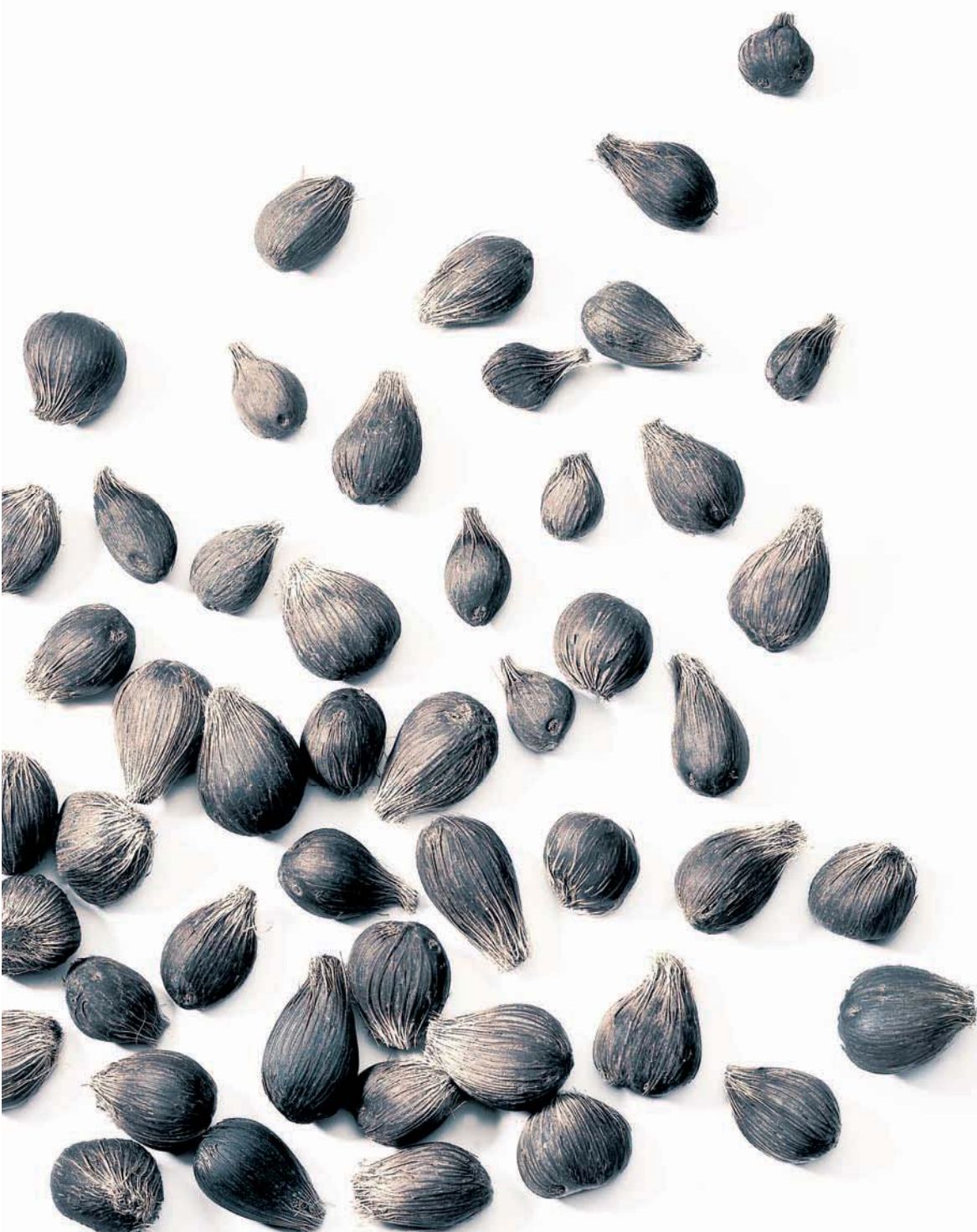


Seeds of Success



HAP SENG PLANTATIONS HOLDINGS BERHAD

Incorporated In Malaysia (769962-K)





Contents

| | | |
|-----------|-----------------------------------|--|
| 3 | Notice of Annual General Meeting | |
| 6 | Corporate Information | |
| 8 | Board of Directors' Profile | |
| 17 | Statement of Corporate Governance | |
| 25 | Statement on Internal Control | |
| 28 | Board Committees | |
| 36 | Chairman's Statement | |
| 42 | Corporate Social Responsibility | |
| 44 | Financial Statements | |
| 91 | Other Information | |
| 92 | Particulars of Group's Properties | |
| 95 | Analysis of Shareholding | |
| 97 | Directors' Shareholding | |
| 98 | Plantation Statistics | |
| | Proxy Form | |



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the First Annual General Meeting of Hap Seng Plantations Holdings Berhad will be held at the Ballroom, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 24 June 2008 at 10.00 a.m. to transact the following:-

AS ORDINARY BUSINESS:

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

- | | |
|--|----------------------|
| 1. To adopt the Audited Financial Statements for the financial period ended 31 January 2008 together with the Reports of Directors and Auditors thereon. | Resolution 1 |
| 2. To declare a final tax exempt dividend of 5.0 sen per ordinary share of RM1.00 each for the financial period ended 31 January 2008 as recommended by the Directors. | Resolution 2 |
| 3. To approve the annual aggregate directors' fees of RM350,000.00 to be divided and paid amongst the Directors in such manner as the Directors may determine. | Resolution 3 |
| 4. 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 over the age of seventy years and retiring in accordance with Section 129 (2) 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." | Resolution 4 |
| 5. To re-elect Mr. Edward Lee Ming Foo 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. Soon Seong Keat who retires as Director of the Company pursuant to Article 112 of the Company's Articles of Association. | Resolution 6 |
| 7. 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 7 |
| 8. To re-elect Tan Sri Ahmad bin Mohd Don who retires as Director of the Company pursuant to Article 112 of the Company's Articles of Association. | Resolution 8 |
| 9. To re-elect Dato' Jorgen Bornhoft who retires as Director of the Company pursuant to Article 112 of the Company's Articles of Association. | Resolution 9 |
| 10. To re-elect Datuk Simon Shim Kong Yip who retires as Director of the Company pursuant to Article 112 of the Company's Articles of Association. | Resolution 10 |
| 11. To re-elect Mr. Wong Yuen Kuai, Lucien who retires as Director of the Company pursuant to Article 112 of the Company's Articles of Association. | Resolution 11 |
| 12. To re-elect Mr. Patrick Houghton Wale who retires as Director of the Company pursuant to Article 112 of the Company's Articles of Association. | Resolution 12 |
| 13. 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 13 |



Notice of Annual General Meeting

AS SPECIAL BUSINESS:

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

14. 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 14

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

By Order of the Board

Cheah Yee Leng (LS 7848)
Company Secretary

Kuala Lumpur
30 May 2008

Notes:

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

2. **EXPLANATORY NOTES FOR ORDINARY RESOLUTION 14**
Authority to allot and issue shares pursuant to Section 132D of the Companies Acts, 1965

The proposed Ordinary Resolution 14, 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 Annual General Meeting

NOTICE OF FINAL DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that a final tax exempt dividend of 5.0 sen per ordinary share of RM1.00 each under the single-tier system pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967 in respect of the financial period ended 31 January 2008, if approved by the shareholders at the First Annual General Meeting, will be payable on 11 July 2008 to the shareholders whose names appear on the Company's Record of Depositors at the close of business on 2 July 2008.

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

- (a) shares transferred into the depositor's securities account before 4.00pm on 2 July 2008 in respect of transfers; and
- (b) shares bought on the Bursa Malaysia Securities Berhad ["Bursa Securities"] on cum entitlement basis according to the Rules of the Bursa Securities.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.28(2) 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 15 | Refer to page 97 |
| Mr. Edward Lee Ming Foo | Page 9 | Refer to page 97 |
| Mr. Soon Seong Keat | Page 10 | Refer to page 97 |
| Mr. Au Yong Siew Fah | Page 11 | Refer to page 97 |
| Tan Sri Ahmad Bin Mohd Don | Page 8 | Refer to page 97 |
| Dato' Jorgen Bornhoft | Page 12 | Refer to page 97 |
| Datuk Simon Shim Kong Yip | Page 16 | Refer to page 97 |
| Mr. Wong Yuen Kuai, Lucien | Page 13 | Refer to page 97 |
| Mr. Patrick Houghton Wale | Page 14 | No shareholdings |



Board of Directors

1 Tan Sri Ahmad bin Mohd Don
Independent Non-Executive Chairman

2 Edward Lee Ming Foo, JP
Managing Director

3 Soon Seong Keat
Executive Director

4 Au Yong Siew Fah
Executive Director

5 Dato' Jorgen Bornhoft
Independent Non-Executive Director

6 Wong Yuen Kuai, Lucien
Independent Non-Executive Director

7 Tan Sri Abdul Hamid Egoh
Non-Executive Director

8 Datuk Simon Shim Kong Yip, PJN, JP
Non-Executive Director

9 Patrick Houghton Wale
Independent Non-Executive Director



Company Secretary

Cheah Yee Leng (LS 7848)

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

Place of Incorporation

Malaysia

Share Registrar

PFA Registration Services Sdn Bhd (19234-W)
Level 13, Uptown 1, No. 1, Jalan SS21/58
Damansara Uptown, 47400 Petaling Jaya
Tel : 03 - 7718 6000 Fax : 03 - 7722 2311

Auditors

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

Principal Bankers

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



Board of Directors' Profile



TAN SRI AHMAD BIN MOHD DON

Independent Non-Executive Chairman

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, all 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 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 Pernas Securities Sdn Bhd, Permodalan Nasional Berhad and Malayan Banking Berhad. He served as the Group Managing Director and Chief Executive Officer of Malayan Banking Berhad from 1991 to 1994 and was the Governor of Bank Negara Malaysia from May 1994 to August 1998.

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

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

He attended one (1) out of two (2) Board Meetings held during the period from his appointment to the end of the financial period ended 31 January 2008.

Board of Directors' Profile

EDWARD LEE MING FOO

Managing Director



Edward Lee Ming Foo, JP, a Malaysian, aged 53, was first appointed as an Executive Director of Hap Seng Plantations Holdings Berhad ("HSP") on 15 May 2007 and was subsequently appointed the Managing Director on 18 September 2007. He is also a member of the Remuneration Committee, which is a sub-committee of the Board.

Mr. 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 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.

Mr. 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 with 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.

Mr. 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 two (2) of the Board Meetings held during the period from his appointment to the end of the financial period ended 31 January 2008.

Board of Directors' Profile



SOON SEONG KEAT

Executive Director

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

He is also an Executive Director and the Group Chief Financial Officer of Malaysian Mosaics Berhad and Hap Seng Consolidated Berhad, the immediate holding company of HSP, all of which 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.

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.

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 two (2) of the Board Meetings held during the period from his appointment to the end of the financial period ended 31 January 2008.

Board of Directors' Profile

AU YONG SIEW FAH

Executive Director



Au Yong Siew Fah, a Malaysian, aged 57, was appointed as an Executive Director of Hap Seng Plantations Holdings Berhad ("HSP") on 31 July 2007. He is also the Chief Executive, Group Plantations of the Hap Seng Consolidated Berhad ("HSCB") Group.

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-eight (38) 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.

Mr. Au Yong 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 two (2) of the Board Meetings held during the period from his appointment to the end of the financial period ended 31 January 2008.

Board of Directors' Profile



DATO' JORGEN BORNHOFT

Independent Non-Executive Director

Dato' Jorgen Bornhoft, a Dane, aged 66, 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 Committee, all of which are sub-committees of the Board.

Presently, 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 (formerly known as ABN AMRO Bank 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 one (1) out of two (2) Board Meetings held during the period from his appointment to the end of the financial period ended 31 January 2008.

WONG YUEN KUAI, LUCIEN

Independent Non-Executive Director



Wong Yuen Kuai, Lucien, a Singaporean, aged 54, was appointed as an Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad on 9 August 2007.

