

NEGRI SEMBILAN OIL PALMS BERHAD

(Company No. 592 - D)

Incorporated In Malaysia



**ANNUAL
REPORT
2008**

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NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

FINANCIAL HIGHLIGHT AND FINANCIAL CALENDAR

FINANCIAL HIGHLIGHT - GROUP

	2008	2007
	RM'000	RM'000
Revenue	105,456	74,660
Operating profit	30,497	57,721
Share of (loss) / profit of associates	(940)	1,258
Share of loss of a jointly controlled entity	(441)	(270)
Profit before taxation	29,116	58,709
Taxation	(7,948)	(14,241)
Profit for the year	21,168	44,468
Profit for the year attributable to equity holders of the Company	16,519	38,163
Profit for the year attributable to minority interests	4,649	6,305
Dividends	20,780	12,812
Issued and paid-up share capital	70,202	70,202
Equity attributable to ordinary equity holders of the Company	288,118	292,110
Earnings per stock unit		
- Basic	23.53 sen	54.36 sen
- Diluted	23.53 sen	54.36 sen
Dividends		
- First interim dividend	20 % less 26% taxation	10 % less 27% taxation
- Second interim dividend	20 % less 26% taxation	15 % less 27% taxation
Dividend cover (times)	0.79	2.98
Net assets per stock unit attributable to ordinary equity holders of the Company	RM4.10	RM4.16

FINANCIAL CALENDAR

Financial year	1 January 2008 to 31 December 2008
Announcement of results	
First financial quarter ended 31 March 2008	30 May 2008
Second financial quarter ended 30 June 2008	29 August 2008
Third financial quarter ended 30 September 2008	28 November 2008
Fourth financial quarter ended 31 December 2008	27 February 2009
Dividends payment	
First interim	30 June 2008
Second interim	31 December 2008
Despatch of 2008 Annual Report	28 May 2009
Seventy Seventh Annual General Meeting	19 June 2009

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventy Seventh Annual General Meeting of the Company will be held at the Conference Room, Suite 2B-3A-3, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Friday, 19 June 2009 at 10.30 am for the following purposes: -

1. To receive and adopt the Directors' Report and the Financial Statements for the financial year ended 31 December 2008 and the Auditors' Report thereon. (Resolution 1)
2. To increase the directors' fees for the financial year ended 31 December 2008 to RM249,084 and to authorise the directors to divide such fees in the proportions and manner to be determined by them. (Resolution 2)
3. To re-elect the following directors retiring under Article 94 of the Articles of Association of the Company: -
 - (i) Mr Goh Yeok Beng (Resolution 3)
 - (ii) Mr Sio Sit Po (Resolution 4)
 - (iii) Mr Goh Pock Ai (Resolution 5)
4. To consider and if thought fit, pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965: -
 - (i) "That Mr Goh Eng Chew, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 6)
 - (ii) "That Mr Wong Aun Phui, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 7)
 - (iii) "That Mr Goh Beng Hwa @ Gho Bin Hoa, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 8)
 - (iv) "That Dato' Ong Bok Lim, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 9)
5. To re-appoint auditors and authorise the directors to fix their remuneration. (Resolution 10)
6. As special business, to consider and if thought fit, pass the following ordinary resolutions: -

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

The text of the above resolutions together with the details of the proposed renewal of shareholders' mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties are set out in the Circular to Shareholders dated 28 May 2009.
7. To transact any other ordinary business of the Company of which proper notice shall have been given to the Company.

By Order of the Board

Gan Kok Tiong
Company Secretary

Kuala Lumpur
28 May 2009

NOTES:

1. A member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. If the member is a corporation, the Form of Proxy must be executed under its common seal or under the hand of a person duly authorised in writing.
3. The Form of Proxy must be deposited at the Registered Office, Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.
4. For Item 6, further information are set out in the Circular to Shareholders dated 28 May 2009 which is despatched together with the 2008 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

- (a) Goh Yeok Beng - Retiring pursuant to Article 94 of the Articles of Association
Refer to page 6 for further details and pages 69 to 70 for his shareholding in the Company and the subsidiaries.
- (b) Sio Sit Po - Retiring pursuant to Article 94 of the Articles of Association
Refer to page 6 for further details and pages 69 to 70 for his shareholding in the Company and the subsidiaries.
- (c) Goh Pock Ai - Retiring pursuant to Article 94 of the Articles of Association
Refer to page 5 for further details and pages 69 to 70 for his shareholding in the Company and the subsidiaries.
- (d) Goh Eng Chew - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 5 for further details and pages 69 to 70 for his shareholding in the Company and the subsidiaries.
- (e) Wong Aun Phui - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 5 for further details and pages 69 to 70 for his shareholding in the Company and the subsidiaries.
- (f) Goh Beng Hwa @ Gho Bin Hoa - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 5 for further details and pages 69 to 70 for his shareholding in the Company and the subsidiaries.
- (g) Dato' Ong Bok Lim - Retiring pursuant to Section 129 of the Companies Act, 1965
Refer to page 6 for further details and pages 69 to 70 for his shareholding in the Company and the subsidiaries.

CORPORATE INFORMATION

BOARD OF DIRECTORS

**Executive Chairman
(Non-Independent)**

Goh Eng Chew

**Executive Directors
(Non-Independent)**

Goh Pock Ai
Wong Aun Phui
Goh Wei Lei

**Non-Executive Directors
(Independent)**

Goh Beng Hwa @ Gho Bin Hoa
Sio Sit Po
Dato' Ong Bok Lim
Keong Choon Keat

**Non-Executive Directors
(Non-Independent)**

Goh Yeok Beng
Gho Lian Chin
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong

Alternate Director

Gho Bun Tjin (alternate to Gho Lian Chin)

AUDIT COMMITTEE

**Chairman
Members**

Keong Choon Keat
Dato' Ong Bok Lim
Sio Sit Po

**NOMINATION COMMITTEE &
REMUNERATION COMMITTEE**

**Chairman
Members**

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

COMPANY SECRETARY

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

REGISTERED OFFICE

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

AUDITORS

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

**SHARE REGISTRAR AND
MANAGING AGENT**

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

LEGAL FORM AND DOMICILE

Public Limited Liability Company
Incorporated and Domiciled in Malaysia

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad

PROFILE OF DIRECTORS

Goh Eng Chew (Executive Chairman)

77-year-old Mr Goh, a Singaporean, has more than thirty years of plantation and financial experience. Appointed to the Board on 17 July 1968. He later served as Chairman from 17 December 1994. He was appointed as the Executive Chairman on 20 December 2000. He had been Chairman of a licensed commercial bank, a licensed finance company and a real estate company, all of which were formerly listed in Singapore. He is also the Executive Chairman of Chin Teck Plantations Berhad. Other public companies in which he heads the Board are Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 74 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Pock Ai and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and the father of Goh Wei Lei.

Number of Board meetings attended during the financial year ended 31 December 2008: 4 out of 4

Goh Pock Ai (Senior Executive Director)

68 years of age, Singaporean. Appointed to the Board on 15 May 1971. He later served as Senior Executive Director from 1 June 2008. He has vast experience and extensive knowledge in oil palm plantation and property development. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 74 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Eng Chew and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong.

Number of Board meetings attended during the financial year ended 31 December 2008: 4 out of 4

Wong Aun Phui (Executive Director)

87 years of age, Malaysian. Has more than forty years of plantation and banking experience. Appointed to the Board on 15 July 1968. He was conferred Senior Cambridge Certificate by Cambridge University. He had served as Assistant Managing Director of Malayan Banking Berhad, Managing Director of Pan Malayan Finance Limited and Adviser of Bank Bumiputra Malaysia Berhad (now known as CIMB Bank Berhad). Formerly, Chairman of Bandar Raya Development Berhad. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Pan Malaysia Corporation Berhad. He is deemed interested in certain related party transactions as disclosed on page 74 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2008: 4 out of 4

Goh Wei Lei (Executive Director)

40 years of age, Singaporean. He was first appointed as an alternate director on 29 March 1994. He ceased as alternate director on 12 March 1996 and was appointed as a director on that date. He was later appointed as Executive Director on 1 June 2008. Holds a Bachelor of Science from the Oregon State University, USA. He has vast experience and extensive knowledge in oil palm plantation and property development. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 74 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the son of Goh Eng Chew.

Number of Board meetings attended during the financial year ended 31 December 2008: 4 out of 4

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

77 years of age, Singaporean. Appointed to the Board on 1 November 1969. He is a member of the Nomination Committee and Remuneration Committee. He had worked for several years in a listed licensed commercial bank in Singapore and was formerly the Managing Director of a licensed finance company listed in Singapore. Other public companies in which he is a director are Chin Teck Plantations Berhad and Eng Thye Plantations Berhad. He is deemed interested in certain related party transactions as disclosed on page 74 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2008: 4 out of 4

PROFILE OF DIRECTORS

Sio Sit Po (Independent Non-Executive Director)

60 years of age, Singaporean. He was first appointed as an alternate director on 16 June 1995 and ceased as alternate director on 10 January 1997. Subsequently, he was appointed as a director on 3 February 1997. He is a member of the Audit Committee. Holds a Bachelor of Science (Hons) from the Nanyang University, Singapore. Worked in a licensed commercial bank listed in Singapore since graduation till 1999. Other public companies in which he is a director are Chin Teck Plantations Berhad and Eng Thye Plantations Berhad. He is deemed interested in certain related party transactions as disclosed on page 74 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2008: 4 out of 4

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

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

Number of Board meetings attended during the financial year ended 31 December 2008: 4 out of 4

Keong Choon Keat (Independent Non-Executive Director)

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

Number of Board meetings attended during the financial year ended 31 December 2008: 4 out of 4

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

60 years of age, Singaporean. Appointed to the Board on 4 August 1982. He has vast experience and extensive knowledge in the oil palm plantation industry and rubber industry. Other public companies in which he is a director are Chin Teck Plantations Berhad, Timor Oil Palm Plantation Berhad (Executive Director) and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 74 of the Annual Report. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 December 2008: 4 out of 4

PROFILE OF DIRECTORS

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

61 years of age, Singaporean. Appointed to the Board on 13 July 1995. Holds a Bachelor of Science from the University of Melbourne, Australia. He is the Chairman of the Nomination Committee and Remuneration Committee. He worked in a licensed commercial bank listed in Singapore as its representative in a foreign country. Subsequently, he was engaged to manage the property division of the bank. He was also formerly a director of a licensed finance company and a real estate company both of which were listed in Singapore. He has extensive experience and knowledge in the rubber industry. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 74 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Gho Bun Tjin.

Number of Board meetings attended during the financial year ended 31 December 2008: 4 out of 4

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

62 years of age, Singaporean. He was first appointed as an alternate director on 22 April 1978. He ceased as alternate director on 29 December 1994 and was appointed as a director on that date. He later resigned as director on 29 February 1996. Subsequently, he was appointed as a director on 28 February 2006. Holds a Bachelor of Business from South Australian Institute of Technology. He has vast experience and extensive knowledge in banking and finance. Attached to DBS Bank Ltd as Senior Officer from 1973 to 1974 and left to join Tat Lee Bank Ltd from 1974 to 1998, during which time he held various positions; credit officer, sub-manager, manager, senior manager, executive director, deputy president and president (from 1995 to 1998). Other public companies in which he is a director are Chin Teck Plantations Berhad, Timor Oil Palm Plantation Berhad (alternate director) and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 74 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Eng Chew and Goh Pock Ai.

Number of Board meeting attended during the financial year ended 31 December 2008: 4 out of 4

Gho Bun Tjin (alternate to Gho Lian Chin)

59 years of age, Singaporean. He was first appointed as an alternate director on 29 June 1979 and ceased as alternate director on 21 June 1995. Subsequently, he was appointed as alternate director of Gho Lian Chin on 8 September 1995. Holds a Bachelor of Science from the University of Waterloo, Canada. He worked for a short period in a licensed commercial bank listed in Singapore. He is now working in a commercial company overseeing the general management. Other public companies in which he is an alternate director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 74 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Gho Lian Chin.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Negri Sembilan Oil Palms Berhad, I take great pleasure in presenting the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2008.

During the financial year under review, the selling price of crude palm oil fluctuated extremely. Crude palm oil price experienced tremendous upward movement and traded at new highs in the first half of the year due to higher demand for biodiesel as a result of higher crude oil price and tight supply of other vegetable oils. However, crude palm oil price declined sharply in the second half of the year due to a sharp decline in prices of crude oil and other vegetable oils which were influenced by the bearish sentiments arising from the global financial crisis and fears of a global recession.

Financial and operation review

During the financial year under review, revenue of the Group increased by 41.25% to RM105,455,772. Overall operating expenses (excluding decrease in fair value of biological assets and impairment loss of other investments) increased by 42.19% to RM60,729,730.

