



HAP SENG PLANTATIONS HOLDINGS BERHAD (769962-K)

HAP SENG PLANTATIONS HOLDINGS BERHAD

www.hapsengplantations.com.my



ANNUAL REPORT
Financial Period Ended 31 December 2008

08

Financial Period Ended 31 December 2008

A n n u a l R e p o r t

Rationale of cover



 **HAP SENG PLANTATIONS HOLDINGS BERHAD** (769962-K)

The single palm frond against a green background with growing circular lines represents Hap Seng Plantations Holdings Berhad Group's focus on growing its business in agriculture.





Contents



Notice of Annual General Meeting	4
Corporate Information	6
Group Financial Highlights	8
Board of Directors' Profile	10
Chairman's Statement	20
Statement of Corporate Governance	28
Board Committees	36
Statement on Internal Control	43
Corporate Social Responsibility	46
Financial Statements	49
Other Information	93
Particulars of Group's Properties	94
Analysis of Shareholding	97
Directors' Shareholding	99
Share Buy-Back Summary	100
Plantation Statistics	101
Proxy Form	



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting of Hap Seng Plantations Holdings Berhad will be held at the Auditorium, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Tuesday, 26 May 2009 at 2.00 p.m. to transact the following:-

AS ORDINARY BUSINESS:

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

1. To adopt the Audited Financial Statements for the eleven-month financial period ended 31 December 2008 together with the Reports of Directors and Auditors thereon. **Resolution 1**
2. To declare a final dividend of 5.0 sen per ordinary share of RM1.00 each under the single-tier system which is tax exempt in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967 in respect of the eleven-month financial period ended 31 December 2008 as recommended by the Directors. **Resolution 2**
3. To consider and if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:-

"THAT Tan Sri Abdul Hamid Ego who is retiring in accordance with Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 3**
4. To re-elect Datuk Edward Lee Ming Foo, JP who retires as Director of the Company pursuant to Article 112 of the Company's Articles of Association. **Resolution 4**
5. To re-elect Mr. Soon Seong Keat who retires as Director of the Company pursuant to Article 112 of the Company's Articles of Association. **Resolution 5**
6. To re-elect Mr. Au Yong Siew Fah who retires as Director of the Company pursuant to Article 112 of the Company's Articles of Association. **Resolution 6**
7. To re-appoint Messrs. KPMG as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors of the Company. **Resolution 7**

AS SPECIAL BUSINESS:

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

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

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

Resolution 8

Notice of Annual General Meeting

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

By order of the Board

Cheah Yee Leng (LS0009398)
Company Secretary

Kuala Lumpur
30 April 2009

Notes:

- A member entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies (but not more than two) to attend and vote in his/her stead. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. A proxy does not need to be a member and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The instrument appointing a proxy shall be in writing under the hands of the appointor or his attorney, duly authorised in writing, or if the appointor is a corporation, either under the seal or under the hand of an officer or attorney, duly authorised. The instrument appointing a proxy must be deposited at the Registered Office of the Company, 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.*
- EXPLANATORY NOTES FOR ORDINARY RESOLUTION 8**
Authority to allot and issue shares pursuant to Section 132D of the Companies Acts, 1965

The proposed Ordinary Resolution 8, if passed, will give the Directors of the Company, from the date of this Annual General Meeting, authority to allot and issue ordinary shares from the unissued share capital of the Company for such purposes as the Directors of the Company may consider to be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next Annual General Meeting of the Company.

NOTICE OF FINAL DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that a final dividend of 5.0 sen per ordinary share of RM1.00 each under the single-tier system which is tax exempt in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967 in respect of the eleven-month financial period ended 31 December 2008, if approved by the shareholders at the Second Annual General Meeting, will be payable on 15 June 2009 to the shareholders whose names appear on the Company's Record of Depositors at the close of business on 3 June 2009.

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

- shares transferred into the depositor's securities account before 4.00 pm on 3 June 2009 in respect of transfers; and
- shares bought on the Bursa Malaysia Securities Berhad ["Bursa Securities"] on a cum entitlement basis according to the Rules of the Bursa Securities.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.28(2) APPENDIX 8A OF BURSA SECURITIES LISTING REQUIREMENTS

The Directors' Profile and their respective interest in the securities of the Company and its subsidiaries for those who are standing for re-appointment/re-election are set out in the Annual Report on pages as follows:-

Directors standing for re-appointment/re-election	Director's Profile	Details of interests in the securities of the Company and its subsidiaries
Tan Sri Abdul Hamid Egoh	Page 17	Refer to page 99
Datuk Edward Lee Ming Foo, JP	Page 11	Refer to page 99
Mr. Soon Seong Keat	Page 12	Refer to page 99
Mr. Au Yong Siew Fah	Page 13	Refer to page 99

Corporate Information

BOARD OF DIRECTORS

TAN SRI AHMAD BIN MOHD DON
Independent Non-Executive Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

SOON SEONG KEAT
Executive Director

AU YONG SIEW FAH
Executive Director

DATO' JORGEN BORNHOFT
Independent Non-Executive Director

WONG YUEN KUAI, LUCIEN
Independent Non-Executive Director

PATRICK HOUGHTON WALE
Independent Non-Executive Director

TAN SRI ABDUL HAMID EGOH
Non-Executive Director

DATUK SIMON SHIM KONG YIP, JP
Non-Executive Director

COMPANY SECRETARY

Cheah Yee Leng (LS 0009398)

REGISTERED OFFICE

21st Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Tel: 03-2172 5228
Fax: 03-2172 5258
Website: www.hapsengplantations.com.my

PLANTATION HEADQUARTERS

Off 40KM, Jalan Jeroco
Lahad Datu, Sabah

PLACE OF INCORPORATION

Malaysia

SHARE REGISTRAR

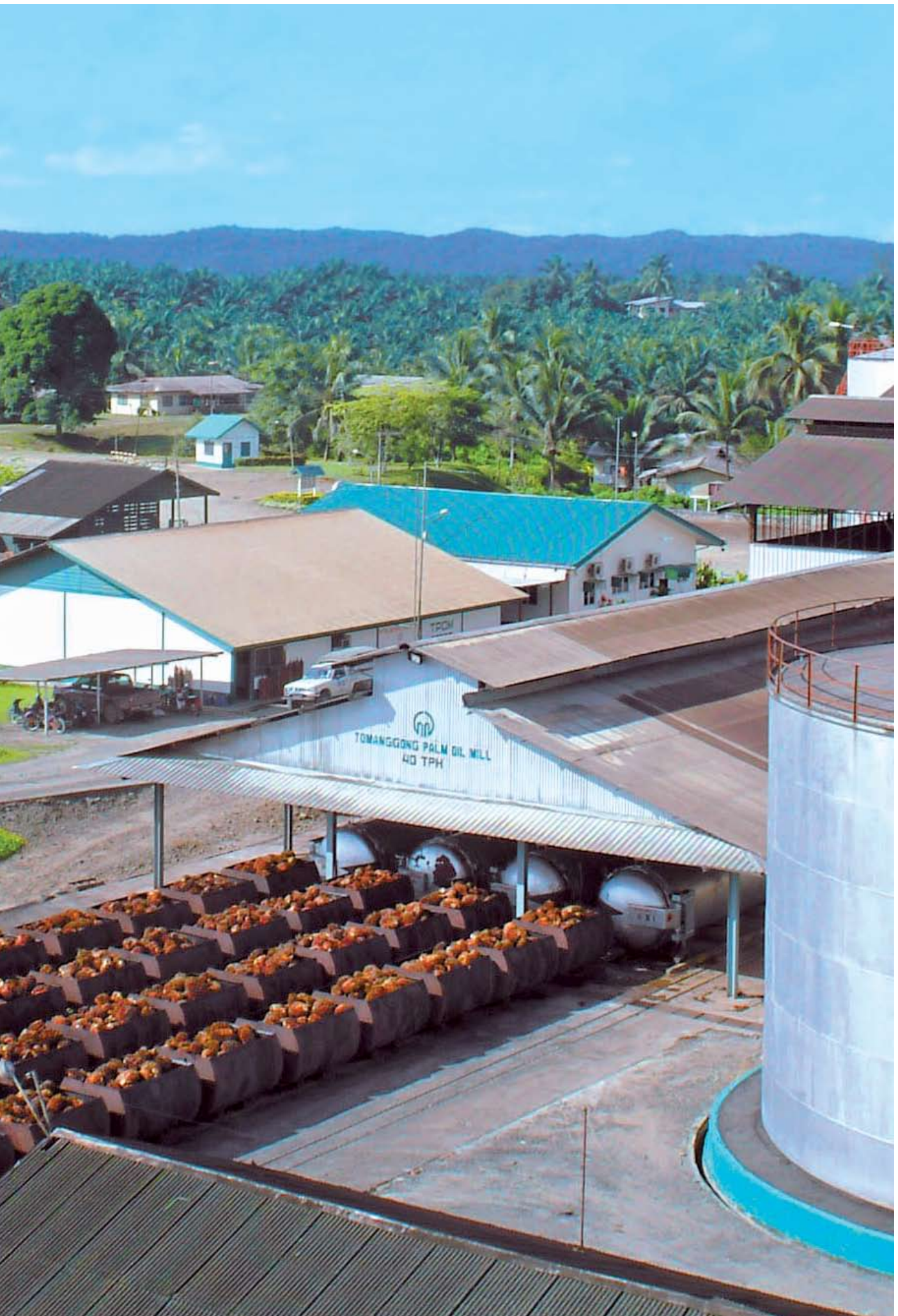
PFA Registration Services Sdn. Bhd. (19234-W)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 03-2264 3883
Fax: 03-2282 1886

AUDITORS

KPMG (Firm No. AF 0758)
Chartered Accountants
Lot 3, Block 16
Lorong Bandar Indah 4
Bandar Indah, North Road
90707 Sandakan, Sabah

PRINCIPAL BANKERS

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



Group Financial Highlights

	11 MONTHS PERIOD ENDED 31 DECEMBER 2008	PERIOD ENDED 31 JANUARY 2008 (From date of completion 7 September 2007)
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INCOME (RM'000)

(i) Revenue	393,605	216,588
(ii) Operating profit	169,017	122,821
(iii) Profit before tax *	166,274	197,302
(iv) Profit after tax attributable to shareholders of the Company *	130,822	165,560
* Includes Other Non Operating Items	-	77,318

BALANCE SHEET (RM'000)

Assets

(i) Total tangible assets	1,967,951	1,939,935
(ii) Net tangible assets	1,651,951	1,601,138
(iii) Net assets	1,651,951	1,601,138
(iv) Current assets	108,357	123,590

Liabilities and Shareholders' Funds

(i) Current liabilities	73,185	86,252
(ii) Paid-up share capital	800,000	800,000
(iii) Shareholders' funds	1,651,951	1,601,138

PER SHARE

(i) Net earnings (sen) **	16.35	41.86
(ii) Net tangible assets (RM) ***	2.06	2.00
(iii) Net assets (RM) ***	2.06	2.00
(iv) Dividend (sen)	10.00	10.00

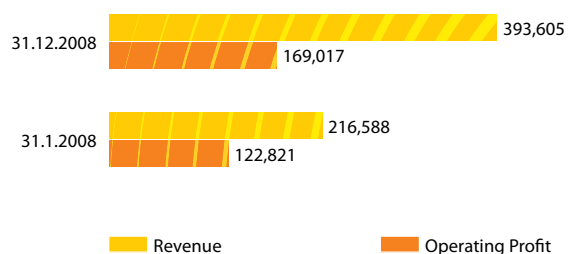
** Based on weighted average number of shares in issue	799,998,364	395,502,000
*** Based on number of shares in issue net of treasury shares	799,996,000	800,000,000

FINANCIAL RATIOS

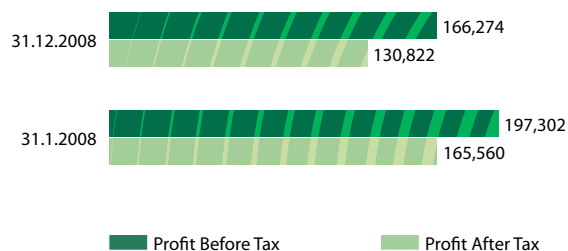
(i) Return on total tangible assets (%)	6.65	8.53
(ii) Return on shareholders' funds (%)	7.92	10.34
(iii) Current ratio	1.48	1.43
(iv) Gearing ratio	0.06	0.04

Group Financial Highlights

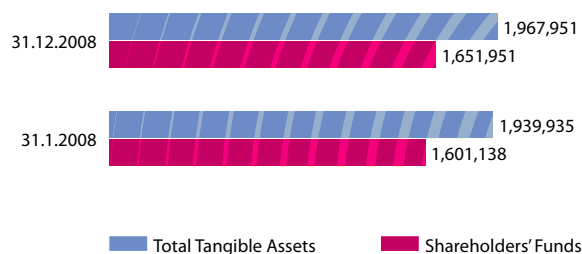
REVENUE / OPERATING PROFIT (RM'000)



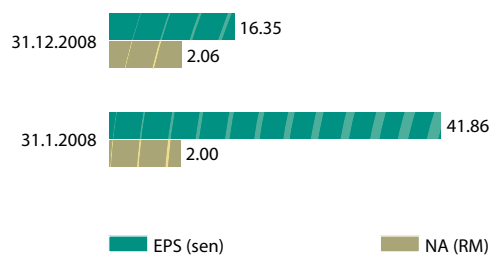
PROFIT BEFORE TAX / PROFIT AFTER TAX (RM'000)



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



NET EARNINGS PER SHARE (EPS) / NET ASSETS PER SHARE (NA)



Board of Directors' Profile

Tan Sri Ahmad Bin Mohd Don, a Malaysian, aged 61, is the Independent Non-Executive Chairman of Hap Seng Plantations Holdings Berhad. He was first appointed to the Board on 9 August 2007 as a Non-Executive Director and subsequently on 18 September 2007 was appointed as the Independent Non-Executive Chairman. He is also the Chairman of the Audit, Remuneration and Nominating Committees, both of which are sub-committees of the Board.