Mr. Wong is also a board member of the Monetary Authority of Singapore, the Maritime and Port Authority of Singapore and a member of the Board of Trustees for SingHealth Endowment Fund 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.

Currently, he is the Managing Partner of Allen & Gledhill LLP. 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 two (2) of the Board Meetings held during the period from his appointment to the end of the financial period ended 31 January 2008.

Board of Directors' Profile



PATRICK HOUGHTON WALE

Independent Non-Executive Director

Patrick Houghton Wale, British, aged 63, was appointed as an Independent Non-Executive Director of Hap Seng Plantations Holdings Berhad on 1 April 2008. On the same day, he was also appointed as a member of the Audit Committee, a sub-committee of the Board.

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

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

He did not attend any Board Meetings held during the financial period ended 31 January 2008 as he was appointed subsequent to the end of the financial period.

TAN SRI ABDUL HAMID EGOH

Non-Independent Non-Executive Director



Tan Sri Abdul Hamid Egoth, 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 currently 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. Presently, he is also a director of Hap Seng (Oil & Transport) Sdn Bhd and a consultant to Hap Seng Auto Sdn Bhd, both of which are wholly owned subsidiaries of the immediate holding company, Hap Seng Consolidated Berhad.

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 Secretary of Defence for Sabah until 1971. He served as Under Secretary of the State of Sabah between 1971 to 1975 and assumed the position of State Secretary of Sabah from 1975 to 1988.

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

He attended all two (2) of the Board Meetings held during the period from his appointment to the end of the financial period ended 31 January 2008.

Board of Directors' Profile



DATUK SIMON SHIM KONG YIP

Non-Independent Non-Executive Director

Datuk Simon Shim Kong Yip, PJN, 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, all 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, a Justice of the Peace, a Fellow of the Chartered Institute of Arbitrators and 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 currently 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 all two (2) of the Board Meetings held during the period from his appointment to the end of the financial period ended 31 January 2008.

Statement of Corporate Governance



The Board of Directors of Hap Seng Plantations Holdings Berhad is pleased to report in its inaugural Annual Report 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.

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 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 shall meet at least four (4) times a year and additional Board meetings are convened as necessary with due notice of issues to be discussed.

The present Board was formed on 9 August 2007 and the Company was listed on the Main Board of Bursa Securities on 16 November 2007. A total of three (3) meetings were held during the financial period since incorporation. Minutes of meetings (including deliberations by the Board of issues discussed and their conclusions thereof) are recorded by the Company Secretary.

On 1 April 2008, Mr. Patrick Houghton Wale was appointed to the Board as Independent Non-Executive Director based on the recommendation of the Nominating Committee.

Statement of Corporate Governance

The Board (continued)

The attendance of the Directors at Board Meetings held since its incorporation up to the financial period ended 31 January 2008 are as follows:

| Directors | No. of Meetings Attended |
|--|--------------------------|
| Tan Sri Ahmad Bin Mohd Don <i>(appointed as Independent Non-Executive Director on 9 August 2007 and Chairman on 18 September 2007)</i> | 1* |
| Mr. Edward Lee Ming Foo, JP <i>(appointed as Executive Director on 15 May 2007 and Managing Director on 18 September 2007)</i> | 2* |
| Mr. Soon Seong Keat <i>(appointed as Executive Director on 15 May 2007)</i> | 2* |
| Mr. Au Yong Siew Fah <i>(appointed as Executive Director on 31 July 2007)</i> | 2* |
| Dato' Jorgen Bornhoft <i>(appointed as Independent Non-Executive Director on 9 August 2007)</i> | 1* |
| Mr. Wong Yuen Kuai, Lucien <i>(appointed as Independent Non-Executive Director on 9 August 2007)</i> | 2* |
| Datuk Simon Shim Kong Yip, PJN, JP <i>(appointed as Non-Independent Non-Executive Director on 9 August 2007)</i> | 2* |
| Tan Sri Abdul Hamid Egoh <i>(appointed as Non-Independent Non-Executive Director on 9 August 2007)</i> | 2* |
| Mr. Patrick Houghton Wale <i>(appointed as Independent Non-Executive Director on 1 April 2008)</i> | ** |
| Mdm Lim Guan Nee <i>(appointed on date of incorporation and resigned on 15 May 2007)</i> | 1 |
| Mr. Ou Chee Voi <i>(appointed on date of incorporation and resigned on 15 May 2007)</i> | 1 |

* Appointed after the first Board meeting held on 19 April 2007 and have attended at least 50% of the meetings held after their appointment to the Board.

** Appointed to the Board subsequent to the financial period ended 31 January 2008.

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 8 to 16.

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

The Board from time to time 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 28 to 35.

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

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

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



Statement of Corporate Governance

Appointments to the Board

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

The Nominating Committee will review to satisfy themselves that the size of the Board is optimum and that there is appropriate mix of skills and core competencies in the composition of the Board. In each financial year, the Nominating Committee will also review to satisfy themselves that all the Directors receive appropriate training.

Terms of reference of the Nominating Committee are detailed on pages 34 to 35.

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 person who is capable of carrying out the duties in which the post entails, providing effective support to the Chairman of the Board to ensure the effective functioning of the Board. His removal is a matter for the Board as a whole.

Re-election

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 ("AGM") 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 every three (3) years from the date of appointment or last re-election but shall be eligible for re-election by shareholders.

Statement of Corporate Governance

Directors' Training and Education

On joining, all new Directors are given background information describing the Company and its activities. Site visits are arranged whenever necessary. All new Directors are required to attend the "Mandatory Accreditation Programme" organised by such body corporate as may be approved by Bursa Securities within four (4) months from the date of appointment. All the Directors have completed the Mandatory Accreditation Programme ("MAP") as specified by Bursa Securities except for Mr. Patrick Houghton Wale who will be making arrangement to attend the said MAP within the stipulated timeframe. 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.

Apart from the Mandatory Accreditation Programme, the Directors have during the financial period ended 31 January 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 | Dialogue Session with Securities Commission and Bursa Malaysia - Challenges faced in discharging duties as directors of a public listed company | day |
| Mr. Edward Lee Ming Foo | Financial seminar on "Asian Market & Real Estate Outlook" | 3 hours |
| | Dialogue Session with Securities Commission and Bursa Malaysia - Challenges faced in discharging duties as directors of a public listed company | day |
| Mr. Soon Seong Keat | Bursa Malaysia-MAICSA Roadshow 2007 "Updates on Listing Requirements: Issues and Challenges" | 1 day |
| | Dialogue Session with Securities Commission and Bursa Malaysia - Challenges faced in discharging duties as directors of a public listed company | day |
| Mr. Au Yong Siew Fah | Dialogue Session with Securities Commission and Bursa Malaysia - Challenges faced in discharging duties as directors of a public listed company | day |
| | 5 th Roundtable Conference on Sustainable Palm Oil | 2 days |
| Tan Sri Abdul Hamid Egoh | Dialogue Session with Securities Commission and Bursa Malaysia - Challenges faced in discharging duties as directors of a public listed company | day |
| Dato' Jorgen Bornhoft | Bursa Malaysia- "Corporate Social Responsibility" | day |
| | Bursa Malaysia-MAICSA Roadshow 2007 "Updates on Listing Requirements: Issues and Challenges" | 1 day |
| | Dialogue Session with Securities Commission and Bursa Malaysia - Challenges faced in discharging duties as directors of a public listed company | day |
| Mr. Wong Yuen Kuai, Lucien | <i>Due to the short interval between the listing of the Company on 16 November 2007 and the financial year-end of the Company on 31 January 2008, Mr. Wong had accorded priority to attend to the Mandatory Accreditation Program on 26-27 February 2008. He will continue to assess his training needs on a regular basis to ensure compliance with the Bursa Securities Listing Requirements.</i> | - |
| Datuk Simon Shim Kong Yip | Cambridge Symposium on Economic Crimes | 7 days |

Statement of Corporate Governance

DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration

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

Procedure

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

Terms of reference and responsibilities of the Remuneration Committee are detailed on pages 32 to 33.

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 January 2008 is as follows:

| Category | Fees RM'000 | Salaries and Other Emoluments RM'000 | Benefits in Kind RM'000 | Total Remuneration RM'000 |
|---------------|----------------|---|----------------------------|------------------------------|
| Executive | - | 646 | 26 | 672 |
| Non-Executive | 98 | - | - | 98 |

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

| Remuneration Range | No. of Directors |
|--------------------------------|------------------|
| Executive Directors | |
| RM 50,000 - RM 100,000 | 1 |
| RM 100,000 - RM 150,000 | 1 |
| RM 150,000 - RM 400,000 | - |
| Above RM 400,000 | 1 |
| Non-Executive Directors | |
| Less than RM 20,000 | 4 |
| Above RM 20,000 | 1 |

Statement of Corporate Governance



Disclosure (continued)

Remuneration Policy

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

(i) Remuneration for Executive Directors

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

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

(ii) Remuneration for Non-Executive Directors

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

SHAREHOLDERS

Dialogue between Company and Investors

The Company recognises the importance of communications with shareholders. The Board views the AGM as an ideal opportunity to communicate with both institutional and private investors. In addition, the Company has a website www.hapsengplantations.com.my which provides 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-election of Directors, the Notice of AGM will state the Directors who are standing for election or re-election with a brief personal description to include the relevant details required under paragraph 8.28(2) 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 25 to 27.

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 28 to 31.

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



EDWARD LEE MING FOO, JP
Managing Director

Statement on Internal Control



The Board of Directors is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following Statement on Internal Control which outlines the nature and scope of internal control of the Group during the year 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 established on 18 September 2007 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 Consolidated Berhad and 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 in 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.



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.

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.



Board Committees

AUDIT COMMITTEE

The Audit Committee was formed on 7 September 2007. The members of the Audit Committee are as follows:

Members of the Audit Committee

| | |
|----------------------------|--|
| Tan Sri Ahmad bin Mohd Don | <i>(Independent Non-Executive Director - appointed to the committee on 7.9.2007) - Chairman</i> |
| Dato' Jorgen Bornhoft | <i>(Independent Non-Executive Director - appointed to the committee on 7.9.2007)</i> |
| Mr. Patrick Houghton Wale | <i>(Independent Non-Executive Director - appointed to the committee on 1.4.2008)</i> |
| Mr. Soon Seong Keat | <i>(Executive Director - appointed to the committee on 7.9.2007 and resigned from the committee on 1.4.2008)</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.



AUDIT COMMITTEE (continued)

Membership (continued)

- 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.

Attendance at Meetings

- A quorum shall be two (2) members, a majority of which shall be Independent Directors.
- The Committee may require any employee and a representative of the external auditors to attend meeting(s). The Group Chief Financial Officer and the Head of Internal Audit 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 January 2008, no meeting was held.

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.



AUDIT COMMITTEE (continued)

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 Chief Financial Officer, 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.

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.



AUDIT COMMITTEE (continued)

Duties (continued)

- 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.
- 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.
- 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 January 2008

The Company was listed on the Main Board of Bursa Securities on 16 November 2007 and there have been no activities carried out by the Audit Committee for the financial period ended 31 January 2008.

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 | <i>(Non-Independent Non-Executive Director)</i> |
| Mr. Edward Lee Ming Foo | <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).

Proceeding of Meetings

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



REMUNERATION COMMITTEE (continued)

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 12 December 2007 to review and to recommend to the Board, the proposed bonus of an Executive Director for the period ended 31 January 2008 and his proposed increment for the financial year commencing 1 February 2008.

NOMINATING COMMITTEE

The Nominating Committee was set up on 7 September 2007 and its members are appointed by our Board of Directors from amongst our Directors, 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 | <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 as and when necessary.

Attendance at Meetings

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

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.



NOMINATING COMMITTEE (continued)

Duties (continued)

- 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.

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 Activities

On 1 April 2008, the appointment of Mr. Patrick Houghton Wale to the Board as an Independent Non-Executive Director and a member of the Audit Committee were based on recommendation made by the Nominating Committee on even date.



