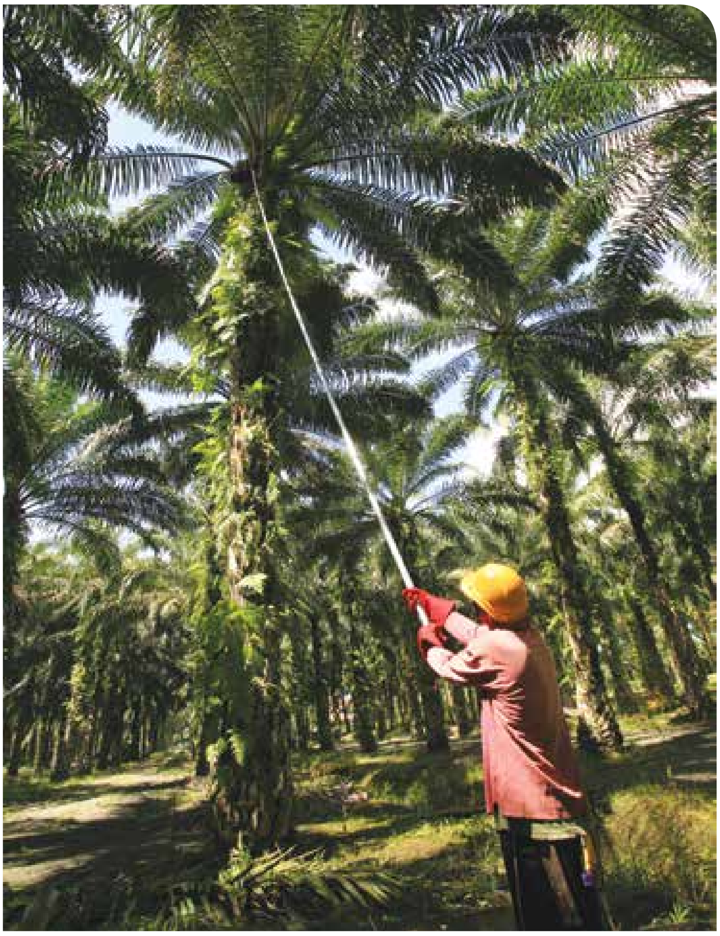
HAP SENG PLANTATIONS HOLDINGS BERHAD

Annual Report 2012



6th Annual General Meeting

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

Tuesday, 28 May 2013 at 2pm

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Corporate Information

BOARD OF DIRECTORS

TAN SRI AHMAD BIN MOHD DON
Independent Non-Executive Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

LEE WEE YONG
Executive Director

AU YONG SIEW FAH
Executive Director

DATUK SIMON SHIM KONG YIP, JP
Non-Independent Non-Executive Director

TAN SRI ABDUL HAMID EGOH
Non-Independent Non-Executive Director

DATO' JORGEN BORNHOFT
Independent Non-Executive Director

WONG YUEN KUAI, LUCIEN
Independent Non-Executive Director

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

Corporate Information

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 5286
Website : www.hapsengplantations.com.my
E-mail : inquiry@hapsengplantations.com.my

PLANTATION HEADQUARTERS

Off 40KM, Jalan Jeroco
Lahad Datu, Sabah

PLACE OF INCORPORATION

Malaysia

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd (118401-V)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03 - 2264 3883
Fax : 03 - 2282 1886

AUDITORS

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

PRINCIPAL BANKERS

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

Choice oil palm seedlings ready for field planting at Kapis Estate

Directors' Profile

Tan Sri Ahmad Bin Mohd Don

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Tan Sri Ahmad Bin Mohd Don, a Malaysian, aged 65, is the independent non-executive chairman of Hap Seng Plantations Holdings Berhad. He was first appointed as an independent non-executive director on 9 August 2007 and became the Chairman on 18 September 2007. He is also the chairman of the Audit Committee, Remuneration Committee and Nominating Committee.

In addition, Tan Sri Ahmad is the independent non-executive director of MAA Group Berhad (formerly known as MAA Holdings Berhad) and United Malacca Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad. He is also an independent non-executive director of KAF Investment Bank Berhad and J.P. Morgan Chase Bank Berhad.

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

Tan Sri Ahmad has extensive experience in finance and banking, having worked in various capacities with Pernas Securities Sdn Bhd, Permodalan Nasional Berhad and Malayan Banking Berhad. He was the group managing director and chief executive officer of Malayan Banking Berhad from 1991 to 1994 before assuming the position as the Governor of Bank Negara Malaysia from May 1994 to August 1998.

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

He attended all the 4 board meetings held during the financial year ended 31 December 2012.

Directors' Profile

Datuk Edward Lee Ming Foo, JP

MANAGING DIRECTOR

Datuk Edward Lee Ming Foo, JP, a Malaysian, aged 58, is the managing director of Hap Seng Plantations Holdings Berhad. He was first appointed to the Board on 15 May 2007 as an executive director and assumed the current position since 18 September 2007. He is also a member of the Remuneration Committee.

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

Datuk Edward Lee graduated with a degree in Bachelor of Arts from the McMaster University in Canada in 1977. He joined the Malaysian Mosaics Berhad (MMB) group in 1980, became its group chief operating officer in 1995 and was its managing director from 31 March 2005 to 31 January 2007. He is currently a director of MMB.

Datuk Edward Lee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company save for the related party transactions disclosed in Note 22 to the Financial Statements. He has not been convicted of any offence in the past 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2012.

Directors' Profile

Lee Wee Yong

EXECUTIVE DIRECTOR

Lee Wee Yong, a Malaysian, aged 65, is an executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 2 February 2011.

In addition, Mr. Lee is a director of Gek Poh (Holdings) Sdn Bhd and an executive director of Hap Seng Consolidated Berhad (HSCB) primarily responsible for the financial affairs of HSCB group of companies.

Mr. Lee holds a degree in Bachelor of Commerce and Administration from Victoria University in New Zealand and is a member of the Malaysian Institute of Accountants and Institute of Chartered Accountants of New Zealand. He joined the Malaysian Mosaics Berhad (MMB) group in 1992, assumed the position of group chief financial officer from 1 March 2003 to 15 December 2005, and was an executive director from 1 March 1999 to 6 March 2007. He is currently a director of MMB.

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

He attended all the 4 board meetings held during the financial year ended 31 December 2012.

Directors' Profile

Au Yong Siew Fah

EXECUTIVE DIRECTOR

Au Yong Siew Fah, a Malaysian, aged 62, is an executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 31 July 2007.

Mr. Au Yong obtained the Diploma of the Associate of Incorporated Society of Planters in 1975. He then attended the General Management Course organised by the Ashridge Management College, United Kingdom in 1979 and participated in the Royal Agriculture Convention in Stoneleigh, United Kingdom in 1986. He is one of the founding members of the Malaysian Palm Oil Association (MPOA) and has been the Honorary Secretary of the MPOA since April 2006. He is also a member of the Malaysian Palm Oil Board.

Mr. Au Yong has more than 40 years of extensive 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 acquisition of jungle land, establishment of palm oil mills and marketing of produce. He started his career as a cadet planter with Yule Catto Plantations Sdn Bhd in Kluang, Johor in 1969 and rose through the ranks to various capacities such as estate controller and planting adviser. He was the general manager of United Malacca Berhad from 1997 to 2001 before joining the Hap Seng Consolidated Berhad Group (HSCB Group) as its chief operating executive for Group Plantations in 2001. Currently, he is the chief executive for the Group Plantations of the HSCB Group.

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

He attended all the 4 board meetings held during the financial year ended 31 December 2012.

Directors' Profile

Datuk Simon Shim Kong Yip, JP

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Datuk Simon Shim Kong Yip, JP, a Malaysian, aged 56, is a non-independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 9 August 2007. He is also a member of the Nominating Committee and Remuneration Committee.

In addition, Datuk Simon Shim is a non-independent non-executive director of Hap Seng Consolidated Berhad. He is also 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 a director of both Lei Shing Hong Limited and Lei Shing Hong Securities Limited. Lei Shing Hong Securities Limited, a company registered with the Securities and Futures Commission Hong Kong, is the wholly-owned subsidiary of Lei Shing Hong Limited, a company in Hong Kong.

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

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

He attended 3 out of the 4 board meetings held during the financial year ended 31 December 2012.

Directors' Profile

Tan Sri Abdul Hamid Egoh

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Tan Sri Abdul Hamid Egoh, a Malaysian, aged 79, is a non-independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 9 August 2007.

In addition, 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 with Colonial Civil Service in 1956. Prior to him graduating with a degree in Bachelor of Arts (Honours) from University of Adelaide, Australia in 1965, he had served with the Commonwealth Public Service in Australia from 1964 to 1965. After graduation, he assumed the position of private secretary and aide-de camp to the Yang DiPertua Negeri Sabah from 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 and 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 interests with the Company. He has not been convicted of any offence in the past 10 years.

He attended 3 out of the 4 board meetings held during the financial year ended 31 December 2012.

Directors' Profile

Dato' Jorgen Bornhoft

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Jorgen Bornhoft, a Dane, aged 71, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 9 August 2007. He is also a member of the Audit Committee and Nominating Committee.

In addition, Dato' Bornhoft is the independent non-executive chairman of Hap Seng Consolidated Berhad. He is also a director of The Royal Bank of Scotland Berhad and the vice-chairman of International Beverage Holdings Limited.

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

Dato' Bornhoft joined Carlsberg Brewery Malaysia Berhad (Carlsberg Malaysia) in 1991 as its chief executive officer, and assumed the position of managing director from 1995 to 2002, after which he was the chairman from 2002 to 2005. He re-joined the board of Carlsberg Malaysia as a non-executive director from 2006 to 2007. He also assumed the position as the chief executive officer of Carlsberg Asia Pte. Ltd. in Singapore from January 2003 to June 2004. Prior to him joining Carlsberg Malaysia, he was the vice-president of Carlsberg International A/S, Denmark responsible for foreign subsidiaries and new projects.

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

He attended all the 4 board meetings held during the financial year ended 31 December 2012.

Directors' Profile

Wong Yuen Kuai, Lucien

INDEPENDENT NON-EXECUTIVE DIRECTOR

Wong Yuen Kuai, Lucien, a Singaporean, aged 59, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 9 August 2007.

Mr. Wong is also the chairman of Maritime and Port Authority of Singapore, a member of the Board of Trustees for the Singapore Business Federation and a non-executive director of Temasek Holdings (Private) Limited. He also sits on the board of Singapore Airlines Limited and Singapore Press Holdings Limited, both are companies listed on the Singapore Stock Exchange.

He is the chairman and senior 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 interests with the Company. He has not been convicted of any offence in the past 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2012.

Directors' Profile

Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan

INDEPENDENT NON-EXECUTIVE DIRECTOR

Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan, a Malaysian, aged 67, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 1 January 2011. He is also a member of the Audit Committee.

In addition, Tuan Haji Nik Ariff is a director of Koperasi Sri Nilam Berhad and an executive director of Arab Bumiputra Equities Sdn Bhd, an investment holding company.

He holds a Diploma in Marketing from Institute of Marketing, London, United Kingdom. He was the business development manager of Arab Malaysian Merchant Bank Berhad from 1 January 1982 to 30 June 1982. Thereafter, he was a director of Southern Bank Berhad from 1982 to 1993 and a director of Juara Perkasa Corporation Berhad (now known as JT International Berhad) from 1985 to 1989.

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

He attended all the 4 board meetings held during the financial year ended 31 December 2012.

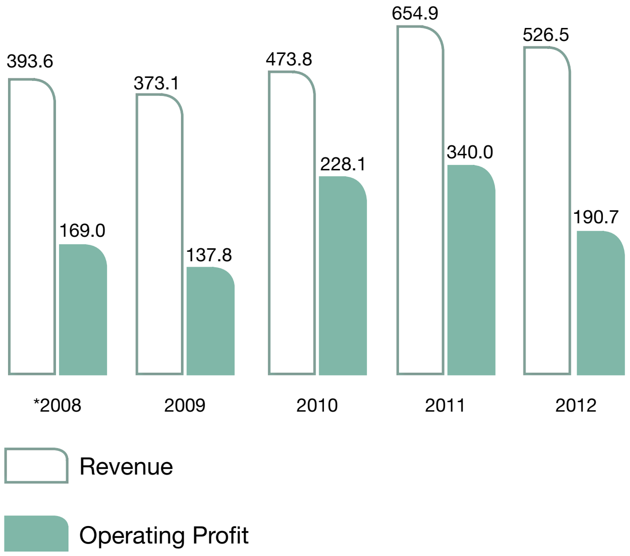
Load of fresh fruit bunches

Group Financial Highlights

	FINANCIAL YEAR ENDED 31 DECEMBER				11 MONTHS PERIOD ENDED
	2012	2011	2010	2009	31/12/2008
INCOME (RM'000)					
(i) Revenue	526,499	654,866	473,754	373,134	393,605
(ii) Operating profit	190,720	340,028	228,085	137,792	169,017
(iii) Profit before taxation	190,688	339,473	226,376	135,136	166,274
(iv) Profit after taxation attributable to owners of the Company	140,335	252,968	169,111	100,097	130,822
FINANCIAL POSITION (RM'000)					
Key Data					
Assets					
(i) Total tangible assets	2,118,484	2,114,737	2,019,787	1,988,241	1,967,951
(ii) Net assets	1,890,418	1,878,092	1,761,141	1,680,040	1,651,951
(iii) Current assets	195,583	204,836	110,865	87,286	108,357
Liabilities and Shareholders' Funds					
(i) Current liabilities	35,921	46,530	51,146	66,783	73,185
(ii) Paid-up share capital	800,000	800,000	800,000	800,000	800,000
(iii) Shareholders' funds	1,890,418	1,878,092	1,761,141	1,680,040	1,651,951
PER SHARE					
(i) Basic earnings (sen) *	17.54	31.62	21.14	12.51	16.35
(ii) Net assets (RM) **	2.36	2.35	2.20	2.10	2.06
(iii) Gross dividend (sen) #	11.00	20.00	13.00	9.00	10.00
** Based on weighted average number of shares in issue ('000)*	*799,980*	*799,986*	*799,990*	*799,994*	*799,998*
*** Based on number of shares in issue net of treasury shares ('000)*	*799,977*	*799,981*	*799,988*	*799,992*	*799,996*
# Under single tier system					
FINANCIAL RATIOS					
(i) Return on total tangible assets (%)	6.62	11.96	8.37	5.03	6.65
(ii) Return on shareholders' funds (%)	7.42	13.47	9.60	5.96	7.92
(iii) Current ratio (times)	5.44	4.40	2.17	1.31	1.48
(iv) Gearing ratio (times)	-	-	0.02	0.05	0.06
(v) Gearing ratio net of cash (times)	-	-	-	0.03	0.03

