HAP SENG PLANTATIONS HOLDINGS BERHAD (769962-K)






ANNUAL REPORT 2010

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of Hap Seng Plantations Holdings Berhad will be held at Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Monday, 6 June 2011 at 2.00 p.m. to transact the following:-

AS ORDINARY BUSINESS:

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

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

2. To declare a final dividend of 7.0 sen per ordinary share of RM1.00 each under the single-tier system which is tax exempt in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967 in respect of the financial year ended 31 December 2010 as recommended by the Directors. **Resolution 2**

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

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

4. To re-elect Mr. Wong Yuen Kuai, Lucien who retires as Director of the Company pursuant to Article 112 of the Company's Articles of Association. **Resolution 4**

5. To re-elect Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan who retires as Director of the Company pursuant to Article 118 of the Company's Articles of Association. **Resolution 5**

6. To re-elect Mr. Lee Wee Yong who retires as Director of the Company pursuant to Article 118 of the Company's Articles of Association. **Resolution 6**

7. To re-appoint 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 7**

AS SPECIAL BUSINESS:

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

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

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

notice of annual general meeting

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

By Order of the Board

Cheah Yee Leng (LS 0009398)
Company Secretary

Kuala Lumpur
13 May 2011

Notes:

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

2. ***EXPLANATORY NOTE FOR ORDINARY RESOLUTION 2***

   Subject to this Ordinary Resolution 2 being passed in this Annual General Meeting, the entitlement date and payment date of the final dividend will be announced at a later date.

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

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

   As at the date of this Notice, no new shares in the Company had been issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 26 May 2010, which will lapse at the conclusion of this Annual General Meeting.

   The Section 132D Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares for purposes of funding future investment projects, working capital and/or acquisitions.

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

COMPANY SECRETARY

CHEAH YEE LENG (LS 0009398)

REGISTERED OFFICE

21st Floor, Menara Hap Seng
Jalan P. Ramlee, 50250 Kuala Lumpur
Tel : 03 - 2172 5228
Fax : 03 - 2172 5258
Website : www.hapsengplantations.com.my
E-mail : inquiry@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
Tel : 03 - 2264 3883
Fax : 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
OCBC Bank (Malaysia) Berhad
The Bank of Nova Scotia Berhad

BOARD OF DIRECTORS

from left to right

LEE WEE YONG
Executive Director

DATUK SIMON SHIM KONG YIP, JP
Non-Executive Director

WONG YUEN KUAI, LUCIEN
Independent Non-Executive Director

TAN SRI AHMAD BIN MOHD DON
Independent Non-Executive Chairman

board of directors

from left to right

DATUK EDWARD LEE MING FOO, JP
Managing Director

TAN SRI ABDUL HAMID EGOH
Non-Executive Director

TUAN HAJI MOHD ARIS @ NIK ARIFF BIN NIK HASSAN
Independent Non-Executive Director

AU YONG SIEW FAH
Executive Director

DATO' JORGEN BORNHOFT
Independent Non-Executive Director

BOARD OF DIRECTORS' PROFILE

Tan Sri Ahmad Bin Mohd Don

a Malaysian, aged 63, is the Independent Non-Executive Chairman of Hap Seng Plantations Holdings Berhad. He was first appointed to the Board on 9 August 2007 as a Non-Executive Director and subsequently on 18 September 2007 was appointed as the Independent Non-Executive Chairman. He is also the Chairman of the Audit, Remuneration and Nominating Committees, all of which are sub-committees of the Board.

Tan Sri Ahmad also sits on the Board of MAA Holdings Berhad and United Malacca Berhad, both are listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a Director of KAF Investment Bank Berhad and J.P. Morgan Chase Bank Berhad. He holds a degree in Economics and Business from the University of Wales, United Kingdom and is a Fellow of the Institute of Chartered Accountants in England and Wales as well as a member of the Malaysian Institute of Certified Public Accountants.

Tan Sri Ahmad has had an extensive career in finance and banking, having worked in various capacities with Pernas Securities Sdn. Bhd., Permodalan Nasional Berhad and Malayan Banking Berhad. He served as the Group Managing Director and Chief Executive Officer of Malayan Banking Berhad from 1991 to 1994 and was 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 had no conviction of any offence in the past ten (10) years.

He attended all four (4) Board Meetings held during the financial year ended 31 December 2010.

board of directors' profile

Datuk Edward Lee Ming Foo, JP

a Malaysian, aged 56, was first appointed as an Executive Director of Hap Seng Plantations Holdings Berhad ("HSP") on 15 May 2007 and was subsequently appointed the Managing Director on 18 September 2007. He is also a member of the Remuneration Committee, which is a sub-committee of the Board.

Datuk Edward Lee is also the Managing Director of Hap Seng Consolidated Berhad, the immediate holding company of HSP which is listed on the Main Market of Bursa Securities.

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

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

Datuk Edward Lee does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company save for the related party transactions disclosed in Note 21 to the Financial Statements. He has had no conviction of any offence in the past ten (10) years.

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

Lee Wee Yong

a Malaysian, aged 63, was appointed to the Board of Hap Seng Plantations Holdings Berhad ("HSP") as an Executive Director on 2 February 2011. He is also an Executive Director of Hap Seng Consolidated Berhad ("HSCB"), the immediate holding company of HSP and also an Alternate Director in Paos Holdings Berhad, of which both companies are listed on the Main Market of Bursa Securities.

Mr. Lee was first appointed as a Non-Independent Non-Executive Director of HSCB on 12 March 2002 and became an Executive Director on 25 March 2002. He was the Deputy Managing Director of HSCB from 31 March 2005 to 22 October 2010 and subsequently on 2 February 2011 became an Executive Director of HSCB.

He was also an Executive Director of Malaysian Mosaics Berhad ("MMB") from 1 March 1999 until his redesignation to Non-Independent Non-Executive Director on 1 April 2009. He joined MMB in 1992 and has held various senior positions in the Group, including the Group Chief Financial Officer, a position he held from 1 March 2003 to 15 December 2005 and was the Deputy Managing Director of MMB from 31 March 2005 until his relinquishment on 6 March 2007 but remained as a member of the Board. On 22 November 2010, he became the Chairman of MMB.

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

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

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

board of directors' profile

Au Yong Siew Fah

a Malaysian, aged 60, was appointed 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 immediate holding company of HSP which is listed on the Main Market of Bursa Securities.

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 had no conviction of any offence in the past ten (10) years.

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

board of directors' profile

Dato' Jorgen Bornhoft

a Dane, aged 69, was appointed as an Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad ("HSP") on 9 August 2007. He is also a member of the Audit and Nominating Committees, all of which are sub-committees of the Board.

Dato' Bornhoft is also the Independent Non-Executive Chairman of Hap Seng Consolidated Berhad, the immediate holding company of HSP and a Director of Mega First Corporation Berhad, both of which are companies listed on the Main Market of Bursa Securities. He is also a Director of The Royal Bank of Scotland Berhad.

Dato' Bornhoft presently is also the Vice Chairman of International Beverage Holdings Limited.

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

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

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

He attended all four (4) Board Meetings held during the financial year ended 31 December 2010.

board of directors' profile

Datuk Simon Shim Kong Yip, JP

a Malaysian, aged 54, was appointed as a Non-Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad ("HSP") on 9 August 2007. He is also a member of the Nominating and Remuneration Committee, both of which are sub-committees of the Board.

Datuk Simon Shim is also a Non-Independent Non-Executive Director of Hap Seng Consolidated Berhad, the immediate holding company of HSP. He also sits on the Board of Paos Holdings Berhad as a Non-Executive Director. All these companies are listed on the Main Market of Bursa Securities. In addition, he is an Independent Non-Executive Director of Lam Soon (Thailand) Public Company Limited, a company listed on the Stock Exchange of Thailand.

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

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

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

Datuk Simon Shim does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company save for the related party transactions disclosed in Note 21 to the Financial Statements. He has had no conviction of any offence in the past ten (10) years.

He attended two (2) out of four (4) Board Meetings held during the financial year ended 31 December 2010.

Wong Yuen Kuai, Lucien

a Singaporean, aged 57, 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 Maritime and Port Authority of Singapore, a board member of the Monetary Authority of Singapore and a member of the Board of Trustees for the National University 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 had no conviction of any offence in the past ten (10) years.

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

board of directors' profile

Tan Sri Abdul Hamid Egoh

a Malaysian, aged 77, 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 had no conviction of any offence in the past ten (10) years.

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

Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan

a Malaysian, aged 65, was appointed as an Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad ("HSP") on 1 January 2011. He is also a member of the Audit Committee, which is a sub-committee of the Board.

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 served in the Board of Hap Seng Consolidated Berhad, the immediate holding company of HSP which is listed on the Main Market of Bursa Securities from 25 March 2002 to 31 January 2007 and also in Malaysian Mosaics Berhad from 3 February 1982 to 22 November 2010.

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 had no conviction of any offence in the past ten (10) years.

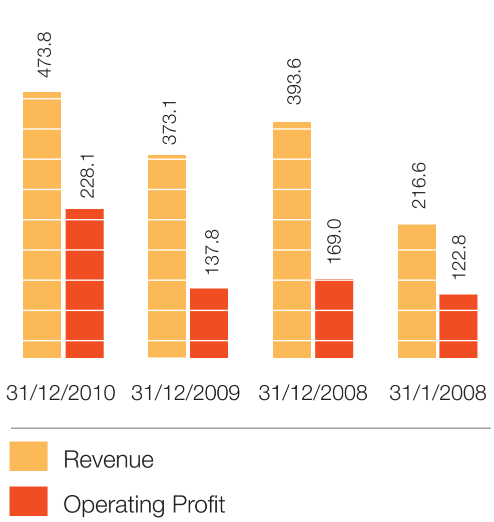
He did not attend any Board Meetings held during the financial year ended 31 December 2010 as he was appointed to the Board subsequent to the financial year end.

