



12TH

ANNUAL GENERAL MEETING

VENUE

Kinabalu Room, Ground Floor
Menara Hap Seng, Jalan P. Ramlee
50250 Kuala Lumpur, Malaysia

DATE

Wednesday, 29 May 2019

TIME

2.00 p.m

HIGHLIGHTS



MANAGEMENT DISCUSSION & ANALYSIS

*For more information, please refer
to page 4*



RAISING OUR LEVEL OF SUSTAINABILITY

*For more information, please refer
to page 46*

CONTENTS

01	CORPORATE INFORMATION
02	GROUP FINANCIAL HIGHLIGHTS
04	MANAGEMENT DISCUSSION & ANALYSIS Market Condition Management Strategies 2018 Financial Review Operational Performance Short and Long-term Goals Anticipated or Known Risks Outlook for 2019 Acknowledgements
10	BOARD OF DIRECTORS
11	DIRECTORS' PROFILE
23	SENIOR MANAGEMENT TEAM'S PROFILE
25	CORPORATE GOVERNANCE OVERVIEW STATEMENT
35	STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
41	BOARD COMMITTEES
46	RAISING OUR LEVEL OF SUSTAINABILITY
65	FINANCIAL STATEMENTS
150	ADDITIONAL INFORMATION
152	PARTICULARS OF GROUP'S PROPERTIES
154	PLANTATION STATISTICS
156	ANALYSIS OF SHAREHOLDINGS
159	DIRECTORS' SHAREHOLDINGS
160	NOTICE OF ANNUAL GENERAL MEETING
	PROXY FORM

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Ahmad Bin Mohd Don
Independent Non-Executive Chairman

Datuk Simon Shim Kong Yip, JP
*Non-Independent Non-Executive Deputy
Chairman*

Datuk Edward Lee Ming Foo, JP
Managing Director

Lee Wee Yong
Executive Director

Cheah Yee Leng
Executive Director

Au Yong Siew Fah
Executive Director

Tan Sri Abdul Hamid Egoh
Non-Independent Non-Executive Director

Dato' Jorgen Bornhoft
Independent Non-Executive Director

**Tuan Haji Mohd Aris @ Nik Ariff
Bin Nik Hassan**
Independent Non-Executive Director

**Datuk Amat Asri @ A.Asrie B.Ab
Kadir @ A.Kadir, JP**
Independent Non-Executive Director

Chong Kwea Seng
Independent Non-Executive Director

Choy Khai Choon
Independent Non-Executive Director

COMPANY SECRETARIES

Cheah Yee Leng (LS 0009398)
Lim Guan Nee (MAICSA 7009321)

REGISTERED OFFICE

21st Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Tel : 603-2172 5228
Fax : 603-2172 5286
Website : www.
hapsengplantations.com.my
E-mail : inquiry@
hapsengplantations.com.my

PLACE OF INCORPORATION

Malaysia

SHARE REGISTRAR

Tricor Investor & Issuing House
Services Sdn Bhd (11324-H)
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 603-2783 9299
Fax : 603-2783 9222

AUDITORS

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Lot 3A.01, Level 3A
Plaza Shell, 29
Jalan Tunku Abdul Rahman
88000 Kota Kinabalu
Sabah

PRINCIPAL BANKER

Malayan Banking Berhad

GROUP FINANCIAL HIGHLIGHTS

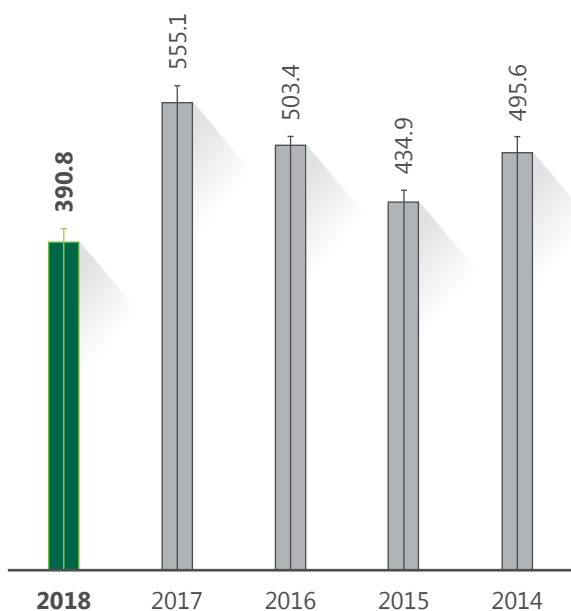
	FINANCIAL YEAR ENDED 31 DECEMBER				
	2018	2017*	2016	2015	2014
INCOME (RM'000)					
Revenue	390,756	555,072	503,427	434,875	495,566
Profit before interest and tax	36,186	145,904	165,893	118,005	170,867
Profit before tax	37,151	146,931	167,146	120,226	176,068
Profit attributable to owners of the Company	29,109	109,218	124,118	96,448	128,312
FINANCIAL POSITION (RM'000)					
Assets					
Total assets	2,070,055	2,115,908	2,292,033	2,231,591	2,205,056
Net assets	1,638,434	1,669,311	2,040,139	1,980,007	1,947,545
Current assets	232,286	273,419	240,647	256,228	255,913
Liabilities					
Current liabilities	42,370	53,786	59,945	63,821	61,229
Shareholders' Equity					
Paid-up share capital	1,475,578	1,475,578	800,000	800,000	800,000
Shareholders' equity	1,638,434	1,669,311	2,040,139	1,980,007	1,947,545
Number of shares					
- Weighted average share in issue net of treasury shares ('000)	799,690	799,694	799,698	799,702	799,729
- Share in issue net of treasury shares ('000)	799,687	799,691	799,695	799,699	799,703
SHARE INFORMATION					
Per share					
Basic earnings (sen)#	3.64	13.66	15.52	12.06	16.04
Net assets (RM)@	2.05	2.09	2.55	2.48	2.44
Dividend (sen)	2.50	11.00	11.00	8.00	11.00
Share price					
- Year High (RM)	2.63	2.73	2.54	2.66	2.88
- Year Low (RM)	1.61	2.45	2.23	1.95	2.43
- As at 31 December (RM)	1.64	2.55	2.52	2.40	2.51
Market capitalisation (RM'000)	1,311,487	2,039,212	2,015,232	1,919,278	2,007,255
Trading volume ('000)	9,358	30,409	21,826	17,518	31,206
FINANCIAL RATIOS					
Return on total assets (%)	1.41	5.16	5.42	4.32	5.82
Return on shareholders' equity (%)	1.78	6.54	6.08	4.87	6.59
Current ratio (times)	5.48	5.08	4.01	4.01	4.18

* The figures for financial year ended 31 December 2017 have been restated to reflect the application of the Malaysian Financial Reporting Standards framework (Refer to page 79)

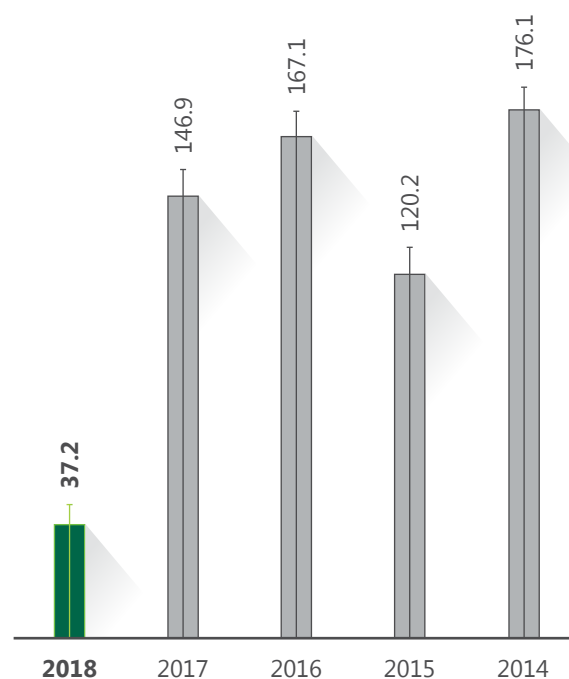
Based on weighted average number of shares in issue net of treasury shares ('000)

@ Based on number of shares in issue net of treasury shares ('000)

