including estimated monetary value of benefits-in-kind.

Other key management personnel comprise persons other than the Directors of the Group having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

16. Tax expense

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current tax expense				
- Current year provisions	86,313	55,421	1,365	1,048
- Under/(Over) provision in prior years	77	(1,738)	101	(4)
	86,390	53,683	1,466	1,044
Deferred tax expense				
- Origination of temporary differences	115	2,585	-	-
- Under provision in prior years	-	997	-	-
	115	3,582	-	-
Total tax expense	86,505	57,265	1,466	1,044
Reconciliation of effective tax expense				
Profit before tax	339,473	226,376	146,292	124,220
Tax calculated using Malaysian tax rate of 25%	84,868	56,594	36,573	31,055
Non-deductible expenses	1,368	1,468	1,200	1,029
Non-taxable income	-	(190)	(36,408)	(31,036)
Deferred tax assets not recognised during the year	192	134	-	-
	86,428	58,006	1,365	1,048
Under/(Over) provision of tax in prior years	77	(1,738)	101	(4)
Under provision of deferred tax in prior years	-	997	-	-
	86,505	57,265	1,466	1,044

17. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to owners of the Company and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2011 RM'000	2010 RM'000
Profit attributable to owners of the Company	252,968	169,111

	Group	
	2011 '000	2010 '000
Weighted average number of ordinary shares		
Issued ordinary shares net of treasury shares at 1 January	799,988	799,992
Effect of shares buyback during the year	(2)	(2)
Weighted average number of ordinary shares at 31 December	799,986	799,990
Basic earnings per share (sen)	31.62	21.14

18. Dividends

i) Dividends recognised during the year by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2011			
Final 31.12.2010 ordinary	7	55,999	23 June 2011
Interim 31.12.2011 ordinary	10	79,999	27 September 2011
Total amount	17	135,998	
2010			
Final 31.12.2009 ordinary	5	40,000	8 June 2010
Interim 31.12.2010 ordinary	6	47,999	20 September 2010
Total amount	11	87,999	

ii) Second interim dividend

On 14 February 2012, the Board of Directors approved a second interim dividend in respect of the financial year ended 31 December 2011, of 10 sen per share under the single-tier system amounting to RM79,998,100 based on the paid-up share capital of 799,981,000 ordinary shares of RM1.00 each after deducting 19,000 treasury shares and was paid on 12 March 2012. The financial statements for the current financial year do not reflect this dividend and it will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2012.

As the aforesaid second interim dividend was approved in lieu of final dividend, the Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2011.

	Sen per share	Total amount RM'000
Second interim dividend	10	79,998

The Company has elected for single-tier system on 28 January 2008. Hence, all the dividends are tax exempt in the hands of shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967.

19. Capital commitments

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Capital expenditure				
Authorised but not contracted for	68,818	70,604	1,707	500
Contracted but not provided for	19,366	10,985	-	-
	88,184	81,589	1,707	500

20. Segmental reporting

Information about segment assets, segment liabilities, segment operating results and revenues from external customers by product

The Group has only one reportable segment. All informations on segment assets, segment liabilities and segment operating results can be directly obtained from the statement of financial position and statement of comprehensive income. The total revenue is derived primarily from external customers.

Information about geographical area

No geographical information has been provided as the Group activities are carried out in Malaysia.

Information about major customers

Revenue from 2 (2010: 2) major customers amounted to RM549,318,000 (2010:RM410,427,000) arising from sales of crude palm oil and palm kernel.

21. Financial instruments

21.1 Categories of financial instruments

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

(a) Loans and receivables (L&R); and
(b) Other financial liabilities measured at amortised cost (OL).

	Group		Company	
	Carrying amount RM'000	L&R RM'000	Carrying amount RM'000	L&R RM'000
2011				
Financial assets				
Receivables	30,244	30,244	20,107	20,107
Cash and cash equivalents	146,175	146,175	1,349	1,349
	176,419	176,419	21,456	21,456
2010				
Financial assets				
Receivables	26,686	26,686	8,679	8,679
Cash and cash equivalents	58,699	58,699	5,001	5,001
	85,385	85,385	13,680	13,680

21. Financial instruments (continued)

21.1 Categories of financial instruments (continued)

	Group Carrying amount RM'000	Group OL RM'000	Company Carrying amount RM'000	Company OL RM'000
2011				
Financial liabilities				
Payables	35,733	35,733	28,505	28,505
2010				
Financial liabilities				
Bank borrowings	35,000	35,000	-	-
Payables	29,417	29,417	28,879	28,879
	64,417	64,417	28,879	28,879

21.2 Net gains and losses arising from financial instruments

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Net gains/(losses) on:				
Loan and receivables	2,965	760	90	214
Financial liabilities measured at amortised cost	(555)	(1,709)	-	(505)
	2,410	(949)	90	(291)

21.3 Financial risk management

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

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

21. Financial instruments (continued)

21.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on potential customers before entering into any contracts.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables.