GROUP FINANCIAL HIGHLIGHTS

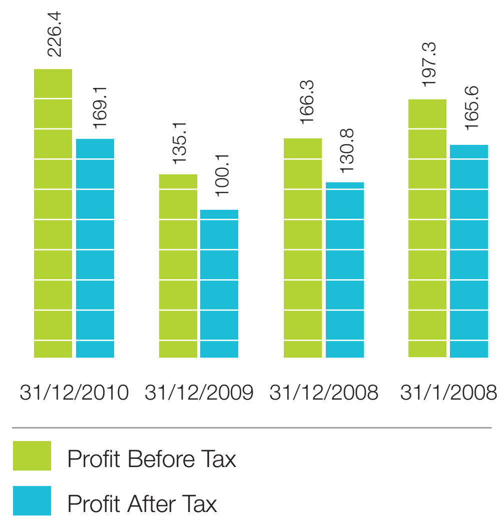
	FINANCIAL YEAR ENDED 31 DECEMBER 2010	FINANCIAL YEAR ENDED 31 DECEMBER 2009	11 MONTHS PERIOD ENDED 31 DECEMBER 2008	PERIOD ENDED 31 JANUARY 2008 (From date of completion 7 September 2007)
INCOME (RM'000)				
(i) Revenue	473,754	373,134	393,605	216,588
(ii) Operating profit	228,085	137,792	169,017	122,821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

group financial highlights

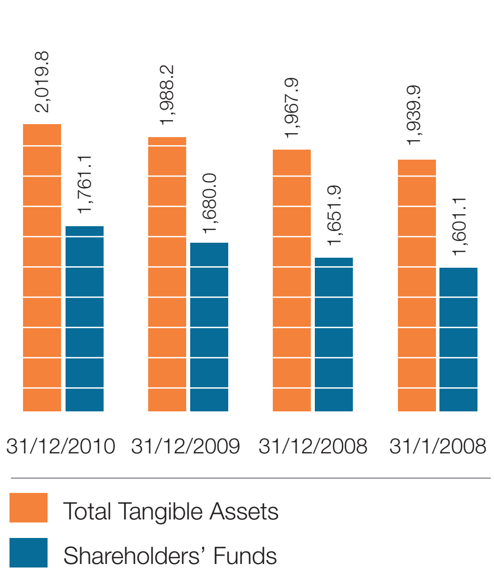
REVENUE / OPERATING PROFIT
(RM'million)



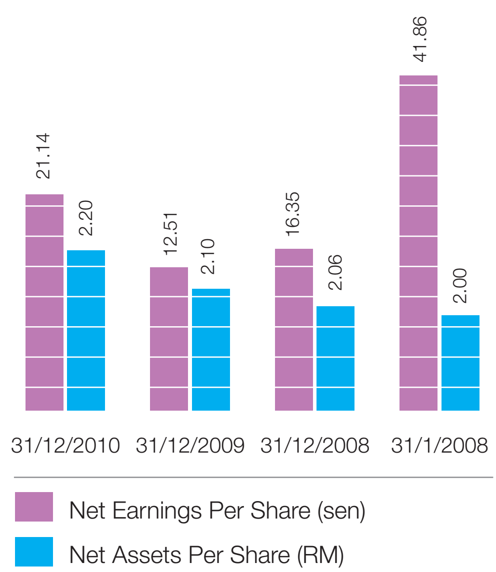
PROFIT BEFORE TAX / PROFIT AFTER TAX
(RM'million)



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



NET EARNINGS PER SHARE / NET ASSETS PER SHARE



CHAIRMAN'S STATEMENT

On behalf of the Board, I have pleasure in presenting the Fourth Annual Report and Financial Statements of the Company and the Group for the financial year ended 31 December 2010.

REVIEW OF RESULTS

The palm oil industry recorded mixed performance in 2010. The average Crude Palm Oil ("CPO") price in 2010 as reported by the Malaysian Palm Oil Board ("MPOB") increased by 20.8% to RM2,701.00 against RM2,236.50 in the previous year with the highest monthly average CPO price recorded in December at RM3,620.00 and the lowest attained in July at RM2,453.00. The first half of the year was supported by positive sentiments related to supply tightness of vegetable oils in the world market and low domestic palm oil stocks whilst bullish market sentiments supported by firmer crude oil price, coupled with world vegetable oils supply tightness, especially that of palm oil and soya bean oil supported positive price sentiments and pushed palm oil price from a level of RM2,500 in the first half of the year to more than RM3,000 towards the end of the year.

On the back of higher CPO prices, our Group recorded a total revenue of RM473.8 million (2009: RM373.1 million) for the financial year under review which was 27% higher than the previous financial year, contributing to an operating profit of RM228.1 million (2009: RM137.8 million), an increase of 65.5% over the previous financial year. Consequently, profit before tax and profit after tax at RM226.4 million (2009: RM135.1 million) and RM169.1 million (2009: RM100.1 million) respectively were 67.5% and 69% higher than the previous financial year. Accordingly, the earnings per share attributable to the shareholders of 21.14 sen (2009: 12.51 sen) was 69% higher than the previous financial year.

REVIEW OF OPERATIONS

PLANTATIONS

Planted and Mature Area

The total area of our plantation estates of 39,803 hectares are 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.

chairman's statement

As at 31 December 2010, our Group's planted area had increased by 804 hectares to 35,185 (2009: 34,381) hectares, contributed mainly by new planting in Pelipikan estate.

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of mature area
JGOE	14,117	* 12,798	12,133	94.8%
TMGOE	12,331	** 10,751	8,980	83.5%
SSGOE	9,906	8,761	8,758	99.9%
Ladang Kawa	1,276	1,201	1,201	100.0%
Pelipikan	1,365	1,222	417	34.1%
Kota Marudu	*** 808	598	598	100.0%
Total	39,803	35,331	32,087	90.8%

* *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 are currently under application*

Of the total planted area, more than 90% or 32,087 (2009: 32,576) hectares are mature palms. The age profile of the planted area, reserves and others is as follows:

	hectares
Immature	3,098
Young mature (30 months to 7 years)	2,892
Prime mature (between 7 years to 17 years)	17,899
Mature (more than 17 years)	11,296
Total planted – oil palm	35,185
Immature – other crops	146
Total planted area	35,331
Reserves	967
Buildings, roads, etc	3,505
Total Area	39,803

chairman's statement

Production and Yield

Unusual weather patterns of hot and dry conditions from El Nino phenomenon in the first half of the year and excessive rainfalls from La Nina phenomenon in the second half had adversely affected the Fresh Fruit Bunches ("FFB") yields. As reported by MPOB, the palm oil industry experienced a decline in FFB yield by 6.1% to 18.03 tonnes with FFB yield in Sabah declining by 4.7% to 20.16 tonnes.

In spite of the decline of FFB yield in Sabah, where all our Group plantations are situated, our Group's FFB yield at 21.10 tonnes per hectare was higher than the previous year of 20.65 tonnes per hectare. Consequently, total FFB production from our Group's estates for the financial year under review was 0.6% marginally higher at 677,071 (2009: 672,768) tonnes.

Average oil extraction rate ("OER") at 21.45% was marginally lower than the previous financial year of 21.62%. Nevertheless, oil per mature hectare was higher at 4.53 (2009: 4.47) tonnes benefiting from the higher FFB yield for the year under review.

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 having a combined milling capacity of 175 FFB tonnes per hour.

To take advantage of the higher CPO selling prices and also the available milling capacity in our mills, the Group increased the purchases of FFB from the smaller estates surrounding our Group plantations to 63,001 tonnes in the financial year under review which is nearly three times the FFB purchased in the previous year of 21,635 tonnes.

CPO production cost excluding replanting cost (after taking into account of the income from the sale of palm kernels) for the financial year was approximately 22% lower at RM866 per tonne compared to RM1,115 per tonne in 2009. This was mainly due to lower fertilizer costs, as well as higher palm kernel ("PK") prices, higher CPO production and the continued effort of the Group to keep its production costs low by exercising good plantation husbandry and best practices.

chairman's statement

Price Realisation

In line with the higher average CPO price realisation in the Malaysian Palm Oil Industry, our Group achieved an average CPO price realisation of RM2,594 per tonne which was higher than the previous year of RM2,303 per tonne whilst PK average selling price realisation was higher at RM1,629 per tonne against previous year of RM1,012 per tonne.

The Group sells all FFB from its Ladang Kawa Estate in Tawau and also from its Kota Marudu and Pelipikan Estates situated in Kampung Natu, Kota Marudu as our Group does not have any oil mills within the vicinity of these estates. Average FFB price realisation during the financial year under review was RM579 (2009: RM445) per tonne.

RECURRENT RELATED PARTY TRANSACTIONS

The Group is seeking a renewal of the mandate from its shareholders for its Recurrent Related Party Transactions at the forthcoming Extraordinary General Meeting on 6 June 2011.

SHARE BUY BACK

The Company first obtained its 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 under review, the Company repurchased 4,000 shares. As at 31 December 2010, 12,000 shares were retained as treasury shares at a total cost of RM29,061 averaging RM2.42 per share and the Company's issued and paid up share capital remained unchanged at 800,000,000 ordinary shares of RM1.00 each.

The Company will seek a renewal of mandate from its shareholders for the purchase of its own shares at the forthcoming Extraordinary General Meeting on 6 June 2011.

DIVIDENDS

The Group is committed to ensuring a healthy dividend payout to its valued shareholders and has a policy of paying dividends of up to 60% of the profit attributable to shareholders.

Accordingly, the Board is recommending a final dividend of 7 sen (2009: 5 sen) per ordinary share under the single tier system which is tax exempt in the hands of shareholders. An interim dividend of 6 sen (2009: 4 sen) per ordinary share under the single tier system was approved by the Board on 25 August 2010 and paid to shareholders on 20 September 2010. The total distribution for the financial year ended 31 December 2010 will amount to 13 sen (2009: 9 sen) per ordinary share under the single tier system which is tax exempt in the hands of shareholders.