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

Looking Back

2007 has been a very eventful year for the Group and Company. The Company was incorporated on 18 April 2007 as a private limited company under the name of Hap Seng Plantations Holdings Sdn Bhd and was converted to a public company under its present name.

In conjunction with, and as an integral part of our listing and quotation for the entire issued and paid-up share capital of our Company on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities"), we acquired 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 ("Completion Date"), thereby forming the Group and our Company became a 87.55% subsidiary of Hap Seng Consolidated Berhad ("HSCB") on the said date. These wholly owned subsidiaries were acquired pursuant to Sale of Shares Agreements entered on 16 May 2007 for a total consideration of RM550.25 million for Jeroco and RM949.75 million for River Estates, collectively referred to as "Acquisitions". The Acquisitions were satisfied through the issuance of a total of 749,999,998 ordinary shares in our Company of RM1.00 each at an issue price of RM1.80 and a total cash consideration of RM150 million. With the completion of the Acquisitions, we brought together a highly efficient and integrated plantation assets located in a plot of contiguous land with significant synergistic opportunities as the Company laid the groundwork for its listing on Bursa Securities.

On 22 October 2007, our Company issued a Prospectus for the Initial Public Offering ("IPO") of 300,000,000 ordinary shares of RM1.00 each comprising Offer for Sale ("OFS") of up to 250,000,000 ordinary shares of RM1.00 each by HSCB





and Public Issue of 50,000,000 new ordinary shares of RM1.00 each in conjunction with our listing on the Main Board of Bursa Securities.

The final IPO price to retail and bumiputera investors was RM2.65 per ordinary share whilst that to the foreign and Malaysian institutional investors was RM3.05 per share via bookbuilding.

The Public Issue of 50,000,000 new ordinary shares of RM1.00 each was issued on 12 November 2007 and our Company was successfully listed on the Main Board of Bursa Securities on 16 November 2007.

Our IPO was voted the Best IPO Deal 2007 by "The Edge, Malaysia" and was the largest IPO on the Bursa Securities' Main Board in 2007 in terms of market capitalisation of approximately RM2.12 billion. Our IPO drew impressive applications for retail public offering, representing an over-subscription rate of approximately 35.75 times and an over-subscription of more than 34 times for institutional offering via bookbuilding, signifying the confidence of the investing community in our Company and management.

As at 31 January 2008, our Company was a 51.55% subsidiary of HSCB.

Review of Results

Our Group results comprised approximately five months of operations as the results were consolidated from the Completion Date to the end of the financial period 31 January 2008.

The oil palm industry was boosted by new heights of Crude Palm Oil ("CPO") prices. Average prices of oil palm products in the domestic market rose sharply in 2007, influenced by structural changes in the global oils and fats market which were fuelled by the bio-fuel developments as a consequence of the increase in crude oil price as well as the strong growth in demand from the leading emerging economies, notably, China and India.

Against this backdrop, the Group benefited from the favourable CPO prices.



In the Group's maiden financial period ended 31 January 2008, Net Revenue was RM216.6 million recording an Operating Profit of RM122.8 million. Our Group's Profit before taxation was RM197.3 million whilst Profit after taxation was RM165.6 million. The Group's Profit before taxation and Profit after taxation included other non-operating item of RM77.3 million in respect of a negative goodwill arising from the Acquisitions 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 over the cost of Acquisitions.

Excluding the other non-operating item, Group's Profit before taxation was RM120 million whilst Profit after taxation was RM88.2 million.

Overall, the Group's Net Revenue and Profit after taxation were 10.6% and 8.7% higher than the forecasts in the Company's Prospectus dated 22 October 2007. The better performance was mainly attributable to better average price realisation of Crude Palm Oil ("CPO") and Palm Kernels ("PK").

Earnings per share for the period under review attributable to shareholders was 41.86 sen based on a weighted average number of 395,502,000 ordinary shares. Excluding the other non-operating item, earnings per share was 22.31 sen. Nevertheless, if based on our Company's issued and paid up share capital as at 31 January 2008 of 800,00,000 ordinary shares, earnings per share for the period under review attributable to shareholders was 20.70 sen and excluding the other non-operating item, earnings per share was 11.03 sen.



Underpinned by strong fundamentals, the Group generated strong operating cash flow of RM125.9 million of which it has paid an interim dividend of RM40 million to shareholders at the end of the financial period ended 31 January 2008.

Review of Operations

Planted and Mature Area

Our Group's plantations having a combined area of 37,630 hectares are located on one contiguous plot of land measuring approximately 36,354 hectares between Lahad Datu and Sandakan and a smaller area in Tawau measuring 1,276 hectares. 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 January 2008, 32,695 hectares were planted with oil palm of which 31,160 hectares (95.3%) were mature palms.

| | Total Area (hectares) | Planted Area (hectares) | Matured Area (hectares) |
|-------------|--------------------------------------|--|--|
| JGOE | 14,117 | *12,798 | 11,709 |
| TMSGOE | 12,331 | 9,952 | 9,423 |
| SSGOE | 9,906 | 8,830 | 8,827 |
| Ladang Kawa | 1,276 | 1,201 | 1,201 |
| | 37,630 | *32,781 | 31,160 |

* Including 86 hectares planted with jelutong trees

Production and Yield

Generally, Fresh Fruit Bunches ("FFB") production for the financial period under review was affected by the wet weather conditions in the final quarter. Total FFB production and FFB yield per hectare from the Group's

estates for the five-month period was 358,794 metric tons and 11.51 metric tons per hectare respectively.

CPO production was 76,119 metric tons at an average extraction rate of 21.81%. 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 tonnes per hour.

PK production for the period was 16,987 metric tons at an extraction rate of 4.87%.

With approximately 97% of its plantation land located on a contiguous plot of land, the Group is able to enjoy economies of scale which reduces the cost structure significantly and made the Group amongst one of the lowest cost producers of CPO in Malaysia. In addition, the Group is committed to practising 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 RM793 per metric ton.

Chairman's Statement

Price Realisation

Average price realisation of CPO for the period under review was RM2,242 per metric ton whilst the average PK selling price realised was 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. Average price realisation for FFB during the period under review was RM628 per metric ton.

Utilisation of IPO proceeds

The total cash proceeds raised from the IPO net of listing expenses was RM125.6 million. The net proceeds were utilised for part repayment of bank borrowings.

Recurrent Related Party Transactions

The Group is seeking a mandate from its shareholders for its Recurrent Related Party Transactions at the forthcoming Extraordinary General Meeting on 24 June 2008.

Share Buy Back

The Company is seeking a mandate from its shareholders for the purchase of its own shares at the forthcoming Extraordinary General Meeting on 24 June 2008.

Dividends

The Board is recommending a final dividend of 5 sen per ordinary share under the single tier system which is tax exempt in the hands of shareholders. An interim tax exempt dividend of 5 sen was paid to shareholders on 30 January 2008. The total distribution for the financial period ended 31 January 2008 will amount to gross 10 sen per ordinary share under the single tier system which is tax exempt. The total dividend payout (including the proposed final dividend) is approximately 48% of our Group's Profit after taxation for the financial period ended 31 January 2008.

The final dividend is subject to the approval of shareholders and will be payable on 11 July 2008 to shareholders whose names appear in the Record of Depositors of the Company on 2 July 2008.

Outlook and Current Year's Prospects

On 8 January 2008, the Company announced the change of its financial year end from 31 January 2009 to 31 December 2008 to be coterminous with its immediate holding company, Hap Seng Consolidated Berhad and consequently, the Group's current financial period will be for eleven months from 1 February 2008 to 31 December 2008.

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 January 2008, the Group has sold forward





approximately 60% of its forecast CPO production for the current financial period at an average selling price of RM2,104 per metric ton. FFB yield and CPO and Kernel Extraction Rates are expected to be maintained during the current financial period subject to normal weather conditions.

The Group is focused on continuously improving its operational efficiencies in the estates to remain as one of the lowest CPO cost producers.

Expanding planted land bank via new acquisitions will continue to be one of the Group's long term strategic plan. 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 which has contributed to the successful listing of our Company on the Main Board of Bursa Securities on 16 November 2007 and the satisfactory results now presented.

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

Tan Sri Ahmad bin Mohd Don

Independent Non-Executive Chairman

21 April 2008

Corporate Social Responsibility

As a Malaysian corporate citizen, Hap Seng Plantations Holdings Berhad is committed to be mindful of its responsibilities to the community through the practice of good corporate citizenship.

Aligned with this commitment, we have developed a corporate social responsibility ("CSR") policy that encompasses three crucial pillars:

- Environment
- Community
- Workplace

This CSR Policy, which encompasses the three main pillars, serves as a guide in our Group's day-to-day operations as well as to promote a working culture that actively practices and implements good CSR initiatives.

Environment

As one of Malaysia's leading participants in the plantations sector, our Group is well aware of the importance of conserving and preserving our natural environment. We believe that there must be a balance between the environment and our business objectives.

To underscore our commitment, we have established the Plantation Environmental Committee that is tasked to develop and implement good agricultural practices, which includes focusing on effective water, effluent and mill by-products management, 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 also 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 risk of accidents that may negatively impact the environment.

Apart from having internal mechanisms to ensure we operate in an environmentally conscious manner, our Group has also reserved areas at our Bukit Kibos, Sungai Segama and Jeroco estates specifically for preservation purposes.

Community

Our Group has over the years placed great emphasis on enhancing the lives of the community it operates in. This is evidenced by the Group's wide-ranging contribution in the areas of education, infrastructure and facilities as well as cultural development.

In terms of education, we have been steadfast in our sponsorship of the Humana primary school for the past 10 years. Located at our Tomanggong Group of Estates, the school provides basic education for the children of our employees in the estate.





In addition, we have also invested in complete housing infrastructure that includes furnishings, treated water supply, electricity, community hall 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 hit by drought.

Overall, our Group aims to be cognisant of the needs of our communities and play an active role in improving the quality of life.

Workplace

Our human capital plays an integral role in our success more so as we continue to focus on maximizing operational efficiencies while minimizing cost. In this area, the Group continue to invest in the training of our field staff as well as our managerial team.

Our Group is committed to its obligation to provide a safe and healthy workplace for all its employees. Our plantations operation comply to Occupational Safety and Health Policy and has Occupational Safety and Health (OSH) committee for all its individual estates and mills. We strictly comply with all the laws and regulations pertaining to Occupational Safety and Health Act, 1994. Employees of the Group are adequately trained in their jobs through on-the-job and off-the-job training to improve their knowledge and professional skills.

Our Group is also committed to ensure that all our employees and their families in and around our estates are provided with quality facilities and amenities to live and work comfortably. In recognition of our investments in this area, we were named as one of the recipients of the "Ladang Bahagia" award in 2004 by the Prime Minister of Malaysia, YAB Datuk Seri Abdullah Ahmad Badawi.

Financial Statements

45 Directors' Report

52 Statement by Directors

53 Statutory Declaration

54 Report of the Auditors

56 Balance Sheets

57 Income Statements

58 Statements of Changes in Equity

59 Cash Flow Statements

62 Notes to the Financial Statements

Directors' Report

For the period from 18 April 2007 (Date of Incorporation) to 31 January 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 January 2008.

Principal activities

The Company was incorporated on 18 April 2007 as a private limited company under the name of Hap Seng Plantations Holdings Sdn Bhd and on 3 May 2007, was converted to a public company limited by shares under its present name.

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.

The Group was formed on 7 September 2007 upon the completion of the acquisitions of the entire equity interests in Jeroco Plantations Sdn Bhd and Hap Seng Plantations (River Estates) Sdn Bhd as disclosed in Note 26 to the financial statements.

This is the first set of financial statements prepared by the Group and the Company since its incorporation, hence there are no comparative figures.