Tan Sri Ahmad also sits on the Board of MAA Holdings Berhad, Hing Yiap Knitting Industries Berhad and United Malacca Berhad, all of which are companies listed on Bursa Securities. He is also a Director of KAF Investment Bank Berhad and J.P. Morgan Chase Bank Berhad.



He holds a degree in Economics and Business from the University of Wales, United Kingdom and is a Fellow of the Institute of Chartered Accountants in England and Wales as well as a member of the Malaysian Institute of Certified Public Accountants.

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

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

Tan Sri Ahmad Bin Mohd Don
Independent Non-Executive Chairman

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

He attended all five (5) Board Meetings held during the financial period.

Board of Directors' Profile

Datuk Edward Lee Ming Foo, JP, a Malaysian, aged 54, was first appointed as an Executive Director of Hap Seng Plantations Holdings Berhad ("HSP") on 15 May 2007 and was subsequently appointed the Managing Director on 18 September 2007. He is also a member of the Remuneration Committee, a sub-committee of the Board.

Datuk Edward Lee is also the Managing Director of Hap Seng Consolidated Berhad, the immediate holding company of HSP and an Alternate Director on the Board of Malaysian Mosaics Berhad ("MMB"). Both of these companies are listed on the Main Board of Bursa Securities.

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

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

Datuk Edward Lee does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company save for the related party transactions disclosed in Note 24 to the Financial Statements. He has had no conviction of any offence in the past ten (10) years.

He attended all five (5) Board Meetings held during the financial period.



DATUK EDWARD LEE MING FOO, JP
Managing Director

Board of Directors' Profile

Soon Seong Keat, a Malaysian, aged 47, was appointed an Executive Director of Hap Seng Plantations Holdings Berhad ("HSP") on 15 May 2007.

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

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



Soon Seong Keat

Executive Director

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

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

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

He attended all five (5) Board Meetings held during the financial period.

Board of Directors' Profile

Au Yong Siew Fah, a Malaysian, aged 58, was appointed an Executive Director of Hap Seng Plantations Holdings Berhad ("HSP") on 31 July 2007. He is also the Chief Executive, Group Plantations of Hap Seng Consolidated Berhad ("HSCB") Group, the immediate holding company of HSP.

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

Mr. Au Yong has more than thirty-nine (39) years of experience in all aspects of management of large plantations for major crops such as oil palm, rubber, cocoa and coconuts and in the development of mature plantations land from initial purchase of jungle land, establishment of palm oil mills and marketing of produce. He is also one of the founder members of the Malaysian Palm Oil Association ("MPOA") and is also the Honorary Secretary of the MPOA since April 2006 and was appointed as a member of the Malaysian Palm Oil Board (MPOB) since May 2008.

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

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

He attended all five (5) Board Meetings held during the financial period.



Au Yong Siew Fah
Executive Director

Board of Directors' Profile

Dato' Jorgen Bornhoft, a Dane, aged 67, was appointed as an Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad ("HSP") on 9 August 2007. He is also a member of the Audit and Nominating Committees, both of which are sub-committees of the Board.

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

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



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

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

He attended all five (5) Board Meetings held during the financial period.

Dato' Jorgen Bornhoft

Independent Non-Executive Director

Board of Directors' Profile

Wong Yuen Kuai, Lucien, a Singaporean, aged 55, was appointed as an Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad on 9 August 2007.

Mr. Wong is also the Chairman of the Maritime and Port Authority of Singapore, a board member of the Monetary Authority of Singapore and a member of the Board of Trustees for SingHealth Foundation and the National University of Singapore. He also sits on the Board of Cerebos Pacific Limited and Singapore Airlines Limited, both of which are companies listed on the Singapore Stock Exchange.

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

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

He attended all five (5) Board Meetings held during the financial period.



Wong Yuen Kuai, Lucien
Independent Non-Executive Director

Board of Directors' Profile

Patrick Houghton Wale, British, aged 64, was appointed as an Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad on 1 April 2008. He is also a member of the Audit Committee, a sub-committee of the Board.

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

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



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

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

He attended three (3) out of four (4) Board Meetings held during the period from his appointment to the end of the financial period.

Patrick Houghton Wale

Independent Non-Executive Director

Board of Directors' Profile

Tan Sri Abdul Hamid Egoh, a Malaysian, aged 75, was appointed as a Non-Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad on 9 August 2007.

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

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

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

He attended four (4) out of five (5) Board Meetings held during the financial period.



Tan Sri Abdul Hamid Egoh

Non-Executive Director

Board of Directors' Profile

Datuk Simon Shim Kong Yip, JP, a Malaysian, aged 52, was appointed as a Non-Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad ("HSP") on 9 August 2007. He is also a member of the Nominating and Remuneration Committee, both of which are sub-committees of the Board.

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

Datuk Simon Shim 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 Peace in Sabah. He is a Chartered Arbitrator and a Fellow of the Chartered Institute of Arbitrators, United Kingdom. He is also a Fellow of the Malaysian Institute of Arbitrators. He is a member of the Malaysian Institute of Corporate Governance, a member of the Malaysian Corporate Law Reform Committee and its Working Group on Corporate Governance and Shareholders' Rights.

He is the Managing Partner of Messrs. Shim, Pang & Co.

Datuk Simon Shim does not have any family relationship with any Director and/or major shareholder nor does he have any conflict of interest with the Company save for the related party transactions disclosed in Note 24 to the Financial Statements. He has had no conviction of any offence in the past ten (10) years.

He attended four (4) out of five (5) Board Meetings held during the financial period.



Datuk Simon Shim Kong Yip, JP

Non-Executive Director



Chairman's Statement



"On behalf of the Board, I have pleasure in presenting the Second Annual Report and Financial Statements of the Company and the Group for the financial period ended 31 December 2008."



Tan Sri Ahmad Bin Mohd Don

*Independent Non-Executive
Chairman*

CHANGE OF FINANCIAL YEAR END

As announced on 8 January 2008, the Company changed its financial year end from 31 January to 31 December to be coterminous with its immediate holding company, Hap Seng Consolidated Berhad. Consequently, the current financial period of the Company and the Group was for eleven (11) months from 1 February 2008 to 31 December 2008.

The previous financial period comprised five months of operations from 7 September 2007 to 31 January 2008 as the results were consolidated from the Completion Date of the acquisition of the entire issued and paid-up share capital of Jeroco Plantations Sdn Bhd ("Jeroco") and Hap Seng Plantations (River Estates) Sdn Bhd ("River Estates") on 7 September 2007, thereby forming the Group.

SIGNIFICANT EVENTS

In our pursuit to expand our Group's plantation acreage, the Company, entered into a conditional Sale of Shares Agreement on 12 June 2008 to acquire the entire issued and paid up share capital of Bumilaju Construction Sdn Bhd comprising 1,000,000 ordinary shares of RM1.00 each at a purchase consideration of RM27,000,000 which became a wholly owned subsidiary of the Company upon the completion of its acquisition on 29 August 2008. Bumilaju Construction Sdn Bhd subsequently changed its name to Hap Seng Plantations (Kota Marudu) Sdn Bhd on 9 September 2008.

On 4 July 2008, we acquired the entire issued and paid up share capital of Oriental Continent Sdn Bhd comprising 2 ordinary shares of RM1.00 each at a purchase consideration of RM2 and commenced livestock farming on 29 August 2008. Oriental Continent Sdn Bhd changed its name to Hap Seng Plantations Livestocks (Kota Marudu) Sdn Bhd on 16 September 2008.

REVIEW OF RESULTS

The palm oil industry experienced tremendous price fluctuations in 2008. Price of Crude Palm Oil ("CPO") in the first half of 2008 was on a unprecedented upward trend and soared briefly to above RM4,000 per metric ton in March 2008 fuelled by demand for bio-diesel as a consequence of the increase in crude oil price, high economic growth in India and China and tight vegetable oils supply situation. However in the second half of 2008, CPO prices declined sharply in tandem with the significant decline in crude oil and other vegetable oils prices, influenced by the global financial and economic crisis triggering fears of a global recession.

Average monthly prices of CPO in the domestic market dropped sharply from a high of RM3,680 per metric ton in March 2008 to RM1,516 per metric ton in November 2008 and recovered slightly in December 2008 to RM1,533 per metric ton. During the financial period, fertilizers prices also increased significantly to an unprecedented level and impacted the cost of production adversely.

Against this backdrop, our Group Revenue for the eleven (11) months financial period ended 31 December 2008 was RM393.6 million (31.1.2008: RM216.6 million) recording an Operating Profit of RM169 million (31.1.2008: RM122.8 million). Our Group's Profit Before Tax was RM166.3 million (31.1.2008: RM197.3 million) whilst Profit After Tax was RM130.8 million (31.1.2008: RM165.6 million).

Due to a shorter period of operations in the previous financial period, Revenue and Operating Profit for the current financial period was 82% and 38% higher than the previous financial period respectively. In tandem with this, Profit Before Tax and Profit After Tax excluding Other Non-operating Item was 38.6% and 48.3% respectively higher than the previous financial period. Including the Other Non-operating Item of RM77.3 million in the previous financial period, Profit Before Tax and Profit After Tax was 15.7% and 21% respectively lower than the previous financial period.





Chairman's Statement

The Other Non-operating Item in the previous financial period was in respect of a negative goodwill arising from the acquisition of subsidiaries which was recognised in the income statement immediately in accordance with Financial Reporting Standard ("FRS") 3: Business Combination. The negative goodwill arising from the acquisitions represents the excess of the fair value of net identifiable assets acquired as at the completion date of the acquisitions over the cost of acquisitions.

Earnings per share ("EPS") for the financial period under review attributable to shareholders was 16.35 sen lower than the previous financial period of 22.31 sen (excluding Other Non-operating Item). EPS was calculated based on the weighted average number of 799,998,000 ordinary shares for the current financial period whilst in the previous financial period it was based on 395,502,000 ordinary shares. Nevertheless, had the EPS for the previous financial period been calculated based on our Company's issued and paid up share capital of 800,000,000 ordinary shares, EPS would be 5.32 sen higher than the previous financial period of 11.03 sen (excluding Other Non-operating Item).



During the financial period, the Company continued to generate reasonably strong cash flow and paid RM80 million dividends during the financial period under review. The dividends payout comprised the final dividend for the previous financial period ended 31 January 2008 and interim dividend for the current financial period under review of RM40 million each.

REVIEW OF OPERATIONS

Plantations

Planted and Mature Area

Our Group's plantations after the acquisition of Hap Seng Plantations (Kota Marudu) Sdn Bhd (formerly known as Bumilaju Construction Sdn Bhd) have a combined area of 38,357 hectares with one contiguous plot of land measuring approximately 36,354 hectares between Lahad Datu and Sandakan, a smaller area in Tawau (Ladang Kawa Estate) measuring 1,276 hectares and 727 hectares in Kota Marudu (Pelipikan Estate).



The contiguous plot of land consists of three Groups of Estates namely Jeroco Group of Estates ("JGOE"), Tomanggong Group of Estates ("TMGOE") and Sungai Segama Group of Estates ("SSGOE"). As at 31 December 2008, 33,782 (31.1.2008: 32,695) hectares were planted with oil palms of which 31,367 (31.1.2008: 31,160) hectares or 92.9% (31.1.2008: 95.3%) were mature palms.



	Total Area (hectares)	Planted Area (hectares)	Matured Area (hectares)
JGOE	14,117	* 12,798	11,558
TMGOE	12,331	10,510	9,270
SSGOE	9,906	8,761	8,758
Ladang Kawa	1,276	1,201	1,201
Kota Marudu (Pelipikan Estate)	727	598	580
	38,357	33,868	31,367

* Including 86 hectares planted with jelutong trees

Production and Yield

Total Fresh Fruit Bunches ("FFB") production from the Group's estates for the financial period was 673,131 metric tons (31.1.2008: 358,794 metric tons) with a yield per hectare of 21.46 (31.1.2008: 11.51) metric tons per hectare. FFB yield for the financial period under review was higher than the previous financial period as the previous financial period comprised only five (5) months of operations. Generally, FFB yield per hectare for the current financial period under review was affected by the changes in cropping pattern and wet weather conditions throughout a significant part of the financial period as well as not having the benefit of the high cropping in January due to the reporting period of eleven (11) months arising from a change of financial year end from 31 January to 31 December.

Milling operations were carried out at the Group's four mills namely Jeroco Palm Oil Mill 1, Jeroco Palm Oil Mill 2, Tomanggong Palm Oil Mill and Bukit Mas Palm Oil Mill. These mills have a total milling capacity of 175 FFB tons per hour.

CPO production for the financial period was 141,464 metric tons (31.1.2008: 76,119 metric tons) at an average extraction rate of 21.56% (31.1.2008: 21.81%). Oil extraction rates were impacted by the wet weather conditions which affected the quality of the crops.

Palm kernel (PK) production for the financial period was 31,900 metric tons (31.1.2008: 16,987 metric tons) at an extraction rate of 4.86% (31.1.2008: 4.87%).



Chairman's Statement

The Group is committed to applying the Industry best practices that it has adopted to maximise yields of FFB, CPO and PK at competitive cost. For the financial period under review, average production cost of CPO (before palm kernel credit) was higher at RM1,197 (31.1.2008: RM793) per metric ton mainly attributable to the increase in fertilizers costs.

Price Realisation

Average price realisation of CPO for the financial period under review was RM2,314 (31.1.2008: RM2,242) per metric ton whilst the average PK selling price realised was RM1,449 (31.1.2008: RM1,667) per metric ton. Average price realisation of CPO was generally affected by the Group's forward sales entered.



The Group sells all FFB from its Ladang Kawa estate in Tawau and also from the newly acquired Pelipikan estate in Kota Marudu. Average price realisation for FFB during the period under review was RM579 (31.1.2008: RM628) per metric ton.