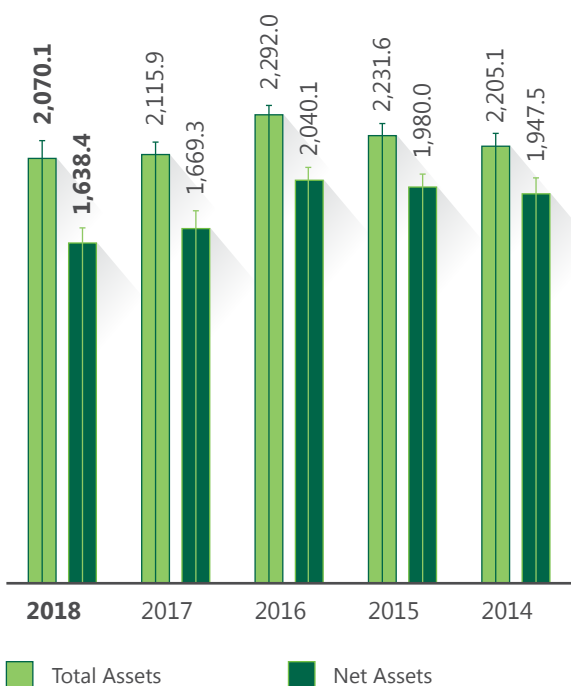
REVENUE
(RM'million)



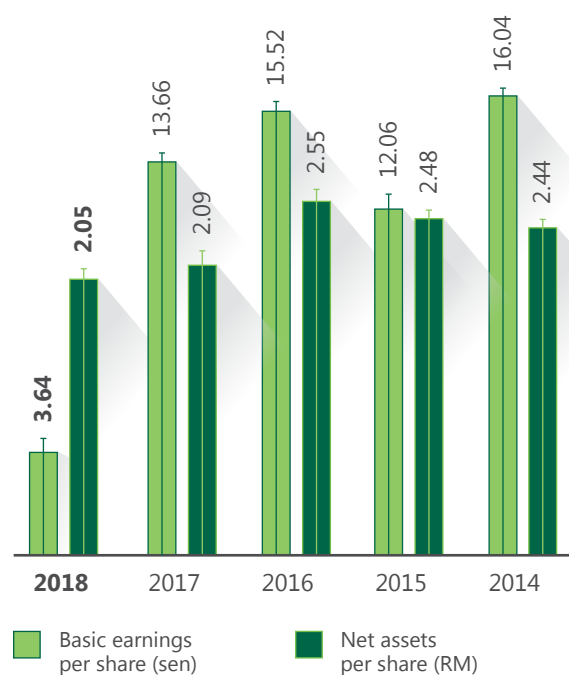
PROFIT BEFORE TAX
(RM'million)



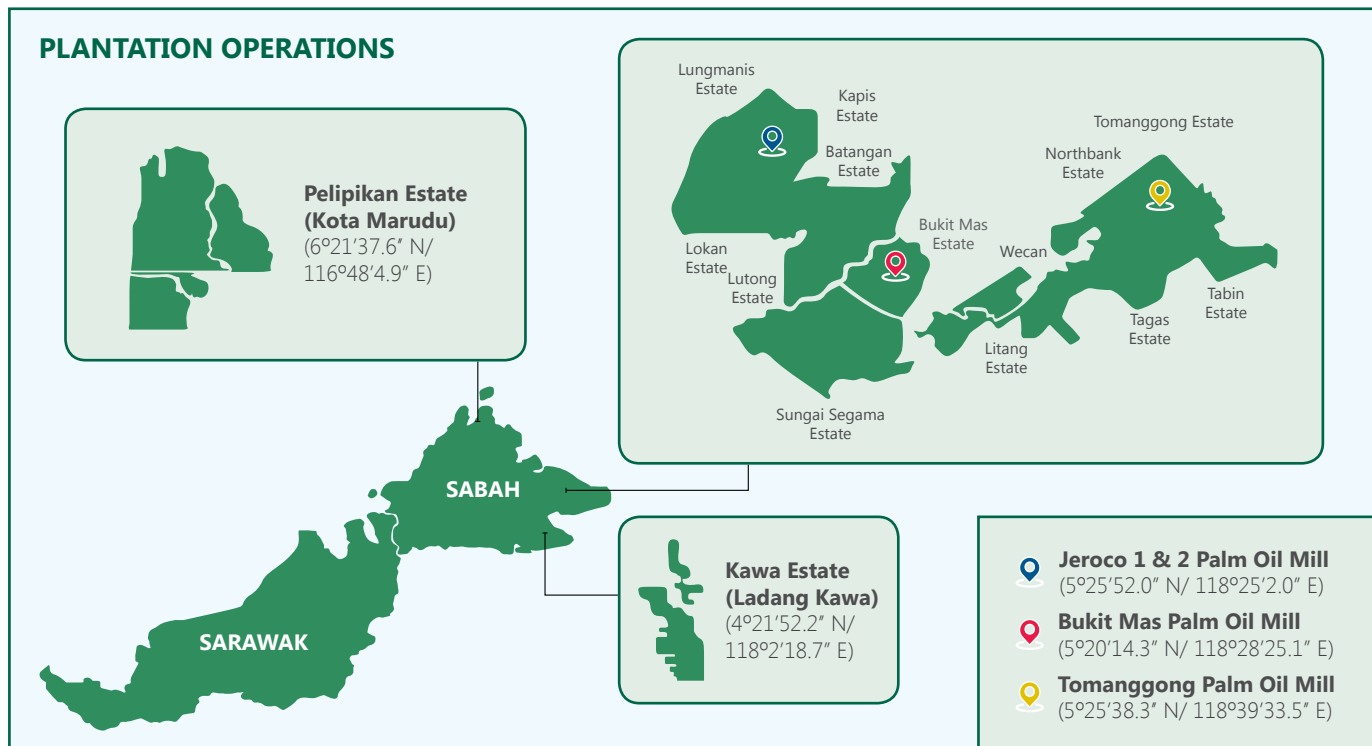
TOTAL ASSETS/NET ASSETS
(RM'million)



**BASIC EARNINGS PER SHARE/
NET ASSETS PER SHARE**



MANAGEMENT DISCUSSION & ANALYSIS



The Group is an oil palm plantation company listed on Bursa Malaysia. The Group is one of the largest producers of sustainable palm oil in Sabah with a landbank of 40,279 hectares across five estates. These estates are the Jeroco Group of Estates (JGOE), Tomanggong Group of Estates (TMGOE), Sungai Segama Group of Estates (SSGOE), Ladang Kawa Estate, Pelipikan and Kota Marudu Estates, with JGOE, TMGOE and SSGOE being contiguous to each other in Lahad Datu. The Group also owns and operates four Roundtable on Sustainable Palm Oil (RSPO) certified palm oil mills.

MARKET CONDITION

Throughout 2018, the Malaysian oil palm industry suffered from weak export demand despite strong production, which led to higher stockpiles and softer prices.

The price of Crude Palm Oil (CPO) remained steady during the first few months of the year. However, export demand fell sharply in May, coinciding with one of Malaysia's main importers, India raising its import tax on palm oil and refined palm oil.

Production of palm oil picked up in the second half of the year which outpaced demand resulting in a large stockpile. The European Union's (EU) environmental concerns surrounding palm dampened demand further.



By the end of December 2018, CPO prices fell to their lowest in three years to RM1,795 per tonne while stocks hit a high of 3.22 million tonnes. According to the Malaysian Palm Oil Board, the average CPO price was RM2,232 per tonne in 2018 as compared to RM2,783 per tonne in 2017. The Sabah average CPO price was RM2,174 per tonne as compared to RM2,800 in 2017.

MANAGEMENT STRATEGIES

Vision

Our vision is to achieve optimum productivity and to be the most cost-efficient producer in Malaysia.

Key Market

The Group's palm oil products are generally sold through spot sales and forward contracts. The majority of the sales were locally delivered to refiners within Malaysia while part of the sales was exported on free-on-board terms.

Strategies In Creating Value

As a member of the RSPO, the Group is fully committed to sustainability initiatives which are enshrined in the RSPO Principles and Criteria. RSPO has the objective of promoting the growth and use of sustainable oil palm products through credible global standards and engagement of stakeholders.