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

Overall operating expenses (excluding decrease in fair value of biological assets and impairment loss of other investments) were higher due mainly to increases in the cost of fertilisers and purchase of ffb and the payments of the special cess pursuant to the Malaysian Palm Oil Board (Cess)(Oil Palm Fruit) Order 2007 (the cess collection is to subsidise the price of cooking oil for the consuming public) and windfall profit levy.

The Group suffered a loss from its share in the results of associates due mainly to a loss suffered by an associate engaged in trading in stocks and shares as a result of unfavourable operating conditions.

Operating profit for the year, excluding the fair value adjustment of biological assets and impairment loss of other investments, increased from RM37,720,035 to RM50,509,956 due mainly to the substantial increase in the average selling prices of ffb, crude palm oil and palm kernel as compared with those of the previous year.

However, after taking into account of the fair value adjustment of biological assets and impairment loss of other investments, operating profit for the financial year under review decreased from RM57,720,035 to RM30,496,686. This was mainly due to an unfavourable fair value adjustment of biological assets of RM19,000,000 in the current financial year under review as compared with a favourable fair value adjustment of RM20,000,000 in the previous financial year and an amount of impairment loss of quoted investments of RM1,013,270. In the previous financial year, the market value of the quoted investments was higher than its cost.

Overall profit after tax for the year decreased from RM44,467,567 to RM21,168,200 due to the reasons mentioned above.

Shareholders' equity decreased by 1.37% to RM288,118,529.

Production of ffb increased by 11.36% to 147,732 m/t and purchase of ffb also increased by 10.54% to 20,263 m/t. Correspondingly, production of crude palm oil increased by 17.84% to 23,411 m/t and production of palm kernel increased by 14.83% to 6,475 m/t. The oil extraction rate ("OER") increased slightly from 18.62% to 18.79% and the kernel extraction rate ("KER") recorded a decline from 5.29% to 5.20%.

Dividends

Total gross dividends of 40% in respect of the financial year ended 31 December 2008 were paid during the financial year, i.e. a first interim dividend of 20% less 26% taxation was paid on 30 June 2008 and a second interim dividend of 20% less 26% taxation was paid on 31 December 2008. In view of the payment of the interim dividends, the Board do not recommend a final dividend in respect of the financial year ended 31 December 2008.

CHAIRMAN'S STATEMENT

Joint venture on oil palm plantation in Indonesia

The joint venture commenced its clearing of lands and planting towards the end of 2006 and early 2007.

As at 30 April 2009, approximately 2,524 hectares of land have been cleared of which 1,691 hectares have been planted.

The joint venture is expected to enhance the future earnings of the Group and is in line with the long term strategy of the Group in increasing its oil palm plantation interest.

Recurrent related party transactions

The Company announced on 27 February 2009 that it proposes to seek the approval of shareholders for the proposed renewal of the shareholders' mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature at the forthcoming Annual General Meeting. A separate Circular to Shareholders, the purpose of which is to provide information on the proposed renewal of shareholders' mandate and to seek the approval for the ordinary resolutions pertaining to the proposed renewal of shareholders' mandate is enclosed together with the Annual Report.

Outlook for Year 2009

The average selling price of crude palm oil has increased recently since its sharp decline. The financial performance from the plantation operations for the financial year ending 31 December 2009 would depend on the volatility of the selling price of crude palm oil.

Appreciation

On behalf of the Board of Directors, I would like to thank the management and staff for their contribution and commitment. I must also thank our suppliers and customers for their co-operation and support. To our shareholders, I would like to thank you for your continued support and confidence in the Company.

Goh Eng Chew
Executive Chairman

15 May 2009

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

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

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

1. Directors

Board Responsibilities

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

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

Composition of the Board

The Board currently consists of eleven directors: -

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

There is an alternate director on the Board.

During the financial year under review, Goh Wei Lei was re-designated as an Executive Director with effect from 1 June 2008. This is to rejuvenate the composition of directors holding executive positions.

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

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

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

1. Directors (cont'd.)

Composition of the Board (cont'd.)

The Executive Chairman, Goh Eng Chew, the Executive Directors, Goh Pock Ai and Goh Wei Lei, the three Non-Independent Non-Executive Directors, Goh Yeok Beng, Gho Lian Chin and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and the alternate director, Gho Bun Tjin are directors and/or alternate director of Tiong Thye Company Berhad, the largest shareholder of the Company holding 55.13% of the issued and paid-up share capital of the Company as at 30 April 2009. Their shareholdings in Tiong Thye Company Berhad are disclosed on page 71 of the Annual Report.

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

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

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

- ? Audit Committee
- ? Nomination Committee
- ? Remuneration Committee

The Report on Audit Committee for the financial year ended 31 December 2008 is set out on pages 18 to 20 of the Annual Report.

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

The Board of Directors met four times during the financial year ended 31 December 2008. The Executive Chairman and the Executive Directors explained to the Board the rationale of the matters discussed and the implications on the Group. The Directors participated in the discussion and comments were considered before a decision was made.

The attendances of the Directors were as follows: -

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

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

1. Directors (cont'd.)

Supply of Information

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

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

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

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

Appointments to the Board

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

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

During the financial year under review, Goh Wei Lei resigned as a member of the Nomination Committee with effect from 1 June 2008 and the number of members of the Nomination Committee is reduced to four. The Board and the Nomination Committee are of the opinion that this reduction would not have any significant impact on the Committee in performing its duties and functions and accordingly, no additional appointments are necessary for the time being.

The duties and functions of the Nomination Committee are: -

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

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

Two meetings of Nomination Committee were held during the financial year ended 31 December 2008. All members of the Nomination Committee attended the meetings.

Directors' Training

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

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

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

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

1. Directors (cont'd.)

Directors' Training (cont'd)

During the financial year ended 31 December 2008, the Directors and alternate director attended the following programmes: -

Name	Training programme	Duration
Goh Eng Chew	How to strike the right cord with investors	1/2 day
Goh Pock Ai	How to strike the right cord with investors	1/2 day
Wong Aun Phui	How to strike the right cord with investors	1/2 day
Goh Wei Lei	How to strike the right cord with investors	1/2 day
Goh Beng Hwa @ Gho Bin Hoa	How to strike the right cord with investors	1/2 day
Sio Sit Po	How to strike the right cord with investors	1/2 day
Dato' Ong Bok Lim	How to strike the right cord with investors	1/2 day
Keong Choon Keat	FRS workshop and five seminars (industry specific and general)	4 1/2 days
Goh Yeok Beng	How to strike the right cord with investors	1/2 day
Gho Lian Chin	How to strike the right cord with investors	1/2 day
Goh Tju Kiang @	How to strike the right cord with investors	1/2 day
Gho Tju Kiang @		
Gho Tju Kiong		
Gho Bun Tjin	How to strike the right cord with investors	1/2 day

Re-election of Directors

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

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

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

2. Directors' Remuneration

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

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

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

During the financial year under review, Goh Wei Lei resigned as a member of the Remuneration Committee with effect from 1 June 2008 and the number of members of the Remuneration Committee is reduced to four. The Board and the Remuneration Committee are of the opinion that this reduction would not have any significant impact on the Committee in performing its duties and functions and accordingly, no additional appointments are necessary for the time being.

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

Two meetings of Remuneration Committee were held during the financial year ended 31 December 2008. All members of the Remuneration Committee attended the meetings.

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

2. Directors' Remuneration (cont'd.)

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

To commensurate with the experience and level of responsibilities undertaken by the Directors, the Directors have recommended that their total fees for the financial year ended 31 December 2008 be increased to RM249,084 from RM224,954 with authority to Directors to divide such fees in the proportions and manner to be determined by them. The previous increase in directors' fees was in financial year ended 31 December 2004.

During the financial year ended 31 December 2008, the Board approved an increase in the monthly salary of the executive directors. The previous increase in the monthly salary of the executive directors was in Year 2004.

The details of the total Group's remuneration receivable by the Executive Directors and Non-Executive Directors of the Company for the financial year ended 31 December 2008 are as follows:-

	No. of Directors	Fees RM	Salaries RM	Commission RM	Other RM	Total RM
Executive Directors						
	1	58,000	261,000	292,023	20,000	631,023
	1	38,000	178,400	204,415	20,000	440,815
	1	40,000	170,000	204,415	20,000	434,415
	1	38,084	70,000	51,670	22,000	181,754
	4	174,084	679,400	752,523	82,000	1,688,007
Non-Executive Directors						
	1	29,000	84,000	87,719	15,000	215,719
	1	46,000	-	-	24,000	70,000
	1	36,500	-	-	23,000	59,500
	1	32,000	-	-	19,000	51,000
	1	32,000	-	-	18,000	50,000
	1	31,500	-	-	16,500	48,000
	1	18,000	-	-	10,000	28,000
	7	225,000	84,000	87,719	125,500	522,219
		399,084	763,400	840,242	207,500	2,210,226

3. Shareholders

Dialogue between the Company and Investors

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

Annual General Meeting

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

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

4. Accountability and Audit

Financial Reporting

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

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

Internal Control

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

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

Internal Audit

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

Relationship with the Auditors

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

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

STATEMENT ON INTERNAL CONTROL

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

Responsibility

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

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

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

Internal Control Process

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

Key Elements of Internal Control

? **Organisational Structure**

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

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

? **Policies Manual**

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

? **Audit Committee and Internal Audit**

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

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

STATEMENT ON INTERNAL CONTROL

Key Elements of Internal Control (cont'd.)

? Financial Report

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

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

? Estates Visits and Estates Managers Meetings

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

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

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

? Review of Recurrent Related Party Transactions

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

Risk Management

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

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

Conclusion

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

REPORT ON AUDIT COMMITTEE

The Board of Directors of Negri Sembilan Oil Palms Berhad is pleased to present the report of the Audit Committee for the financial year ended 31 December 2008.

Members of the Audit Committee

The members of the Audit Committee during the financial year ended 31 December 2008 are as follows:-

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

Terms of Reference

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

1. Formation
 - 1.1 The Board pursuant to its resolution formed the Audit Committee on 25 June 1994.
2. Membership
 - 2.1 The members of the Audit Committee shall be appointed by the Board from amongst their number and shall consist of not fewer than three (3) members of whom a majority shall be independent directors.
 - 2.2 At least one (1) member of the Audit Committee: -
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and: -
 - (iii) (a) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
 - 2.3 No alternate director can be appointed as a member of the Audit Committee.
 - 2.4 The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.
 - 2.5 If a member of the Audit Committee retires, resigns, dies or for any reason ceases to be a member resulting in the non-compliance of paragraph 2.1 and 2.2 above, the Board shall within three (3) months of that event, fill the vacancy.
 - 2.6 The Company Secretary or such other person as the Audit Committee may determine shall be the Secretary of the Audit Committee.
3. Meeting
 - 3.1 Meetings of Audit Committee shall be held at least four (4) times a year.
 - 3.2 In order to form a quorum in respect of a meeting of an Audit Committee, the majority of members present must be independent directors.
 - 3.3 Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the Board or shareholders.
 - 3.4 The Audit Committee shall meet with the external auditors without the presence of the executive directors at least twice a year.
 - 3.5 At least 5 calendar days' notice should be given to members of the Audit Committee before a meeting is held. In an emergency meeting, the notice can be shortened provided majority of members agree.
 - 3.6 Each member is entitled to one vote. Decision arising from any meeting shall be by majority of votes. The Chairman has no casting vote.
 - 3.7 Other directors and employees may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

REPORT ON AUDIT COMMITTEE

Terms of Reference (cont'd.)

4. Authority

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

5. Duties and functions

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

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

5.2 To consider other topics as defined by the Board.

6. Minutes

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

REPORT ON AUDIT COMMITTEE

Terms of Reference (cont'd.)

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

Number of meetings of Audit Committee held during the financial year ended 31 December 2008 and attendance of each member of Audit Committee and invited directors

During the financial year ended 31 December 2008, a total of four meetings were held.

The attendance of each member and invited directors is as follows: -

	<u>Number of Meetings Attended</u>
Member of Audit Committee:	
Keong Choon Keat	4
Dato' Ong Bok Lim	4
Sio Sit Po	4
Invited directors:	
Goh Pock Ai	3
Wong Aun Phui	4
Goh Wei Lei	2*

* Goh Wei Lei was invited to attend meetings of audit committee subsequent to his appointment as executive director on 1 June 2008.

Summary of the activities of the Audit Committee during the financial year ended 31 December 2008

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

The Audit Committee carried out the following activities during the financial year ended 31 December 2008: -

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

Internal audit functions

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

The internal auditors report directly to the Audit Committee.

During the financial year under review, the internal auditors visited the estates of the Group. The internal auditors prepared internal audit reports and presented to the Audit Committee. The internal audit reports summarise the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The internal audit reports also cover the follow-up by the management on implementation of recommendations in their earlier reports. The internal auditors attended the meetings of Audit Committee twice during the financial year under review. The total cost of internal audit for the financial year under review amounted to RM63,300.