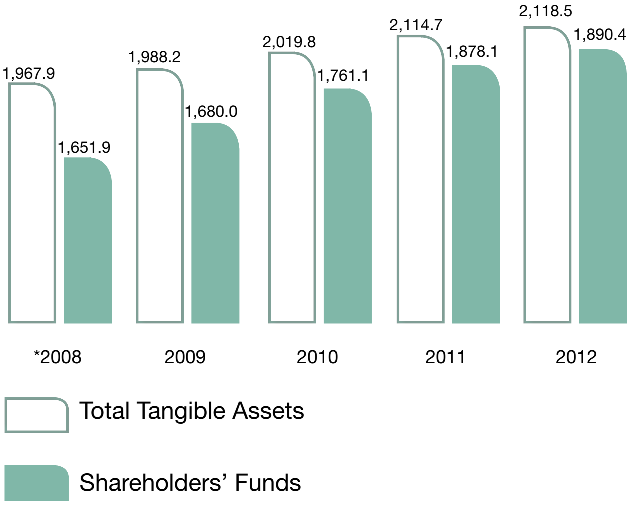
Group Financial Highlights

Revenue / Operating Profit
(RM'Million)

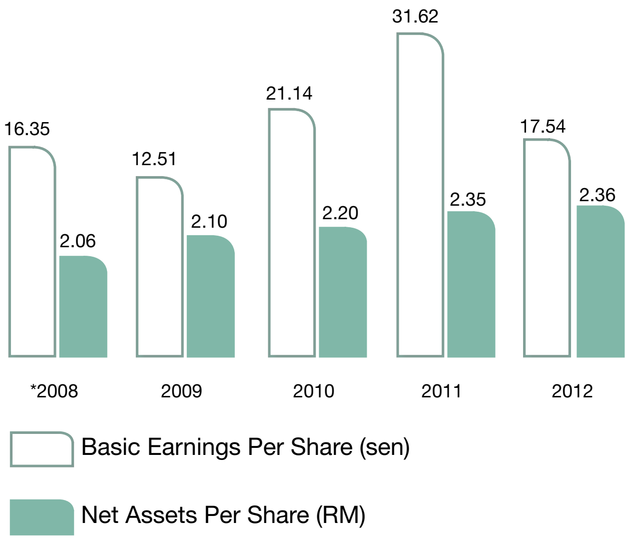


Profit Before Taxation / Profit Attributable to Owners of the Company
(RM'Million)

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



Basic Earnings per Share / Net Assets per Share



* 11 months period ended 31 December 2008

Chairman's Statement

Tan Sri Ahmad Bin Mohd Don
Independent Non-Executive Chairman

Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the board of directors, I am pleased to present the 6th annual report and financial statements of Hap Seng Plantations Holdings Berhad for the financial year ended 31 December 2012 (FY 2012).

Industry Background

The Malaysian palm oil industry in FY 2012 was characterized by weaker crude palm oil (CPO) prices and lower crop output. From its peak of RM3,600 per tonne early in the year, CPO prices softened considerably in the second half to as low as RM1,970 per tonne in December 2012 and finished the year at an average of RM2,764 per tonne (2011: RM3,219 per tonne). The substantially lower average CPO price was primarily caused by high palm oil inventory level reaching 2.63 million tonnes against soft demand from major consuming countries.

Financial Performance

On the back of this operating environment, the performance of the Group was adversely impacted by both the significant decline in the fresh fruit bunch (FFB) production and the substantially lower CPO price. Nevertheless, the Group performed better than the plantation industry average for Sabah, recording an average FFB production of 21.86 tonnes per hectare (compared with the Sabah average FFB production of 20.40 tonnes per hectare) and an average CPO yield of 4.65 tonnes per hectare (compared with Sabah average CPO yield of 4.29 tonnes per hectare). The Group also achieved an average price realization of RM2,773 per tonne which compared favourably with the Sabah's average CPO price realization of RM2,690 per tonne.

Additionally, the Group incurred higher CPO production cost per tonne (excluding replanting and after taking into account palm kernel income) of RM1,209 per tonne (2011: RM938 per tonne) due to higher manuring costs and harvesting wages coupled with the overall decline in CPO production volume to 154,595 tonnes (2011: 168,025 tonnes). The CPO production decline was primarily due to seasonal yield trend and changes in cropping patterns as a result of palm stress.

On the back of such unfavourable CPO price realization and higher production costs, the Group recorded a 19.6% decline in total revenue to RM526.5 million (2011: RM654.9 million). Correspondingly, profit before tax was 43.8% lower at RM190.7 million (2011: RM339.5 million) while profit after tax was 44.5% lower at RM140.3 million (2011: RM253.0 million). This gave rise to lower earnings per share at 17.54 sen (2011: 31.62 sen).

Chairman's Statement

Plantation overview

Operations Review

Planted and Mature Area

As at 31 December 2012, the Group had 35,697 hectares (2011: 35,617 hectares) of planted areas out of a total area of 39,803 hectares. Of the total planted area, approximately 85% or 30,455 hectares (2011: 31,068 hectares) were mature palms with an average age of 16.98 years (2011: 16.74 years).

Age profile of the planted area, reserves and others as of 31 December 2012 was as follows:

	hectares
Immature	5,096
30 months to 7 years	2,788
> 7 years to 17 years	13,332
> 17 years	14,335
Total planted - oil palm	35,551
Immature - other crops	146
Total planted area	35,697
Reserves plantable	105
Buildings, roads, reserves etc	4,001
Total area	39,803

In FY 2012, the Group increased its planted area by 80 hectares and replanted 1,323 hectares. By the end of FY 2012, the Group had 5,096 hectares of immature area of which 927 hectares were expected to mature in the 2013 financial year.

Chairman's Statement

Infield fresh fruit bunches collection with Toughfar at Sungai Segama II

Collection of fresh fruit bunches by harvester

Area statement of the Group as of 31 December 2012 was as follows:

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of mature area
JGOE [i]	14,117	* 12,808	10,999	85.9%
TMGOE [ii]	12,331	** 11,426	8,687	76.0%
SSGOE [iii]	9,906	8,761	8,761	100.0%
Ladang Kawa	1,276	1,201	1,201	100.0%
Pelipikan	1,365	903	209	23.1%
Kota Marudu	*** 808	598	598	100.0%
Total	39,803	35,697	30,455	85.3%

[i] JGOE refers to Jeroco group of estates

[ii] TMGOE refers to Tomanggong group of estates

[iii] SSGOE refers to Sungai Segama group of estates

* Including 86 hectares planted with jelutong trees

** Including 60 hectares planted with sepat trees

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

To ensure a continuous optimal age profile of the oil palm, the Group practices a replanting policy whereby approximately 4% of its planted area is replanted on an annual basis with higher yielding materials.

Oil Extraction Rate

Average oil extraction rate was higher at 21.29% (2011: 20.96%) and oil per mature hectare was lower at 4.65 tonnes (2011: 4.99 tonnes).

CPO production in FY 2012 was lower at 154,595 tonnes (2011: 168,025 tonnes). This was due to seasonal yield trend and changes in cropping patterns as a result of palm stress.

Chairman's Statement

Batangan estate replanting

The Group's milling operations are undertaken by four mills that have a combined milling capacity of 175 FFB tonnes per hour. Our mills, which include Jeroco Palm Oil Mill 1, Jeroco Palm Oil Mill 2, Tomanggong Palm Oil Mill and Bukit Mas Palm Oil Mill, saw production averaging at 68% of the total milling capacity throughout 2012 (2011: 75%).

As a responsible palm oil producer and supplier, the Group embraces good agricultural practices and has made significant progress in obtaining certification on Roundtable on Sustainable Palm Oil (RSPO). During FY 2012, the Group achieved the RSPO certification for its Bukit Mas Palm Oil Mill whilst the certification for the other three oil mills in Jeroco and Tomanggong are in progress. With this certification, both the Sungai Segama group of estates and Bukit Mas Palm Oil Mill are now internationally accredited as sustainable palm oil producer in compliance with global standards of production.

Enhancing Shareholder Value

The Company is committed to creating long-term sustainable growth and to return value to you as our valued shareholders. As part of the Company's commitment to pay up to 60% of the Group's profit attributable to shareholders, the Company has declared and paid two interim dividends for FY 2012, with the first interim dividend of 6 sen paid on 28 September 2012 and the second interim dividend of 5 sen paid on 28 March 2013. The total dividend of 11 sen constitutes approximately 63% of the Group's profit attributable to shareholders for FY 2012. The comparably lower dividend payout (2011: 20 sen) reflected the dampened performance of the Company in tandem with the plantation industry in Malaysia.

The Company will also be seeking your approval on renewing the shares buy-back mandate. The mandate will give the Company the authority and flexibility to purchase the Company's shares, if and when the circumstances justify, in the best interests of the Company.

Chairman's Statement

Fresh fruit bunch evacuation by harvester

Outlook

The record high stockpile of 2.63 million tonnes in FY 2012 has come off slightly with exports to-date exceeding production output. With the expectation of lower FFB output evident in recent weeks, the overall inventory level is anticipated to be on the decline. This trend may be further supported by the various biodiesel initiatives undertaken by the government. CPO price is therefore expected to strengthen on the back of such lower inventory level as well as the substantial discount (between RM900 to RM1,000 per tonne) in the current CPO price against soya oil price.

However, any strengthening of the CPO price may be limited by the reasonably high CPO stockpile despite the easing off as well as the overall weaker global vegetable oil price.

It is envisaged that year 2013 is likely to be a challenging year and the Group would continue its relentless efforts to maximize operational efficiencies to mitigate the impact of such challenges.

Appreciation

On behalf of the Board, I would like to express our sincere appreciation to all our shareholders, business partners, suppliers and customers for their continuing support and confidence. Also, our heartfelt thanks for the dedication and commitment put in by our staff members and plantation workers to enable the Company to record another year of profit.

Ahmad Bin Mohd Don

Statement on Corporate Governance

The Board is pleased to report on the manner in which the 8 principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 (Code) are applied to the affairs of the Group and the extent of compliance pursuant to paragraph 15.25 and Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements).

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

BOARD OF DIRECTORS

Board Charter

The Board has formulated and adopted a charter (Board Charter) on 2 April 2013 to define inter-alia the following:-

- Board Composition
- Board Appointments
- Meetings and Board Attendance
- Role of the Chairman, Managing Director and Company Secretary
- Board Function
- Board Committees comprising the Audit, Nominating and Remuneration Committee
- Dichotomy between the Board and Management's role and responsibilities
- Code of Conduct
- Gender Diversity
- Sustainability

This Board Charter, which is subject to periodic review by the Board after taking into the latest legal, regulatory and ethical requirements, is accessible through the Company's website at www.hapsengplantations.com.my.

Board Responsibilities

The Board is responsible for overseeing the management of the business and affairs of the Company, including the commitment to sustainability, in the best long-term interest of the Company. The Board has clear roles and responsibilities in discharging its fiduciary and leadership functions and has established clear functions reserved for the Board and those that were delegated to the management which are embodied in the Board Charter.

All directors are to act in the best interest of the Company and shall disclose to the Board of any interest or potential interest as soon as he becomes aware of such interest. The company secretary shall keep a register of such declarations of interest.

Statement on Corporate Governance

Board Meetings

The directors meet at least 4 times a year. During the FY 2012, 4 board meetings were held with the directors having attended at least 50% of the board meetings.

Minutes proceedings and decisions taken during the board meetings are recorded by the company secretary and would be circulated to the Board members within 2 weeks of the relevant meeting.

Directors attendance to board meetings held during the FY 2012 is as follows:

Directors	No. of Meetings Attended
Tan Sri Ahmad Bin Mohd Don	4/4
Datuk Edward Lee Ming Foo, JP	4/4
Mr. Lee Wee Yong	4/4
Mr. Au Yong Siew Fah	4/4
Dato' Jorgen Bornhoft	4/4
Datuk Simon Shim Kong Yip, JP	3/4
Mr. Wong Yuen Kuai, Lucien	4/4
Tan Sri Abdul Hamid Egoh	3/4
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	4/4

Board Composition

As at the date of this annual report, the Board has 9 members comprising 3 executive directors and 6 non-executive directors of which 4 or more than 1/3 are independent of management and have no relationships which could interfere with the exercise of their independent judgment.

The directors will among themselves elect an independent director to be the chairman and appoint an executive director to the office of managing director.

The responsibilities of the chairman and the managing director are divided to ensure a balance of power and authority and are clearly defined in the Board Charter.

Together, the directors have wide ranging business and financial experience. A brief description of the background of each director is presented on pages 4 to 12.

The 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 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 of senior independent non-executive director to address concern that may be raised by shareholders of the Company.

Statement on Corporate Governance

Board Gender Diversity

The Board acknowledges the importance of board diversity, including gender diversity, to the effective functioning of the Board. Female representation will be considered when vacancies arise and suitable candidates are identified, underpinned by the overriding primary aim of selecting the best candidate to support the achievement of the Company's strategic objectives.

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 not in the ordinary course of business (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.

The Board is supported by suitably qualified and competent company secretary, who is responsible alongside with Board members, for various legal and compliance obligations under the laws. The role of the company secretary is detailed in the Board Charter.

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 authorises directors to seek independent professional advice if necessary at the Company's expense in the 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 on Corporate Governance

Board Committees

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 board committees are limited to making recommendation to the Board as the Board is not empowered to delegate its decision-making authorities to the board committees. The primary responsibilities of these board committees are approved by the Board and are detailed in pages 40 to 49 of the annual report.

Minutes of proceedings and resolutions of all meetings including attendance of members of the committee are recorded by the company secretary and circulated promptly to the members of the board committee and once agreed, to all members of the Board.

The board committees have access to relevant resources to facilitate the carrying out of its duties including obtaining, at the Company's expense, outside legal or other professional advice on any matters within its term of reference.

Appointments to the Board

Appointments to the Board are decided by the members of the Board based on the recommendations of the Nominating Committee. The Nominating Committee, which comprises 3 non-executive directors of which 2 are independent non-executive directors, is responsible for proposing new nominees to the Board 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 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;

- all the members of the Board are suitably qualified to hold their positions as directors in view of their respective academic and professional qualifications, competencies, experiences, commitment, contribution and performance;

- all the directors at the date of this annual report have updated their knowledge and enhance their skills through appropriate continuing education programmes during the FY 2012; and

- all the independent directors as at the date of this annual report have not exceeded the term of 9 years tenure.