Benefits of certification amongst others are as follow:

- Better access to international markets, especially Europe
- Price premium for certified sustainable palm oil (CSPO)
- Reduced emission of greenhouse gases
- Improved compliance with regulatory requirements



2018 FINANCIAL REVIEW

The Group's revenue for the financial year under review was RM390.8 million, 29.6% lower than the previous financial year of RM555.1 million as it was adversely impacted by the lower average prices of CPO and palm kernel (PK). Consequently, operating profit decreased by 74.7% to RM37.2 million (2017: RM146.9 million).

Sales volume for CPO and PK were lower by 11.9% to 139,691 tonnes (2017: 158,567 tonnes) and 1.4% to 34,452 tonnes (2017: 34,925 tonnes) respectively. The Group recorded an average realized price for CPO and PK of RM2,300 per tonne and RM1,825 per tonne respectively during the year which was higher than the Sabah average of RM2,174 per tonne and RM1,762 per tonne respectively.

In terms of production, the Group recorded an average fresh fruit bunch (FFB) production yield of 20.45 tonnes per hectare (2017: 20.48 tonnes per hectare) which was better than Sabah's average FFB production of 18.16 tonnes per hectare.

The plantation industry continues to be impacted by labour shortages and high production cost. In this respect, CPO production cost (excluding amortization of bearer plant and amortization of surplus on fair value; and after taking into account PK credits) for the financial year was approximately 8% higher at RM1,432 per tonne as compared to the previous year's production cost of RM1,328 per tonne.

MANAGEMENT DISCUSSION & ANALYSIS



Dividend Policy

The Group has a dividend policy of distributing approximately 60% of the total Group's profit after tax to shareholders annually.

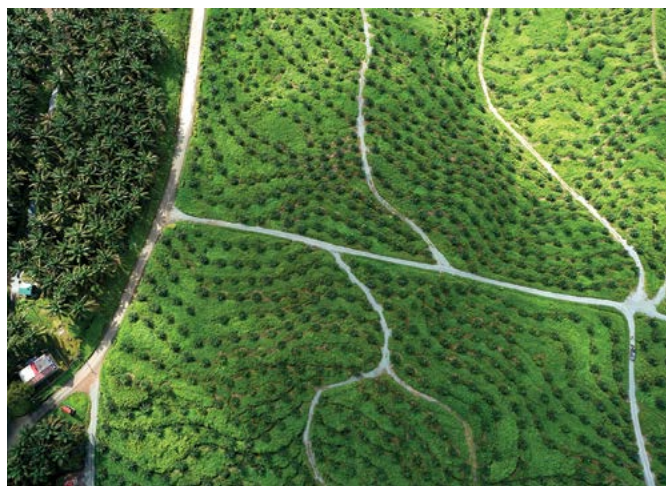
The Board has declared a total dividend of 2.5 sen per share for FY2018 (2017: 11 sen) representing a payout ratio of approximately 69%.

OPERATIONAL PERFORMANCE

Planting Operations

As of 31 December 2018, the Group had a total planted area of 35,957 hectares (2017: 35,957 hectares) out of a total area of 40,279 hectares. Of the total planted area, approximately 89% or 32,138 hectares (2017: 32,023 hectares) are mature areas, with the average age of 15.6 years (2017: 15.3 years).

	Hectares
Immature	3,819
30 months to 7 years	4,491
> 7 years to 17 years	8,522
> 17 years	19,125
Total planted – oil palm	35,957
Immature – other crops	146
Total planted area	36,103
Reserve plantable	113
Building, road, reserves, etc	4,063
Total Area	40,279



For FY2018, the Group had 3,819 hectares of immature oil palm out of which 1,425 hectares are expected to mature in 2019. The Group replanted 982 hectares during FY2018.

Area Statement of the Group as of 31 December 2018 was as follows:

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of Mature area
JGOE ⁽ⁱ⁾	14,117	*12,808	10,957	85.5%
TMGOE ⁽ⁱⁱ⁾	12,807	**11,864	11,068	93.3%
SSGOE ⁽ⁱⁱⁱ⁾	9,906	8,742	7,424	84.9%
Ladang Kawa	1,276	1,201	1,201	100.0%
Pelipikan	1,365	903	903	100.0%
Kota Marudu	***808	585	585	100.0%
Total	40,279	36,103	32,138	89.0%

(i) JGOE refers to Jeroco group of estates

(ii) TMGOE refers to Tomanggong group of estates

(iii) SSGOE refers to Sungai Segama group of estates

* Including 86 hectares planted with Jelutong trees

** Including 60 hectares planted with Sepat trees

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

Milling Operations

The Group's milling operation is undertaken by four mills with a combined milling capacity of 180 FFB tonnes per hour. The Group's mills, which include Jeroco Palm Oil Mill 1, Jeroco Palm Oil Mill 2, Tomanggong Palm Oil Mill and Bukit Mas Palm Oil Mill, saw production averaging at 68.8% of the total milling capacity throughout 2018 which is slightly lower than the previous year (2017: 69.2%) mainly due to lower external FFB supplies.



MANAGEMENT DISCUSSION & ANALYSIS

Sustainability and Food Safety Certification

The Group has obtained RSPO and International Sustainability and Carbon Certification EU (ISCC EU) certifications for most of its operations.

As global concerns about food safety continue to grow, all the Group's mills have attained Hazard Analysis and Critical Control Points (HACCP) certification.

The Group also supports the national sustainability scheme and has achieved Malaysian Sustainable Palm Oil (MSPO) certification of all 15 estates and four palm oil mills in February 2018, ahead of the mandatory timeline of 31 December 2018 (for the RSPO-certified plantations category).

To ensure the Group's goal to achieve RSPO certification for all external FFB by 2022, the Group continues to engage with independent local outgrowers and smallholders to raise awareness about sustainable palm oil and the benefits of becoming certified.

Currently, five out of the eleven (11) independent local outgrowers and smallholders (45%) have agreed to participate in obtaining the RSPO and MSPO certification. Four of these independent local outgrowers and smallholders have completed the MSPO (Stage 1) audit and have made preparations to undergo the RSPO (Stage 1) audit.



SHORT AND LONG-TERM GOALS

The Group will strive to maintain certification from RSPO, ISCC EU, HACCP and MSPO. It would cement the Group's status as a sustainable palm oil producer in compliance with global sustainability standards for agriculture production.



ANTICIPATED OR KNOWN RISKS

The Group is expected to face rising cost pressures arising from higher minimum wage, labour shortages and higher fertilizers costs. To optimise the operating costs, the Group will emphasise on mechanising the harvesting and fertilizer application processes, wherever feasible. The Group will also regularly review the wage and employee benefits to ensure that they are robust enough to both attract and retain its workers.

In order to allay the security risk, the Group had implemented various security measures, which includes the planned setting up of Auxiliary Police at the estates and working closely with related government agencies and partners to safeguard its plantation as well as providing a secure working environment for its employees.



OUTLOOK FOR 2019

The Malaysian palm oil industry is expected to face heightened volatility in 2019. High palm oil stock, the EU's policy against palm oil, labour shortages and higher wages are expected to weigh on demand, prices and production costs. The division will continue to improve operational efficiencies to mitigate the effects of rising production costs.

The Group's prospects will depend on global macroeconomic factors, weather conditions in major oil seed producing countries, government policy on biodiesel and the seasonal cropping pattern of FFB.



ACKNOWLEDGMENTS

The Company would like to express its gratitude and thanks to its Board of Directors and shareholders for their guidance and support. The Company would also like to thank the management and all staff for their significant contributions over the years.

The Company further acknowledges the support given to the Group from its business partners, clients, customers and suppliers as we continue to create value for all stakeholders.