Results

| | Group RM'000 | Company RM'000 |
|---|-----------------|-------------------|
| Profit attributable to the shareholders of the Company | 165,560 | 87,946 |

Reserves and provisions

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

Dividends

Since incorporation, the Company paid an interim tax exempt dividend of 5 sen per ordinary share on 30 January 2008 totalling RM40,000,000 in respect of the financial period ended 31 January 2008. The dividend is paid under the single-tier system and is tax exempt in the hands of shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967.

The Directors proposed a final dividend of 5% per share for the period ended 31 January 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.



Directors' Report

For the period from 18 April 2007 (Date of Incorporation) to 31 January 2008

Directors of the Company

Directors who served since the date of incorporation are:

| | |
|------------------------------------|---|
| Tan Sri Ahmad bin Mohd Don | Non-Executive Director (appointed on 9.8.2007) |
| Edward Lee Ming Foo, JP | Independent Non-Executive Chairman (appointed on 18.9.2007) |
| Soon Seong Keat | Executive Director (appointed on 15.5.2007) |
| Au Yong Siew Fah | Managing Director (appointed on 18.9.2007) |
| Dato' Jorgen Bornhoft | Executive Director (appointed on 15.5.2007) |
| Wong Yuen Kuai, Lucien | Executive Director (appointed on 31.7.2007) |
| Tan Sri Abdul Hamid Egoh | Independent Non-Executive Director (appointed on 9.8.2007) |
| Datuk Simon Shim Kong Yip, PJN, JP | Independent Non-Executive Director (appointed on 9.8.2007) |
| Lim Guan Nee | Non-Independent Non-Executive Director (appointed on 9.8.2007) |
| Ou Chee Voi | Non-Independent Non-Executive Director (appointed on 9.8.2007) |
| | (appointed in Memorandum and Articles of Association and resigned on 15.5.2007) |
| | (appointed in Memorandum and Articles of Association and resigned on 15.5.2007) |

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 period end (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:

| Company | At date of incorporation | Number of ordinary shares of RM1 each | | | |
|--|--------------------------------|---------------------------------------|----------|--------|-----------------|
| | | Subscribed under PAS * | Bought | (Sold) | At 31.1.2008 |
| Shareholdings in which Directors have direct interest | | | | | |
| Tan Sri Ahmad bin Mohd Don | - | 20,000 | - | - | 20,000 |
| Edward Lee Ming Foo, JP | - | 110,000 | - | - | 110,000 |
| Soon Seong Keat | - | 110,000 | 5,000 | - | 115,000 |
| Au Yong Siew Fah | - | 110,000 | 22,300 # | - | 132,300 |
| Dato' Jorgen Bornhoft | - | 110,000 | 6,600 # | - | 116,600 |
| Wong Yuen Kuai, Lucien | - | 110,000 | - | - | 110,000 |
| Tan Sri Abdul Hamid Egoh | - | 110,000 | - | - | 110,000 |
| Datuk Simon Shim Kong Yip, PJN, JP | - | 110,000 | 50,000 | - | 160,000 |

Directors' Report

For the period from 18 April 2007 (Date of Incorporation) to 31 January 2008

Directors' interests (continued)

| | At date of incorporation | Number of ordinary shares of RM1 each Subscribed under PAS * | Bought | (Sold) | At 31.1.2008 |
|--|--------------------------------|---|--------|--------|-----------------|
| Shareholdings in which Directors have deemed interest | | | | | |
| Soon Seong Keat + | - | - | 30,000 | - | 30,000 |
| Wong Yuen Kuai, Lucien + | - | - | 50,000 | - | 50,000 |

* Subscribed under the Preferential Allocation Scheme ("PAS") pursuant to the Initial Public Offering in conjunction with the listing of the entire enlarged issued and paid-up share capital of the Company on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") as disclosed in Note 26 to the financial statements.

Allotted under the Restricted Offer for Sale pursuant to the Initial Public Offering in conjunction with the listing of the entire enlarged issued and paid-up share capital of the Company on the Main Board of Bursa Securities as disclosed in Note 26 to the financial statements.

+ Held through spouse.

| | At date of incorporation/ At date of appointment of Directors | Number of ordinary shares of RM1 each Bought | (Sold) | At 31.1.2008 |
|--|---|---|--------|-----------------|
| Immediate holding company | | | | |
| Hap Seng Consolidated Berhad ("HSCB") | | | | |
| Shareholdings in which Directors have direct interest | | | | |
| Dato' Jorgen Bornhoft | 40,000 | - | - | 40,000 |
| Soon Seong Keat | - | 30,000 | - | 30,000 |
| Au Yong Siew Fah | 25,000 | 102,000 ^ | - | 127,000 |

^ Allotted under the Employees' Share Option Scheme.

Shareholdings in which a Director has deemed interest

| | | | | |
|-------------------|---|--------|---|--------|
| Soon Seong Keat + | - | 60,000 | - | 60,000 |
|-------------------|---|--------|---|--------|

Related corporation

Malaysian Mosaics Berhad ("MMB")

Shareholdings in which a Director has direct interest

| | | | | |
|-----------------------|-------|---|---------|---|
| Dato' Jorgen Bornhoft | 9,000 | - | (9,000) | - |
|-----------------------|-------|---|---------|---|



Directors' Report

For the period from 18 April 2007 (Date of Incorporation) to 31 January 2008

Directors' interests (continued)

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.

The interest of a Director in options granted to subscribe for ordinary shares in its immediate holding company pursuant to the Employees' Share Option Scheme is as follows:

| HSCB | Date of offer | Option Price RM/share | Option to subscribe for ordinary shares of RM1 each during the year | | | |
|------------------|---------------|--------------------------|---|---------|-------------|-----------------|
| | | | At date of incorporation/ At date of appointment of Directors | Granted | (Exercised) | At 31.1.2008 |
| Au Yong Siew Fah | 15.2.2002 | 2.15 | 102,000 | - | (102,000) | - |

The Employees' Share Option Scheme of the immediate holding company had expired on 12 September 2007.

Directors' benefits

Since incorporation, 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 apart from the issue of Preferential Allocation Scheme and Restricted Offer for Sale in conjunction with the listing of the Company on the Main Board of Bursa Securities.

Issue of shares

During the financial period, the Company:

- (i) increased its authorised capital from 100,000 ordinary shares of RM1 each to 1,000,000,000 ordinary shares of RM1 each;
- (ii) issued two ordinary shares of RM1 each at par to the subscribers at the date of incorporation;
- (iii) increased its issued share capital to RM750,000,000 with the issuance of 749,999,998 new ordinary shares of RM1 each on 7 September 2007 as part of the consideration for the acquisition of its subsidiaries as disclosed in Note 26 to the financial statements; and

Issue of shares (continued)

- (iv) issued 50,000,000 new ordinary shares of RM1 each on 12 November 2007 as part of its Initial Public Offering in conjunction with its listing on the Main Board of Bursa Securities on 16 November 2007, thereby increasing its issued and paid-up share capital to 800,000,000 ordinary shares of RM1 each.

Save as disclosed above, there were no other changes in the issued and paid-up share capital of the Company during the financial period.

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

Other statutory information

Before the balance sheets and income 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 Group and in the Company's financial statements 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.



Directors' Report

For the period from 18 April 2007 (Date of Incorporation) to 31 January 2008

Other statutory information (continued)

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, except for the negative goodwill of RM77,318,000 as disclosed in Note 15 to the financial statements, the results of the operations of the Group and of the Company for the financial period ended 31 January 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 16 May 2007, the Company entered into sale of shares agreements ("SSA") for the following acquisitions, which collectively are referred to as the "Acquisitions":
- i) Acquisition of the entire equity interests in Jeroco Plantations Sdn Bhd ("Jeroco"), comprising 121,431,763 ordinary shares of RM1.00 each from HSCB, Innoprise Corporation Sdn Bhd and Kowa Company Limited, for a total purchase consideration of RM550.25 million satisfied by the issuance of 275,127,000 new ordinary shares of RM1.00 each in the Company ("HSP Shares") at an issue price of RM1.80 per share, credited as fully paid-up and a cash consideration of RM55.02 million; and
 - ii) Acquisition of the entire equity interests in Hap Seng Plantations (River Estates) Sdn Bhd ("River Estates"), comprising 30,807,000 ordinary shares of RM1.00 each from HSCB, for a total purchase consideration of RM949.75 million satisfied by the issuance of 474,872,998 new HSP Shares each at an issue price of RM1.80 per share, credited as fully paid-up and a cash consideration of RM94.98 million.

The total purchase consideration for the Acquisitions of RM1.5 billion was arrived at on a willing buyer-willing seller basis after taking into consideration the audited profit after tax of the subsidiaries for the financial year ended 31 January 2007 and their potential future earnings.

Upon completion of the Acquisitions on 7 September 2007, HSCB became the immediate holding company and Gek Poh became the ultimate holding company.

The Acquisitions were in conjunction with and were an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of 800,000,000 HSP Shares on the Main Board of Bursa Securities, for which the Company undertook the following:

- i) Initial Public Offering of 300,000,000 HSP Shares of RM1.00 each comprising:
 - a) Public issue of 50,000,000 new HSP Shares, and
 - b) Offer for sale of up to 250,000,000 HSP Shares by HSCB.
- ii) Upon completion of the public issue and offer for sale, HSP sought the listing of and quotation for its entire enlarged issued and paid-up share capital comprising 800,000,000 HSP Shares on the Main Board of Bursa Securities.

Directors' Report

For the period from 18 April 2007 (Date of Incorporation) to 31 January 2008

Significant events during the period (continued)

All of the above are collectively referred to as the "Proposals".

On 23 July 2007, the Proposals were approved by Securities Commission subject to certain conditions to be fulfilled by the Company and on 16 November 2007, the Company's entire enlarged issued and paid-up share capital comprising 800,000,000 shares were listed on the Main Board of Bursa Securities.

- b) The Company changed its financial year end from 31 January to 31 December to conform with its immediate holding company's year end, to be effective for the next financial period.

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:



Edward Lee Ming Foo, JP



Au Yong Siew Fah

Kuala Lumpur
31 March 2008



Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 56 to 90 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 January 2008 and of the results of their operations and cash flows for the period ended on that date.

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



Edward Lee Ming Foo, JP



Au Yong Siew Fah

Kuala Lumpur
31 March 2008

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 56 to 90 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 31 March 2008.



Soon Seong Keat

Before me:



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



Report of The Auditors to The Members

of Hap Seng Plantations Holdings Berhad

We have audited the financial statements set out on pages 56 to 90. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 31 January 2008 and the results of their operations and cash flows for the period ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

Report of The Auditors to The Members

of Hap Seng Plantations Holdings Berhad

The subsidiaries in respect of which we have not acted as auditors are identified in Note 6 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

We are satisfied that the financial statements 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.



KPMG

Firm Number: AF 0758

Chartered Accountants



Lee Hean Kok

Partner

Approval Number: 2700/12/09 (J)

Sandakan

31 March 2008

Balance Sheets

At 31 January 2008

| | Note | Group 31.1.2008 RM'000 | Company 31.1.2008 RM'000 |
|--------------------------------------|------|------------------------------|--------------------------------|
| Assets | | | |
| Property, plant and equipment | 3 | 213,241 | 367 |
| Biological assets | 4 | 1,279,727 | - |
| Prepaid lease payments | 5 | 323,377 | - |
| Investment in subsidiaries | 6 | - | 1,500,008 |
| Total non-current assets | | 1,816,345 | 1,500,375 |
| Receivables | 7 | 22,566 | 1,148 |
| Dividend receivable | | - | 45,262 |
| Inventories | 8 | 21,331 | - |
| Tax recoverable | | 10,370 | 5,951 |
| Cash and cash equivalents | 9 | 69,323 | 40,867 |
| Total current assets | | 123,590 | 93,228 |
| Total assets | | 1,939,935 | 1,593,603 |
| Equity | | | |
| Share capital | 10 | 800,000 | 800,000 |
| Reserves | 10 | 675,578 | 675,578 |
| Retained earnings | 10 | 125,560 | 47,946 |
| Total equity | | 1,601,138 | 1,523,524 |
| Non-Current Liabilities | | | |
| Bank borrowings | 11 | 56,667 | - |
| Deferred tax liabilities | 12 | 195,878 | 5,777 |
| Total non-current liabilities | | 252,545 | 5,777 |
| Current Liabilities | | | |
| Payables | 13 | 66,920 | 64,302 |
| Bank borrowings | 11 | 13,333 | - |
| Provision for taxation | | 5,999 | - |
| Total current liabilities | | 86,252 | 64,302 |
| Total liabilities | | 338,797 | 70,079 |
| Total equity and liabilities | | 1,939,935 | 1,593,603 |

The notes on pages 62 to 90 are an integral part of these financial statements.