Livestock Farming

The Group commenced livestock farming on 29 August 2008 through its wholly owned subsidiary Hap Seng Plantations Livestocks (Kota Marudu) Sdn Bhd (formerly known as Oriental Continent Sdn Bhd) within the estate in Kota Marudu breeding the high quality breed of Boer goats imported from Australia. The results from livestock farming in the four (4) months of operations was insignificant to the Group. As at the end of the current financial period, the Group has approximately 1,270 head of goats comprising mainly of Boers.



RECURRENT RELATED PARTY TRANSACTIONS

The Group is seeking a renewal of the mandate from its shareholders for its Recurrent Related Party Transactions at the forthcoming Extraordinary General Meeting on 26 May 2009.

SHARE BUY BACK

During the current financial period under review, the Company repurchased 4,000 shares. As at 31 December 2008, 4,000 shares were retained as treasury shares at a total cost of RM9,374 averaging RM2.34 per share and the Company's issued and paid up share capital remained at 800,000,000 ordinary shares of RM1.00 each. The Company will seek a renewal of mandate from its shareholders for the purchase of its own shares at the forthcoming Extraordinary General Meeting on 26 May 2009.

DIVIDENDS

The Board is recommending a final dividend of 5 sen (31.1.2008: 5 sen) per ordinary share under the single tier system which is tax exempt in the hands of shareholders. An interim dividend of 5 sen (31.1.2008: 5 sen) was paid to shareholders on 23 October 2008. The total distribution for the financial period ended 31 December 2008 will amount to 10 sen (31.1.2008: 10 sen) per ordinary share under the single tier system which is tax exempt in the hands of shareholders. The total dividend payout (including the proposed final dividend) is approximately 61% of our Group's Profit After Tax for the financial period ended 31 December 2008.

The final dividend is subject to the approval of shareholders and will be payable on 15 June 2009 to shareholders whose names appear in the Record of Depositors of the Company on 3 June 2009.

OUTLOOK AND CURRENT YEAR'S PROSPECTS

The Group anticipates a challenging year in 2009 on the back of the global financial and economic turmoil and recession in some of the world's major economies coupled with the decline in bio-diesel demand impacted by the low crude oil prices.

The movements in Crude Palm Oil and Palm Kernel commodity prices will continue to have the most significant influence on the Group results. As at 31 December 2008, the Group has sold forward approximately 14% of its forecast CPO production for the current financial year at an average selling price of RM2,717 per metric ton.

FFB production in the current financial year is expected to be higher, benefiting from the acquisition of Hap Seng Plantations (Kota Marudu) Sdn Bhd in August 2008 and new areas coming into maturity.

FFB yield and CPO and Kernel Extraction Rates are expected to be better benefiting from a full twelve (12) months operations during the current financial year and more young palms coming into maturity, subject to normal weather conditions.

The Group will continue to focus on improving its operational efficiencies in the estates to remain as a low cost producer.

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

APPRECIATION

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

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



Tan Sri Ahmad Bin Mohd Don

Independent Non-Executive Chairman

23 March 2009

Statement of Corporate Governance

The Board of Directors of Hap Seng Plantations Holdings Berhad is pleased to report on the manner in which the Principles and Best Practices of Corporate Governance are applied and the extent of compliance thereon as set out in Part 1 and Part 2 of the Malaysian Code on Corporate Governance (the "Code") pursuant to paragraph 15.26 of Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements.

Since the last Annual Report, the Group has changed its financial year end from 31 January to 31 December. Consequently, the current financial period is for a period of eleven (11) months ended 31 December 2008.

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

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

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

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

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

DIRECTORS

The Board

The Company is headed by a Board of Directors which leads and controls the Company. The Board meets regularly and is responsible for the proper management of the Company. All Board members bring sound judgment to bear on issues of strategy, performance, resources and standards of conduct. The Board of Directors meet at least four (4) times a year and additional Board meetings are convened as necessary with due notice of issues to be discussed. During the financial period ended 31 December 2008, five (5) meetings were held. Minutes of meetings (including deliberations by the Board of issues discussed and their conclusions thereof) are recorded by the Company Secretary.

All Directors have attended more than 50% of the total Board meetings held during the financial period ended 31 December 2008.

Statement of Corporate Governance

The Board (continued)

The attendance of the Directors at Board Meetings held during the financial period ended 31 December 2008 are as follows:

Directors	No. of Meetings Attended
Tan Sri Ahmad Bin Mohd Don	5/5
Datuk Edward Lee Ming Foo, JP	5/5
Mr. Soon Seong Keat	5/5
Mr. Au Yong Siew Fah	5/5
Dato' Jorgen Bornhoft	5/5
Mr. Wong Yuen Kuai, Lucien	5/5
Mr. Patrick Houghton Wale (<i>appointed as Independent Non-Executive Director on 1 April 2008</i>)	3/4 *
Tan Sri Abdul Hamid Egoh	4/5
Datuk Simon Shim Kong Yip, JP	4/5

* There were four (4) Board Meetings held subsequent to his appointment.

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

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

Board Balance

As at the date of this annual report, the Board has nine (9) members comprising three (3) Executive Directors and six (6) Non-Executive Directors of which four (4) or more than one-third are independent of management and have no relationships which could interfere with the exercise of their independent judgment. Together, the Directors have wide ranging business and financial experience. A brief description of the background of each Director is presented on pages 10 to 18.

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

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

Supply of Information

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

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

In addition, the Board also has a formal schedule of matters reserved for its decision including approval of annual and quarterly results. Specific responsibilities are delegated to Board Committees which comprise the Audit Committee, Nominating Committee and Remuneration Committee which shall report to the Board regularly. The terms of reference and authorities of these Board Committees which are determined and approved by the full Board are detailed on pages 36 to 42.

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

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

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

Appointments to the Board

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

The Nominating Committee has reviewed and is satisfied that the size of the Board is optimum for the effective discharge of the Board's function and that there is appropriate mix of skills and core competencies in the composition of the Board. The Nominating Committee is of the view that all the Members of the Board are suitably qualified to hold their positions as Directors of Hap Seng Plantations Holdings Berhad in view of their respective academic and professional qualifications and experiences. The Nominating Committee has also reviewed and is satisfied that all the Directors have received appropriate training during the financial period ended 31 December 2008.

Terms of reference of the Nominating Committee are detailed on pages 41 to 42.

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

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

Statement of Corporate Governance

Re-appointment and Re-election of Directors

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

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

Directors' Training and Education

On joining, all new Directors are given background information describing the Company and its activities. Site visits are arranged whenever necessary. All the Directors holding office for the financial period ended 31 December 2008 have completed the Mandatory Accreditation Programme as specified by Bursa Securities. The Directors are also encouraged to attend various external professional programmes on a continuous basis to enable them to effectively discharge their duties and to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates.

The Directors have during the financial period ended 31 December 2008, evaluated their own training needs on a continuous basis and attended the following programmes:

Directors	Training Programme	Duration
Tan Sri Ahmad Bin Mohd Don	Talk on "Roundtable Sustainable Palm Oil"	1 hour
	Talk on "Palm Oil: Food or Bio Fuel? Policy Implication for the Future"	1 hour
	Talk on "General Economy Direction In Malaysia"	1 hour
Datuk Edward Lee Ming Foo, JP	Invest Malaysia 2008 Conference	2 days
	Lunch Talk: UBS Global Economics Outlook	1 hour
	Talk on "Roundtable Sustainable Palm Oil"	1 hour
	2 nd International CEOs Conference 2008	3 days
	4 th Annual Growth, Innovation and Leadership 2008	2 days
	Talk on "Global Economic Outlook – When do we get back to normal?"	2 hours
	Talk on "Palm Oil: Food or Bio Fuel? Policy Implication for the Future"	1 hour
	Dialogue Session with Bursa Malaysia: "Towards Greater Accessibility, Transparency and Efficiency"	3 hours
	Talk on "General Economy Direction In Malaysia"	1 hour
Mr. Soon Seong Keat	Aseambankers Carbon Credit Conference 2008: "Green-ing all the way"	1 ½ days
	Regional Capital Markets Conference 2008	2 days
	Lunch Talk: UBS Global Economics Outlook	1 hour
	Talk on "Roundtable Sustainable Palm Oil"	1 hour
	Seminar on the Housing Development (Control and Licensing) (Amendment) Regulations 2007	1 day
	Talk on "Palm Oil: Food or Bio Fuel? Policy Implication for the Future"	1 hour
	Talk on "General Economy Direction In Malaysia"	1 hour

Statement of Corporate Governance

Directors' Training and Education (continued)

Directors	Training Programme	Duration
Mr. Au Yong Siew Fah	Talk on "Roundtable Sustainable Palm Oil"	1 hour
	Talk on "General Economy Direction In Malaysia"	1 hour
Dato' Jorgen Bornhoft	Briefing/Seminar on Strategy of a Modern Bank; Macro economic view of the world, past, present and outlook; Analysis of recent problems at banks and non-banks; and Major internal controls protecting against errors and fraud	1 day
	Talk on "Roundtable Sustainable Palm Oil"	1 hour
	Talk on "General Economy Direction In Malaysia"	1 hour
Mr. Wong Yuen Kuai, Lucien	Mandatory Accreditation Programme	2 days
	The Annual Conference on Asian Banking and Finance "The Changing Landscape: Asia's Role in Global Finance"	2 days
	International Leveraged Buyouts: A one-day symposium for leading private equity lawyers	1 day
Mr. Patrick Houghton Wale	Talk on "Roundtable Sustainable Palm Oil"	1 hour
	Mandatory Accreditation Programme	2 days
	Talk on "General Economy Direction In Malaysia"	1 hour
	Conference – "Navigating Uncertainty" – A practical guide for Directors during Crisis	1 day
Tan Sri Abdul Hamid Egoh	Mandatory Accreditation Programme	2 days
	Talk on "Roundtable Sustainable Palm Oil"	1 hour
	Talk on "General Economy Direction In Malaysia"	1 hour
Datuk Simon Shim Kong Yip, JP	Talk on "Roundtable Sustainable Palm Oil"	1 hour
	International Dispute Resolution Conference: "Making The Right Choice"	2 days
	Cambridge Symposium On Economic Crimes	7 days

DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration

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

Procedure

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

Terms of reference and responsibilities of the Remuneration Committee are detailed on page 40.

Disclosure

Directors' Remuneration and Remuneration Policy are as follows:

Details of Directors' Remuneration

- (i) The aggregate remuneration paid or payable by the Company and or its subsidiaries to the Directors of the Company for services in all capacities during the financial period ended 31 December 2008 is as follows:

Category	Fees RM'000	Salaries and Other Emoluments RM'000	Benefits in Kind RM'000	Total Remuneration RM'000
Executive	–	1,471	45	1,516
Non-Executive	240	–	–	240

- (ii) The number of Directors who received remuneration from the Company and or its subsidiaries for the financial period ended 31 December 2008, and their remuneration including benefits in kind which falls within the following bands are as follows:

Remuneration Range	No. of Directors
Executive Directors	
RM100,000 – RM150,000	1
RM150,000 – RM200,000	1
Above RM1,000,000	1
Non-Executive Directors	
Less than RM50,000	5
Above RM50,000	1

Disclosure (continued)

Remuneration Policy

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

(i) Remuneration for Executive Directors

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

- **Basic Salary**
Salaries are reviewed annually. In setting the basic salary of each Director, the Remuneration Committee takes into account market competitiveness and the performance of each individual Director.
- **Annual Bonus**
The annual bonus plan focuses on annual objectives and is designed to reward appropriately the achievement of results against these objectives.
- **Contribution to EPF**
Contribution to EPF is based on the statutory rate.
- **Benefits in kind**
Benefits in kind include interalia car, driver, fuel and mobile phone.

(ii) Remuneration for Non-Executive Directors

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

SHAREHOLDERS

Dialogue between Company and Investors

The Company recognises the importance of communications with shareholders. The Board views the AGM as an ideal opportunity to communicate with both institutional and private investors. In addition, the Company has a website www.hapsengplantations.com.my which provides an avenue for information to shareholders and investors at large. 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.

Bursa Securities also provides for the Company to electronically publish all its announcements, including full version of its quarterly results announcements and Annual Report which can be assessed through Bursa Securities' website at www.bursamalaysia.com

The Annual General Meeting ("AGM")

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

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

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

Statement of Corporate Governance

The Annual General Meeting (“AGM”) (continued)

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

In case of re-appointment or re-election of Directors, the Notice of AGM will state the Directors who are standing for re-appointment or re-election with a brief personal description to include the relevant details required under paragraph 8.28(2) Appendix 8A of Bursa Securities’ Listing Requirements.

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

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

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

Internal Control

The Group’s Statement on Internal Control is set out on pages 43 to 45.

Relationship with Auditors

The Audit Committee and the Board have established formal and transparent arrangements to maintain an appropriate relationship with the Company’s auditors as stated on pages 36 to 39.

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



TAN SRI AHMAD BIN MOHD DON
Independent Non-Executive Chairman



DATUK EDWARD LEE MING FOO, JP
Managing Director

Board Committees

AUDIT COMMITTEE

Members of the Audit Committee

Tan Sri Ahmad Bin Mohd Don	<i>(Independent Non-Executive Director) – Chairman</i>
Dato' Jorgen Bornhoft	<i>(Independent Non-Executive Director)</i>
Mr. Patrick Houghton Wale	<i>(Independent Non-Executive Director- appointed to the Committee on 1 April 2008)</i>
Mr. Soon Seong Keat	<i>(Executive Director – resigned from the Committee on 1 April 2008)</i>

Role of the Audit Committee

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

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

Membership

- The Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three (3) members. All the Audit Committee members must be Non-Executive Directors with a majority of them being Independent Directors. A member shall not have any family relationship with any Executive Director or any related company or relationship which would interfere with independent judgment.
- Independent Director shall be one who fulfills the requirement as provided in Bursa Securities' 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 15.10(1)(c)(ii) of Bursa Securities' 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 three (3) due to resignation or for any reason ceases to be a member, the Board shall within three (3) months appoint new member(s) to fill up the vacancy. All members of Audit Committee shall hold office until otherwise determined by the Board or until they cease to be a Director of the Company.