BOARD OF DIRECTORS



Sitting from left to right

Standing from left to right

1 **CHEAH YEE LENG**
Executive Director

2 **DATUK SIMON SHIM KONG YIP, JP**
Non-Independent Non-Executive Deputy Chairman

3 **TAN SRI AHMAD BIN MOHD DON**
Independent Non-Executive Chairman

4 **DATUK EDWARD LEE MING FOO, JP**
Managing Director

5 **LEE WEE YONG**
Executive Director

6 **DATO' JORGEN BORNHOFT**
Independent Non-Executive Director

7 **CHOY KHAI CHOON**
Independent Non-Executive Director

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

9 **DATUK AMAT ASRI @ A.ASRIE B.AB
KADIR @ A.KADIR, JP**
Independent Non-Executive Director

10 **AU YONG SIEW FAH**
Executive Director

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

12 **CHONG KWEA SENG**
Independent Non-Executive Director

TAN SRI AHMAD BIN MOHD DON

Independent Non-Executive Chairman

Tan Sri Ahmad Bin Mohd Don, male, a Malaysian, aged 71, is the independent non-executive chairman of Hap Seng Plantations Holdings Berhad. He was first appointed as an independent non-executive director on 9 August 2007 and became the chairman on 18 September 2007. He is also a member of the Audit Committee and Nominating Committee and the chairman of the Remuneration Committee.

Tan Sri Ahmad is also the independent non-executive chairman of Zurich Takaful Malaysia Berhad and Alliance Bank Malaysia Berhad. He is also an independent non-executive director of United Malacca Berhad.

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

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

Tan Sri Ahmad does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

He attended all the 7 board meetings held during the financial year ended 31 December 2018.



DATUK SIMON SHIM KONG YIP, JP

Non-Independent Non-Executive Deputy Chairman

Datuk Simon Shim Kong Yip, JP, male, a Malaysian, aged 62, is a non-independent non-executive deputy chairman of Hap Seng Plantations Holdings Berhad. He was first appointed as a non-independent non-executive director on 9 August 2007 and became the deputy chairman on 23 February 2015. He is also a member of the Nominating Committee and Remuneration Committee.

In addition, Datuk Simon Shim is a non-independent non-executive director of Hap Seng Consolidated Berhad. He is also a non-independent non-executive director of Lam Soon (Thailand) Public Company Limited, a company listed on the Stock Exchange of Thailand.

Datuk Simon Shim is a director of both Lei Shing Hong Limited and Lei Shing Hong Securities Limited. Lei Shing Hong Securities Limited, a company registered with the Securities and Futures Commission Hong Kong, is a wholly-owned subsidiary of Lei Shing Hong Limited, a company incorporated in Hong Kong.

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

Datuk Simon Shim does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interest with the Company save for the related party transactions disclosed in Note 22 to the Financial Statements. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

He attended 6 out of the 7 board meetings held during the financial year ended 31 December 2018.



DATUK EDWARD LEE MING FOO, JP

Managing Director

Datuk Edward Lee Ming Foo, JP, male, a Malaysian, aged 64, is the managing director of Hap Seng Plantations Holdings Berhad. He was first appointed to the board on 15 May 2007 as an executive director and assumed the current position since 18 September 2007.

In addition, Datuk Edward Lee is the managing director of both Gek Poh (Holdings) Sdn Bhd and Hap Seng Consolidated Berhad, the former being the Company's ultimate holding company and the latter being the Company's immediate holding company which is listed on the Main Market of Bursa Malaysia Securities Berhad. Datuk Edward Lee is also a non-independent non-executive director of Hafary Holdings Limited, a company incorporated in Singapore and listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

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

Datuk Edward Lee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company save for the related party transactions disclosed in Note 22 to the Financial Statements. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

He attended all the 7 board meetings held during the financial year ended 31 December 2018.





LEE WEE YONG

Executive Director

Lee Wee Yong, a Malaysian, male, aged 71, is an executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 2 February 2011.

In addition, Mr. Lee is a director of Gek Poh (Holdings) Sdn Bhd and an executive director of Hap Seng Consolidated Berhad.

Mr. Lee holds a degree in Bachelor of Commerce and Administration from Victoria University in New Zealand and is a member of the Malaysian Institute of Accountants and Chartered Accountants Australia and New Zealand. He joined Malaysian Mosaics Sdn Bhd (formerly Malaysian Mosaics Berhad) group in 1992 and was appointed as a director since 1 March 1999. He also assumed the position of group chief financial officer from 1 March 2003 to 15 December 2005.

Mr. Lee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

He attended all the 7 board meetings held during the financial year ended 31 December 2018.

CHEAH YEE LENG

Executive Director

Cheah Yee Leng, female, a Malaysian, aged 50, is an executive director of Hap Seng Plantations Holdings Berhad (HSP) and was appointed to this position on 1 March 2016. She is also the Group Company Secretary of HSP.

In addition, Ms. Cheah is a non-independent non-executive director of Paos Holdings Berhad and Hafary Holdings Limited, a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

Ms. Cheah joined Hap Seng Consolidated Berhad (HSCB) group of companies in 1997 and was appointed as an executive director on 1 June 2014. She is presently the Director of Corporate Affairs and the Legal Counsel of HSCB Group.

Ms. Cheah holds a Bachelor of Economics Degree and Bachelor of Laws Degree from Monash University in Australia.

Ms. Cheah does not have any family relationship with any director and/or major shareholder nor does she have any conflict of interests with the Company. She has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

She attended all the 7 board meetings held during the financial year ended 31 December 2018.





AU YONG SIEW FAH

Executive Director

Au Yong Siew Fah, male, a Malaysian, aged 68, is an executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 31 July 2007.

Mr. Au Yong has more than 49 years of extensive experience in all aspects of management of large plantations for major crops such as oil palm, rubber, cocoa and coconuts and in the development of plantation land from initial acquisition of jungle land, establishment of palm oil mills and marketing of produce. He started his career as a cadet planter with Yule Catto Plantations Sdn Bhd in Kluang, Johor in 1969 after attending the Royal Military College and rose through the ranks to various capacities such as estate controller and planting adviser. He was the general manager of United Malacca Berhad from 1997 to 2001 before joining the Hap Seng Consolidated Berhad Group (HSCB Group) as its chief operating executive for Group Plantations in 2001. Currently, he is the chief executive for the Group Plantations of the HSCB Group.

Mr. Au Yong obtained the Diploma of the Associate of Incorporated Society of Planters in 1974. He then attended the General Management Course organised by the Ashridge Management College, United Kingdom in 1979 and participated in the Royal Agriculture Convention in Stoneleigh, United Kingdom in 1986. He is one of the founding members of the Malaysian Palm Oil Association (MPOA) and is presently the vice-chairman. He served as a member of the Malaysian Palm Oil Board (MPOB) during the years from 2008 to 2014 and was re-appointed in 2016.

Mr. Au Yong does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

He attended all the 7 board meetings held during the financial year ended 31 December 2018.

TAN SRI ABDUL HAMID EGOH

Non-Independent Non-Executive Director

Tan Sri Abdul Hamid Egoh, male, a Malaysian, aged 85, is a non-independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 9 August 2007.

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

He started his career with Colonial Civil Service in 1956. Prior to him graduating with a degree in Bachelor of Arts (Honours) from University of Adelaide, Australia in 1965, he had served with the Commonwealth Public Service in Australia from 1964 to 1965. After graduation, he assumed the position of private secretary and aide-de camp to the Yang DiPertua Negeri Sabah from 1966 to 1967 after which he was appointed as secretary of defence for Sabah until 1971. He served as under secretary of the State of Sabah between 1971 and 1975 and assumed the position of state secretary of Sabah from 1975 to 1988.

Tan Sri Abdul Hamid does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

He attended 5 out of the 7 board meetings held during the financial year ended 31 December 2018.





DATO' JORGEN BORNHOFT

Independent Non-Executive Director

Dato' Jorgen Bornhoft, male, a Dane, aged 77, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 9 August 2007. He is also a member of the Audit Committee and the chairman of the Nominating Committee.

In addition, Dato' Bornhoft is the independent non-executive chairman of Hap Seng Consolidated Berhad. He is a non-independent non-executive director of Fraser & Neave Holdings Bhd and also the vice-chairman of International Beverage Holdings Limited.