Company secretary is appointed by the Board and is 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.

Statement on Corporate Governance

Reappointment and Re-election of Directors

Pursuant to Section 129(6) of the Companies Act, 1965, Directors who are over the age of 70 years shall retire at every annual general meeting ("AGM") and may offer themselves for reappointment 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 AGM and shall be eligible for re-election by the shareholders. In addition, at the AGM in every calendar year, 1/3 of the directors including the managing director shall retire from office at least once in each 3 years and shall be eligible for re-election by shareholders.

During the year, the Nominating Committee had reviewed both the independence and performance of the 2 independent directors who are due for reappointment and/or re-election in the forthcoming AGM. Based on satisfactory outcome of the said review, the Nominating Committee had made recommendation to the Board for their reappointment and /or re-election.

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 as at the date of this annual report have completed the Mandatory Accreditation Programme as specified by Bursa Malaysia Securities Berhad ("Bursa Securities").

The Company is conscious of the importance of continuous training and education for the directors to enable the directors to effectively discharge their duties. Where appropriate, talks and seminars are orgainised for the directors to keep abreast with any changes in the relevant statutory and regulatory requirements.

The directors are also encouraged to attend various external professional programmes on a continuous basis to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates.

Details and updates of directors' training and continuous professional education are tabled to the Board at each board meeting.

Statement on Corporate Governance

Directors' Training and Education (continued)

The directors have during the FY 2012, evaluated their own training needs on a continuous basis and attended the following programmes:

Directors	Training Programme	Duration
Tan Sri Ahmad Bin Mohd Don	Financial Reporting Standard Framework – Optimising IFRS Convergence	½ day
	The Directors' Legal Tool Kit	2 days
Datuk Edward Lee Ming Foo, JP	Outlook 2012 : A Year for the Bold	2 ½ hours
	Macroeconomic Challenges in the US, Europe and China	3 hours
Mr. Lee Wee Yong	Malaysia FRS Update and IFRS Convergence Seminar	1 day
	KPMG Malaysian Tax Summit 2012	1 day
Mr. Au Yong Siew Fah	RSPO (GA8) 8th General Assembly	4 hours
	International Palm Oil Sustainability Conference	2 days
	International Oil Palm Biomass Conference 2012	2 days
	RT10 2012 -10th Annual Roundtable Meeting on Sustainable Palm Oil	3 days
	RaboBank's Markets Outlook 2013 Lunch Seminar (Global & Asian Economic Outlook)	3 hours
	Sustainability Training for Directors & Practitioners	1 day
	Roundtable Discussion on Conservation	½ day
Dato' Jorgen Bornhoft	Financial Reporting Standard Framework – Optimising IFRS Convergence	½ day
	Governance, Risk Management and Compliance : What Directors Should Know	½ day
	Executive Stress Management	½ day
Datuk Simon Shim Kong Yip, JP	Financial Reporting Standard Framework – Optimising IFRS Convergence	½ day
Mr. Wong Yuen Kuai, Lucien	Thomson Reuters 2012 Asia Pacific Legal Executive Briefing	3 days
	6th Singapore Maritime Lecture	4 hours
	Thomson Reuters 2012 Legal Executive Briefing	4 days
Tan Sri Abdul Hamid Egoh	Financial Reporting Standard Framework – Optimising IFRS Convergence	½ day
	Governance, Risk Management and Compliance : What Directors Should Know	½ day
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	Financial Reporting Standard Framework – Optimising IFRS Convergence	½ day
	Bursa Malaysia Half Day Governance Programme – "Corporate Governance Blueprint and Malaysian Code on Corporate Governance 2012"	½ day
	Governance Advocacy Session by Bursa Malaysia Berhad "Making the most of the Chief Financial Officer role: Everyone's Responsibility?"	1 day
	Sustainability Training for Directors & Practitioners	1 day
	Bursa Malaysia Half Day Governance Programme – "Managing Corporate Risk and Achieving Internal Control Through Statutory Compliance"	½ day

DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration

The Board ensures that fair level of remuneration is accorded to attract, retain and motivate directors needed to manage the Company successfully. The component remuneration package for executive directors have been structured to link rewards to corporate and individual performance whilst non-executive directors' remuneration reflect the experience and level of responsibilities undertaken by individual non-executive directors.

Procedure

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.

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 FY 2012 is as follows:

Category	Fees RM'000	Salaries and Other Emoluments RM'000	Benefits-in-Kind RM'000	Total Remuneration RM'000
Executive	-	1,812	42	1,854
Non-Executive	365	-	-	365

(ii) The number of directors who received remuneration from the Company and or its subsidiaries for the FY 2012, and their remuneration including benefits-in-kind are tabulated in the following bands:

Remuneration Range	No. of Directors
Executive Directors	
RM250,000 to RM300,000	1
RM300,001 to RM400,000	-
RM400,001 to RM450,000	1
RM450,001 to RM1,150,000	-
RM1,150,001 to RM1,200,000	1
Non-Executive Directors	
RM50,000 to RM100,000	6

Statement on Corporate Governance

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.

No directors shall be involved in any decisions as to their own remuneration.

(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 shall be a matter for the executive members of the Board.

SHAREHOLDERS

Dialogue between Company and Investors

The Company is committed to ensure that all shareholders have timely access to all publicly available information of the Company, with which shareholders are enabled to actively participate in the affairs of the Company in an informed manner.

Towards this end, the Board is guided by the disclosure policy enshrined in the Listing Requirements in making immediate announcement of all material information save in the permitted exceptional circumstances, which information is also made available on the company website at www.hapsengplantations.com.my after the release of the announcement.

The Board views the AGM as an ideal opportunity to communicate with both institutional and private investors. In addition, the Company has a website www.hapsengplantations.com.my which provides shareholders and investors at large with up todate information, amongst others, the quarterly financial results, annual report, corporate announcement and the like are placed as soon as practicable after such information is released 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 financial results announcements and annual report can be accessed through Bursa Securities's website at www.bursamalaysia.com.

The Annual General Meeting ("AGM")

Notice of AGM which is contained in the annual report is sent out at least 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.

The Board has also formulated a policy to encourage constructive and effective engagement, dialogue and other forms of communication with shareholders, stakeholders, investors and/or the community as contained in the Company's shareholder communication policy which is included in the Board Charter.

CODE OF CONDUCT

In its aspiration to instill and promote appropriate standards of conduct and ethical practices, the Board has established this code of business conduct (Code of Conduct) to be strictly complied with by the directors and members of the management. For the avoidance of doubt, the provisions of this Code of Conduct is in addition to any other obligations imposed on the directors by any applicable rules, laws and regulations. The Board reviews the Code of Conduct periodically.

The Code of Conduct covers the following areas:

- **Honesty and Integrity**

  The success of our business is built on the foundation of trust and confidence. Hence, directors must act honestly and fairly in their business dealings with all stakeholders.

- **Compliance with Laws**

  Directors shall comply and satisfy themselves that appropriate policies and procedures are in place for compliance by employees and officers, with all laws, rules and regulations applicable to the Company and themselves, including insider trading laws. In the event of dealing with the Company's shares both within inside and outside the closed periods, to comply with the disclosure requirements.

- **Conflict of Interests**

  Directors are to avoid situation that present or create the appearance of a potential conflict between their own interests and those of the Company. Any situation that involves, or may reasonably be expected to involve a conflict of interest must be disclosed promptly to the fellow Board members by notifying the Company Secretary.

- **Confidentiality**

  Directors must maintain the confidentiality of information entrusted to them by the Company and any other information about the Company which comes to them in their capacity as a director. In addition, a director must not make use of non-public price-sensitive information to advance or pursue his/her personal opportunities, gains or interests, such as the buying or selling of the Company's shares.

- **Whistle Blowing**

  The Board has formulated a whistle blowing policy to encourage employees to disclose any malpractice or misconduct of which they become aware of and to provide protection for the reporting of such alleged malpractice or misconduct. The full text of the whistle blowing policy of the Company found in the corporate website.

This Code has been published on the Company's website www.hapsengplantations.com.my

STRATEGIES FOR SUSTAINABILITY

The Board aspires to strengthen its commitment and investment in corporate sustainability, with the objective of managing its plantation operations in a socially and environmentally responsible manner.

Various initiatives and strategies have since been outlined and implemented as part of the Group's on-going commitment to support sustainable palm oil developments in Malaysia:

- The location of the various plantation estates of the Group in a contiguous plot of land allows the Company to reap the economies of scale and therefore enables management team to be employed at an optimum level;

- Applying and implementing sustainable practices in the plantation management including:

  (a) soil enrichment and conservation

  The Group routinely carries out mulching with recycled organic materials such as empty fruit bunches, oil palm trunks and fronds, which process would replenish organic matter to the soil and improve soil properties accordingly. Other soil conservation initiatives include the planting of leguminous cover crops to reduce soil erosion and improve soil physical properties, terracing and construction of silt pits and bunds, maintenance of soft grasses in palm avenues and prohibiting cultivation or development at slope sites with a gradient of 25 degrees or more.

  (b) zero burning policy

  The Group adheres to the zero burning policy for both new planting and replanting of oil palm, where remainders of trees are allowed to decompose naturally on the ground during which nutrients are released to fertilise the land organically. At the same time, the elimination of burning would necessarily reduce carbon footprint for the environment.

  (c) effective water management

  The Group takes all precautionary steps necessary to ensure that water used for irrigation in the estates is free from pollutants by amongst other things, preserving the water catchment areas and water bodies from pollution and contamination.

  (d) integrated pest management (IPM)

  The Group has adopted the IPM system in its management of pests and diseases with the objective of reducing the use of chemical pesticides. Instead, environment friendly pest control techniques such as use of natural predators and beneficial plants are adopted.

  (e) others

  The Group also has a specialised department tasked with the responsibility of researching into sustainable agriculture practices to maximise yield and minimise wastage, alongside with contributing to greener environment. Amongst others, the said department undertakes analysis of the oil palm fronds to optimise palm growth through nutritional needs and to minimize chemical leakages from over-applications of fertilizers; also, bunch ash is also used as a source of potassium to reduce the dependence on mineral fertilizers.

STRATEGIES FOR SUSTAINABILITY (CONTINUED)

- The Group continues to reach out to the rural communities in the vicinity of our estates by providing dependable source of income and employments and hence, seeking to improve or eradicate poverty among such communities;

- Modern amenities and infrastructures including creches, kindergarten, schools, staff quarters are provided to improve the standard of living among the plantation workers;

- In addition to providing safe working environment, the Group adheres strictly to all aspects of occupational safety and health policies to safeguard the safety and well-beings of all the employees and workers alike;

- In its management of human resources to maintain workforce capabilities, the Group also places emphasis on employee satisfaction through continuous trainings and competitive remuneration and benefits programmes;

- According respect to human rights and ensuring non-existence of discrimination in any form, be it religion, race, nationality, background or others;

- Taking proactive steps towards reducing carbon footprint, including having the corporate office on the estates to reduce unnecessary travelling, engaging measures to improve energy performance of office buildings, better management of energy use for office equipment, reducing overseas or outstation travelling by encouraging participation in meetings by telephone or video conferencing;

- Meeting shareholders' demand for sound financial returns through regular dividend stream, economic growth, open communication and transparent financial reporting; and

- Establishing and complying high standards of corporate governance and engagement with shareholders.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

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

Internal Control

The Group's Statement on Risk Management and Internal Control is set out on pages 35 to 39.

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 40 to 44.

External auditors are invited at least twice a year to attend the Audit Committee meetings as well as the AGM. Dialogue between the Audit Committee and the external auditors are also conducted in the absence of management. The Audit Committee has also received written assurance from the external auditors confirming their independence.

This Statement on Corporate Governance is made in accordance with a Board resolution.

TAN SRI AHMAD BIN MOHD DON
Independent Non-Executive Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

Statement on Risk Management and Internal Control

The Board is committed to maintaining a sound system of risk management and internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control which outlines the nature of internal control of the Group during the financial year ended 31 December 2012 pursuant to paragraph 15.26(b) of the Listing Requirements. In making this statement, the Board is guided by the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" ("SRMIC") which is issued by the Taskforce on Internal Control with the support and endorsement of the Bursa Securities.

Board's Responsibility

The Board recognizes the importance of a sound framework of risk management and internal control is fundamental to good corporate governance and an effective risk management process helps the Group to achieve its performance and profitability targets by providing risk information to enable better decisions in the formulating Group's strategies and decision making.

The Board acknowledges its responsibility for the Group's risk management and system of internal controls covering not only financial controls but also operational, environmental and compliance controls as well as risk management including the review of the effectiveness of the risk management process and internal control system.

The risk management process and system of internal control involve every business units and their respective key management, including the Board, and are designed to meet the Group's particular needs and to manage the risks to which it is exposed.

The risk management process and system of internal control, by their nature, can only provide reasonable but not absolute assurance against material loss or against the Group failing to achieve its objectives.

Toward this end, the Group has a formal approach towards identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives and is an ongoing process.

This framework is designed to be responsive to changes in the business environment and is clearly communicated to all levels through the setup of a Risk Management Committee.

The Audit Committee and Risk Management Committee assist the Board in the reviewing process, however, the Board as a whole remains responsible for all the actions of the Audit Committee and Risk Management Committee with regard to the execution of the delegated role and include the outcome of the review and disclosure on key risks and internal control in this annual report.

Statement on Risk Management and Internal Control

Risk Management Committee

The Group Risk Management Committee was formed to take formal executive responsibility for risk management, building upon already established structures and mechanism. Presently, the Group Managing Director heads the Group Risk Management Committee. The business units risk management function is led by the Chief Executive who is the overall head of the business units.

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.

The Committee together with the Division's management are responsible for implementing the processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking appropriate and timely corrective actions as needed.

To this end, a Group's Risk Methodology had been issued to the heads of the Group's business units who will identify the risks inherent to their respective business units and the appropriate measures and strategies to achieve the overall objectives of the business units.

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 respective 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.

Risk Assessment interviews have been conducted by the Head of Internal Audit Department with the head and operational managers of the respective business units.

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

Any major changes to risk or emerging significant risk for any of the business units in the Group with the appropriate actions and/or strategies to be taken will be brought to the attention of the Board by the Managing Director.

Statement on Risk Management and Internal Control

Internal Control

The Board places emphasis on a sound system of internal control to facilitate the effective and efficient operation of the Group's businesses by enabling the Board and the management to respond promptly and appropriately to any significant business, operational, environmental, compliance and other risks in the achieving of the Group's objectives.