CORPORATE SOCIAL RESPONSIBILITY

Health and Safety

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

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

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

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

Environmental Management

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

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

Human Resource Development

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

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

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

Community

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

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

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

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

The Directors consider that the financial statements set out on pages 33 to 68 have been prepared using appropriate accounting policies, which are consistently applied and are in accordance with the provisions of the Act and applicable Financial Reporting Standards in Malaysia.

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

This statement is made in accordance with a resolution of the Board of Directors dated 27 February 2009.

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

GROUP FINANCIAL PROFILE

	2004	2005	2006	2007	2008
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	51,580	44,000	51,405	74,660	105,456
Cost of sales	(26,583)	(24,665)	(27,373)	(31,616)	(46,385)
Gross profit	24,997	19,335	24,032	43,044	59,071
Other income	4,248	3,203	6,154	5,771	5,784
Administrative expenses	(8,601)	(9,037)	(8,546)	(9,065)	(11,428)
Selling expenses	(897)	(1,119)	(1,328)	(1,257)	(1,608)
Replanting expenses	(1,605)	(1,138)	(691)	(772)	(1,263)
Other operating expenses	-	-	-	-	(1,059)
Fair value adjustments of biological assets	-	-	14,497	20,000	(19,000)
Operating profit	18,142	11,244	34,118	57,721	30,497
Share of profit / (loss) of associates	102	472	699	1,258	(940)
Share of loss of a jointly controlled entity	-	-	(39)	(270)	(441)
Profit before taxation	18,244	11,716	34,778	58,709	29,116
Taxation	(3,430)	(2,956)	(8,691)	(14,241)	(7,948)
Profit for the year	14,814	8,760	26,087	44,468	21,168
Attributable to:					
Equity holders of the Company	13,126	8,155	22,273	38,163	16,519
Minority interests	1,688	605	3,814	6,305	4,649
	14,814	8,760	26,087	44,468	21,168
Dividends	9,337	7,963	8,079	12,812	20,780
Earnings per stock unit (sen)					
Basic	19.3	11.9	31.9	54.4	23.5
Diluted	19.2	11.8	31.9	54.4	23.5
Net dividend (sen per stock unit)					
First interim	7.20	5.76	5.76	7.30	14.80
Second interim	6.48	5.76	5.76	10.95	14.80
	13.68	11.52	11.52	18.25	29.60
Dividend cover (times)	1.41	1.02	2.76	2.98	0.79

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

GROUP FINANCIAL PROFILE

	2004	2005	2006	2007	2008
	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	50,220	52,132	81,118	80,984	81,015
Prepaid land lease payments	46,190	45,340	68,800	67,809	66,817
Biological assets	33,703	33,703	48,200	68,200	49,200
Investment in associates	6,139	7,000	8,521	10,339	9,919
Investment in a jointly controlled entity	-	-	16,683	16,336	23,779
Other investments	9,645	9,632	8,931	9,423	20,233
Deferred tax assets	-	489	-	-	-
	145,897	148,296	232,253	253,091	250,963
Current Assets					
Inventories	900	1,010	1,453	1,984	2,607
Receivables	4,653	3,232	4,244	6,528	4,491
Tax recoverable	790	1,029	335	542	2,634
Cash and bank balances	110,163	108,517	101,061	113,854	108,040
	116,506	113,788	107,093	122,908	117,772
TOTAL ASSETS	262,403	262,084	339,346	375,999	368,735
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	68,364	69,412	70,202	70,202	70,202
Share premium	3,012	3,767	4,336	4,336	4,336
Other reserves	23,893	23,709	60,809	62,338	62,131
Retained profits	112,042	112,295	129,407	155,234	151,449
	207,311	209,183	264,754	292,110	288,118
Minority interests	33,349	33,272	43,532	48,956	51,362
Total equity	240,660	242,455	308,286	341,066	339,480
Non-Current Liabilities					
Provision for retirement benefits	577	579	-	-	-
Deferred tax liabilities	15,988	15,826	25,715	28,195	23,332
	16,565	16,405	25,715	28,195	23,332
Current Liabilities					
Payables	4,161	3,207	4,375	5,677	5,920
Provision for retirement benefits	49	17	18	-	-
Taxation	968	-	952	1,061	3
	5,178	3,224	5,345	6,738	5,923
Total Liabilities	21,743	19,629	31,060	34,933	29,255
TOTAL EQUITY AND LIABILITIES	262,403	262,084	339,346	375,999	368,735
Net assets per stock unit attributable to ordinary equity holders of the Company (RM)	3.03	3.01	3.77	4.16	4.10

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

GROUP FINANCIAL PROFILE

	2004	2005	2006	2007	2008
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash generated from operating activities	13,182	5,250	11,146	24,324	32,399
Net cash generated / (used in) investing activities	630	668	(12,685)	2,583	(16,869)
Net cash used in financing activities	(8,763)	(6,818)	(7,378)	(14,077)	(23,018)
Net increase / (decrease) in cash and cash equivalents	5,048	(900)	(8,917)	12,830	(7,488)
Effects of exchange rate changes	1,380	(785)	1,452	(43)	1,676
Cash and cash equivalents at beginning of year	103,493	109,921	108,236	100,771	113,558
Cash and cash equivalents at end of year	109,921	108,236	100,771	113,558	107,746
Deposits pledged for bank guarantee facilities	242	281	290	296	294
Cash and bank balances	110,163	108,517	101,061	113,854	108,040

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

PLANTATIONS STATISTICS

	2004	2005	2006	2007	2008
Malaysia					
Planted Area -Hectares					
Mature	6,558	6,232	7,069	6,892	6,879
Immature	992	990	92	269	285
	<u>7,550</u>	<u>7,222</u>	<u>7,161</u>	<u>7,161</u>	<u>7,164</u>
Mature oil palm					
Age in years					
Above 25	0.81%	1.52%	1.82%	0.59%	0.60%
21 - 25	7.32%	7.08%	6.75%	9.61%	14.68%
16 - 20	15.95%	39.12%	44.65%	44.72%	44.15%
11 - 15	44.85%	26.68%	14.05%	17.09%	22.45%
6 - 10	29.78%	25.60%	18.84%	14.73%	15.99%
Below 6	1.29%	0.00%	13.89%	13.26%	2.13%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Production (m/t)					
ffb					
- own estates	127,686	125,499	138,249	132,660	147,732
- purchased	22,569	21,992	26,038	18,331	20,263
	<u>150,255</u>	<u>147,491</u>	<u>164,287</u>	<u>150,991</u>	<u>167,995</u>
Crude palm oil	<u>15,905</u>	<u>16,301</u>	<u>19,393</u>	<u>19,867</u>	<u>23,411</u>
Palm kernel	<u>4,441</u>	<u>4,837</u>	<u>5,806</u>	<u>5,639</u>	<u>6,475</u>
ffb yield per mature hectare, m/t per hectare	<u>19.47</u>	<u>20.14</u>	<u>19.56</u>	<u>19.25</u>	<u>21.48</u>
Extraction Rate (%)					
Crude palm oil	18.95	19.00	18.78	18.62	18.79
Palm kernel	5.28	5.64	5.62	5.29	5.20
Joint venture in Indonesia					
Planted Area -Hectares					
Immature	-	-	-	632	1,673

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

Principal activities

The principal activities of the Company are the cultivation of oil palms and sale of fresh fruit bunches and investment holding.

The principal activities of the subsidiaries are the cultivation of oil palms, process and sale of crude palm oil and palm kernel.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM	Company RM
Profit for the year	21,168,200	10,633,914
Attributable to:		
Equity holders of the Company	16,518,771	10,633,914
Minority interests	4,649,429	-
	<u>21,168,200</u>	<u>10,633,914</u>

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the effect arising from the changes in the fair value of biological assets which has resulted in a decrease in the Group's and the Company's profit for the year by RM14,250,000 and RM8,250,000 respectively,

Dividends

The amount of dividends paid by the Company since 31 December 2007 were as follows:

	RM
In respect of the financial year ended 31 December 2008:	
First interim dividend of 20% less 26% taxation, on 70,201,962 ordinary stock units, declared on 30 May 2008 and paid on 30 June 2008	10,389,890
Second interim dividend of 20% less 26% taxation, on 70,201,962 ordinary stock units, declared on 28 November 2008 and paid on 31 December 2008	10,389,890
	<u>20,779,780</u>

In view of the payment of the interim dividends, the directors do not recommend any final dividend in respect of the current financial year.

DIRECTORS' REPORT

Directors

The names of directors of the Company in office since the date of the last report and at the date of this report are:

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

In accordance with the Company's Articles of Association, Goh Yeok Beng, Sio Sit Po and Goh Pock Ai retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Goh Eng Chew, Wong Aun Phui, Goh Beng Hwa @ Gho Bin Hoa and Dato' Ong Bok Lim retire pursuant to Section 129 of the Companies Act, 1965 and resolutions are being proposed for their reappointment as directors under the provisions of Section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 6 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 29 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in stock units in the Company and shares in its related corporations during the financial year were as follows:

	Number of ordinary stock units of RM1.00 each			31 December 2008
	1 January 2008	Bought	Sold	
The Company				
Direct interest:				
Goh Eng Chew	400,000	-	-	400,000
Goh Pock Ai	401,100	-	-	401,100
Wong Aun Phui	645,850	-	-	645,850
Goh Beng Hwa @ Gho Bin Hoa	1,010,513	-	-	1,010,513
Goh Yeok Beng	400,000	-	-	400,000
Gho Lian Chin	2,200	-	-	2,200
Sio Sit Po	482,466	-	-	482,466
Gho Bun Tjin	2,200	-	-	2,200
Indirect interest:				
Goh Eng Chew	38,701,009	-	-	38,701,009
Wong Aun Phui	59,785	-	-	59,785
Goh Beng Hwa @ Gho Bin Hoa	1,991,689	-	-	1,991,689
Gho Lian Chin	38,852,673	-	-	38,852,673

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

DIRECTORS' REPORT

Directors' interests (cont'd.)

	Number of ordinary shares of RM1.00 each			31 December 2008
	1 January 2008	Bought	Sold	
Eng Thye Plantations Berhad				
- Subsidiary				
Direct interest:				
Wong Aun Phui	3,500	-	-	3,500
Goh Beng Hwa @ Gho Bin Hoa	3,500	-	-	3,500
Dato' Ong Bok Lim	35,000	-	-	35,000
Indirect interest:				
Goh Eng Chew	15,783,250	-	-	15,783,250
Gho Lian Chin	15,783,250	-	-	15,783,250
Timor Oil Palm Plantation Berhad				
- Subsidiary				
Direct interest:				
Goh Eng Chew	10,000	-	-	10,000
Goh Pock Ai	10,000	-	-	10,000
Wong Aun Phui	1,000	-	-	1,000
Goh Yeok Beng	10,000	-	-	10,000
Gho Lian Chin	10,000	-	-	10,000
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	10,000	-	-	10,000
Indirect interest:				
Goh Eng Chew	6,112,300	-	-	6,112,300
Wong Aun Phui	39,000	-	-	39,000
Gho Lian Chin	6,112,300	-	-	6,112,300
Tiong Thye Company Berhad				
- Holding company				
Direct interest:				
Goh Eng Chew	105,000	-	(105,000)	-
Goh Pock Ai	1,000	-	(1,000)	-
Gho Lian Chin	1,000	-	-	1,000
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	1,000	-	(1,000)	-
Gho Bun Tjin	1,000	-	-	1,000
Indirect interest:				
Goh Eng Chew	13,538,000	111,000	-	13,649,000
Gho Lian Chin	5,670,000	-	-	5,670,000

Goh Eng Chew and Gho Lian Chin by virtue of their interests in the holding company, are also deemed interested in the shares of all its subsidiaries to the extent the holding company has an interest.

None of the other directors in office at the end of the financial year had any interest in stock units in the Company and shares of its related corporations during the financial year.

DIRECTORS' REPORT

Other statutory information

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was required; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or to make a provision for doubtful debts in the financial statements of the Group and of the Company; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Significant event

The significant event is disclosed in Note 27 to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 February 2009.

Goh Eng Chew

Wong Aun Phui

**NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)**

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Goh Eng Chew and Wong Aun Phui, being two of the directors of Negri Sembilan Oil Palms Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 33 to 68 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards 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 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 February 2009.

Goh Eng Chew

Wong Aun Phui

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

I, Gan Kok Tiong, being the officer primarily responsible for the financial management of Negri Sembilan Oil Palms Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 68 are in my opinion 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 abovenamed Gan Kok Tiong
at Kuala Lumpur in the Federal Territory
on 27 February 2009.