Dato' Bornhoft joined Carlsberg Brewery Malaysia Berhad (Carlsberg Malaysia) in 1991 as its chief executive officer, and assumed the position of managing director from 1995 to 2002, after which he was the chairman from 2002 to 2005. He re-joined the board of Carlsberg Malaysia as a non-executive director from 2006 to 2007. He also assumed the position as the chief executive officer of Carlsberg Asia Pte Ltd in Singapore from January 2003 to June 2004. Prior to him joining Carlsberg Malaysia, he was the vice-president of Carlsberg International A/S, Denmark responsible for foreign subsidiaries and new projects. Dato' Bornhoft was also the President of the Malaysian International Chamber of Commerce and Industry from 1996 to 1999.

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

Dato' Bornhoft does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

He attended all the 7 board meetings held during the financial year ended 31 December 2018.

TUAN HAJI MOHD ARIS @ NIK ARIFF BIN NIK HASSAN

Independent Non-Executive Director

Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan, male, a Malaysian, aged 73, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 1 January 2011. He is also the chairman of the Audit Committee.

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

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

Tuan Haji Nik Ariff does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

He attended 6 out of the 7 board meetings held during the financial year ended 31 December 2018.



**DATUK AMAT ASRI
@ A.ASRIE B.AB KADIR @ A.KADIR, JP**

Independent Non-Executive Director

Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP, male, a Malaysian, aged 69, is an independent non-executive director of Hap Seng Plantations Holdings Berhad (HSP) and was appointed to this position on 23 August 2017. Prior to this, he was a non-independent non-executive director of HSP from 1 June 2014 to 22 August 2017. He is also a member of the Remuneration Committee.

Datuk Amat Asri holds a Bachelor of Laws (LLB) and Diploma in Development Administration from England, United Kingdom. After completing his Higher School Certificate in 1969 and upon graduation, Datuk Amat Asri spent 20 years in Sabah Civil Service from 1970 to 1990. Thereafter, he was with Hap Seng Sdn Bhd from 1990 to 1996 as its chief officer of the Legal and General Affairs. He then went into legal practice in Sabah from 1997 to 1999. He was appointed by the Sabah Government as a Senior Public Relations Secretary cum Senior Private Secretary from 2000 to 2004 where he served two Chief Ministers consecutively. In addition, Datuk Amat Asri is a trustee of Lau Gek Poh Foundation.

Datuk Amat Asri does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

He attended 6 out of the 7 board meetings held during the financial year ended 31 December 2018.



CHONG KWEA SENG

Independent Non-Executive Director

Chong Kwea Seng, male, a Malaysian, aged 64, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 1 June 2017.

In addition, Mr. Chong is an independent non-executive director of Fitters Diversified Berhad.

Mr. Chong had held various senior management positions since he commenced employment in 1978. In 2002, he was promoted to sales director before his appointment as Managing Director of Sime Darby Industrial Sdn Bhd (SDI) (previously known as Tractors Malaysia (1982) Sdn Bhd) in July 2006. In July 2006, he was also appointed as the Managing Director of China Engineers Ltd, Sime Darby's Caterpillar Dealer in Hong Kong and China. His global experience gave him an outstanding opportunity to interact with world class principals from USA, Japan and Europe as he was involved in chairing many of these successful joint venture companies with SDI. The two stints as the chief executive officer in China also gave him a unique opportunity to witness the business growth of unprecedented proportions and dealt with the associated challenges. During the span of his career, he had won numerous recognitions and awards including Caterpillar's inaugural Global Excellence Award in 2015.

Mr. Chong holds a Bachelor of Science in Mechanical Engineering with First Class Honour from Heriott-Watt University, United Kingdom and Diploma in Mechanical Engineering with First Class Honour from University Teknologi Malaysia.

Mr. Chong does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

He attended all the 7 board meetings held during the financial year ended 31 December 2018.





CHOY KHAI CHOON

Independent Non-Executive Director

Choy Khai Choon, male, a Malaysian, aged 61, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 20 November 2017.

Mr. Choy is the independent non-executive chairman of Zurich Life Insurance Malaysia Berhad. He is also an independent non-executive director of Malaysia Marine and Heavy Engineering Holdings Berhad, Deutsche Bank (Malaysia) Berhad, Zurich Takaful Malaysia Berhad and RAM Rating Services Berhad. In addition, Mr. Choy is also a board member of Asian Banking School Sdn Bhd and Bond and Sukuk Information Platform Sdn Bhd, a non-profit information platform established to provide free public access to information on bonds and sukuk issued in Malaysia.

Mr. Choy has extensive experience in the financial sector and had served as the president/chief executive officer of Cagamas Berhad for 6 years before retiring in March 2012. Prior to that, he was the senior general manager, Head of Group Business Engineering of RHB Banking Group and held various senior positions with Aviva Insurance Group and Credit Corporation Malaysia Berhad.

Mr. Choy holds a Master in Business Administration from Oklahoma City University, USA and Bachelor of Commerce from University of New South Wales, Australia. He also attended general management programme at INSEAD, France. In addition, he is a Fellow of the Certified Practising Accountants Australia and member of the Malaysian Institute of Accountants.

Mr. Choy does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

He attended all the 7 board meetings held during the financial year ended 31 December 2018.

SENIOR MANAGEMENT TEAM'S PROFILE

MAK WAI MING

General Manager – Finance

Mak Wai Ming, male, a Malaysian, aged 55, is the general manager of finance division of Hap Seng Plantations Holdings Berhad (HSP) and was appointed to this position on 1 January 2015.

Mr. Mak joined HSP on 1 November 2007 as general manager of corporate development and redesigned as general manager of commodities trading of HSP group of companies on 1 April 2009.

Mr. Mak is a member of the Chartered Institute of Management Accountants and the Malaysian Institute of Accountants.

Mr. Mak does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

PETER LIEW CHI KIAW

General Manager – Plantation Advisory

Peter Liew Chi Kiaw, male, a Malaysian, aged 67, is the general manager of plantation advisory of Hap Seng Plantations Holdings Berhad (HSP) and was appointed to this position on 1 January 2018. Mr. Peter Liew joined the Company in August 2013 as senior planting advisor before assuming the present position.

Mr. Peter Liew has more than 40 years of work experience in the plantation industry. Prior to him joining HSP, he was with several major plantation companies in Sabah. He has also worked in West Africa and Indonesia as a general manager - planting advisor.

Mr. Peter Liew obtained a Diploma from the Associate of Incorporated Society of Planters.

Mr. Peter Liew does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

ANSEMIUS @ ROBERT KIMON

General Manager – Processing

Anselmius @ Robert Kimon, male, a Malaysian, aged 50, is the general manager of the mill processing division of Hap Seng Plantations Holdings Berhad (HSP) and was appointed to this position on 1 January 2015.

Mr. Anselmius joined HSP in August 2003 and was promoted to chief engineer in May 2010. He has more than 20 years of work experience in the palm oil mill industry.

Mr. Anselmius holds a Bachelor of Mechanical Engineering (Hons) degree from University of Technology Malaysia.

Currently, Mr. Anselmius holds 10,000 HSP shares.

Mr. Anselmius does not have any family relationship with any directors and/or major shareholders nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

GAN LU YEE

Financial Controller - Plantations

Gan Lu Yee, male, a Malaysian, aged 42, is the financial controller of Hap Seng Plantations Holdings Berhad (HSP) and was appointed to this position on 1 April 2011.

Mr. Gan joined Hap Seng Plantations (River Estates) Sdn Bhd, the wholly-owned subsidiary of the Company in 2004 as account manager before assuming the present position.

Mr. Gan is a member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants.

Mr. Gan does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

KEE KEOW CHONG

General Manager - Agronomy

Kee Keow Chong, male, a Malaysian, aged 44, is the general manager, agronomy department of Hap Seng Plantations Holdings Berhad and was promoted to this position on 1 January 2018. Mr. Kee joined the Company in April 2014 as chief agronomist before assuming the present position.

Mr. Kee started his career as a research executive with Asiatic Development Berhad in 1999. Thereafter, he joined the plantation division of IOI Corporation Berhad as an estate assistant manager from 2002 to 2004 and Genting Plantations Berhad as an agronomist from 2004 to 2014.

Mr. Kee holds a Bachelor of Science (Bioindustry) degree from University Putra Malaysia.

Mr. Kee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

This Corporate Governance Overview Statement of Hap Seng Plantations Holdings Berhad (“HSP” or the “Company”) is made pursuant to paragraph 15.25(1) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Main Market Listing Requirements”). In producing this Corporate Governance Overview Statement (“CG Statement”), guidance was drawn from Practice Note 9 of Main Market Listing Requirements and the Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”).

