



Annual Report 2009



HAP SENG PLANTATIONS HOLDINGS BERHAD (769962-K)





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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of Hap Seng Plantations Holdings Berhad will be held at the Auditorium, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 26 May 2010 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 adopt the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of Directors and Auditors thereon. **Resolution 1**
2. To declare a final dividend of 5.0 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 2009 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 Tan Sri Ahmad Bin Mohd Don who retires as Director of the Company pursuant to Article 112 of the Company's Articles of Association. **Resolution 4**
5. To re-elect Dato' Jorgen Bornhoft who retires as Director of the Company pursuant to Article 112 of the Company's Articles of Association. **Resolution 5**
6. To re-elect Datuk Simon Shim Kong Yip, JP who retires as Director of the Company pursuant to Article 112 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 capital of the Company as at the date of this Annual General Meeting 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 (LS0009398)
Company Secretary

Kuala Lumpur
30 April 2010

Notes:

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

2. **EXPLANATORY NOTES FOR ORDINARY RESOLUTION 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 [“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. 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 2009, which will lapse at the conclusion of this Annual General Meeting.

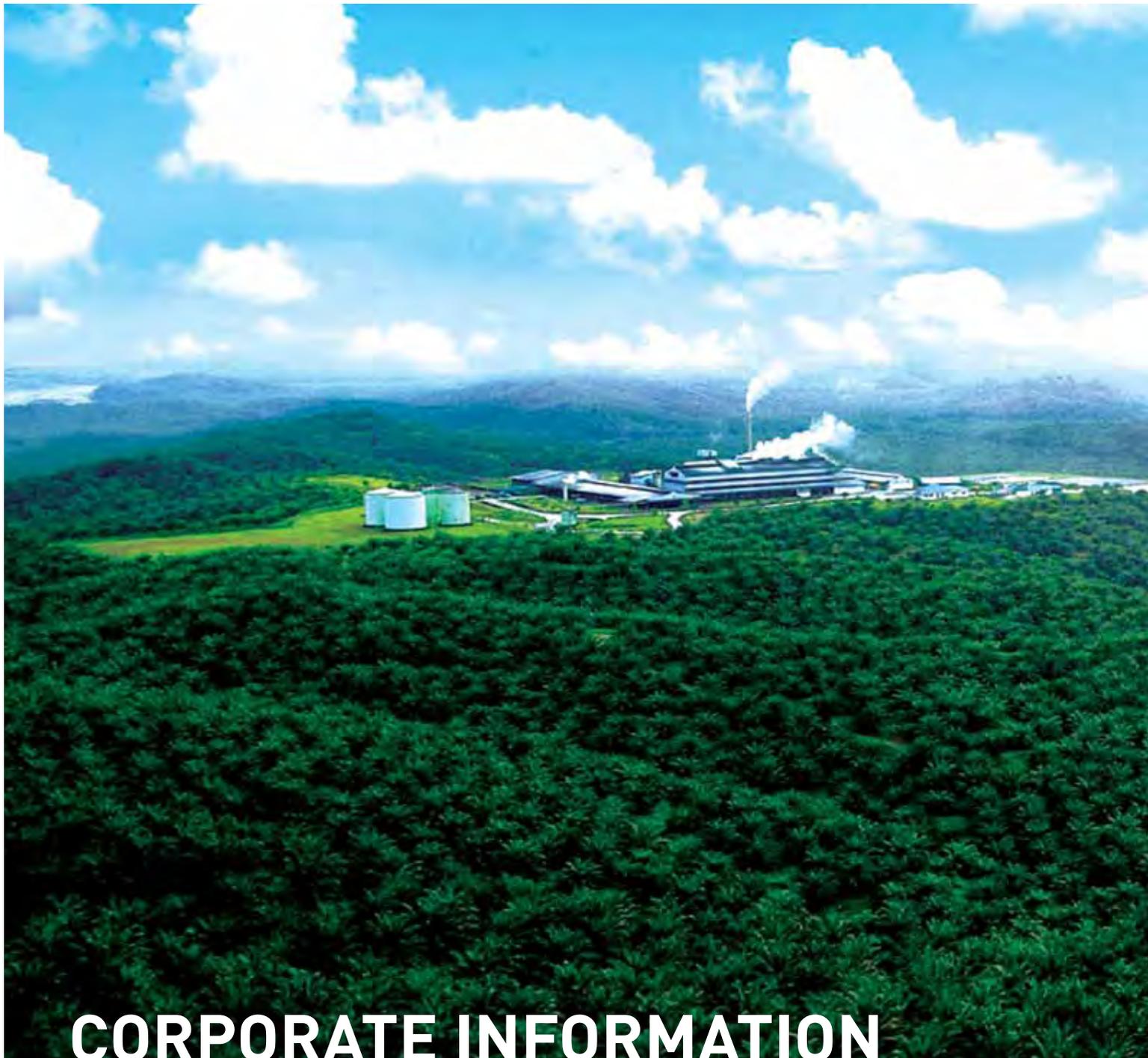
The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares for purposes of funding future investment projects, working capital and/or acquisitions.

NOTICE OF FINAL DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that a final dividend of 5.0 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 2009, if approved by the shareholders at the Third Annual General Meeting, will be payable on 8 June 2010 to the shareholders whose names appear on the Company’s Record of Depositors at the close of business on 27 May 2010.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- (a) shares transferred into the depositor’s securities account before 4.00 pm on 27 May 2010 in respect of transfers; and
- (b) shares bought on the Bursa Malaysia Securities Berhad [“Bursa Securities”] on cum entitlement basis according to the Rules of the Bursa Securities.



CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI AHMAD BIN MOHD DON
Independent Non-Executive Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

SOON SEONG KEAT
Executive Director

AU YONG SIEW FAH
Executive Director

DATO' JORGEN BORNHOFT
Independent Non-Executive Director

WONG YUEN KUAI, LUCIEN
Independent Non-Executive Director

PATRICK HOUGHTON WALE
Independent Non-Executive Director

TAN SRI ABDUL HAMID EGOH
Non-Executive Director

DATUK SIMON SHIM KONG YIP, JP
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

PLANTATION HEADQUARTERS

Off 40KM, Jalan Jeroco
Lahad Datu, Sabah

PLACE OF INCORPORATION

Malaysia

SHARE REGISTRAR

TRICOR INVESTOR SERVICES SDN BHD (118401-V)
(Formerly known as Tenaga Koperat Sdn Bhd)
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
90707 Sandakan, Sabah

PRINCIPAL BANKERS

Hong Leong Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad



BOARD OF DIRECTORS

from left to right

TAN SRI AHMAD BIN MOHD DON
Independent Non-Executive

DATUK EDWARD LEE MING FOO, JP
Managing Director

SOON SEONG KEAT
Executive Director

AU YONG SIEW FAH
Executive Director



from left to right

DATO' JORGEN BORNHOFT
Independent Non-Executive Director

WONG YUEN KUAI, LUCIEN
Independent Non-Executive Director

TAN SRI ABDUL HAMID EGOH
Non-Executive Director

DATUK SIMON SHIM KONG YIP, JP
Non-Executive Director

PATRICK HOUGHTON WALE
Non-Executive Director

BOARD OF DIRECTORS' PROFILE



TAN SRI AHMAD BIN MOHD DON
Independent
Non-Executive Chairman



DATUK EDWARD LEE MING FOO, JP
Managing Director



SOON SEONG KEAT
Executive Director

TAN SRI AHMAD BIN MOHD DON, a Malaysian, aged 62, 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, Hing Yiap Group Berhad and United Malacca Berhad, all of which are companies listed on the Main Market of Bursa Malaysia Securities Berhad ["Bursa Securities"]. 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.

Currently, he is a Director of Messrs. Sekhar & Tan, a firm of public accountants in Kuala Lumpur.

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 2009.

Board of Directors' Profile

DATUK EDWARD LEE MING FOO, JP, a Malaysian, aged 55, 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 and an Alternate Director on the Board of Malaysian Mosaics Berhad ("MMB"). Both of these companies are 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 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 22 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 2009.

SOON SEONG KEAT, a Malaysian, aged 48, was appointed an Executive Director of Hap Seng Plantations Holdings Berhad ("HSP") on 15 May 2007.

Mr. Soon is also an Executive Director of Hap Seng Consolidated Berhad ("HSCB") since 1 February 2007, the immediate holding company of HSP. On 1 April 2009, he became the Alternate Director to Mr. Lee Wee Yong, a Non-Independent Non-Executive Director of Malaysian Mosaics Berhad ("MMB"). Both HSCB and MMB are companies listed on the Main Market of Bursa Securities.

Mr. Soon is a Chartered Accountant with the Malaysian Institute of Accountants and a member of Malaysian Institute of Certified Public Accountants. He started his professional career with KPMG Peat Marwick (now known as KPMG) from 1981 to 1988 during which he acquired his professional qualification.

He joined the Hong Leong Group of Companies in 1988 and became the Group Financial Controller of Malaysian Pacific Industries Berhad in 1993. Shortly thereafter in 1994, he was promoted to become the Group Financial Controller of Hong Leong Industries Berhad ("HLI") Group of Companies. From 2001 to 2005, he was the Group Financial Controller of both HLI and Hume Industries Berhad.

In December 2005, Mr. Soon joined HSCB and is currently its Group Finance Director.

Mr. Soon 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 2009.

Board of Directors' Profile



AU YONG SIEW FAH
Executive Director



DATO' JORGEN BORNHOFT
Independent Non-Executive Director



WONG YUEN KUAI, LUCIEN
Independent Non-Executive Director

AU YONG SIEW FAH, a Malaysian, aged 59, 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.

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 2009.

Board of Directors' Profile

WONG YUEN KUAI, LUCIEN, a Singaporean, aged 56, 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 SingHealth Foundation and 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 2009.

DATO' JORGEN BORNHOFT, a Dane, aged 68, 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.

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) of the Board Meetings held during the financial year ended 31 December 2009.

Board of Directors' Profile

PATRICK HOUGHTON WALE, British, aged 65, was appointed as an Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad on 1 April 2008. He is also a member of the Audit Committee, a sub-committee of the Board.

He joined the Aviva Insurance Group in New Zealand in 1961 and was transferred for oversea postings to Africa and India. He was the Country Manager in Hong Kong and Malaysia in 1980 and 1982 respectively, followed by promotion to Regional Managing Director for Asia in Singapore in 1990. He led the merger of Commercial Union Assurance Co Ltd and General Accident Insurance Asia Ltd across the Asian region in 1998, and the acquisition of Insurance Corporation of Singapore in Singapore in 2001.

In 2004, he was a member of the Aviva team responsible for selling Aviva Asia's General Insurance businesses to Mitsui Sumitomo Insurance which resulted in the merger of the two company's Asian Regional Offices in Singapore and a name change to MSIG Holdings (Asia) Pte Ltd ("MSIG Holdings"), plus the merger of Mitsui Sumitomo Insurance (Malaysia) Bhd and Aviva Insurance Berhad in Malaysia. Thereafter, Mr. Wale became the Chief Executive Officer of MSIG Holdings until his retirement on 1 April 2008.

Mr. Wale is a Fellow of Chartered Insurance Institute and Associate member of Australia Insurance Institute as well as Insurance Institute of New Zealand.