Nevertheless, the Board also recognises that the system of internal control can only reduces, but cannot eliminate, the possibility of poor judgement in decision-making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and the occurrence of unforeseeable circumstances. As such, the Board reiterates that the system of internal control, 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 and/or processes set out in Operating Manuals of individual business units, where applicable, which include processes to generate timely, relevant and reliable information and proper record keeping as well as compliances with applicable laws and regulations and internal policies for the conduct of business.
- 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 senior management whenever appropriate.
- Regular review of business processes to assess the effectiveness of internal controls by the Internal Audit Department and the highlighting of significant risks impacting the Group to the Audit Committee. Annual internal audit plan is reviewed by the Audit Committee.
- In the presence of the Managing Director, Finance Director and Chief Financial Officer for the purpose of ascertaining the state of internal control and to obtain assurance of the internal control system as to its effectiveness and adequacies in all material aspects, the Audit Committee reviews and holds discussion on significant internal control issues identified in reports prepared by the Internal Audit Department.
- Code of Conduct as set out in the Board Charter.

Statement on Risk Management and Internal Control

Internal Audit Function

The Group has an Internal Audit function which is outsourced to Hap Seng Management Services Sdn Bhd, a wholly owned subsidiary of Hap Seng Consolidated Berhad, at a cost of RM400,000 per annum. The Internal Audit function is independent of the activities or operations of the 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.

The head of Internal Audit Department is a member of Malaysian Institute of Accountants and The Institute of Internal Auditors of Malaysia and he is assisted by a team of qualified personnels.

The internal audit functions of the department are carried out using a risk based, systematic and disciplined approach guided by the standards recommended by recognized professional bodies.

The head of internal audit, whenever deemed necessary, meet with the Audit Committee without the management being present.

The head of internal audit has direct access to the chairman of the board and to the committee.

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 business units of the Group.

The activities of the Internal Audit Department 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 and environmental compliance with established internal control procedures, management efficiency, risk assessment and reliability of financial records as well as governance processes.

- 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 Risk Management and Internal Control : Guidelines for Directors of Listed Issuers" which was issued by the Task Force on Internal Control with the support and endorsement of Bursa Securities and to facilitate enhancement, where appropriate.

- Assessment of key business risks at each 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 Plantation Division.

- Issued a total of 13 internal audit reports to the Audit Committee on the major business units which encompassed identification and assessment of business risks.

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 the Group's operations.

The Board is also supported by Board Committees with specific delegated responsibilities. These Committees have the authority to examine all matters within their scope and responsibilities, as provided in the Board Charter, and report to the Board with their recommendations. (For more details on the various Committees, please refer to the Statement on Corporate Governance on pages 40 to 49 in this annual report).

The Managing Director 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.

CONCLUSION

Based on the foregoing as well as the inquiries and information provided, the Board is assured that the risk management process, system of internal control and other processes put in place through its Board Committees were operating adequately and effectively in all materials aspects to meet the Group's objectives for the year under review and up to the date of approval of this Statement on Risk Management and Internal Control.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

Board Committees

AUDIT COMMITTEE

Members of the Audit Committee

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

Terms of Reference of Audit Committee

Membership

- The Committee shall be appointed by the Board from amongst the directors of the Company on the recommendation of the Nominating Committee and shall consist of not less than 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 Listing Requirements.

- 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 Listing Requirements.

- 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 3 due to resignation or for any reason ceases to be a member, the Board shall within 3 months appoint new member(s) to fill up the vacancy. All members of Audit Committee shall hold office until otherwise determined by the Board or until they cease to be a director of the Company.

Attendance at Meetings

- The quorum necessary for the transactions of business shall be 2 members.

- The company secretary shall act as the secretary of the Committee.

Board Committees

Frequency of Meetings

The Audit Committee shall meet as often as it requires but at least once for every financial quarter.

During the FY 2012, 4 meetings were held. The details of directors' attendance at these meetings are as follows:

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

The details of training by the above Directors are tabulated on page 27 of the annual report.

Proceedings of Meetings

- In the absence of the chairman, the Committee shall appoint one of the independent members present to chair the meeting.

- Questions arising at any meeting where a quorum is present shall be decided by a majority of votes of the members present, each member having 1 vote.

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, chief financial officer, head of internal audit department 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.

- The Committee may invite other directors, any employee and a representative of the external auditors to attend any particular Audit Committee meeting, specific to the relevant meeting(s). The group finance director, chief financial officer and the head of internal audit department, upon the invitation by the Committee, normally attend the meeting(s).

Board Committees

Primary Responsibilities of the Audit Committee

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

- To monitor the integrity of the Group's financial statements, review its annual accounts and quarterly results to be released to Bursa Securities and any other announcements relating to the Group's financial performance as well as significant financial reporting issues.
- To review the effectiveness of the Group's internal controls and risk management systems and to review and approve statement to be include in the annual report concerning internal controls and risk management.
- To review and report to the Board 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.
- To monitor and review the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system.
- To approve the appointment and removal of the head of the internal audit function.
- To consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards, particularly to ensure that the internal audit function has adequate standing and is free from management or other restrictions.
- To review and assess the annual internal audit master plan.
- To review promptly all reports on the Group from the internal auditors.
- To review and monitor the management's responsiveness to the findings and recommendations of the internal auditor.
- To meet the head of the internal audit whenever deemed necessary, to discuss their remit and any issues arising from the internal audits carried out without management being present. The head of internal audit shall be given the right of direct access to the chairman of the board and to the committee.
- To consider and make recommendations to the Board in relation to the appointment, reappointment or removal of the company's external auditors, so that the same could be put to shareholders for approval at the annual general meeting.
- To oversee the selection process of new auditors and if an auditor resigns, to investigate the issues to the resignation.

Board Committees

Primary Responsibilities of the Audit Committee (continued)

- To oversee the relationship with the external auditor including:
  - Approval of their remuneration;
  - Approval of their terms of engagement;
  - Assessing annually their independence and objectivity taking into account the regulatory requirements and the relationship with the auditor as a whole;
  - Formulating a policy governing the provision of non-audit services by the external auditor and regularly monitoring the compliance therewith; and
  - Assessing annually their qualifications, expertise and resources and the effectiveness of the audit process.

- To review with the external auditors, the audit plan, their evaluation of the system of internal controls, the audit report and any issues arising from the audit.

- To meet regularly with the external auditors, at least twice a year, without management being present, to discuss their remit and any issues arising from the audit, including the adequacy of the assistance given by the employees of the Company to the external auditors.

- To review the quarterly and year end financial statements before tabling to the Board focusing particularly on:
  - any changes in accounting policies and practices,
  - significant adjustments arising from the audit and other unusual events (if any),
  - compliance with Accounting Standards, relevant legislative framework and other legal requirements,
  - compliance with the Listing Requirements and all other applicable rules and regulations.

Review of the Audit Committee

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

Annually the Nominating Committee will evaluate performance of the board committees collectively as well as performance of members individually.

Reporting Procedures

The chairman of the Committee will brief the Board on the various deliberations and/or issues of concern raised during the course of meeting together with a list of recommendations and/or other matters for the deliberation of the Board.

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

Reporting of Breaches to the Bursa Securities

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 Listing Requirements.

Board Committees

Summary of Audit Committee Activities during the FY 2012

The activities of the Audit Committee during the FY 2012, are summarised below:

- 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 records.

- Authorised internal audit department 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 13 internal audit reports covering the business processes of the 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 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 suitability and independence of external auditors and have received written assurance from external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

- Reviewed the Group's quarterly report prepared in compliance with Financial Reporting Standard ("FRS") 134 "Interim Financial Reporting" and Chapter 9 of the Listing Requirements 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 on Corporate Governance and Statement on Risk Management and Internal Controls prepared in accordance with the principles set out under the Malaysian Code on Corporate Governance 2012, 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 recommendations under the Code.

REMUNERATION COMMITTEE

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

Tan Sri Ahmad Bin Mohd Don	*(Independent Non-Executive Director) – Chairman*
Dato' 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 upon the recommendation of the Nominating Committee and shall consist not less than 3 directors, a majority of whom must be non-executive.

Frequency of Meetings

The Remuneration Committee shall meet as often as it requires but at least once per financial year.

Attendance at Meetings

The quorum necessary for the transaction of business shall be 2 members and decisions are by majority votes.

Proceeding of Meetings

- The chairman of the Committee may invite personnel such as the chief executives of the business division, the head of the human resources department as and when appropriate and necessary.
- 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 where a quorum is present shall be decided by a majority of votes of the members present, each member having 1 vote.

Reporting Procedure

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

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.

The remuneration of the non-executive directors shall be a matter for the executive members of the Board.

Board Committees

Primary Responsibilities of Remuneration Committee

- To determine and agree with the Board the broad policy for the remuneration of the executive directors of the Company, after taking into account all relevant factors to ensure that the executive directors are adequately incentivized and remunerated to encourage enhance performance.

- To constantly review the ongoing appropriateness and relevance of the remuneration policy.

- Within the terms of the agreed policy and in consultation with the chairman, to determine the total individual remuneration package of each executive director including bonuses and yearly increment.

Summary of Activities

The Remuneration Committee met on 29 November 2012:

- To review the remuneration policy of the Group and noted the market trend for palm oil companies; and

- To recommend to the Board, the proposed bonus of an executive director for the financial year ended 31 December 2012 and his proposed increment for the financial year commencing from 1 January 2013.

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 of not less than 3 non-executive directors, a majority of whom are independent.

- The chairman of the Committee is also the senior independent director of the Company.

Frequency of Meetings

The Nominating Committee shall meet as often as it requires but at least once per financial year.

Attendance at Meetings

The quorum necessary for the transaction of business shall be 2 members and decisions are by majority votes.

Proceeding of Meetings

- The Committee shall have access to sufficient resources to facilitate the carrying out of its duties, including obtaining, at the Company's expense, outside legal or other professional advice on any matters within its term of reference.

- In the absence of the chairman, the Nominating Committee shall appoint one of the independent non-executive members present to chair the meeting.

- Questions arising at any meeting where a quorum is present shall be decided by a majority of votes of the members present, each member having 1 vote.

Reporting Procedure

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

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.

Board Committees

Primary Responsibilities of Nominating Committee

- To consider and recommend candidates onto the Board and board committees and guided by the selection criteria amongst others are integrity and professionalism, expertise and experience, independence and objectivity, personal attributes, dedication and commitment and board diversity. Details of the selection criteria is set out in the Board Charter.

- To annually evaluate performance of the Board and board committees collectively as well as performance of members individually.

- To facilitate board induction and training programmes.

- Assessing directors' training needs periodically and devising relevant professional development programmes based on such assessment for recommendation to the Board.

- To develop a proper succession plan for the Board so as to ensure a smooth transition when directors leave the Board, and that positions are filled and skill gaps addressed.

- To monitor and recommend the functions to be undertaken by the various board committees.

- To review and reassess the adequacy of the Board Charter and Code of Conduct annually.

- To evaluate the independence of each independent director on a yearly basis. In this regard, the Committee is guided by the criteria as set out in the Board Charter.

- To recommend directors for reappointment or re-election subject to satisfactory outcome of the evaluation of their performance.

Board Committees

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.

- Evaluated the performance of each Board and board committees collectively as well as performance of members individually and was satisfied that all members of the Board are suitably qualified to hold their positions as directors in view of their respective academic and professional qualifications, competencies, experiences, commitment and contribution to the Board.

- Reviewed the adequacy of the Board Charter for adoption by the Board.

- Reviewed that all directors of the Company had received appropriate continuous training programmes in order to keep abreast with developments in the relevant industry to enhance their skills in a dynamic and complex business environment and with changes in the relevant statutory and regulatory requirements.

- Evaluated the independence of each independent director taking into account both the quantitative and qualitative criterion. In addition all the independent directors at the date of this annual report has served in the Board with a tenure less than term of 9 years.

- Evaluated the performance of the following independent directors standing for reappointment and/or re-election at the forthcoming annual general meeting:-
  (i) Dato' Jorgen Bornhoft on his reappointment pursuant to Section 129(6) of the Companies Act, 1965
  (ii) Tan Sri Ahmad Bin Mohd Don on his re-election pursuant to Article 112 of the Company's articles of association

Corporate Social Responsibility

Expression of joy from workers' children

The measure of success for any progressive corporate organisation today is premised on the triple bottom line of people, planet and profit. Hap Seng Plantations Holdings Berhad (HSP) is committed to delivering on these benchmarks. We believe that this will enable us to achieve long-term growth in a sustainable way, benefiting our stakeholders at large.

Towards this end, we have sought to ensure that Corporate Social Responsibility (CSR) is embedded in the heart of our day-to-day operations across our value chain. For HSP, CSR is about embracing sustainability in our plantations, enriching the lives of people in the communities we operate in, creating a conducive and productive working environment and adopting best practices in the way we conduct our business.

The following is a report that underscores our steadfastness towards CSR for the financial year ended 31 December 2012.

Sustainable Palm Oil

In tandem with our membership in the Roundtable on Sustainable Palm Oil (RSPO), an international multi-stakeholder organisation that promotes and certify sustainable palm oil globally, we aim to see all our estates and mills RSPO certified by 2013.

Our aspiration took a tangible and significant step forward when our Sungai Segama group of estates and Bukit Mas palm oil mill were successfully RSPO certified in 2012. The process was not easy to say the least. RSPO certification is known to be the world's toughest standards for sustainable agriculture production. An intensive audit by an RSPO accredited auditor, covering an area totaling close to 10,000 hectares, was conducted before the certification was awarded.

Corporate Social Responsibility

The Humana School Learning Centre in Sungai Segama group of estates

Upon completion of the RSPO certification process for our Tomanggong and Jeroco groups of estates, our stakeholders can be assured that the palm oil produced by HSP is sustainable. This will not only benefit HSP from an operational stand-point. It will also help us cater to a fast growing global demand for palm oil that has been produced in a way that does not cause undue harm to the environment and society.

Improving Quality of Life

As a member of the Hap Seng Consolidated Berhad group of companies, we are inspired by the Hap Seng Group's unwavering focus on education as a means to enrich lives and overcome poverty. In this regard, HSP continues to fund Humana learning centers throughout our groups of estates. These learning centers, which are managed by the Humana Child Aid Society, a Malaysian-based non-profit NGO, are able to provide basic education to those who otherwise could not have access due to distance, financial constraints or lack of infrastructure.