Gan Kok Tiong

Before me,

Ooi Ah Bah
No. W152
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEGRI SEMBILAN OIL PALMS BERHAD

Report on the financial statements

We have audited the financial statements of Negri Sembilan Oil Palms Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, set out on pages 33 to 68.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries 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 financial statements of the Company 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.
- (c) The auditors' report on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants
Kuala Lumpur, Malaysia
27 February 2009

Ong Chee Wai
No. 2857/07/10(J)
Chartered Accountant

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
Revenue	3	105,455,772	74,659,500	33,685,333	28,215,412
Cost of sales	3	(46,385,087)	(31,616,090)	(12,545,390)	(6,898,819)
Gross profit		59,070,685	43,043,410	21,139,943	21,316,593
Other income	4	5,783,914	5,771,346	10,921,144	7,541,265
Administrative expenses		(11,427,978)	(9,065,176)	(4,674,378)	(3,905,321)
Selling expenses		(1,608,295)	(1,257,239)	(633,900)	(487,774)
Replanting expenses		(1,262,844)	(772,306)	(164,333)	(178,881)
Other operating expenses		(1,058,796)	-	(753,509)	-
Fair value adjustment of biological assets	13	(19,000,000)	20,000,000	(11,000,000)	7,000,000
Operating profit	5	30,496,686	57,720,035	14,834,967	31,285,882
Share of (loss) / profit of associates		(940,210)	1,258,580	-	-
Share of loss of a jointly controlled entity		(441,130)	(270,421)	-	-
Profit before taxation		29,115,346	58,708,194	14,834,967	31,285,882
Taxation	8	(7,947,146)	(14,240,627)	(4,201,053)	(8,011,340)
Profit for the year		21,168,200	44,467,567	10,633,914	23,274,542
Attributable to:					
Equity holders of the Company		16,518,771	38,162,944	10,633,914	23,274,542
Minority interests		4,649,429	6,304,623	-	-
		21,168,200	44,467,567	10,633,914	23,274,542
Earnings per stock unit attributable to equity holders of the Company (sen):					
Basic	9	23.53	54.36		
Diluted	9	23.53	54.36		
Net dividends per stock unit (sen)	10	29.60	18.25	29.60	18.25

The accompanying notes form an integral part of the financial statements.

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2008

	Note	Group		Company	
		2008	2007	2008	2007
		RM	RM	RM	RM
Assets					
Non-current assets					
Property, plant and equipment	11	81,015,140	80,983,700	24,892,067	24,894,459
Prepaid land lease payments	12	66,817,500	67,808,750	38,317,500	38,808,750
Biological assets	13	49,200,000	68,200,000	23,100,000	34,100,000
Investments in subsidiaries	14	-	-	136,964,296	132,145,228
Investments in associates	15	9,919,100	10,339,006	4,664,304	4,664,304
Investment in a jointly controlled entity	16	23,778,588	16,336,158	12,519,020	8,449,210
Other investments	17	20,233,061	9,423,144	6,337,654	2,053,541
		<u>250,963,389</u>	<u>253,090,758</u>	<u>246,794,841</u>	<u>245,115,492</u>
Current assets					
Inventories	18	2,607,250	1,984,234	426,647	332,395
Receivables	19	4,491,284	6,527,953	1,903,408	3,432,738
Tax recoverable		2,633,965	541,543	2,034,165	-
Cash and bank balances	20	108,039,846	113,853,613	46,921,996	58,343,456
		<u>117,772,345</u>	<u>122,907,343</u>	<u>51,286,216</u>	<u>62,108,589</u>
Total assets		<u>368,735,734</u>	<u>375,998,101</u>	<u>298,081,057</u>	<u>307,224,081</u>
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	22	70,201,962	70,201,962	70,201,962	70,201,962
Share premium		4,335,840	4,335,840	4,335,840	4,335,840
Other reserves	23	62,130,985	62,337,642	129,627,366	125,093,212
Retained profits	24	151,449,742	155,234,450	80,721,432	90,582,384
		<u>288,118,529</u>	<u>292,109,894</u>	<u>284,886,600</u>	<u>290,213,398</u>
Minority interests		51,361,581	48,955,888	-	-
Total equity		<u>339,480,110</u>	<u>341,065,782</u>	<u>284,886,600</u>	<u>290,213,398</u>
Non-current liabilities					
Deferred tax liabilities	26	23,332,287	28,194,543	11,673,095	14,513,772
Current liabilities					
Payables	21	5,920,531	5,676,756	1,521,362	1,811,248
Taxation		2,806	1,061,020	-	685,663
		<u>5,923,337</u>	<u>6,737,776</u>	<u>1,521,362</u>	<u>2,496,911</u>
Total liabilities		<u>29,255,624</u>	<u>34,932,319</u>	<u>13,194,457</u>	<u>17,010,683</u>
Total equity and liabilities		<u>368,735,734</u>	<u>375,998,101</u>	<u>298,081,057</u>	<u>307,224,081</u>

The accompanying notes form an integral part of the financial statements.

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

Group	←----- Attributable to equity holders of the Company ----->						Minority interests	Total equity
	←----- Non-distributable ----->			Distributable				
	Share capital (Note 22) RM	Share premium RM	Asset revaluation reserve – lands (Note 23) RM	Foreign currency translation reserve (Note 23) RM	Retained profits (Note 24) RM	Total RM		
At 1 January 2007	70,201,962	4,335,840	57,886,892	2,921,644	129,407,062	264,753,400	43,531,842	308,285,242
Changes in tax rates on opening balance of deferred tax	-	-	626,769	-	-	626,769	139,611	766,380
Reversal of deferred tax arising from exemption of real property gains tax (“RPGT”)	-	-	2,351,758	-	-	2,351,758	300,170	2,651,928
Revaluation reserve on leasehold lands realised	-	-	(476,302)	-	476,302	-	-	-
Foreign currency translation:								
Associates	-	-	-	(907,115)	-	(907,115)	(45,140)	(952,255)
Jointly controlled entity	-	-	-	(66,004)	-	(66,004)	(10,216)	(76,220)
Net income and (expense) recognised directly in equity	-	-	2,502,225	(973,119)	476,302	2,005,408	384,425	2,389,833
Profit for the year	-	-	-	-	38,162,944	38,162,944	6,304,623	44,467,567
Total recognised income and (expense) for the year	-	-	2,502,225	(973,119)	38,639,246	40,168,352	6,689,048	46,857,400
Dividends (Note 10)	-	-	-	-	(12,811,858)	(12,811,858)	(1,265,002)	(14,076,860)
At 31 December 2007	70,201,962	4,335,840	60,389,117	1,948,525	155,234,450	292,109,894	48,955,888	341,065,782

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008 (CONT'D)

Group	←----- Attributable to equity holders of the Company ----->					Total RM	Minority interests RM	Total equity RM
	←----- Non-distributable ----->			Distributable				
	Share capital (Note 22) RM	Share premium RM	Asset revaluation reserve – lands (Note 23) RM	Foreign currency translation reserve (Note 23) RM	Retained profits (Note 24) RM			
At 1 January 2008	70,201,962	4,335,840	60,389,117	1,948,525	155,234,450	292,109,894	48,955,888	341,065,782
Revaluation reserve on leasehold lands realised	-	-	(476,301)	-	476,301	-	-	-
Foreign currency translation:								
Associates	-	-	-	491,375	-	491,375	28,929	520,304
Jointly controlled entity	-	-	-	(221,731)	-	(221,731)	(34,319)	(256,050)
Net income and (expense) recognised directly in equity	-	-	(476,301)	269,644	476,301	269,644	(5,390)	264,254
Profit for the year	-	-	-	-	16,518,771	16,518,771	4,649,429	21,168,200
Total recognised income and (expense) for the year	-	-	(476,301)	269,644	16,995,072	16,788,415	4,644,039	21,432,454
Dividends (Note 10)	-	-	-	-	(20,779,780)	(20,779,780)	(2,238,346)	(23,018,126)
At 31 December 2008	70,201,962	4,335,840	59,912,816	2,218,169	151,449,742	288,118,529	51,361,581	339,480,110

The accompanying notes form an integral part of the financial statements

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

Company	←----- Non-distributable ----->				Distributable	
	Share capital (Note 22) RM	Share premium RM	Asset revaluation reserve – lands (Note 23) RM	Asset revaluation reserve – investments in subsidiaries (Note 23) RM	Retained profits (Note 24) RM	Total equity RM
At 1 January 2007	70,201,962	4,335,840	27,799,238	79,323,143	79,834,786	261,494,969
Changes in tax rates on opening balance of deferred tax	-	-	433,973	-	-	433,973
Reversal of deferred tax arising from exemption of RPGT	-	-	852,338	-	-	852,338
Revaluation reserve of leasehold land realised	-	-	(284,914)	-	284,914	-
Revaluation increase of investment in subsidiaries	-	-	-	16,969,434	-	16,969,434
Net income recognised directly in equity	-	-	1,001,397	16,969,434	284,914	18,255,745
Profit for the year	-	-	-	-	23,274,542	23,274,542
Total recognised income for the year	-	-	1,001,397	16,969,434	23,559,456	41,530,287
Dividends (Note 10)	-	-	-	-	(12,811,858)	(12,811,858)
At 31 December 2007	70,201,962	4,335,840	28,800,635	96,292,577	90,582,384	290,213,398

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

Company	<----- Non-distributable ----->				Distributable	
	Share capital (Note 22) RM	Share premium RM	Asset revaluation reserve – lands (Note 23) RM	Asset revaluation reserve – investments in subsidiaries (Note 23) RM	Retained profits (Note 24) RM	Total equity RM
At 1 January 2008	70,201,962	4,335,840	28,800,635	96,292,577	90,582,384	290,213,398
Revaluation reserve of leasehold land realised	-	-	(284,914)	-	284,914	-
Revaluation increase of investment in subsidiaries	-	-	-	4,819,068	-	4,819,068
Net income and (expense) recognised directly in equity	-	-	(284,914)	4,819,068	284,914	4,819,068
Profit for the year	-	-	-	-	10,633,914	10,633,914
Total recognised income / (expense) for the year	-	-	(284,914)	4,819,068	10,918,828	15,452,982
Dividends (Note 10)	-	-	-	-	(20,779,780)	(20,779,780)
At 31 December 2008	70,201,962	4,335,840	28,515,721	101,111,645	80,721,432	284,886,600

The accompanying notes form an integral part of the financial statements

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash flows from operating activities				
Profit before taxation	29,115,346	58,708,194	14,834,967	31,285,882
Adjustments for:				
Amortisation of prepaid land lease payments	991,250	991,250	491,250	491,250
Depreciation of property, plant and equipment	831,368	817,185	195,795	191,355
Fair value decrease / (increase) in biological assets	19,000,000	(20,000,000)	11,000,000	(7,000,000)
Gain on sale of property, plant and equipment	(16,735)	(16,000)	-	(16,000)
Gain on sale of other investments	(131,368)	(1,581,148)	(119,558)	(733,753)
Gross dividend income	(1,082,555)	(871,486)	(9,023,995)	(5,071,309)
Impairment loss of other investments	1,013,270	-	722,607	-
Interest income	(2,788,571)	(2,984,215)	(1,698,501)	(1,710,853)
Property, plant and equipment written off	30,048	-	30,048	-
Share of loss / (profit) of associates	940,210	(1,258,580)	-	-
Share of loss of a jointly controlled entity	441,130	270,421	-	-
Inventories written off	14,624	-	-	-
Unrealised (gain)/ loss on foreign exchange	(1,675,891)	43,181	(73,467)	8,462
Operating profit before working capital changes	46,682,126	34,118,802	16,359,146	17,445,034
Increase in inventories	(637,640)	(531,214)	(94,252)	(222,303)
Decrease / (increase) in receivables	1,975,674	(2,218,714)	1,508,153	(1,213,168)
Increase / (decrease) in payables	243,775	1,301,786	(289,886)	382,856
Cash generated from operations	48,263,935	32,670,660	17,483,161	16,392,419
Retirement benefits paid	-	(18,423)	-	-
Taxes paid	(15,865,353)	(8,328,409)	(7,436,309)	(5,147,848)
Net cash generated from operating activities	32,398,582	24,323,828	10,046,852	11,244,571
Cash flows from investing activities				
Capital distribution from quoted investments	18,600	58,507	18,600	26,000
Investment in an associate	-	(1,652,162)	-	(1,652,162)
Investment in a jointly controlled entity	(8,139,610)	-	(4,069,810)	-
Interest received	2,849,566	2,918,876	1,719,678	1,718,096
Net dividends received from other investments	987,870	759,600	6,698,746	3,628,485
Net dividends received from an associate	-	140,922	-	94,064
Purchase of property, plant and equipment	(922,203)	(683,269)	(223,451)	(163,675)
Purchase of other investments	(12,089,919)	(1,167,296)	(5,250,762)	(466,906)
Proceeds from sale of property, plant and equipment	46,082	16,000	-	16,000
Proceeds from sale of other investments	379,500	2,197,513	345,000	1,104,569
Withdrawal / (placement) of fixed deposits	2,191	(5,559)	3,601	(3,660)
Net cash (used in) / generated from investing activities	(16,867,923)	2,583,132	(758,398)	4,300,811
Cash flows from financing activities				
Dividends paid to shareholders of the Company	(20,779,780)	(12,811,858)	(20,779,780)	(12,811,858)
Dividends paid to minority interests	(2,238,346)	(1,265,002)	-	-
Net cash used in financing activities	(23,018,126)	(14,076,860)	(20,779,780)	(12,811,858)
Net (decrease) / increase in cash and cash equivalents				
	(7,487,467)	12,830,100	(11,491,326)	2,733,524
Effects of exchange rate changes	1,675,891	(43,181)	73,467	(8,462)
Cash and cash equivalents at beginning of year	113,557,562	100,770,643	58,163,663	55,438,601
Cash and cash equivalents at end of year (Note 20)	107,745,986	113,557,562	46,745,804	58,163,663

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

The immediate and ultimate holding company of the Company is Tiong Thye Company Berhad, which is incorporated in Malaysia.