Board Committees

Attendance at Meetings

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

Frequency of Meetings

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

During the financial period ended 31 December 2008, four (4) meetings were held. The details of Directors' attendance at these meetings are as follows:

Directors	No. of Meetings
Tan Sri Ahmad Bin Mohd Don	4/4
Dato' Jorgen Bornhoft	4/4
Mr. Patrick Houghton Wale	2/3 *
Mr. Soon Seong Keat	1/1 **

* There were three (3) meetings held subsequent to his appointment as member of the Audit Committee.

** Attended all meetings prior to his resignation as member of the Audit Committee.

The details of training by the above Directors are tabulated on pages 31 to 32.

Proceedings of Meetings

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

Review of the Audit Committee

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

Scope of Authority

- The Chairman of the Audit Committee may engage on a continuous basis with senior management such as the Chairman of the Board, the Managing Director, the Group Finance Director, Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Company.
- The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are required to comply with any request made by the Committee.
- The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
- The Terms of Reference of the Audit Committee shall not limit in any way the responsibilities and authorities of the Managing Director to institute or instruct internal audits and reviews to be undertaken from time to time.
- The Chairman of Audit Committee, upon the request of the external auditor, shall convene a meeting of the committee to consider any matter which the external auditors believe should be brought to the attention of the directors or shareholders.

Duties

- To recommend to the Board the appointment of the external auditors, the audit fees, other terms of engagement and to consider any letter of resignation from the external auditor (if any).
- To consider whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment.
- To review the annual audit plan with the external auditors and subsequent changes (if any).
- To consider and discuss with the external auditors before the audit commences, the nature, scope of audit and any difficulties and/or restriction encountered in the course of their audit work.
- To ensure employees of the Company extend their assistance to the external auditors.
- To review the quarterly and year end financial statements before submission to the Board focusing particularly on:
 - i. any changes in accounting policies and practices,
 - ii. significant adjustments arising from the audit and other unusual events (if any),
 - iii. compliance with Accounting Standards, relevant legislative framework and other legal requirements,
 - iv. compliance with Bursa Securities' Listing Requirements and all other applicable rules and regulations.
- To review the internal audit programme, receive all internal audit reports, consider the major findings of internal audit investigations and management's response thereof.
- To review results of the internal audit process and, where necessary ensure appropriate actions are taken on the recommendations of the internal audit functions.
- To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- To approve any appointment or termination of senior internal audit executive.
- To review any appraisal or assessment of senior internal audit executive.
- To be informed of any resignation of senior internal audit executive and provide the resigning personnel an opportunity to submit his/her reasons of resigning.

Board Committees

Duties (continued)

- To keep under review the effectiveness of internal control systems, and in particular review the external auditor's management letter and management's response.
- To scrutinise all related party transactions and to ensure no potential conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- The Audit Committee is to report promptly to Bursa Securities on any matter reported to the Board which has not been satisfactorily resolved resulting in a breach of Bursa Securities Listing Requirements.
- To consider other related matters from time to time as defined by the Board.

Reporting Procedures

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

Summary of Audit Committee Activities during the Financial Period Ended 31 December 2008

The activities of the Audit Committee during the financial period ended 31 December 2008, are summarised as:

- Reviewed internal audit plan for the financial period which includes review of operational compliance with established control procedures, management efficiency, risk assessment and reliability of financial record.
- Authorised Internal Auditors to undertake specific investigation on specific areas of concern, reviewed outcome of investigation and deliberated on appropriate actions and/or recommendations arising therefrom.
- Received and reviewed a total of thirteen (13) internal audit reports covering the business processes of Plantation Division.
- Reviewed annual audit plans of the Group and Company with the external auditors and recommendation of their audit fees to the Board.
- Reviewed and discussed annual audited Financial Statements with the external auditors prior to recommending the same to the Board for approval; after noting specific points or pertinent issues raised by the external auditors.
- The Audit Committee held two meetings with the external auditors in the absence of the executive board members and management representatives during which the external auditors informed that they had received full co-operation from the management as well as unrestricted access to all information required for purpose of their audit and there were no special audit concerns to be highlighted to the Audit Committee.
- Reviewed the Group's quarterly report prepared in compliance with Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" and Chapter 9 of Bursa Securities' 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 of Corporate Governance and Statement on Internal Controls prepared in accordance with the provisions set out under the Malaysian Code on Corporate Governance, the extent of compliance with the said Code and recommended to the Board action plans to address identified gaps (if any) between the Group's existing corporate governance practices and the prescribed corporate governance principles and best practices under the Code.

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	<i>(Independent Non-Executive Director) – Chairman</i>
Datuk Simon Shim Kong Yip, JP	<i>(Non-Independent Non-Executive Director)</i>
Datuk Edward Lee Ming Foo, JP	<i>(Executive Director)</i>

Terms of Reference of Remuneration Committee

Membership

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

Frequency of Meetings

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

Attendance at Meetings

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

Proceeding of Meetings

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

Duties

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

Scope of Authority

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

Interest of Remuneration Committee Members

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

Reporting Procedure

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

Summary of Activities

The Remuneration Committee met on 24 November 2008 to review and recommend to the Board, the proposed bonus of the Executive Directors for the financial period ended 31 December 2008. There was no increment proposed for the financial year commencing 1 January 2009.

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	<i>(Independent Non-Executive Director) – Chairman</i>
Dato' Jorgen Bornhoft	<i>(Independent Non-Executive Director)</i>
Datuk Simon Shim Kong Yip, JP	<i>(Non-Independent Non-Executive Director)</i>

Terms of Reference of Nominating Committee

Membership

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

Frequency of Meetings

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

Attendance at Meetings

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

Proceeding of Meetings

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

Duties

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

Board Committees

Scope of Authority

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

Reporting Procedure

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

Summary of Nominating Committee 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.

Statement on Internal Control

The Board of Directors is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following Statement on Internal Control which outlines the nature and scope of internal control of the Group during the financial period ended 31 December 2008 pursuant to paragraph 15.27(b) of Bursa Securities' Listing Requirements.

i. Internal Control

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

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

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

Statement on Internal Control

i. Internal Control (continued)

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

In line with this:

- A Group Risk Management Committee has been formed to take formal executive responsibility for risk management, building upon already established structures and mechanism. The Committee had been established with the responsibility to identify and communicate to the Board of Directors the critical strategic business risks (both present and potential) the Group faces, their changes and the management action plans to manage the risks. Presently, the Managing Director heads the Group Risk Management Committee.
- A Group's Risk Methodology had been issued to the heads of the Group's business units.
- Risk Assessment workshops and interviews have been conducted by the Head of Internal Audit with the head and operational managers from the major business units in the Group on the use of risk assessment methodology.
- A database of strategic risks identified and appropriate controls has been created and the information filtered to produce a detailed risk register/scorecard and individual risk profiles for the major business units, which is continuously updated. Key risks to each business unit's objectives aligned with the Group's strategic objectives are identified and scored for likelihood of the risks occurring and the magnitude of the impact.
- The Risks profile of the relevant business units were tabled to the Group Risk Management Committee with highlights on the key business risk, their causes and management action plans thereon.

ii. Internal Audit Functions

The Group has an Internal Audit function which is outsourced to Hap Seng Management Services Sdn. Bhd., a wholly owned subsidiary of Hap Seng Consolidated Berhad, at a cost of RM320,000 per annum. The Internal Audit function is independent of the activities or operations of other operating units in the Group, which provides the Audit Committee and the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control.

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

Statement on Internal Control

ii. Internal Audit Functions (continued)

The activities that were carried out are as follows:

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

iii. Other Risks and Control Processes

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

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.24 of the Bursa Securities' Listing Requirements, the external auditors have reviewed this Statement on Internal Control. Their review was performed in accordance with Recommended Practice Guide 5 (RPG 5) issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group.

Corporate Social Responsibility (CSR)

In today's business environment, the Group is cognizant of the growing importance of corporate social responsibility (CSR) and the role it can have in improving the community and the environment. As one of Malaysia's leading participants in the plantations sector, we certainly view this responsibility seriously and we intend to implement our CSR initiatives in a sustained and consistent manner.

This is based on our belief that we have the ability and the capacity to make a positive difference and create a more balanced and harmonious society. As such, we aim to demonstrate our steadfast commitment to our stakeholders through our actions and corporate policies.

This is also in line with the CSR framework launched by Bursa Malaysia Securities Berhad which places emphasis on ethical values and respect for the community, employees, the environment, shareholders and other stakeholders.

ENVIRONMENT

While the Group is committed in achieving its business goals, we believe that it is equally important to ensure that the environment is preserved for our future generations.

As evidence of our underlying commitment, we have established the Plantation Environmental Committee that is responsible for ensuring that all products are managed according to predetermined guidelines throughout our estates. At the same time, we have also established the Plantation Energy Conservation Committee to review all areas of energy consumption and encourage ideas and processes that are not only environmentally friendly but also economical in the long run.

On top of this, our Group has implemented the Hazard Analysis and Critical Control Points (HACCP) system which addresses safety precautions in terms of physical, chemical and biological hazards. This initiative is to significantly reduce the occurrence of accidents that may negatively impact the environment.

Apart from having stringent guidelines to ensure that we operate in an environmentally conscious manner, our Group has allocated land at our Bukit Kibos, Sungai Segama and Jeroco estates for conservation purposes.

COMMUNITY

Over the years, our Group has also placed great emphasis on enhancing the lives of the communities it operates in. This is evidenced by the Group's wide-ranging contributions in the areas of education, infrastructure and facilities as well as cultural development.

From an education perspective, we have consistently sponsored the Humana primary school for the past 10 years. Located at our Tomanggong Group of Estates, the school provides basic education for our employees' children. In addition, we have invested in proper housing infrastructure that includes furnishings, treated water supply, electricity, community halls and medical facilities for the benefit of our estate employees and the surrounding communities.

Financial contributions have also been channelled towards social events such as Merdeka celebrations around the Kinabatangan area while medical treatment and water supply have been provided in the past to communities that have been affected by drought.

Overall, our Group aims to play an active role in improving the standard of living for the residents of the communities it operates in.





WORKPLACE

Human capital remains a core area of focus as we believe that having competent staff will enable the Group to continuously improve and achieve the next level of success. Towards this end, our Group pays tribute to its long service staff through the annual presentation of “Long Service Awards” and “Incentive Awards” to staff that have performed well in examinations related to their line of work. The primary objective of these awards is to motivate our staff to develop their careers within the Group and to reward them for their dedication and commitment towards the growth of the Group.

Our Group also makes it a priority to provide a safe and healthy workplace for its staff. As a result, the Group has established an Occupational Safety and Health Committee (OSHC) in compliance with the Occupational Safety and Health Act, 1994. The OSHC oversees the safety, health and welfare concerns at the work place for all staff.

Apart from this, we strictly comply with all the laws and regulations pertaining to the Occupational Safety and Health Act, 1994. Staff are provided with adequate training in their jobs through on-the-job and off-the-job training to improve their knowledge and skill set.

We also take great pride in ensuring that our staff and their families are well cared for by providing them with quality facilities and amenities. In recognition of our efforts, we were named as one of the recipients of the “Ladang Bahagia” award in 2004 by former Prime Minister of Malaysia, YAB Datuk Seri Abdullah Ahmad Badawi.

In essence, the Group believes that the well-being and welfare of its staff should not be neglected to ensure that we have a balanced and productive society.

Additionally, the Group also takes the initiative to organize staff activities throughout the year as we believe that this can help boost morale and strengthen the bond amongst staff.



MARKET PLACE

The Group is equally committed in practicing good corporate governance and enhancing shareholders' value through exemplary business practices. As a whole, we strive to meet our customers' needs with outstanding service and quality products that are second to none. We also take the opportunity at shareholders' meetings to inform our shareholders on corporate milestones that have been achieved to provide them with a deeper understanding of the Group's direction and vision.

Financial Statements



Directors' Report	50
Balance Sheets	55
Income Statements	56
Statements of Changes in Equity	57
Cash Flow Statements.	58
Notes to the Financial Statements	61
Statement by Directors	89
Statutory Declaration	90
Independent Auditors' Report	91



Directors' Report

for the financial period ended 31 December 2008

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial period ended 31 December 2008.

CHANGE IN FINANCIAL YEAR END

As disclosed in the Directors' Report of the previous financial year, the Company has changed its financial year end from 31 January to 31 December to be coterminous with the financial year end of its holding company. Consequently, the current financial statements of the Group and Company are for a period of 11 months from 1 February 2008 to 31 December 2008. The comparative figures of the Group were in respect of the post acquisition results of the Group from the completion date of the acquisitions of its plantation subsidiaries on 7 September 2007 to 31 January 2008 whilst the comparative figures for the Company were in respect of the period from 18 April 2007 (date of incorporation) to 31 January 2008. The next financial statements will be a period of 12 months commencing from 1 January 2009.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and the carrying out of marketing and trading activities for its subsidiaries whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit attributable to the shareholders of the Company	130,822	79,390

RESERVES AND PROVISIONS

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

DIVIDENDS

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

- (i) a final dividend of 5 sen per ordinary share under the single-tier system totalling RM39,999,900 in respect of the financial period ended 31 January 2008 on 11 July 2008; and
- (ii) an interim dividend of 5 sen per ordinary share under the single-tier system totalling RM39,999,900 in respect of the financial period ended 31 December 2008 on 23 October 2008.

The Directors proposed a final dividend of 5 sen per ordinary share under the single-tier system for the financial period ended 31 December 2008 subject to shareholders approval at the forthcoming Annual General Meeting. The dividend will be paid under the single-tier system which is tax exempt in the hands of shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967.