Mr. Wale 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 2009.

TAN SRI ABDUL HAMID EGOH, a Malaysian, aged 76, 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 2009.

Board of Directors' Profile



PATRICK HOUGHTON WALE
Independent Non-Executive Director



TAN SRI ABDUL HAMID EGOH
Non-Executive Director

DATUK SIMON SHIM KONG YIP, JP, a Malaysian, aged 53, 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 Malaysian Mosaics Berhad and 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 22 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 2009.



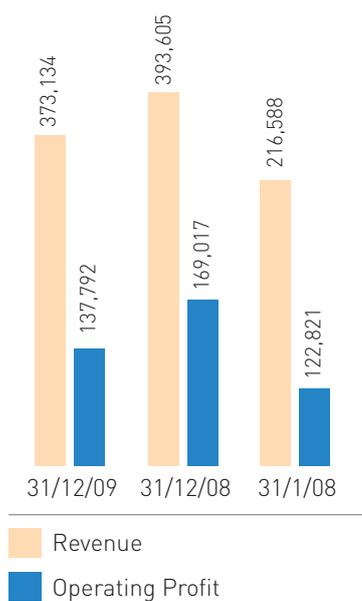
DATUK SIMON SHIM KONG YIP, JP
Non-Executive Director

GROUP FINANCIAL HIGHLIGHTS

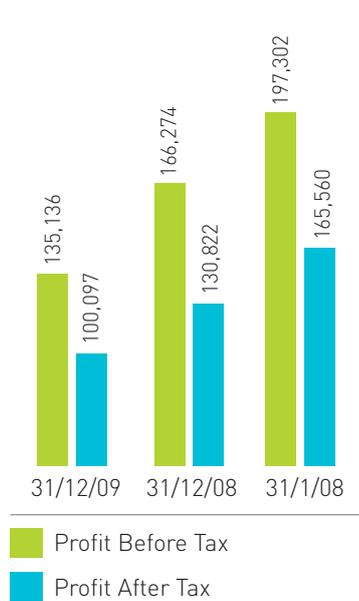
	YEAR ENDED 31 DECEMBER 2009	11 MONTHS PERIOD ENDED 31 DECEMBER 2008	PERIOD ENDED 31 JANUARY 2008 (From date of completion 7 September 2007)
INCOME (RM'000)			
(i) Revenue	373,134	393,605	216,588
(ii) Operating profit	137,792	169,017	122,821
(iii) Profit before taxation *	135,136	166,274	197,302
(iv)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

Group Financial Highlights

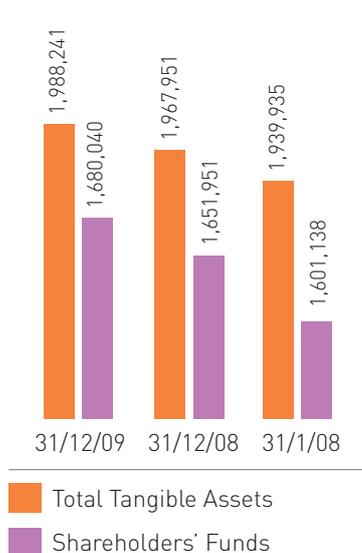
REVENUE / OPERATING PROFIT (RM'000)



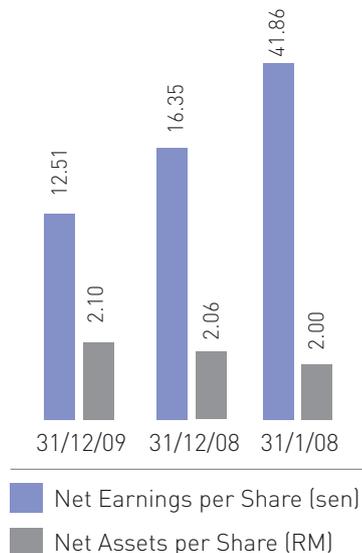
PROFIT BEFORE TAX / PROFIT AFTER TAX (RM'000)



TOTAL TANGIBLE ASSETS / SHAREHOLDERS' FUNDS (RM'000)



NET EARNINGS PER SHARE / NET ASSETS PER SHARE





CHAIRMAN'S STATEMENT

TAN SRI AHMAD BIN MOHD DON

Chairman's Statement



On behalf of the Board, I have pleasure in presenting the Third Annual Report and Financial Statements of the Company and the Group for the financial year ended 31 December 2009.



REVIEW OF RESULTS

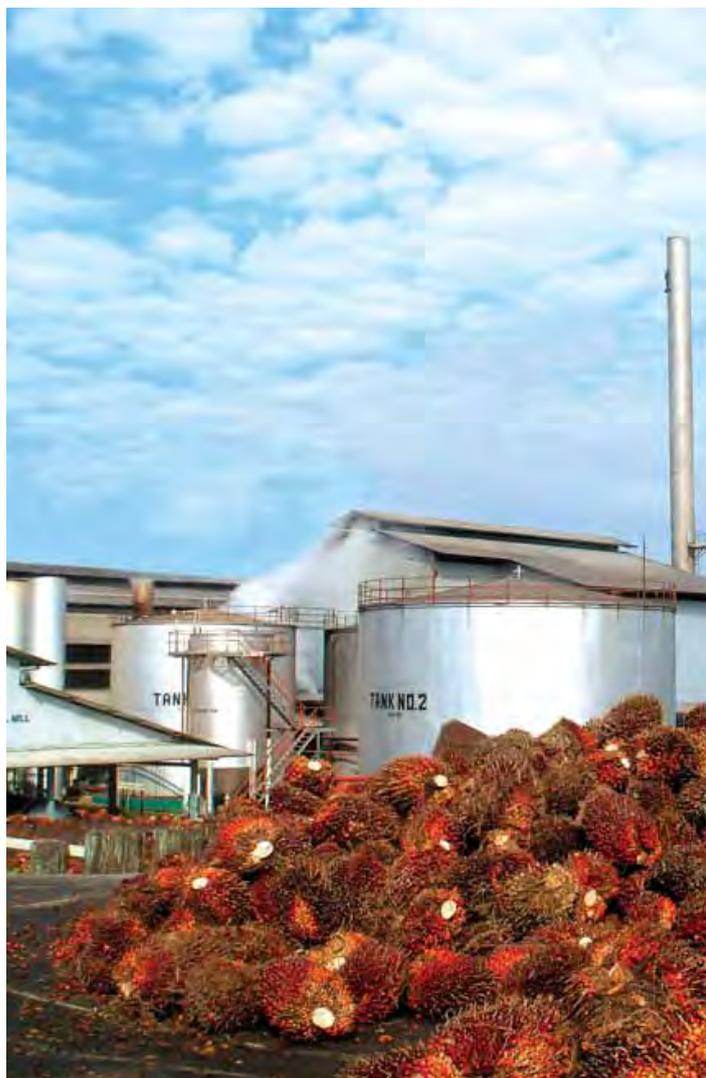
The palm oil industry experienced a very challenging year in 2009 amidst the lingering effects of the global financial crisis in 2008 that swept across the world's major economies. Crude Palm Oil ("CPO") prices which plummeted in the fourth quarter of 2008 recovered in the first half of 2009, supported by positive sentiments on crude oil prices, tight supply of vegetable oils in the world markets and low domestic palm oil stocks. Average monthly CPO prices increased from RM1,839 per metric ton in January 2009 to the high of RM2,743 per metric ton in May 2009. However, fears of a prolonged global recession brought about a steep decline in prices of crude oil and other vegetable oils in the second half of 2009 which saw the average monthly CPO price retreating to RM2,114 per metric ton in July 2009 before recovering to RM2,456 per metric ton in December 2009.

Our Group recorded a revenue of RM373.1 million for the financial year under review, 5.2% lower than the previous financial period (2008: RM393.6 million) and operating profit of RM137.8 million, 18.5% lower than the previous financial period (2008: RM169 million). The Group reported a lower profit before tax and profit after tax of RM135.1 million (2008: RM166.3 million) and RM100.1 million (2008: RM130.8 million) respectively, which were 18.8% and 23.5% respectively lower than the previous financial period. Accordingly, the earnings per share attributable to the shareholders of 12.51 sen was 23.5% lower than the previous financial period (2008: 16.35 sen).

The preceding financial period was for a period of eleven (11) months from 1 February 2008 to 31 December 2008 arising from the change of the Company's financial year end from 31 January to 31 December to be co-terminous with the financial year end of its holding company.



Chairman's Statement



REVIEW OF OPERATIONS

Plantations

Planted and Mature Area

Consistent with our Group's long term strategy to expand our plantation acreage around the existing plantation at Kota Marudu so as to give rise to economies of scale, the Company had on 10 December 2009 completed the acquisition of the entire issued and paid up share capital of Pelipikan Plantation Sdn Bhd ("Pelipikan") at a purchase consideration of RM31,685,000. Pelipikan is the registered sub-lessee of 251 parcels of plantation land measuring approximately 1,365 hectares situated at Kampung Natu, District of Kota Marudu, Sabah ("the said Land") for a period of thirty (30) years expiring on 28 February 2039 with an option to renew for another lease term of thirty (30) years. The said Land is contiguous with the Group's existing plantation estate situated at Kampung Natu, Kota Marudu, measuring approximately 808 hectares.

Upon completion of the acquisition of Pelipikan, the total area of our plantation estates increased to 39,803 hectares, which are situated at three different geographical areas. The first being a contiguous plot of land, measuring approximately 36,354 hectares, situated between Lahad Datu and Sandakan, which housed the 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, is situated in Tawau, which housed the Ladang Kawa Estate and the third area, measuring approximately 2,173 hectares, is situated at Kampung Natu, Kota Marudu, which housed the Pelipikan and Kota Marudu Estates.

As at 31 December 2009, the Group's planted area had increased by 599 hectares to 34,381 (2008: 33,782) hectares, contributed mainly by the acquisition of Pelipikan with an existing planted area of 417 hectares. Of the total planted area, 32,576 (2008: 31,367) hectares or 94.8% thereof (2008: 92.9%) were planted with mature palms. Such mature palms were made up of 8% young mature palms (below 7 years), 55% prime mature palms (between 7 years to 17 years) and 37% older mature palms (more than 17 years).

Chairman's Statement



	Total Area (hectares)	Planted Area (hectares)	Matured Area (hectares)
JGOE	14,117	* 12,798	12,254
TMGOE	12,331	10,692	9,348
SSGOE	9,906	8,761	8,758
Ladang Kawa	1,276	1,201	1,201
Kota Marudu	** 808	598	598
Pelipikan	1,365	417	417
Total	39,803	34,467	32,576

* Including 86 hectares planted with jelutong trees

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

Chairman's Statement

Production and Yield

Total Fresh Fruit Bunches ("FFB") production from the Group's estates for the financial year under review was 672,768 (2008: 673,131) metric tons with a yield per hectare of 20.65 (2008: 21.46) metric tons per hectare. FFB yield for the financial year under review was lower, affected by the biological stress on the trees and heavy rainfall experienced in the early part of the financial year under review.

In tandem with the lower FFB production, CPO production for the financial year under review was lower at 140,985 (2008: 141,464) metric tons whilst Palm Kernel ("PK") production was 30,821 (2008: 31,900) metric tons.