The CG Statement is supplemented by a Corporate Governance Report (“CG Report”), based on the prescribed format of paragraph 15.25(2) of the Main Market Listing Requirements. This is to provide a detailed articulation on the application of the Company’s corporate governance practices vis-à-vis the Malaysian Code on Corporate Governance (“MCCG”). The CG Report is available on the Company’s website, www.hapsengplantations.com.my as well as via an announcement on the website of Bursa Securities.

This CG Statement should also be read in conjunction with the other statements in this Annual Report (e.g. Statement on Risk Management and Internal Control, Reports on Board Committees and Sustainability Statement) as the application of certain corporate governance enumerations may be more succinctly explained in the context of the respective statements respectively.

Corporate Governance Approach

The Board of HSP is committed in ensuring that the Company remains strong, viable and sustainable to deliver value to its shareholders and stakeholders. The Board believes that a robust and dynamic corporate governance framework is essential for effective and responsible decision-making at the Company.

The Company’s overall approach to corporate governance is to:

- have the appropriate people, processes and structures to direct and manage the business and affairs of the Company;
- drive the application of good corporate governance practices through the alignment of the interests of shareholders and Board as well as Management; and
- meet stakeholder expectations of sound corporate governance as part of the Company’s broader responsibility to shareholders, customers and the community in which it operates.

Given the commitment of the Board to good corporate governance, the Board continues to drive efforts to promote meaningful and thoughtful application of good corporate governance practices. This includes monitoring local and global developments of corporate governance and assessing their implications.

In 2017, Malaysia witnessed a range of regulatory reforms including the coming into effect of Companies Act 2016, release of the new MCCG by Securities Commission Malaysia as well as the amendments to Main Market Listing Requirements which were augmented with the issuance of the Corporate Governance Guide (3rd Edition) by Bursa Securities.

In tandem with the aforementioned regulatory developments, the Company had undertaken a recalibration of its corporate governance framework and measures to adhere to these enumerations. Recognising that improving corporate governance is an organic process which necessitates continuous improvement, the Company will continue to enhance its day-to-day activities to ensure that they are underpinned by the tenets of accountability, objectivity and transparency.

During the financial year under review, the Company has also taken steps designed to harmonise corporate governance standards throughout the HSP group of companies. This effort is focused, amongst others, on standardising, to the extent practicable, principles relating to various corporate governance matters including Board composition, directors’ independence criteria, roles and terms of reference of Board Committees, and directors’ remuneration framework.

Summary of Corporate Governance Practices

The Company has applied all the Practices encapsulated in MCCG for the financial year ended 31 December 2018 except for the following:

- Practice 4.1 (Board to comprise majority independent directors for large companies);
- Practice 4.5 (Board to comprise 30% women directors);
- Practice 4.6 (Sourcing of candidatures for directorships using independent sources);
- Practice 7.2 (Disclosure of the top five senior management's remuneration on a named basis);
- Practice 11.2 (Adoption of integrated reporting for large companies); and
- Practice 12.3 (Use of technology to facilitate remote shareholders' participation during general meetings)

The Company has provided explanations for the departures from the said Practices which are accompanied by alternative measures that seek to achieve the Intended Outcome of the departed Practices, measures that the Company has taken or intends to take to adopt Practices as well as timeframe for adoption of the departed Practices. Further details on the Company's application of each Practice of MCCG are available on the Company's CG Report on the Company's website as well as on Bursa Securities' website.

A summary of the Company's corporate governance practices with reference to the MCCG is described below.

Responsibilities of the Board

The Board is responsible for overseeing the management of the business and affairs of the Company, including the commitment to sustainability, in the best interest of the Company.

The Board has established three Board Committees, namely, Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") to assist it in discharging its oversight function. At all times, the Board retains collective oversight over the Board Committees. These Board Committees have been constituted with clear terms of reference and they are actively engaged to ensure that the Company is in adherence with good corporate governance.

Board Committees	Responsibilities of Board Committees
AC	The AC is responsible to support the Board with its oversight role in the areas of financial reporting, related party transactions and conflicts of interests, internal control environment, internal audit and external audit as well as the Company's overall risk management system.
NC	The NC is responsible to recommend candidates to be appointed to the Board and Board Committees, annually evaluate performance of the Board and, Board Committees as well as develop succession plan for directors of the Company.
RC	The RC sets the Group remuneration policy and approves the remuneration arrangements of the executive directors.

The Board and Board Committees meet regularly to deliberate on matters under their respective purview. During the year, the Board has deliberated on business strategies and critical issues concerning the Company, including business plan, annual budget, financial results, risk management status report, sustainability report and key performance indicators. Attendance of the Board meetings and Board Committees meetings during the financial year ended 31 December 2018 is outlined below:

Director	Board	AC	RC	NC
Tan Sri Ahmad Bin Mohd Don	7/7	5/5	1/1	1/1
Datuk Simon Shim Kong Yip, JP	6/7		1/1	1/1
Datuk Edward Lee Ming Foo, JP	7/7			
Lee Wee Yong	7/7			
Cheah Yee Leng	7/7			
Au Yong Siew Fah	7/7			
Tan Sri Abdul Hamid Egoh	5/7			
Dato' Jorgen Bornhoft	7/7	5/5		1/1
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	6/7	5/5		
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	6/7		1/1	
Chong Kwea Seng	7/7			
Choy Khai Choon	7/7			

● Board/Board Committee Chairman ● Member

There is a clear demarcation of responsibilities between Board and Management. While the Board directs and governs Management, it does not unduly usurp the operational and implementation role of Management. The chairman is responsible to spearhead the Board while the managing director is responsible for the efficient and effective management and operation of the Company, in accordance with the strategic direction of the Board.

The Board has formalised a Board Charter which delineates the responsibilities of the Board, Board Committees and individual directors, including the matters that are solely reserved for the Board's decision. The Board Charter is periodically reviewed by the Board to ensure it reflects the evolving needs of the Company. The Board Charter is also made available on the Company's website.

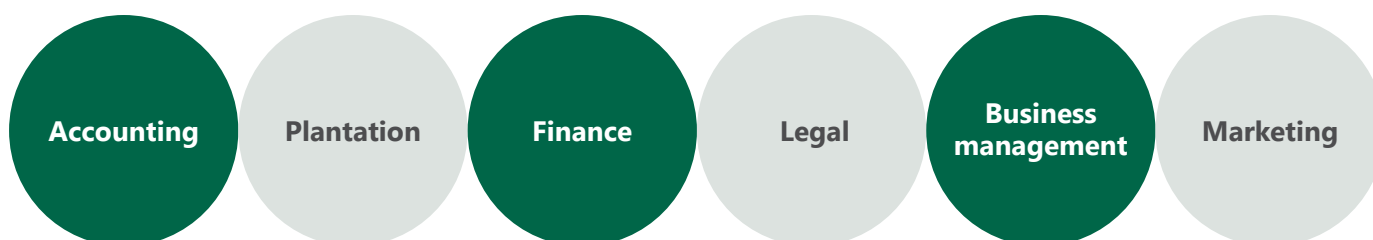
In discharging its responsibilities, the Board is assisted by two qualified and competent company secretaries that act as counsels on corporate governance matters. Management provides directors with adequate and timely information prior to meetings to enable them to make informed decisions.

A Code of Conduct and Whistleblowing Policy has been put in place to foster an ethical culture and allow legitimate ethical concerns to be raised in confidence without the risk of reprisal. The Code of Conduct and Whistleblowing Policy is reviewed periodically by the Board and published on the Company's website.

Board Composition

The Board ensures that it has an appropriate mix of skills, experience and diversity to discharge its role and responsibilities effectively. The Board from time to time undertakes a review of its composition to identify areas of strength and improvement opportunities.

The directors harness their combined knowledge and professional experience to provide diverse perspectives on the Company's business operations and strategies. The expertise possessed by the management as well as access of directors to external professional experts complement the effective functioning of the Board. The collective skill-set and experience of the Board are illustrated in the following matrix.