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

DIRECTORS OF THE COMPANY

Directors who served since the date of last report are:

Tan Sri Ahmad Bin Mohd Don	Non-Executive Director / Independent Non-Executive Chairman
Datuk Edward Lee Ming Foo, JP	Executive Director / Managing Director
Soon Seong Keat	Executive Director
Au Yong Siew Fah	Executive Director
Dato' Jorgen Bornhoft	Independent Non-Executive Director
Wong Yuen Kuai, Lucien	Independent Non-Executive Director
Patrick Houghton Wale	Independent Non-Executive Director (appointed on 1.4.2008)
Tan Sri Abdul Hamid Egoh	Non-Independent Non-Executive Director
Datuk Simon Shim Kong Yip, JP	Non-Independent Non-Executive Director

DIRECTORS' INTERESTS

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial period ended 31 December 2008 (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each			At 31.12.2008
	At 1.2.2008	Bought	(Sold)	
Hap Seng Plantations Holdings Berhad				
Tan Sri Ahmad Bin Mohd Don	20,000	–	–	20,000
Datuk Edward Lee Ming Foo, JP	110,000	–	–	110,000
Soon Seong Keat	115,000	51,000	–	166,000
	30,000*	45,000	–	75,000
Au Yong Siew Fah	132,300	30,700	–	163,000
Dato' Jorgen Bornhoft	116,600	–	(16,600)	100,000
Wong Yuen Kuai, Lucien	110,000	–	–	110,000
	50,000*	–	–	50,000
Tan Sri Abdul Hamid Egoh	110,000	–	–	110,000
Datuk Simon Shim Kong Yip, JP	160,000	20,000	–	180,000
Hap Seng Consolidated Berhad, Immediate holding company				
Dato' Jorgen Bornhoft	40,000	15,000	–	55,000
Soon Seong Keat	30,000	10,000	(40,000)	–
	60,000*	5,000	(65,000)	–
Au Yong Siew Fah	127,000	–	–	127,000

* Held through his spouse

None of the other Directors holding office at the end of the financial period had any interest in the ordinary shares of the Company or its related corporations.

DIRECTORS' BENEFITS

Since the end of the previous financial period, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 17 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 24 to the financial statements.

There were no arrangements during and at the end of the financial period 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 period.

SHARE REPURCHASE

The shareholders of the Company granted authority to the Directors at the Extraordinary General Meeting ("EGM") held on 24 June 2008 to repurchase the Company's shares from the open market. During the financial period, the Company repurchased 4,000 of its issued ordinary shares from the open market for a total cost of RM9,374. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

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

Movement of shares repurchased

	Number of shares	Amount RM	Average cost per share RM
At 1 February 2008	–	–	–
Repurchase during the period	4,000	9,374	2.34
At 31 December 2008	4,000	9,374	2.34

OPTIONS GRANTED OVER UNISSUED SHARES

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

HOLDING COMPANIES

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

OTHER STATUTORY INFORMATION

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

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

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

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial period 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 period.

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 period which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial period ended 31 December 2008 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 period and the date of this report.

SIGNIFICANT EVENTS DURING THE PERIOD

- a) On 12 June 2008, the Company entered into a conditional sale of shares agreement ["SSA"] to acquire the entire issued and paid-up share capital of Hap Seng Plantations (Kota Marudu) Sdn. Bhd. (formerly known as Bumilaju Construction Sdn. Bhd.) ["HSP(KM)"] comprising 1,000,000 ordinary shares of RM1.00 each at a purchase consideration of RM27 million on the terms and conditions contained in the SSA.

On 29 August 2008, the Company completed the acquisition of HSP(KM) and HSP(KM) became a wholly-owned subsidiary of the Company on even date. HSP(KM) is principally involved in the cultivation of oil palm.

- b) On 4 July 2008, the Company acquired the entire issued and paid-up share capital of Hap Seng Plantations Livestocks (Kota Marudu) Sdn. Bhd. (formerly known as Oriental Continent Sdn. Bhd.) ["HSPL(KM)"] comprising 2 ordinary shares of RM1.00 each at a purchase consideration of RM2. HSPL(KM) commenced operation in livestock farming on 29 August 2008.

AUDITORS

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

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



Datuk Edward Lee Ming Foo, JP



Au Yong Siew Fah

Kuala Lumpur
26 March 2009

Balance Sheets

at 31 December 2008

	Note	Group		Company	
		31.12.2008 RM'000	31.1.2008 RM'000	31.12.2008 RM'000	31.1.2008 RM'000
Assets					
Property, plant and equipment	3	214,677	213,241	736	367
Biological assets	4	1,311,124	1,279,727	–	–
Prepaid lease payments	5	333,793	323,377	–	–
Investment in subsidiaries	6	–	–	1,516,990	1,500,008
Total non-current assets		1,859,594	1,816,345	1,517,726	1,500,375
Receivables	7	13,780	22,566	7,002	1,148
Dividend receivable		–	–	–	45,262
Inventories	8	29,262	21,331	–	–
Tax recoverable		19,576	10,370	596	5,951
Cash and cash equivalents	9	45,739	69,323	24,144	40,867
Total current assets		108,357	123,590	31,742	93,228
Total assets		1,967,951	1,939,935	1,549,468	1,593,603
Equity					
Share capital	10	800,000	800,000	800,000	800,000
Reserves	10	675,578	675,578	675,578	675,578
Retained earnings	10	176,382	125,560	47,336	47,946
Less: Treasury shares	10	1,651,960 (9)	1,601,138 –	1,522,914 (9)	1,523,524 –
Total equity		1,651,951	1,601,138	1,522,905	1,523,524
Non-Current Liabilities					
Bank borrowings	11	55,334	56,667	–	–
Deferred tax liabilities	12	187,481	195,878	–	5,777
Total non-current liabilities		242,815	252,545	–	5,777
Current Liabilities					
Payables	13	33,839	66,920	1,563	64,302
Bank borrowings	11	38,433	13,333	25,000	–
Provision for taxation		913	5,999	–	–
Total current liabilities		73,185	86,252	26,563	64,302
Total liabilities		316,000	338,797	26,563	70,079
Total equity and liabilities		1,967,951	1,939,935	1,549,468	1,593,603

The notes on pages 61 to 88 are an integral part of these financial statements.

Income Statements

for the period ended 31 December 2008

	Note	Group		Company	
		1.2.2008 to 31.12.2008 RM'000	18.4.2007 to 31.1.2008 RM'000	1.2.2008 to 31.12.2008 RM'000	18.4.2007 to 31.1.2008 RM'000
Revenue	14	393,605	216,588	98,145	111,744
Cost of goods sold		(166,429)	(60,571)	-	-
Gross profit		227,176	156,017	98,145	111,744
Other operating income		1,913	1,349	195	117
Distribution expenses		(42,421)	(27,223)	-	-
Administrative expenses		(12,837)	(5,143)	(6,422)	(1,761)
Other operating expenses		(4,814)	(2,179)	(95)	(13)
Results from operating activities		169,017	122,821	91,823	110,087
Other non-operating income	15	-	77,318	-	-
Interest expense		(2,743)	(2,837)	(54)	(1,264)
Profit before tax	16	166,274	197,302	91,769	108,823
Tax expense	18	(35,452)	(31,742)	(12,379)	(20,877)
Profit for the period		130,822	165,560	79,390	87,946
Basic earnings per ordinary share (sen)	19	16.35	41.86		

The notes on pages 61 to 88 are an integral part of these financial statements.

Statements of Changes in Equity

for the period ended 31 December 2008

	Note	Share capital RM'000	← Non-Distributable →		Distributable	Total equity RM'000
			Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	
Group						
At 18 April 2007		*	–	–	–	*
Profit for the period		–	–	–	165,560	165,560
Issue of shares pursuant to the Acquisitions		750,000	600,001	–	–	1,350,001
Issue of shares for public offering		50,000	82,500	–	–	132,500
Listing expenses		–	(6,923)	–	–	(6,923)
Dividends	20	–	–	–	(40,000)	(40,000)
<hr/>						
At 31 January 2008/ 1 February 2008		800,000	675,578	–	125,560	1,601,138
Profit for the period		–	–	–	130,822	130,822
Purchase of treasury shares	10	–	–	(9)	–	(9)
Dividends	20	–	–	–	(80,000)	(80,000)
<hr/>						
At 31 December 2008		800,000	675,578	(9)	176,382	1,651,951
<hr/>						
Company						
At 18 April 2007		*	–	–	–	*
Profit for the period		–	–	–	87,946	87,946
Issue of shares pursuant to the Acquisitions		750,000	600,001	–	–	1,350,001
Issue of shares for public offering		50,000	82,500	–	–	132,500
Listing expenses		–	(6,923)	–	–	(6,923)
Dividends	20	–	–	–	(40,000)	(40,000)
<hr/>						
At 31 January 2008/ 1 February 2008		800,000	675,578	–	47,946	1,523,524
Profit for the period		–	–	–	79,390	79,390
Purchase of treasury shares	10	–	–	(9)	–	(9)
Dividends	20	–	–	–	(80,000)	(80,000)
<hr/>						
At 31 December 2008		800,000	675,578	(9)	47,336	1,522,905

* Represents 2 ordinary shares of RM1.00 each.

The notes on pages 61 to 88 are an integral part of these financial statements.

Cash Flow Statements

for the period ended 31 December 2008

	Note	Group		Company	
		1.2.2008 to 31.12.2008 RM'000	18.4.2007 to 31.1.2008 RM'000	1.2.2008 to 31.12.2008 RM'000	18.4.2007 to 31.1.2008 RM'000
Cash flows from operating activities					
Profit before tax		166,274	197,302	91,769	108,823
Adjustments for:					
Amortisation of prepaid lease payments	5	3,628	1,627	-	-
Depreciation of property, plant and equipment	3	17,685	7,478	95	13
Dividend income		-	-	(93,486)	(109,273)
Gain on disposal of property, plant and equipment		(30)	-	-	-
Negative goodwill		-	(77,318)	-	-
Interest income		(497)	(828)	(195)	(117)
Interest expense		2,743	2,837	54	1,264
Property, plant and equipment written off		25	21	-	-
Operating profit/(loss) before changes in working capital					
		189,828	131,119	(1,763)	710
Inventories		(7,931)	2,484	-	-
Receivables		8,786	(3,513)	486	(1,148)
Payables		(33,081)	39,662	(24,986)	35,941
Cash generated from/(used in) operations					
		157,602	169,752	(26,263)	35,503
Tax paid		(58,876)	(41,885)	(207)	(133)
Interest received		497	828	195	117
Interest paid		(2,743)	(2,837)	(54)	(1,264)
Net cash generated from/(used in) operating activities					
		96,480	125,858	(26,329)	34,223
Cash flows from investing activities					
Additions to biological assets		(1,843)	(293)	-	-
Additions to prepaid lease payments		(513)	(158)	-	-
Dividends received from subsidiaries (net)		-	-	126,154	43,093
Purchase of property, plant and equipment	3	(19,518)	(17,925)	(464)	(380)
Purchase of additional shares in subsidiaries		-	-	-	(8)
Proceeds from disposal of property, plant and equipment		402	-	-	-
Acquisition of subsidiaries net of cash acquired	(ii)	(30,350)	(73,736)	(27,350)	(1,500,000)
Net cash (used in)/generated from investing activities					
		(51,822)	(92,112)	98,340	(1,457,295)

Cash Flow Statements

Note	Group		Company	
	1.2.2008 to 31.12.2008 RM'000	18.4.2007 to 31.1.2008 RM'000	1.2.2008 to 31.12.2008 RM'000	18.4.2007 to 31.1.2008 RM'000
Cash flows from financing activities				
Balances with related companies	–	–	346	630
Balances with subsidiaries	–	–	(34,071)	27,731
Dividends paid to shareholders of the Company (net)	(80,000)	(40,000)	(80,000)	(40,000)
Proceeds from bank borrowings	25,000	150,000	25,000	150,000
Repayment of bank borrowings	(13,333)	(200,000)	–	(150,000)
Net proceeds received from public issue of shares	–	125,577	–	1,475,578
Shares repurchased at cost	(9)	–	(9)	–
Net cash (used in)/generated from financing activities	(68,342)	35,577	(88,734)	1,463,939
Net (decrease)/increase in cash and cash equivalents	(23,684)	69,323	(16,723)	40,867
Cash and cash equivalents at 1 February 2008/18 April 2007	69,323	–	40,867	–
Cash and cash equivalents at 31 December 2008/31 January 2008 (i)	45,639	69,323	24,144	40,867

(i) Cash and cash equivalents

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

	Group		Company	
	31.12.2008 RM'000	31.1.2008 RM'000	31.12.2008 RM'000	31.1.2008 RM'000
Cash and bank balances	4,939	5,423	644	867
Deposits with licensed banks	40,800	63,900	23,500	40,000
Bank overdraft	(100)	–	–	–
	45,639	69,323	24,144	40,867

Cash Flow Statements

(ii) Acquisitions of subsidiaries

During the financial period, the Company acquired 100% equity interests in Hap Seng Plantations (Kota Marudu) Sdn. Bhd. (formerly known as Bumilaju Construction Sdn. Bhd.) and Hap Seng Plantations Livestocks (Kota Marudu) Sdn. Bhd. (formerly known as Oriental Continent Sdn. Bhd.) for cash consideration of RM27 million and RM2 respectively.

In the previous financial period, the Company acquired 100% equity interests in Jeroco Plantations Sdn. Bhd. and Hap Seng Plantations (River Estates) Sdn. Bhd. for total purchase consideration of RM1.5 billion satisfied by the issuance of 749,999,998 new ordinary shares of RM1.00 each in the Company and cash consideration of RM150 million.

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

	1.2.2008 to 31.12.2008 RM'000	18.4.2007 to 31.1.2008 RM'000
Property, plant and equipment	–	202,815
Biological assets	29,554	1,279,434
Prepaid lease payments	13,531	324,846
Inventories	–	23,815
Receivables	–	19,053
Cash and cash equivalents	(3,000)	76,263
Payables	–	(27,258)
Bank borrowings	(12,000)	(120,000)
Taxation	–	(9,408)
Deferred tax liabilities	(735)	(192,242)
Fair value of total assets	27,350	1,577,318
Negative goodwill arising on acquisition	–	(77,318)
Net purchase consideration*	27,350	1,500,000
Purchase consideration paid by issue of shares	–	(1,350,001)
Cash consideration paid	27,350	149,999
Cash and cash equivalents of subsidiaries acquired	3,000	(76,263)
Net cash consideration paid on acquisitions net of cash acquired	30,350	73,736
* Reconciliation of purchase consideration of a subsidiary:		
Purchase consideration	Note 26 (a) 27,000	
Incidental costs on acquisition	350	
Total consideration	27,350	

The notes on pages 61 to 88 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 Board of Bursa Malaysia Securities Berhad.