Average oil extraction rate ("OER") at 21.62% improved marginally over the previous financial period of 21.56%. However, oil per mature hectare at 4.33 (2008: 4.51) metric ton was lower than the previous financial period, impacted by the lower FFB yield.

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. These mills have a total milling capacity of 175 FFB tons per hour.

For the financial year under review, the Group was impacted by higher cost of production mainly attributable to higher fertilizers costs and lower CPO production. Average production cost of CPO, before taking into account income arising from sale of palm kernels (palm kernel credit) was 15% higher at RM1,376 (2008: RM1,197) per metric ton.

Price Realisation

Generally, prices of palm products for the financial year under review were lower than the previous financial period as a result of the adverse global economic situation, unfavourable prices of crude oil and other vegetable oils. Nevertheless, our Group had achieved an average CPO price realisation of RM2,303 (2008: RM2,314) per metric ton, which was higher than the average CPO price realisation for Sabah of RM2,163 per metric ton recorded by the Malaysian Palm Oil Board (MPOB), as well as an average PK price realisation of RM1,012 (2008: RM1,449) per metric ton. The commendable performance was largely driven by the prudent forward selling strategy employed by the Group.

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. Average FFB price realisation during the financial year under review was RM445 (2008: RM579) per metric ton.

Livestock Farming

The Group's wholly owned subsidiary, Hap Seng Plantations Livestocks (Kota Marudu) Sdn. Bhd. is involved in breeding high quality breed of Boer goats imported from Australia within the Kota Marudu Estate. However, the Group might consider disposing of the same as livestock farming did not form part of the core activities of the Group.

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 26 May 2010.



Chairman's Statement

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 2009, 8,000 shares were retained as treasury shares at a total cost of RM18,587 averaging RM2.32 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 26 May 2010.

DIVIDENDS

Notwithstanding the challenges in the business environment this year, the Group is committed to ensuring a healthy dividend payout to its valued shareholders. Accordingly, the Board is recommending a final dividend of 5 sen (2008: 5 sen) per ordinary share under the single tier system which is tax exempt in the hands of shareholders. An interim dividend of 4 sen (2008: 5 sen) was approved by the Board on 26 August 2009 and paid to shareholders on 27 October 2009. The total distribution for the financial year ended 31 December 2009 will amount to 9 sen (2008: 10 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 72% (2008: 61%) of our Group's profit after tax for the financial year ended 31 December 2009.

The final dividend is subject to the approval of shareholders and if approved, will be payable on 8 June 2010 to shareholders whose names appear on the Record of Depositors of the Company as at 27 May 2010.





Chairman's Statement

OUTLOOK AND CURRENT YEAR'S PROSPECTS

The current financial year ending 31 December 2010 is expected to be another challenging year for the Group. The movements in CPO and PK prices as well as FFB yield will continue to have the most significant influence on the Group results.

Dry weather conditions caused by the El-Nino phenomenon are currently being experienced in many parts of the country, especially the agricultural belt of Sabah where our plantations are situated. Such conditions may adversely affect our FFB yield in the later part of the current financial year. Nevertheless, with the improvement in the global economy and the recovery of crude oil and vegetable oils prices, the Group is optimistic that the outlook of CPO prices for 2010 will be positive, which would thereby mitigate the adverse effects of the El-Nino phenomenon on FFB production.

As at 31 December 2009, the Group had sold forward approximately 12% of its forecast CPO production for the current financial year at an average selling price of RM2,405 per metric ton.



More young palms are expected to move into maturity in the current year and this would improve our FFB yield and CPO Extraction Rates, subject however to favourable weather conditions. The Group continues to have a regular replanting programme to maintain its FFB yield and production.

The Group's production costs are expected to be lower in the current financial year, as a result of declining fertilizers prices. The Group is constantly reviewing its plantation practices to maximise yields of FFB, CPO and PK respectively. Labour shortages and high employment costs continue to be concerns for the Group. To this end, the Group would continue its ongoing effort to enhance its operational efficiencies as well to reduce labour dependency by exploring the possibility of engaging various cost effective mechanisation processes.

Expanding planted land bank via new acquisitions will continue to be one of the Group's long term strategic plans. In the shorter term, the Group will expand its planted area from the existing unplanted area to further enhance its earnings.

APPRECIATION

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 and Company.

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

A handwritten signature in black ink, appearing to read 'Tan Sri Ahmad Bin Mohd Don'.

Tan Sri Ahmad Bin Mohd Don
Independent Non-Executive Chairman
23 March 2010

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 2009, 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 2009.

Statement of Corporate Governance

The attendance of the Directors at Board Meetings held during the financial year ended 31 December 2009 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. Soon Seong Keat	4/4
Mr. Au Yong Siew Fah	4/4
Dato' Jorgen Bornhoft	4/4
Mr. Wong Yuen Kuai, Lucien	4/4
Mr. Patrick Houghton Wale	4/4
Tan Sri Abdul Hamid Egoh	4/4
Datuk Simon Shim Kong Yip, JP	4/4

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 37 to 45.

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 2009.

Terms of reference of the Nominating Committee are detailed on pages 44 to 45.

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 for the financial year ended 31 December 2009 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 2009, evaluated their own training needs on a continuous basis and attended the following programmes:

Directors	Training Programme	Duration
Tan Sri Ahmad Bin Mohd Don	National Sales Congress	2 days
	Evaluating Performance of the Board by Mr Philip Satish Rao	2 hours
	High Level Forum for Directors of Listed Issuers in Enhancing Corporate Governance	2 hours
	Global Macroeconomics by AmlInvestment Bank Berhad	2 hours
	Directors' Briefing on Livestock Farming	1 hour
	Briefing on: FRS 4 - Insurance Contracts FRS 7 - Financial Instruments: Disclosures FRS 8 - Operating Segments	2½ hours
	BNM Financial Industry Conference	2 days
	KAF Group - Directors' Training on FRS 7 & FRS 139	3 hours
	Hap Seng Public Lecture Series: "Modernising Directors' Duties and Shareholders' Rights - the recent UK experience"	2 hours
	Datuk Edward Lee Ming Foo, JP	Hap Seng Public Lecture Series: "The Emergence of China"
Sime Darby Public Lecture Series: "Developing Sustainable Futures"		2 hours
FTSE Bursa Malaysia KLCI "Elevating Malaysia's Benchmark Index to Global Standards"		2 hours
Directors' Briefing on Livestock Farming		1 hour
Hap Seng Public Lecture Series: "Modernising Directors' Duties and Shareholders' Rights - the recent UK experience"		2 hours

Statement of Corporate Governance

Directors	Training Programme	Duration
Mr. Soon Seong Keat	FTSE Bursa Malaysia KLCI "Elevating Malaysia's Benchmark Index to Global Standards"	2 hours
	Technical Briefing - Main Market Listing Requirements	½ day
	Directors' Briefing on Livestock Farming	1 hour
Mr. Au Yong Siew Fah	Hap Seng Public Lecture Series: "How government can work with the business sector in Malaysia to face the global economic crisis"	2 hours
	Palm & Lauric Conference 2009	3 days
	Directors' Briefing on Livestock Farming	1 hour
	7th Roundtable Meeting on Sustainable Palm Oil	3 days
	International Palm Oil Congress - PIPOC 2009	4 days
Dato' Jorgen Bornhoft	Hap Seng Public Lecture Series: "The Emergence of China"	2 hours
	"The Global Financial Crisis: Implications for Corporate Governance in Asia"	2 hours
	Directors' Briefing on Livestock Farming	1 hour
	Governance Practices for the Financial Markets in the 21 st Century	2 days
	Risk Management Introduction	2 days
	Briefing on "The Potential Impacts of FRS 139"	2 hours
Mr. Wong Yuen Kuai, Lucien	Ministry of Health (Singapore) - Excellence Seminar 2008 "Beyond Compliance: Embracing the Spirit of Good Governance"	1 day
	International Chemical and Oil Pollution Conference and Exhibition 2009	1 day
	Malaysia Showcase at the 6th Islamic Financial Services Board Summit: "Shaping the Future of Finance"	1 day
	Directors' Briefing on Livestock Farming	1 hour
	International Bar Association Conference, Madrid	6 days
	Hap Seng Public Lecture Series: "Modernising Directors' Duties and Shareholders' Rights - the recent UK experience"	2 hours

Statement of Corporate Governance

Directors	Training Programme	Duration
Mr. Patrick Houghton Wale	Seminar on "Investment Outlook"	½ day
	Seminar on "Financial Management"	2 hours
	"What drives board effectiveness"	2 hours
	"Global Outlook 2010"	2 days
Tan Sri Abdul Hamid Ego	Bring the Future to the Present	1 day
	Leadership and Change	1 day
	Governance and University Board	2 days
	Governance and Government	½ day
	Directors' Briefing on Livestock Farming	1 hour
	Towards a New Economic Growth (ASEAN - JAPAN Business Meeting)	2 days
	Strategy for High Performance Business	2 days
Datuk Simon Shim Kong Yip, JP	Public Lecture at London School of Economics entitled "Chinese Pursuit of Modernity"	½ day
	DNA and Its Importance to Forensic Science	½ day
	Seminar on "Stay In Favour Of Arbitration: The Malaysian Perspective - Then And Now" and "Natural Justice: A Natural Concern For The Arbitrator - Some Guidelines From A Recent Singapore Court Of Appeal Decision"	2 hours
	Directors' Briefing on Livestock Farming	1 hour
	Hap Seng Public Lecture Series: "Modernising Directors' Duties and Shareholders' Rights - the recent UK experience"	2 hours

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 Director, one (1) Non-Independent Non-Executive Director and one (1) Executive Director. Remuneration packages of newly appointed and existing Executive Directors are reviewed by the Remuneration Committee and recommended to the Board for approval. Directors do not participate in decisions on their own remuneration.

Terms of reference and responsibilities of the Remuneration Committee are detailed on pages 42 to 43.

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 2009 is as follows:

Category	Fees RM'000	Salaries and Other Emoluments RM'000	Benefits in Kind RM'000	Total Remuneration RM'000
Executive	-	1,427	37	1,464
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 2009, and their remuneration including benefits in kind which falls within the following bands are as follows:

Remuneration Range	No. of Directors
Executive Directors	
RM150,000 - RM200,000	1
RM200,001 - RM250,000	-
RM250,001 - RM300,000	-
RM300,001 - RM350,000	1
Above RM900,000	1
Non-Executive Directors	
Less than RM50,000	5
Above RM50,000	1

Statement of Corporate Governance

Disclosure (continued)

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 to date 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.

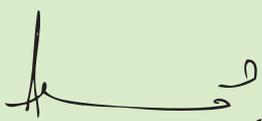
Internal Control

The Group's Statement on Internal Control is set out on pages 34 to 36.

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 37 to 41.

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 2009 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.

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".

Statement on Internal Control

i. Internal Control (continued)

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 RM320,000 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)
Mr. Patrick Houghton Wale	(Independent Non-Executive Director)

Role of the Audit Committee

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

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

Membership

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

Board Committees

Attendance at Meetings

- A quorum shall be two (2) members, a majority of which shall be Independent Directors.
- The Committee may invite other directors, any employee and a representative of the external auditors to attend any particular Audit Committee, 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 2009, 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

The details of training by the above Directors are tabulated on pages 28 to 30.