In 2012, we maintained our support for five learning centres that cater to a total of 328 children in our Tomanggong group of estates. During the same year, our newly completed learning centre in Sungai Segama group of estates commenced operations with five teachers and 290 children. This new learning centre, constructed by HSP, comprises four well-equipped classrooms, teachers' living quarters, a library and a canteen. In the same year, a total of five Humana Learning Centres started their inaugural classes within our Jeroco group of estates. To date, the Humana learning centres in Jeroco have a total of 10 teachers and cater to a student population of 255.

As a further boost to Humana Child Aid Society's efforts to help underprivileged children, HSP also contributed a four-wheel-drive vehicle to the organisation in 2012. The vehicle will be utilised to transport Humana's team to learning centres that are often located deep in rural areas.

In addition to education, we have also contributed towards improving the welfare of communities around our estates. In 2012, we maintained free ferry services for residents of Kampung Tidung, which is located close to our Tomanggong group of estates and provided free medical treatment for residents located near our Sungai Segama group of estates. During the same year, we have also contributed to Majlis Daerah Kota Kinabatangan to improve amenities in the district.

Corporate Social Responsibility

A total of 873 children attended Humana School in our estates

A Great Place to Work

Human capital is a significant resource in the labour intensive agriculture sector. All the more so as our sector has over the recent years been experiencing labour shortages.

In view of this, our support for the Humana learning centres play a role in attracting and retaining plantation workers. Our workers will tend to remain with us if their children's education is being provided for.

At the same time, we continue to invest in developing, training and motivating our employees of all levels throughout HSP. A total of 15 training programmes centred on agriculture policies and practices were carried out in 2012. These were aimed at providing our employees with up-to-date information on agricultural best practices in order for them to perform their job more efficiently. Concurrently, we engaged experts to share their knowledge on a variety of topics that can benefit our employees on a personal or professional level.

Fostering a strong sense of camaraderie amongst our employees can also lead to improving team work and enhancing productivity. With this in mind, HSP encourages and supports activities such as family days, sports days, kenduri and annual dinners that were organised by our employees throughout 2012.

Financial Statements

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	140,335	155,250

RESERVES AND PROVISIONS

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

DIVIDENDS

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

(i) a second interim dividend of 10 sen per ordinary share under the single-tier system totalling RM79,998,100 in respect of the financial year ended 31 December 2011 on 12 March 2012; and

(ii) a first interim dividend of 6 sen per ordinary share under the single-tier system totalling RM47,998,740 in respect of the financial year ended 31 December 2012 on 28 September 2012.

On 28 February 2013, the Board of Directors approved a second interim dividend of 5.0 sen per share under the single-tier system in respect of the financial year ended 31 December 2012, amounted to RM39,998,850 and was paid on 28 March 2013. The financial statements for the current financial year do not reflect this dividend and it will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2012.

No dividend is payable for treasury shares held.

Director's Report

FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS OF THE COMPANY

Directors who served since the date of last report are:

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

DIRECTORS' INTERESTS

The interests and deemed interests in the ordinary shares and warrants over ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year ended 31 December 2012 (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2012	Bought	Sold	At 31.12.2012
Hap Seng Plantations Holdings Berhad				
Tan Sri Ahmad Bin Mohd Don	20,000	-	(20,000)	-
Lee Wee Yong	70,000	-	(70,000)	-
Au Yong Siew Fah	163,000	-	-	163,000
Dato' Jorgen Bornhoft	10,000	-	-	10,000
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000
Wong Yuen Kuai, Lucien	110,000	-	-	110,000
	*50,000	-	-	50,000
Tan Sri Abdul Hamid Egoh	110,000	-	-	110,000
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	590,000	-	-	590,000

* Held through his spouse

	Number of ordinary shares of RM1.00 each			
	At 1.1.2012	Bought	Sold	At 31.12.2012
Hap Seng Consolidated Berhad (HSCB), Immediate holding company				
Au Yong Siew Fah	250,000	-	-	250,000
Dato' Jorgen Bornhoft	180,000	-	(80,000)	100,000

Director's Report

FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS' INTERESTS (CONTINUED)

	Number of warrants over ordinary shares of RM1.00 each			
	At 1.1.2012	Bought	Sold	At 31.12.2012
HSCB				
Au Yong Siew Fah	41,600	-	-	41,600
Dato' Jorgen Bornhoft	30,000	-	-	30,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 14 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.

TREASURY SHARES

During the extraordinary general meeting of the Company held on 28 May 2012, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 4,000 shares at the total cost of RM11,575, which were held as treasury shares. All the repurchases of shares were financed by the Company's internal funds.

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

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
At 1 January 2011	12,000	29,061	2.42
Repurchased during the year	7,000	19,077	2.73
At 31 December 2011 / 1 January 2012	19,000	48,138	2.53
Repurchased during the year	4,000	11,575	2.89
At 31 December 2012	23,000	59,713	2.60

Director's Report

FOR THE YEAR ENDED 31 DECEMBER 2012

OPTIONS GRANTED OVER UNISSUED SHARES

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

HOLDING COMPANIES

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

LITIGATION MATTER

Details of litigation matter are disclosed in Note 23 to the financial statements.

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

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 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.

Director's Report

FOR THE YEAR ENDED 31 DECEMBER 2012

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept reappointment.

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: 2 April 2013

Statements of Financial Position

AS AT 31 DECEMBER 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Assets					
Property, plant and equipment	3	576,209	571,468	1,649	956
Biological assets	4	1,346,692	1,338,433	-	-
Investment in subsidiaries	5	-	-	1,576,251	1,581,451
Total non-current assets		1,922,901	1,909,901	1,577,900	1,582,407
Inventories	6	37,189	28,150	-	-
Receivables	7	23,414	30,244	22,696	20,107
Tax recoverable		3,608	267	-	-
Cash and cash equivalents	8	131,372	146,175	5,045	1,349
Total current assets		195,583	204,836	27,741	21,456
Total assets		2,118,484	2,114,737	1,605,641	1,603,863
Equity					
Share capital	9	800,000	800,000	800,000	800,000
Share premium		675,578	675,578	675,578	675,578
Retained earnings	9	414,900	402,562	126,997	99,744
		1,890,478	1,878,140	1,602,575	1,575,322
Less: Treasury shares	9	(60)	(48)	(60)	(48)
Total equity		1,890,418	1,878,092	1,602,515	1,575,274
Liabilities					
Deferred tax liabilities	10	192,145	190,115	-	-
Total non-current liabilities		192,145	190,115	-	-
Payables	11	35,434	35,733	3,114	28,505
Tax payable		487	10,797	12	84
Total current liabilities		35,921	46,530	3,126	28,589
Total liabilities		228,066	236,645	3,126	28,589
Total equity and liabilities		2,118,484	2,114,737	1,605,641	1,603,863

The notes on pages 65 to 99 are an integral part of these financial statements.

Statements of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2012

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue	12	526,499	654,866	169,858	153,422
Cost of goods sold		(283,649)	(252,098)	-	-
Gross profit		242,850	402,768	169,858	153,422
Other operating income		4,794	4,818	281	90
Distribution expenses		(31,898)	(43,946)	-	-
Administrative expenses		(19,029)	(18,030)	(7,612)	(7,020)
Other operating expenses		(5,997)	(5,582)	(5,846)	(200)
Results from operating activities		190,720	340,028	156,681	146,292
Interest expense		(32)	(555)	-	-
Profit before tax	13	190,688	339,473	156,681	146,292
Tax expense	15	(50,353)	(86,505)	(1,431)	(1,466)
Profit for the year representing total comprehensive income for the year		140,335	252,968	155,250	144,826
Basic earnings per ordinary share (sen)	16	17.54	31.62		

The notes on pages 65 to 99 are an integral part of these financial statements.

Consolidated Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

		Attributable to owners of the Company				
			Non-Distributable	Distributable		
	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Treasury shares RM'000	Total equity RM'000
Group						
At 1 January 2011		800,000	675,578	285,592	(29)	1,761,141
Total comprehensive income for the year		-	-	252,968	-	252,968
Purchase of treasury shares	9	-	-	-	(19)	(19)
Dividends	17	-	-	(135,998)	-	(135,998)
At 31 December 2011 / 1 January 2012		800,000	675,578	402,562	(48)	1,878,092
Total comprehensive income for the year		-	-	140,335	-	140,335
Purchase of treasury shares	9	-	-	-	(12)	(12)
Dividends	17	-	-	(127,997)	-	(127,997)
At 31 December 2012		800,000	675,578	414,900	(60)	1,890,418
		Note 9		Note 9	Note 9	

The notes on pages 65 to 99 are an integral part of these financial statements.

Consolidated Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

		Attributable to owners of the Company				
			Non-Distributable	Distributable		
	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Treasury shares RM'000	Total equity RM'000
Company						
At 1 January 2011		800,000	675,578	90,916	(29)	1,566,465
Total comprehensive income for the year		-	-	144,826	-	144,826
Purchase of treasury shares	9	-	-	-	(19)	(19)
Dividends	17	-	-	(135,998)	-	(135,998)
At 31 December 2011 / 1 January 2012		800,000	675,578	99,744	(48)	1,575,274
Total comprehensive income for the year		-	-	155,250	-	155,250
Purchase of treasury shares	9	-	-	-	(12)	(12)
Dividends	17	-	-	(127,997)	-	(127,997)
At 31 December 2012		800,000	675,578	126,997	(60)	1,602,515
		Note 9		Note 9	Note 9	

The notes on pages 65 to 99 are an integral part of these financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2012

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from operating activities					
Profit before tax		190,688	339,473	156,681	146,292
Adjustments for:					
Depreciation of property, plant and equipment	3	26,819	26,031	538	200
Dividend income		-	-	(163,937)	(145,631)
(Gain)/Loss on disposal of property, plant and equipment		(123)	(17)	34	49
Interest income		(2,962)	(2,965)	(281)	(90)
Interest expense		32	555	-	-
Impairment loss on investment in a subsidiary		-	-	5,200	-
Property, plant and equipment written off		46	54	-	-
Operating profit /(loss) before changes in working capital		214,500	363,131	(1,765)	820
Inventories		(9,039)	(10,627)	-	-
Receivables		6,830	(3,558)	74	(8)
Payables		(299)	6,316	(70)	1,251
Cash generated from/(used in) operations		211,992	355,262	(1,761)	2,063
Tax refunded		3,723	14,035	-	-
Tax paid		(65,697)	(86,167)	(1,503)	(1,583)
Interest received		2,962	2,965	281	90
Interest paid		(32)	(555)	-	-
Net cash generated from/(used in) operating activities		152,948	285,540	(2,983)	570
Cash flows from investing activities					
Additions to biological assets	4	(8,259)	(6,451)	-	-
Dividends received from subsidiaries (net)		-	-	163,937	145,631
Purchase of property, plant and equipment	3	(33,233)	(21,038)	(2,858)	(1,168)
Proceeds from disposal of property, plant and equipment		1,750	442	1,593	377
Net cash (used in)/generated from investing activities		(39,742)	(27,047)	162,672	144,840

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2012

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from financing activities					
Balances with subsidiaries		-	-	(27,984)	(13,045)
Dividends paid to shareholders of the Company (net)		(127,997)	(135,998)	(127,997)	(135,998)
Repayment of bank borrowings		-	(35,000)	-	-
Shares repurchased at cost		(12)	(19)	(12)	(19)
Net cash used in financing activities		(128,009)	(171,017)	(155,993)	(149,062)
Net (decrease)/increase in cash and cash equivalents		(14,803)	87,476	3,696	(3,652)
Cash and cash equivalents at 1 January		146,175	58,699	1,349	5,001
Cash and cash equivalents at 31 December	(i)	131,372	146,175	5,045	1,349

(i) Cash and cash equivalents

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and bank balances	22,433	9,773	745	1,349
Deposits with licensed banks	108,939	136,402	4,300	-
	131,372	146,175	5,045	1,349

The notes on pages 65 to 99 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 is as follows:

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

The consolidated financial statements of the Company as at the end of the financial year ended 31 December 2012 comprise the Company and its subsidiaries.

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

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

These financial statements were authorised for issue by the Board of Directors on 2 April 2013.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

	Effective for annual periods beginning on or after
Amendments to FRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 Employee Benefits (revised)	1 January 2013
FRS 127 Separate Financial Statements (revised)	1 January 2013
FRS 128 Investment in Associate and Joint Ventures (revised)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendment to FRS 1: Government Loans	1 January 2013
Amendments to FRS 7: Offsetting Financial Assets and Financial Liabilities	1 January 2013

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

	Effective for annual periods beginning on or after
Amendments to FRS 10, FRS 11 and FRS 12: Transition Guidance	1 January 2013
Amendments to FRSs contained in the document entitled “Improvements to FRSs (2012)”	1 January 2013
Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities	1 January 2014
Amendments to FRS 132: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 9 Financial Instruments	1 January 2015

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

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

Malaysian Financial Reporting Standards (MFRS Framework)

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

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

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional two years. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group falls within the definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will first prepare its financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 December 2014. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

(ii) Business combinations

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

Acquisitions on or after 1 January 2011

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

***Acquisitions on or after 1 January 2011** (continued)*

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Acquisitions before 1 January 2011

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

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

(iii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Transactions eliminated on consolidation

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

(b) Financial instruments

(i) Initial recognition and measurement

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) Held-to-maturity investments

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

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

(c) Loans and receivables

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

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

(d) Available-for-sale financial assets

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

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

Financial liabilities

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

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

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

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

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

(iii) Derecognition

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

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

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

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Biological assets

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

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

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

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

(e) Inventories

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

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

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

(f) Receivables

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

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, deposits with licensed banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less and are used by the Group and the Company in the management of their short term commitments.

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment

(i) Financial assets

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

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

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

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

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

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

(ii) Other assets

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment (continued)

(ii) Other assets (continued)

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

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

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

(i) Equity instruments

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

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits

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

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

(k) Revenue

(i) Goods sold

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

(ii) Dividend income

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

(iii) Selling commission

Selling commission is recognised by the Company on marketing and trading services provided to its subsidiaries.

(l) Interest income and borrowing costs

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

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income tax

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

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

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

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

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

(n) Earnings per ordinary share

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

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

(o) Operating segments

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

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RM'000	Road and infrastructure RM'000	Buildings RM'000	Plant, machinery and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work in progress RM'000	Total RM'000
Group							
Cost							
1 January 2011	371,607	95,364	158,506	171,264	11,027	18,898	826,666
Additions	-	760	1,472	8,277	704	9,825	21,038
Disposals	-	-	-	(651)	-	-	(651)
Write off	-	-	(4)	(1,869)	(428)	-	(2,301)
Reclassifications	-	12,346	4,666	1,472	216	(18,700)	-
At 31 December 2011 / 1 January 2012	371,607	108,470	164,640	178,493	11,519	10,023	844,752
Additions	361	2,195	1,058	15,108	1,022	13,489	33,233
Disposals	-	-	-	(2,630)	(9)	-	(2,639)
Write off	-	-	(54)	(957)	(207)	-	(1,218)
Reclassifications	-	2,996	4,492	3,004	121	(10,613)	-
At 31 December 2012	371,968	113,661	170,136	193,018	12,446	12,899	874,128
Accumulated depreciation							
1 January 2011	26,755	16,181	72,357	124,751	9,682	-	249,726
Charge for the year	4,384	3,350	6,117	11,665	515	-	26,031
Disposals	-	-	-	(226)	-	-	(226)
Write off	-	-	(4)	(1,829)	(414)	-	(2,247)
At 31 December 2011 / 1 January 2012	31,139	19,531	78,470	134,361	9,783	-	273,284
Charge for the year	4,386	3,556	6,272	11,997	608	-	26,819
Disposals	-	-	-	(1,004)	(8)	-	(1,012)
Write off	-	-	(54)	(911)	(207)	-	(1,172)
At 31 December 2012	35,525	23,087	84,688	144,443	10,176	-	297,919
Carrying amounts							
At 31 December 2011	340,468	88,939	86,170	44,132	1,736	10,023	571,468
At 31 December 2012	336,443	90,574	85,448	48,575	2,270	12,899	576,209

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leasehold land represented by:

	Group	
	2012 RM'000	2011 RM'000
Unexpired period more than 50 years	317,920	321,619
Unexpired period less than 50 years	18,523	18,849
	336,443	340,468

The title of the Group's long term leasehold land with net book value of RM9,494,000 stipulated that not less than 30% of the undivided share of the said land or not less than 30% of the equity of the subsidiary being the registered owner of the said land, shall be transferred to/held by/registered in the name of native(s) on or before July 2012 ["Native Condition"]. During the year, the Land and Survey Department in Kota Kinabalu had granted further extension up to July 2017 to comply with the Native Condition.

Private caveat was entered by third parties on the Group's long term leasehold land with carrying value of RM20,670,000 as disclosed in Note 23(a) to the financial statements.

During the year, caveats by the Assistant Collector of Land Revenue were lodged over parcels of native title which a subsidiary had subleased from natives. The sublease is disclosed as leasehold land with unexpired period of less than 50 years and with a carrying value of RM18,523,000.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, fittings & equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
Cost			
1 January 2011	83	619	702
Additions	13	1,155	1,168
Disposals	-	(492)	(492)
At 31 December 2011 / 1 January 2012	96	1,282	1,378
Additions	36	2,822	2,858
Disposals	-	(2,311)	(2,311)
At 31 December 2012	132	1,793	1,925
Accumulated depreciation			
1 January 2011	35	253	288
Charge for the year	15	185	200
Disposals	-	(66)	(66)
At 31 December 2011 / 1 January 2012	50	372	422
Charge for the year	20	518	538
Disposals	-	(684)	(684)
At 31 December 2012	70	206	276
Carrying amounts			
At 31 December 2011	46	910	956
At 31 December 2012	62	1,587	1,649

4. BIOLOGICAL ASSETS

	Group	
	2012 RM'000	2011 RM'000
Cost		
At 1 January	1,338,433	1,331,982
Additions	8,259	6,451
At 31 December	1,346,692	1,338,433

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 RM'000	2011 RM'000
Unquoted shares, at cost	1,581,451	1,581,451
Less: Impairment loss	(5,200)	-
	1,576,251	1,581,451

Details of the subsidiaries as at 31 December 2012 which are all incorporated in Malaysia are as follows:

		Effective ownership interest (%)	
Name of subsidiaries	**Principal activities**	**2012**	**2011**
Jeroco Plantations Sdn Bhd	Cultivation of oil palm and processing of fresh fruit bunches	100	100
Hap Seng Plantations (River Estates) Sdn Bhd and it subsidiaries	Cultivation of oil palm, processing of fresh fruit bunches and investment holding	100	100
Hap Seng Plantations (Ladang Kawa) Sdn Bhd	Cultivation of oil palm	100	100
Hap Seng Plantations (Wecan) Sdn Bhd	Cultivation of oil palm	100	100
Hap Seng Plantations (Tampilit) Sdn Bhd	Cultivation of oil palm	100	100
Hap Seng Plantations (Kota Marudu) Sdn Bhd	Cultivation of oil palm	100	100
Hap Seng Plantations Livestocks (Kota Marudu) Sdn Bhd	Dormant	100	100
Pelipikan Plantation Sdn Bhd	Cultivation of oil palm	100	100

Notes to the Financial Statements

6. INVENTORIES

	Group	
	2012 RM'000	2011 RM'000
Consumables stores	29,439	22,625
Planting materials	3,007	2,376
Produce stocks	4,743	2,467
Livestocks	-	682
	37,189	28,150
Recognised in profit or loss:		
Inventories recognised as cost of sales	258,434	232,390
Write down to net realisable value	31	431

7. RECEIVABLES

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade					
Trade receivables	a	21,850	29,773	-	-
Amount due from subsidiaries	a	-	-	628	718
		21,850	29,773	628	718
Non-trade					
Other receivables		1,564	471	35	19
Amount due from subsidiaries	b	-	-	22,033	19,370
		1,564	471	22,068	19,389
		23,414	30,244	22,696	20,107

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 is unsecured, interest free and repayable on demand.

Notes to the Financial Statements

8. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits with licensed banks	108,939	136,402	4,300	-
Cash and bank balances	22,433	9,773	745	1,349
	131,372	146,175	5,045	1,349

9. CAPITAL AND RESERVES

	Group and Company			
	2012		2011	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Share capital				
Authorised				
Ordinary shares of RM1 each				
At 31 December	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid				
Ordinary shares of RM1 each				
At 31 December	800,000	800,000	800,000	800,000

Notes to the Financial Statements

9. CAPITAL AND RESERVES (CONTINUED)

Treasury shares

During the extraordinary general meeting of the Company held on 28 May 2012, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 4,000 shares at the total cost of RM11,575, which were held as treasury shares. All the repurchases of shares were financed by the Company's internal funds.

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

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
At 1 January 2011	12,000	29,061	2.42
Repurchase during the year	7,000	19,077	2.73
At 31 December 2011 / 1 January 2012	19,000	48,138	2.53
Repurchase during the year	4,000	11,575	2.89
At 31 December 2012	23,000	59,713	2.60

Retained earnings

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

10. DEFERRED TAX LIABILITIES

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Property, plant and equipment	-	-	(119,663)	(117,089)	(119,663)	(117,089)
Biological assets	-	-	(75,893)	(75,246)	(75,893)	(75,246)
Unutilised tax losses	3,411	2,220	-	-	3,411	2,220
Net tax assets/ (liabilities)	3,411	2,220	(195,556)	(192,335)	(192,145)	(190,115)

Movement in temporary differences during the year

	Group				
	At 1.1.2011 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31.12.2011/ 1.1.2012 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31.12.2012 RM'000
Property, plant and equipment	(116,305)	(784)	(117,089)	(2,574)	(119,663)
Biological assets	(74,853)	(393)	(75,246)	(647)	(75,893)
Unutilised tax losses	1,158	1,062	2,220	1,191	3,411
	(190,000)	(115)	(190,115)	(2,030)	(192,145)

Unrecognised deferred tax assets

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

	Group	
	2012 RM'000	2011 RM'000
Unabsorbed capital allowances	-	202
Unutilised tax losses	4,314	4,087
Other taxable temporary differences	-	(173)
	4,314	4,116

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

Notes to the Financial Statements

11. PAYABLES

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade					
Trade payables	a	14,613	15,378	-	-
Amount due to subsidiaries	a	-	-	-	300
Amount due to related companies	a	4,332	3,806	1,750	1,492
		18,945	19,184	1,750	1,792
Non-trade					
Other payables		16,403	16,435	1,364	1,392
Amount due to subsidiaries	b	-	-	-	25,321
Amount due to related companies	b	86	114	-	-
		16,489	16,549	1,364	26,713
		35,434	35,733	3,114	28,505

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

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

12. REVENUE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sales of plantation produce	526,499	654,866	-	-
Gross dividend income	-	-	163,937	145,631
Selling commission	-	-	5,921	7,791
	526,499	654,866	169,858	153,422

Notes to the Financial Statements

13. PROFIT BEFORE TAX

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before tax is arrived at after charging:				
Auditors' remuneration:				
- Statutory audit				
KPMG				
- current year	160	145	30	25
- under provision in prior years	15	-	5	-
- Other services				
KPMG	11	11	11	11
Affiliates of KPMG				
- current year	28	25	6	6
- over provision in prior years	-	(5)	-	-
Depreciation of property, plant and equipment	26,819	26,031	538	200
Equipment hiring charges	2,973	3,234	-	-
Loss on disposal of property, plant and equipment	-	-	34	49
Management fees	2,520	2,520	2,520	2,520
Personnel expenses (including key management personnel)				
- Contributions to Employees' Provident Fund	2,841	3,189	278	228
- Wages, salaries and others	78,846	75,425	2,408	2,278
Property, plant and equipment written off	46	54	-	-
Impairment loss on investment in a subsidiary	-	-	5,200	-
Impairment loss on amount due from a subsidiary	-	-	108	-
Write down of inventories	31	431	-	-
Rental expenses	2,154	2,246	272	143
Replanting expenses	15,721	10,497	-	-
and after crediting:				
Dividend income from subsidiaries – unquoted shares	-	-	163,937	145,631
Gain on disposal of property, plant and equipment	123	17	-	-
Plantation management fee income	53	53	-	-
Rental income from letting of shops in estates	178	178	-	-
Interest income	2,962	2,965	281	90
Insurance claim received	309	503	-	-

Notes to the Financial Statements

14. KEY MANAGEMENT PERSONNEL COMPENSATIONS

The key management personnel compensations are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors of the Company:				
Current Year				
- Fees	365	270	365	270
- Remuneration	1,812	1,751	655	585
- Other short term employee benefits *	42	68	-	-
	2,219	2,089	1,020	855
Prior year				
- Fees	95	-	95	-
	2,314	2,089	1,115	855
Other Directors:				
- Fees	198	198	-	-
	2,512	2,287	1,115	855
Other key management personnel:				
- Remuneration	5,558	5,413	1,701	1,509
- Other short term employee benefits *	231	222	51	57
	5,789	5,635	1,752	1,566

* 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

15. TAX EXPENSE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current tax expense				
- Current year provisions	49,497	86,313	1,181	1,365
- (Over)/Under provision in prior years	(1,174)	77	250	101
	48,323	86,390	1,431	1,466
Deferred tax expense				
- Origination of temporary differences	394	115	-	-
- Under provision in prior years	1,636	-	-	-
	2,030	115	-	-
Total tax expense	50,353	86,505	1,431	1,466
Reconciliation of tax expenses				
Profit before tax	190,688	339,473	156,681	146,292
Tax calculated using Malaysian tax rate of 25%	47,672	84,868	39,170	36,573
Non-deductible expenses	2,169	1,368	2,995	1,200
Non-taxable income	-	-	(40,984)	(36,408)
Deferred tax assets not recognised during the year	50	192	-	-
	49,891	86,428	1,181	1,365
(Over)/Under provision of tax in prior years	(1,174)	77	250	101
Under provision of deferred tax in prior years	1,636	-	-	-
	50,353	86,505	1,431	1,466

Notes to the Financial Statements

16. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

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

	Group	
	2012 RM'000	2011 RM'000
Profit attributable to owners of the Company	140,335	252,968

Weighted average number of ordinary shares

	Group	
	2012 '000	2011 '000
Issued ordinary shares net of treasury shares at 1 January	799,981	799,988
Effect of shares buyback during the year	(1)	(2)
Weighted average number of ordinary shares at 31 December	799,980	799,986
Basic earnings per ordinary share (sen)	17.54	31.62

17. DIVIDENDS

i) Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2012			
Second interim 2011 ordinary	10	79,998	12 March 2012
First interim 2012 ordinary	6	47,999	28 September 2012
Total amount	16	127,997	
2011			
Final 2010 ordinary	7	55,999	23 June 2011
Interim 2011 ordinary	10	79,999	27 September 2011
Total amount	17	135,998	

Notes to the Financial Statements

17. DIVIDENDS (CONTINUED)

ii) Second interim dividend

On 28 February 2013, the Board of Directors approved a second interim dividend of 5.0 sen per share under the single-tier system in respect of the financial year ended 31 December 2012, amounted to RM39,998,850 and was paid on 28 March 2013. The financial statements for the current financial year do not reflect this dividend and it will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2012.

No dividend is payable for treasury shares held.

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.

18. CAPITAL COMMITMENTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Capital expenditure				
Authorised but not contracted for	74,130	68,818	2,038	1,707
Contracted but not provided for	34,346	19,366	-	-
	108,476	88,184	2,038	1,707

19. SEGMENTAL REPORTING

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

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

Information about geographical area

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

Information about major customers

Revenue from 2 (2011: 2) major customers amounted to RM445,806,000 (2011: RM549,318,000) arising from sales of crude palm oil and palm kernel.

Notes to the Financial Statements

20. FINANCIAL INSTRUMENTS

20.1 Categories of financial instruments

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

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

	Group		Company	
	Carrying amount RM'000	L&R RM'000	Carrying amount RM'000	L&R RM'000
2012				
Financial assets				
Receivables	23,414	23,414	22,696	22,696
Cash and cash equivalents	131,372	131,372	5,045	5,045
	154,786	154,786	27,741	27,741
2011				
Financial assets				
Receivables	30,244	30,244	20,107	20,107
Cash and cash equivalents	146,175	146,175	1,349	1,349
	176,419	176,419	21,456	21,456

	Group		Company	
	Carrying amount RM'000	OL RM'000	Carrying amount RM'000	OL RM'000
2012				
Financial liabilities				
Payables	35,434	35,434	3,114	3,114
2011				
Financial liabilities				
Payables	35,733	35,733	28,505	28,505

20.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net gains/(losses) on:				
Loan and receivables	2,962	2,965	281	90
Financial liabilities measured at amortised cost	(32)	(555)	-	-
	2,930	2,410	281	90

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

20.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

The Group maintains an ageing in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Group RM'000	Company RM'000
2012		
Not past due	12,421	628
Past due 1 – 30 days	9,429	-
	21,850	628
2011		
Not past due	21,034	718
Past due 1 – 30 days	8,739	-
	29,773	718

Impairment losses

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.4 Credit risk (continued)

Inter-company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances are repayable on demand. There was no indication that the advances to the subsidiaries are not recoverable other than the amount due from a subsidiary of RM108,000 which was impaired during the year.

20.5 Liquidity risk

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

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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the Financial Statements

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.5 Liquidity risk (continued)

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000
Group					
2012					
Non-derivative financial liabilities					
Payables	35,434	-	35,434	35,434	-
2011					
Non-derivative financial liabilities					
Payables	35,733	-	35,733	35,733	-
Company					
2012					
Non-derivative financial liabilities					
Payables	3,114	-	3,114	3,114	-
2011					
Non-derivative financial liabilities					
Payables	28,505	-	28,505	28,505	-

Notes to the Financial Statements

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.6 Market risk

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

20.6.1 Interest rate risk

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

Risk management objectives, policies and process for managing the risk

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

Exposure to interest rate risk

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fixed rate instruments				
Financial assets	108,939	136,402	4,300	-

Notes to the Financial Statements

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.7 Fair value of financial instruments

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

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

21. CAPITAL MANAGEMENT

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

22. SIGNIFICANT RELATED PARTIES TRANSACTIONS

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly 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. Related parties may be individuals or other entities.

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

The Group has related party relationship with its related companies, subsidiaries and key management personnel.

Notes to the Financial Statements

22. SIGNIFICANT RELATED PARTIES TRANSACTIONS (CONTINUED)

Identity of related parties (continued)

The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 14), are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Firm connected to Datuk Edward Lee Ming Foo, JP, a Director of the Company:				
Corporated International Consultants				
Project consultancy fee	(397)	(131)	-	-
Related companies				
Insurance expenses	(2,388)	(2,172)	(85)	(77)
Management fees	(2,520)	(2,520)	(2,520)	(2,520)
Plantation management fee income	53	53	-	-
Rental expense	(331)	(203)	(271)	(143)
Purchase of vehicles and spare parts	(7,355)	(3,618)	(1,561)	(806)
Purchase of fertilisers and chemicals	(52,738)	(38,576)	-	-
Contract expenses	-	(102)	-	-
Purchase of diesel, petrol and lubricant	(19,589)	(23,493)	-	-
Purchase of building materials	(651)	(751)	-	-
Purchase of stone and sand	(755)	(1,343)	-	-
Purchase of tyre and tube	(124)	-	-	-
Sales of livestocks	-	26	-	-
Subsidiaries				
Selling commission	-	-	5,921	7,791
Purchase of livestocks	-	-	-	(300)

Related party transactions have been entered into in the normal course of business and have been established under negotiated terms. The related party balances related to the above transactions are disclosed in Note 7 and 11.

Notes to the Financial Statements

23. LITIGATION MATTER

(a) Hap Seng Plantations (River Estates) Sdn Bhd ["RESB"], the wholly-owned subsidiary of the Company, is the registered and beneficial proprietor of all that parcel of land held under CL095310017, District of Kinabatangan, State of Sabah measuring approximately 6,454 acres ["said Land"]. On 16 January 2012, a purported sale and purchase agreement in respect of the said Land was entered into between Mr. Heng Chin Hing @ Wong Chin Hing (NRIC No. H0699157/570811-12-5731) ["HCH"] as the purported vendor and Excess Interpoint Sdn Bhd ["EISB"] as the purported purchaser [the "Purported SPA"]. HCH alleged that he is the donee of a power of attorney dated 8.2.1977 allegedly created in respect of the said Land [the "Alleged PA"]. On the basis of the Purported SPA, a private caveat was entered on the said Land on 3 April 2012 by EISB.

On 23 May 2012, RESB filed a writ of summon and an application for interlocutory injunction ["said Interlocutory Injunction Application"] through its solicitors in Kuala Lumpur, Messrs Wong Kian Kheong, against EISB ["1st Defendant"] at the Kuala Lumpur High Court ["KLHC"] vide Civil Suit No. 22NCVC-631-05/2012 ["RESB Suit"]. On 14 June 2012, the KLHC granted an ad interim injunction in favour of RESB ["said Ad Interim Injunction"] pending disposal of the hearing of the said Interlocutory Injunction Application subject to RESB's undertaking to pay damages to the 1st Defendant for losses suffered by the 1st Defendant resulting from the said Ad Interim Injunction in the event that the said Ad Interim Injunction is subsequently discharged or set aside. On 16 June 2012, HCH was added as a co-defendant ["2nd Defendant"] to the RESB Suit upon RESB's application.

RESB is claiming for the following in the RESB Suit:

(a) That RESB be declared as the registered and beneficial owner of the said Land;
(b) That the Purported SPA be declared null and void;
(c) That the Alleged PA be declared null and void;
(d) An injunction restraining the 1st Defendant from:-
    (i) effecting any further dealings including but not limited to disposal, assignment, transfer, mortgage, charge, lease, tenancy over the said Land with any third party;
    (ii) taking any actions to fulfill the terms and conditions in the Purported SPA; and
    (iii) taking any further action to complete the Purported SPA.
(e) An injunction restraining the 2nd Defendant from effecting any steps, actions and/or representations in respect of the Alleged PA;
(f) Costs of the RESB Suit; and
(g) Such further or other relief as the Court deems fit and just.

Upon application by the 1st Defendant, the KLHC had on 10 August 2012 transferred the RESB Suit to the High Court of Sabah & Sarawak at Kota Kinabalu ["KKHC"]. KKHC has registered the transferred RESB Suit as Civil Suit No. BKI-22-209/9-2012 with the said Ad Interim Injunction continuing to be in effect. With the transfer of the RESB Suit to KKHC, RESB is currently represented by Messrs Jayasuria Kah & Co.

The RESB Suit has been stayed pending a Court of Appeal decision in another case on the constitutionality of the transfer of civil suits from West Malaysia to Sabah and vice versa. The KKHC has fixed the next mention of the RESB Suit on 22 April 2013.

The Company has been advised by both Messrs Wong Kian Kheong and Messrs Jayasuria Kah & Co. that RESB has good grounds to succeed in the RESB Suit.

Notes to the Financial Statements

23. LITIGATION MATTER (CONTINUED)

(b) Chee Ah Nun @ Sia Yi Chan (NRIC No. 550808-12-5663) ["SYC" or the "Plaintiff"] has filed a separate legal suit against RESB in respect of the said Land in KKHC vide Originating Summon No. BKI-24-127/5-2012, and the same was served on RESB on 11 June 2012 [the "KK Suit"].

The KK Suit is premised on a purported deed of appointment of substitute by attorney dated 24 June 2010 ("Alleged Deed of Substitute") allegedly executed by HCH pursuant to which HCH had allegedly divested to SYC all his interests or claims on the said Land pursuant to the Alleged PA.

SYC is claiming for the following in the KK Suit:

(a) that by virtue of the Alleged PA, RESB had allegedly divested its ownership and all interests or claims to the said Land to HCH;
(b) that pursuant to the Alleged Deed of Substitute, SYC is the beneficial owner and has rights to take possession of the said Land;
(c) an order that RESB forthwith deliver vacant possession of the said Land to SYC free of encumbrances with all fixtures and crops planted thereon;
(d) an injunction restraining RESB, its servants and/or employees or agents from harvesting crops on the said Land or removing anything thereon and/or otherwise from doing anything or interfering with SYC's rights thereon;
(e) costs of the KK Suit; and
(f) such further or other relief as the Court deems fit and just.

RESB has through its solicitors in Sabah, Messrs Jayasuria Kah & Co., filed an application to convert the KK Suit from being an originating summon action into a writ action ("Conversion Application"). The KKHC has on 21 November 2012 granted a stay of the KK Suit. The next mention of the KK Suit has been fixed on 12 April 2013.

The Company has been advised by its solicitors that the KK Suit is unlikely to succeed.

Notes to the Financial Statements

24. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	812,400	800,423	126,997	99,744
- unrealised	(132,564)	(129,804)	-	-
	679,836	670,619	126,997	99,744
Less: Consolidation adjustments	(264,936)	(268,057)	-	-
Total retained earnings	414,900	402,562	126,997	99,744

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

Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 59 to 99 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 24 on page 100 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Datuk Edward Lee Ming Foo, JP

Au Yong Siew Fah

Kuala Lumpur

Date: 2 April 2013

Statutory Declaration

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

I, **Lee Wee Yong**, the Director primarily responsible for the financial management of Hap Seng Plantations Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 59 to 100 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 2 April 2013.

Lee Wee Yong

Before me:
P. Valliamah
(No. W594)
Commisioner of Oaths

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 statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 59 to 99.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

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

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 24 on page 100 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards in Malaysia. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matter

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

Tai Yoon Foo
Approval Number: 2948/05/14 (J)
Chartered Accountant

Date: 2 April 2013

Sandakan

Additional Information

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

i. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

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

ii. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

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

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

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

iv. PARTICULARS OF SANCTIONS AND/OR PENALTIES IMPOSED

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2012.

v. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered by the external auditors and/or its affiliates to the Group for the financial year ended 31 December 2012 was RM39,000 as disclosed in Note 13 to the Financial Statements.

vi. VARIATION IN RESULTS

There were no material variances in the Company's audited consolidated financial results for the financial year ended 31 December 2012 and the unaudited results for the same period previously released in the quarterly report to Bursa Malaysia Securities Berhad on 28 February 2013.

vii. PROFIT GUARANTEES

There was no profit guarantee given by the Company during the financial year ended 31 December 2012.

viii. MATERIAL CONTRACTS

Save for the following, there were no other material contracts of the Company and its subsidiaries involving directors' and major shareholders' interests, which still subsisted as at 31 December 2012, or entered into since 31 December 2011:

- Related party transactions in the ordinary course of business on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority interests, which were entered into during the financial year ended 31 December 2012 as disclosed in Note 22 to the Financial Statements.

The Company will be seeking new or renewed shareholders' mandate for recurrent related party transactions at the extraordinary general meeting to be convened on 28 May 2013 immediately after the conclusion of the annual general meeting to be held on the same date.

Additional Information

2. OTHERS

In its approval letter dated 23 July 2007 approving the initial public offering of the Company, the Securities Commission ["SC"] required, inter alia, the Company to resolve the issue on the requirement to transfer 30% of Litang Estate / equity in Hap Seng Plantations (Wecan) Sdn Bhd to natives within the time period stipulated therein ["SC Condition"].

As announced on 31 July 2012, the Land and Survey Department in Kota Kinabalu had granted a further extension of time to July 2017 ["said Extension"] for the transfer of 30% of the undivided share of the Litang Estate or 30% equity in Hap Seng Plantations (Wecan) Sdn Bhd, the wholly-owned subsidiary of the Company to natives.

SC had via its letter dated 3 September 2012 resolved not to impose time stipulation on the Company to resolve the issue on SC Condition. However, the Company is to continue to pursue the matter with the relevant authority subject to the following:-

i. The Company is to disclose the efforts taken and the status of the compliance with the Litang Estate Condition in the annual report until such time the condition is fulfilled;

ii. The Company and/or CIMB Investment Bank Berhad ["CIMB"] is/are to make quarterly announcements to Bursa Malaysia Securities Berhad until such time the condition is fulfilled; and

iii. The Company and/or CIMB is/are to update the SC when such disclosure is made in the annual report.

To the best of the Company's knowledge, the said Extension was premised on the fact that the complete development or planting up of the Litang Estate has been hindered by frequent floods.

It is a condition of the Litang Estate that "Transfer and sublease of this title is prohibited until such time as the said land has been fully developed in accordance with the terms and conditions herein except as provided above".

Accordingly, the Company has taken the following steps to fully develop the Litang Estate which is a pre-condition of the transfer:-

(a) constructing of a drain for every 4 rows of palms;
(b) regular de-silting of drains in and around the affected region;
(c) protect and maintain riparian reserves to prevent and reduce the rate of siltation of drains and rivers through soil erosion;
(d) re-supply palms killed after every flood event until such time the palms are able to survive through the floods;
(e) specially formulated fertilizer recommendations provided to affected areas; and
(f) palms planted on platforms for lower lying areas.

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 31/12/2012 RM'000
SABAH								
KINABATANGAN, LAHAD DATU								
Tomanggong Estate	Lease No. 095310017	347.00	Oil palm plantation	September 2007	Leasehold 99 years	2067	-	
	CL 095324897	567.80	Jungle land, not cultivated yet	September 2007	Leasehold 99 years	2094	-	
	CL 095316304	3,971.77	Oil palm plantation & buildings	September 2007	Leasehold 999 years	2894	7 - 46	
		3.23	Tomanggong Palm Oil Mill				43	
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	7 - 29	
	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	7 - 37	
	CL 075359438	587.74	Oil palm plantation	September 2007	Leasehold 99 years	2076	-	964,130
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	8 - 30	
	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	7 - 21	
	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	8 - 19	
		8.10	Bukit Mas Palm Oil Mill				14	
	CL 095316340	1,020.00	Oil palm plantation & buildings	September 2007	Leasehold 999 years	2887	7 - 18	

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 31/12/2012 RM'000
KINABATANGAN, LAHAD DATU (continued)								
Batangan Estate	CL 095311005	1,991.94	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	7 - 31	
	CL 095311014	1,640.94	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	7 - 31	
Lutong Estate	CL 095311014	2,406.00	Oil palm plantation & buildings & Jelutong	September 2007	Leasehold 99 years	2078	12 - 23	
	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	-	693,475
	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	12	
	CL 095310973	1,187.39	Oil palm plantation & buildings Air control tower	September 2007	Leasehold 99 years	2078	12 - 17	
Kapis Estate	CL 095310973	2,668.85	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	10 - 26	
		12.15	Jeroco Palm Oil Mill I & II				16 - 25	
Lungmanis Estate	CL 095310973	2,200.00	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	12 - 18	
Wecan Estate	CL 095317427	1,078.00	Oil palm plantation	September 2007	Leasehold 99 years	2084	-	49,010
Tampilit Estate	CL 095317418	201.70	Oil palm plantation	September 2007	Leasehold 99 years	2084	-	9,000

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 31/12/2012 RM'000
TAWAU								
Apas Claremont Estate	Lease No. 105319775	185.95	Oil palm plantation	September 2007	Leasehold 99 years	2058	-	
	CL 105350909	105.50	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2058	9 - 31	
	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	31	
	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	31	60,246
	Lease No. 105320161	194.13	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2068	31	
	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	31	

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 31/12/2012 RM'000
KOTA MARUDU								
Pelipikan Estate, Kg Natu	CL 225326170	403.10	Oil palm plantation & buildings	August 2008	Leasehold 99 years	2102		
Pelipikan Estate, Kg Natu	CL 225319013	323.60	Oil palm plantation & buildings	August 2008	Leasehold 99 years	2101	5 - 13	44,413
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	7 - 8	38,883
Total		39,803						1,859,157

* *Native land in Tabin Estate which were sub-leased to Hap Seng Plantations (River Estates) Sdn Bhd*
** *This land area excludes 87 hectares that has been gazetted as forest reserve*
*** *Native land in Pelipikan Estate which were sub-leased to Pelipikan Plantation Sdn Bhd*
# *Land title currently under application*

Plantation Statistics

	FINANCIAL YEAR ENDED 31 DECEMBER				FINANCIAL PERIOD ENDED
	2012	2011	2010	2009	31/12/2008 (11 months)
CROP PRODUCTION - TONNES					
FFB	665,812	738,969	677,071	672,768	673,131
PROCESSED - TONNES					
FFB - own	620,770	693,901	636,033	630,412	637,099
FFB - purchased	105,469	107,623	63,001	21,635	19,126
Palm Oil	154,595	168,025	149,941	140,985	141,464
Palm Kernel	34,587	37,050	33,409	30,821	31,900
EXTRACTION RATE - %					
Palm Oil	21.29	20.96	21.45	21.62	21.56
Palm Kernel	4.76	4.62	4.78	4.73	4.86
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	2,788	2,289	2,892	2,634	1,329
> 7 years to 17 years	13,332	16,009	17,899	17,899	19,008
> 17 years onwards	14,335	12,770	11,296	12,043	11,030
Total mature area	30,455	31,068	32,087	32,576	31,367
AVERAGE YIELD - TONNES/HECTARE					
FFB yield per mature hectare	21.86	23.79	21.10	20.65	21.46
Oil per mature hectare	4.65	4.99	4.53	4.47	4.63
AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE					
FFB	560	697	579	445	579
Palm Oil	2,773	3,226	2,594	2,303	2,314
Palm Kernel	1,494	2,200	1,629	1,012	1,449
TAXES APPLICABLE TO PLANTATION INDUSTRY RM'000					
MPOB cess	2,010	2,185	1,950	1,874	2,171
Sabah sales tax	30,987	40,338	31,399	23,442	28,414
Windfall tax	911	3,063	798	-	2,437
Cooking oil stabilisation cess	-	-	-	-	11,081
Total taxes paid	33,908	45,586	34,147	25,316	44,103

Plantation Statistics

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2012

	River Estates Group	Jeroco	* HSP (Kota Marudu)	Pelipikan Plantation	Total Group
Oil Palm					
Mature	18,649	10,999	598	209	30,455
Immature	2,679	1,723	-	694	5,096
Total Oil Palm	21,328	12,722	598	903	35,551
Other crop	60	86	-	-	146
Total planted area	21,388	12,808	598	903	35,697
Reserves	578	312	81	330	1,301
Buildings, roads etc	1,547	997	129	132	2,805
Grand Total	23,513	14,117	808	1,365	39,803

Conversion Rate : 1 HA = 2.4710 acres

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

Share Buy-Backs Summary

Month	No. of shares bought back and retained as treasury shares	Lowest price paid per share (RM)	Highest price paid per share (RM)	Average cost per share (RM)	Total Cost (RM)
January/12	-	-	-	-	-
February/12	-	-	-	-	-
March/12	-	-	-	-	-
April/12	-	-	-	-	-
May/12	2,000	2.91	2.91	2.9339	5,867.75
June/12	-	-	-	-	-
July/12	-	-	-	-	-
August/12	-	-	-	-	-
September/12	-	-	-	-	-
October/12	-	-	-	-	-
November/12	-	-	-	-	-
December/12	2,000	2.83	2.83	2.8539	5,707.70
Total	4,000	2.83	2.91	2.8939	11,575.45

During the financial year, all the shares bought back by the Company were retained as treasury shares. Consequently, the balance cumulative treasury shares held as at 31 December 2012 were 23,000.

Analysis of Shareholding

AS AT 8 APRIL 2013

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	: 10,210

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Capital
1 to 99	114	1.117	2,761	#
100 to 1,000	3,223	31.567	2,500,867	0.313
1,001 to 10,000	5,498	53.849	23,713,162	2.964
10,001 to 100,000	1,188	11.636	35,288,919	4.411
100,001 to less than 5% of issued shares	184	1.802	120,829,491	15.104
5% & above of issued shares	3	0.029	617,641,800	77.208
Total	10,210	100.000	799,977,000	100.000

** The number of 799,977,000 ordinary shares was arrived at after deducting the number of 23,000 treasury shares retained by the Company from the original issued and paid-up share capital of 800,000,000 ordinary shares of the Company*

 # Negligible

LIST OF 30 LARGEST SHAREHOLDERS

	Shareholding	%[(3)]
1. Hap Seng Consolidated Berhad	441,298,800	55.164
2. Innoprise Corporation Sdn Bhd	119,978,000	14.998
3. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	56,365,000	7.046
4. RHB Capital Nominees (Asing) Sdn Bhd - Kowa Company Ltd – (J)	10,813,000	1.352
5. Amanahraya Trustees Berhad - Amanah Saham Wawasan 2020	9,123,600	1.140
6. Valuecap Sdn Bhd	6,805,900	0.851
7. Lembaga Tabung Haji	6,697,600	0.837
8. HSBC Nominees (Asing) Sdn Bhd - BNY Brussels for Wisdomtree Emerging Markets Equity Income Fund	4,112,439	0.514
9. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	3,686,900	0.461
10. Key Development Sdn Berhad	3,584,500	0.448
11. Gan Teng Siew Realty Sdn Berhad	3,143,066	0.393
12. Chinchoo Investment Sdn Berhad	2,999,900	0.375
13. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (LGF)	2,866,300	0.358
14. HSBC Nominees (Asing) Sdn Bhd - BNY Brussels for Wisdomtree Emerging Markets Smallcap Dividend Fund	2,548,914	0.319
15. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (LPF)	2,149,200	0.269

Analysis of Shareholding

AS AT 8 APRIL 2013

LIST OF 30 LARGEST SHAREHOLDERS (CONTINUED)

	Shareholding	% [3]
16. Amanahraya Trustee Berhad - Amanah Saham Malaysia	2,103,100	0.263
17. Lembaga Tabung Angkatan Tentera	2,005,400	0.251
18. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U. K.)	1,682,900	0.210
19. CIMB Commerce Trustee Berhad - Public Focus Select Fund	1,652,300	0.206
20. Employees Provident Fund Board	1,500,000	0.187
21. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (Australia)	1,422,200	0.178
22. Mikdavid Sdn Bhd	1,352,000	0.169
23. Ti Geok Chiam	1,234,900	0.154
24. Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	1,189,900	0.149
25. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	1,128,100	0.141
26. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	1,123,000	0.140
27. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for J. P. Morgan Bank Luxembourg S.A.	988,900	0.124
28. Ctitigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (RHB Inv)	950,000	0.119
29. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Morgan Stanley & Co. LLC (Client)	827,600	0.103
30. Gemas Bahru Estates Sdn Bhd	810,000	0.101
Total	696,143,419	87.020

SUBSTANTIAL SHAREHOLDERS

	Shareholding			
	Direct	% [3]	Indirect	% [3]
Hap Seng Consolidated Berhad	441,298,800	55.164	-	-
Innoprise Corporation Sdn Bhd	119,978,000	14.998	-	-
Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	56,365,000	7.046	-	-
Gek Poh (Holdings) Sdn Bhd	-	-	441,298,800 [1]	55.164
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	441,298,800 [2]	55.164

[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*

[3] *For the purpose of computing the percentage of shareholding above, the number of ordinary shares used was 799,977,000 which was arrived at by deducting 23,000 treasury shares held by the Company from its issued and paid-up capital of 800,000,000.*

Directors' Shareholdings

AS AT 8 APRIL 2013

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

Related Corporation	No. of Shares	% [2]	No. of Shares	% [2]
Hap Seng Consolidated Berhad ["HSCB"]				
Au Yong Siew Fah	250,000	0.012	-	-
Dato' Jorgen Bornhoft	100,000	0.005	-	-

Related Corporation	Direct Warrantholding No. of Warrants	% [3]	Indirect Warrantholding No. of Warrants	% [3]
HSCB				
Au Yong Siew Fah	41,600	0.011	-	-
Dato' Jorgen Bornhoft	30,000	0.008	-	-

Notes:

[1] *For the purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,977,000 which was arrived at by deducting 23,000 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 2,109,130,600 which was arrived at by deducting 77,236,400 treasury shares held by HSCB from its issued and paid-up capital of 2,186,367,000.*

[3] *For the purpose of computing the percentage of HSCB warrantholding above, the number of unexercised warrants was 364,383,300 which was arrived at by deducting 9,600 warrants which had been exercised from the total 364,392,900 warrants issued pursuant to the Rights Issue with Warrants.*

* *Held through spouse.*

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 6th annual general meeting of Hap Seng Plantations Holdings Berhad will be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Tuesday, 28 May 2013 at 2pm to transact the following:-

AGENDA

AS ORDINARY BUSINESS:

1. To table the audited financial statements for the financial year ended 31 December 2012 together with the reports of directors and auditors. Note 1

To consider and if thought fit, to pass the following ordinary resolutions:-

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

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

4. To re-elect Tan Sri Ahmad Bin Mohd Don who shall retire in accordance with article 112 of the Company's articles of association and being eligible, has offered himself for re-election. Note 3 **Resolution 3**

5. To re-elect Datuk Simon Shim Kong Yip, JP who shall retire in accordance with article 112 of the Company's articles of association and being eligible, has offered himself for re-election. Note 3 **Resolution 4**

6. To approve the payment of directors' fees of RM365,000.00 for the financial year ended 31 December 2012. **Resolution 5**

7. To reappoint Messrs KPMG as auditors of the Company to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the directors of the Company. Note 4 **Resolution 6**

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following ordinary resolution:-

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

   "THAT subject always to the approvals of the relevant authorities, the directors of the Company be and are hereby empowered pursuant to section 132D of the Companies Act, 1965 to issue shares in the Company at any time upon such terms and conditions, and for such purposes as the directors of the Company may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being and that the directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." Note 6 **Resolution 7**

Notice of Annual General Meeting

By order of the Board

Cheah Yee Leng (LS0009398)
Company Secretary

Kuala Lumpur
7 May 2013

Explanatory notes to the Agenda:-

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

2. Pursuant to section 129(2) of the Act, the office of a director of a public company or of a subsidiary of a public company shall become vacant at the conclusion of the annual general meeting commencing next after he attains the age of seventy years. However, section 129(6) of the Act states that a person of or over the age of seventy years may by a resolution of which no shorter notice than that required to be given to the members of the company of an annual general meeting has been duly given, passed by a majority of not less than three-fourths of such members of the company as being entitled so to do vote in person or, where proxies are allowed, by proxy, at a general meeting of that company, be appointed or reappointed as a director of that company to hold office until the next annual general meeting of the company.

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

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

5. Based on the satisfactory outcome of its review, the Nominating Committee had made recommendations to the Board for these independent directors to be re-elected or reappointed, as the case may be.

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

As at the date of this notice of annual general meeting, the Company has not issued any new shares pursuant to the existing section 132D authority approved by the shareholders during the last annual general meeting held on 28 May 2012, which authority shall lapse at the conclusion of this annual general meeting.

Notes to the notice of annual general meeting:-

1. A depositor shall not be regarded as a member entitled to attend this general meeting and to speak and vote thereat unless his/her name appears in the record of depositors as at 20 May 2013 (which is not less than 3 market days before the date of this meeting) issued by Bursa Malaysia Depository Sdn Bhd (Bursa Depository) upon the Company's request in accordance with the rules of the Bursa Depository.

2. Subject to note 3 below, a member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies (but not more than 2) to attend and vote in his/her stead. Where a member appoints more than 1 proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. The proxy or proxies need(s) not be a member of the Company and there shall be no restriction as to the qualification of the proxy or proxies.

3. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit on the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

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

HAP SENG PLANTATIONS HOLDINGS BERHAD (769962-K)

Proxy Form

No. of shares	CDS Account No.

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

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

....

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

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

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

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the 6th annual general meeting of the Company to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Tuesday, 28 May 2013 at 2pm or at any adjournment thereof in the manner as indicated below:-

Agenda

1. To table the audited financial statements for the financial year ended 31 December 2012 together with the reports of directors and auditors.

ORDINARY BUSINESS		**FOR**	**AGAINST**
2. To reappoint Tan Sri Abdul Hamid Egoh pursuant to section 129(6) of the Companies Act, 1965 as director of the Company to hold office until the conclusion of the next annual general meeting of the Company.	**Resolution 1**		
3. To reappoint Dato' Jorgen Bornhoft pursuant to section 129(6) of the Companies Act, 1965 as director of the Company to hold office until the conclusion of the next annual general meeting of the Company.	**Resolution 2**		
4. To re-elect Tan Sri Ahmad Bin Mohd Don who shall retire in accordance with article 112 of the Company's articles of association and being eligible, has offered himself for re-election.	**Resolution 3**		
5. To re-elect Datuk Simon Shim Kong Yip, JP who shall retire in accordance with article 112 of the Company's articles of association and being eligible, has offered himself for re-election.	**Resolution 4**		
6. To approve the payment of directors' fees of RM365,000.00 for the financial year ended 31 December 2012.	**Resolution 5**		
7. To reappoint Messrs KPMG as auditors of the Company to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the directors of the Company.	**Resolution 6**		
SPECIAL BUSINESS		**FOR**	**AGAINST**
8. Authority to allot and issue shares pursuant to section 132D of the Companies Act, 1965.	**Resolution 7**		

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

Signed this .... day of 2013

....
Signature / Common Seal of appointor

Notes:-

1. *A depositor shall not be regarded as a member entitled to attend this general meeting and to speak and vote thereat unless his/her name appears in the record of depositors as at 20 May 2013 (which is not less than 3 market days before the date of this meeting) issued by Bursa Malaysia Depository Sdn Bhd (Bursa Depository) upon the Company's request in accordance with the rules of the Bursa Depository.*
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3. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit on the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney, duly authorised in writing, or if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised, and such duly executed instrument appointing a proxy must be deposited at the registered office of the Company, 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

fold here

Postage

THE COMPANY SECRETARY
HAP SENG PLANTATIONS HOLDINGS BERHAD
(Company No. 769962-K)
21st Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

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