The address of the principal place of business and registered office of the Company are as follows:

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

The consolidated financial statements of the Company as at end of the financial period ended 31 December 2008 comprise the Company and its subsidiaries.

The Company is principally engaged in investment holding and the carrying out of marketing and trading activities for its subsidiaries whilst the principal activities of the subsidiaries are as stated in Note 6.

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

The financial statements were approved for issuance by the Board of Directors on 26 March 2009.

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), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

The Group and the Company have not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRSs / Interpretations	Effective date
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosures	1 January 2010
FRS 8, Operating Segment	1 July 2009
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010

The Group and the Company plan to apply FRS 7 and FRS 139 from the annual period beginning 1 January 2010.

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

FRS 4, FRS 8 and all the above Interpretations are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

(b) Basis of measurement

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

1. BASIS OF PREPARATION (CONTINUED)

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group and the Company, except for the adoption of the following:

- (i) FRS 107, Cash Flows Statements
- (ii) FRS 112, Income Taxes
- (iii) FRS 118, Revenue
- (iv) FRS 134, Interim Financial Reporting; and
- (v) FRS 137, Provision, Contingent Liabilities and Contingent Assets.

The adoption of the said FRSs does not have any material impact on the financial statements of the Group and the Company.

(a) Basis of consolidation

(i) Subsidiaries

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

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

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses unless the investment is classified as held for sale.

(ii) Transactions eliminated on consolidation

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment

(i) Recognition and measurement

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the income statements.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

The depreciable amount is determined after deducting the residual value.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Biological assets

In accordance with paragraph 68 of FRS 101, the Group has presented plantation development expenditure as biological assets.

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

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

No amortisation is considered necessary for plantation development expenditure as the estate is maintained through replanting programmes and replanting expenditure is written off to the income statement during the period when it is incurred.

(d) Prepaid lease payments

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

(e) Inventories

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

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

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

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

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

(f) Receivables

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

Receivables are not held for the purpose of trading.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, deposits with licensed banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of assets

The carrying amount of assets, other than financial assets, inventories and biological assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated.

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

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the period in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

(i) Share capital

(i) Shares issue expenses

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

(ii) Repurchase of share capital

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

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

Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Bank borrowings

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

(k) Employee benefits

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

The Group and the Company's contributions to the Employees' Provident Fund are charged to the income statements in the period to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(l) Provisions

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

(m) Payables

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

(n) Revenue recognition

(i) Goods sold

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

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(o) Lease payments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Interest income and borrowing costs

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

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

(q) Tax expense

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

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

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

Deferred tax liability is recognised for all taxable temporary differences.

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

(r) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3. PROPERTY, PLANT AND EQUIPMENT

	Road and infrastructure RM'000	Buildings RM'000	Plant, machinery and vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work in progress RM'000	Total RM'000
Group						
Cost						
At 18 April 2007	-	-	-	-	-	-
Additions arising from acquisitions of subsidiaries	56,677	140,950	134,865	10,672	24,814	367,978
Additions	1,924	1,771	4,103	175	9,952	17,925
Write off	-	(168)	(79)	(84)	-	(331)
Reclassifications	22,543	2,918	4,193	3	(29,657)	-
At 31 January 2008/ 1 February 2008	81,144	145,471	143,082	10,766	5,109	385,572
Additions	18	994	5,095	488	12,923	19,518
Disposals	-	-	(830)	-	-	(830)
Write off	-	(427)	(380)	(173)	-	(980)
Reclassifications	2,764	2,427	1,992	-	(7,183)	-
At 31 December 2008	83,926	148,465	148,959	11,081	10,849	403,280
Accumulated depreciation						
At 18 April 2007	-	-	-	-	-	-
Additions arising from acquisitions of subsidiaries	7,966	55,538	93,278	8,381	-	165,163
Charge for the period	671	2,374	4,023	410	-	7,478
Write off	-	(147)	(79)	(84)	-	(310)
At 31 January 2008/ 1 February 2008	8,637	57,765	97,222	8,707	-	172,331
Charge for the period	2,260	5,253	9,339	833	-	17,685
Disposals	-	-	(458)	-	-	(458)
Write off	-	(419)	(374)	(162)	-	(955)
At 31 December 2008	10,897	62,599	105,729	9,378	-	188,603
Carrying amounts						
At 31 January 2008	72,507	87,706	45,860	2,059	5,109	213,241
At 31 December 2008	73,029	85,866	43,230	1,703	10,849	214,677

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, fittings & equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
Cost			
At 18 April 2007	–	–	–
Additions	10	370	380
At 31 January 2008/1 February 2008	10	370	380
Additions	73	391	464
At 31 December 2008	83	761	844
Accumulated depreciation			
At 18 April 2007	–	–	–
Charge for the period	1	12	13
At 31 January 2008/1 February 2008	1	12	13
Charge for the period	4	91	95
At 31 December 2008	5	103	108
Carrying amounts			
At 31 January 2008	9	358	367
At 31 December 2008	78	658	736

Security

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

4. BIOLOGICAL ASSETS

	Group	
	31.12.2008 RM'000	31.1.2008 RM'000
Cost		
At 1 February 2008/18 April 2007	1,279,727	–
Additions arising from acquisition of subsidiaries	29,554	1,279,434
Additions	1,843	293
At 31 December 2008/31 January 2008	1,311,124	1,279,727

Security

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

5. PREPAID LEASE PAYMENTS

	Unexpired period more than 50 years Group	
	31.12.2008 RM'000	31.1.2008 RM'000
Cost		
At 1 February 2008/18 April 2007	338,062	–
Additions arising from acquisition of subsidiaries	13,531	337,904
Additions	513	158
At 31 December 2008/31 January 2008	352,106	338,062

Accumulated amortisation

At 1 February 2008/18 April 2007	14,685	–
Additions arising from acquisition of subsidiaries	–	13,058
Charge for the period	3,628	1,627
At 31 December 2008/31 January 2008	18,313	14,685

Carrying amounts

At 31 December 2008/31 January 2008	333,793	323,377
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Security

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

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	31.12.2008 RM'000	31.1.2008 RM'000
Unquoted shares, at cost	1,516,990	1,500,008

Details of the subsidiaries as at 31 December 2008 which are all incorporated in Malaysia are as follows:

Name of subsidiaries	Principal activities	Effective ownership interest (%)	
		31.12.2008	31.1.2008
Jeroco Plantations Sdn. Bhd.	Cultivation of oil palm and processing of fresh fruit bunches	100	100
Hap Seng Plantations (River Estates) Sdn. Bhd. and its subsidiaries	Cultivation of oil palm, processing of fresh fruit bunches and investment holding	100	100 *
Hap Seng Plantations (Ladang Kawa) Sdn. Bhd.	Cultivation of oil palm	100	100
Hap Seng Plantations (Wecan) Sdn. Bhd.	Cultivation of oil palm	100	100 *
Hap Seng Plantations (Tampilit) Sdn. Bhd.	Cultivation of oil palm	100	100 *
Hap Seng Plantations (Kota Marudu) Sdn. Bhd. (formerly known as Bumilaju Construction Sdn. Bhd.)	Cultivation of oil palm	100	–
Hap Seng Plantations Livestocks (Kota Marudu) Sdn. Bhd. (formerly known as Oriental Continent Sdn. Bhd.)	Livestock farming	100	–

* Previously audited by other auditors.

7. RECEIVABLES

	Note	Group		Company	
		31.12.2008 RM'000	31.1.2008 RM'000	31.12.2008 RM'000	31.1.2008 RM'000
Trade					
Trade receivables	a	13,278	19,290	–	–
Amount due from subsidiaries	a	–	–	447	589
		13,278	19,290	447	589
Non-trade					
Other receivables		471	1,608	73	559
Amount due from subsidiaries	b	–	–	6,482	–
Amount due from related companies	b	31	1,668	–	–
		502	3,276	6,555	559
		13,780	22,566	7,002	1,148

Note a

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

Note b

The non-trade amount due from subsidiaries and related companies are unsecured, interest free and have no fixed terms of repayment.

8. INVENTORIES

	Group	
	31.12.2008 RM'000	31.1.2008 RM'000
Consumables stores	23,716	19,537
Planting materials	1,131	366
Produce stocks	3,158	1,428
Livestocks	1,257	–
	29,262	21,331

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	31.12.2008 RM'000	31.1.2008 RM'000	31.12.2008 RM'000	31.1.2008 RM'000
Deposits with licensed banks	40,800	63,900	23,500	40,000
Cash and bank balances	4,939	5,423	644	867
	45,739	69,323	24,144	40,867

10. CAPITAL AND RESERVES

	Group and Company			
	← 31.12.2008 →	← 31.1.2008 →	← 31.12.2008 →	← 31.1.2008 →
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Share capital				
Authorised				
Ordinary shares of RM1 each				
At 1 February 2008/18 April 2007	1,000,000	1,000,000	100	100
Increase during the period	–	–	999,900	999,900
At 31 December 2008/31 January 2008	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid				
Ordinary shares of RM1 each				
At 1 February 2008/18 April 2007	800,000	800,000	*	*
Issued pursuant to the Acquisitions	–	–	750,000	750,000
Issued pursuant to the Initial Public Offering	–	–	50,000	50,000
At 31 December 2008/31 January 2008	800,000	800,000	800,000	800,000

* Represents 2 ordinary shares of RM1.00 each

Treasury shares

The shareholders of the Company granted authority to the Directors at the Extraordinary General Meeting (“EGM”) held on 24 June 2008 to repurchase the Company’s shares from the open market. During the financial period, the Company repurchased 4,000 of its issued ordinary shares from the open market for a total cost of RM9,374. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

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

Movement of shares repurchased

	Number of shares	Amount RM	Average cost per share RM
At 1 February 2008	–	–	–
Repurchase during the period	4,000	9,374	2.34
At 31 December 2008	4,000	9,374	2.34

11. BANK BORROWINGS

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

	Group		Company	
	31.12.2008 RM'000	31.1.2008 RM'000	31.12.2008 RM'000	31.1.2008 RM'000
Non-current				
Secured term loan	12,000	–	–	–
Unsecured term loan	43,334	56,667	–	–
	55,334	56,667	–	–
Current				
Secured bank overdraft	100	–	–	–
Unsecured revolving credits	25,000	–	25,000	–
Unsecured term loans	13,333	13,333	–	–
	38,433	13,333	25,000	–

The long term borrowings are repayable as follows:

	Group		Company	
	31.12.2008 RM'000	31.1.2008 RM'000	31.12.2008 RM'000	31.1.2008 RM'000
Between 1 to 3 years	27,532	21,667	–	–
Between 3 to 5 years	20,179	35,000	–	–
After 5 years	7,623	–	–	–
	55,334	56,667	–	–

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

Interest rates

The interest rates charged for bank borrowings were based on floating rates ranging between 4.10% to 7.00% (31.1.2008: 4.10% to 4.15%) per annum.

Security

The secured bank overdraft and term loan are secured by the followings:

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

12. DEFERRED TAX LIABILITIES AND ASSETS

The recognised deferred tax liabilities are as follows:

	Group		Company	
	31.12.2008 RM'000	31.1.2008 RM'000	31.12.2008 RM'000	31.1.2008 RM'000
At 1 February 2008/18 April 2007	195,878	–	5,777	–
Additions arising from acquisitions of subsidiaries	735	192,242	–	–
Recognised in the income statement	(9,132)	3,636	(5,777)	5,777
At 31 December 2008/31 January 2008	187,481	195,878	–	5,777

Deferred tax liabilities are attributable to the following:

	Capital and agriculture allowances RM'000	Fair value/ Revaluation of assets at subsidiaries RM'000	Others RM'000	Total RM'000
Group				
At 18 April 2007	–	–	–	–
Additions arising from acquisitions of subsidiaries	107,524	84,718	–	192,242
Recognised in the income statement	4,103	(467)	–	3,636
At 31 January 2008/1 February 2008	111,627	84,251	–	195,878
Additions arising from acquisitions of subsidiaries	–	735	–	735
Recognised in the income statement	(5,118)	(4,014)	–	(9,132)
At 31 December 2008	106,509	80,972	–	187,481
Company				
At 18 April 2007	–	–	–	–
Recognised in the income statement	–	–	5,777	5,777
At 31 January 2008/1 February 2008	–	–	5,777	5,777
Recognised in the income statement	–	–	(5,777)	(5,777)
At 31 December 2008	–	–	–	–

As at 31 December 2008, subject to agreement with the Inland Revenue Board, the Group has unutilised tax losses and unabsorbed capital allowances of RM1,986,000 (31.1.2008: Nil) and RM21,000 (31.1.2008: Nil) respectively. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available in these subsidiaries against which the Group can utilise the benefits there from.

Notes to the Financial Statements

13. PAYABLES

	Note	Group		Company	
		31.12.2008 RM'000	31.1.2008 RM'000	31.12.2008 RM'000	31.1.2008 RM'000
Trade					
Trade payables	a	15,843	5,837	-	-
Amount due to ultimate holding company	a	573	-	-	-
Amount due to related companies	a	4,108	5,223	976	630
		20,524	11,060	976	630
Non-trade					
Other payables		13,315	55,860	587	35,941
Amount due to subsidiaries	b	-	-	-	27,731
		13,315	55,860	587	63,672
		33,839	66,920	1,563	64,302

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 are unsecured, interest free and have no fixed terms of repayment.