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 2009

The activities of the Audit Committee during the financial year ended 31 December 2009, 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.

Board Committees

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 23 November 2009 to review and recommend to the Board, the proposed bonus of an Executive Director for the financial year ended 31 December 2009 and his proposed increment for the financial year commencing from 1 January 2010.

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.

Board Committees

Duties

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

Scope of Authority

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

Reporting Procedure

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

Summary of Activities

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

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The importance of sustainable cultivation in the plantation sector places a tremendous responsibility on businesses to ensure that the community, environment, marketplace and workplace are positively impacted and safeguarded in the process. As a leading participant in this sector, Hap Seng Plantations Holdings Berhad stands firm in our commitment to operate as a responsible corporate citizen by ensuring that we uphold corporate policies and principles that will contribute to creating a harmonious society and environment.

On this premise, we consistently reach out to the community in which we operate, with proactive initiatives and contributions that aim to not only positively enhance lives, but also demonstrate a caring attitude for the environment.

By taking a conscientious approach in how we undertake our business operations, we can pursue sustainable development that will benefit our investors, shareholders, employees, customers, other stakeholders and Malaysians in general.



Environment

The management and preservation of our natural environment play an integral part in sustainable development. With this in mind, our Group continued to maintain reserve areas specifically for preservation purposes and to focus on several environment custodian efforts that would not only benefit the environment but also allow for operational efficiency.

Among these are the efforts of the Plantation Environment Committee, which is tasked with developing and implementing sustainable agricultural practices, and the Plantation Energy Conservation Committee, which is responsible for ensuring the optimum usage of energy in our plantations. These Committees regularly review guidelines, processes and usage to ensure that while our estates function in an environmental friendly manner, we are productive and competitive as a business.

Additionally, the Hazard Analysis and Critical Control Points (HACCP) system scrutinises the quality of safety measures in our operations. Ultimately, our goal is to take all precautionary actions that can reduce the occurrence of accidents that may negatively impact the environment.

Community

Contributing in a tangible manner to the community we operate in is a key aspect of our Group's CSR platform. As such, various activities covering the areas of education, infrastructure and facilities as well as cultural development have been undertaken each year.

In education, the Group continued to provide financial support to plantation employees' children school fees through the Humana Child Aid Society Sabah, which we have committed to for the past 12 years. The Humana primary school, located at our Tomanggong Group of Estates, provides basic education for the children of our employees in this estate.

Our Group has also consistently invested in enhancing the quality of life of our estate employees and surrounding communities by providing amenities such as free housing, treated water, electricity supply, and medical facilities to ensure basic requirements are met. In addition to arranging for a medical officer to visit our estates once a week, we have a resident estate hospital assistant and several medical assistants attending to the needs of estate employees on a daily basis. More recently, we have built new housing for workers and carried out various replacements of roofing and water tanks.

Corporate Social Responsibility (CSR)

Our Group has also made significant investments in community improvement efforts. These included the building of new roads for better access, improving drainage systems and contributing financially to support school curriculum activities in the Kinabatangan district during the year in review.

In addition, Hap Seng Plantations Holdings Berhad, along with its related companies, Hap Seng Consolidated Berhad and Malaysian Mosaics Berhad, held the much anticipated Hap Seng Public Lecture Series for the second consecutive year. With the aim of creating a knowledgeable and educated society, the Series featured several notable speakers in 2009. Among them were Professor Wang Gungwu, Chairman of the East Asian Institute in Singapore, who spoke about the emergence of China; and YBhg. Tan Sri Mohd Sidek, Chief, Secretary to the Government, who elaborated on how the Government can work with the business sector in Malaysia to face the global economic crisis. The Right Honourable Lady Justice Mary Arden D.B.E., member of the Court of Appeal of England and Wales, capped off the series with a talk on modernizing director's duties and shareholders' rights.

Workplace

Human capital is the driving force of any organization. By cultivating resourceful and motivated employees, the Group is able to progress and provide on-going benefits for both employees as well as stakeholders. On this score, developing our human capital remains a core priority where we strive to create a comfortable, safe and rewarding workplace.

Throughout the year, we coordinated a number of employee engagement activities as well as various programmes to strengthen skill-set, improve knowledge and maintain high morale among employees. Health was also a key focus with measures undertaken to provide a more conducive and safe workplace environment as a result of regular review and stringent adherence to health and safety policies.



Given the importance of work-life balance, our Group continued to ensure employees had access to various sports facilities and equipment such as football, badminton, volley ball and sepak takraw. Family and Sports Day events were also organized periodically to allow employees and their family members to spend quality time together at the workplace. Such activities contribute tremendously to building healthy employee relations among staff, while strengthening family ties.

Marketplace

In terms of investor relations, a tour was organized for analysts and fund managers to visit our oil palm plantations in Sabah to enable investors and key opinion leaders to learn more about our operations and prospects.

The Group is equally committed to practicing good corporate governance and enhancing shareholders' value through exemplary business practices. As a whole we strive to meet our customers' needs with outstanding service and quality products. We also take the opportunity to update our shareholders on the corporate milestones and other activities during the yearly shareholders' meeting to keep them informed about the Group's direction and vision.





financial STATEMENTS

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DIRECTORS' REPORT

for the year ended 31 December 2009

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 2009.

Principal activities

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 6 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit attributable to the shareholders of the Company	100,097	80,402

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 period, the Company paid:-

- (i) a final dividend of 5 sen per ordinary share under the single-tier system totalling RM39,999,700 in respect of the financial period ended 31 December 2008 on 15 June 2009; and
- (ii) an interim dividend of 4 sen per ordinary share under the single-tier system totalling RM31,999,760 in respect of the financial year ended 31 December 2009 on 27 October 2009.

The Directors proposed a final dividend of 5 sen per ordinary share under the single-tier system for the financial year ended 31 December 2009 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 2009

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
Soon Seong Keat	Executive Director
Au Yong Siew Fah	Executive Director
Dato' Jorgen Bornhoft	Independent Non-Executive Director
Wong Yuen Kuai, Lucien	Independent Non-Executive Director
Patrick Houghton Wale	Independent Non-Executive Director
Tan Sri Abdul Hamid Egoh	Non-Independent Non-Executive Director
Datuk Simon Shim Kong Yip, JP	Non-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 2009 (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 31.12.2009
	At 1.1.2009	Bought	(Sold)	
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
Soon Seong Keat	166,000	64,000	-	230,000
	75,000*	-	-	75,000
Au Yong Siew Fah	163,000	-	-	163,000
Dato' Jorgen Bornhoft	100,000	-	-	100,000
Wong Yuen Kuai, Lucien	110,000	-	-	110,000
	50,000*	-	-	50,000
Tan Sri Abdul Hamid Egoh	110,000	-	-	110,000
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000
Hap Seng Consolidated Berhad, immediate holding company				
Dato' Jorgen Bornhoft	55,000	-	(55,000)	-
Au Yong Siew Fah	127,000	-	-	127,000

* Held through his spouse

Patrick Houghton Wale does not have any interest in the ordinary shares of the Company or its related corporations.

Directors' Report

for the year ended 31 December 2009

Directors' benefits

Since the end of the previous financial period, 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 16 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 22 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 2009 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 RM9,213. 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 February 2008	-	-	-
Repurchase during the period	4,000	9,374	2.34
At 31 December 2008 / 1 January 2009	4,000	9,374	2.34
Repurchase during the year	4,000	9,213	2.30
At 31 December 2009	8,000	18,587	2.32

Options granted over unissued shares

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

Directors' Report

for the year ended 31 December 2009

Holding companies

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

Other statutory information

Before the financial statements 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) all current assets have been stated at the lower of cost and net realisable value.

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 results of the operations of the Group and of the Company for the financial year ended 31 December 2009 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.

Directors' Report

for the year ended 31 December 2009

Significant event during the year

On 20 November 2009, the Company entered into a conditional sale of shares agreement ["SSA"] to acquire the entire issued and paid-up share capital of Pelipikan Plantation Sdn Bhd ["Pelipikan"] comprising 10 ordinary shares of RM1.00 each at a purchase consideration of RM31.685 million on the terms and conditions contained in the SSA ["Acquisition"]. The Acquisition was completed on 10 December 2009.

Pelipikan is the registered sub-lessee of 251 parcels of land measuring approximately 3,371 acres situated in Kg. Natu, District of Kota Marudu, Sabah ["the said Land"]. Pursuant to the said sub-lease, in consideration of an annual rental of RM1.8 million, Pelipikan is entitled to use the said Land for cultivation of oil palm for a period of 30 years ending 28 February 2039 with an option to renew for another term of 30 years.

The said Land is contiguous with the Group's existing plantation estate situated at Kg. Natu, District of Kota Marudu, measuring approximately 2,000 acres. Of the total area of 3,371 acres, approximately 1,030 acres of the said Land are planted with oil palm of about 3 years of age and the balance of 2,341 acres is unplanted.

The Acquisition is part of the Group's strategy to acquire more plantation land around the existing plantation area, which would strengthen the Group's position in the Kota Marudu area, and thereby giving rise to economies of scale.

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
Date: 25 March 2010

BALANCE SHEETS

at 31 December 2009

	Note	Group		Company	
		31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Assets					
Property, plant and equipment	3	225,257	214,677	519	736
Biological assets	4	1,326,461	1,311,124	-	-
Prepaid lease payments	5	349,237	333,793	-	-
Investment in subsidiaries	6	-	-	1,581,451	1,516,990
Total non-current assets		1,900,955	1,859,594	1,581,970	1,517,726
Receivables	7	19,546	13,780	2,432	7,002
Inventories	8	23,670	29,262	-	-
Tax recoverable		9,505	19,576	138	596
Cash and cash equivalents	9	34,565	45,739	2,265	24,144
Total current assets		87,286	108,357	4,835	31,742
Total assets		1,988,241	1,967,951	1,586,805	1,549,468
Equity					
Share capital	10	800,000	800,000	800,000	800,000
Reserves	10	675,578	675,578	675,578	675,578
Retained earnings	10	204,480	176,382	55,739	47,336
Less: Treasury shares	10	1,680,058 (18)	1,651,960 (9)	1,531,317 (18)	1,522,914 (9)
Total equity		1,680,040	1,651,951	1,531,299	1,522,905
Liabilities					
Bank borrowings	11	55,000	55,334	20,000	-
Deferred tax liabilities	12	186,418	187,481	-	-
Total non-current liabilities		241,418	242,815	20,000	-
Payables	13	24,915	33,839	12,006	1,563
Bank borrowings	11	31,834	38,433	23,500	25,000
Provision for taxation		10,034	913	-	-
Total current liabilities		66,783	73,185	35,506	26,563
Total liabilities		308,201	316,000	55,506	26,563
Total equity and liabilities		1,988,241	1,967,951	1,586,805	1,549,468

The notes on pages 61 to 89 are an integral part of these financial statements.

