

NEGRI SEMBILAN OIL PALMS BERHAD

(Company No. 592-D)
(Incorporated in Malaysia)

ANNUAL REPORT **2009**

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FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

FINANCIAL HIGHLIGHT - GROUP

	2009	2008
	RM'000	RM'000
Revenue	79,336	105,456
Operating profit	38,480	30,497
Share of profit /(loss) of associates	341	(940)
Share of loss of a jointly controlled entity	(2,052)	(441)
Profit before taxation	36,769	29,116
Taxation	(8,984)	(7,948)
Profit for the year	27,785	21,168
Profit for the year attributable to equity holders of the Company	24,075	16,519
Profit for the year attributable to minority interests	3,710	4,649
Dividends	13,162	20,780
Issued and paid-up share capital	70,202	70,202
Equity attributable to ordinary equity holders of the Company	299,226	288,118
Earnings per stock unit		
- Basic	34.29 sen	23.53 sen
- Diluted	34.29 sen	23.53 sen
Dividends		
- First interim dividend	10 % less 25% taxation	20 % less 26% taxation
- Second interim dividend	15 % less 25% taxation	20 % less 26% taxation
Dividend cover (times)	1.83	0.79
Net assets per stock unit attributable to ordinary equity holders of the Company	RM4.26	RM4.10

FINANCIAL CALENDAR

Financial year	1 January 2009 to 31 December 2009
Announcement of results	
First financial quarter ended 31 March 2009	28 May 2009
Second financial quarter ended 30 June 2009	28 August 2009
Third financial quarter ended 30 September 2009	23 November 2009
Fourth financial quarter ended 31 December 2009	25 February 2010
Dividends payment	
First interim	30 June 2009
Second interim	31 December 2009
Despatch of 2009 Annual Report	2 June 2010
Seventy Eighth Annual General Meeting	24 June 2010

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventy Eighth Annual General Meeting of the Company will be held at the Conference Room, Suite 2B-3A-3, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Thursday, 24 June 2010 at 10.30 am for the following purposes: -

1. To receive and adopt the Directors' Report and the Financial Statements for the financial year ended 31 December 2009 and the Auditors' Report thereon. (Resolution 1)
2. To approve the directors' fees for the financial year ended 31 December 2009 and to authorise the directors to divide such fees in the proportions and manner to be determined by them. (Resolution 2)
3. To re-elect the following directors retiring under Article 94 of the Articles of Association of the Company: -
 - (i) Mr Gho Lian Chin (Resolution 3)
 - (ii) Mr Goh Wei Lei (Resolution 4)
4. To consider and if thought fit, pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965: -
 - (i) "That Mr Goh Eng Chew, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 5)
 - (ii) "That Mr Wong Aun Phui, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 6)
 - (iii) "That Mr Goh Beng Hwa @ Gho Bin Hoa, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 7)
 - (iv) "That Dato' Ong Bok Lim, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 8)
 - (v) "That Mr Goh Pock Ai, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 9)
5. To re-appoint auditors and authorise the directors to fix their remuneration. (Resolution 10)
6. As special business, to consider and if thought fit, pass the following ordinary resolutions: -

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

The text of the above resolutions together with the details of the proposed renewal of shareholders' mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties are set out in the Circular to Shareholders dated 2 June 2010.
7. To transact any other ordinary business of the Company of which proper notice shall have been given to the Company.

By Order of the Board

Gan Kok Tiong
Company Secretary

Kuala Lumpur
2 June 2010

NOTES:

1. A member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. If the member is a corporation, the Form of Proxy must be executed under its common seal or under the hand of a person duly authorised in writing.
3. The Form of Proxy must be deposited at the Registered Office, Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.
4. For Item 6, further information are set out in the Circular to Shareholders dated 2 June 2010 which is despatched together with the 2009 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

- (a) Gho Lian Chin - Retiring pursuant to Article 94 of the Articles of Association
Refer to page 7 for further details and pages 70 to 71 for his shareholding in the Company and the subsidiaries.
- (b) Goh Wei Lei - Retiring pursuant to Article 94 of the Articles of Association
Refer to page 5 for further details and pages 70 to 71 for his shareholding in the Company and the subsidiaries.
- (c) Goh Eng Chew - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 5 for further details and pages 70 to 71 for his shareholding in the Company and the subsidiaries.
- (d) Wong Aun Phui - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 5 for further details and pages 70 to 71 for his shareholding in the Company and the subsidiaries.
- (e) Goh Beng Hwa @ Gho Bin Hoa - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 5 for further details and pages 70 to 71 for his shareholding in the Company and the subsidiaries.
- (f) Dato' Ong Bok Lim - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 6 for further details and pages 70 to 71 for his shareholding in the Company and the subsidiaries.
- (g) Goh Pock Ai - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 5 for further details and pages 70 to 71 for his shareholding in the Company and the subsidiaries.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Chairman Members	Keong Choon Keat Dato' Ong Bok Lim Sio Sit Po
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NOMINATION COMMITTEE & REMUNERATION COMMITTEE