In terms of independence, the Board is currently made up of six independent non-executive directors, two non-independent non-executive directors and four executive directors including a managing director. The Board is mindful that the presence of independent directors may contribute to a more robust deliberation process with greater impartiality and objectivity. The same will be undertaken in lockstep with advancing the business imperatives or objectives of the Company.

The NC assesses independent directors annually to ascertain if they display a strong element of impartiality. In conducting this assessment, the dimension of tenure of service is also considered as to ensure that the same has not reduced impartiality or lack of fresh insights.

Tan Sri Ahmad Bin Mohd Don, having served as an independent non-executive chairman of the Company for almost 12 years, has expressed his intention to resign from the Board upon conclusion of the forthcoming annual general meeting ("AGM"). On the other hand, Dato' Jorgen Bornhoft, having served as an independent non-executive director of the Company for almost 12 years, will not be seeking re-election when he retires as a director in accordance with clause 116 of the Company's constitution during the forthcoming AGM.

Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan, having served as an independent non-executive director of the Company for almost 9 years, will be seeking shareholders' approval during the forthcoming AGM for him to continue in office as an independent non-executive director of the Company until the conclusion of the next AGM.

The composition of the respective Board Committees meets the independence criteria outlined in Main Market Listing Requirements and MCGG and there is an appropriate cross-memberships to further promote effectiveness.

Appointments to the Board are made via a formal, rigorous and transparent process, premised on meritocracy and after taking into account the skills, experience and diversity needed on the Board in the context of the Company's strategic direction. In terms of gender diversity, the Board currently comprises one female director, namely, Ms. Cheah Yee Leng and the Board is taking steps to improve women representation on the Board by broadening its sourcing and nomination process.

The Board assesses its effectiveness and that of its Committees as well as the individual directors in a formal process that is undertaken annually. The results of the assessment were utilised as the bases for the Board's development needs and in making governance changes.

Remuneration

The Board ensures that fair level of remuneration is accorded to attract, retain and motivate directors and senior management to manage the Company successfully. The component remuneration packages for executive directors and senior management have been structured to link rewards to corporate and individual performance whilst non-executive directors' remuneration reflects the experience and level of responsibilities undertaken by individual non-executive directors. The remuneration policy and procedures for directors and senior management are available on the Company's website.

Audit Committee

The AC is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions, conflict of interest situations as well as risk management framework. The AC seeks to benefit from the possession of financial literacy amongst its members complemented with a sound understanding of the business for it to discharge its responsibilities effectively.

The AC has established formal and transparent arrangements to maintain an appropriate relationship with the Company's external auditors. These include policies and procedures to review the suitability and independence of the external auditors. During the year under review, the AC has received written assurance from external auditors confirming that it is and has been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Risk Management and Internal Control Framework

The Board is cognisant that a robust risk management and internal control framework helps the Group to achieve its value-creation targets by providing risk information to enable better formulation of the Group's strategies and decision making. The Group's risk management and internal control framework covers not only financial controls but also operational, environmental and compliance controls. The Group Risk Management Committee ("Risk Management Committee") takes responsibility for risk management, building upon already established structures and mechanisms to implement the processes for identifying, evaluating, monitoring and reporting of risks as well as to take appropriate and timely corrective actions as required. The managing director assumes the role of chairman of the Risk Management Committee while the chief executive leads the risk management function of HSP Group. An annual comprehensive risk management report and a half yearly update on salient changes to the key risk profile are tabled to the AC to facilitate timely assessment.

The Group has an in-house internal audit department which is independent of the activities or operations of other operating units in the Group. The internal audit function provides the AC and the Board with assurance regarding the adequacy and integrity of the system of internal control. The internal audit function adopts a risk based approach and prepares its audit strategy and plan based on the respective risk profile of HSP Group. The Head of Internal Audit has a direct reporting line to the AC and the internal audit department has unfettered access to records, properties and personnel of the Group.

Communication with Stakeholders

The Board believes that all stakeholders of the Company should be apprised in a timely manner of all business events that may materially impact the Company. The Board ensures continuous disclosure through announcements to Bursa Securities as well as the Company's website. The Company's website contains recent announcements, past and current reports to shareholders, including summaries of key financial data as well as copies of recent notices and minutes of general meetings. While the Company endeavours to provide as much information as possible to its stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

Conduct of General Meetings

AGM provides the Board with the opportunity to engage shareholders by sharing the Company's financial and operational performance for the past financial year.

At each AGM, shareholders are encouraged to participate in the question and answer session. The chairman, managing director and chairmen of Board Committees will provide written answers to any significant question that cannot be readily answered within 14 days. Whenever appropriate and relevant, press conference is held at the end of each AGM whereby the chairman and executive directors will advise the press on the resolutions passed and answer questions in respect of the Company as well as to clarify and explain any issues that may have in respect of the financial or operational performance of the Company for the year under review.



As called upon by MCG, the notice to the upcoming AGM alongside relevant accompanying materials have been provided more than 28 days in advance to enable shareholders to make adequate preparation.

Focus Areas on Corporate Governance

Areas which gained prominence from the Board during the financial year ended 31 December 2018 are as follows:



Independence of the Board and Board Committees

In 2018, the Company effected various amendments to its constitution to align the same with the Companies Act 2016 and the latest Main Market Listing Requirements. Amongst others, the constitution has adopted a two-tier voting process to determine independence of independent directors' whose tenure has reached 12 years or beyond.

In line with the MCGG, the Company has also taken steps to ensure that the chair of the Board, AC and NC respectively is assumed by different individuals.



Review of Board and Board Committees' policies and procedures

After due review, the Board updated its Board Charter alongside the Terms of Reference for each of the Board Committees. Changes were made to reflect the revised regulatory expectations as well as the expectations of stakeholders for directors to exercise greater vigilance and scepticism in understanding and shaping the direction of the Company. These authoritative documents serve to guide the governance and conduct of the Board and Board Committees.

The Board was satisfied with the evaluation conducted by NC that all members of the Board and Board Committees were suitably qualified to hold their positions having considered amongst their respective academic and professional qualifications, skills, competencies, experiences, commitment and contribution to the Board and Board Committees.



Professional development of directors

During the year under review, directors have continued to attend various training and courses relevant to the discharging of their function as directors of the Company. In-house talks were also organised on topical areas to keep directors updated the latest developments or changes in the regulatory framework, accounting standards and the like. Site visits were also arranged, as necessary, for directors to gain first-hand views on the Company's operations.

**CORPORATE GOVERNANCE
OVERVIEW STATEMENT**

The list of training programmes were attended by the Board members during the financial year ended 31 December 2018 are outlined below:

Name	Programme title	Date
Tan Sri Ahmad Bin Mohd Don	Corporate Governance Briefing Session MCCG Reporting and Guide Bursa	1 March 2018
	Anti-Money Laundering	28 June 2018
	Fide Code Programme (Module A)	9 - 12 July 2018
	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	Sunway Leaders Conference 2018	5 December 2018
Datuk Simon Shim Kong Yip, JP	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	The 36 th Cambridge International Symposium on Economic Crime of which Datuk Simon was one of the speakers	2 - 9 September 2018
Datuk Edward Lee Ming Foo, JP	HSBC Private Banking Investment Outlook Pivot to Asia - The What and the How of Investing in 2018	23 January 2018
	HSBC Private Banking - Mid-Year Investment Outlook Roadshow	28 June 2018
	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	Malaysia Conference 2018 – Malaysia: A New Dawn	9 October 2018
	10 years after the Global Financial Crisis: Lessons Learnt or Forgotten?	12 November 2018
Lee Wee Yong	Sales Tax and Service Tax Briefing	16 August 2018
	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	Tax and Business Summit 2018	8 November 2018
Cheah Yee Leng	Sales Tax and Service Tax Briefing	16 August 2018
	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	Technical Briefing for Company Secretaries of Listed Issuers: Key Amendments to Listing Requirements arising from Companies Act 2016	13 September 2018
	Introduction to Malaysian Business Reporting System	4 October 2018
	No Par Value & Issuance of Shares and Other Securities	10 December 2018
	Nuts and Bolts of Disclosure Obligations of Directors	13 December 2018