INCOME STATEMENTS

for the year ended 31 December 2009

	Note	Group		Company	
		1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Revenue	14	373,134	393,605	102,425	98,145
Cost of goods sold		(194,541)	(166,429)	-	-
Gross profit		178,593	227,176	102,425	98,145
Other operating income		1,753	1,913	257	195
Distribution expenses		(23,911)	(42,421)	-	-
Administrative expenses		(13,459)	(12,837)	(5,903)	(6,422)
Other operating expenses		(5,184)	(4,814)	(152)	(95)
Results from operating activities		137,792	169,017	96,627	91,823
Interest expense		(2,656)	(2,743)	(722)	(54)
Profit before tax	15	135,136	166,274	95,905	91,769
Tax expense	17	(35,039)	(35,452)	(15,503)	(12,379)
Profit for the year / period		100,097	130,822	80,402	79,390
Basic earnings per ordinary share (sen)	18	12.51	16.35		

The notes on pages 61 to 89 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Note	← Non-Distributable →			Distributable	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	
Group						
1 February 2008		800,000	675,578	-	125,560	1,601,138
Profit for the period		-	-	-	130,822	130,822
Purchase of treasury shares	10	-	-	(9)	-	(9)
Dividends	19	-	-	-	(80,000)	(80,000)
<hr/>						
At 31 December 2008 / 1 January 2009		800,000	675,578	(9)	176,382	1,651,951
Profit for the year		-	-	-	100,097	100,097
Purchase of treasury shares	10	-	-	(9)	-	(9)
Dividends	19	-	-	-	(71,999)	(71,999)
<hr/>						
At 31 December 2009		800,000	675,578	(18)	204,480	1,680,040
<hr/>						
Company						
1 February 2008		800,000	675,578	-	47,946	1,523,524
Profit for the period		-	-	-	79,390	79,390
Purchase of treasury shares	10	-	-	(9)	-	(9)
Dividends	19	-	-	-	(80,000)	(80,000)
<hr/>						
At 31 December 2008 / 1 January 2009		800,000	675,578	(9)	47,336	1,522,905
Profit for the year		-	-	-	80,402	80,402
Purchase of treasury shares	10	-	-	(9)	-	(9)
Dividends	19	-	-	-	(71,999)	(71,999)
<hr/>						
At 31 December 2009		800,000	675,578	(18)	55,739	1,531,299

The notes on pages 61 to 89 are an integral part of these financial statements.

CASH FLOW STATEMENTS

for the year ended 31 December 2009

	Note	Group		Company	
		1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Cash flows from operating activities					
Profit before tax		135,136	166,274	95,905	91,769
Adjustments for:					
Amortisation of prepaid lease payments	5	4,057	3,628	-	-
Depreciation of property, plant and equipment	3	19,321	17,685	152	95
Dividend income		-	-	(98,000)	(93,486)
Loss/(Gain) on disposal of property, plant and equipment		49	(30)	49	-
Interest income		(520)	(497)	(306)	(195)
Interest expense		2,656	2,743	722	54
Property, plant and equipment written off		197	25	-	-
Operating profit/(loss) before changes in working capital		160,896	189,828	(1,478)	(1,763)
Inventories		5,592	(7,931)	-	-
Receivables		(5,766)	8,786	7	486
Payables		(8,924)	(33,081)	662	(24,986)
Cash generated from/(used in) operations		151,798	157,602	(809)	(26,263)
Tax paid		(16,910)	(58,876)	(24)	(207)
Interest received		520	497	306	195
Interest paid		(2,656)	(2,743)	(722)	(54)
Net cash generated from/(used in) operating activities		132,752	96,480	(1,249)	(26,329)
Cash flows from investing activities					
Additions to biological assets		(2,977)	(1,843)	-	-
Additions to prepaid lease payments		-	(513)	-	-
Dividends received from subsidiaries (net)		-	-	82,979	126,154
Purchase of property, plant and equipment	3	(30,802)	(19,518)	(493)	(464)
Proceeds from disposal of property, plant and equipment		655	402	509	-
Acquisition of additional shares in subsidiaries		-	-	(32,600)	-
Acquisition of subsidiaries net of cash acquired	(ii)	(31,861)	(30,350)	(31,861)	(27,350)
Net cash (used in)/generated from investing activities		(64,985)	(51,822)	18,534	98,340

Cash Flow Statements

for the year ended 31 December 2009

	Note	Group		Company	
		1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Cash flows from financing activities					
Balances with related companies		-	-	(115)	346
Balances with subsidiaries		-	-	14,459	(34,071)
Dividends paid to shareholders of the Company (net)		(71,999)	(80,000)	(71,999)	(80,000)
Proceeds from bank borrowings		25,000	25,000	25,000	25,000
Repayment of bank borrowings		(31,833)	(13,333)	(6,500)	-
Shares repurchased at cost		(9)	(9)	(9)	(9)
Net cash used in financing activities		(78,841)	(68,342)	(39,164)	(88,734)
Net decrease in cash and cash equivalents		(11,074)	(23,684)	(21,879)	(16,723)
Cash and cash equivalents at 1 January 2009 / 1 February 2008		45,639	69,323	24,144	40,867
Cash and cash equivalents at 31 December 2009 / 31 December 2008	(i)	34,565	45,639	2,265	24,144

(i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	Group		Company	
	31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Cash and bank balances	3,665	4,939	465	644
Deposits with licensed banks	30,900	40,800	1,800	23,500
Bank overdraft	-	(100)	-	-
	34,565	45,639	2,265	24,144

Cash Flow Statements

for the year ended 31 December 2009

(ii) Acquisitions of subsidiaries

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

In the previous financial period, the Company acquired 100% equity interests in Hap Seng Plantations (Kota Marudu) Sdn Bhd and Hap Seng Plantations Livestocks (Kota Marudu) Sdn Bhd for cash consideration of RM27 million and RM2 respectively.

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

	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Biological assets	12,360	29,554
Prepaid lease payments	19,501	13,531
Cash and cash equivalents	-	(3,000)
Bank borrowings	-	(12,000)
Deferred tax liabilities	-	(735)
Fair value of total assets / Cash consideration paid *	31,861	27,350
Cash and cash equivalents of subsidiaries acquired	-	3,000
Net cash consideration paid on acquisitions net of cash acquired	31,861	30,350

* Reconciliation of purchase consideration of a subsidiary:

Purchase consideration	Note 24	31,685	27,000
Incidental costs on acquisition		176	350
Total consideration		31,861	27,350

The notes on pages 61 to 89 are an integral part of these financial statements.

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 2009 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 6.

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.

The financial statements were approved for issuance by the Board of Directors on 25 March 2010.

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 (FRS), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. 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 early adopted 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:

FRS effective for annual periods beginning on or after 1 July 2009

- FRS 8, Operating Segments

FRSs, amendments and interpretations effective for annual periods beginning on or after 1 January 2010

- FRS 4, Insurance Contracts
- FRS 7, Financial Instruments: Disclosures
- FRS 101, Presentation of Financial Statements (revised)
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
- Amendments to FRS 132, Financial Instruments: Presentation
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
- Improvements to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment
- IC Interpretation 11, FRS 2 - Group and Treasury Share Transactions
- IC Interpretation 13, Customer Loyalty Programmes
- IC Interpretation 14, FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

Notes to the Financial Statements

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- Amendments to FRS 132, Financial Instruments: Presentation

FRSs, amendments and interpretations 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 15, Agreements for the Construction of Real Estate
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distribution of Non-cash Assets to Owners
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

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
- Amendments to FRS 7, Financial Instruments: Disclosures -Improving Disclosures about Financial Instruments

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

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 8, FRS 4, Amendments to FRS 2, IC Interpretation 13 and IC Interpretation 14 which are not applicable to the Group and the Company; and
- 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 for Amendments to FRS 2, FRS 5 and FRS 138, and IC Interpretation 12, IC Interpretation 15, IC Interpretation 16 and IC Interpretation 17 which are not applicable to the Group and the Company.

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs.

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

Notes to the Financial Statements

1. Basis of preparation (continued)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

Notes to the Financial Statements

2. Significant accounting policies (continued)

(b) Property, plant and equipment

(i) Recognition and measurement

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

Gains and 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 the income statements.

(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 costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Capital work-in-progress is not depreciated until the assets are ready for their intended use.

Other assets are depreciated over their estimated useful lives by equal annual instalments at the following rates:

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%

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual value are reassessed at the balance sheet date.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(c) Biological assets

In accordance with paragraph 68 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 the income statement. 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 the income statement during the year when it is incurred.

(d) Prepaid lease payments

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. In arriving at the net realisable value, due allowance is made for all damaged, obsolete and slow moving items. Cost is determined principally based on the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Produce stocks are valued at the lower of cost and net realisable value. Cost includes estate production cost, mill processing cost, overhead expenses and depreciation.

Livestocks are measured at the lower of cost and net realisable value using the weighted average method as the main basis for cost. Cost of livestock includes direct production costs and attributable production overheads.

Consumable stores consist of purchase cost and incidental cost while planting materials cost includes purchase seedlings cost and direct nursery cost.

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

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established. Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts, if any.

Receivables are not held for the purpose of trading.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(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. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

(h) Impairment of assets

The carrying amount of assets, other than financial assets, inventories and biological assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised in the income statement if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

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 rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date 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. 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 the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

(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.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(j) Bank borrowings

Bank borrowings are recorded at the amount of proceeds received, net of transaction costs.

(k) Employee benefits

Short-term employee benefit obligations in respect of wages, 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 and the Company's contributions to the Employees' Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(m) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(n) Revenue recognition

(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 when the right to receive payment is established.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(o) Lease payments

Operating leases are leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item. Operating lease expenses are recognised in the income statements as incurred over the period of the respective leases, which is normally on a straight-line basis.

(p) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred.

(q) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for the taxation purposes. Deferred tax is not recognised for temporary differences arising from initial recognition of goodwill or assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

(r) Earnings per share

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

	Road and infrastructure RM'000	Buildings RM'000	Plant, machinery and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work in progress RM'000	Total RM'000
Group						
Cost						
At 1 February 2008	81,144	145,471	143,082	10,766	5,109	385,572
Additions	18	994	5,095	488	12,923	19,518
Disposals	-	-	(830)	-	-	(830)
Write off	-	(427)	(380)	(173)	-	(980)
Reclassifications	2,764	2,427	1,992	-	(7,183)	-
At 31 December 2008 / 1 January 2009	83,926	148,465	148,959	11,081	10,849	403,280
Additions	50	47	8,501	318	21,886	30,802
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	86,050	155,960	158,816	11,007	18,388	430,221
Accumulated depreciation						
1 February 2008	8,637	57,765	97,222	8,707	-	172,331
Charge for the period	2,260	5,253	9,339	833	-	17,685
Disposals	-	-	(458)	-	-	(458)
Write off	-	(419)	(374)	(162)	-	(955)
At 31 December 2008 / 1 January 2009	10,897	62,599	105,729	9,378	-	188,603
Charge for the year	2,540	5,735	10,412	634	-	19,321
Disposals	-	-	(592)	(57)	-	(649)
Write off	-	(1,718)	(236)	(357)	-	(2,311)
At 31 December 2009	13,437	66,616	115,313	9,598	-	204,964
Carrying amounts						
At 31 December 2008	73,029	85,866	43,230	1,703	10,849	214,677
At 31 December 2009	72,613	89,344	43,503	1,409	18,388	225,257

Notes to the Financial Statements

3. Property, plant and equipment (continued)

Company	Furniture, fittings & equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1 February 2008	10	370	380
Additions	73	391	464
<hr/>			
At 31 December 2008 / 1 January 2009	83	761	844
Additions	-	493	493
Disposals	-	(640)	(640)
<hr/>			
At 31 December 2009	83	614	697
<hr/>			
Accumulated depreciation			
At 1 February 2008	1	12	13
Charge for the period	4	91	95
<hr/>			
At 31 December 2008 / 1 January 2009	5	103	108
Charge for the year	15	137	152
Disposals	-	(82)	(82)
<hr/>			
At 31 December 2009	20	158	178
<hr/>			
Carrying amounts			
At 31 December 2008	78	658	736
<hr/>			
At 31 December 2009	63	456	519
<hr/>			
Security			

At 31 December 2008, property, plant and equipment of the Group with a carrying amount of RM79,000 were subject to a registered debenture for bank loans facility granted to a subsidiary (see Note 11).