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

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

REGISTERED OFFICE

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

AUDITORS

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

SHARE REGISTRAR AND MANAGING AGENT

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

LEGAL FORM AND DOMICILE

Public Limited Liability Company
Incorporated and Domiciled in Malaysia

WEBSITE

www.nsop.com.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

PROFILE OF DIRECTORS

Goh Eng Chew (Executive Chairman)

78-year-old Mr Goh, a Singaporean, has more than thirty years of plantation and financial experience. Appointed to the Board on 17 July 1968. He later served as Chairman from 17 December 1994. He was appointed as the Executive Chairman on 20 December 2000. He had been Chairman of a licensed commercial bank, a licensed finance company and a real estate company, all of which were formerly listed in Singapore. He is also the Executive Chairman of Chin Teck Plantations Berhad. Other public companies in which he heads the Board are Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 75 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Pock Ai and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and the father of Goh Wei Lei.

Number of Board meetings attended during the financial year ended 31 December 2009: 4 out of 4

Goh Pock Ai (Senior Executive Director)

69 years of age, Singaporean. Appointed to the Board on 15 May 1971. He later served as Senior Executive Director from 1 June 2008. He has vast experience and extensive knowledge in oil palm plantation and property development. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 75 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Eng Chew and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong.

Number of Board meetings attended during the financial year ended 31 December 2009: 4 out of 4

Wong Aun Phui (Executive Director)

88 years of age, Malaysian. Has more than forty years of plantation and banking experience. Appointed to the Board on 15 July 1968. He was conferred Senior Cambridge Certificate by Cambridge University. He had served as Assistant Managing Director of Malayan Banking Berhad, Managing Director of Pan Malayan Finance Limited and Adviser of Bank Bumiputra Malaysia Berhad (now known as CIMB Bank Berhad). Formerly, Chairman of Bandar Raya Development Berhad. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Pan Malaysia Corporation Berhad. He is deemed interested in certain related party transactions as disclosed on page 75 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2009: 4 out of 4

Goh Wei Lei (Executive Director)

41 years of age, Singaporean. He was first appointed as an alternate director on 29 March 1994. He ceased as alternate director on 12 March 1996 and was appointed as a director on that date. He was later appointed as Executive Director on 1 June 2008. Holds a Bachelor of Science from the Oregon State University, USA. He has vast experience and extensive knowledge in oil palm plantation and property development. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 75 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the son of Goh Eng Chew.

Number of Board meetings attended during the financial year ended 31 December 2009: 4 out of 4

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

78 years of age, Singaporean. Appointed to the Board on 1 November 1969. He is a member of the Nomination Committee and Remuneration Committee. He had worked for several years in a listed licensed commercial bank in Singapore and was formerly the Managing Director of a licensed finance company listed in Singapore. Other public companies in which he is a director are Chin Teck Plantations Berhad and Eng Thye Plantations Berhad. He is deemed interested in certain related party transactions as disclosed on page 75 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2009: 4 out of 4

PROFILE OF DIRECTORS

Sio Sit Po (Independent Non-Executive Director)

61 years of age, Singaporean. He was first appointed as an alternate director on 16 June 1995 and ceased as alternate director on 10 January 1997. Subsequently, he was appointed as a director on 3 February 1997. He is a member of the Audit Committee. Holds a Bachelor of Science (Hons) from the Nanyang University, Singapore. Worked in a licensed commercial bank listed in Singapore since graduation till 1999. Other public companies in which he is a director are Chin Teck Plantations Berhad and Eng Thye Plantations Berhad. He is deemed interested in certain related party transactions as disclosed on page 75 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2009: 4 out of 4

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

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

Number of Board meetings attended during the financial year ended 31 December 2009: 4 out of 4

Keong Choon Keat (Independent Non-Executive Director)

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

Number of Board meetings attended during the financial year ended 31 December 2009: 4 out of 4