14. REVENUE

	Group		Company	
	1.2.2008 to 31.12.2008 RM'000	18.4.2007 to 31.1.2008 RM'000	1.2.2008 to 31.12.2008 RM'000	18.4.2007 to 31.1.2008 RM'000
Sales of plantation produce	393,605	216,588	-	-
Gross dividend income	-	-	93,486	109,273
Selling commission	-	-	4,659	2,471
	393,605	216,588	98,145	111,744

15. OTHER NON-OPERATING INCOME

The other non-operating income in the previous financial period was in respect of the negative goodwill of RM77,318,000 which represents the excess of the fair values of the net identifiable assets acquired over the cost of the acquisitions as at the completion date of the acquisitions of the entire equity interest in Jeroco and River Estates. In accordance with FRS 3 "Business Combination", the negative goodwill was recognised immediately in the income statement.

16. PROFIT BEFORE TAX

	Group		Company	
	1.2.2008 to 31.12.2008 RM'0000	18.4.2007 to 31.1.2008 RM'000	1.2.2008 to 31.12.2008 RM'000	18.4.2007 to 31.1.2008 RM'000
Profit before tax is arrived at after charging:				
Amortisation of prepaid lease payments	3,628	1,627	-	-
Auditors' remuneration				
- Statutory audit				
KPMG	129	54	25	25
Other auditors	-	55	-	-
- Other services				
KPMG	10	10	10	10
Affiliates of KPMG	25	10	8	3
Other auditors	-	5	-	-
Depreciation of property, plant and equipment	17,685	7,478	95	13
Equipment hiring charges	2,782	1,417	-	-
Hire of motor vehicles	128	49	128	49
Management fees	2,310	1,050	2,310	1,050
Personnel expenses (including key management personnel)				
- Contributions to Employees' Provident Fund	1,727	732	70	31
- Wages, salaries and others	41,879	16,978	583	255
Property, plant and equipment written off	25	21	-	-
Rental expenses	171	38	78	6
Replanting expenses	6,278	1,764	-	-
and after crediting:				
Gain on disposal of property, plant and equipment	30	-	-	-
Plantation management fee income	77	43	-	-
Rental income from letting of shops in estates	144	71	-	-
Insurance claim receivable	154	20	-	-

17. KEY MANAGEMENT PERSONNEL COMPENSATIONS

The key management personnel compensations are as follows:

	Group		Company	
	1.2.2008 to 31.12.2008 RM'000	18.4.2007 to 31.1.2008 RM'000	1.2.2008 to 31.12.2008 RM'000	18.4.2007 to 31.1.2008 RM'000
Directors of the Company:				
- Fees	240	98	240	98
- Remuneration	1,471	646	481	218
- Other short term employee benefits*	45	26	-	-
	1,756	770	721	316
Other Directors:				
- Fees	190	50	-	-
- Remuneration	268	173	-	-
- Other short term employee benefits*	19	9	-	-
	477	232	-	-
	2,233	1,002	721	316
Other key management personnel:				
- Remuneration	3,252	1,487	564	296
- Other short term employee benefits*	181	75	20	6
	3,433	1,562	584	302

* 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.

18. TAX EXPENSE

	Group		Company	
	1.2.2008 to 31.12.2008 RM'000	18.4.2007 to 31.1.2008 RM'000	1.2.2008 to 31.12.2008 RM'000	18.4.2007 to 31.1.2008 RM'000
Current tax expense				
- Current period's provisions	44,513	27,813	18,190	15,100
- Under/(Over) provision in prior year	71	293	(34)	-
	44,584	28,106	18,156	15,100
Deferred tax expense				
- (Reversal)/Origination of temporary differences	(1,454)	3,694	(5,777)	5,777
- Effect of change in tax rate	(7,533)	-	-	-
- Over provision in prior year	(145)	(58)	-	-
	(9,132)	3,636	(5,777)	5,777
Total tax expense	35,452	31,742	12,379	20,877
Reconciliation of effective tax expense				
Profit before tax	166,274	197,302	91,769	108,823
Tax calculated using Malaysian tax rate of 25% (31.1.2008: 26%)	41,569	51,299	22,942	28,294
Non-deductible expenses	852	342	102	46
Non-taxable income	-	-	(10,777)	(7,262)
Effect on changes in tax rate on deferred tax	(7,533)	-	-	-
Negative goodwill not subjected to income tax	-	(20,103)	-	-
Deferred tax assets not recognised during the period	497	-	-	-
Others	141	(31)	146	(201)
	35,526	31,507	12,413	20,877
(Over)/Under provision of tax in prior year	(74)	235	(34)	-
	35,452	31,742	12,379	20,877

19. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2008 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	31.12.2008 RM'000	31.1.2008 RM'000
Profit attributable to ordinary shareholders	130,822	165,560
<hr/>		
	Group	
	31.12.2008 '000	31.1.2008 '000
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares at 1 February 2008/18 April 2007	800,000	*
Effect of ordinary shares issued in the Acquisitions on 7 September 2007	–	381,488
Effect of ordinary shares for public issue on 12 November 2007	–	14,014
Effect of treasury shares held	(2)	–
<hr/>		
Weighted average number of ordinary shares at 31 December 2008/31 January 2008	799,998	395,502
<hr/>		
Basic earnings per share (sen)	16.35	41.86

* Represents 2 ordinary shares of RM1.00 each.

20. DIVIDENDS

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

	Sen per share	Total amount RM'000	Date of payment
31 December 2008			
Final 31.1.2008 ordinary	5	40,000	11 July 2008
Interim 31.12.2008 ordinary	5	40,000	23 October 2008
<hr/>			
Total amount	10	80,000	
<hr/>			
31 January 2008			
Interim 31.1.2008 ordinary	5	40,000	30 January 2008

20. DIVIDENDS (CONTINUED)

ii) Final dividend

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

	Sen per share	Total amount RM'000
Final Dividend	5	40,000

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

21. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

Credit risk

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

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

Liquidity risk

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

Interest rate risk

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

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

21. FINANCIAL INSTRUMENTS (CONTINUED)

Effective interest rate and repricing analysis

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

	Effective interest rate per annum %	Total/ Within 1 year RM'000
Group		
At 31 December 2008		
Financial asset		
Deposits with licensed banks	2.80	40,800
Financial liabilities		
Bank overdraft	6.75 – 7.00	100
Revolving credits	4.20 – 4.25	25,000
Term loans	4.10 – 6.50	68,667
At 31 January 2008		
Financial asset		
Deposits with licensed banks	2.70	63,900
Financial liability		
Term loans	4.10 - 4.15	70,000

Company

At 31 December 2008

Financial asset		
Deposits with licensed banks	2.80	23,500
Financial liability		
Revolving credits	4.20 – 4.25	25,000

At 31 January 2008

Financial asset		
Deposits with licensed banks	2.70	40,000

Fair values

Recognised financial instruments

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

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

22. CAPITAL COMMITMENTS

	Group	
	31.12.2008	31.1.2008
	RM'000	RM'000
Capital expenditure		
Approved but not contracted for	35,770	29,942
Contracted but not provided for	17,852	9,294
	53,622	39,236

23. LEASE COMMITMENTS

The future lease payments under non-cancellation operating lease for the Group and the Company are due within one year and amounted to RMNil (31.1.2008: RM127,387).

24. SIGNIFICANT RELATED PARTIES TRANSACTIONS

(i) Identity of related parties

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

(ii) Transactions with key management personnel

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

(a) Key management personnel compensation

Key management personnel compensation is disclosed in Note 17.

24. SIGNIFICANT RELATED PARTIES TRANSACTIONS (CONTINUED)

(ii) Transactions with key management personnel

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

	Transaction value 1.2.2008 to 31.12.2008 RM'000 Revenue/ (Expense)	Balance outstanding as at 31.12.2008 RM'000 Due to/ (from)	Transaction value 18.4.2007 to 31.1.2008 RM'000 Revenue/ (Expense)	Balance outstanding as at 31.1.2008 RM'000 Due to/ (from)
Group				
Firm connected to Datuk Edward Lee Ming Foo, JP a Director of the Company: Corporated International Consultants				
Project consultancy fee payable	(1,004)	133	(608)	251
Firm connected to Datuk Simon Shim Kong Yip, JP a Director of the Company: Shim Pang & Co				
Legal fees	(250)	-	(750)	-
Foundation connected to Datuk Edward Lee Ming Foo, JP a Director of the Company: Lau Gek Poh Foundation				
Donations	(2,000)	-	-	-
<hr/>				
Company				
Firm connected to Datuk Simon Shim Kong Yip, JP a Director of the Company: Shim Pang & Co				
Legal fees	(250)	-	(750)	-
Foundation connected to Datuk Edward Lee Ming Foo, JP a Director of the Company: Lau Gek Poh Foundation				
Donations	(2,000)	-	-	-

24. SIGNIFICANT RELATED PARTIES TRANSACTIONS (CONTINUED)

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

	Transaction value 1.2.2008 to 31.12.2008 RM'000 Revenue/ (Expense)	Balance outstanding as at 31.12.2008 RM'000 Due to/ (from)	Transaction value 18.4.2007 to 31.1.2008 RM'000 Revenue/ (Expense)	Balance outstanding as at 31.1.2008 RM'000 Due to/ (from)
Group				
Ultimate holding company, Gek Poh				
Insurance expenses	(1,697)	573	(572)	-
Immediate holding company, HSCB and its subsidiaries				
Management fees	(2,310)	630	(1,050)	630
Dividend paid	(41,241)	-	(20,621)	-
Plantation management income	77	(18)	43	(9)
Rental expense	(171)	-	(31)	1
Purchase of vehicles and spare parts	(4,078)	883	(1,070)	7
Purchase of fertilisers and chemicals	(53,792)	1,051	(12,509)	2,524
Contract expenses	(2,834)	107	(9,080)	78
Purchase of diesel, petrol and lubricant	(18,834)	1,514	(6,869)	1,878
Purchase of hardware	(673)	9	-	-

24. SIGNIFICANT RELATED PARTIES TRANSACTIONS (CONTINUED)

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

	Transaction value 1.2.2008 to 31.12.2008 RM'000 Revenue/ (Expense)	Balance outstanding as at 31.12.2008 RM'000 Due to/ (from)	Transaction value 18.4.2007 to 31.1.2008 RM'000 Revenue/ (Expense)	Balance outstanding as at 31.1.2008 RM'000 Due to/ (from)
Company				
Ultimate holding company, Gek Poh				
Insurance expenses	(1)	–	(2)	–
Immediate holding company, HSCB and its subsidiaries				
Management fees	(2,310)	630	(1,050)	630
Dividend paid	(41,241)	–	(20,621)	–
Rental expense	(78)	–	(6)	–
Purchase of vehicles and spare parts	(396)	346	–	–
Subsidiaries				
Dividend income	93,486	–	109,273	(45,262)
Selling commission	4,659	(447)	2,471	(588)

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

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

25. SEGMENTAL REPORTING

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

26. SIGNIFICANT EVENTS DURING THE PERIOD

- a) On 12 June 2008, the Company entered into a conditional sale of shares agreement ["SSA"] to acquire the entire issued and paid-up share capital of Hap Seng Plantations (Kota Marudu) Sdn. Bhd. (*formerly known as Bumilaju Construction Sdn. Bhd.*) ["HSP(KM)"] comprising 1,000,000 ordinary shares of RM1.00 each at a purchase consideration of RM27 million on the terms and conditions contained in the SSA.

On 29 August 2008, the Company completed the acquisition of HSP(KM) and HSP(KM) became a wholly-owned subsidiary of the Company on even date. HSP(KM) is principally involved in the cultivation of oil palm.

- b) On 4 July 2008, the Company acquired the entire issued and paid-up share capital of Hap Seng Plantations Livestocks (Kota Marudu) Sdn. Bhd. (*formerly known as Oriental Continent Sdn. Bhd.*) ["HSPL(KM)"] comprising 2 ordinary shares of RM1.00 each at a purchase consideration of RM2. HSPL(KM) commenced operation in livestock farming on 29 August 2008.

27. CHANGE IN FINANCIAL YEAR END

The Company had changed its financial year end from 31 January to 31 December to be coterminous with the financial year end of its holding company. Consequently, the current financial statements of the Group and Company are for a period of 11 months from 1 February 2008 to 31 December 2008. The comparative figures of the Group were in respect of the post acquisition results of the Group from the completion date of the acquisitions of its plantation subsidiaries on 7 September 2007 to 31 January 2008 whilst the comparative figures for the Company were in respect of the period from 18 April 2007 (date of incorporation) to 31 January 2008. The next financial statements will be a period of 12 months commencing from 1 January 2009.

Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 55 to 88 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2008 and of their financial performance and cash flows for the period then ended.

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



Datuk Edward Lee Ming Foo, JP



Au Yong Siew Fah

Kuala Lumpur
26 March 2009

Statutory Declaration

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

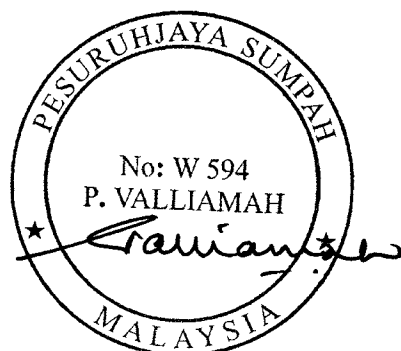
I, Soon Seong Keat, the Director primarily responsible for the financial management of Hap Seng Plantations Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 55 to 88 are, to the best of my knowledge and belief, correct and I make this solemn declaration 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 26 March 2009.



Soon Seong Keat

Before me:



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

Independent Auditors' Report

to the members of Hap Seng Plantations Holdings Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hap Seng Plantations Holdings Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 55 to 88.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the period then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

OTHER MATTERS

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



KPMG

Firm Number: AF 0758
Chartered Accountants



Lee Hean Kok

Approval Number: 2700/12/09 (J)
Chartered Accountant

26 March 2009
Sandakan

Other Information

1. PARTICULARS OF SANCTIONS AND/OR PENALTIES IMPOSED

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

2. MATERIAL CONTRACTS

There were no material contracts involving the Company and its subsidiaries with directors' and/or major shareholders' interest, either still subsisting at the end of the financial period, or if not subsisting, entered into since the end of the financial period ended 31 December 2008, except for the following:-

- i. Related Party Transactions during the financial period ended 31 December 2008 entered in the ordinary course of business and on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority interests, have been disclosed in Note 24 to the Financial Statements.