Notes to the Financial Statements

4. Biological assets

	Group	
	31.12.2009	31.12.2008
	RM'000	RM'000
Cost		
At 1 January 2009 / 1 February 2008	1,311,124	1,279,727
Additions arising from acquisition of subsidiaries	12,360	29,554
Additions	2,977	1,843
At 31 December 2009 / 31 December 2008	1,326,461	1,311,124

Security

At 31 December 2008, biological assets of the Group with a carrying amount of RM17,739,000 were subject to a registered debenture for bank loans facility granted to a subsidiary (see Note 11).

5. Prepaid lease payments

	Group	
	31.12.2009	31.12.2008
	RM'000	RM'000
Cost		
At 1 January 2009 / 1 February 2008	352,106	338,062
Additions arising from acquisition of subsidiaries	19,501	13,531
Additions	-	513
At 31 December 2009 / 31 December 2008	371,607	352,106
Accumulated amortisation		
At 1 January 2009 / 1 February 2008	18,313	14,685
Charge for the year/period	4,057	3,628
At 31 December 2009 / 31 December 2008	22,370	18,313
Carrying amounts		
At 31 December 2009 / 31 December 2008	349,237	333,793
<i>Represented by:</i>		
Unexpired period more than 50 years	329,736	333,793
Unexpired period less than 50 years	19,501	-
	349,237	333,793

Security

At 31 December 2008, prepaid lease payments of the Group with a carrying amount of RM10,546,000 were subject to a registered debenture for bank loans facility granted to a subsidiary (see Note 11).

Notes to the Financial Statements

6. Investments in subsidiaries

	Company	
	31.12.2009	31.12.2008
	RM'000	RM'000
Unquoted shares, at cost	1,581,451	1,516,990

Details of the subsidiaries as at 31 December 2009 which are all incorporated in Malaysia are as follows:

Name of subsidiaries	Principal activities	Effective ownership interest (%)	
		31.12.2009	31.12.2008
Jeroco Plantations Sdn Bhd	Cultivation of oil palm and processing of fresh fruit bunches	100	100
Hap Seng Plantations (River Estates) Sdn Bhd and its 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	-

Notes to the Financial Statements

7. Receivables

	Note	Group		Company	
		31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Trade					
Trade receivables	a	19,036	13,278	-	-
Amount due from subsidiaries	a	-	-	511	447
		19,036	13,278	511	447
Non-trade					
Other receivables		510	471	66	73
Amount due from subsidiaries	b	-	-	1,855	6,482
Amount due from related companies	b	-	31	-	-
		510	502	1,921	6,555
		19,546	13,780	2,432	7,002

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 have no fixed terms of repayment.

8. Inventories

	Group	
	31.12.2009 RM'000	31.12.2008 RM'000
Consumables stores	17,544	23,716
Planting materials	1,176	1,131
Produce stocks	4,229	3,158
Livestocks	721	1,257
	23,670	29,262

Notes to the Financial Statements

9. Cash and cash equivalents

	Group		Company	
	31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Deposits with licensed banks	30,900	40,800	1,800	23,500
Cash and bank balances	3,665	4,939	465	644
	34,565	45,739	2,265	24,144

10. Capital and reserves

	Group and Company			
	← 31.12.2009 →		← 31.12.2008 →	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Share capital				
Authorised				
Ordinary shares of RM1 each				
At 31 December 2009 / 31 December 2008	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid				
Ordinary shares of RM1 each				
At 31 December 2009 / 31 December 2008	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 2009 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 RM9,213. 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

10. Capital and reserves (continued)

Movement of shares repurchased

	Number of shares	Amount RM	Average cost per share RM
At 1 February 2008	-	-	-
Repurchase during the period	4,000	9,374	2.34
At 31 December 2008 / 1 January 2009	4,000	9,374	2.34
Repurchase during the year	4,000	9,213	2.30
At 31 December 2009	8,000	18,587	2.32

Group and Company	
31.12.2009	31.12.2008
RM'000	RM'000

Reserves

Non-distributable

Share premium		
At 31 December 2009 / 31 December 2008	675,578	675,578

	Group		Company	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	RM'000	RM'000	RM'000	RM'000
<i>Distributable</i>				
Retained earnings	204,480	176,382	55,739	47,336

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

11. Bank borrowings

This note provides information about the contractual terms of the Group and Company interest bearing term loan.

	Group		Company	
	31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Non-current				
Secured term loan	-	12,000	-	-
Unsecured term loan	55,000	43,334	20,000	-
	55,000	55,334	20,000	-
Current				
Secured bank overdraft	-	100	-	-
Unsecured revolving credits	18,500	25,000	18,500	25,000
Unsecured term loans	13,334	13,333	5,000	-
	31,834	38,433	23,500	25,000
<i>The long term borrowings are repayable as follows:</i>				
Between 1 to 3 years	45,000	27,532	10,000	-
Between 3 to 5 years	10,000	20,179	10,000	-
After 5 years	-	7,623	-	-
	55,000	55,334	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 - 2.51% to 6.25% (31.12.2008: 4.10% to 7.00%) per annum.

Security

At 31 December 2008, the secured bank overdraft and term loan were secured by the followings:

- i) Oil palm plantation estate of a subsidiary and;
- ii) First debenture for RM15 million covering a fixed and floating charge over a subsidiary's asset, present and future including stocks and debts (see Note 3, 4 and 5).

Notes to the Financial Statements

12. Deferred tax liabilities and assets

The recognised deferred tax liabilities are as follows:

	Group		Company	
	31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
At 1 January 2009 / 1 February 2008	187,481	195,878	-	5,777
Additions arising from acquisitions of subsidiaries	-	735	-	-
Recognised in the income statement	(1,063)	(9,132)	-	(5,777)
At 31 December 2009 / 31 December 2008	186,418	187,481	-	-

Deferred tax liabilities are attributable to the following:

	Capital and agriculture allowances RM'000	Fair value/ Revaluation of assets at subsidiaries RM'000	Others RM'000	Total RM'000
At 1 February 2008	111,627	84,251	-	195,878
Additions arising from acquisitions of subsidiaries	-	735	-	735
Recognised in the income statement	(5,118)	(4,014)	-	(9,132)
At 31 December 2008 / 1 January 2009	106,509	80,972	-	187,481
Recognised in the income statement	84	(729)	(418)	(1,063)
At 31 December 2009	106,593	80,243	(418)	186,418
Company				
At 1 February 2008	-	-	5,777	5,777
Recognised in the income statement	-	-	(5,777)	(5,777)
At 31 December 2008 / 1 January 2009	-	-	-	-
Recognised in the income statement	-	-	-	-
At 31 December 2009	-	-	-	-

As at 31 December 2009, subject to agreement with the Inland Revenue Board, the Group has unutilised tax losses and unabsorbed capital allowances of RM2,731,000 (31.12.2008: RM1,986,000) and RM51,000 (31.12.2008: RM21,000) respectively. 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 these subsidiaries against which the Group can utilise the benefits there from.

Notes to the Financial Statements

13. Payables

	Note	Group		Company	
		31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Trade					
Trade payables	a	7,334	15,843	-	-
Amount due to ultimate holding company	a	-	573	-	-
Amount due to related companies	a	4,010	4,108	861	976
		11,344	20,524	861	976
Non-trade					
Other payables		13,565	13,315	1,249	587
Amount due to subsidiaries	b	-	-	9,896	-
Amount due to related companies	b	6	-	-	-
		13,571	13,315	11,145	587
		24,915	33,839	12,006	1,563

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 have no fixed terms of repayment.

14. Revenue

	Group		Company	
	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Sales of plantation produce	373,134	393,605	-	-
Gross dividend income	-	-	98,000	93,486
Selling commission	-	-	4,425	4,659
	373,134	393,605	102,425	98,145

Notes to the Financial Statements

15. Profit before tax

	Group		Company	
	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Profit before tax is arrived at after charging:				
Amortisation of prepaid lease payments	4,057	3,628	-	-
Auditors' remuneration				
- Statutory audit				
KPMG	130	129	25	25
- Other services				
KPMG	10	10	10	10
Affiliates of KPMG	19	25	5	8
Depreciation of property, plant and equipment	19,321	17,685	152	95
Equipment hiring charges	2,921	2,782	-	-
Hire of motor vehicles	-	128	-	128
Loss on disposal of property, plant and equipment	49	-	49	-
Management fees	2,520	2,310	2,520	2,310
Personnel expenses (including key management personnel)				
- Contributions to Employees' Provident Fund	1,884	1,727	135	70
- Wages, salaries and others	48,643	41,879	1,967	583
Property, plant and equipment written off	197	25	-	-
Rental expenses	196	171	102	78
Replanting expenses	5,445	6,278	-	-
and after crediting:				
Gain on disposal of property, plant and equipment	-	30	-	-
Plantation management fee income	56	77	-	-
Rental income from letting of shops in estates	166	144	-	-
Interest income	520	497	306	195
Insurance claim receivable	294	154	-	-

Notes to the Financial Statements

16. Key management personnel compensations

The key management personnel compensations are as follows:

	Group		Company	
	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Directors of the Company:				
- Fees	270	240	270	240
- Remuneration	1,427	1,471	494	481
- Other short term employee benefits *	37	45	-	-
	1,734	1,756	764	721
Other Directors:				
- Fees	198	190	-	-
- Remuneration	18	268	-	-
- Other short term employee benefits *	1	19	-	-
	217	477	-	-
	1,951	2,233	764	721
Other key management personnel:				
- Remuneration	3,405	3,252	708	564
- Other short term employee benefits *	169	181	38	20
	3,574	3,433	746	584

* 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.