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

61 years of age, Singaporean. Appointed to the Board on 4 August 1982. He has vast experience and extensive knowledge in the oil palm plantation industry and rubber industry. Other public companies in which he is a director are Chin Teck Plantations Berhad, Timor Oil Palm Plantation Berhad (Executive Director) and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 75 of the Annual Report. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2009: 4 out of 4

PROFILE OF DIRECTORS

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

62 years of age, Singaporean. Appointed to the Board on 13 July 1995. Holds a Bachelor of Science from the University of Melbourne, Australia. He is the Chairman of the Nomination Committee and Remuneration Committee. He worked in a licensed commercial bank listed in Singapore as its representative in a foreign country. Subsequently, he was engaged to manage the property division of the bank. He was also formerly a director of a licensed finance company and a real estate company both of which were listed in Singapore. He has extensive experience and knowledge in the rubber industry. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 75 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Gho Bun Tjin.

Number of Board meetings attended during the financial year ended 31 December 2009: 4 out of 4

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

63 years of age, Singaporean. He was first appointed as an alternate director on 22 April 1978. He ceased as alternate director on 29 December 1994 and was appointed as a director on that date. He later resigned as director on 29 February 1996. Subsequently, he was appointed as a director on 28 February 2006. Holds a Bachelor of Business from South Australian Institute of Technology. He has vast experience and extensive knowledge in banking and finance. Attached to DBS Bank Ltd as Senior Officer from 1973 to 1974 and left to join Tat Lee Bank Ltd from 1974 to 1998, during which time he held various positions; credit officer, sub-manager, manager, senior manager, executive director, deputy president and president (from 1995 to 1998). Other public companies in which he is a director are Chin Teck Plantations Berhad, Timor Oil Palm Plantation Berhad (alternate director) and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 75 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Eng Chew and Goh Pock Ai.

Number of Board meeting attended during the financial year ended 31 December 2009: 4 out of 4

Gho Bun Tjin (alternate to Gho Lian Chin)

60 years of age, Singaporean. He was first appointed as an alternate director on 29 June 1979 and ceased as alternate director on 21 June 1995. Subsequently, he was appointed as alternate director of Gho Lian Chin on 8 September 1995. Holds a Bachelor of Science from the University of Waterloo, Canada. He worked for a short period in a licensed commercial bank listed in Singapore. He is now working in a commercial company overseeing the general management. Other public companies in which he is an alternate director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 75 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Gho Lian Chin.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Negri Sembilan Oil Palms Berhad, I take great pleasure in presenting the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2009.

During the financial year under review, the selling prices of crude palm oil were substantially lower when compared with the year before as a result of the bearish sentiments arising from the global financial and economic crisis and the unprecedented high selling prices of crude palm oil in 2008. The effects of the crisis have subsided and consumer confidence have improved as the governments worldwide have implemented various stimulus packages and policies. Since then, selling prices of crude palm oil have recovered and strengthened further and are expected to remain strong.

Financial and operation review

During the financial year under review, revenue of the Group decreased by 24.77% to RM79,336,183. Overall operating expenses decreased by 15.16% to RM51,521,539.

The average selling prices of fresh fruit bunches ("ffb"), crude palm oil and palm kernel were substantially lower as compared with those of the previous year.

Overall operating expenses were lower due mainly to decreases in the cost of fertilisers and in the payments of windfall profit levy as a result of the substantial decrease in the average selling price of crude palm oil.

The Group recorded an overall profit of RM341,456 from its share of the results of associates due mainly to positive contribution from an associate engaged in trading in stocks and shares. However, the jointly controlled entity engaged in the joint venture on oil palm plantation in Indonesia incurred a loss of RM2,052,401 attributable to the Group as the oil palms are young and have not attained maturity.

Operating profit for the year, excluding the fair value adjustment of biological assets, decreased from RM49,496,686 to RM32,579,318 due mainly to the substantial decreases in the average selling prices of ffb, crude palm oil and palm kernel as compared with those of the previous year.

However, after taking into account of the fair value adjustment of biological assets, operating profit for the financial year under review increased from RM30,496,686 to RM38,479,318. This was mainly due to a favourable fair value adjustment of biological assets of RM5,900,000 in the current financial year under review as compared with an unfavourable fair value adjustment of RM19,000,000 in the previous financial year.

Overall profit after tax for the year increased from RM21,168,200 to RM27,784,642 due to the reasons mentioned above.

Shareholders' equity increased by 3.85% to RM299,224,593.