The principal activities of the Company are the cultivation of oil palms and sale of fresh fruit bunches and investment holding. The principal activities of the subsidiaries are the cultivation of oil palms, process and sale of crude palm oil and palm kernel. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 February 2009.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRS") in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted changes in accounting policies arising from adoption of new and revised FRSs as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis unless otherwise indicated by the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are classified as available-for-sale financial assets in accordance with FRS 139. These financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Any dividends received from a subsidiary after the revaluation, which are paid out of profits earned before the revaluation of the investment in that subsidiary, are offset against the carrying amount of the investments in the books of the Company.

On disposal of such investments, the differences between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(b) Associates (cont'd.)

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available management financial statements of the associates are used by the Group in applying the equity method. Where the dates of the management financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(c) Jointly controlled entities

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investment in jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.2(b).

In the Company's separate financial statements, investment in a jointly controlled entity is stated at cost less impairment losses.

On disposal of such investment, the difference between net disposal proceeds and its carrying amount is included in profit or loss.

(d) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Revenue – Sale of goods

Revenue is recognised upon transfer of significant risks and rewards of ownership to the buyer.

(ii) Other operating Income:

(a) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(b) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(e) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold lands are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold lands are stated at revalued amounts, which are the fair values at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed at least once every five years to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

Freehold lands have an unlimited useful life and therefore are not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	4% - 20%
Motor vehicles	20%
Plant and machinery, office equipment, furniture and fittings	10% - 20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(f) Biological assets

This represents the oil palms of the Group and of the Company which are measured at their fair value less estimated point-of-sale costs annually. The fair value of biological assets is determined by an independent valuer based on expected value in use of the biological assets.

The changes in fair value of the biological assets are recognised through profit or loss.

(g) Replanting expenditure

Replanting expenditure incurred in the financial year is recognised in the income statement. Replanting expenditure represents the total cost incurred from land clearing to the point of harvesting.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(h) Inventories

Inventories of oil palm produce and estate stores are stated at the lower of cost (determined on a weighted average basis) and net realisable value. Cost of inventories of oil palm produce includes, where appropriate, the cost of direct materials, direct labour and appropriate production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

The principal exchange rate for every unit of foreign currency ruling at the balance sheet date is as follows:

	2008 RM	2007 RM
Singapore Dollar	2.45	2.31

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Foreign currencies (cont'd.)

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the translations; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

(j) Employee benefits

(i) Short term benefits

Wages, salaries, commission, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(iii) Retirement benefits

In addition to the statutory obligations, the Group voluntarily provides for retirement benefits, covering all eligible employees at rates determined by the directors. The scheme, however, has been discontinued during the previous financial year.

(k) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(k) Income tax (cont'd.)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(l) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(m) Impairment of non-financial assets

The carrying amounts of the Group's assets, other than inventories and biological assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(n) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash on hand and at banks and deposits at call, net of deposits pledged to financial institutions.

The statements of cash flows are prepared using the indirect method.

(ii) Other investments

Other investments are stated at cost less impairment losses. On the disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit and loss.

(iii) Trade and other receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iv) Trade and other payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(o) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

2. Significant accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(o) Leases (cont'd.)

(ii) Operating leases – the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

2.3 Changes in accounting policies and adoption of new and revised financial reporting standards (“FRS”)

On 1 January 2008, the Group and the Company adopted the following revised FRSs, Amendment to FRS and Interpretations:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The adoption of the above FRSs, Amendment to FRS and Interpretations upon their effective dates do not have any significant impact on the financial statements of the Group and of the Company.

2.4 Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRS and Interpretations		Effective for financial periods beginning on or after
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
IC interpretation 9	Reassessment of Embedded Derivates	1 January 2010
IC interpretation 10	Interim Financial Reporting and Impairment	1 January 2010

The new FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

2. Significant accounting policies (cont'd.)

2.5 Significant accounting estimates

Key sources of estimation uncertainty

(i) Fair value of biological assets

The biological assets are measured at their fair value less estimated point-of-sale costs annually. This requires an estimation of the value in use of the biological assets.

In assessing value in use, the independent professional valuers are required to make an estimate of the expected future cash flows from the biological assets and also to choose a suitable discount rate in order to calculate to their present value of those cash flows. The details are as disclosed in Note 13.

(ii) Carrying value of the investments in subsidiaries

Investments in subsidiaries are classified as available-for-sale financial assets and carried at fair value.

The directors are of the opinion that the adjusted net tangibles assets of the subsidiaries which comprise the fair value of the biological assets, lands, quoted investments and other financial instruments, represents the fair value of the subsidiaries.

3. Revenue and cost of sales

Revenue of the Group represents the invoiced value of sales of crude palm oil, palm kernel and fresh fruit bunches. The cost of sales in relation to the Group's invoiced value of sales consists of cost of cultivation, raw materials, labour and overheads.

Revenue of the Company represents the invoiced value of sales of fresh fruit bunches. The cost of sales in relation to the Company's invoiced value of sales consists of cost of cultivation, labour and overheads.

4. Other income

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Dividend income:				
- Subsidiaries	-	-	8,735,210	4,672,120
- Associates	-	-	-	114,712
- Quoted investments:				
- in Malaysia	426,514	372,267	241,993	284,477
- outside Malaysia	656,041	499,219	46,792	-
Interest income	2,788,571	2,984,215	1,698,501	1,710,853
Gain on sale of property, plant and equipment	16,735	16,000	-	16,000
Gain on sale of other investments	131,368	1,581,148	119,558	733,753
Net foreign exchange gain	1,674,188	-	72,613	-
Miscellaneous	90,497	318,497	6,477	9,350
	5,783,914	5,771,346	10,921,144	7,541,265

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

5. Operating profit

Operating profit during the year is arrived after charging:

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Amortisation of prepaid land lease payments (Note 12)	991,250	991,250	491,250	491,250
Auditors' remuneration				
- statutory audit	99,000	81,000	38,000	30,000
- other services	8,000	8,000	8,000	8,000
Depreciation of property, plant and equipment (Note 11)	831,368	817,185	195,795	191,355
Non-executive directors' remuneration (Note 6)	522,219	397,154	267,000	190,000
Employee benefits expense (Note 7)	12,605,579	10,506,149	4,161,163	3,537,253
Net foreign exchange loss	1,703	35,209	854	620
Property, plant and equipment written off	30,048	-	30,048	-
Impairment loss of other investments	1,013,270	-	722,607	-
Inventories written off	14,624	-	-	-
	14,624	-	-	-

6. Directors' remuneration

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Directors of the Company				
Executive directors:				
Fees	174,084	132,954	80,084	56,954
Salaries	679,400	560,400	509,000	390,000
Commission	752,523	510,696	361,690	291,431
Other emoluments	82,000	6,000	42,000	6,000
	1,688,007	1,210,050	992,774	744,385
Non-executive directors:				
Fees	225,000	242,000	169,000	168,000
Salaries	84,000	84,000	-	-
Commission	87,719	49,154	-	-
Other emoluments	125,500	22,000	98,000	22,000
	522,219	397,154	267,000	190,000
	2,210,226	1,607,204	1,259,774	934,385

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

6. Directors' remuneration (cont'd.)

The number of directors of the Company whose total remuneration during the financial year fall within the following bands are:

	Number of Directors	
	2008	2007
Executive directors:		
RM150,001 – RM200,000	1	-
RM200,001 – RM250,000	-	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	-	1
RM350,001 – RM400,000	-	1
RM400,001 – RM450,000	2	-
RM450,001 – RM500,000	-	-
RM500,001 – RM550,000	-	1
RM550,001 – RM600,000	-	-
RM600,001 – RM650,000	1	-
	<hr/>	<hr/>
	4	3
Non-executive directors:		
Below RM50,000	2	7
RM50,001 – RM100,000	4	-
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	-	1
RM200,001 – RM250,000	1	-
	<hr/>	<hr/>
	7	8
	<hr/>	<hr/>
	11	11

7. Employee benefits expense

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Wages and salaries	10,144,659	8,798,212	3,495,156	2,884,903
Social security contributions	52,950	47,630	9,122	9,161
Employees Provident Fund	405,560	360,949	117,855	115,437
Other staff related expenses	2,002,410	1,299,358	539,030	527,752
	<hr/>	<hr/>	<hr/>	<hr/>
	12,605,579	10,506,149	4,161,163	3,537,253

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,688,007 (2007: RM1,210,050) and RM992,774 (2007: RM744,385) respectively, as further disclosed in Note 6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

8. TAXATION

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Tax expense for the year:				
Malaysian income tax	12,731,468	8,331,513	7,047,084	6,513,776
Foreign tax	548	26,119	-	20,648
	<u>12,732,016</u>	<u>8,357,632</u>	<u>7,047,084</u>	<u>6,534,424</u>
Under / (over) provision in prior years:				
Malaysian income tax	77,386	(14,783)	(5,354)	(21,542)
	<u>12,809,402</u>	<u>8,342,849</u>	<u>7,041,730</u>	<u>6,512,882</u>
Deferred tax (Note 26):				
Relating to origination and reversal of temporary differences	(4,857,340)	6,611,478	(2,840,349)	1,786,515
Relating to changes in tax rates	-	(589,202)	-	(215,554)
Overprovision in prior years	(4,916)	(124,498)	(328)	(72,503)
	<u>(4,862,256)</u>	<u>5,897,778</u>	<u>(2,840,677)</u>	<u>1,498,458</u>
	<u>7,947,146</u>	<u>14,240,627</u>	<u>4,201,053</u>	<u>8,011,340</u>

Domestic current income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes. Taxation for other jurisdictions are calculated at the rates prevailing in those jurisdictions.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2008 RM	2007 RM
Group		
Profit before taxation	29,115,346	58,708,194
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	7,569,990	15,851,212
Effect of different tax rate in other country	-	(25,080)
Income not assessable for tax purposes	(690,116)	(771,370)
Expenses not deductible for tax purposes	470,169	181,150
Under / (over) provision of income tax expenses in prior years	77,386	(14,783)
Effect of changes in tax rates on opening balances of deferred tax	-	(94,309)
Deferred tax recognised at different tax rates	165,485	(494,893)
Overprovision of deferred tax expense in prior year	(4,916)	(124,498)
Effect of share of loss / (profit) of associates and share of loss of a jointly controlled entity	359,148	(266,802)
Tax expense for the year	<u>7,947,146</u>	<u>14,240,627</u>
Company		
Profit before taxation	14,834,967	31,285,882
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	3,857,091	8,447,188
Effect of different tax rate in other country	-	(10,324)
Income not assessable for tax purposes	(69,451)	(207,949)
Expenses not deductible for tax purposes	305,481	92,024
Overprovision of income tax expenses in prior years	(5,354)	(21,542)
Effect of changes in tax rates on opening balances of deferred tax	-	(79,534)
Deferred tax recognised at different tax rates	113,614	(136,020)
Overprovision of deferred tax expense in prior year	(328)	(72,503)
Tax expense for the year	<u>4,201,053</u>	<u>8,011,340</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

9. Earnings per stock unit

Basic earnings per stock unit is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary stock units in issue during the financial year.

	2008	2007
Profit attributable to ordinary equity holders of the Company (RM)	16,518,771	38,162,944
Weighted average number of ordinary stock units in issue	70,201,962	70,201,962
Basic earnings per stock unit (sen)	23.53	54.36
Diluted earnings per stock unit (sen)	23.53	54.36

Diluted earnings per stock unit is similar to basic earnings per stock unit as there is no potential dilutive ordinary stock units outstanding as at end of the financial year.

10. Dividends

	Dividends in respect of		Dividends recognised in	
	year		year	
	2008	2007	2008	2007
	RM	RM	RM	RM
First interim dividend of 10% less 27% taxation, on 70,201,962 ordinary stock units, declared on 25 May 2007 and paid on 29 June 2007 (7.30 sen net per ordinary stock unit)	-	5,124,743	-	5,124,743
Second interim dividend of 15% less 27% taxation, on 70,201,962 ordinary stock units, declared on 30 November 2007 and paid on 31 December 2007 (10.95 sen net per ordinary stock unit)	-	7,687,115	-	7,687,115
First interim dividend of 20% less 26% taxation, on 70,201,962 ordinary stock units, declared on 30 May 2008 and paid on 30 June 2008 (14.80 sen net per ordinary stock unit)	10,389,890	-	10,389,890	-
Second interim dividend of 20% less 26% taxation, on 70,201,962 ordinary stock units, declared on 28 November 2008 and paid on 31 December 2008 (14.80 sen net per ordinary stock unit)	10,389,890	-	10,389,890	-
	<u>20,779,780</u>	<u>12,811,858</u>	<u>20,779,780</u>	<u>12,811,858</u>

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

11. Property, plant and equipment

	Valuation <-----Cost----->					Total RM
	Freehold lands RM	Buildings RM	Motor vehicles RM	Office equipment and furniture and fittings RM	Plant and machinery RM	
Group						
At 31 December 2008						
Valuation / cost						
At 1 January 2008	75,507,000	6,182,174	3,435,602	561,697	11,179,931	96,866,404
Additions	-	66,015	269,394	22,182	564,612	922,203
Disposal	(28,927)	-	-	(6,300)	-	(35,227)
Write off	-	(1,900)	(332,700)	(32,509)	(21,150)	(388,259)
At 31 December 2008	<u>75,478,073</u>	<u>6,246,289</u>	<u>3,372,296</u>	<u>545,070</u>	<u>11,723,393</u>	<u>97,365,121</u>
Accumulated depreciation						
At 1 January 2008	-	4,461,686	2,836,882	332,817	8,251,319	15,882,704
Charge for the year (Note 5)	-	133,213	215,110	42,913	440,132	831,368
Disposal	-	-	-	(5,880)	-	(5,880)
Write off	-	(1,222)	(332,700)	(5,771)	(18,518)	(358,211)
At 31 December 2008	<u>-</u>	<u>4,593,677</u>	<u>2,719,292</u>	<u>364,079</u>	<u>8,672,933</u>	<u>16,349,981</u>
Net carrying amount						
At 31 December 2008	<u>75,478,073</u>	<u>1,652,612</u>	<u>653,004</u>	<u>180,991</u>	<u>3,050,460</u>	<u>81,015,140</u>

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

11. Property, plant and equipment (cont'd.)

	Valuation ←-----Cost----->					Total RM
	Freehold lands RM	Buildings RM	Motor vehicles RM	Office equipment and furniture and fittings RM	Plant and machinery RM	
Group						
At 31 December 2007						
Valuation / cost						
At 1 January 2007	75,507,000	6,339,756	3,318,557	377,713	11,169,880	96,712,906
Additions	-	10,503	304,850	188,184	179,732	683,269
Write off	-	(168,085)	(187,805)	(4,200)	(169,681)	(529,771)
At 31 December 2007	<u>75,507,000</u>	<u>6,182,174</u>	<u>3,435,602</u>	<u>561,697</u>	<u>11,179,931</u>	<u>96,866,404</u>
Accumulated depreciation						
At 1 January 2007	-	4,495,263	2,865,475	297,769	7,936,783	15,595,290
Charge for the year (Note 5)	-	134,508	159,212	39,248	484,217	817,185
Write off	-	(168,085)	(187,805)	(4,200)	(169,681)	(529,771)
At 31 December 2007	<u>-</u>	<u>4,461,686</u>	<u>2,836,882</u>	<u>332,817</u>	<u>8,251,319</u>	<u>15,882,704</u>
Net carrying amount						
At 31 December 2007	<u>75,507,000</u>	<u>1,720,488</u>	<u>598,720</u>	<u>228,880</u>	<u>2,928,612</u>	<u>80,983,700</u>

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

11. Property, plant and equipment (cont'd.)

	Valuation ←-----Cost----->					Total RM
	Freehold land RM	Buildings RM	Motor vehicles RM	Office equipment and furniture and fittings RM	Plant and machinery RM	
Company						
At 31 December 2008						
Valuation / cost						
At 1 January 2008	23,600,000	2,082,305	1,136,888	184,976	601,496	27,605,665
Additions	-	16,015	132,394	9,592	65,450	223,451
Write off	-	(1,900)	(152,780)	(32,509)	(21,150)	(208,339)
At 31 December 2008	<u>23,600,000</u>	<u>2,096,420</u>	<u>1,116,502</u>	<u>162,059</u>	<u>645,796</u>	<u>27,620,777</u>
Accumulated depreciation						
At 1 January 2008	-	1,233,641	868,331	104,864	504,370	2,711,206
Charge for the year (Note 5)	-	62,450	104,601	10,515	18,229	195,795
Write off	-	(1,222)	(152,780)	(5,771)	(18,518)	(178,291)
At 31 December 2008	<u>-</u>	<u>1,294,869</u>	<u>820,152</u>	<u>109,608</u>	<u>504,081</u>	<u>2,728,710</u>
Net carrying amount						
At 31 December 2008	<u>23,600,000</u>	<u>801,551</u>	<u>296,350</u>	<u>52,451</u>	<u>141,715</u>	<u>24,892,067</u>

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

11. Property, plant and equipment (cont'd.)

	Valuation ←-----Cost----->					Total RM
	Freehold land RM	Buildings RM	Motor vehicles RM	Office equipment and furniture and fittings RM	Plant and machinery RM	
Group						
At 31 December 2007						
Valuation / cost						
At 1 January 2007	23,600,000	2,077,373	1,164,884	124,007	568,922	27,535,186
Additions	-	4,932	65,200	60,969	32,574	163,675
Write off	-	-	(93,196)	-	-	(93,196)
At 31 December 2007	<u>23,600,000</u>	<u>2,082,305</u>	<u>1,136,888</u>	<u>184,976</u>	<u>601,496</u>	<u>27,605,665</u>
Accumulated depreciation						
At 1 January 2007	-	1,170,563	877,507	92,505	472,472	2,613,047
Charge for the year (Note 5)	-	63,078	84,020	12,359	31,898	191,355
Write off	-	-	(93,196)	-	-	(93,196)
At 31 December 2007	<u>-</u>	<u>1,233,641</u>	<u>868,331</u>	<u>104,864</u>	<u>504,370</u>	<u>2,711,206</u>
Net carrying amount						
At 31 December 2007	<u>23,600,000</u>	<u>848,664</u>	<u>268,557</u>	<u>80,112</u>	<u>97,126</u>	<u>24,894,459</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

11. Property, plant and equipment (cont'd.)

- (a) Freehold lands were revalued on 31 December 2006 by Paul Khong Poh Yew, an executive director with Regroup Associates Sdn. Bhd., an independent professional valuer. Fair value is determined by reference to open market value on the profit and comparison method.

The net book value of the freehold lands had these revalued lands been carried at historical cost has not been disclosed as such information and records relating to the periods prior to the previous revaluation in 1978 are no longer available for review.

- (b) Included in the above property, plant and equipment are fully depreciated assets of the Group and of the Company costing RM12,908,012 (2007: RM12,394,614) and RM1,602,021 (2007: RM1,751,851) respectively, which are still in use.

12. Prepaid land lease payments

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
At 1 January	67,808,750	68,800,000	38,808,750	39,300,000
Amortisation (Note 5)	(991,250)	(991,250)	(491,250)	(491,250)
At 31 December	<u>66,817,500</u>	<u>67,808,750</u>	<u>38,317,500</u>	<u>38,808,750</u>

Analysed as:

Long term leasehold land	<u>66,817,500</u>	<u>67,808,750</u>	<u>38,317,500</u>	<u>38,808,750</u>
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13. Biological assets

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
At valuation				
At 1 January	68,200,000	48,200,000	34,100,000	27,100,000
Fair value adjustments	(19,000,000)	20,000,000	(11,000,000)	7,000,000
At 31 December	<u>49,200,000</u>	<u>68,200,000</u>	<u>23,100,000</u>	<u>34,100,000</u>

The biological assets were revalued on 31 December 2008 by Paul Khong Poh Yew, an executive director with Regroup Associates Sdn Bhd, an independent professional valuer.

The fair value of the biological assets is determined based on the value in use calculations using cash flow projections, covering a twenty five-year period. The discount rate used is based on the expected rate of return of the biological assets, determined by the independent professional valuer.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

14. Investments in subsidiaries

	Company	
	2008 RM	2007 RM
Unquoted shares, at valuation		
At 1 January	132,145,228	115,175,794
Revaluation surplus	4,819,068	16,969,434
At 31 December	136,964,296	132,145,228

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

Name of Company	Proportion of ownership interest (%)			Principal activities
	2008	2007		
Eng Thye Plantations Berhad	83.3	83.3	}	To cultivate oil palms, process and sell crude palm oil and palm kernel
Timor Oil Palm Plantation Berhad	58.0	58.0		

15. Investments in associates

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Unquoted shares, at cost				
At 1 January	5,804,672	4,152,510	4,664,304	3,012,142
Increase during the year	-	1,652,162	-	1,652,162
At 31 December	5,804,672	5,804,672	4,664,304	4,664,304
Share of post acquisition reserves	2,003,582	2,943,792	-	-
Currency translation differences	2,110,846	1,590,542	-	-
	9,919,100	10,339,006	4,664,304	4,664,304

Details of the associates are as follows:

Name of associate	Proportion of ownership interest (%)		Proportion of voting power (%)		Principal activities
	2008	2007	2008	2007	
Sin Thye Oil Mills Sdn. Bhd. #	50.0	50.0	50.0	50.0	To process and sell crude palm oil and palm kernel. The company has not commenced operations.
Sin Thye Management Sdn. Bhd. #	30.0	30.0	30.0	30.0	Provision of management and advisory services and acting as an insurance agent.
Huay Guan Investment Pte. Ltd.***	35.4*	35.4*	37.5**	37.5**	Trading in stocks and shares.

Incorporated in Malaysia
Audited by Ernst & Young, Malaysia
Year end of 31 December

* Includes interest held by a subsidiary, Eng Thye Plantations Berhad
Year end of 31 December

** The proportion of voting power is higher than the proportion of ownership interest as it includes interest held by a non-wholly owned subsidiary of the Group

*** Incorporated in the Republic of Singapore
Audited by a firm of auditors other than Ernst & Young
Year end of 31 December

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

15. Investments in associates (cont'd.)

The summarised financial information of the associates are as follows:

	2008	2007
	RM	RM
Assets and liabilities		
Current assets	9,094,078	9,787,616
Non-current assets	854,170	910,007
Total assets	<u>9,948,248</u>	<u>10,697,623</u>
Current liabilities	<u>29,148</u>	<u>358,617</u>
Results		
Revenue	9,670,130	7,746,629
(Loss) / profit for the year	<u>(940,210)</u>	<u>1,258,580</u>

16. Investment in a jointly controlled entity

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Unquoted shares, at cost				
At 1 January	16,949,730	16,949,730	8,449,210	8,449,210
Increase during the year	8,139,610	-	4,069,810	-
At 31 December	<u>25,089,340</u>	<u>16,949,730</u>	<u>12,519,020</u>	<u>8,449,210</u>
Share of post acquisition reserves	(750,752)	(309,622)	-	-
Currency translation differences	(560,000)	(303,950)	-	-
	<u>23,778,588</u>	<u>16,336,158</u>	<u>12,519,020</u>	<u>8,449,210</u>

Details of the jointly controlled entity is as follows:

Name of jointly controlled entity	Proportion of ownership interest (%)		Proportion of voting power (%)		Principal activity
	2008	2007	2008	2007	
Chin Thye Investment Pte Ltd **	34.6**	34.6**	40.0***	40.0***	Investment holding

* Incorporated in the Republic of Singapore
Year end of 31 December

Audited by an affiliate of Ernst & Young

** Includes interests held by subsidiaries

*** The proportion of voting power is higher than the proportion of ownership interest as it includes interests held by non-wholly owned subsidiaries of the Group

During the financial year, the Group and the Company further subscribed for shares in Chin Thye Investment Pte Ltd for a total cash subscription of RM8,139,600 and RM4,069,810 respectively, as disclosed in Note 27 to the financial statements.