Notes to the Financial Statements

17. Tax expense

	Group		Company	
	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000	1.1.2009 to 31.12.2009 RM'000	1.2.2008 to 31.12.2008 RM'000
Current tax expense				
- Current year/period's provisions	35,818	44,513	15,219	18,190
- Under/(over) provision in prior year	284	71	284	(34)
	36,102	44,584	15,503	18,156
Deferred tax expense				
- Reversal of temporary differences	(1,063)	(1,454)	-	(5,777)
- Effect of change in tax rate	-	(7,533)	-	-
- Over provision in prior year	-	(145)	-	-
	(1,063)	(9,132)	-	(5,777)
Total tax expense	35,039	35,452	15,503	12,379
Reconciliation of effective tax expense				
Profit before tax	135,136	166,274	95,905	91,769
Tax calculated using Malaysian tax rate of 25%	33,784	41,569	23,976	22,942
Non-deductible expenses	834	852	722	102
Non-taxable income	-	-	(9,479)	(10,777)
Effect on changes in tax rate on deferred tax	-	(7,533)	-	-
Utilisation of previously unrecognised deferred tax assets	(153)	-	-	-
Deferred tax assets not recognised during the year/period	290	497	-	-
Others	-	141	-	146
	34,755	35,526	15,219	12,413
Under/(over) provision of tax in prior year	284	(74)	284	(34)
	35,039	35,452	15,503	12,379

Notes to the Financial Statements

18. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2009 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	31.12.2009 RM'000	31.12.2008 RM'000
Profit attributable to ordinary shareholders	100,097	130,822

	Group	
	31.12.2009 '000	31.12.2008 '000
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares at 1 January 2009 / 1 February 2008	800,000	800,000
Effect of treasury shares held	(6)	(2)
Weighted average number of ordinary shares at 31 December 2009 / 31 December 2008	799,994	799,998
Basic earnings per share (sen)	12.51	16.35

19. Dividends

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

	Sen per share	Total amount RM'000	Date of payment
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	
31 December 2008			
Final 31.1.2008 ordinary	5	40,000	11 July 2008
Interim 31.12.2008 ordinary	5	40,000	23 October 2008
Total amount	10	80,000	

Notes to the Financial Statements

19. Dividends (continued)

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	5	40,000

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.

20. Financial instruments

Financial risk management objectives and policies

The financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group 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.

Credit 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.

At balance sheet date, the Group does not have any significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Liquidity risk

The Group maintains adequate funds to meet its obligations as and when they fall due.

Notes to the Financial Statements

20. Financial instruments (continued)

Interest rate risk

The Group exposure to market risk for changes in interest rates relates primarily to fixed deposits and borrowings with financial institutions. The Group does not use derivative financial instruments to hedge any debt obligations. The Group manages its interest costs using floating rate bank facilities.

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

Effective interest rate and repricing analysis

The effective interest rate in respect of interest-earning financial assets and interest-bearing financial liabilities at the balance sheet date and the periods in which they reprice or mature, whichever is earlier, are as follows:

	Effective interest rate per annum %	Total/Within 1 year RM'000
Group		
At 31 December 2009		
<i>Financial asset</i>		
Deposits with licensed banks	1.80	30,900
<hr/>		
<i>Financial liabilities</i>		
Revolving credits	2.86 - 4.25	18,500
Term loans	2.51 - 6.25	68,334
<hr/>		
At 31 December 2008		
<i>Financial asset</i>		
Deposits with licensed banks	2.80	40,800
<hr/>		
<i>Financial liabilities</i>		
Bank overdraft	6.75 - 7.00	100
Revolving credits	4.20 - 4.25	25,000
Term loans	4.10 - 6.50	68,667
<hr/>		

Notes to the Financial Statements

20. Financial instruments (continued)

Effective interest rate and repricing analysis (continued)

	Effective interest rate per annum %	Total/Within 1 year RM'000
Company		
At 31 December 2009		
<i>Financial asset</i>		
Deposits with licensed banks	1.80	1,800
<hr/>		
<i>Financial liability</i>		
Revolving credits	2.86 - 4.25	18,500
Term loan	3.43	25,000
<hr/>		
At 31 December 2008		
<i>Financial asset</i>		
Deposits with licensed banks	2.80	23,500
<hr/>		
<i>Financial liability</i>		
Revolving credits	4.20 - 4.25	25,000
<hr/>		

Fair values

Recognised financial instruments

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

The fair values of the term loans and revolving credits are at approximately their carrying amount as the Group does not anticipate their carrying amount recorded at the balance sheet date to be significantly different from the values that would eventually be settled.

Notes to the Financial Statements

21. Capital commitments

	Group		Company	
	31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Capital expenditure				
Approved but not contracted for	41,966	35,770	500	-
Contracted but not provided for	12,774	17,852	-	-
	54,740	53,622	500	-

22. 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 16.

Notes to the Financial Statements

22. Significant related parties transactions (continued)

(ii) Transactions with key management personnel (continued)

(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 1.1.2009 to 31.12.2009 RM'000 Revenue/ (Expense)	Balance outstanding as at 31.12.2009 RM'000 Due to/ (from)	Transaction value 1.2.2008 to 31.12.2008 RM'000 Revenue/ (Expense)	Balance outstanding as at 31.12.2008 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	(358)	244	(1,004)	133
Firm connected to Datuk Simon Shim Kong Yip, JP, a Director of the Company: Shim Pang & Co				
Legal fees	(75)	-	(250)	-
Foundation connected to Datuk Edward Lee Ming Foo, JP, a Director of the Company: Lau Gek Poh Foundation				
Donations	-	-	(2,000)	-
Company				
Firm connected to Datuk Simon Shim Kong Yip, JP, a Director of the Company: Shim Pang & Co				
Legal fees	(75)	-	(250)	-
Foundation connected to Datuk Edward Lee Ming Foo, JP, a Director of the Company: Lau Gek Poh Foundation				
Donations	-	-	(2,000)	-

Notes to the Financial Statements

22. Significant related parties transactions (continued)

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

	Transaction value 1.1.2009 to 31.12.2009 RM'000 Revenue/ (Expense)	Balance outstanding as at 31.12.2009 RM'000 Due to/ (from)	Transaction value 1.2.2008 to 31.12.2008 RM'000 Revenue/ (Expense)	Balance outstanding as at 31.12.2008 RM'000 Due to/ (from)
Group				
Ultimate holding company, Gek Poh				
Insurance expenses	(1,823)	-	(1,697)	573
Immediate holding company, HSCB and its subsidiaries				
Management fees	(2,520)	630	(2,310)	630
Dividend paid	(37,117)	-	(41,241)	-
Plantation management income	56	(19)	77	(18)
Rental expense	(196)	5	(171)	-
Purchase of vehicles and spare parts	(5,518)	283	(4,078)	883
Purchase of fertilisers and chemicals	(79,722)	135	(53,792)	1,051
Contract expenses	(1,921)	-	(2,834)	107
Purchase of diesel, petrol and lubricant	(17,257)	1,390	(18,834)	1,514
Purchase of building materials	(299)	7	(673)	9
Purchase of stone and sand	(2,465)	1,587	-	-
Sales of products	8	(8)	-	-
Sales of used motor vehicles	171	-	-	-
Company				
Ultimate holding company, Gek Poh				
Insurance expenses	(141)	-	(1)	-
Immediate holding company, HSCB and its subsidiaries				
Management fees	(2,520)	630	(2,310)	630
Dividend paid	(37,117)	-	(41,241)	-
Rental expense	(102)	-	(78)	-
Purchase of vehicles and spare parts	(170)	231	(396)	346
Sales of used motor vehicles	171	-	-	-
Subsidiaries				
Dividend income	98,000	-	93,486	-
Selling commission	4,425	(511)	4,659	(447)

Notes to the Financial Statements

22. Significant related parties transactions (continued)

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

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

Advances from/(to) immediate and related companies are disclosed in the cash flow statements.

23. 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.

24. Significant event during the year

On 20 November 2009, the Company entered into a conditional sale of shares agreement ["SSA"] to acquire the entire issued and paid-up share capital of Pelipikan Plantation Sdn Bhd ["Pelipikan"] comprising 10 ordinary shares of RM1.00 each at a purchase consideration of RM31.685 million on the terms and conditions contained in the SSA ["Acquisition"]. The Acquisition was completed on 10 December 2009.

Pelipikan is the registered sub-lessee of 251 parcels of land measuring approximately 3,371 acres situated in Kg. Natu, District of Kota Marudu, Sabah ["the said Land"]. Pursuant to the said sub-lease, in consideration of an annual rental of RM1.8 million, Pelipikan is entitled to use the said Land for cultivation of oil palm for a period of 30 years ending 28 February 2039 with an option to renew for another term of 30 years.

The said Land is contiguous with the Group's existing plantation estate situated at Kg. Natu, District of Kota Marudu, measuring approximately 2,000 acres. Of the total area of 3,371 acres, approximately 1,030 acres of the said Land are planted with oil palm of about 3 years of age and the balance of 2,341 acres is unplanted.

The Acquisition is part of the Group's strategy to acquire more plantation land around the existing plantation area, which would strengthen the Group's position in the Kota Marudu area, and thereby giving rise to economies of scale.

25. Comparatives

In the previous financial period, the Company changed its financial year end from 31 January to 31 December to be coterminous with the financial year end of its holding company. Consequently, the financial statements of the previous financial period were for a period of 11 months from 1 February 2008 to 31 December 2008.

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 55 to 89 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 2009 and of their financial performance and cash flows for the year then ended.

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
Date: 25 March 2010

STATUTORY DECLARATION

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

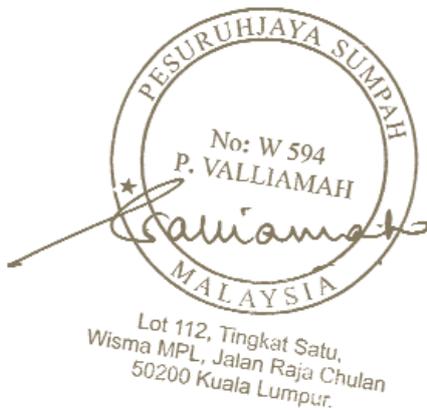
I, **Soon Seong Keat**, the Director primarily responsible for the financial management of Hap Seng Plantations Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 55 to 89 are, to the best of my knowledge and belief, correct and I make this solemn declaration 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 2010.



Soon Seong Keat

Before me:



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 balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 55 to 89.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of 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 2009 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report

to the members of Hap Seng Plantations Holdings Berhad

Report on Other Legal and Regulatory Requirements

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other 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

Date: 25 March 2010

Sandakan



Lee Hean Kok

Approval Number: 2700/12/11 (J)
Chartered Accountant

OTHER INFORMATION

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.

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 2009, except for the following:-

- i. Related Party Transactions during the financial year ended 31 December 2009 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 22 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 26 May 2010 immediately after the conclusion of the Annual General Meeting to be held on the same date.

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 31/12/2009 RM'000
SABAH								
KINABATANGAN, LAHAD DATU								
Tomanggong Estate	Lease No. 095310017	347.00	Oil palm plantation	September 2007	Leasehold 99 years	2067	-	952,705
	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	4 - 43	
		3.23	Tomanggong Palm Oil Mill				40	
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	4 - 26	
	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	4 - 34	
	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	5 - 27	
	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	4 - 18	
	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	5 - 16	
		8.10	Bukit Mas Palm Oil Mill				11	
	CL 095316340	1,020.00	Oil palm plantation & buildings	September 2007	Leasehold 999 years	2887	4 - 15	

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 31/12/2009 RM'000
SABAH								
KINABATANGAN, LAHAD DATU (continued)								
Batangan Estate	CL 095311005	1,991.94	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	4 - 28	691,249
	CL 095311014	1,640.94	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	4 - 28	
Lutong Estate	CL 095311014	2,406.00	Oil palm plantation & buildings & Jelutong	September 2007	Leasehold 99 years	2078	9 - 20	
	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	-	
	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	9	
	CL 095310973	1,187.39	Oil palm plantation & buildings Air control tower	September 2007	Leasehold 99 years	2078	9 - 14	
Kapis Estate	CL 095310973	2,668.85	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	7 - 23	
		12.15	Jeroco Palm Oil Mill I & II				13 - 22	
Lungmanis Estate	CL 095310973	2,200.00	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	9 - 15	
Wecan Estate	CL 095317427	1,078.00	Oil palm plantation	September 2007	Leasehold 99 years	2084	-	49,030
Tampilit Estate	CL 095317418	201.70	Oil palm plantation	September 2007	Leasehold 99 years	2084	-	9,067

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 31/12/2009 RM'000
TAWAU								
Apas Claremont Estate	Lease No. 105319775	185.95	Oil palm plantation	September 2007	Leasehold 99 years	2058	-	60,087
	CL 105350909	105.50	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2058	6 - 28	
	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	28	
	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	28	
	Lease No. 105320161	194.13	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2068	28	
	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	28		

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 31/12/2009 RM'000
KOTA MARUDU								
Pelipikan Estate, Kg Natu	CL 225326170	403.10	Oil palm plantation & buildings	August 2008	Leasehold 99 years	2102	2 - 10	43,656
Pelipikan Estate, Kg Natu	CL 225319013	323.60	Oil palm plantation & buildings	August 2008	Leasehold 99 years	2101		
Pelipikan Estate, Kg Natu	#	81.00	Oil palm plantation	August 2008	-	-		
Pelipikan Estate, Kg Natu	251 various Native titles***	1,364.91	Oil palm plantation & buildings	December 2009	Leasehold 30 years	2039	4 - 5	31,861
Total		39,803						1,837,655

* Native land in Tabin Estate which were subleased 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 subleased to Pelipikan Plantation Sdn Bhd

Land title currently under application

ANALYSIS OF SHAREHOLDING

as at 5 April 2010

Authorised Share Capital	:	RM1,000,000,000
Issued and Fully Paid-up Capital	:	RM800,000,000
Class of Shares	:	Ordinary Share of RM1.00 each
Voting Rights	:	One Vote per Ordinary Share
Number of Shareholders	:	11,207

DISTRIBUTION OF SHAREHOLDERS

Size of Holding	No. of Shareholders	% of Shareholders	No. of Shares Held*	% of Issued Capital
1 to 99	110	0.982	2,817	#
100 to 1,000	4,017	35.843	3,104,236	0.389
1,001 to 10,000	5,686	50.736	23,739,121	2.967
10,001 to 100,000	1,259	11.234	37,408,370	4.676
100,001 to less than 5% of issued shares	131	1.169	113,636,756	14.205
5% & above of issued shares	4	0.036	622,100,700	77.763
Total	11,207	100.000	799,992,000	100.000

* The number of 799,992,000 ordinary shares was arrived at after deducting the number of 8,000 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	%
1. Hap Seng Consolidated Berhad	412,413,000	51.552
2. Innoprise Corporation Sdn Bhd	119,978,000	14.997
3. Lembaga Tabung Haji	49,427,900	6.178
4. Employees Provident Fund Board	40,281,800	5.035
5. Amanahraya Trustees Berhad - Amanah Saham Wawasan 2020	15,775,800	1.971
6. Amanahraya Trustees Berhad - Amanah Saham Didik	11,205,000	1.400
7. RHB Capital Nominees (Asing) Sdn Bhd - Kowa Company Ltd (J)	10,813,000	1.351
8. Amanahraya Trustees Berhad - Amanah Saham Malaysia	8,630,800	1.078
9. Koperasi Permodalan Felda Berhad	7,837,700	0.979
10. Amanahraya Trustees Berhad - Skim Amanah Saham Bumiputera	7,099,583	0.887
11. Lembaga Tabung Angkatan Tentera	4,264,700	0.533
12. Amanahraya Trustees Berhad - Sekim Amanah Saham Nasional	3,330,000	0.416
13. Amsec Nominees (Tempatan) Sdn Bhd - Fulcrum Asset Management Sdn Bhd for Arab-Malaysian (CSL) Sdn Bhd	3,000,000	0.375
14. Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for Koh Kin Lip (MY0502)	2,000,000	0.250
15. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	1,701,400	0.212

Analysis of Shareholding

as at 5 April 2010

LIST OF 30 LARGEST SHAREHOLDERS (continued)

	Shareholding	%
16. Permodalan Nasional Berhad	1,605,200	0.200
17. Kumpulan Wang Simpanan Pekerja	1,500,000	0.187
18. Gan Teng Siew Realty Sdn Berhad	1,253,166	0.156
19. Mayban Nominees (Tempatan) Sdn Bhd - Etiqa Takaful Berhad (Family Fund)	1,249,000	0.156
20. Alliancegroup Nominees (Tempatan) Sdn Bhd - Pheim Asset Management Sdn Bhd for Employees Provident Fund	1,129,100	0.141
21. Cimsec Nominees (Tempatan) Sdn Bhd - CIMB for Kumpulan RZA Sdn Bhd (PB)	1,000,000	0.125
22. Key Development Sdn Berhad	1,000,000	0.125
23. Cartaban Nominees (Asing) Sdn Bhd - Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	945,600	0.118
24. Amanahraya Trustees Berhad - Amanah Saham Nasional 2	875,000	0.109
25. Amanah Saham Mara Berhad	800,000	0.100
26. Mayban Nominees (Tempatan) Sdn Bhd - Mayban Trustees Berhad for Asbi Dana Al-Mubin (940160)	751,600	0.093
27. HSBC Nominees (Asing) Sdn Bhd - BNY Lux for International Opportunities Fund - Malaysia Equity	737,000	0.092
28. Amanahraya Trustees Berhad - Dana Al-Aiman	700,000	0.087
29. Amanahraya Trustees Berhad - Public Islamic Dividend Fund	660,000	0.082
30. Denver Corporation Sdn Bhd	632,500	0.079
Total	712,596,849	89.064

SUBSTANTIAL SHAREHOLDERS

	Shareholding			
	Direct	%	Indirect	%
Hap Seng Consolidated Berhad	412,413,000	51.552	-	-
Innoprise Corporation Sdn Bhd	119,978,000	14.997	-	-
Lembaga Tabung Haji	49,427,900	6.178	-	-
Employees Provident Fund Board	42,910,900	5.363	-	-
Gek Poh (Holdings) Sdn Bhd	-	-	412,413,000 ⁽¹⁾	51.552
Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	412,413,000 ⁽²⁾	51.552

Notes:

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

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

DIRECTORS' SHAREHOLDING

as at 5 April 2010

Company :	Direct Shareholding		Indirect Shareholding	
	No. of Shares	%⁽¹⁾	No. of Shares	%⁽¹⁾
Hap Seng Plantations Holdings Berhad ["HSP"]				
Tan Sri Ahmad bin Mohd Don	20,000	0.0025	-	-
Datuk Edward Lee Ming Foo, JP	110,000	0.0138	-	-
Soon Seong Keat	230,000	0.0288	75,000*	0.0094
Au Yong Siew Fah	163,000	0.0204	-	-
Tan Sri Abdul Hamid Egoh	110,000	0.0138	-	-
Dato' Jorgen Bornhoft	100,000	0.0125	-	-
Datuk Simon Shim Kong Yip, JP	180,000	0.0225	-	-
Wong Yuen Kuai, Lucien	110,000	0.0138	50,000*	0.0063

Related Corporation :

Hap Seng Consolidated Berhad ["HSCB"]	No. of Shares		%⁽²⁾	
	No. of Shares	%⁽²⁾	No. of Shares	%⁽²⁾
Au Yong Siew Fah	127,000	0.0225	-	-

⁽¹⁾ For the purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,992,000 which was arrived at by deducting 8,000 treasury shares held by HSP from its issued and paid-up capital of 800,000,000.

⁽²⁾ For the purpose of computing the percentage of HSCB shareholding above, the number of ordinary shares used was 563,525,500 which was arrived at by deducting 59,134,500 treasury shares held by HSCB from its issued and paid-up capital of 622,660,000.

* Held through their respective 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-09	-	-	-	-	-
February-09	-	-	-	-	-
March-09	-	-	-	-	-
April-09	-	-	-	-	-
May-09	2,000	2.27	2.27	2.2932	4,586.37
June-09	-	-	-	-	-
July-09	-	-	-	-	-
August-09	-	-	-	-	-
September-09	-	-	-	-	-
October-09	-	-	-	-	-
November-09	2,000	2.29	2.29	2.3132	4,626.38
December-09	-	-	-	-	-
TOTAL	4,000	2.27	2.29	2.3032	9,212.75

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 2009 were 8,000.

PLANTATION STATISTICS

	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	672,768	673,131	358,794
PROCESSED - TONNES			
FFB	652,047	656,225	349,001
Palm Oil	140,985	141,464	76,119
Palm Kernel	30,821	31,900	16,987
EXTRACTION RATE - %			
Palm Oil	21.62	21.56	21.81
Palm Kernel	4.73	4.86	4.87
MATURE AREA - HECTARES			
Oil Palm			
Young mature (30 months to less than 7 years)	2,634	1,329	2,034
Prime mature (7 years to less than 17 years)	17,899	19,008	20,637
Mature (17 years onwards)	12,043	11,030	8,489
Total mature area	32,576	31,367	31,160
AVERAGE YIELD - TONNES/HECTARE			
Yield per mature hectare	20.65	21.46	11.51
Oil per mature hectare	4.33	4.51	2.44
AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE			
FFB	445	579	628
Palm Oil	2,303	2,314	2,242
Palm Kernel	1,012	1,449	1,667
TAXES APPLICABLE TO PLANTATION INDUSTRY RM'000			
MPOB cess	1,874	2,171	1,142
Sabah sales tax	23,442	28,414	16,625
Cooking oil stabilisation cess	-	11,081	9,957
Windfall tax	-	2,437	-
Total taxes paid	25,316	44,103	27,724

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2009

	River Estates Group	Jeroco	HSP (KM)**	Pelipikan Plantation*	Total Group
Oil Palm					
Mature	19,307	12,254	598	417	32,576
Immature	1,347	458	-	-	1,805
Total Oil Palm	20,654	12,712	598	417	34,381
Other crop	-	86	-	-	86
Total planted area	20,654	12,798	598	417	34,467
Reserves	725	18	81	948	1,772
Buildings, roads etc	2,134	1,301	129	-	3,564
Grand Total	23,513	14,117	808	1,365	39,803

Conversion Rate : 1 hectare = 2.4710 acres

* Pelipikan Plantation Sdn Bhd was acquired on 10 December 2009

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

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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 Third Annual General Meeting of the Company to be held at the Auditorium, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 26 May 2010 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 2010

.....
 Signature / Common Seal of appointor

Notes:

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

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Postage

THE COMPANY SECRETARY
HAP SENG PLANTATIONS HOLDINGS BERHAD

(Company No. 769962-K)
21st Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

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