The total dividend payout (including the proposed final dividend) is approximately 61% (2009: 72%) of our Group's profit attributable to shareholders for the financial year ended 31 December 2010. The proposed final dividend is subject to the approval of shareholders to be obtained at the forthcoming Annual General Meeting.

OUTLOOK AND CURRENT YEAR'S PROSPECTS

Our Group performance for the current year hinges on the CPO price performance as well as the weather patterns impacting on FFB yield. Our Group is expected to benefit strongly as CPO price is expected to remain firm in the current year with only approximately 8% of our Group forecast CPO production for 2011 sold forward as at 31 December 2010.

In the current financial year, our FFB yield and CPO extraction rate are expected to improve with more young palms moving into maturity, subject however to favourable weather conditions.

Exploring new land for acquisitions to expand planted area and also to improve our plantations age profile will remain as part of our Group's long term strategy whilst in the immediate or shorter term, our Group will continue to maintain a disciplined annual replanting policy of 4% out of total planted area and to optimise planting on our existing land bank.

Production costs are expected to remain a challenge to the Group with anticipated rising fertilizer prices as seen in the beginning of this year and higher labour cost to attract and retain foreign labour. The Group is constantly reviewing its plantation practices to maximise FFB yield and extraction rates of CPO and PK. With continued labour shortages and accordingly higher employment costs, our Group will step up its effort to enhance its operational efficiencies and to explore the possibility of engaging more cost effective mechanisation processes.

chairman's statement

APPRECIATION

On behalf of the Board, I would like to express our thanks and appreciation to Mr. Patrick Houghton Wale and Mr. Soon Seong Keat who resigned from the Board on 1 January 2011 and 2 February 2011 respectively for their sterling services and leadership rendered to our Group.

At the same time, I would also like to welcome Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan and Mr. Lee Wee Yong who were appointed to the Board on 1 January 2011 and 2 February 2011 respectively.

On behalf of the Board, I would also like to express our thanks and appreciation to the management and staff for their loyalty, efforts and dedication to the Group.

Last but not least, the Board would also like to record a special thanks to our shareholders and customers for their continuing support to the Group.

Ahmad Bin Mohd Don
Independent Non-Executive Chairman
25 April 2011

STATEMENT OF CORPORATE GOVERNANCE

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 (the "Code") pursuant to paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Main LR").

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

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

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

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

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

DIRECTORS

The Board

The Company is headed by a Board of Directors which leads and controls the Company. The Board meets regularly and is responsible for the proper management of the Company. All Board members bring sound judgment to bear on issues of strategy, performance, resources and standards of conduct. The Board of Directors meet at least four (4) times a year and additional Board meetings are convened as necessary with due notice of issues to be discussed. During the financial year ended 31 December 2010, four (4) meetings were held. Minutes of meetings (including deliberations by the Board of issues discussed and their conclusions thereof) are recorded by the Company Secretary.

All the Directors have attended more than 50% of the total Board meetings held during the financial year ended 31 December 2010.

On 31 December 2010, Mr. Patrick Houghton Wale resigned from the Board as an Independent Non-Executive Director and Mr. Soon Seong Keat resigned from the Board as an Executive Director on 2 February 2011.

On 1 January 2011, Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan was appointed to the Board as an Independent Non-Executive Director and Mr. Lee Wee Yong to the Board as an Executive Director on 2 February 2011. Their appointments were based on the recommendations of the Nominating Committee to the Board.

The Board (continued)

The attendance of the Directors at Board Meetings held during the financial year ended 31 December 2010 are as follows:

Directors	No. of Meetings Attended
Tan Sri Ahmad Bin Mohd Don	4/4
Datuk Edward Lee Ming Foo, JP	4/4
Mr. Lee Wee Yong *(appointed as an Executive Director on 2 February 2011)*	- *
Mr. Au Yong Siew Fah	4/4
Dato' Jorgen Bornhoft	4/4
Datuk Simon Shim Kong Yip, JP	2/4
Mr. Wong Yuen Kuai, Lucien	4/4
Tan Sri Abdul Hamid Egoh	4/4
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan *(appointed as an Independent Non-Executive Director on 1 January 2011)*	- *
Mr. Soon Seong Keat *(resigned as an Executive Director on 2 February 2011)*	4/4
Mr. Patrick Houghton Wale *(resigned as an Independent Non-Executive Director on 31 December 2010)*	4/4

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

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

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

statement of corporate governance

Board Balance

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

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

The Board annually examines its size with a view to determine the impact of the number on its effectiveness, provided always that the number of Directors shall not exceed twelve (12) as provided under Article 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 34 to 41.

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.

statement of corporate governance

Appointments to the Board

The Code endorses as good practice, a formal procedure for appointments to the Board, with a Nominating Committee making recommendations to the full Board. The Nominating Committee, which comprises three (3) Non-Executive Directors of which two (2) are Independent Non-Executive Directors, is responsible for proposing new nominees 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 2010.

Terms of reference of the Nominating Committee are detailed on pages 40 to 41.

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.

statement of corporate governance

Directors' Training and Education

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

The Directors have during the financial year ended 31 December 2010, evaluated their own training needs on a continuous basis and attended the following programmes:

Directors	Training Programme	Duration
Tan Sri Ahmad Bin Mohd Don	Financial Institution Director's Education Programme Group 12 (Insurance - Module 1)	2 days
	Directors' Briefing on FRS 139 and FRS 7	2 hours
	Financial Institution Director's Education Programme Group 12 (Insurance - Module 2)	2 days
	Financial Institution Director's Education Programme Group 12 (Insurance - Module 3)	2 days
	Market and Economic Review and Outlook Presentation to Directors	1½ hours
	Financial Institution Director's Education Programme Group 12 (Insurance - Module 4)	2 days
	Impact of the Proposed Goods and Services Tax	1 ¼ hours
	Competition Act, 2010	½ day
	Economic and Capital Market Review	4 hours
	Financial Industry Conference 2010	1 day
Datuk Edward Lee Ming Foo, JP	Directors' Briefing on FRS 139 and FRS 7	2 hours
	Securing Tomorrow's World - Using Nature's Wealth More Sustainably	3 hours
	Impact of the Proposed Goods and Services Tax	1 ¼ hours
Mr. Lee Wee Yong	*	
Mr. Au Yong Siew Fah	Directors' Briefing on FRS 139 and FRS 7	2 hours
	Annual Palm Lauric Oils Conference	2 days
	Impact of the Proposed Goods and Services Tax	1 ¼ hours
	8th Annual Round Table on Sustainable Palm Oil	3 ½ days

statement of corporate governance

Directors' Training and Education (continued)

Directors	Training Programme	Duration
Dato' Jorgen Bornhoft	Directors' Briefing on FRS 139 and FRS 7	2 hours
	Financial Institutions Directors' Education Programme	4 days
	Impact of the Proposed Goods and Services Tax	1 ¼ hours
	Financial Industry Conference 2010	1 day
Datuk Simon Shim Kong Yip, JP	Impact of the Proposed Goods and Services Tax	1 ¼ hours
Mr. Wong Yuen Kuai, Lucien	Directors' Briefing on FRS 139 and FRS 7	2 hours
	Fourth Singapore Maritime Lecture	3 hours
	Thomson Reuters 2010 Legal Executive Briefing	4 days
	Impact of the Proposed Goods and Services Tax	1 ¼ hours
	International Bar Association 2010	7 days
	SID Directors Conference 2010	1 day
Tan Sri Abdul Hamid Egoh	Directors' Briefing on FRS 139 and FRS 7	2 hours
	Role of Board of Directors in Universities	1 day
	Majeca & Jameca Roundtable Business Discussion with Prime Minister of Malaysia in Tokyo	3 hours
	Launch of CG week and Corporate Governance Roundtable	3 hours
	(a) Engagement verses Activism – Achieving the Right Balance? (b) The Changing Landscape of Shareholder Activism – The Roles We Play	3 hours
	(a) Independent Directors – Actual verses Perceived Independence (b) Views from the Boardroom – Challenges Directors Face (c) Forum by Public Listed Companies – CG Best Practices	7 hours
	Impact of the Proposed Goods and Services Tax	1 ¼ hours
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	*	

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

statement of corporate governance

DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration

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

Procedure

The Remuneration Committee which is a sub-committee of the Board presently comprises 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 39.

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 2010 is as follows:

Category	Fees RM'000	Salaries and Other Emoluments RM'000	Benefits in Kind RM'000	Total Remuneration RM'000
Executive	-	1,654	41	1,695
Non-Executive	270	-	-	270

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

Remuneration Range	No. of Directors
Executive Directors	
RM200,001 - RM250,000	1
RM250,001 - RM300,000	-
RM300,001 - RM350,000	1
RM350,001 - RM1,150,000	-
RM1,150,001 - RM1,200,000	1
Non-Executive Directors	
Less than RM50,000	5
RM50,000 - RM100,000	1

Remuneration Policy

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

(i) Remuneration for Executive Directors

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

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

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

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

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

(ii) Remuneration for Non-Executive Directors

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

SHAREHOLDERS

Dialogue between Company and Investors

The Company recognises the importance of communications with shareholders. The Board views the AGM as an ideal opportunity to communicate with both institutional and private investors. In addition, the Company has a website www.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.

statement of corporate governance

The Annual General Meeting ("AGM")

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

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

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

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

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

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

Internal Control

The Group's Statement on Internal Control is set out on pages 31 to 33.

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 34 to 38.