Production of ffb increased by 1.61% to 150,110 m/t and purchase of ffb also increased by 23.69% to 25,063 m/t. Correspondingly, production of crude palm oil increased by 6.25% to 24,874 m/t and production of palm kernel increased by 8.20% to 7,006 m/t. The oil extraction rate ("OER") decreased slightly from 18.79% to 18.75% and the kernel extraction rate ("KER") recorded an increase from 5.20% to 5.28%.

Dividends

Total gross dividends of 25% in respect of the financial year ended 31 December 2009 were paid during the financial year, i.e. a first interim dividend of 10% less 25% taxation was paid on 30 June 2009 and a second interim dividend of 15% less 25% taxation was paid on 31 December 2009. In view of the payment of the interim dividends, the Board do not recommend a final dividend in respect of the financial year ended 31 December 2009.

CHAIRMAN'S STATEMENT

Joint venture on oil palm plantation in Indonesia

As at 31 December 2009, approximately 1992 hectares of land have been planted. The oil palms are young and have not attained maturity.

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

Recurrent related party transactions

The Company announced on 14 May 2010 that it proposes to seek the approval of shareholders for the proposed renewal of the shareholders' mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature at the forthcoming Annual General Meeting. A separate Circular to Shareholders, the purpose of which is to provide information on the proposed renewal of shareholders' mandate and to seek the approval for the ordinary resolutions pertaining to the proposed renewal of shareholders' mandate is enclosed together with the Annual Report.

Outlook for Year 2010

The average selling price of crude palm oil has strengthened since the end of the previous financial year and is expected to remain strong and this should have a positive impact on the plantation profit for the financial year ending 31 December 2010.

Appreciation

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

Goh Eng Chew
Executive Chairman

17 May 2010

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

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

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

1. Directors

Board Responsibilities

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

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

Composition of the Board

The Board currently consists of eleven directors: -

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

There is an alternate director on the Board.

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

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

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

1. Directors (cont'd.)

Composition of the Board (cont'd.)

The Executive Chairman, Goh Eng Chew, the Executive Directors, Goh Pock Ai and Goh Wei Lei, the three Non-Independent Non-Executive Directors, Goh Yeok Beng, Gho Lian Chin and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and the alternate director, Gho Bun Tjin are directors and/or alternate director and/or shareholders of Tiong Thye Company Berhad, the largest shareholder of the Company holding 55.13% of the issued and paid-up share capital of the Company as at 30 April 2010. Their shareholdings in Tiong Thye Company Berhad are disclosed on page 72 of the Annual Report.

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

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

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

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Report on Audit Committee for the financial year ended 31 December 2009 is set out on pages 18 to 20 of the Annual Report.

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

The Board of Directors met four times during the financial year ended 31 December 2009. The Executive Chairman and the Executive Directors explained to the Board the rationale of the matters discussed and the implications on the Group. The Directors participated in the discussion and comments were considered before a decision was made.

The attendances of the Directors were as follows: -

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

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

1. Directors (cont'd.)

Supply of Information

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

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

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

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

Appointments to the Board

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

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

The duties and functions of the Nomination Committee are: -

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

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

Two meetings of Nomination Committee were held during the financial year ended 31 December 2009. All members of the Nomination Committee attended the meetings.

Directors' Training

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

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

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

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

1. Directors (cont'd.)

Directors' Training (cont'd)

During the financial year ended 31 December 2009, the Directors and alternate director attended the following programmes: -

Name	Training programme	Duration
Goh Eng Chew	Understanding the palm oil market trends – what's next ?	1/2 day
Goh Pock Ai	Understanding the palm oil market trends – what's next ?	1/2 day
Wong Aun Phui	Understanding the palm oil market trends – what's next ?	1/2 day
Goh Wei Lei	Understanding the palm oil market trends – what's next ?	1/2 day
Goh Beng Hwa @ Gho Bin Hoa	Understanding the palm oil market trends – what's next ?	1/2 day
Sio Sit Po	Understanding the palm oil market trends – what's next ?	1/2 day
Dato' Ong Bok Lim	Understanding the palm oil market trends – what's next ?	1/2 day
Keong Choon Keat	Understanding the palm oil market trends – what's next ? FRS workshops and industry related training	3 1/2 days
Goh Yeok Beng	Understanding the palm oil market trends – what's next ?	1/2 day
Gho Lian Chin	Understanding the palm oil market trends – what's next ?	1/2 day
Goh Tju Kiang @	Understanding the palm oil market trends – what's next ?	1/2 day
Gho Tju Kiang @		
Gho Tju Kiong		
Gho Bun Tjin	Understanding the palm oil market trends – what's next ?	1/2 day

Re-election of Directors

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

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

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

2. Directors' Remuneration

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

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

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

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

One meeting of Remuneration Committee was held during the financial year ended 31 December 2009. All members of the Remuneration Committee attended the meeting.