Income Statements

For the period from 18 April 2007 (Date of Incorporation) to 31 January 2008

| | Note | Group 18.4.2007 to 31.1.2008 RM'000 | Company 18.4.2007 to 31.1.2008 RM'000 |
|--|------|--|--|
| Revenue | 14 | 216,588 | 111,744 |
| Cost of goods sold | | (60,571) | - |
| Gross profit | | 156,017 | 111,744 |
| Other operating income | | 521 | - |
| Distribution expenses | | (27,223) | - |
| Administrative expenses | | (5,143) | (1,761) |
| Other operating expenses | | (2,179) | (13) |
| Results from operating activities | | 121,993 | 109,970 |
| Other non-operating income | 15 | 77,318 | - |
| Interest income | | 828 | 117 |
| Interest expense | | (2,837) | (1,264) |
| Profit before tax | 16 | 197,302 | 108,823 |
| Tax expense | 18 | (31,742) | (20,877) |
| Profit for the period | | 165,560 | 87,946 |
| Basic earnings per ordinary share (sen) | 19 | 41.86 | |

The notes on pages 62 to 90 are an integral part of these financial statements.



Statements of Changes In Equity

For the period from 18 April 2007 (Date of Incorporation) to 31 January 2008

| | | | <i>Non- Distributable</i> | <i>Distributable</i> | |
|---|-------------|-------------------------------------|-------------------------------------|---|------------------------------------|
| | Note | Share capital RM'000 | Share premium RM'000 | Retained earnings RM'000 | Total equity RM'000 |
| Group | | | | | |
| At 18 April 2007 | | * | - | - | * |
| Profit for the period | | - | - | 165,560 | 165,560 |
| Issue of shares pursuant to the Acquisitions | 26 | 750,000 | 600,001 | - | 1,350,001 |
| Issue of shares for public issue | 26 | 50,000 | 82,500 | - | 132,500 |
| Listing expenses | | - | (6,923) | - | (6,923) |
| Dividend | 20 | - | - | (40,000) | (40,000) |
| At 31 January 2008 | | 800,000 | 675,578 | 125,560 | 1,601,138 |
| Company | | | | | |
| At 18 April 2007 | | * | - | - | * |
| Profit for the period | | - | - | 87,946 | 87,946 |
| Issue of shares pursuant to the Acquisitions | 26 | 750,000 | 600,001 | - | 1,350,001 |
| Issue of shares for public offering | 26 | 50,000 | 82,500 | - | 132,500 |
| Listing expenses | | - | (6,923) | - | (6,923) |
| Dividend | 20 | - | - | (40,000) | (40,000) |
| At 31 January 2008 | | 800,000 | 675,578 | 47,946 | 1,523,524 |

* Represents 2 ordinary shares of RM1.00 each.

The notes on pages 62 to 90 are an integral part of these financial statements.

Cash Flow Statements

For the period from 18 April 2007 (Date of Incorporation) to 31 January 2008

| | Note | Group 18.4.2007 to 31.1.2008 RM'000 | Company 18.4.2007 to 31.1.2008 RM'000 |
|---|------|--|--|
| Cash flows from operating activities | | | |
| Profit before tax | | 197,302 | 108,823 |
| Adjustments for: | | | |
| Amortisation of prepaid lease payments | | 1,627 | - |
| Depreciation of property, plant and equipment | | 7,478 | 13 |
| Dividend income | | - | (109,273) |
| Negative goodwill | | (77,318) | - |
| Interest income | | (828) | (117) |
| Interest expense | | 2,837 | 1,264 |
| Plant and equipment written off | | 21 | - |
| Operating profit before changes in working capital | | 131,119 | 710 |
| Inventories | | 2,484 | - |
| Receivables | | (3,513) | (1,148) |
| Payables | | 39,662 | 35,941 |
| Cash generated from operations | | 169,752 | 35,503 |
| Tax paid | | (41,885) | (133) |
| Interest received | | 828 | 117 |
| Interest paid | | (2,837) | (1,264) |
| Net cash generated from operating activities | | 125,858 | 34,223 |
| Cash flows from investing activities | | | |
| Additions of biological assets | | (293) | - |
| Additions to prepaid lease payments | | (158) | - |
| Dividends received from subsidiaries (net) | | - | 43,093 |
| Purchase of property, plant and equipment | | (17,925) | (380) |
| Purchase of additional shares in subsidiaries | | - | (8) |
| Acquisition of subsidiaries net of cash acquired | (i) | (73,736) | (1,500,000) |
| Net cash used in investing activities | | (92,112) | (1,457,295) |

Cash Flow Statements

For the period from 18 April 2007 (Date of Incorporation) to 31 January 2008

| | Note | Group 18.4.2007 to 31.1.2008 RM'000 | Company 18.4.2007 to 31.1.2008 RM'000 |
|---|------|--|--|
| Cash flows from financing activities | | | |
| Balances with related companies | | - | 630 |
| Balances with subsidiaries | | - | 27,731 |
| Dividends paid to shareholders of the Company - net | | (40,000) | (40,000) |
| Proceeds from bank borrowings | | 150,000 | 150,000 |
| Repayment of bank borrowings | | (200,000) | (150,000) |
| Net proceeds received from public issue of shares | | 125,577 | 1,475,578 |
| Net cash generated from financing activities | | 35,577 | 1,463,939 |
| Net increase in cash and cash equivalents | (ii) | 69,323 | 40,867 |
| Cash and cash equivalents at 18 April 2007 | | - | - |
| Cash and cash equivalents at 31 January 2008 | | 69,323 | 40,867 |

Cash Flow Statements

For the period from 18 April 2007 (Date of Incorporation) to 31 January 2008

(i) Acquisitions of subsidiaries

During the period, the Company acquired its subsidiaries as disclosed in Note 26 to the financial statements. The fair value of assets acquired and liabilities assumed were as follows:

| | RM'000 |
|---|--------------------|
| Property, plant and equipment | 202,815 |
| Biological assets | 1,279,434 |
| Prepaid lease payments | 324,846 |
| Inventories | 23,815 |
| Receivables | 19,053 |
| Cash and cash equivalents | 76,263 |
| Payables | (27,258) |
| Bank borrowings | (120,000) |
| Taxation | (9,408) |
| Deferred tax liabilities | (192,242) |
| | <hr/> |
| Fair value of total assets | 1,577,318 |
| Negative goodwill arising on acquisition | (77,318) |
| | <hr/> |
| Total purchase consideration | 1,500,000 |
| Less: Purchase consideration paid by issue of shares | (1,350,001) |
| | <hr/> |
| Cash consideration paid | 149,999 |
| Less: Cash and cash equivalents of subsidiaries acquired | (76,263) |
| | <hr/> |
| Net cash consideration paid on acquisitions net of cash acquired | <hr/> 73,736 <hr/> |

(ii) Cash and cash equivalents

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

| | Group 31.1.2008 RM'000 | Company 31.1.2008 RM'000 |
|------------------------------|------------------------------|--------------------------------|
| Cash and bank balances | 5,423 | 867 |
| Deposits with licensed banks | 63,900 | 40,000 |
| | <hr/> 69,323 <hr/> | <hr/> 40,867 <hr/> |

The notes on pages 62 to 90 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. This is the first set financial statements of the Company since its incorporation on 18 April 2007.

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 January 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 31 March 2008.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB") and accounting principles generally accepted in Malaysia and provisions of the Companies Act, 1965.

Notes to The Financial Statements

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The MASB has issued the following FRSs and Issues Committee Interpretations ("IC Interpretations") that are effective for annual periods beginning on or after 1 July 2007 and that have not been early adopted in preparing these financial statements:

| Standard / IC Interpretations | Effective for periods beginning on or after |
|---|---|
| FRS 107, <i>Cash Flows Statements</i> | 1 July 2007 |
| FRS 111, <i>Construction Contracts</i> | 1 July 2007 |
| FRS 112, <i>Income Taxes</i> | 1 July 2007 |
| FRS 118, <i>Revenue</i> | 1 July 2007 |
| FRS 120, <i>Accounting for Government Grants and Disclosure of Government Assistance</i> | 1 July 2007 |
| Amendment to FRS 121, <i>The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation</i> | 1 July 2007 |
| FRS 134, <i>Interim Financial Reporting</i> | 1 July 2007 |
| FRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets</i> | 1 July 2007 |
| FRS 139, <i>Financial Instruments: Recognition and Measurement</i> | To be announced |
| IC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i> | 1 July 2007 |
| IC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i> | 1 July 2007 |
| IC Interpretation 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i> | 1 July 2007 |
| IC Interpretation 6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i> | 1 July 2007 |
| IC Interpretation 7, <i>Applying the Restatement Approach under FRS 129₂₀₀₄ Financial Reporting in Hyperinflationary Economies</i> | 1 July 2007 |
| IC Interpretation 8, <i>Scope of FRS 2</i> | 1 July 2007 |

The Group and the Company plan to apply FRS 107, FRS 112, FRS 118, FRS 134 and FRS 137 for the annual period beginning 1 February 2008 except for FRS 139, of which the effective date has yet to be announced.

The initial application of the above FRSs are not expected to have any material impact on the financial statements of the Group and the Company.



Notes to The Financial Statements

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The impact of applying 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 exemption given in FRS 139.103AB.

FRS 111, FRS 120, Amendment to FRS 121 and all the above IC 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.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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



2. Significant accounting policies

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

(a) Basis of consolidation

(i) *Subsidiaries*

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

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

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

(ii) *Transactions eliminated on consolidation*

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

(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.

Notes to The Financial Statements

2. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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 net within “other income” or “other operating expenses” respectively 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:

| | |
|-----------------------------------|----------------|
| Buildings | 2% to 10% |
| Road and infrastructure | 1% to 4% |
| 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 leasee 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.

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.

2. Significant accounting policies (continued)

(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, balances and deposits with licensed banks and highly liquid investments which have an insignificant risk of changes in value.

(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.



2. Significant accounting policies (continued)

(i) Share capital

Shares issue expenses

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

(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.



Notes to The Financial Statements

2. Significant accounting policies (continued)

(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.

(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.

2. Significant accounting policies (continued)

(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.