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

STATEMENT ON INTERNAL CONTROL

The Board of Directors is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following Statement on Internal Control which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2010 pursuant to paragraph 15.26(b) of the Main LR.

i. Internal Control

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

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.

statement on internal control

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.

statement on internal control

ii. Internal Audit Function (continued)

The activities that were carried out are as follows:

- Undertook internal audit based on the audit plan that had been reviewed and approved by the Audit Committee which includes the review of operational compliance with established internal control procedures, management efficiency, risk assessment and reliability of financial records.
- Attended business review meetings held regularly by the Group's senior management to keep abreast with the strategic and operational planning and development issues. Discussions relating to strategic business risks in particular are recorded and forwarded to the members of the Group Risk Management Committee.
- Conducted investigations with regard to various specific areas of concern as directed by the Audit Committee and the management.
- Formalised approach towards risk assessment in compliance with the guidance on the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" issued by Bursa Securities.
- Assessment of key business risks at each major business units which were identified by risk analysis and continuous monitoring of control compliance through data extraction and analysis techniques.
- Facilitated strategic business risks assessment covering the Group's business activities.
- Issued a total of thirteen (13) 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) - appointed on 1 January 2011*
Mr. Patrick Houghton Wale	*(Independent Non-Executive Director) - resigned on 31 December 2010*

Role of the Audit Committee

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

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

Membership

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

board committees

Attendance at Meetings

- A quorum shall be two (2) members, a majority of which shall be Independent Directors.
- The Committee may invite other directors, any employee and a representative of the external auditors to attend any particular Audit Committee, 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 2010, 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
Mr. Patrick Houghton Wale	4/4
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	- *

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

The details of training by the above Directors are tabulated on pages 26 to 27.

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.

board committees

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.

board committees

Duties (continued)

- To review the internal audit programme, receive all internal audit reports, consider the major findings of internal audit investigations and management's response thereof.
- To review results of the internal audit process and, where necessary ensure appropriate actions are taken on the recommendations of the internal audit function.
- To review the adequacy of the scope, functions, competency and resources of 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.

board committees

Summary of Audit Committee Activities during the Financial Year Ended 31 December 2010

The activities of the Audit Committee during the financial year ended 31 December 2010, are summarised as:

- Reviewed internal audit plan for the financial year which includes review of operational compliance with established control procedures, management efficiency, risk assessment and reliability of financial 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 thirteen (13) 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, the extent of compliance with the said Code and recommended to the Board action plans to address identified gaps (if any) between the Group's existing corporate governance practices and the prescribed corporate governance principles and best practices under the Code.

board committees

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 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 which required the Remuneration Committee to consist wholly or mainly of Non-Executive Directors.

Frequency of Meetings

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

Attendance at Meetings

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

Proceeding of Meetings

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

Duties

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

Scope of Authority

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

Interest of Remuneration Committee Members

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

Reporting Procedure

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

Summary of Activities

The Remuneration Committee met on 24 November 2010 to review and recommend to the Board, the proposed bonus of an Executive Director for the financial year ended 31 December 2010 and his proposed increment for the financial year commencing from 1 January 2011.

board committees

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 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.

board committees

Scope of Authority

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

Reporting Procedure

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

Summary of Activities

- Reviewed the current Audit Committee size and composition and was of the view that the members were aptly qualified to discharge their respective duties and responsibilities after taking into account their professional qualifications and experiences.
- Reviewed the current Remuneration Committee size and composition and was satisfied that the Remuneration Committee was effective in the discharge of its function.
- Recommended the appointments of Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan to the Board as an Independent Non-Executive Director and to the Audit Committee on 1 January 2011 and Mr. Lee Wee Yong to the Board as an Executive Director on 2 February 2011.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility (CSR) is a commitment ingrained in the corporate mindset and culture of Hap Seng Plantations Holdings Berhad (Hap Seng Plantations). As a publicly listed entity of Hap Seng Consolidated Berhad, we continue to be inspired by our Group's founder, the late Tan Sri Datuk Seri Panglima Lau Gek Poh, who was an astute entrepreneur as well as a philanthropist who gave generously to those genuinely in need.

Hence, Hap Seng Plantations has always been mindful of the way we operate and conduct our business in relation to all our stakeholders. At the same time, we have also carried out activities that contribute positively to the communities we operate in as well as the society at large.

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

ENVIRONMENT

As one of the leading participants in the plantation and agriculture industry, Hap Seng Plantations works very hard to minimise our impact on the environment in our day to day operations. This commitment is reflected in the way we prioritise and invest in both our Plantation Environmental Committee and our Plantation Energy Conservation Committee. Each committee is populated by members of our senior management team. They have a mandate to continuously enhance sustainable agriculture practices while reducing energy consumption.

One of the initiatives implemented by our Environmental Committee was the regular training of our employees on the correct use of equipment and agro-chemicals. This is to ensure that the use of chemicals in our plantations are significantly minimised.

Other clever environmentally-friendly practices implemented by this Committee include the stacking of cut oil palm fronds across slopes and growing soft grasses to reduce or prevent soil erosion; the recycling of waste products such as empty fruit bunches to be used as organic fertilisers or compost; and the application of early warning systems to detect pests and diseases early, thus reducing the amount of pest control chemicals. We also practice zero burn technique in the process of replanting.

Our Plantation Energy Conservation Committee, on the other hand, has introduced solar powered lighting in some of the residential areas around our plantations. This enabled the community, who are largely employed at our estates, the opportunity to enjoy free renewable energy.

corporate social responsibility

In addition, our Energy Conservation Committee remained determined in its effort to find out ways and means to conserve energy throughout Hap Seng Plantations' entire chain of operations. Their effort continues to bear fruits as our diesel consumption at our mills were successfully reduced by 12% or to 0.81 litre per metric ton (lit/Mt) fresh fruit bunch (FFB) when compared with 0.92 lit/Mt FFB a year ago.

WORKPLACE

Hap Seng Plantations is in an industry where human capital plays an integral role in our growth and success. Towards this end, we have often sought to recognise and reward our top performers. We did this in 2010 by giving out Performers Award to our best and brightest in conjunction with our Annual Dinner. At the same event, we also gave out Long Service Awards to show our appreciation to those who have served the company with dedication and loyalty.

The health and safety of all our employees are also our priority. In 2010, we engaged the National Institute for Occupational Safety and Health (NIOSH) to conduct an assessment on hazard identification, risk assessment and risk control at our Sungai Segama Group of Estates. At the same time, we also carry out periodic fire drills for our employees and workers throughout our estate groups.

Cultivating a strong sense of camaraderie amongst our employees is also part and parcel of our CSR commitment towards the workplace. This we achieve by organising Family Days and Sports Days at three of our main estate groups, namely in Jeroco, Sungai Segama and Tomanggong throughout 2010.

COMMUNITY

In terms of the community pillar, Hap Seng Plantations has a long-term commitment to ensure that disadvantaged children receive proper education. We believe this will help them break the poverty cycle and succeed in the future.

In 2010, we contributed close to RM50,000 to Humana Child Aid Society, a non-profit organisation that conducts classes for disadvantaged children at learning centres based in our estates. We are also planning to support Humana Child Aid Society by helping the NGO to set up eight more classes at our Sungai Segama Group of Estates and nine additional classes at our Tomanggong Group of Estates.

MARKETPLACE

A good working relationship with open and sincere communications with our customers, trade partners and suppliers are essential to ensuring continued growth and success. We have always leveraged on this commitment to ensure that we deliver products that meet if not surpass our customers' expectations.

On this score and as a result of collective efforts in the estate and mill operations, Hap Seng Plantations was awarded our second consecutive 'Best Quality CPO Supplier' accolade by IOI Edible Oils Sdn. Bhd. in 2010.


UTAMAKAN KESELAMATAN
NO SMOKING

FINANCIAL STATEMENTS

CONTENTS

DIRECTORS' REPORT
for the year ended 31 December 2010

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 2010.

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 attributable to owners of the Company	169,111	123,176

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 5 sen per ordinary share under the single-tier system totalling RM39,999,600 in respect of the financial year ended 31 December 2009 on 8 June 2010; and

(ii) an interim dividend of 6 sen per ordinary share under the single-tier system totalling RM47,999,400 in respect of the financial year ended 31 December 2010 on 20 September 2010.

The Directors proposed a final dividend of 7 sen per ordinary share under the single-tier system for the financial year ended 31 December 2010 subject to shareholders approval at the forthcoming Annual General Meeting. The dividend will be paid under the single-tier system which is tax exempt in the hands of shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967.

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

directors' report
for the year ended 31 December 2010

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 (appointed on 2 February 2011)	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 (appointed on 1 January 2011)	Independent Non-Executive Director
Soon Seong Keat (resigned on 2 February 2011)	Executive Director
Patrick Houghton Wale (resigned on 31 December 2010)	Independent Non-Executive Director

Directors' interests

The interests and deemed interests in the 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 2010 (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 1.1.2010	**Bought**	**(Sold)**	**At 31.12.2010**
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
Au Yong Siew Fah	163,000	-	-	163,000
Dato' Jorgen Bornhoft	100,000	-	(90,000)	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
Soon Seong Keat	230,000	50,000	(170,000)	110,000
	*75,000	-	(50,000)	25,000
Hap Seng Consolidated Berhad, Immediate holding company				
Au Yong Siew Fah	127,000	-	(60,000)	67,000
Dato' Jorgen Bornhoft	-	72,000	(22,000)	50,000

* Held through his spouse

directors' report
for the year ended 31 December 2010

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 21 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.