The Group's aggregate share of current assets, non-current assets, current liabilities, income and expenses of the jointly controlled entity is as follows:

	Group	
	2008	2007
	RM	RM
Assets and liabilities		
Current assets	15,516,420	14,136,198
Non-current assets	8,342,911	2,214,064
Total assets	<u>23,859,331</u>	<u>16,350,262</u>
Current liabilities	<u>80,743</u>	<u>14,104</u>
Results		
Revenue (other income)	142,260	172,866
Expenses	583,390	443,287
Share of capital commitments (Note 30)	<u>36,325,028</u>	<u>37,072,932</u>

NOTES TO THE FINANCIAL STATEMENTS
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17. Other investments

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Quoted securities, at cost:				
In Malaysia	5,619,814	5,529,499	2,722,102	2,053,541
Outside Malaysia	15,626,517	3,893,645	4,338,159	-
	<u>21,246,331</u>	<u>9,423,144</u>	<u>7,060,261</u>	<u>2,053,541</u>
Less: Accumulated impairment losses	(1,013,270)	-	(722,607)	-
	<u>20,233,061</u>	<u>9,423,144</u>	<u>6,337,654</u>	<u>2,053,541</u>
Market value of quoted securities:				
In Malaysia	6,307,094	7,693,042	3,498,980	4,667,942
Outside Malaysia	13,925,967	11,610,112	2,838,674	-
	<u>20,233,061</u>	<u>19,303,154</u>	<u>6,337,654</u>	<u>4,667,942</u>

18. Inventories

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At cost:				
Oil palm produce	855,468	948,632	-	-
Estate stores	1,751,782	1,035,602	426,647	332,395
	<u>2,607,250</u>	<u>1,984,234</u>	<u>426,647</u>	<u>332,395</u>

The cost of inventories of the Group and of the Company recognised as an expense during the financial year in the income statements amounts to RM18,280,493 and RM8,116,942 respectively (2007: RM8,996,618 and RM3,191,197)

19. Receivables

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Trade receivables				
Third parties	2,644,327	3,181,265	-	-
Subsidiary	-	-	341,662	408,228
Other related corporation	1,325,155	2,337,781	1,325,155	2,337,781
Company in which certain directors and substantial shareholders have interests	158,643	399,263	-	399,263
	<u>4,128,125</u>	<u>5,918,309</u>	<u>1,666,817</u>	<u>3,145,272</u>
Other receivables	363,159	609,644	236,591	287,466
	<u>4,491,284</u>	<u>6,527,953</u>	<u>1,903,408</u>	<u>3,432,738</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

19. Receivables (cont'd.)

(a) Credit risk

The Group's primary exposure to credit risk arose through its trade receivables. The Group's normal trade credit term is 30 days (2007: 30 days). Other credit terms are assessed and approved on a case-by-case basis. Credit risks are minimised and monitored via strictly limiting the Group's association to business partners with high creditworthiness. The Group seeks to maintain strict control over its outstanding receivables and has a management reporting procedure to monitor on an ongoing basis.

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors other than the amount due from a related corporation.

(b) Amounts due from subsidiary, other related corporation and company in which certain directors and substantial shareholders have interests

The amounts due from subsidiary, other related corporation and a company in which certain directors and substantial shareholders have interests are trade in nature, non-interest bearing, unsecured, repayable on demand and are to be settled in cash.

Further details on related party transactions are disclosed in Note 29.

Other information on financial risks of other receivables are disclosed in Note 31.

20. Cash and cash equivalents

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash on hand and at banks	12,459,636	8,671,953	4,285,652	3,317,069
Deposits with:				
Licensed banks	72,093,810	63,328,053	42,636,344	55,026,387
Other financial institutions	23,486,400	41,853,607	-	-
	<u>95,580,210</u>	<u>105,181,660</u>	<u>42,636,344</u>	<u>55,026,387</u>
Cash and bank balances	<u>108,039,846</u>	<u>113,853,613</u>	<u>46,921,996</u>	<u>58,343,456</u>

The fixed deposits with licensed banks of the Group and of the Company amounting to RM293,860 (2007: RM296,051) and RM176,192 (2007: RM179,793) respectively have been pledged to the banks for guarantee facilities provided to the Group and the Company. The Group's deposits with other financial institutions relate to placements with a foreign bank.

Other information on financial risks of cash and cash equivalents are disclosed in Note 31.

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cash and bank balances	108,039,846	113,853,613	46,921,996	58,343,456
Less: Deposits pledged for bank guarantee facility	(293,860)	(296,051)	(176,192)	(179,793)
Cash and cash equivalents	<u>107,745,986</u>	<u>113,557,562</u>	<u>46,745,804</u>	<u>58,163,663</u>

NOTES TO THE FINANCIAL STATEMENTS
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21. Payables

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Trade payables				
Third parties	972,192	870,788	9,387	73,227
Persons connected with certain directors and substantial shareholders	-	688,242	-	330,680
	<u>972,192</u>	<u>1,559,030</u>	<u>9,387</u>	<u>403,907</u>
Other payables				
Accruals	2,978,303	1,837,073	1,029,633	895,656
Sundry payables	1,970,036	2,280,653	482,342	511,685
	<u>4,948,339</u>	<u>4,117,726</u>	<u>1,511,975</u>	<u>1,407,341</u>
	<u>5,920,531</u>	<u>5,676,756</u>	<u>1,521,362</u>	<u>1,811,248</u>

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 90 days (2007: 30 to 90 days).

(b) Amounts due to persons connected with certain directors and substantial shareholders

The amounts due to persons connected with certain directors and substantial shareholders are non-interest bearing, unsecured, repayable on demand and are to be settled in cash.

Further details on related party transactions are disclosed in Note 29.

22. Share capital

	Number of ordinary shares of RM1.00 each		Amount	
	2008	2007	2008	2007
			RM	RM
Authorised share capital				
At 1 January / 31 December	150,000,000	150,000,000	150,000,000	150,000,000

	Number of ordinary stock units of RM1.00 each		Amount	
	2008	2007	2008	2007
Issued and fully paid:				
At 1 January / 31 December	70,201,962	70,201,962	70,201,962	70,201,962

The holders of ordinary stock units are entitled to receive dividends as declared from time to time and are entitled to one vote per stock unit at meetings of the Company. All ordinary stock units rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS
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23. Other reserves

(a) Asset revaluation reserve – lands

The asset revaluation reserve is used to record increases in the revaluation of freehold and leasehold lands and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

(b) Asset revaluation reserve – investments in subsidiaries

The assets revaluation reserve is used to record increases in the value of fair value of subsidiaries and decreases to the extent that such decrease relates to an increase on the same subsidiary previously recognised in equity.

(c) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from the Group's presentation currency.

24. Retained profits

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2008 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2008, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM67,552,707 out of its entire retained earnings. The remaining amount of the retained earnings of RM13,168,725 may be distributed under its tax exempt income amounting RM3,026,625 and under the single tier system amounting to RM10,142,100. Alternatively, the Company may distribute the remaining amount of the retained earnings of RM13,168,725 under the single tier system.

25. Provision for retirement benefits

	Group	
	2008	2007
	RM	RM
At 1 January	-	18,423
Paid during the financial year	-	(18,423)
At 31 December	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

26. Deferred tax liabilities

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
At 1 January	28,194,543	25,715,074	14,513,772	14,301,625
Recognised in the income statement (Note 8)	(4,862,256)	5,897,778	(2,840,677)	1,498,458
Recognised in equity	-	(3,418,309)	-	(1,286,311)
At 31 December	<u>23,332,287</u>	<u>28,194,543</u>	<u>11,673,095</u>	<u>14,513,772</u>

The components and movements of deferred tax liabilities and assets during the financial year are as follows:

Deferred tax liabilities of the Group:

	Property, plant and equipment RM	Revaluation of lands and biological assets RM	Total RM
At 1 January 2008	476,640	27,717,903	28,194,543
Recognised in the income statement	59,752	(4,922,008)	(4,862,256)
At 31 December 2008	<u>536,392</u>	<u>22,795,895</u>	<u>23,332,287</u>
At 1 January 2007	428,570	26,586,234	27,014,804
Recognised in the income statement	48,070	4,549,978	4,598,048
Recognised in equity	-	(3,418,309)	(3,418,309)
At 31 December 2007	<u>476,640</u>	<u>27,717,903</u>	<u>28,194,543</u>

Deferred tax assets of the Group:

	Provision for retirement benefits RM	Tax losses and unabsorbed capital allowances RM	Total RM
At 1 January 2007	(4,790)	(1,294,940)	(1,299,730)
Recognised in the income statement	4,790	1,294,940	1,299,730
At 31 December 2007	<u>-</u>	<u>-</u>	<u>-</u>

Deferred tax liabilities of the Company:

	Property, plant and equipment RM	Revaluation of lands and biological assets RM	Total RM
At 1 January 2008	228,894	14,284,878	14,513,772
Recognised in the income statement	(28,661)	(2,812,016)	(2,840,677)
At 31 December 2008	<u>200,233</u>	<u>11,472,862</u>	<u>11,673,095</u>
At 1 January 2007	257,349	14,044,276	14,301,625
Recognised in the income statement	(28,455)	1,526,913	1,498,458
Recognised in equity	-	(1,286,311)	(1,286,311)
At 31 December 2007	<u>228,894</u>	<u>14,284,878</u>	<u>14,513,772</u>

NOTES TO THE FINANCIAL STATEMENTS
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27. Significant event

During the financial year, the Group and the Company further subscribed for shares in Chin Thye Investment Pte. Ltd., a jointly controlled entity for a total cash subscription sum of RM8,139,610 and RM4,069,810 respectively pursuant to a rights issue of shares by Chin Thye Investment Pte. Ltd. on a pro-rata basis to its shareholders.

28. Segment information

No segment information has been prepared as the Group's principal activities involve predominantly the cultivation of oil palms, process and sale of fresh fruit bunches, crude palm oil and palm kernel and is wholly carried out in Malaysia.

29. Related party disclosures

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
A related corporation in which certain directors and substantial shareholders have interest:				
- Sale of oil palm produce	23,137,524	20,673,193	23,137,524	20,673,193
An associate in which certain directors and substantial shareholders have interest:				
- Management fee	54,282	54,282	22,295	22,295
A person connected with certain directors and substantial shareholders:				
- Purchase of fertilisers	3,923,724	3,576,095	770,033	1,959,749
Companies in which certain directors and substantial shareholders have interest:				
- Agency fee	42,000	42,000	12,000	12,000
- Sale of oil palm produce	158,643	2,577,787	-	743,885
- Purchase of oil palm produce	376,882	265,547	-	-
A subsidiary in which certain directors and substantial shareholders have interest:				
- Sale of oil palm produce	-	-	10,179,010	6,798,333

The directors are of the opinion that all the transactions above have been entered into in the normal course of business.

Compensation of key management personnel ("KMP")

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

Total KMPs' remuneration (including Board of Directors)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Total	2,210,226	1,607,204	1,259,774	934,385

For the details of Board of Directors' remuneration, please refer to Note 6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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30. Capital commitments

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Capital expenditure				
Approved and contracted for:				
Capital and investment outlay in jointly controlled entity	25,310,660	33,450,270	12,680,980	16,750,790
Share of capital commitments of jointly controlled entity (Note 16)	36,325,028	37,072,932	18,162,514	18,536,466

31. Financial instruments

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange exposure, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The weighted average effective interest rate ("WAEIR") as at the balance sheet date and the remaining maturities of the cash and bank balances of the Group and of the Company that are exposed to interest rate risk are as follows:

	WAEIR %	Less than one month RM	More than one month but less than three months RM	More than three months but less than six months RM	More than six months but less than one year RM	More than one year RM	Total RM
Floating rate							
At 31 December 2008							
Group	2.6730	61,719,336	32,672,200	141,189	1,047,485	-	95,580,210
Company	2.9996	21,893,138	19,667,014	114,224	961,968	-	42,636,344
At 31 December 2007							
Group	2.7624	56,040,796	48,854,999	141,332	144,533	-	105,181,660
Company	2.9808	27,047,580	27,804,014	151,123	59,670	-	55,062,387

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2008

31. Financial instruments (cont'd.)

(c) Foreign currency risks

The Group's businesses are predominantly located in Malaysia. The functional currency in a foreign associate, jointly controlled entity and other investments quoted outside Malaysia is predominantly denominated in Singapore Dollar which give rise to conversion exposure. The foreign exchange exposures are not hedged.

The unhedged financial assets of the Group as at the balance sheet date that are not denominated in Ringgit Malaysia are as follows:

	Cash and bank balances RM	Non-current investments RM	Total RM
Singapore Dollar			
At 31 December 2008	27,912,148	15,626,517	43,538,665
At 31 December 2007	42,942,122	3,893,645	46,835,767

(d) Liquidity risks

The Group has adequate cash including fixed deposits to meet its working capital requirements.

(e) Credit risks

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's association to business partners with high creditworthiness. Trade receivables are usually collected within the 30 days credit period and are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty other than as disclosed in Note 19 nor does it have any major concentration or credit risk related to any financial instruments.

(f) Fair values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the following:

	Group		Company	
	Carrying amounts RM	Fair values RM	Carrying amounts RM	Fair values RM
Financial Assets				
31 December 2007				
Other investments:				
Quoted investments	9,423,144	19,303,154	2,053,541	4,667,942

The fair values of the quoted investments are determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

SHAREHOLDING STATISTICS

Share Capital As At 30 April 2009

Authorised	: RM150,000,000
Issued and fully paid	: RM70,201,962
Class of stock units	: Ordinary stock units of RM1.00 each
Voting rights	: One vote per stock unit
No. of shareholders	: 2,862

Distribution schedule of issued and paid-up share capital as at 30 April 2009

No. of Holders	%	Holdings	Total Holdings	%
21	0.74	Less than 100	698	*
535	18.69	100 to 1,000	452,786	0.64
1,891	66.07	1,001 to 10,000	7,030,890	10.02
383	13.38	10,001 to 100,000	9,955,635	14.18
31	1.09	100,001 to less than 5% of the issued shares	14,060,944	20.03
1	0.03	5% and above of the issued shares	38,701,009	55.13
2,862	100.00		70,201,962	100.00

Substantial shareholders (excluding bare trustees) as shown in the register of substantial shareholders as at 30 April 2009.