The ageing of trade receivables as at the end of the reporting period was:

	Group RM'000	Company RM'000
2011		
Not past due	21,034	718
Past due 1 – 30 days	8,739	-
	29,773	718

	Group RM'000	Company RM'000
2010		
Not past due	19,742	723
Past due 1 – 30 days	5,958	-
	25,700	723

21. Financial instruments (continued)

21.4 Credit risk (continued)

Impairment losses

As at the end of the reporting period, there was no indication that the trade receivables which were past due are not recoverable.

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances are repayable on demand.

21. Financial instruments (continued)

21.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000
Group					
2011					
Non-derivative financial liabilities					
Payables	35,733	-	35,733	35,733	-
2010					
Non-derivative financial liabilities					
Unsecured bank borrowings	35,000	3.32	36,387	18,483	17,904
Payables	29,417	-	29,417	29,417	-
	64,417	3.32	65,804	47,900	17,904
Company					
2011					
Payables	28,505	-	28,505	28,505	-
2010					
Payables	28,879	-	28,879	28,879	-

21. Financial instruments (continued)

21.6 Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Group's financial position or cash flows.

21.6.1 Interest rate risk

The Group exposure to market risk for changes in interest rates relates primarily to fixed deposits and borrowings with licensed banks.

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interests.

Risk management objectives, policies and process for managing the risk

The Group manages its borrowing interest costs using floating rate bank facilities. The Group does not use derivative financial instruments to hedge any debts obligations.

The Group places excess funds with reputable licensed banks to generate interest income for the Group. The Group manages its fixed deposits interest rate by placing such balances on varying maturities and interest rate terms.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Fixed rate instruments				
Financial assets	136,402	51,490	-	4,400
Floating rate instruments				
Financial liabilities	-	35,000	-	-

21. **Financial instruments** (continued)

21.6 Market risk (continued)

21.6.1 Interest rate risk (continued)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

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

	2011 Profit or loss		2010 Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
Group				
Floating rate instruments	-	-	(263)	263

21. Financial instruments (continued)

21.7 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Company's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The fair values of other financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2011		2010	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Unsecured bank borrowings	-	-	35,000	35,000

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, is as follows:

	Group and Company	
	2011	2010
Unsecured bank borrowings	-	3.15%

22. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor the adequacy of capital on an ongoing basis. There were no changes in the Group's approach to capital management during the year.

23. Significant related parties transactions

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 15), are as follows:

	Transaction value 2011 RM'000 Revenue/ (Expense)	Balance outstanding as at 2011 RM'000 Due from/(to)	Transaction value 2010 RM'000 Revenue/ (Expense)	Balance outstanding as at 2010 RM'000 Due from/(to)
Group				
Firm connected to Datuk Edward Lee Ming Foo, JP,				
a Director of the Company:				
Corporated International Consultants				
Project consultancy fee payable	(131)	-	(177)	(184)
Group				
Ultimate holding company, Gek Poh and its other subsidiaries				
Insurance expenses	(2,172)	-	(2,049)	(108)
Immediate holding company, HSCB and its subsidiaries				
Management fees	(2,520)	(630)	(2,520)	(630)
Dividend paid	(75,002)	-	(45,365)	-
Plantation management fee income	53	19	56	19
Rental expense	(203)	-	(159)	-
Purchase of vehicles and spare parts	(3,618)	(920)	(6,555)	(377)
Purchase of fertilisers and chemicals	(38,576)	(435)	(36,479)	(65)
Contract expenses	(102)	-	(259)	-
Purchase of diesel, petrol and lubricant	(23,493)	(1,272)	(18,011)	(1,327)
Purchase of building materials	(751)	(55)	(376)	(40)
Purchase of stone and sand	(1,343)	(526)	(3,057)	(184)
Sales of products	26	13	16	-

23. Significant related parties transactions (continued)

	Transaction value 2011 RM'000 Revenue/ (Expense)	Balance outstanding as at 2011 RM'000 Due from/(to)	Transaction value 2010 RM'000 Revenue/ (Expense)	Balance outstanding as at 2010 RM'000 Due from/(to)
Company				
Ultimate holding company, Gek Poh and its other subsidiaries				
Insurance expenses	(77)	-	(11)	-
Company				
Immediate holding company, HSCB and its subsidiaries				
Management fees	(2,520)	(630)	(2,520)	(630)
Dividend paid	(75,002)	-	(45,365)	-
Rental expense	(143)	-	(91)	-
Purchase of vehicles and spare parts	(806)	(862)	(106)	(199)
Subsidiaries				
Dividend income	145,631	-	124,145	-
Selling commission	7,791	717	5,622	723
Purchase of livestocks	(300)	(300)	-	-

The above transactions except for dividend income and dividend paid have been entered into in the normal course of the business and have been established under negotiated terms.