The Company will be seeking Shareholders' Mandate for Recurrent Related Party Transactions at an Extraordinary General Meeting which will be convened on 26 May 2009 immediately after the conclusion of the Annual General Meeting to be held on the same date.

3. REVALUATION POLICY ON LANDED PROPERTIES

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

Particulars of Group's Properties

Location	Land title	Area (hectares)	Description	Date of acquisition	Tenure	Expiry date	Approximate age of buildings (years)	Net book value at 31/12/2008 RM'000
SABAH								
KINABATANGAN, LAHAD DATU								
Tomanggong Estate	Lease No. 095310017	347.00	Oil palm plantation	September 2007	Leasehold 99 years	2067	-	946,129
	CL 095324897	567.80	Jungle land, not cultivated yet	September 2007	Leasehold 99 years	2094	-	
	CL 095316304	3,971.77 3.23	Oil palm plantation & buildings Tomanggong Palm Oil Mill	September 2007	Leasehold 999 years	2894	3 - 42 39	
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	3 - 25	
Tagas Estate	24 various Native titles *	124.00	Not cultivated	September 2007	Leasehold 99 years	2098 2097	-	
	Lease No. 095310017	1,422.89	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2067	3 - 33	
	CL 075359438	587.74	Oil palm plantation	September 2007	Leasehold 99 years	2076	-	
Litang Estate	CL 075359456	146.90	Oil palm plantation	September 2007	Leasehold 99 years	2076	-	
	CL 075359447	262.92	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2076	4 - 26	
	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	3 - 17	
	CL 095317614	1,331.00	Oil palm plantation	September 2007	Leasehold 99 years	2089	-	
Bukit Mas Estate	CL 095317614	3,704.90 8.10	Oil palm plantation & buildings Bukit Mas Palm Oil Mill	September 2007	Leasehold 99 years	2089	4 - 15 10	
	CL 095316340	1,020.00	Oil palm plantation & buildings	September 2007	Leasehold 999 years	2887	3 - 14	

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 31/12/2008 RM'000
KINABATANGAN, LAHAD DATU								
Batangan Estate	CL 095311005	1,991.94	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	3 - 27	695,131
	CL 095311014	1,640.94	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	3 - 27	
Lutung Estate	CL 095311014	2,406.00	Oil palm plantation & buildings & Jelutung	September 2007	Leasehold 99 years	2078	8 - 19	
	CL 095332264	5.98	Oil palm plantation	September 2007	Leasehold 99 years	2098	-	
	CL 095332282	15.18	Oil palm plantation	September 2007	Leasehold 99 years	2099	-	
	CL 095332291	15.17	Oil palm plantation	September 2007	Leasehold 99 years	2099	-	
	CL 095332273	6.07	Oil palm plantation	September 2007	Leasehold 99 years	2098	-	
Lokan Estate	CL 095311005 **	1,968.00	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	8	
	CL 095310973	1,187.39	Oil palm plantation & buildings Air control tower	September 2007	Leasehold 99 years	2078	8 - 13	
Kapis Estate	CL 095310973	2,668.85 12.15	Oil palm plantation & buildings Jeroco Palm Oil Mill I & II	September 2007	Leasehold 99 years	2078	6 - 22 12 - 21	
Lungmanis Estate	CL 095310973	2,200.00	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	8 - 14	
Wecan Estate	CL 095317427	1,078.00	Oil palm plantation	September 2007	Leasehold 99 years	2084	-	49,156
Tampilit Estate	CL 095317418	201.70	Oil palm plantation	September 2007	Leasehold 99 years	2084	-	9,089
KOTA MARUDU								
Pelipikan Estate, Kg Natu	CL 225326170	403.10	Oil palm plantation & buildings	August 2008	Leasehold 99 years	2102	1 - 9	43,832
	CL 225319013	323.60	Oil palm plantation & buildings	August 2008	Leasehold 99 years	2101		

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 31/12/2008 RM'000
TAWAU								
Apas Claremont Estate	Lease No. 105319775	185.95	Oil palm plantation	September 2007	Leasehold 99 years	2058	-	60,475
	CL 105350909	105.50	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2058	5 - 27	
	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	27	
	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	27	60,475
	Lease No. 105320161	194.13	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2068	27	
	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	27		
Total		38,357						1,803,812

* Native land in Tabin Estate which were subleased to Hap Seng Plantations (River Estates) Sdn. Bhd.

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

Analysis of Shareholding

as at 1 April 2009

Authorised Share Capital	:	RM1,000,000,000
Issued and Fully Paid-up Capital	:	RM800,000,000
Class of Shares	:	Ordinary Share of RM1.00 each
Voting Rights	:	One Vote per Ordinary Share
Number of Shareholders	:	11,814

DISTRIBUTION OF SHAREHOLDERS

Size of Holding	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
1 to 99	103	0.872	2,742	#
100 to 1,000	4,206	35.602	3,266,049	0.408
1,001 to 10,000	6,019	50.948	25,258,222	3.157
10,001 to 100,000	1,329	11.249	38,164,197	4.771
100,001 to less than 5% of issued shares	154	1.304	158,334,690	19.792
5% & above of issued shares	3	0.025	574,970,100	71.872
Total	11,814	100.000	799,996,000	100.000

* The number of 799,996,000 ordinary shares was arrived at after deducting the number of 4,000 treasury shares retained by the Company from the original issued and paid-up share capital of 800,000,000 ordinary shares of the Company

Negligible

LIST OF 30 LARGEST SHAREHOLDERS

	Shareholding	%
1. Hap Seng Consolidated Berhad	412,413,000	51.551
2. Innoprise Corporation Sdn. Bhd.	119,978,000	14.997
3. Lembaga Tabung Haji	42,579,100	5.322
4. Employees Provident Fund Board	33,376,800	4.172
5. Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Amanah Saham Wawasan 2020	13,083,000	1.635
6. RHB Capital Nominees (Asing) Sdn. Bhd. - Kowa Company Ltd (J)	10,813,000	1.351
7. Cartaban Nominees (Asing) Sdn. Bhd. - State Street Australia Fund UAJB for Unifund (HTSG as Trustee)	8,264,900	1.033
8. Koperasi Permodalan Felda Berhad	7,934,900	0.991
9. Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Amanah Saham Didik	7,778,900	0.972
10. Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Skim Amanah Saham Bumiputera	7,099,583	0.887
11. Lembaga Tabung Angkatan Tentera	4,264,700	0.533
12. Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Amanah Saham Malaysia	4,000,000	0.500
13. MCIS Zurich Insurance Berhad	3,303,000	0.412
14. Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Sekim Amanah Saham Nasional	3,213,500	0.401
15. Amsec Nominees (Tempatan) Sdn. Bhd. - Fulcrum Asset Management Sdn. Bhd. for Arab-Malaysian (CSL) Sdn. Bhd.	3,000,000	0.375
16. Mayban Nominees (Tempatan) Sdn. Bhd. - Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100)	2,558,200	0.319
17. HSBC Nominees (Asing) Sdn. Bhd. - Exempt AN for JPMorgan Chase Bank, National Association (Jersey)	2,539,700	0.317

Analysis of Shareholding

LIST OF 30 LARGEST SHAREHOLDERS (continued)

	Shareholding	%
18. Cartaban Nominees (Asing) Sdn. Bhd. - Government of Singapore Investment Corporation Pte. Ltd. for Government of Singapore (C)	2,235,900	0.279
19. Cimsec Nominees (Tempatan) Sdn. Bhd. - CIMB Bank for Koh Kin Lip (MY0502)	2,000,000	0.250
20. Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Public Growth Fund	1,999,600	0.249
21. Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Public Islamic Sector Select Fund	1,620,000	0.202
22. Kumpulan Wang Simpanan Pekerja	1,500,000	0.187
23. Permodalan Nasional Berhad	1,391,200	0.173
24. HSBC Nominees (Asing) Sdn. Bhd. - BNY Lux for International Opportunities Fund - Malaysia Equity	1,022,000	0.127
25. Cartaban Nominees (Tempatan) Sdn. Bhd. - Corston-Smith Asset Management Sdn. Bhd. for Corston-Smith Asean Corporate Governance Fund	1,016,000	0.127
26. Cimsec Nominees (Tempatan) Sdn. Bhd. - CIMB for Kumpulan RZA Sdn. Bhd. (PB)	1,000,000	0.125
27. Alliancegroup Nominees (Tempatan) Sdn. Bhd. - Pheim Asset Management Sdn. Bhd. for Employees Provident Fund	982,600	0.122
28. Perbadanan Usahawan Johor Sdn. Bhd.	887,000	0.110
29. Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Amanah Saham Nasional 2	875,000	0.109
30. Amanah Saham Mara Berhad	850,000	0.106
Total	703,579,583	87.934

SUBSTANTIAL SHAREHOLDERS

	Direct	Shareholding		%
		%	Indirect	
Hap Seng Consolidated Berhad	412,413,000	51.551	-	-
Innoprise Corporation Sdn. Bhd.	119,978,000	14.997	-	-
Lembaga Tabung Haji	42,579,100	5.322		
Gek Poh (Holdings) Sdn. Bhd.	-	-	412,413,000 ⁽¹⁾	51.551
Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	412,413,000 ⁽²⁾	51.551

Notes:

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

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

Directors' Shareholding

as at 1 April 2009

Company	Direct Shareholding		Indirect Shareholding	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Hap Seng Plantations Holdings Berhad ("HSP")				
Tan Sri Ahmad Bin Mohd Don	20,000	0.0025	–	–
Datuk Edward Lee Ming Foo, JP	110,000	0.0138	–	–
Soon Seong Keat	170,000	0.0213	75,000 *	0.0094
Au Yong Siew Fah	163,000	0.0204	–	–
Tan Sri Abdul Hamid Egoh	110,000	0.0138	–	–
Dato' Jorgen Bornhoft	100,000	0.0125	–	–
Datuk Simon Shim Kong Yip, JP	180,000	0.0225	–	–
Wong Yuen Kuai Lucien	110,000	0.0138	50,000 *	0.0063
Related Corporation				
	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
Hap Seng Consolidated Berhad ("HSCB")				
Au Yong Siew Fah	127,000	0.0225	–	–

⁽¹⁾ For the purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,996,000 which was arrived at by deducting 4,000 treasury shares held by HSP from its issued and paid-up capital of 800,000,000.

⁽²⁾ For the purpose of computing the percentage of HSCB shareholding above, the number of ordinary shares used was 563,527,500 which was arrived at by deducting 59,132,500 treasury shares held by HSCB from its issued and paid-up capital of 622,660,000.

* Held through their respective spouse.

Share Buy-Back Summary

Month	No. of shares purchased and retained as treasury shares	Lowest price paid per share (RM)	Highest price paid per share (RM)	Average cost per share (RM)	Total cost (RM)
Feb-08	-	-	-	-	-
Mar-08	-	-	-	-	-
Apr-08	-	-	-	-	-
May-08	-	-	-	-	-
Jun-08	2,000	3.10	3.10	3.1244	6,248.86
Jul-08	-	-	-	-	-
Aug-08	-	-	-	-	-
Sep-08	-	-	-	-	-
Oct-08	-	-	-	-	-
Nov-08	2,000	1.54	1.54	1.5625	3,124.93
Dec-08	-	-	-	-	-
TOTAL	4,000	1.54	3.10	2.3434	9,373.79

During the financial period, all the repurchased shares by the Company were retained as treasury shares. None of the treasury shares were resold or cancelled during the financial period. Consequently, the balance cumulative treasury shares held as at 31 December 2008 were 4,000.

Plantation Statistics

	Financial Period ended 31.12.2008 (11 months)	Financial Period ended 31.1.2008 (From date of completion 7.9.2007)
CROP PRODUCTION - TONNES		
FFB	673,131	358,794
PROCESSED - TONNES		
FFB	656,225	349,001
Palm Oil	141,464	76,119
Palm Kernel	31,900	16,987
EXTRACTION RATE - %		
Palm Oil	21.56	21.81
Palm Kernel	4.86	4.87
MATURE AREA - HECTARES		
Oil Palm		
Young mature (30 months to less than 7 years)	1,329	2,034
Prime mature (7 years to less than 17 years)	19,008	20,637
Mature (17 years onwards)	11,030	8,489
Total mature area	31,367	31,160
AVERAGE YIELD - TONNES/HECTARE		
Yield per mature hectare	21.46	11.51
Oil per mature hectare	4.51	2.44
AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE		
FFB	579	628
Palm Oil	2,314	2,242
Palm Kernel	1,449	1,667
TAXES APPLICABLE TO PLANTATION INDUSTRY RM'000		
MPOB cess	2,171	1,142
Sabah sales tax	28,414	16,625
Cooking oil stabilisation cess	11,081	9,957
Windfall tax	2,437	-
Total taxes paid	44,103	27,724

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2008

	River Estates Group	Jeroco	HSP (KM)	Total Group
Oil Palm				
Mature	19,229	11,558	580	31,367
Immature	1,243	1,154	18	2,415
Total Oil Palm	20,472	12,712	598	33,782
Other crop	-	86	-	86
Total planted area	20,472	12,798	598	33,868
Reserves	907	18	-	925
Buildings, roads etc	2,134	1,301	129	3,564
Grand Total	23,513	14,117	727	38,357

Conversion Rate : 1 Hectare = 2.4710 Acres

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FORM OF PROXY

No. of shares	CDS Account No.

I/We NRIC/Passport No.

of Tel No.

being a member(s) of the above-mentioned Company, hereby appoint

.....

NRIC/Passport No.

of Tel No.

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Second Annual General Meeting of the Company to be held at the Auditorium, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Tuesday, 26 May 2009 at 2.00 p.m. or at any adjournment thereof, on the following resolutions referred to in the Notice of Annual General Meeting:-

RESOLUTION	1	2	3	4	5	6	7	8
FOR								
AGAINST								

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

Signed this day of 2009

.....
Signature / Common Seal of appointor

Notes:

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



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Postage

THE COMPANY SECRETARY
HAP SENG PLANTATIONS HOLDINGS BERHAD

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

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