Share repurchase

The shareholders of the Company granted authority to the Directors at the Extraordinary General Meeting ("EGM") held on 26 May 2010 to repurchase the Company's shares from the open market. During the financial year, the Company repurchased 4,000 of its issued ordinary shares from the open market for a total cost of RM10,474. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

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

Movement of shares repurchased

	Number of shares	Amount RM	Average cost per share RM
At 1 January 2009	4,000	9,374	2.34
Repurchase during the year	4,000	9,213	2.30
At 31 December 2009 / 1 January 2010	8,000	18,587	2.32
Repurchase during the year	4,000	10,474	2.62
At 31 December 2010	12,000	29,061	2.42

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.

directors' report
for the year ended 31 December 2010

Other statutory information

Before the statements of comprehensive income and statements of financial position 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 2010 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
25 March 2011

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000 (restated)	Group As at 1.1.2009 RM'000 (restated)	Company 2010 RM'000	Company 2009 RM'000
Assets						
Property, plant and equipment	3	576,940	574,494	548,470	414	519
Biological assets	4	1,331,982	1,326,461	1,311,124	-	-
Investment in subsidiaries	5	-	-	-	1,581,451	1,581,451
Total non-current assets		1,908,922	1,900,955	1,859,594	1,581,865	1,581,970
Inventories	6	17,523	23,670	29,262	-	-
Receivables	7	26,686	19,546	13,780	8,679	2,432
Tax recoverable		7,957	9,505	19,576	-	138
Cash and cash equivalents	8	58,699	34,565	45,739	5,001	2,265
Total current assets		110,865	87,286	108,357	13,680	4,835
Total assets		2,019,787	1,988,241	1,967,951	1,595,545	1,586,805
Equity						
Share capital	9	800,000	800,000	800,000	800,000	800,000
Reserves	9	675,578	675,578	675,578	675,578	675,578
Retained earnings	9	285,592	204,480	176,382	90,916	55,739
		1,761,170	1,680,058	1,651,960	1,566,494	1,531,317
Less: Treasury shares	9	(29)	(18)	(9)	(29)	(18)
Total equity		1,761,141	1,680,040	1,651,951	1,566,465	1,531,299
Liabilities						
Bank borrowings	10	17,500	55,000	55,334	-	20,000
Deferred tax liabilities	11	190,000	186,418	187,481	-	-
Total non-current liabilities		207,500	241,418	242,815	-	20,000
Payables	12	29,417	24,915	33,839	28,879	12,006
Provision for taxation		4,229	10,034	913	201	-
Bank borrowings	10	17,500	31,834	38,433	-	23,500
Total current liabilities		51,146	66,783	73,185	29,080	35,506
Total liabilities		258,646	308,201	316,000	29,080	55,506
Total equity and liabilities		2,019,787	1,988,241	1,967,951	1,595,545	1,586,805

The notes on pages 56 to 88 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 December 2010

		Group		Company	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	13	473,754	373,134	129,767	102,425
Cost of goods sold		(196,389)	(194,541)	-	-
Gross profit		277,365	178,593	129,767	102,425
Other operating income		2,570	1,753	183	257
Distribution expenses		(32,697)	(23,911)	-	-
Administrative expenses		(14,037)	(13,459)	(5,087)	(5,903)
Other operating expenses		(5,116)	(5,184)	(138)	(152)
Results from operating activities		228,085	137,792	124,725	96,627
Interest expense		(1,709)	(2,656)	(505)	(722)
Profit before tax	14	226,376	135,136	124,220	95,905
Tax expense	16	(57,265)	(35,039)	(1,044)	(15,503)
Profit for the year representing total comprehensive income for the year		169,111	100,097	123,176	80,402
Basic earnings per ordinary share (sen)	17	21.14	12.51		

The notes on pages 56 to 88 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
		← Attributable to owners of the Company →				
		← Non-Distributable →			Distributable	
Group						
At 1 January 2009		800,000	675,578	(9)	176,382	1,651,951
Total comprehensive income for the year		-	-	-	100,097	100,097
Purchase of treasury shares	9	-	-	(9)	-	(9)
Dividends	18	-	-	-	(71,999)	(71,999)
At 31 December 2009 / 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		800,000	675,578	(29)	285,592	1,761,141
Company						
At 1 January 2009		800,000	675,578	(9)	47,336	1,522,905
Total comprehensive income for the year		-	-	-	80,402	80,402
Purchase of treasury shares	9	-	-	(9)	-	(9)
Dividends	18	-	-	-	(71,999)	(71,999)
At 31 December 2009 / 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		800,000	675,578	(29)	90,916	1,566,465

The notes on pages 56 to 88 are an integral part of these financial statements.

STATEMENTS OF CASH FLOW
for the year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000 (restated)	Company 2010 RM'000	Company 2009 RM'000
Cash flows from operating activities					
Profit before tax		226,376	135,136	124,220	95,905
Adjustments for:					
Depreciation of property, plant and equipment	3	24,401	23,378	138	152
Dividend income		-	-	(124,145)	(98,000)
(Gain)/Loss on disposal of property, plant and equipment		(40)	49	31	49
Interest income		(760)	(520)	(214)	(306)
Interest expense		1,709	2,656	505	722
Biological assets written off	4	331	-	-	-
Property, plant and equipment written off		757	197	-	-
Operating profit/(loss) before changes in working capital		252,774	160,896	535	(1,478)
Inventories		6,147	5,592	-	-
Receivables		(7,140)	(5,766)	60	7
Payables		4,502	(8,924)	(145)	662
Cash generated from/(used in) operations		256,283	151,798	450	(809)
Tax paid		(57,940)	(16,910)	(705)	(24)
Interest received		760	520	214	306
Interest paid		(1,709)	(2,656)	(505)	(722)
Net cash generated from/(used in) operating activities		197,394	132,752	(546)	(1,249)
Cash flows from investing activities					
Additions to biological assets	4	(5,852)	(2,977)	-	-
Dividends received from subsidiaries (net)		-	-	124,145	82,979
Purchase of property, plant and equipment	3	(27,917)	(30,802)	(249)	(493)
Proceeds from disposal of property, plant and equipment		353	655	185	509
Acquisition of additional shares in subsidiary		-	-	-	(32,600)
Acquisition of subsidiary net of cash acquired	(ii)	-	(31,861)	-	(31,861)
Net cash (used in)/generated from investing activities		(33,416)	(64,985)	124,081	18,534

statements of cash flow

for the year ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000 (restated)	Company 2010 RM'000	Company 2009 RM'000
Cash flows from financing activities					
Balances with related companies		-	-	(32)	(115)
Balances with subsidiaries		-	-	10,743	14,459
Dividends paid to shareholders of the Company (net)		(87,999)	(71,999)	(87,999)	(71,999)
Proceeds from bank borrowings		-	25,000	-	25,000
Repayment of bank borrowings		(51,834)	(31,833)	(43,500)	(6,500)
Shares repurchased at cost		(11)	(9)	(11)	(9)
Net cash used in financing activities		(139,844)	(78,841)	(120,799)	(39,164)
Net increase/(decrease) in cash and cash equivalents		24,134	(11,074)	2,736	(21,879)
Cash and cash equivalents at 1 January 2010/2009		34,565	45,639	2,265	24,144
Cash and cash equivalents at 31 December 2010/2009	(i)	58,699	34,565	5,001	2,265

(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 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Cash and bank balances	7,209	3,665	601	465
Deposits with licensed banks	51,490	30,900	4,400	1,800
	58,699	34,565	5,001	2,265

statements of cash flow
for the year ended 31 December 2010

(ii) Acquisition of subsidiary

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

The fair value of assets acquired and liabilities assumed was as follows:

	2009 RM'000
Biological assets	12,360
Property, plant and equipment	19,501
Fair value of total assets / Cash consideration paid *	31,861
Cash and cash equivalents of subsidiary acquired	-
Net cash consideration paid on acquisitions net of cash acquired	31,861

* Reconciliation of purchase consideration of a subsidiary:

Purchase consideration	31,685
Incidental costs on acquisition	176
Total consideration	31,861

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 2010 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 25 March 2011.

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 that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and the Company:

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

- Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

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

1. **Basis of preparation** (continued)

(a) **Statement of compliance** (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards*
  - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
  - Additional Exemptions for First-time Adopters
- Amendments to FRS 2, Group Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
- IC Interpretation 4, Determining whether an Arrangement contains a Lease
- IC Interpretation 18, Transfers of Assets from Customers*
- Improvements to FRSs (2010)

Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement*

FRSs and Interpretations effective for annual periods beginning on or after 1 January 2012

- FRS 124, Related Party Disclosures (revised)
- IC Interpretation 15, Agreements for the Construction of Real Estate*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011; except those marked "*" which are not applicable to the Group and the Company; and
- from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012; except those marked "*" which are not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The initial applications of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group and of the Company.

Following the announcement by the MASB on 1 August 2008, the Group's and the Company's financial statements will be prepared in accordance with the International Financial Reporting Standards (IFRS) framework for annual periods beginning on 1 January 2012. The change of the financial reporting framework is not expected to have any significant impact on the financial position and performance of the Group and the Company.

(b) **Basis of measurement**

The financial statements have been prepared on the historical cost basis except as disclosed in Note 2.

(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 has been rounded to the nearest thousand, unless otherwise stated.

notes to the financial statements

1. Basis of preparation (continued)

(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, other than the changes arising from the adoption of new/revised accounting standards as discussed in Note 24.

(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. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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.

(ii) 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

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement,* with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below.

(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.

2. **Significant accounting policies** (continued)

(b) **Financial instruments** (continued)

(i) **Initial recognition and measurement** (continued)

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 categorises 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.

(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.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

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

Financial assets *(continued)*

(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)).

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.

(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.

2. Significant accounting policies (continued)

(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.

(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.

2. Significant accounting policies (continued)

(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.

(f) Receivables

Prior to 1 January 2010, receivables are initially recognised at their costs and subsequently measured at cost less allowance for doubtful debts.

Following the adoption of FRS 139, 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.

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

2. Significant accounting policies (continued)

(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 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 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.

(ii) Non-financial assets

The carrying amounts of non-financial 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 or groups of assets (the "cash-generating unit").

2. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets (continued)

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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its 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 units and then to reduce the carrying amount of the other assets in the unit (groups of 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 year in which the reversals are recognised.

(i) Share capital

(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 of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of shares. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total 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 reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

2. Significant accounting policies (continued)

(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 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 is measured at fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, 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.

(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.

(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.

Before 1 January 2010, all borrowing costs are recognised in the profit or loss using the effective interest method, in the period in which they are incurred.

Following the adoption of revised FRS 123, *Borrowing Costs,* borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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.

2. Significant accounting policies (continued)

(m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is 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 on the taxable income 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 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 temporary differences: 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 apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by end of the reporting period.

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 date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(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 year.

notes to the financial statements

3. Property, plant and equipment

	Leasehold land RM'000	Road and Infra-structure 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 2009							
As previously stated	-	83,926	148,465	148,959	11,081	10,849	403,280
Effects of adopting FRS 117	352,106	-	-	-	-	-	352,106
As restated	352,106	83,926	148,465	148,959	11,081	10,849	755,386
Additions	19,501	50	47	8,501	318	21,886	50,303
Disposals	-	-	-	(1,296)	(57)	-	(1,353)
Write off	-	-	(1,912)	(234)	(362)	-	(2,508)
Reclassifications	-	2,074	9,360	2,886	27	(14,347)	-
At 31 December 2009 / 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	371,607	95,364	158,506	171,264	11,027	18,898	826,666
Accumulated depreciation							
1 January 2009							
As previously stated	-	10,897	62,599	105,729	9,378	-	188,603
Effects of adopting FRS 117	18,313	-	-	-	-	-	18,313
As restated	18,313	10,897	62,599	105,729	9,378	-	206,916
Charge for the year	4,057	2,540	5,735	10,412	634	-	23,378
Disposals	-	-	-	(592)	(57)	-	(649)
Write off	-	-	(1,718)	(236)	(357)	-	(2,311)
At 31 December 2009 / 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	26,755	16,181	72,357	124,751	9,682	-	249,726
Carrying amounts							
At 1 January 2009, restated	333,793	73,029	85,866	43,230	1,703	10,849	548,470
At 31 December 2009, restated	349,237	72,613	89,344	43,503	1,409	18,388	574,494
At 31 December 2010	344,852	79,183	86,149	46,513	1,345	18,898	576,940

notes to the financial statements

3. Property, plant and equipment (continued)

Leasehold land represented by:

	Group 2010 RM'000	Group 2009 RM'000
Unexpired period more than 50 years	325,677	329,736
Unexpired period less than 50 years	19,175	19,501
	344,852	349,237

	Furniture, fittings & equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
Cost			
1 January 2009	83	761	844
Additions	-	493	493
Disposals	-	(640)	(640)
At 31 December 2009 / 1 January 2010	83	614	697
Additions	-	249	249
Disposals	-	(244)	(244)
At 31 December 2010	83	619	702
Accumulated depreciation			
1 January 2009	5	103	108
Charge for the year	15	137	152
Disposals	-	(82)	(82)
At 31 December 2009 / 1 January 2010	20	158	178
Charge for the year	15	123	138
Disposals	-	(28)	(28)
At 31 December 2010	35	253	288
Carrying amounts			
At 31 December 2009	63	456	519
At 31 December 2010	48	366	414

notes to the financial statements

4. Biological assets

	Group 2010 RM'000	Group 2009 RM'000
Cost		
At 1 January 2010/2009	1,326,461	1,311,124
Additions arising from acquisition of subsidiary	-	12,360
Additions	5,852	2,977
Write off	(331)	-
At 31 December 2010/2009	1,331,982	1,326,461

5. Investments in subsidiaries

	Company 2010 RM'000	Company 2009 RM'000
Unquoted shares, at cost	1,581,451	1,581,451

Details of the subsidiaries as at 31 December 2010 which are all incorporated in Malaysia are as follows:

Name of subsidiaries	Principal activities	Effective ownership interest (%) 2010	Effective ownership interest (%) 2009
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

notes to the financial statements

6. Inventories

	Group 2010 RM'000	Group 2009 RM'000
Consumables stores	13,784	17,544
Planting materials	1,820	1,176
Produce stocks	1,092	4,229
Livestocks	827	721
	17,523	23,670
Recognised in profit or loss:		
Inventories recognised as cost of sales	180,685	181,691
Write down to net realisable value	348	752

7. Receivables

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Trade					
Trade receivables	a	25,700	19,036	-	-
Amount due from subsidiaries	a	-	-	723	511
		25,700	19,036	723	511
Non-trade					
Other receivables		795	510	6	66
Amount due from subsidiaries	b	-	-	7,950	1,855
Amount due from related companies	b	191	-	-	-
		986	510	7,956	1,921
		26,686	19,546	8,679	2,432

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.

notes to the financial statements

8. Cash and cash equivalents

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Deposits with licensed banks	51,490	30,900	4,400	1,800
Cash and bank balances	7,209	3,665	601	465
	58,699	34,565	5,001	2,265

9. Capital and reserves

	Group and Company 2010 Number of shares '000	2010 Amount RM'000	2009 Number of shares '000	2009 Amount RM'000
Share capital				
Authorised				
Ordinary shares of RM1 each At 31 December 2010/2009	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid				
Ordinary shares of RM1 each At 31 December 2010/2009	800,000	800,000	800,000	800,000

Treasury shares

The shareholders of the Company granted authority to the Directors at the Extraordinary General Meeting ("EGM") held on 26 May 2010 to repurchase the Company's shares from the open market. During the financial year, the Company repurchased 4,000 of its issued ordinary shares from the open market for a total cost of RM10,474. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

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

notes to the financial statements

9. Capital and reserves (continued)

Movement of shares repurchased

	Number of shares	Amount RM	Average cost per share RM
At 1 January 2009	4,000	9,374	2.34
Repurchase during the year	4,000	9,213	2.30
At 31 December 2009 / 1 January 2010	8,000	18,587	2.32
Repurchase during the year	4,000	10,474	2.62
At 31 December 2010	12,000	29,061	2.42

	Group and Company 2010 RM'000	Group and Company 2009 RM'000
Reserves		
Non-distributable		
Share premium		
At 31 December 2010/2009	675,578	675,578

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Distributable				
Retained earnings	285,592	204,480	90,916	55,739

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

notes to the financial statements

10. Bank borrowings

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

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Non-current				
Unsecured term loan	17,500	55,000	-	20,000
Current				
Unsecured revolving credits	-	18,500	-	18,500
Unsecured term loans	17,500	13,334	-	5,000
	17,500	31,834	-	23,500

The long term borrowings are repayable as follows:

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Between 1 to 3 years	17,500	45,000	-	10,000
Between 3 to 5 years	-	10,000	-	10,000
	17,500	55,000	-	20,000

All loans and borrowings are denominated in the functional currency, which is in Ringgit Malaysia ("RM").

Interest rates

The interest rates charged for bank borrowings were based on floating rates ranging between 2.53% to 3.46% (2009: 2.51% to 6.25%) per annum.

11. Deferred tax liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Property, plant and equipment						
- capital and agriculture allowances	-	-	(37,538)	(33,564)	(37,538)	(33,564)
- revaluation	-	-	(78,767)	(79,497)	(78,767)	(79,497)
Biological assets	-	-	(74,853)	(73,775)	(74,853)	(73,775)
Unutilised tax losses	1,158	418	-	-	1,158	418
Net tax assets/(liabilities)	1,158	418	(191,158)	(186,836)	(190,000)	(186,418)

11. Deferred tax liabilities (continued)

Unrecognised deferred tax assets

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

	Group 2010 RM'000	Group 2009 RM'000
Unabsorbed capital allowances	86	51
Unutilised tax losses	3,251	2,731
Other taxable temporary differences	(71)	(49)
	3,266	2,733

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.

Movement in temporary differences during the year

	Group				
	At 1.1.2009 RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2009/ 1.1.2010 RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2010 RM'000
Property, plant and equipment					
- capital and agriculture allowances	(34,213)	649	(33,564)	(3,974)	(37,538)
- revaluation	(80,226)	729	(79,497)	730	(78,767)
Biological assets	(73,042)	(733)	(73,775)	(1,078)	(74,853)
Unutilised tax losses	-	418	418	740	1,158
	(187,481)	1,063	(186,418)	(3,582)	(190,000)

notes to the financial statements

12. Payables

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Trade					
Trade payables	a	8,494	7,334	-	-
Amount due to ultimate holding company	a	108	-	-	-
Amount due to related companies	a	2,604	4,010	829	861
		11,206	11,344	829	861
Non-trade					
Other payables		18,211	13,565	1,104	1,249
Amount due to subsidiaries	b	-	-	26,946	9,896
Amount due to related companies	b	-	6	-	-
		18,211	13,571	28,050	11,145
		29,417	24,915	28,879	12,006

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 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Sales of plantation produce	473,754	373,134	-	-
Gross dividend income	-	-	124,145	98,000
Selling commission	-	-	5,622	4,425
	473,754	373,134	129,767	102,425

notes to the financial statements

14. Profit before tax

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Profit before tax is arrived at after charging:				
Auditors' remuneration:				
- Statutory audit				
KPMG				
- current year	145	130	25	25
- under provision in prior years	15	-	-	-
- Other services				
KPMG	11	10	11	10
Affiliates of KPMG				
- current year	30	19	6	5
- over provision in prior years	(6)	-	-	-
Depreciation of property, plant and equipment	24,401	23,378	138	152
Equipment hiring charges	3,032	2,921	-	-
Loss on disposal of property, plant and equipment	-	49	31	49
Management fees	2,520	2,520	2,520	2,520
Personnel expenses (including key management personnel)				
- Contributions to Employees' Provident Fund	2,110	1,884	108	135
- Wages, salaries and others	58,123	48,643	1,251	1,967
Property, plant and equipment written off	757	197	-	-
Biological assets written off	331	-	-	-
Rental expenses	1,981	196	91	102
Replanting expenses	5,984	5,445	-	-
and after crediting:				
Gain on disposal of property, plant and equipment	40	-	-	-
Plantation management fee income	56	56	-	-
Rental income from letting of shops in estates	201	166	-	-
Interest income	760	520	214	306
Insurance claim received	738	294	-	-

notes to the financial statements

15. Key management personnel compensations

The key management personnel compensations are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors of the Company:				
- Fees	270	270	270	270
- Remuneration	1,654	1,427	543	494
- Other short term employee benefits *	41	37	-	-
	1,965	1,734	813	764
Other Directors:				
- Fees	198	198	-	-
- Remuneration	-	18	-	-
- Other short term employee benefits *	-	1	-	-
	198	217	-	-
	2,163	1,951	813	764
Other key management personnel:				
- Remuneration	3,871	3,405	732	708
- Other short term employee benefits *	194	169	36	38
	4,065	3,574	768	746

* 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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax expense				
- Current year provisions	55,421	35,818	1,048	15,219
- (Over)/Under provision in prior years	(1,738)	284	(4)	284
	53,683	36,102	1,044	15,503
Deferred tax expense				
- Origination and reversal of temporary differences	2,585	(1,063)	-	-
- Under provision in prior years	997	-	-	-
	3,582	(1,063)	-	-
Total tax expense	57,265	35,039	1,044	15,503

notes to the financial statements

16. Tax expense (continued)

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Reconciliation of effective tax expense				
Profit before tax	226,376	135,136	124,220	95,905
Tax calculated using Malaysian tax rate of 25%	56,594	33,784	31,055	23,976
Non-deductible expenses	1,468	834	1,029	722
Non-taxable income	(190)	-	(31,036)	(9,479)
Utilisation of previously unrecognised deferred tax assets	-	(153)	-	-
Deferred tax assets not recognised during the year	134	290	-	-
	58,006	34,755	1,048	15,219
(Over)/Under provision of tax in prior years	(1,738)	284	(4)	284
Under provision of deferred tax in prior years	997	-	-	-
	57,265	35,039	1,044	15,503

17. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2010 was based on the profit attributable to owners of the Company and a weighted average number of ordinary shares outstanding calculated as follows:

	Group 2010 RM'000	Group 2009 RM'000
Profit attributable to owners of the Company	169,111	100,097

	Group 2010 '000	Group 2009 '000
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January 2010/2009	800,000	800,000
Effect of treasury shares held	(10)	(6)
Weighted average number of ordinary shares at 31 December 2010/2009	799,990	799,994
Basic earnings per share (sen)	21.14	12.51

18. Dividends

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

	Sen per share	Total amount RM'000	Date of payment
31 December 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	
31 December 2009			
Final 31.12.2008 ordinary	5	40,000	15 June 2009
Interim 31.12.2009 ordinary	4	31,999	27 October 2009
Total amount	9	71,999	

(ii) Final dividend

The following final dividend was proposed by the Directors. This dividend will be recognised in subsequent financial reports upon approval by the shareholders.

	Sen per share	Total amount RM'000
Final dividend	7	55,999

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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Capital expenditure				
Authorised but not contracted for	70,604	41,966	500	500
Contracted but not provided for	10,985	12,774	-	-
	81,589	54,740	500	500

20. Financial instruments

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

20.1 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
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

	Group		Company	
	Carrying amount RM'000	OL RM'000	Carrying amount RM'000	OL RM'000
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

20.2 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

20. Financial instruments (continued)

20.3 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
2010		
Not past due	19,742	723
Past due 0 – 30 days	5,958	-
	25,700	723

Impairment losses

As at the end of the reporting period, there was no indication that the trade receivable which was 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 the advances to the subsidiaries. Nevertheless, these advances are repayable on demand.

notes to the financial statements

20. Financial instruments (continued)

20.4 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					
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					
2010					
Payables	28,879	-	28,879	28,879	-

20.5 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.

20.5.1 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.

notes to the financial statements

20. Financial instruments (continued)

20.5 Market risk (continued)

20.5.1 Interest rate risk (continued)

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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed rate instruments				
Financial assets	51,490	30,900	4,400	1,800
Floating rate instruments				
Financial liabilities	35,000	86,834	-	43,500

Interest rate risk sensitivity analysis

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.

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

20. Financial instruments (continued)

20.6 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 assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2010		2009	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group				
Unsecured bank borrowings	35,000	35,000	86,834	86,834
Company				
Unsecured bank borrowings	-	-	43,500	43,500

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	
	2010	2009
Unsecured bank borrowings	3.15%	3.22%

21. Significant related parties transactions

(i) 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.

(ii) Transactions with key management personnel

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.

(a) Key management personnel compensation

Key management personnel compensation is disclosed in Note 15.

(b) The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence was as follows:

	Transaction value 2010 RM'000 Revenue/ (Expense)	Balance outstanding as at 2010 RM'000 Due to/ (from)	Transaction value 2009 RM'000 Revenue/ (Expense)	Balance outstanding as at 2009 RM'000 Due to/ (from)
Group				
Firm connected to Datuk Edward Lee Ming Foo, JP a Director of the Company: Corporated International Consultants				
Project consultancy fee payable	(177)	184	(358)	244
Firm connected to Datuk Simon Shim Kong Yip, JP a Director of the Company: Shim Pang & Co				
Legal fees	-	-	(75)	-
Company				
Firm connected to Datuk Simon Shim Kong Yip, JP a Director of the Company: Shim Pang & Co				
Legal fees	-	-	(75)	-

21. Significant related parties transactions (continued)

(iii) Significant transactions and balances with related parties are as follows:

	Transaction value 2010 RM'000 Revenue/ (Expense)	Balance outstanding as at 2010 RM'000 Due to/ (from)	Transaction value 2009 RM'000 Revenue/ (Expense)	Balance outstanding as at 2009 RM'000 Due to/ (from)
Group				
Ultimate holding company, Gek Poh				
Insurance expenses	(2,049)	108	(1,823)	-
Immediate holding company, HSCB and its subsidiaries				
Management fees	(2,520)	630	(2,520)	630
Dividend paid	(45,365)	-	(37,117)	-
Plantation management income	56	(19)	56	(19)
Rental expense	(159)	-	(196)	5
Purchase of vehicles and spare parts	(6,555)	377	(5,518)	283
Purchase of fertilisers and chemicals	(36,479)	65	(79,722)	135
Contract expenses	(259)	-	(1,921)	-
Purchase of diesel, petrol and lubricant	(18,011)	1,327	(17,257)	1,390
Purchase of building materials	(376)	40	(299)	7
Purchase of stone and sand	(3,057)	184	(2,465)	1,587
Sales of products	16	-	8	(8)
Sales of used motor vehicles	-	-	171	-
Company				
Ultimate holding company, Gek Poh				
Insurance expenses	(11)	-	(141)	-
Immediate holding company, HSCB and its subsidiaries				
Management fees	(2,520)	630	(2,520)	630
Dividend paid	(45,365)	-	(37,117)	-
Rental expense	(91)	-	(102)	-
Purchase of vehicles and spare parts	(106)	199	(170)	231
Sales of used motor vehicles	-	-	171	-
Subsidiaries				
Dividend income	124,145	-	98,000	-
Selling commission	5,622	(723)	4,425	(511)

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.

notes to the financial statements

22. Segmental reporting

No segmental financial information has been prepared as the Group is primarily engaged in the cultivation of oil palm and processing of fresh fruit bunches carried out in Malaysia.

23. 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.

24. Significant changes in accounting policies

24.1 FRS 101, Presentation of Financial Statements (revised)

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

24.2 FRS 117, Leases

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance is finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively and comparatives have been restated as disclosed in Note 25.2.

The reclassification does not affect the basic earnings per ordinary share for the current and prior periods.

24.3 FRS 139, Financial Instruments: Recognition and Measurement

The new FRS 139 deals with the recognition and measurement of financial instruments covering both financial assets and liabilities. This change in accounting policy has been adopted prospectively on 1 January 2010. There has been no impact on the Group's financial statements on initial adoption of FRS 139.

Following the adoption of FRS 139, the Group's financial assets (namely trade and other receivables) and financial liabilities (namely bank borrowings and trade and other payables) are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method. Prior to 1 January 2010, the Group's financial assets were stated at cost less allowance for doubtful debts, whilst financial liabilities were stated at cost.

notes to the financial statements

25. Comparative figures

25.1 FRS 101, Presentation of Financial Statements (revised)

Arising from the adoption of FRS 101 (revised), income statements for the year ended 31 December 2009 have been re-presented as statement of comprehensive income.

25.2 FRS 117, Leases

Following the adoption of the amendment to FRS 117, certain comparatives have been re-presented as follows:

	Group			
	31.12.2009		1.1.2009	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Statements of financial position				
Property, plant and equipment	574,494	225,257	548,470	214,677
Prepaid lease payments	-	349,237	-	333,793
Statements of cash flows				
Depreciation of property, plant and equipment	23,378	19,321		
Amortisation of prepaid lease payments	-	4,057		

26. 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 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follows:

	2010	
	Group RM'000	Company RM'000
Total retained earnings of the Company and its subsidiaries:		
- realised	682,955	90,916
- unrealised	(128,951)	-
	554,004	90,916
Less: Consolidation adjustments	(268,412)	-
Total retained earnings	285,592	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 50 to 88 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 at 31 December 2010 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 26 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
25 March 2011

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 50 to 89 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 25 March 2011.

Lee Wee Yong

Before me:

PESURUHJAYA SUMPAH
No: W 594
P. VALLIAMAH
MALAYSIA
Lot 112, Tingkat Satu,
Wisma MPL, Jalan Raja Chulan
50200 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the members of Hap Seng 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 2010 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 50 to 88.

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 2010 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries 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.

independent auditors' report

to the members of Hap Seng Plantations Holdings Berhad

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 26 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: 2700/12/11 (J)
Chartered Accountant

25 March 2011

Sandakan

OTHER INFORMATION

1. PARTICULARS OF SANCTIONS AND/OR PENALTIES IMPOSED

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

2. MATERIAL CONTRACTS

There were no material contracts involving the Company and its subsidiaries with directors' and/or major shareholders' interest, either still subsisting at the end of the financial year, or if not subsisting, entered into since the end of the financial year ended 31 December 2010, except for the following:-

i. Related Party Transactions during the financial year ended 31 December 2010 entered in the ordinary course of business and on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority interests, have been disclosed in Note 21 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 6 June 2011 immediately after the conclusion of the Annual General Meeting to be held on the same date.

3. REVALUATION POLICY ON LANDED PROPERTIES

The Group and Company do not have any revaluation policy on landed properties. All landed properties are stated at cost.