Notes to The Financial Statements

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 | 81,144 | 145,471 | 143,082 | 10,766 | 5,109 | 385,572 |
| 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 | 8,637 | 57,765 | 97,222 | 8,707 | - | 172,331 |
| Carrying amounts | | | | | | |
| At 31 January 2008 | 72,507 | 87,706 | 45,860 | 2,059 | 5,109 | 213,241 |

Notes to The Financial Statements

3. Property, plant and equipment (continued)

| Company | Furniture, fittings & equipment RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---------------------------------|---|-----------------------------|-----------------|
| Cost | | | |
| At 18 April 2007 | - | - | - |
| Additions | 10 | 370 | 380 |
| At 31 January 2008 | 10 | 370 | 380 |
| Accumulated depreciation | | | |
| At 18 April 2007 | - | - | - |
| Charge for the period | 1 | 12 | 13 |
| At 31 January 2008 | 1 | 12 | 13 |
| Carrying amounts | | | |
| At 31 January 2008 | 9 | 358 | 367 |

4. Biological assets

| | Group 31.1.2008 RM'000 |
|--|------------------------------|
| Cost | |
| At 18 April 2007 | - |
| Additions arising from acquisition of subsidiaries | 1,279,434 |
| Additions during the period | 293 |
| At 31 January 2008 | 1,279,727 |

Notes to The Financial Statements

5. Prepaid lease payments

| | Unexpired period more than 50 years Group 31.1.2008 RM'000 |
|--|--|
| Costs | |
| At 18 April 2007 | - |
| Additions arising from acquisition of subsidiaries | 337,904 |
| Additions | 158 |
| | <hr/> |
| At 31 January 2008 | 338,062 |
| | <hr/> |
| Accumulated amortisation | |
| At 18 April 2007 | - |
| Additions arising from acquisition of subsidiaries | 13,058 |
| Charge for the period | 1,627 |
| | <hr/> |
| At 31 January 2008 | 14,685 |
| | <hr/> |
| Carrying amounts | |
| At 31 January 2008 | 323,377 |
| | <hr/> |

6. Investments in subsidiaries

| | Company 31.1.2008 RM'000 |
|--------------------------|--------------------------------|
| Unquoted shares, at cost | 1,500,008 |
| | <hr/> |

Details of the subsidiaries which are all incorporated in Malaysia are as follows:

| Name of subsidiaries | Principal activities | Effective ownership interest 31.1.2008 |
|--|--|---|
| Jeroco Plantations Sdn Bhd | Cultivation of oil palm and processing of fresh fruit bunches | 100% |
| Hap Seng Plantations (River Estates) Sdn Bhd * and its subsidiaries | Cultivation of oil palm and processing of fresh fruit bunches | 100% |
| Hap Seng Plantations (Ladang Kawa) Sdn Bhd | Cultivation of oil palm | 100% |
| Hap Seng Plantations (Wecan) Sdn Bhd * | Cultivation of oil palm | 100% |
| Hap Seng Plantations (Tampilit) Sdn Bhd * | Cultivation of oil palm | 100% |

* Not audited by KPMG.

Notes to The Financial Statements

7. Receivables

| | Note | Group 31.1.2008 RM'000 | Company 31.1.2008 RM'000 |
|-----------------------------------|------|------------------------------|--------------------------------|
| Trade | | | |
| Trade receivables | a | 19,290 | - |
| Amount due from subsidiaries | a | - | 589 |
| | | 19,290 | 589 |
| Non-trade | | | |
| Other receivables | | 1,608 | 559 |
| Amount due from related companies | b | 1,668 | - |
| | | 3,276 | 559 |
| | | 22,566 | 1,148 |

Note a

All trade receivables 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 related companies are unsecured, interest free and have no fixed terms of repayment.

8. Inventories

| | Group 31.1.2008 RM'000 |
|--------------------|------------------------------|
| At cost | |
| Consumables stores | 19,537 |
| Planting materials | 366 |
| Produce stocks | 1,428 |
| | 21,331 |

9. Cash and cash equivalents

| | Group 31.1.2008 RM'000 | Company 31.1.2008 RM'000 |
|------------------------------|------------------------------|--------------------------------|
| Deposits with licensed banks | 63,900 | 40,000 |
| Cash and bank balances | 5,423 | 867 |
| | 69,323 | 40,867 |

Notes to The Financial Statements

10. Capital and reserves

| | | Group and Company ← 31.1.2008 → | |
|--|------|--|--------------------------------|
| | Note | Number of shares '000 | Amount RM'000 |
| Share capital | | | |
| Authorised | | | |
| Ordinary shares of RM1 each | | | |
| At 18 April 2007 | | 100 | 100 |
| Increase during the period | | 999,900 | 999,900 |
| At 31 January 2008 | | 1,000,000 | 1,000,000 |
| Issued and fully paid | | | |
| Ordinary shares of RM1 each | | | |
| At 18 April 2007 | | * | * |
| Issued pursuant to the Acquisitions | 26 | 750,000 | 750,000 |
| Issued pursuant to the Initial Public Offering | 26 | 50,000 | 50,000 |
| At 31 January 2008 | | 800,000 | 800,000 |
| * Represents 2 ordinary shares of RM1.00 each | | | |
| | | Group and Company 31.1.2008 RM'000 | |
| | | Note | |
| Reserves | | | |
| Non-distributable | | | |
| Share premium | | | |
| As 18 April 2007 | | | - |
| Increase pursuant to the Acquisitions | 26 | | 600,001 |
| Increase pursuant to the Initial Public Offering | 26 | | 82,500 |
| Listing expenses * | | | (6,923) |
| As 31 January 2008 | | | 675,578 |
| | | Group 31.1.2008 RM'000 | Company 31.1.2008 RM'000 |
| Distributable | | | |
| Retained earnings | | 125,560 | 47,946 |

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

* Included in the listing expenses are fees paid to KPMG and the affiliates of KPMG amounting to RM250,000 and RM15,770 respectively for non-statutory audit services.

Notes to The Financial Statements



11. Bank borrowings

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

| | Group 31.1.2008 RM'000 | Company 31.1.2008 RM'000 |
|---|------------------------------|--------------------------------|
| Non-current | | |
| Unsecured term loans | 56,667 | - |
| Current | | |
| Unsecured term loans | 13,333 | - |
| Term loans are repayable as follows: | | |
| Between 1 to 3 years | 21,667 | - |
| Between 3 to 5 years | 35,000 | - |
| | 56,667 | - |

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

Total bank borrowings of RM270,000,000 and RM150,000,000 were obtained by the Group and the Company respectively during the period of which early repayment of RM200,000,000 and RM150,000,000 by the Group and the Company respectively have been made as at the balance sheet date.

Interest rates

The interest rates charged was based on floating rates range between 4.10% to 4.15% per annum.

Notes to The Financial Statements

12. Deferred tax liabilities

The recognised deferred tax liabilities are as follows:

| | Group 31.1.2008 RM'000 | Company 31.1.2008 RM'000 |
|---|---------------------------------------|---|
| At 18 April 2007 | - | - |
| Additions arising from acquisitions of subsidiaries | 192,242 | - |
| Recognised in the income statement | 3,636 | 5,777 |
| At 31 January 2008 | <u>195,878</u> | <u>5,777</u> |

Deferred tax liabilities are attributable to the following:

| | Capital and agriculture allowances 31.1.2008 RM'000 | Fair value/ Revaluation of assets at subsidiaries 31.1.2008 RM'000 | Others 31.1.2008 RM'000 | Total 31.1.2008 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 | <u>111,627</u> | <u>84,251</u> | <u>-</u> | <u>195,878</u> |
| Company | | | | |
| At 18 April 2007 | - | - | - | - |
| Recognised in the income statement | - | - | 5,777 | 5,777 |
| At 31 January 2008 | <u>-</u> | <u>-</u> | <u>5,777</u> | <u>5,777</u> |

Notes to The Financial Statements

13. Payables

| | Note | Group 31.1.2008 RM'000 | Company 31.1.2008 RM'000 |
|---------------------------------|------|------------------------------|--------------------------------|
| Trade | | | |
| Trade payables | a | 5,837 | - |
| Amount due to related companies | a | 5,223 | 630 |
| | | <hr/> 11,060 | <hr/> 630 |
| Non-trade | | | |
| Other payables | | 55,860 | 35,941 |
| Amount due to subsidiaries | b | - | 27,731 |
| | | <hr/> 55,860 | <hr/> 63,672 |
| | | <hr/> 66,920 | <hr/> 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 18.4.2007 to 31.1.2008 RM'000 | Company 18.4.2007 to 31.1.2008 RM'000 |
|-----------------------------|--|--|
| Sales of plantation produce | 216,588 | - |
| Gross dividend income | - | 109,273 |
| Selling commission | - | 2,471 |
| | <hr/> 216,588 | <hr/> 111,744 |

Notes to The Financial Statements

15. Other non-operating income

The other non-operating income 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 as disclosed in Note 26. In accordance with FRS 3 "Business Combination", the negative goodwill is recognised immediately in the income statement.

16. Profit before tax

| | Group 18.4.2007 to 31.1.2008 RM'000 | Company 18.4.2007 to 31.1.2008 RM'000 |
|---|--|--|
| Profit before tax is arrived at after charging: | | |
| Amortisation of prepaid lease payments | 1,627 | - |
| Auditors' remuneration | | |
| - Statutory audit | | |
| KPMG | 54 | 25 |
| Other auditors | 55 | - |
| - Other services | | |
| KPMG | 10 | 10 |
| Affiliates of KPMG | 10 | 3 |
| Other auditors | 5 | - |
| Depreciation of property, plant and equipment | 7,478 | 13 |
| Equipment hiring charges | 1,417 | - |
| Hire of motor vehicles | 49 | 49 |
| Management fees | 1,050 | 1,050 |
| Personnel expenses (including key management personnel) | | |
| - Contributions to Employees' Provident Fund | 732 | 31 |
| - Wages, salaries and others | 16,978 | 255 |
| Plant and equipment written off | 21 | - |
| Rental expenses | 38 | 6 |
| Replanting expenses | 1,764 | - |
| and after crediting: | | |
| Plantation management fee income | 43 | - |
| Rental income from letting of shops in estates | 71 | - |
| Insurance claim receivable | 20 | - |

Notes to The Financial Statements

17. Key management personnel compensations

The key management personnel compensations are as follows:

| | Group 18.4.2007 to 31.1.2008 RM'000 | Company 18.4.2007 to 31.1.2008 RM'000 |
|--|--|--|
| Directors of the Company: | | |
| - Fees | 98 | 98 |
| - Remuneration | 646 | 218 |
| - Other short term employee benefits * | 26 | - |
| | <hr/> 770 | <hr/> 316 |
| Other Directors: | | |
| - Fees | 50 | - |
| - Remuneration | 173 | - |
| - Other short term employee benefits * | 9 | - |
| | <hr/> 232 | <hr/> - |
| | <hr/> 1,002 | <hr/> 316 |
| Other key management personnel: | | |
| - Remuneration | 1,487 | 296 |
| - Other short term employee benefits * | 75 | 6 |
| | <hr/> 1,562 | <hr/> 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.

Notes to The Financial Statements

18. Tax expense

| | Group 18.4.2007 to 31.1.2008 RM'000 | Company 18.4.2007 to 31.1.2008 RM'000 |
|--|--|--|
| Current tax expense | | |
| - Current period's provisions | 27,813 | 15,100 |
| - Under provision in prior year | 293 | - |
| | <hr/> 28,106 | <hr/> 15,100 |
| Deferred tax expense | | |
| - Origination of temporary differences | 3,694 | 5,777 |
| - Over provision in prior year | (58) | - |
| | <hr/> 3,636 | <hr/> 5,777 |
| Total tax expense | <hr/> 31,742 | <hr/> 20,877 |
| Reconciliation of effective tax expense | | |
| Profit before tax | <hr/> 197,302 | <hr/> 108,823 |
| Tax calculated using Malaysian tax rate of 26% | 51,299 | 28,294 |
| Non-deductible expenses | 342 | 46 |
| Non-taxable income | - | (7,262) |
| Negative goodwill not subjected to income tax | (20,103) | - |
| Others | (31) | (201) |
| | <hr/> 31,507 | <hr/> 20,877 |
| Under provision of tax in prior year | 293 | - |
| Over provision of deferred tax in prior year | (58) | - |
| | <hr/> 31,742 | <hr/> 20,877 |



19. Earnings per ordinary share

Basic earnings per ordinary share

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

| | Group 31.1.2008 RM'000 |
|---|---------------------------------------|
| Profit attributable to ordinary shareholders | 165,560 |
| | <hr/> |
| | Group 31.1.2008 '000 |
| <i>Weighted average number of ordinary shares</i> | |
| Issued ordinary shares at 18 April 2007 | * |
| Effect of ordinary shares issued in the Acquisitions on 31 October 2007 | 750,000 |
| Effect of ordinary shares for public issue on 12 November 2007 | 50,000 |
| | <hr/> |
| | 800,000 |
| | <hr/> |
| Weighted average number of ordinary shares at 31 January 2008 | 395,502 |
| | <hr/> |
| Basic earnings per share (sen) | 41.86 |
| | <hr/> |

* Represents 2 ordinary shares of RM1.00 each.