All the outstanding balances are expected to be settled in cash to/by the related parties.

24. Supplementary information on the breakdown of realised and unrealised profits or losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at end of the reporting period into realised and unrealised profits, pursuant to the directive, is as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	800,423	682,955	99,744	90,916
- unrealised	(129,804)	(128,951)	-	-
	670,619	554,004	99,744	90,916
Less: Consolidation adjustments	(268,057)	(268,412)	-	-
Total retained earnings	402,562	285,592	99,744	90,916

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

Statement by Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 55 to 97 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 2011 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 24 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Datuk Edward Lee Ming Foo, JP

Au Yong Siew Fah

Kuala Lumpur

9 April 2012

Statutory Declaration

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

I, **Lee Wee Yong**, the Director primarily responsible for the financial management of Hap Seng Plantations Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 55 to 98 are, to the best of my knowledge and belief, 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 above named in Kuala Lumpur on 9 April 2012.

Lee Wee Yong

Before me:

PESURUHJAYA SUMPAH
No: W 594
P. VALLIAMAH
MALAYSIA

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

Independent Auditors' Report

TO THE MEMBERS OF HAP SENG PLANTATIONS HOLDINGS BERHAD

Report on the Financial Statements

We have audited the financial statements of Hap Seng Plantations Holdings Berhad, which comprise the statement of financial position as at 31 December 2011 of the Group and of the Company and the statement of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 55 to 97.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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 of 31 December 2011 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 of which we have acted as auditors 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 Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 24 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not part of the financial statements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Lee Hean Kok
Approval Number: 2700/12/13 (J)
Chartered Accountant

9 April 2012

Sandakan

Additional Information

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

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

The Company did not raise any proceeds from corporate proposal during the financial year.

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year.

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

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

4. PARTICULARS OF SANCTIONS AND/OR PENALTIES IMPOSED

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2011.

5. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered by the external auditors and/or its affiliates to the Group for the financial year ended 31 December 2011 was RM31,000 as disclosed in Note 14 to the Financial Statements.

6. VARIATION IN RESULTS

There were no material variances in the Company's audited consolidated financial results for the financial year ended 31 December 2011 and the unaudited results for the same period previously released in the quarterly report to Bursa Malaysia Securities Berhad on 14 February 2012.

7. PROFIT GUARANTEES

There was no profit guarantee given by the Company during the financial year ended 31 December 2011.

8. MATERIAL CONTRACTS

There were no material contracts involving the Company and its subsidiaries with directors' and/or major shareholders' interest, either still subsisting at the end of the financial year, or if not subsisting, entered into since the end of the financial year ended 31 December 2011, except for the following:-

i. Related Party Transactions during the financial year ended 31 December 2011 entered in the ordinary course of business and on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority interests, have been disclosed in Note 23 to the Financial Statements.

The Company will be seeking Shareholders' Mandate for Recurrent Related Party Transactions at an Extraordinary General Meeting which will be convened on 28 May 2012 immediately after the conclusion of the Annual General Meeting to be held on the same date.

Location	Land title	Area *(hectares)*	Description	Date of acquisition	Tenure	Expiry date	Approximate age of buildings *(years)*	Net book value at 31/12/2011 RM'000
SABAH								
KINABATANGAN, LAHAD DATU								
Tomanggong Estate	Lease No. 095310017	347.00	Oil palm plantation	September 2007	Leasehold 99 years	2067	-	
	CL 095324897	567.80	Jungle land, not cultivated yet	September 2007	Leasehold 99 years	2094	-	
	CL 095316304	3,971.77	Oil palm plantation & buildings	September 2007	Leasehold 999 years	2894	6 - 45	
		3.23	Tomanggong Palm Oil Mill				42	
Tabin Estate	Lease No. 095310017	842.00	Oil palm plantation	September 2007	Leasehold 99 years	2067	-	
	CL 095324879	182.10	Jungle land, not cultivated yet	September 2007	Leasehold 99 years	2093	-	
	CL 075359465	1,430.67	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2076	6 - 28	
	24 various Native titles *	124.00	Not cultivated	September 2007	Leasehold 99 years	2098 2097	-	
Tagas Estate	Lease No. 095310017	1,422.89	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2067	6 - 36	
	CL 075359438	587.74	Oil palm plantation	September 2007	Leasehold 99 years	2076	-	
Litang Estate	CL 075359456	146.90	Oil palm plantation	September 2007	Leasehold 99 years	2076	-	960,351
	CL 075359447	262.92	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2076	7 - 29	
	CL 095321092	366.80	Oil palm plantation	September 2007	Leasehold 99 years	2091	-	
	CL 095316340	414.00	Oil palm plantation	September 2007	Leasehold 999 years	2887	-	
	CL 095316359	380.00	Oil palm plantation	September 2007	Leasehold 999 years	2900	-	
Sungai Segama Estate	CL 095317605	3,843.00	Oil palm plantation & buildings Plantation Central Office & Club house	September 2007	Leasehold 99 years	2089	6 - 20	
	CL 095317614	1,331.00	Oil palm plantation	September 2007	Leasehold 99 years	2089	-	
Bukit Mas Estate	CL 095317614	3,704.90	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2089	7 - 18	
		8.10	Bukit Mas Palm Oil Mill				13	
	CL 095316340	1,020.00	Oil palm plantation & buildings	September 2007	Leasehold 999 years	2887	6 - 17	

Location	Land title	Area *(hectares)*	Description	Date of acquisition	Tenure	Expiry date	Approximate age of buildings *(years)*	Net book value at 31/12/2011 RM'000
KINABATANGAN, LAHAD DATU (continued)								
Batangan Estate	CL 095311005	1,991.94	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	6 - 30	
	CL 095311014	1,640.94	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	6 - 30	
Lutong Estate	CL 095311014	2,406.00	Oil palm plantation & buildings & Jelutong	September 2007	Leasehold 99 years	2078	11 - 22	
	CL 095332264	5.98	Oil palm plantation	September 2007	Leasehold 99 years	2098	-	
	CL 095332282	15.18	Oil palm plantation	September 2007	Leasehold 99 years	2099	-	
	CL 095332291	15.17	Oil palm plantation	September 2007	Leasehold 99 years	2099	-	694,780
	CL 095332273	6.07	Oil palm plantation	September 2007	Leasehold 99 years	2098	-	
Lokan Estate	CL 095311005	1,968.00 **	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	11	
	CL 095310973	1,187.39	Oil palm plantation & buildings Air control tower	September 2007	Leasehold 99 years	2078	11 - 16	
Kapis Estate	CL 095310973	2,668.85	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	9 - 25	
		12.15	Jeroco Palm Oil Mill I & II				15 - 24	
Lungmanis Estate	CL 095310973	2,200.00	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	11 - 17	
Wecan Estate	CL 095317427	1,078.00	Oil palm plantation	September 2007	Leasehold 99 years	2084	-	48,778
Tampilit Estate	CL 095317418	201.70	Oil palm plantation	September 2007	Leasehold 99 years	2084	-	9,022

Location	Land title	Area *(hectares)*	Description	Date of acquisition	Tenure	Expiry date	Approximate age of buildings *(years)*	Net book value at 31/12/2011 RM'000
TAWAU								
Apas Claremont Estate	Lease No. 105319775	185.95	Oil palm plantation	September 2007	Leasehold 99 years	2058	-	
	CL 105350909	105.50	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2058	8 - 30	
	CL 105334049	80.85	Oil palm plantation	September 2007	Leasehold 99 years	2058	-	
	CL 105343762	13.95	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2064	30	
	PL 106260833	36.90	Oil palm plantation	September 2007	Leasehold 99 years	2061	-	
	PL 106261349	34.05	Oil palm plantation	September 2007	Leasehold 99 years	2061	-	
	PL 106261330	60.32	Oil palm plantation	September 2007	Leasehold 99 years	2061	-	
	CL 105246179	34.96	Oil palm plantation	September 2007	Leasehold 99 years	2061	-	
Muul Hill Estate	Lease No. 105315955	90.35	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2062	30	59,451
	Lease No. 105320161	194.13	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2068	30	
	Lease No. 105315900	87.00	Oil palm plantation	September 2007	Leasehold 99 years	2063	-	
	Lease No. 105316032	39.69	Oil palm plantation	September 2007	Leasehold 99 years	2065	-	
	Lease No.105315857	81.06	Oil palm plantation	September 2007	Leasehold 99 years	2062	-	
	CL 105342550	12.10	Oil palm plantation	September 2007	Leasehold 99 years	2073	-	
	CL 105342541	18.76	Oil palm plantation	September 2007	Leasehold 99 years	2071	-	
	CL 105351915	180.77	Oil palm plantation	September 2007	Leasehold 99 years	2072	-	
	CL 105342532	19.79	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2071	30	