PARTICULARS OF GROUP'S PROPERTIES

Location	Land title	Area *(hectares)*	Description	Date of acquisition	Tenure	Expiry date	Approximate age of buildings *(years)*	Net book value at 31/12/2010 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	5 - 44	
		3.23	Tomanggang Palm Oil Mill				41	
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	5 - 27	
	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	5 - 35	
	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	-	
	CL 075359447	262.92	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2076	6 - 28	960,368
	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	5 - 19	
	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	6 - 17	
		8.10	Bukit Mas Palm Oil Mill				12	
	CL 095316340	1,020.00	Oil palm plantation & buildings	September 2007	Leasehold 999 years	2887	5 - 16	

particulars of group's properties

Location	Land title	Area *(hectares)*	Description	Date of acquisition	Tenure	Expiry date	Approximate age of buildings *(years)*	Net book value at 31/12/2010 RM'000
SABAH								
KINABATANGAN, LAHAD DATU (continued)								
Batangan Estate	CL 095311005	1,991.94	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	5 - 29	
	CL 095311014	1,640.94	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	5 - 29	
Lutong Estate	CL 095311014	2,406.00	Oil palm plantation & buildings & Jelutong	September 2007	Leasehold 99 years	2078	10 - 21	
	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	-	688,007
	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	10	
	CL 095310973	1,187.39	Oil palm plantation & buildings Air control tower	September 2007	Leasehold 99 years	2078	10 - 15	
Kapis Estate	CL 095310973	2,668.85	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	8 - 24	
		12.15	Jeroco Palm Oil Mill I & II				14 - 23	
Lungmanis Estate	CL 095310973	2,200.00	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	10 - 16	
Wecan Estate	CL 095317427	1,078.00	Oil palm plantation	September 2007	Leasehold 99 years	2084	-	48,904
Tampilit Estate	CL 095317418	201.70	Oil palm plantation	September 2007	Leasehold 99 years	2084	-	9,044

particulars of group's properties

Location	Land title	Area *(hectares)*	Description	Date of acquisition	Tenure	Expiry date	Approximate age of buildings *(years)*	Net book value at 31/12/2010 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	7 - 29	
	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	29	
	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	29	59,705
	Lease No. 105320161	194.13	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2068	29	
	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	29	

particulars of group's properties

Location	Land title	Area *(hectares)*	Description	Date of acquisition	Tenure	Expiry date	Approximate age of buildings *(years)*	Net book value at 31/12/2010 RM'000
KOTA MARUDU								
Pelipikan Estate, Kg Natu	CL 225326170	403.10	Oil palm plantation & buildings	August 2008	Leasehold 99 years	2102	3 - 11	
Pelipikan Estate, Kg Natu	CL 225319013	323.60	Oil palm plantation & buildings	August 2008	Leasehold 99 years	2101		43,705
Pelipikan Estate, Kg Natu	#	81.00	Oil palm plantation	August 2008	-	-		
Pelipikan Estate, Kg Natu	251 various Natives titles ***	1,364.91	Oil palm plantation & buildings	December 2009	Leasehold 30 years	2039	5 - 6	33,063
Total		39,803						1,842,166

* *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 20 April 2011

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	:	10,437

DISTRIBUTION OF SHAREHOLDERS

Size of Holding	No. of Shareholders	% of Shareholders	* No. of Shares Held	% of Issued Capital
1 to 99	112	1.073	2,796	#
100 to 1,000	3,583	34.330	2,767,902	0.346
1,001 to 10,000	5,424	51.969	22,987,394	2.874
10,001 to 100,000	1,154	11.057	34,442,515	4.305
100,001 to less than 5% of issued shares	160	1.533	86,807,193	10.851
5% and above of issued shares	4	0.038	652,980,200	81.624
Total	10,437	100.000	799,988,000	100.00

* *The number of 799,988,000 ordinary shares was arrived at after deducting the number of 12,000 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	441,186,400	55.149
2.	Innoprise Corporation Sdn Bhd	119,978,000	14.997
3.	Lembaga Tabung Haji	47,007,900	5.876
4.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	44,807,900	5.601
5.	RHB Capital Nominees (Asing) Sdn Bhd - Kowa Company Ltd – (J)	10,813,000	1.351
6.	Amanahraya Trustees Berhad - Amanah Saham Wawasan 2020	9,439,700	1.179
7.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (Norges BK Nlend)	6,600,000	0.825
8.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	3,503,900	0.437
9.	AMSEC Nominees (Tempatan) Sdn Bhd - Fulcrum Asset Management Sdn Bhd for Arab-Malaysian (CSL) Sdn Bhd	3,000,000	0.375
10.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (LGF)	2,866,300	0.358
11.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (LPF)	2,149,200	0.268
12.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	2,139,200	0.267
13.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Koh Kin Lip (MY0502)	2,000,000	0.250

analysis of shareholding
as at 20 April 2011

		Shareholding	%[3]
14.	Gan Teng Siew Realty Sdn Berhad	1,816,766	0.227
15.	Mayban Nominees (Tempatan) Sdn Bhd - Etiqa Takaful Berhad (Family Fund)	1,769,000	0.221
16.	Employees Provident Fund Board	1,500,000	0.187
17.	Cartaban Nominees (Asing) Sdn Bhd - Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	1,396,000	0.174
18.	Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund 59AX for Oregon Public Employees Retirement System	1,316,600	0.164
19.	Key Development Sdn Berhad	1,000,000	0.125
20.	Mayban Nominees (Tempatan) Sdn Bhd - Etiqa Insurance Berhad (Non-Par Fund 2)	980,000	0.122
21.	Chinchoo Investment Sdn Berhad	894,900	0.111
22.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (LBF)	728,100	0.091
23.	Amanahraya Trustees Berhad - CIMB Islamic Equity Aggressive Fund	705,200	0.088
24.	AMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Bright Memory Sdn Bhd	700,000	0.087
25.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Kumpulan RZA Sdn Bhd (PB)	700,000	0.087
26.	Universal Trustee (Malaysia) Berhad - Pacific Premier Fund	672,100	0.084
27.	Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund 2CIA for Emerging Markets Value Trust (John Hnck Trust)	617,500	0.077
28.	Citigroup Nominees (Tempatan) Sdn Bhd - Nomura Asset Management Malaysia for Kumpulan Wang Persaraan (Diperbadankan)	600,000	0.075
29.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (USA)	559,200	0.069
30.	Denver Corporation Sdn Bhd	546,000	0.068
	Total	711,992,866	88.990

SUBSTANTIAL SHAREHOLDERS

	Shareholding			
	Direct	%[3]	Indirect	%[3]
Hap Seng Consolidated Berhad	441,186,400	55.149		
Innoprise Corporation Sdn Bhd	119,978,000	14.997		
Lembaga Tabung Haji	47,007,900	5.876		
Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	44,807,900	5.601		
Gek Poh (Holdings) Sdn Bhd			441,186,400[1]	55.149
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak			441,186,400[2]	55.149

[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 799,988,000 which was arrived at by deducting 12,000 treasury shares held by the Company from its issued and paid-up capital of 800,000,000.*

DIRECTORS' SHAREHOLDING

as at 20 April 2011

Company :

	Direct Shareholding		Indirect Shareholding	
Hap Seng Plantations Holdings Berhad ["HSP"]	**No. of Shares**	**%[(1)]**	**No. of Shares**	**%[(1)]**
Tan Sri Ahmad Bin Mohd Don	20,000	0.002	-	-
Datuk Edward Lee Ming Foo, JP	110,000	0.013	-	-
Lee Wee Yong	70,000	0.008	-	-
Au Yong Siew Fah	163,000	0.020	-	-
Dato' Jorgen Bornhoft	10,000	0.001	-	-
Datuk Simon Shim Kong Yip, JP	180,000	0.022	-	-
Wong Yuen Kuai, Lucien	110,000	0.013	* 50,000	0.006
Tan Sri Abdul Hamid Egoh	110,000	0.013	-	-
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	490,000	0.061	-	-

Related Corporation :

	Direct Shareholding		Indirect Shareholding	
Hap Seng Consolidated Berhad ["HSCB"]	**No. of Shares**	**%[(2)]**	**No. of Shares**	**%[(2)]**
Au Yong Siew Fah	67,000	0.011	-	-
Dato' Jorgen Bornhoft	50,000	0.008	-	-

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

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

* *Held through his spouse.*

SHARE BUY-BACK SUMMARY

Month	No. of shares purchased and retained as treasury shares	Lowest price paid per share (RM)	Highest price paid per share (RM)	Average cost per share (RM)	Total Cost (RM)
January -10	-	-	-	-	-
February -10	-	-	-	-	-
March -10	-	-	-	-	-
April -10	-	-	-	-	-
May -10	2,000	2.20	2.20	2.2232	4,446.32
June -10	-	-	-	-	-
July -10	-	-	-	-	-
August -10	-	-	-	-	-
September -10	-	-	-	-	-
October -10	-	-	-	-	-
November -10	2,000	2.99	2.99	3.0139	6,027.80
December -10	-	-	-	-	-
Total	4,000	2.20	2.99	2.6185	10,474.12

During the financial year, all the repurchased shares by the Company were retained as treasury shares. None of the treasury shares were resold or cancelled during the financial year. Consequently, the balance cumulative treasury shares held as at 31 December 2010 were 12,000.

PLANTATION STATISTICS

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

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2010

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

Conversion Rate : 1 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.

FORM OF PROXY

No. of shares	
CDS Account No:	

HAP SENG PLANTATIONS HOLDINGS BERHAD (769962-K)

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

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

....

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

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

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

....

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Fourth Annual General Meeting of the Company to be held at Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Monday, 6 June 2011 at 2.00 p.m. or at any adjournment thereof, on the following resolutions referred to in the Notice of Annual General Meeting:-

RESOLUTION	1	2	3	4	5	6	7	8
FOR								
AGAINST								

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

Signed this .... day of 2011

....
Signature / Common Seal of appointor

Notes:

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

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