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

2. Directors' Remuneration (cont'd.)

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

The details of the total Group's remuneration receivable by the Executive Directors and Non-Executive Directors of the Company for the financial year ended 31 December 2009 are as follows:-

	No. of Directors	Fees RM	Salaries RM	Commission RM	Other RM	Total RM
Executive Directors						
	1	58,000	276,000	187,149	20,000	541,149
	1	38,000	188,400	131,004	20,000	377,404
	1	40,000	180,000	131,004	20,000	371,004
	1	36,000	120,000	70,154	20,000	246,154
	4	172,000	764,400	519,311	80,000	1,535,711
Non-Executive Directors						
	1	29,000	84,000	31,621	15,000	159,621
	1	46,000	-	-	23,000	69,000
	1	36,500	-	-	22,000	58,500
	1	32,000	-	-	18,000	50,000
	1	32,000	-	-	17,000	49,000
	1	31,500	-	-	16,500	48,000
	1	18,000	-	-	10,000	28,000
	7	225,000	84,000	31,621	121,500	462,121
		397,000	848,400	550,932	201,500	1,997,832

3. Shareholders

Dialogue between the Company and Investors

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

Annual General Meeting

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

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

4. Accountability and Audit

Financial Reporting

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

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

Internal Control

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

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

Internal Audit

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

Relationship with the Auditors

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

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

STATEMENT ON INTERNAL CONTROL

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

Responsibility

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

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

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

Internal Control Process

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

Key Elements of Internal Control

- **Organisational Structure**

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

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

- **Policies Manual**

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

- **Audit Committee and Internal Audit**

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

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

STATEMENT ON INTERNAL CONTROL

Key Elements of Internal Control (cont'd.)

- **Financial Report**

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

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

- **Estates Visits and Estates Managers Meetings**

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

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

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

- **Review of Recurrent Related Party Transactions**

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

Risk Management

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

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

Conclusion

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

REPORT ON AUDIT COMMITTEE

The Board of Directors of Negri Sembilan Oil Palms Berhad is pleased to present the report of the Audit Committee for the financial year ended 31 December 2009.

Members of the Audit Committee

The members of the Audit Committee during the financial year ended 31 December 2009 are as follows:-

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

Terms of Reference

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

1. Formation

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

2. Membership

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

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

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

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

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

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

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

3. Meeting

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

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

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

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

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

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

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

REPORT ON AUDIT COMMITTEE

Terms of Reference (cont'd.)

4. Authority

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

5. Duties and functions

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

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

5.2 To consider other topics as defined by the Board.

6. Minutes

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

REPORT ON AUDIT COMMITTEE

Terms of Reference (cont'd.)

7. Reporting of breaches to Bursa Malaysia Securities Berhad.
- 7.1 Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.
8. Review of the Audit Committee
- 8.1 The Board must review the terms of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and the members have carried out their duties in accordance with the terms of reference.

Number of meetings of Audit Committee held during the financial year ended 31 December 2009 and attendance of each member of Audit Committee

During the financial year ended 31 December 2009, a total of four meetings were held.

The attendance of each member is as follows: -

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

Summary of the activities of the Audit Committee during the financial year ended 31 December 2009

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

The Audit Committee carried out the following activities during the financial year ended 31 December 2009: -

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

Internal audit functions

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

The internal auditors report directly to the Audit Committee.

During the financial year under review, the internal auditors visited the estates of the Group. The internal auditors prepared internal audit reports and presented these to the Audit Committee. The internal audit reports summarise the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The internal audit reports also cover the follow-up by the management on implementation of recommendations in their earlier reports. The internal auditors attended the meetings of Audit Committee twice during the financial year under review. The total cost of internal audit for the financial year under review amounted to RM63,200.

CORPORATE SOCIAL RESPONSIBILITY

Health and Safety

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

Safety equipment and working procedures are provided to workers at the work place. The workers are also provided with regular training and briefing on health and safety matters.

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

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

Environmental Management

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

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

Human Resource Development

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

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

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

Community

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

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

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

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

The Directors consider that the financial statements set out on pages 33 to 69 have been prepared using appropriate accounting policies, which are consistently applied and are in accordance with the provisions of the Act and Financial Reporting Standards in Malaysia.

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

This statement is made in accordance with a resolution of the Board of Directors dated 25 February 2010.