Particulars of Group's Properties

Location	Land title	Area *(hectares)*	Description	Date of acquisition	Tenure	Expiry date	Approximate age of buildings	Net book value at 31/12/2011 RM'000
KOTA MARUDU								
Pelipikan Estate, Kg Natu	CL 225326170	403.10	Oil palm plantation & buildings	August 2008	Leasehold 99 years	2102		
Pelipikan Estate, Kg Natu	CL 225319013	323.60	Oil palm plantation & buildings	August 2008	Leasehold 99 years	2101	4 - 12	45,232
Pelipikan Estate, Kg Natu	#	81.00	Oil palm plantation	August 2008	-	-		
Pelipikan Estate, Kg Natu	251 various Native titles ***	1,364.91	Oil palm plantation & buildings	December 2009	Leasehold 30 years	2039	6 - 7	36,396
Total		39,803						1,854,010

* *Native land in Tabin Estate which were sub-leased to Hap Seng Plantations (River Estates) Sdn Bhd*

** *This land area excludes 87 hectares that has been gazetted as forest reserve*

*** *Native land in Pelipikan Estate which were sub-leased to Pelipikan Plantation Sdn Bhd*

\# *Land title currently under application*

Analysis of Shareholding

AS AT 30 MARCH 2012

Authorised Share Capital	: RM1,000,000,000
Issued and Fully Paid-up Capital	: RM800,000,000
Class of Shares	: Ordinary Shares of RM1.00 each
Voting Rights	: One Vote per Ordinary Share
Number of Shareholders	: 11,111

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	* No. of Shares Held	% of Issued Capital
1 to 99	117	1.053	2,862	#
100 to 1,000	3,499	31.491	2,727,073	0.341
1,001 to 10,000	5,992	53.929	25,949,826	3.244
10,001 to 100,000	1,307	11.763	38,904,036	4.863
100,001 to less than 5% of issued shares	193	1.737	121,732,503	15.217
5% and above of issued shares	3	0.027	610,664,700	76.335
Total	11,111	100.000	799,981,000	100.000

* *The number of 799,981,000 ordinary shares was arrived at after deducting the number of 19,000 treasury shares retained by the Company from the original issued and paid-up share capital of 800,000,000 ordinary shares of the Company.*

\# *Negligible*

LIST OF 30 LARGEST SHAREHOLDERS

		Shareholding	%(3)
1.	Hap Seng Consolidated Berhad	441,298,800	55.163
2.	Innoprise Corporation Sdn Bhd	119,978,000	14.997
3.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	49,387,900	6.173
4.	Lembaga Tabung Haji	22,253,100	2.781
5.	RHB Capital Nominees (Asing) Sdn Bhd - Kowa Company Ltd – (J)	10,813,000	1.351
6.	Amanahraya Trustees Berhad - Amanah Saham Wawasan 2020	9,373,600	1.171
7.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	3,603,900	0.450
8.	Amanahraya Trustees Berhad - Amanah Saham Didik	3,467,400	0.433
9.	Arab-Malaysian (CSL) Sdn Bhd	3,000,000	0.375
10.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	2,980,700	0.372
11.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (LGF)	2,866,300	0.358
12.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (LPF)	2,149,200	0.268
13.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Koh Kin Lip (MY0502)	2,000,000	0.250
14.	AMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Bright Memory Sdn Bhd	1,838,100	0.229

Analysis of Shareholding

AS AT 30 MARCH 2012

LIST OF 30 LARGEST SHAREHOLDERS (continued)

		Shareholding	%[3]
15.	Gan Teng Siew Realty Sdn Berhad	1,816,766	0.227
16.	CIMB Commerce Trustee Berhad - Public Focus Select Fund	1,792,800	0.224
17.	Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund 59AX for Oregon Public Employees Retirement System	1,501,300	0.187
18.	Employees Provident Fund Board	1,500,000	0.187
19.	Cartaban Nominees (Asing) Sdn Bhd - Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	1,409,900	0.176
20.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.S.A)	1,272,700	0.159
21.	Key Development Sdn Berhad	1,000,000	0.125
22.	HSBC Nominees (Asing) Sdn Bhd - HSBC-FS I for HT Asian Alpha Amoeba Fund	990,000	0.123
23.	HSBC Nominees (Asing) Sdn Bhd - HSBC-FS for Navis Yield Fund	918,500	0.114
24.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for HSBC Amanah Lifeselect Equity Fund (Pacific6467-701)	912,000	0.114
25.	Ti Siok Leong	908,900	0.113
26.	Chinchoo Investment Sdn Berhad	894,900	0.111
27.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	835,000	0.104
28.	Malaysian Trustees Berhad - Pacific Mutual Fund Berhad for Great Eastern Life Assurance (Malaysia) Berhad (Par1)	756,900	0.094
29.	Universal Trustee (Malaysia) Berhad - Pacific Premier Fund	730,800	0.091
30.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (LBF)	728,100	0.091
	Total	692,978,566	86.611

SUBSTANTIAL SHAREHOLDERS

	Shareholding			
	Direct	%[3]	Indirect	%[3]
Hap Seng Consolidated Berhad	441,298,800	55.163		
Innoprise Corporation Sdn Bhd	119,978,000	14.997		
Citigroup Nominees (Tempatan) Sdn Bhd -Employees Provident Fund Board	49,387,900	6.173		
Gek Poh (Holdings) Sdn Bhd			441,298,800[1]	55.163
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak			441,298,800[2]	55.163

[1] *Deemed interests by virtue of its substantial interests in Hap Seng Consolidated Berhad pursuant to Section 6A(4) of the Companies Act, 1965.*

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

[3] *For the purpose of computing the percentage of shareholding above, the number of ordinary shares used was 799,981,000 which was arrived at by deducting 19,000 treasury shares held by the Company from its issued and paid-up capital of 800,000,000.*

Company :	Direct Shareholding No. of Shares	% [(1)]	Indirect Shareholding No. of Shares	% [(1)]
Hap Seng Plantations Holdings Berhad ["HSP"]				
Tan Sri Ahmad Bin Mohd Don	20,000	0.003	-	-
Au Yong Siew Fah	163,000	0.020	-	-
Dato' Jorgen Bornhoft	10,000	0.001	-	-
Datuk Simon Shim Kong Yip, JP	180,000	0.023	-	-
Wong Yuen Kuai, Lucien	110,000	0.014	* 50,000	0.006
Tan Sri Abdul Hamid Egoh	110,000	0.014	-	-
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	590,000	0.074	-	-

Related Corporation :	No. of Shares	% [(2)]	No. of Shares	% [(2)]
Hap Seng Consolidated Berhad ["HSCB"]				
Au Yong Siew Fah	250,000	0.011	-	-
Dato' Jorgen Bornhoft	180,000	0.008	-	-

Related Corporation :	Direct Warrantholding No. of Warrants	% [(3)]	Indirect Warrantholding No. of Warrants	% [(3)]
Hap Seng Consolidated Berhad				
Au Yong Siew Fah	41,600	0.011	-	-
Dato' Jorgen Bornhoft	30,000	0.008	-	-

Notes:

(1) *For the purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,981,000 which was arrived at by deducting 19,000 treasury shares held by HSP from its issued and paid-up share capital of 800,000,000.*

(2) *For the purpose of computing the percentage of HSCB shareholding above, the number of ordinary shares used was 2,177,417,600 which was arrived at by deducting 8,943,400 treasury shares held by HSCB from its issued and paid-up share capital of 2,186,361,000.*

(3) *For the purpose of computing the percentage of HSCB warrantholding above, the number of unexercised warrants was 364,389,300 which was arrived at by deducting 3,600 warrants which had been exercised from the total 364,392,900 warrants issued pursuant to the Rights Issue with Warrants.*

* *Held through his spouse.*

Share Buy-Back Summary

Month	No. of shares bought back and retained as treasury shares	Lowest price paid per share (RM)	Highest price paid per share (RM)	Average cost per share (RM)	Total Cost (RM)	No. of treasury shares cancelled	No. of cumulative treasury shares held
January-11	-	-	-	-	-	-	12,000
February-11	-	-	-	-	-	-	12,000
March-11	-	-	-	-	-	-	12,000
April-11	-	-	-	-	-	-	12,000
May-11	2,000	2.67	2.67	2.6938	5,387.61	-	14,000
June-11	-	-	-	-	-	-	14,000
July-11	-	-	-	-	-	-	14,000
August-11	-	-	-	-	-	-	14,000
September-11	-	-	-	-	-	-	14,000
October-11	-	-	-	-	-	-	14,000
November-11	5,000	2.71	2.73	2.7379	13,689.62	-	19,000
December-11	-	-	-	-	-	-	19,000
Total	7,000	2.67	2.73	2.7253	19,077.23	-	19,000

During the financial year, all the shares bought back by the Company were retained as treasury shares. Consequently, the balance cumulative treasury shares held as at 31 December 2011 were 19,000.

Plantation Statistics

	Financial year ended			Financial period ended	Financial period ended
	31.12.2011	31.12.2010	31.12.2009	31.12.2008 (11 months)	31.1.2008 (From date of completion 7.9.2007)
CROP PRODUCTION - TONNES					
FFB	738,969	677,071	672,768	673,131	358,794
PROCESSED - TONNES					
FFB - own	693,901	636,033	630,412	637,099	341,015
FFB - purchased	107,623	63,001	21,635	19,126	7,986
Palm Oil	168,025	149,941	140,985	141,464	76,119
Palm Kernel	37,050	33,409	30,821	31,900	16,987
EXTRACTION RATE - %					
Palm Oil	20.96	21.45	21.62	21.56	21.81
Palm Kernel	4.62	4.78	4.73	4.86	4.87
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	2,289	2,892	2,634	1,329	2,034
> 7 years to 17 years	16,009	17,899	17,899	19,008	20,637
> 17 years	12,770	11,296	12,043	11,030	8,489
Total mature area	31,068	32,087	32,576	31,367	31,160
AVERAGE YIELD - TONNES/HECTARE					
Yield per mature hectare	23.79	21.10	20.65	21.46	11.51
Oil per mature hectare	4.99	4.53	4.47	4.63	2.51
AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE					
FFB	697	579	445	579	628
Palm Oil	3,226	2,594	2,303	2,314	2,242
Palm Kernel	2,200	1,629	1,012	1,449	1,667
TAXES APPLICABLE TO PLANTATION INDUSTRY RM'000					
MPOB cess	2,185	1,950	1,874	2,171	1,142
Sabah sales tax	40,338	31,399	23,442	28,414	16,625
Windfall tax	3,063	798	-	2,437	-
Cooking oil stabilisation cess	-	-	-	11,081	9,957
Total taxes paid	45,586	34,147	25,316	44,103	27,724

Plantation Statistics

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2011

	River Estates Group	Jeroco	* HSP (Kota Marudu)	Pelipikan Plantation	Total Group
Oil Palm					
Mature	18,770	11,455	598	245	31,068
Immature	2,331	1,267	-	805	4,403
Total Oil Palm	21,101	12,722	598	1,050	35,471
Other crop	60	86	-	-	146
Total planted area	21,161	12,808	598	1,050	35,617
Reserves	816	330	140	315	1,601
Buildings, roads etc	1,536	979	70	-	2,585
Grand Total	23,513	14,117	808	1,365	39,803

Conversion Rate : 1 HA = 2.4710 acres

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

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting of Hap Seng Plantations Holdings Berhad will be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Monday, 28 May 2012 at 2.00 p.m. to transact the following:-

AGENDA

AS ORDINARY BUSINESS:

1. To table the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of the Directors and Auditors thereon. Note 1

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

2. To reappoint Tan Sri Abdul Hamid Egoh pursuant to section 129(6) of the Companies Act, 1965 as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company. Note 2 **Resolution 1**

3. To reappoint Dato' Jorgen Bornhoft pursuant to section 129(6) of the Companies Act, 1965 as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company. Note 2 **Resolution 2**

4. To re-elect Datuk Edward Lee Ming Foo, JP who shall retire in accordance with article 112 of the Company's Articles of Association and being eligible, has offered himself for re-election. Note 3 **Resolution 3**

5. To re-elect Mr. Au Yong Siew Fah who shall retire in accordance with article 112 of the Company's Articles of Association and being eligible, has offered himself for re-election. Note 3 **Resolution 4**

6. To approve the proposed increase in the aggregate yearly directors' fees from RM350,000.00 to RM450,000.00 to be divided amongst the Directors in such manner as the Board of Directors may determine with effect from 1 January 2011 onwards. **Resolution 5**

7. To reappoint Messrs. KPMG as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors of the Company. Note 4 **Resolution 6**

AS SPECIAL BUSINESS:

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

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

   "**THAT** subject always to the approvals of the relevant authorities, the Directors of the Company be and are hereby empowered pursuant to section 132D of the Companies Act, 1965 to issue shares in the Company at any time upon such terms and conditions, and for such purposes as the Directors of the Company may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being and that the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." Note 5 **Resolution 7**