Name	Programme title	Date
Au Yong Siew Fah	Seminar: Malaysia -Sweden Sustainable Plantation Industry Day	8 March 2018
	MPOB PAC 2018: 38 th Meeting	12 April 2018
	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	MPOC: Palm Oil Trade Fair & Seminar (POTS KL) 2018	29 August 2018
	Rabobank: Market Outlook Seminar	5 September 2018
Tan Sri Abdul Hamid Egeh	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
Dato' Jorgen Bornhoft	HSBC Private Banking Investment Outlook Pivot to Asia - The What and the How of Investing in 2018	23 January 2018
	Directors' Continuing Education Programme 2018	27 August 2018
	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	2019 Budget: What you need to know: The Economy, Capital Market And You	14 November 2018
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	Audit Committee Institute Breakfast Roundtable 2018	19 March 2018
	Luncheon Talk 2018: Environmental, Social and Corporate Governance Investing For Sustainable Returns	12 July 2018
	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	Luncheon Talk 2018: Environmental, Social and Corporate Governance Investing For Sustainable Returns	12 July 2018
	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	Independent Directors' Programme: The Essence of Independence	29 October 2018
Chong Kwea Seng	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	Bursa Malaysia Breakfast Series: Non-Financials – Does it Matter?	5 December 2018
Choy Khai Choon	Preparing for Malaysia's New Sales and Service Tax 2.0	28 August 2018
	Islamic Finance for Board of Directors Programme	19 & 20 September 2018
	Cyber Threats Talk	3 October 2018

Corporate Governance Priorities (2019 and Beyond)

The Board has identified the following forward-looking action plan that will help it to further improve its corporate governance practices.

Short and medium term plan (one to two years)

Board Independence

As at 2 January 2019, HSP's market capitalisation was below RM2 billion. This being the case, the current Board composition of HSP is in compliance with Practice 4.1 of MCCG which requires 50% of its board members to be independent.

Sourcing of Directors

In exercising objectivity in the selection process of directors, the NC plans to have access to a wide selection of candidates. Above and beyond referrals from directors, business associates and management, this may include utilising sources such as directors' registry as well as industry and professional associations. The NC would clearly articulate the screening criteria to the relevant parties in order to maximise the effectiveness of the search conducted.

Long term plan (three to four years)

Board Diversity

The Board will heighten its efforts to constitute a diverse Board which bears a variety in the dimensions of skills, experience, age, cultural background and gender. Moving forward, the Board will undertake to formalise policies on gender diversity, along with specific targets and measures to meet those targets. The targets would incorporate specific quantitative benchmarks (e.g. percentage of women at the Board and Senior Management level) that can be monitored for effectiveness.

In line with the national target of having 30% women on the boards of listed issuers, the Board will seek to ensure that its repository of potential directors include a strong representation of female candidates. The Board and NC will also focus its efforts on developing a pipeline of high-calibre potential candidates by grooming a broad range of senior female individuals within the Company.

Corporate Reporting

The Board intends to adopt a more mature form of sustainability reporting and gradually, undertake Integrated Reporting. This would allow stakeholders' to have better understanding on the Company's value creation process.

The Board will set the direction for Management to establish necessary systems and controls with the presence of quality non-financial data that will support the development of such forms of reporting. The Company will also actively engage stakeholders to formalise a better understanding of what is expected and desired from its business and reporting.

Technology to Facilitate Remote Shareholders Participation

The Board is of the view that shareholders' meeting is a key platform for shareholders to exercise their voting rights and to have an active engagement with the Board. However, the Board is of the view that the Company is not ready at this stage to adopt the various technologies to facilitate voting in absentia and/or remote participation by shareholders in general meeting. Shareholders are encouraged to attend the general meetings in person or by proxy.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The board is committed to maintaining a sound system of risk management and internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control which outlines the nature of internal control of the Group during the financial year ended 31 December 2018 pursuant to paragraph 15.26(b) of the Listing Requirements. In making this statement, the board is guided by the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" ("SRMICG") which is issued by the Taskforce on Internal Control with the support and endorsement of the Exchange.

Board's Responsibility

The board recognises that a sound framework of risk management and internal control is fundamental to good corporate governance and an effective risk management process helps the Group to achieve its performance and profitability targets by providing risk information to enable better formulation of Group's strategies and decision making.

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

The risk management process and system of internal control are designed to meet the Group's needs and to manage the risks to which it is exposed.

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

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

The audit committee assists the board in the reviewing process, however, the board as a whole remains responsible for all the actions of the audit committee with regards to the execution of the delegated role.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

The group risk management committee takes responsibility for risk management, building upon already established structures and mechanism.

Members of the group risk management committee comprise the following:

- two executive directors, one being the group managing director;
- group chief operating officer;
- chief financial officer;
- chief executive of the plantation division;
- head of group internal audit; and
- senior manager overseeing the risk management function.

The group managing director assumes the role of chairman of the committee while the chief executive leads the risk management function of the business unit.

Responsibilities of the group risk management committee include inter-alia the following:

- To develop risk management policies, which includes risk management strategies and risk tolerance level for the Group;
- To develop methodologies to identify, evaluate, prioritise, address and report the various risks within the Group;
- To periodically review the effectiveness of the existing risk management policies and methodologies and recommend changes thereto;
- To monitor and ensure the implementation and compliance of the risk management policies and methodologies across the Group;
- To review the key risk profile of the Group and ensure that all significant risks are managed effectively, including the evaluation and treatment of newly identified risk, review and monitor the implementation of action plans to mitigate the significant risks identified;
- To report risk exposures or risk management activities to the audit committee on a timely basis; and
- To promote risk awareness and/or facilitate training on risk management.

Risk Management (Continued)

The group risk management committee together with the Group's management are responsible for implementing the processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking appropriate and timely corrective actions as required. This is designed to be responsive to changes in the business environment and is communicated to the appropriate levels through existing reporting structures and processes of the Group.

Key risks which are aligned with the Group's strategic objectives are identified and scored for likelihood of the risks occurring and the magnitude of the impact.

A database of strategic risks identified with appropriate controls has been created and the information filtered to produce a detailed risk register/scorecard. The risk profiles are updated every six months to reflect the prevailing operating conditions.

Risk assessment interviews have been conducted by the senior manager overseeing the risk management function with the chief executive and managers in charge as part of its assessment of strategic risks affecting the Group.

The risks profile has been tabled to the group risk management committee highlighting on the key risks, their causes and management action plans thereon.

The group risk management committee reports its activities and makes recommendations to the board via the audit committee. An annual comprehensive risk management report and a half yearly update on salient changes to the key risk profile are tabled to the audit committee to facilitate timely assessment.

Any major changes to risks or emerging significant risk in the Group together with the appropriate actions and/or strategies to be taken, will be brought to the attention of the board by the chairman of the audit committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Control

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

Nevertheless, the board also recognises that the system of internal control can only reduce, but cannot eliminate, the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances. As such, the board reiterates that the system of internal control, by its nature, can only provide reasonable but not absolute assurance against material loss or against the Group failing to achieve its objectives.

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

- Clearly defined delegation of responsibilities to committees of the full board and to operating units, including authorisation levels for all aspects of the business.
- Documented internal procedures and/or processes set out in Operating Manuals of individual operating units, whenever applicable, which include processes to generate timely, relevant and reliable information and proper record keeping as well as compliances with applicable laws and regulations and internal policies for the conduct of business.
- Regular internal audit visits in accordance with the approved internal audit plan by audit committee which monitors compliance with procedures and assess the integrity of financial information.
- Regular and comprehensive information provided to management, covering financial performance and key business indicators.
- A detailed budgeting process where operating units prepare budgets for the coming year which are approved both at operating unit level and by the full board.
- A monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary.
- Regular visits to operating units by senior management whenever appropriate.
- Review of business processes to assess the effectiveness of internal controls by the internal audit department and the highlighting of significant risks impacting the Group by the head of internal audit to the audit committee. Annual internal audit plan is reviewed by the audit committee.
- In the presence of the group managing director, group finance director and chief financial officer for the purpose of ascertaining the state of internal control and to obtain assurance of the internal control system as to its effectiveness and adequacies in all material aspects, the audit committee reviews and holds discussion on significant internal control issues identified in reports prepared by the internal audit department.
- