Hap Seng Plantations Holdings Berhad

(Company No. 769962-K)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements
for the year ended 31 December 2012

Hap Seng Plantations Holdings Berhad
(Company No. 769962-K)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 December 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2012.

Principal activities

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

Results

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

Reserves and provisions

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

Dividends

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

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

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

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

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

No dividend is payable for treasury shares held.

Company No. 769962-K

Directors of the Company

Directors who served since the date of last report are:

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

Directors' interests

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

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

* Held through his spouse

Directors' interests (continued)

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

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

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 14 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, other than as disclosed in Note 22 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares

There were no changes in the authorised, issued and paid-up share capital of the Company during the financial year.

Treasury shares

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

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

Movement in the treasury shares is as follows:

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

Options granted over unissued shares

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

Holding companies

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

Litigation matter

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

Other statutory information

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

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

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Company No. 769962-K

Auditors

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

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

……………………………………………………………
Datuk Edward Lee Ming Foo, JP

……………………………………………………………
Au Yong Siew Fah

Kuala Lumpur

2 April 2013

Hap Seng Plantations Holdings Berhad

(Company No. 769962-K)
(Incorporated in Malaysia)

and its subsidiaries

Statements of financial position as at 31 December 2012

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

The notes on pages 13 to 53 are an integral part of these financial statements.

Hap Seng Plantations Holdings Berhad
(Company No. 769962-K)
(Incorporated in Malaysia)
and its subsidiaries

Statements of comprehensive income for the year ended 31 December 2012

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

The notes on pages 13 to 53 are an integral part of these financial statements.

Hap Seng Plantations Holdings Berhad
(Company No. 769962-K)
(Incorporated in Malaysia)
and its subsidiaries

Consolidated statements of changes in equity for the year ended 31 December 2012

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

Company No. 769962-K

Statements of changes in equity for the year ended 31 December 2012 (continued)

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

Hap Seng Plantations Holdings Berhad
(Company No. 769962-K)
(Incorporated in Malaysia)
and its subsidiaries

Statements of cash flows for the year ended 31 December 2012

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

Company No. 769962-K

Statements of cash flows for the year ended 31 December 2012 (continued)

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

(i) Cash and cash equivalents

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

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

Hap Seng Plantations Holdings Berhad
(Company No. 769962-K)
(Incorporated in Malaysia)
and its subsidiaries

Notes to the financial statements

Hap Seng Plantations Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

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

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

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

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

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

1. Basis of preparation

(a) Statement of compliance

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

	Effective for annual periods beginning on or after
Amendments to FRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 Employee Benefits (revised)	1 January 2013
FRS 127 Separate Financial Statements (revised)	1 January 2013
FRS 128 Investment in Associate and Joint Ventures (revised)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendment to FRS 1: Government Loans	1 January 2013
Amendments to FRS 7: Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 10, FRS 11 and FRS 12: Transition Guidance	1 January 2013
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2012)"	1 January 2013
Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities	1 January 2014
Amendments to FRS 132: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 9 Financial Instruments	1 January 2015

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

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

Malaysian Financial Reporting Standards (MFRS Framework)

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

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

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

1. Basis of preparation (continued)

(d) Use of estimates and judgements

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

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

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

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

(ii) Business combinations

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

Acquisitions on or after 1 January 2011

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

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

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

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

Acquisitions before 1 January 2011

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

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

(iii) Loss of control

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Transactions eliminated on consolidation

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

(b) Financial instruments

(i) Initial recognition and measurement

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

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

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

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) Held-to-maturity investments

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

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

(c) Loans and receivables

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

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

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

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

(d) Available-for-sale financial assets

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

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

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

Financial liabilities

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

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

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

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

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

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Derecognition

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

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

(c) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

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

2. Significant accounting policies (continued)

(d) Biological assets

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

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

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

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

(e) Inventories

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

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

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

(f) Receivables

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

(g) Cash and cash equivalents

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

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

2. Significant accounting policies (continued)

(h) Impairment

(i) Financial assets

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

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

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

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

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

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

2. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets

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

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

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

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

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

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

2. Significant accounting policies (continued)

(i) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

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

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

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

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

(j) Employee benefits

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

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

2. Significant accounting policies (continued)

(k) Revenue

(i) Goods sold

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

(ii) Dividend income

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

(iii) Selling commission

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

(l) Interest income and borrowing costs

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

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

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

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

2. Significant accounting policies (continued)

(m) Income tax

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

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

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

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

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

(n) Earnings per ordinary share

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

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

(o) Operating segments

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

Company No. 769962-K

3. Property, plant and equipment

Group	Leasehold land RM'000	Road and infrastructure RM'000	Buildings RM'000	Plant, machinery and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work in progress RM'000	Total RM'000
Cost							
1 January 2011	371,607	95,364	158,506	171,264	11,027	18,898	826,666
Additions	-	760	1,472	8,277	704	9,825	21,038
Disposals	-	-	-	(651)	-	-	(651)
Write off	-	-	(4)	(1,869)	(428)	-	(2,301)
Reclassifications	-	12,346	4,666	1,472	216	(18,700)	-
At 31 December 2011 / 1 January 2012	371,607	108,470	164,640	178,493	11,519	10,023	844,752
Additions	361	2,195	1,058	15,108	1,022	13,489	33,233
Disposals	-	-	-	(2,630)	(9)	-	(2,639)
Write off	-	-	(54)	(957)	(207)	-	(1,218)
Reclassifications	-	2,996	4,492	3,004	121	(10,613)	-
At 31 December 2012	371,968	113,661	170,136	193,018	12,446	12,899	874,128

Company No. 769962-K

3. Property, plant and equipment (continued)

Group	Leasehold land RM'000	Road and infrastructure RM'000	Buildings RM'000	Plant, machinery and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work in progress RM'000	Total RM'000
Accumulated depreciation							
1 January 2011	26,755	16,181	72,357	124,751	9,682	-	249,726
Charge for the year	4,384	3,350	6,117	11,665	515	-	26,031
Disposals	-	-	-	(226)	-	-	(226)
Write off	-	-	(4)	(1,829)	(414)	-	(2,247)
At 31 December 2011 / 1 January 2012	31,139	19,531	78,470	134,361	9,783	-	273,284
Charge for the year	4,386	3,556	6,272	11,997	608	-	26,819
Disposals	-	-	-	(1,004)	(8)	-	(1,012)
Write off	-	-	(54)	(911)	(207)	-	(1,172)
At 31 December 2012	35,525	23,087	84,688	144,443	10,176	-	297,919
Carrying amounts							
At 31 December 2011	340,468	88,939	86,170	44,132	1,736	10,023	571,468
At 31 December 2012	336,443	90,574	85,448	48,575	2,270	12,899	576,209

3. Property, plant and equipment (continued)

Leasehold land represented by:

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

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

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

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

Company No. 769962-K

3. Property, plant and equipment (continued)

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

4. Biological assets

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

Company No. 769962-K

5. Investments in subsidiaries

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

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

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

Company No. 769962-K

6. Inventories

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

7. Receivables

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

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

Note b
The non-trade amount due from subsidiaries is unsecured, interest free and repayable on demand.

8. Cash and cash equivalents

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

9. Capital and reserves

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

9. Capital and reserves (continued)

Treasury shares

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

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

Movement in the treasury shares is as follows:

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

Retained earnings

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

10. Deferred tax liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

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

Movement in temporary differences during the year

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

Unrecognised deferred tax assets

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

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

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

Company No. 769962-K

11. Payables

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

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

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

12. Revenue

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

Company No. 769962-K

13. Profit before tax

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

14. Key management personnel compensations

The key management personnel compensations are as follows:

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

* Including estimated monetary value of benefits-in-kind.

Other key management personnel comprise persons other than the Directors of the Group having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

Company No. 769962-K

15. Tax expense

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

16. Earnings per ordinary share

Basic earnings per ordinary share

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

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

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

17. Dividends

i) Dividends recognised by the Company are:

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

17. Dividends (continued)

ii) Second interim dividend

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

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

No dividend is payable for treasury shares held.

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

18. Capital commitments

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

Company No. 769962-K

19. Segmental reporting

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

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

Information about geographical area

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

Information about major customers

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

20. Financial instruments

20.1 Categories of financial instruments

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

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

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

20. Financial instruments (continued)

20.1 Categories of financial instruments (continued)

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

20.2 Net gains and losses arising from financial instruments

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

20.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

20. Financial instruments (continued)

20.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

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

	Group RM'000	Company RM'000
2012		
Not past due	12,421	628
Past due 1 – 30 days	9,429	-
	21,850	628

	Group RM'000	Company RM'000
2011		
Not past due	21,034	718
Past due 1 – 30 days	8,739	-
	29,773	718

Impairment losses

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

20. Financial instruments (continued)

20.4 Credit risk (continued)

Inter-company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

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

20.5 Liquidity risk

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

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

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

Company No. 769962-K

20. Financial instruments (continued)

20.5 Liquidity risk (continued)

Maturity analysis

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

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

20. Financial instruments (continued)

20.6 Market risk

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

20.6.1 Interest rate risk

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

Risk management objectives, policies and process for managing the risk

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

Exposure to interest rate risk

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

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

20.7 Fair value of financial instruments

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

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

21. Capital management

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

22. Significant related parties transactions

Identity of related parties

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

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

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

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Firm connected to Datuk Edward Lee Ming Foo, JP, a Director of the Company:				
Corporated International Consultants				
Project consultancy fee	(397)	(131)	-	-

22. Significant related parties transactions (continued)

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

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

23. Litigation matter

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

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

RESB is claiming for the following in the RESB Suit:

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

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

23. Litigation matter (continued)

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

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

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

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

SYC is claiming for the following in the KK Suit:

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

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

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

24. Supplementary information on the breakdown of realised and unrealised profits or losses

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

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

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

Hap Seng Plantations Holdings Berhad
(Company No. 769962-K)
(Incorporated in Malaysia)
and its subsidiaries

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 7 to 53 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 24 on page 54 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

…………………………………………………………
Datuk Edward Lee Ming Foo, JP

…………………………………………………………
Au Yong Siew Fah

Kuala Lumpur

2 April 2013

Hap Seng Plantations Holdings Berhad
(Company No. 769962-K)
(Incorporated in Malaysia)
and its subsidiaries

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

I, **Lee Wee Yong**, the Director primarily responsible for the financial management of Hap Seng Plantations Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 54 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 2 April 2013.

……………………………………………….
Lee Wee Yong

Before me:

Independent Auditors' Report to the members of
Hap Seng Plantations Holdings Berhad

(Company No. 769962-K)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Hap Seng Plantations Holdings Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 53.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Independent Auditors' Report to the members of
Hap Seng Plantations Holdings Berhad
(Company No. 769962-K)
(Incorporated in Malaysia)

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

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

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 24 on page 54 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards in Malaysia. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Independent Auditors' Report to the members of
Hap Seng Plantations Holdings Berhad

(Company No. 769962-K)
(Incorporated in Malaysia)

Other Matter

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

KPMG
Firm Number: AF 0758
Chartered Accountants

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

2 April 2013

Sandakan