Name of Substantial Shareholders	<-----Direct Interest----->		<-----Deemed Interest----->	
	No. of Stock Units	%	No. of Stock Units	%
Tiong Thye Company Berhad	38,701,009	55.13	-	-
Goh Eng Chew	400,000	0.57	38,701,009	55.13
Gho Lian Chin	2,200	*	38,852,673	55.34
Tai Chuan Company (Private) Limited	-	-	38,701,009	55.13

(A) Interests of directors in the stock units of the Company as at 30 April 2009.

Name of Directors	<-----Direct Interest----->		<-----Deemed Interest----->	
	No. of Stock Units	%	No. of Stock Units	%
Goh Eng Chew	400,000	0.57	38,701,009	55.13
Goh Pock Ai	401,100	0.57	-	-
Wong Aun Phui	645,850	0.92	59,785	0.09
Goh Wei Lei	-	-	-	-
Goh Beng Hwa @ Gho Bin Hoa	3,002,202	4.28	-	-
Gho Lian Chin	2,200	*	38,852,673	55.34
Sio Sit Po	482,466	0.69	-	-
Goh Yeok Beng	400,000	0.57	-	-
Dato' Ong Bok Lim	-	-	-	-
Keong Choon Keat	-	-	-	-
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	-	-	-	-
Gho Bun Tjin	2,200	*	-	-

* Less than 0.01%

SHAREHOLDING STATISTICS

(B) Interests of directors in the shares of the related corporations as at 30 April 2009.

(i) Eng Thye Plantations Berhad, subsidiary of the Company.

Name of Directors	<-----Direct Interest----->		<-----Deemed Interest----->	
	No. of Ordinary Shares of RM1 Each	%	No. of Ordinary Shares of RM1 Each	%
Goh Eng Chew	-	-	15,783,250	83.51
Goh Pock Ai	-	-	-	-
Wong Aun Phui	3,500	0.02	-	-
Goh Wei Lei	-	-	-	-
Goh Beng Hwa @ Gho Bin Hoa	3,500	0.02	-	-
Gho Lian Chin	-	-	15,783,250	83.51
Sio Sit Po	-	-	-	-
Goh Yeok Beng	-	-	-	-
Dato' Ong Bok Lim	35,000	0.19	-	-
Keong Choon Keat	-	-	-	-
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	-	-	-	-
Gho Bun Tjin	-	-	-	-

(ii) Timor Oil Palm Plantation Berhad, subsidiary of the Company.

Name of Directors	<-----Direct Interest----->		<-----Deemed Interest----->	
	No. of Ordinary Shares of RM1 Each	%	No. of Ordinary Shares of RM1 Each	%
Goh Eng Chew	10,000	0.10	6,112,300	58.21
Goh Pock Ai	10,000	0.10	-	-
Wong Aun Phui	1,000	0.01	39,000	0.37
Goh Wei Lei	-	-	-	-
Goh Beng Hwa @ Gho Bin Hoa	-	-	-	-
Gho Lian Chin	10,000	0.10	6,112,300	58.21
Sio Sit Po	-	-	-	-
Goh Yeok Beng	10,000	0.10	-	-
Dato' Ong Bok Lim	-	-	-	-
Keong Choon Keat	-	-	-	-
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	10,000	0.10	-	-
Gho Bun Tjin	-	-	-	-

SHAREHOLDING STATISTICS

(B) Interests of directors in the shares of the related corporations as at 30 April 2009. (cont'd.)

Immediate and ultimate holding company and other related corporations.

Tiong Thye Company Berhad, immediate and ultimate holding company.

Name of Directors	<-----Direct Interest----->		<-----Deemed Interest----->	
	No. of Ordinary Shares of RM1 Each	%	No. of Ordinary Shares of RM1 Each	%
Goh Eng Chew	-	-	13,649,000	65.00
Gho Lian Chin	1,000	*	5,670,000	27.00
Gho Bun Tjin	1,000	*	-	-

* Less than 0.01%

Goh Eng Chew and Gho Lian Chin by virtue of their interests in the immediate and ultimate holding company, are also deemed interested in the shares of all its subsidiaries to the extent the immediate and ultimate holding company has an interest.

The interests of Goh Eng Chew and Gho Lian Chin in other related corporations are as follows:

Name of other related corporation	<-----Direct Interest----->		<-----Deemed Interest----->	
	No. of Ordinary Shares of RM1 Each	%	No. of Ordinary Shares of RM1 Each	%
Seong Thye Plantations Sdn Bhd	-	-	43,474,500	100.00
Seong Thye Development & Oil Mills Sdn Bhd	-	-	6,000,000	100.00
Masai Tinggi Developments Sdn Bhd	-	-	2	100.00

Other than as disclosed above, none of the other directors have any shareholding in the immediate and ultimate holding company and other related corporations.

SHAREHOLDING STATISTICS

List of 30 largest securities account holders according to the Record of Depositors (without aggregating the securities from different securities accounts belonging to the same person) as at 30 April 2009

Name	No. of Stock Units	%
1. Tiong Thye Company Berhad	38,701,009	55.13
2. Goh Beng Hwa @ Gho Bin Hoa	3,002,202	4.28
3. Nam Heng Oil Mill Company Sdn. Berhad	2,625,000	3.74
4. Citigroup Nominees (Asing) Sdn Bhd Exempt An for OCBC Securities Private Limited (Client A/C-NR)	1,048,656	1.50
5. Wong Aun Phui	645,850	0.92
6. HDM Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd for Sio Sit Po	482,466	0.69
7. Mayban Securities Nominees (Asing) Sdn Bhd UOB-Kay Hian Pte Ltd for Sio Sit Min	442,313	0.63
8. Goh Pock Ai	401,100	0.57
9. Goh Yeok Beng	400,000	0.57
10. HDM Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Goh Eng Chew @ Gho Kim Tjin	400,000	0.57
11. Mayban Securities Nominees (Asing) Sdn Bhd UOB-Kay Hian Pte Ltd for Sio Leh Koen	396,503	0.56
12. Affin Nominees (Asing) Sdn Bhd UOB Kay Hian Pte Ltd for Oen Loe Ien	379,504	0.54
13. Chew Huaipin Sdn Bhd	320,200	0.46
14. Guan Brothers Realty Sdn Bhd	300,000	0.43
15. Lee San Ming @ Lee Lay Eng	300,000	0.43
16. Hup Lee Bakery Sdn Bhd	247,500	0.36
17. Nam Heng Oil Mill Company Sdn. Berhad	240,000	0.34
18. Seah Mok Khoon	240,000	0.34
19. Lim Sian Yew And Sons Sdn. Berhad	226,250	0.32
20. Lai Beng Chu	214,000	0.31
21. Lim Kian Huat	213,500	0.30
22. Ng Poh Cheng	203,200	0.29
23. Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	167,600	0.24
24. Wong Taek Boon @ Guan Taek Boon	159,000	0.23
25. Ooi Aik Theam	158,000	0.22
26. Thiam Loy Sdn Bhd	129,800	0.18
27. Yeo Khee Huat	127,000	0.18
28. Low Kim Seng	126,600	0.18
29. Public Nominees (Tempatan) Sdn Bhd Pledged securities account for Yap Qwee Beng	122,800	0.17
30. Kenanga Nominees (Tempatan) Sdn Bhd Pledged securities account for Chin Kiam Hsung	116,100	0.16
	52,536,153	74.84

OTHER INFORMATION

(a) Material Contracts

Material contracts entered into by the Company and its subsidiaries which involved the directors' and major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2008 or entered into since the end of the previous financial year: -

Related party transactions of a revenue or trading nature entered into by the Company and its subsidiaries during the financial year ended 31 December 2008: -

	RM
Sale of oil palm produce by the Company to Seong Thye Plantations Sdn. Bhd., a related corporation in which the substantial shareholders (Tiong Thye Company Berhad, Tai Chuan Company Pte Ltd, Goh Eng Chew and Gho Lian Chin) and several directors (Goh Eng Chew, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and Gho Bun Tjin) have interests.	<u>23,137,524</u>
Transactions by the Company and its subsidiaries with Chin Teck Plantations Berhad, a company in which the substantial shareholders (Tiong Thye Company Berhad, Tai Chuan Company Pte Ltd, Goh Eng Chew and Gho Lian Chin) and several directors (Goh Eng Chew, Wong Aun Phui, Goh Pock Ai, Goh Beng Hwa @ Gho Bin Hoa, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Sio Sit Po, Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and Gho Bun Tjin) have interests.	
Sale of oil palm produce by Eng Thye Plantations Berhad	158,643
Purchase of oil palm produce by Eng Thye Plantations Berhad	26,497
Purchase of oil palm produce by Timor Oil Palm Plantation Berhad	<u>350,385</u>
Agency fees paid to Tat Lee Commodities Pte. Ltd., a company incorporated in the Republic of Singapore, in which the substantial shareholders (Goh Eng Chew and Gho Lian Chin) and several directors (Goh Eng Chew, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and Gho Bun Tjin) have interests.	
By the Company	12,000
By Timor Oil Palm Plantation Berhad	12,000
By Eng Thye Plantations Berhad	<u>18,000</u>
Management fees paid to Sin Thye Management Sdn. Bhd., an associate in which the substantial shareholders (Tiong Thye Company Berhad, Tai Chuan Company Pte Ltd, Goh Eng Chew and Gho Lian Chin) and several directors (Goh Eng Chew, Goh Pock Ai, Gho Lian Chin, Goh Yeok Beng, Goh Wei Lei, Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong, Gho Bun Tjin) have interests.	
By the Company	22,295
By Timor Oil Palm Plantation Berhad	13,882
By Eng Thye Plantations Berhad	<u>18,105</u>
Purchase of fertilisers from Kai Lee Company, the sole proprietor of whom, Ng Yong Seng, is a person connected to a substantial shareholder (Goh Eng Chew) and several directors (Goh Eng Chew, Goh Pock Ai and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong)	
By the Company	770,033
By Timor Oil Palm Plantation Berhad	1,191,591
By Eng Thye Plantations Berhad	<u>1,962,100</u>

(b) Sanctions and /or penalties

No sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies.

(c) Non-audit fees paid to external auditors for the financial year ended 31 December 2008

During the financial year ended 31 December 2008, non-audit fees paid or payable to the external auditors amounted to RM8,000.

NEGRI SEMBILAN OIL PALMS BERHAD (592D)
(Incorporated in Malaysia)

FORM OF PROXY

I / We
of
being a member of NEGRI SEMBILAN OIL PALMS BERHAD hereby appoint
.....
of
or failing him / her
of

as my / our proxy to attend and vote on my / our behalf at the Seventy Seventh Annual General Meeting of the Company to be held the Conference Room, Suite 2B-3A-3, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Friday, 19 June 2009 at 10.30 am and at any adjournment thereof.

Resolutions		For	Against
1.	To receive and adopt the Directors' Report and the Financial Statements for the financial year ended 31 December 2008 and the Auditors' Report thereon.		
2.	To increase the directors' fees for the financial year ended 31 December 2008 to RM249,084 and to authorise the directors to divide such fees in the proportions and manner to be determined by them.		
	To re-elect the following directors retiring under Article 94 of the Articles of Association of the Company: -		
3.	(i) Mr Goh Yeok Beng		
4.	(ii) Mr Sio Sit Po		
5.	(iii) Mr Goh Pock Ai		
6.	To re-appoint Mr Goh Eng Chew as director pursuant to Section 129(6) of the Companies Act, 1965		
7.	To re-appoint Mr Wong Aun Phui as director pursuant to Section 129(6) of the Companies Act, 1965		
8.	To re-appoint Mr Goh Beng Hwa @ Gho Bin Hoa as director pursuant to Section 129(6) of the Companies Act, 1965		
9.	To re-appoint Dato' Ong Bok Lim as director pursuant to Section 129(6) of the Companies Act, 1965		
10.	To re-appoint auditors and authorise the directors to fix their remuneration.		
11.	Proposed renewal of shareholders' mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with: -		
	(I) Chin Teck Plantations Berhad		
	(II) Seong Thye Plantations Sdn Bhd		
	(III) Sin Thye Management Sdn Bhd		
	(IV) Tat Lee Commodities Private Limited		
	(V) Kai Lee Company		

(Please indicate with "X" or "?" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion)

Signature(s) _____
Date:

No. of stock units held	
CDS No,	

NOTES:

1. A member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. If the member is a corporation, the Form of Proxy must be executed under its common seal or under the hand of a person duly authorised in writing.
3. The Form of Proxy must be deposited at the Registered Office, Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.