Notice of Annual General Meeting

By order of the Board

Cheah Yee Leng (LS0009398)
Company Secretary

Kuala Lumpur
30 April 2012

Explanatory notes to the Agenda:-

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

2. *Pursuant to section 129(2) of the Act, the office of a director of Company shall become vacant at the conclusion of the annual general meeting commencing next after he attains the age of seventy years whereas section 129(6) allows for the reappointment of such director by a majority of not less than three-fourths of the members entitled to vote in person or by proxy/proxies to hold office until the next annual general meeting of the Company.*

3. *Pursuant to article 112 of the Company's articles of association and paragraph 7.26(2) of the Main Market Listing Requirements, at least one-third of the directors of the Company for the time being shall retire from office at every annual general meeting, but shall be eligible for re-election.*

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

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

   As at the date of the this notice of annual general meeting, the Company has not issued any new shares pursuant to the existing section 132D authority approved by the shareholders during the last annual general meeting held on 6 June 2011, which authority shall lapse at the conclusion of this annual general meeting.

Notes to the notice of annual general meeting:-

1. *A depositor shall not be regarded as a member entitled to attend this general meeting and to speak and vote thereat unless his/her name appears in the Record of Depositors as at 21 May 2012 (which is not less than 3 market days before the date of this meeting) issued by Bursa Malaysia Depository Sdn. Bhd. ["Bursa Depository"] upon request by the Company in accordance with the rules of the Bursa Depository.*

2. *A member entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies (but not more than two) to attend and vote in his/her stead. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. A proxy does not need to be a member and the provision of section 149(1)(b) of the Act shall not apply. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney, duly authorised in writing, or if the appointor is a corporation, either under the seal or under the hand of an officer or attorney, duly authorised, and such duly executed instrument appointing a proxy must be deposited at the Registered Office of the Company, 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.*

HAP SENG PLANTATIONS HOLDINGS BERHAD (769962-K)

Form of Proxy

No. of shares	CDS Account No.

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

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

……

being a member/members of Hap Seng Plantations Holdings Berhad, do hereby appoint ………………………………………

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

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

……

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Fifth Annual General Meeting of the Company to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Monday, 28 May 2012 at 2.00 p.m. or at any adjournment thereof in the manner as indicated below:-

Agenda

1. To table the Audited Financial Statements for the financial year ended 31 December 2011 together with the Reports of Directors and Auditors thereon.

ORDINARY BUSINESS		**FOR**	**AGAINST**
2. To reappoint Tan Sri Abdul Hamid Egoh pursuant to section 129(6) of the Companies Act, 1965 as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.	Resolution 1		
3. To reappoint Dato' Jorgen Bornhoft pursuant to section 129(6) of the Companies Act, 1965 as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.	Resolution 2		
4. To re-elect Datuk Edward Lee Ming Foo, JP who shall retire in accordance with article 112 of the Company's Articles of Association and being eligible, has offered himself for re-election.	Resolution 3		
5. To re-elect Mr. Au Yong Siew Fah who shall retire in accordance with article 112 of the Company's Articles of Association and being eligible, has offered himself for re-election.	Resolution 4		
6. To approve the proposed increase in the aggregate yearly directors' fees from RM350,000.00 to RM450,000.00 to be divided amongst the Directors in such manner as the Board of Directors may determine with effect from 1 January 2011 onwards.	Resolution 5		
7. To reappoint Messrs. KPMG as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors of the Company.	Resolution 6		
SPECIAL BUSINESS		**FOR**	**AGAINST**
8. Authority to allot and issue shares pursuant to section 132D of the Companies Act, 1965.	Resolution 7		

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

Signed this .... day of 2012

……………………………………………

Signature / Common Seal of appointor

Notes:-

1. *A depositor shall not be regarded as a member entitled to attend this general meeting and to speak and vote thereat unless his/her name appears in the Record of Depositors as at 21 May 2012 (which is not less than 3 market days before the date of this meeting) issued by Bursa Malaysia Depository Sdn. Bhd. [“Bursa Depository”] upon request by the Company in accordance with the rules of the Bursa Depository.*
2. *A member entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies (but not more than two) to attend and vote in his/her stead. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. A proxy does not need to be a member and the provision of section 149(1)(b) of the Companies Act, 1965 shall not apply. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney, duly authorised in writing, or if the appointor is a corporation, either under the seal or under the hand of an officer or attorney, duly authorised, and such duly executed instrument appointing a proxy must be deposited at the Registered Office of the Company, 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.*

fold here

Postage

THE COMPANY SECRETARY
HAP SENG PLANTATIONS HOLDINGS BERHAD
(Company No. 769962-K)

21st Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

fold here