Notes to The Financial Statements

20. Dividend

Dividends recognised/proposed during the period by the Company are:

| | Sen per share | Total amount RM'000 | Date of payment |
|--|---------------|---------------------|-----------------|
| i) Interim dividend - tax exempt under the single-tier system | 5 | 40,000 | 30 January 2008 |

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 - tax exempt under the single-tier system | 5 | 40,000 |

The Company has elected for single-tier system on 28 January 2008. Hence, dividends paid subsequent to the election are tax exempt in the hands of shareholders.

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.

21. Financial instruments (continued)

Interest rate risk

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

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

Effective interest rate and repricing analysis

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

| | ← 31.1.2008 → | |
|------------------------------|---|--------------------------------------|
| | Effective interest rate per annum % | Total/ Within 1 year RM'000 |
| Group | | |
| Financial assets | | |
| Deposits with licensed banks | 2.70 | 63,900 |
| Financial liabilities | | |
| Term loans | 4.10 - 4.15 | 70,000 |

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 are at approximately their carrying amount as the Group does not anticipate their carrying amount recorded at the balance sheet date to be significantly different from the values that would eventually be settled.

Notes to The Financial Statements

22. Capital commitments

| | Group 18.4.2007 to 31.1.2008 RM'000 |
|--|--|
| Capital expenditure | |
| Approved but not contracted for Property, plant and equipment | 29,942 |
| Contracted but not provided for Property, plant and equipment | 9,294 |
| | <hr/> 39,236 <hr/> |

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 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.

The Company has related party relationship with its holdings, subsidiaries and related companies.

(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.

Notes to The Financial Statements

24. Significant related parties transactions (continued)

(ii) Transactions with key management personnel (continued)

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

| | Transaction value 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 Edward Lee Ming Foo, JP, a Director of the Company: Corporated International Consultants | | |
| Project consultancy fee payable | (608) | 251 |
| Firm connected to Datuk Simon Shim Kong Yip, PJN, JP, a Director of the Company: Shim Pang & Co | | |
| Legal fees | (750) | - |

Notes to The Financial Statements

24. Significant related parties transactions (continued)

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

| | 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 | (572) | - |
| Immediate holding company, HSCB and its subsidiaries | | |
| Management fees | (1,050) | 630 |
| Dividend paid | (20,621) | - |
| Plantation management income | 43 | (9) |
| Rental expense | (31) | 1 |
| Purchase of vehicles and spare parts | (1,070) | 7 |
| Purchase of fertilisers and chemicals | (12,509) | 2,524 |
| Contract expenses | (9,080) | 78 |
| Purchase of diesel, petrol and lubricant | (6,869) | 1,878 |
| Company | | |
| Subsidiaries | | |
| Dividend income | 58,234 | - |
| Selling commission | 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 16 May 2007, the Company entered into sale of shares agreements (“SSA”) for the following acquisitions, which collectively are referred to as the “Acquisitions”:
- i) Acquisition of the entire equity interests in Jeroco Plantations Sdn Bhd (“Jeroco”), comprising 121,431,763 ordinary shares of RM1.00 each from HSCB, Innoprise Corporation Sdn Bhd and Kowa Company Limited, for a total purchase consideration of RM550.25 million satisfied by the issuance of 275,127,000 new ordinary shares of RM1.00 each in the Company (“HSP Shares”) at an issue price of RM1.80 per share, credited as fully paid-up and a cash consideration of RM55.02 million; and
 - ii) Acquisition of the entire equity interests in Hap Seng Plantations (River Estates) Sdn Bhd (“River Estates”), comprising 30,807,000 ordinary shares of RM1.00 each from HSCB, for a total purchase consideration of RM949.75 million satisfied by the issuance of 474,872,998 new HSP Shares each at an issue price of RM1.80 per share, credited as fully paid-up and a cash consideration of RM94.98 million.

The total purchase consideration for the Acquisitions of RM1.5 billion was arrived at on a willing buyer-willing seller basis after taking into consideration the audited profit after tax of the Subsidiaries for the financial year ended 31 January 2007 and their potential future earnings.

The above Acquisitions were completed on 7 September 2007.

Upon completion of the Acquisitions, HSCB became the immediate holding company and Gek Poh became the ultimate holding company.



Notes to The Financial Statements

26. Significant events during the period (continued)

The Acquisitions were in conjunction with and were an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of 800,000,000 HSP Shares on the Main Board of Bursa Malaysia Securities Berhad (“Bursa Securities”), for which the Company undertook the following:

- i) Initial Public Offering of 300,000,000 HSP Shares of RM1.00 each comprising:
 - a) Public issue of 50,000,000 new HSP Shares, and
 - a) Offer for sale of up to 250,000,000 HSP Shares by HSCB.
- ii) Upon completion of the public issue and offer for sale, HSP sought the listing of and quotation for its entire enlarged issued and paid-up share capital comprising 800,000,000 HSP Shares on the Main Board of Bursa Securities.

All of the above are collectively referred to as the “Proposals”.

On 23 July 2007, the Proposals were approved by Securities Commission subject to certain conditions to be fulfilled by the Company and on 16 November 2007, the Company’s entire enlarged issued and paid-up share capital comprising 800,000,000 shares were listed on the Main Board of Bursa Securities.

- b) The Company changed its financial year end from 31 January to 31 December to conform with its immediate holding company’s year end, to be effective for the next financial period.

27. Comparative figures

There are no comparative figures as this is the first set of financial statements prepared by the Group and the Company since its incorporation.

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 January 2008, except for the following:-

- i) Related Party Transactions during the financial period ended 31 January 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 24 June 2008 immediately after the conclusion of the Annual General Meeting to be held on the same date.

3. UTILISATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING ("IPO")

The gross proceeds of RM132.5 million arising from the Public Issue of 50,000,000 Issue Shares at the IPO Price of RM2.65, was received and utilized during the financial period ended 31 January 2008 as set forth below:

| | RM'000 |
|-----------------------------------|---------|
| Part repayment of bank borrowings | 125,577 |
| Listing expenses | 6,923 |
| | <hr/> |
| Total gross proceeds | 132,500 |
| | <hr/> |

4. SHARE BUY BACK

The Company was listed on 16 November 2007 and there was no share buy back during the period ended 31 January 2008.

The Company will be seeking Shareholders' Mandate for the Company to purchase its own shares at an Extraordinary General Meeting which will be convened on 24 June 2008 immediately after the conclusion of the Annual General Meeting to be held on the same date.

5. VARIATION IN RESULTS

The Group's audited profit after tax for the period ended 31 January 2008 did not differ 10% more from the post acquisition profit forecast as set out in the Company's Prospectus dated 22 October 2007.

6. 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

All the properties listed below were acquired by the Group on 7 September 2007, the date on which the Company completed the acquisition of its wholly owned subsidiaries Jeroco and River Estates.

| Location | Land title | Area (hectares) | Description | Tenure | Year of expiry | Approximate age of buildings (years) | Net book value At 31/1/2008 RM'000 |
|---------------------------------|-------------------------------|--------------------|--|------------------------|-------------------|---|---|
| SABAH | | | | | | | |
| KINABATANGAN, LAHAD DATU | | | | | | | |
| Tomanggong Estate | Lease No. 095310017 | 347.00 | Oil palm plantation | Leasehold 99 years | 2067 | - | 945,668 |
| | CL 095324897 | 567.80 | Land clearing in progress for oil palm planting | Leasehold 99 years | 2094 | - | |
| | CL 095316304 | 3,971.77 3.23 | Oil palm plantation & buildings Tomanggong Palm Oil Mill | Leasehold 999 years | 2894 | 2 - 41 38 | |
| Tabin Estate | Lease No. 095310017 | 842.00 | Oil palm plantation | Leasehold 99 years | 2067 | - | |
| | CL 095324879 | 182.10 | Jungle land, not cultivated yet | Leasehold 99 years | 2093 | - | |
| | CL 075359465 | 1,430.67 | Oil palm plantation & buildings | Leasehold 99 years | 2076 | 2 - 24 | |
| | 24 various Native titles * | 124.00 | Jungle land, not cultivated yet | Leasehold 99 years | 2098 2097 | - | |
| Tagas Estate | Lease No. 095310017 | 1,422.89 | Oil palm plantation & buildings | Leasehold 99 years | 2067 | 2 - 32 | |
| | CL 075359438 | 587.74 | Oil palm plantation | Leasehold 99 years | 2076 | - | |
| Litang Estate | CL 075359456 | 146.90 | Oil palm plantation | Leasehold 99 years | 2076 | - | |
| | CL 075359447 | 262.92 | Oil palm plantation & buildings | Leasehold 99 years | 2076 | 3 - 25 | |
| | CL 095321092 | 366.80 | Oil palm plantation | Leasehold 99 years | 2091 | - | |
| | CL 095316340 | 414.00 | Oil palm plantation | Leasehold 999 years | 2887 | - | |
| | CL 095316359 | 380.00 | Oil palm plantation | Leasehold 999 years | 2900 | - | |
| Sungai Segama Estate | CL 095317605 | 3,843.00 | Oil palm plantation & buildings Plantation Central Office & Club house | Leasehold 99 years | 2089 | 2 - 16 | |
| | CL 095317614 | 1,331.00 | Oil palm plantation | Leasehold 99 years | 2089 | - | |
| Bukit Mas Estate | CL 095317614 | 3,704.90 8.10 | Oil palm plantation & buildings Bukit Mas Palm Oil Mill | Leasehold 99 years | 2089 | 3 - 14 9 | |
| | CL 095316340 | 1,020.00 | Oil palm plantation & buildings | Leasehold 999 years | 2887 | 2 - 13 | |

Particulars of Group's Properties

| Location | Land title | Area (hectares) | Description | Tenure | Year of expiry | Approximate age of buildings (years) | Net book value At 31/1/2008 RM'000 |
|---|-----------------|--------------------|--|-----------------------|-------------------|---|---|
| KINABATANGAN, LAHAD DATU (continued) | | | | | | | |
| Batangan Estate | CL 095311005 | 2,078.94 | Oil palm plantation & buildings | Leasehold 99 years | 2078 | 2 - 26 | 699,060 |
| | CL 095311014 | 1,636.94 4.00 | Oil palm plantation & buildings Jelutong trees | Leasehold 99 years | 2078 | 2 - 26 | |
| Lutong Estate | CL 095311014 | 2,324.00 82.00 | Oil palm plantation & buildings Jelutong trees | Leasehold 99 years | 2078 | 7 - 18 | |
| | CL 095332264 | 5.98 | Oil palm plantation | Leasehold 99 years | 2098 | - | |
| | CL 095332282 | 15.18 | Oil palm plantation | Leasehold 99 years | 2099 | - | |
| | CL 095332291 | 15.17 | Oil palm plantation | Leasehold 99 years | 2099 | - | |
| | CL 095332273 | 6.07 | Oil palm plantation | Leasehold 99 years | 2098 | - | |
| Lokan Estate | CL 095311005 ** | 1,881.00 87.00 | Oil palm plantation & buildings Forest reserve | Leasehold 99 years | 2078 | 7 | |
| | CL 095310973 | 1,187.39 | Oil palm plantation & buildings Air control tower | Leasehold 99 years | 2078 | 7 - 12 | |
| Kapis Estate | CL 095310973 | 2,668.85 12.15 | Oil palm plantation & buildings Jeroco Palm Oil Mill I & II | Leasehold 99 years | 2078 | 5 - 21 11 - 20 | |
| Lungmanis Estate | CL 095310973 | 2,200.00 | Oil palm plantation & buildings | Leasehold 99 years | 2078 | 7 - 13 | |
| Wecan Estate | CL 095317427 | 1,078.00 | Oil palm plantation | Leasehold 99 years | 2084 | - | 48,766 |
| Tampilit Estate | CL 095317418 | 201.70 | Oil palm plantation | Leasehold 99 years | 2084 | - | 9,109 |

Particulars of Group's Properties

| Location | Land title | Area (hectares) | Description | Tenure | Year of expiry | Approximate age of buildings (years) | Net book value At 31/1/2008 RM'000 |
|-----------------------|------------------------|--------------------|---------------------------------|-----------------------|-------------------|---|---|
| TAWAU | | | | | | | |
| Apas Claremont Estate | Lease No. 105319775 | 185.95 | Oil palm plantation | Leasehold 99 years | 2058 | - | 60,714 |
| | CL 105350909 | 105.50 | Oil palm plantation & buildings | Leasehold 99 years | 2058 | 4 - 26 | |
| | CL 105334049 | 80.85 | Oil palm plantation | Leasehold 99 years | 2058 | - | |
| | CL 105343762 | 13.95 | Oil palm plantation & buildings | Leasehold 99 years | 2064 | 26 | |
| | PL 106260833 | 36.90 | Oil palm plantation | Leasehold 99 years | 2061 | - | |
| | PL 106261349 | 34.05 | Oil palm plantation | Leasehold 99 years | 2061 | - | |
| | PL 106261330 | 60.32 | Oil palm plantation | Leasehold 99 years | 2061 | - | |
| | CL 105246179 | 34.96 | Oil palm plantation | Leasehold 99 years | 2061 | - | |
| Muul Hill Estate | Lease No. 105315955 | 90.35 | Oil palm plantation & buildings | Leasehold 99 years | 2062 | 26 | 60,714 |
| | Lease No. 105320161 | 194.13 | Oil palm plantation & buildings | Leasehold 99 years | 2068 | 26 | |
| | Lease No. 105315900 | 87.00 | Oil palm plantation | Leasehold 99 years | 2063 | - | |
| | Lease No. 105316032 | 39.69 | Oil palm plantation | Leasehold 99 years | 2065 | - | |
| | Lease No. 105315857 | 81.06 | Oil palm plantation | Leasehold 99 years | 2062 | - | |
| | CL 105342550 | 12.10 | Oil palm plantation | Leasehold 99 years | 2073 | - | |
| | CL 105342541 | 18.76 | Oil palm plantation | Leasehold 99 years | 2071 | - | |
| | CL 105351915 | 180.77 | Oil palm plantation | Leasehold 99 years | 2072 | - | |
| | CL 105342532 | 19.79 | Oil palm plantation & buildings | Leasehold 99 years | 2071 | 26 | |
| Total | | 37,717 ** | | | | | 1,763,317 |

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

** This land area includes 87 hectares that has been gazetted as forest reserve under CL 095311005 in Lokan Estate.

Analysis of Shareholding

As at 2 May 2008

| | | |
|----------------------------------|---|-------------------------------|
| 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 | : | 12,477 |

DISTRIBUTION OF SHAREHOLDERS

| Size of Holding | No of Shareholders | % of Shareholders | No. of Shares Held | % of Issued Capital |
|--|--------------------|-------------------|--------------------|---------------------|
| 1 to 99 | 89 | 0.713 | 2,591 | # |
| 100 to 1,000 | 4,751 | 38.078 | 3,699,207 | 0.463 |
| 1,001 to 10,000 | 6,196 | 49.659 | 25,378,826 | 3.172 |
| 10,001 to 100,000 | 1,251 | 10.027 | 37,697,089 | 4.712 |
| 100,001 to less than 5% of issued shares | 188 | 1.507 | 200,831,287 | 25.104 |
| 5% & above of issued shares | 2 | 0.016 | 532,391,000 | 66.549 |
| TOTAL | 12,477 | 100.000 | 800,000,000 | 100.000 |

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 | 23,672,500 | 2.959 |
| 4. Employees Provident Fund Board | 15,685,300 | 1.960 |
| 5. Amanah Raya Nominees (Tempatan) Sdn Bhd | | |
| - Skim Amanah Saham Bumiputera | 14,817,483 | 1.852 |
| 6. Citigroup Nominees (Asing) Sdn Bhd | | |
| - Goldman Sachs International | 12,147,000 | 1.518 |
| 7. RHB Capital Nominees (Asing) Sdn Bhd - Kowa Company Ltd (J) | 10,813,000 | 1.351 |
| 8. Cartaban Nominees (Asing) Sdn Bhd | | |
| - State Street Australia Fund UAJB for Unifund (HTSG as Trustee) | 9,605,400 | 1.200 |
| 9. Amanah Raya Nominees (Tempatan) Sdn Bhd | | |
| - Amanah Saham Wawasan 2020 | 7,640,700 | 0.955 |
| 10. Koperasi Permodalan Felda Berhad | 7,633,900 | 0.954 |
| 11. Cartaban Nominees (Asing) Sdn Bhd | | |
| - Exempt AN for Caceis Bank Luxembourg (Clt-Acct-Lux) | 6,827,900 | 0.853 |
| 12. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Didik | 6,672,700 | 0.834 |
| 13. Lembaga Tabung Angkatan Tentera | 4,294,700 | 0.536 |
| 14. Amanah Raya Nominees (Tempatan) Sdn Bhd | | |
| - Sekim Amanah Saham Nasional | 4,013,500 | 0.501 |
| 15. HSBC Nominees (Asing) Sdn Bhd | | |
| - Exempt AN for JP Morgan Chase Bank, National Association (Jersey) | 3,680,000 | 0.460 |



Analysis of Shareholding

As at 2 May 2008

LIST OF 30 LARGEST SHAREHOLDERS (continued)

| | Shareholding | % |
|--|--------------|--------|
| 16. HSBC Nominees (Asing) Sdn Bhd | | |
| - Exempt AN for The Hongkong and Shanghai Banking Corporation Limited (HBFS-I Clt Acct) | 3,568,200 | 0.446 |
| 17. Amanah Raya Nominees (Tempatan) Sdn Bhd | | |
| - Amanah Saham Malaysia | 3,500,000 | 0.437 |
| 18. Permodalan Nasional Berhad | 3,093,666 | 0.386 |
| 19. Amcorpgroup Berhad | 3,000,000 | 0.375 |
| 20. Citigroup Nominees (Asing) Sdn Bhd | | |
| - UBS AG for NPJ Global Opportunities Master Fund (Pledged) | 2,325,000 | 0.290 |
| 21. HSBC Nominees (Tempatan) Sdn Bhd | | |
| - Nomura Asset Mgmt Malaysia for Employees Provident Fund | 2,000,000 | 0.250 |
| 22. Kenanga Nominees (Tempatan) Sdn Bhd | | |
| - Pledged Securities Account for Koh Kin Lip | 1,800,000 | 0.225 |
| 23. MCIS Zurich Insurance Berhad | 1,638,300 | 0.204 |
| 24. Amanah Raya Nominees (Tempatan) Sdn Bhd | | |
| - Public Islamic Sector Select Fund | 1,620,000 | 0.202 |
| 25. Cartaban Nominees (Asing) Sdn Bhd | | |
| - Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C) | 1,604,000 | 0.200 |
| 26. Perbadanan Usahawan Johor Sdn Bhd | 1,350,000 | 0.168 |
| 27. HSBC Nominees (Asing) Sdn Bhd | | |
| - BNY Lux for International Opportunities Fund - Malaysia Equity | 1,280,000 | 0.160 |
| 28. Mayban Nominees (Tempatan) Sdn Bhd | | |
| - Mayban Trustees Berhad for MAAKL-HDBS Flexi Fund (270519) | 1,240,000 | 0.155 |
| 29. HSBC Nominees (Asing) Sdn Bhd | | |
| - Exempt AN for Morgan Stanley & Co. Incorporated | 1,162,200 | 0.145 |
| 30. Mayban Nominees (Tempatan) Sdn Bhd | | |
| - Avenue Invest Berhad for Kumpulan Wang Amanah Pencen (E00170-220136) | 1,090,000 | 0.136 |
| Total | 690,166,449 | 86.260 |

SUBSTANTIAL SHAREHOLDERS

| | Direct | Shareholding % | Indirect | % |
|---|-------------|----------------|----------------------------|--------|
| Hap Seng Consolidated Berhad | 412,413,000 | 51.551 | - | - |
| Innoprise Corporation Sdn Bhd | 119,978,000 | 14.997 | - | - |
| 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 2 May 2008

| Company | Direct Shareholding | | Indirect Shareholding | |
|--|---------------------|--------|-----------------------|--------|
| | No. of Shares | % | No. of Shares | % |
| Hap Seng Plantations Holdings Berhad | | | | |
| Tan Sri Ahmad bin Mohd Don | 20,000 | 0.0025 | - | - |
| Edward Lee Ming Foo | 110,000 | 0.0138 | - | - |
| Soon Seong Keat | 115,000 | 0.0144 | 45,000 * | 0.0056 |
| Au Yong Siew Fah | 139,000 | 0.0174 | - | - |
| Tan Sri Abdul Hamid Egoh | 110,000 | 0.0138 | - | - |
| Dato' Jorgen Bornhoft | 116,600 | 0.0146 | - | - |
| Datuk Simon Shim Kong Yip | 160,000 | 0.0200 | - | - |
| Wong Yuen Kuai, Lucien | 110,000 | 0.0138 | 50,000 * | 0.0063 |
| Related Corporation | | | | |
| Hap Seng Consolidated Berhad ["HSCB"] | | | | |
| Dato' Jorgen Bornhoft | 40,000 | 0.0071 | - | - |
| Soon Seong Keat | 35,000 | 0.0062 | 65,000 * | 0.0115 |
| Au Yong Siew Fah | 127,000 | 0.0225 | - | - |

⁽¹⁾ For the purpose of computing the percentage of shareholding above, the number of ordinary shares used was 563,529,500 which was arrived at by deducting 59,130,500 treasury shares held by HSCB from its issued and paid-up capital of 622,660,000.

* Held through their respective spouse.



Plantation Statistics

PERIOD ENDED 31 JANUARY 2008
(From date of completion 7 September 2007)

CROP PRODUCTION - TONNES

| | |
|-----|---------|
| FFB | 358,794 |
|-----|---------|

PROCESSED - TONNES

| | |
|-------------|---------|
| FFB | 349,001 |
| Palm Oil | 76,119 |
| Palm Kernel | 16,987 |

EXTRACTION RATE - %

| | |
|-------------|-------|
| Palm Oil | 21.81 |
| Palm Kernel | 4.87 |

MATURE AREA - HECTARES

| | |
|----------|--------|
| Oil Palm | 31,160 |
|----------|--------|

AVERAGE YIELD - TONNES/HECTARE

| | |
|-----|-------|
| FFB | 11.51 |
|-----|-------|

AVERAGE SELLING PRICE (Ex-Sandakan)

RM/TONNE

| | |
|-------------|-------|
| FFB | 628 |
| Palm Oil | 2,242 |
| Palm Kernel | 1,667 |

AREA SUMMARY (HECTARES) AS AT 31 JANUARY 2008

| | River Estates Group | Jeroco | Grand total |
|----------------------|---------------------|---------------|---------------|
| Oil palm | | | |
| Mature | 19,451 | 11,709 | 31,160 |
| Immature | 532 | 1,003 | 1,535 |
| Total oil palm | 19,983 | 12,712 | 32,695 |
| Other crop | - | 86 | 86 |
| Total planted area | 19,983 | 12,798 | 32,781 |
| Reserves | 1,531 | 18 | 1,549 |
| Buildings, roads etc | 1,999 | 1,301 | 3,300 |
| Grand total | 23,513 | 14,117 | 37,630 |

Conversion Rate : 1 hectare = 2.4710 acres



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 First Annual General Meeting of the Company to be held at the Ballroom, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 24 June 2008 at 10.00 a.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 | 9 | 10 | 11 | 12 | 13 | 14 |
|------------|---|---|---|---|---|---|---|---|---|----|----|----|----|----|
| 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 _____ 2008

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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THE 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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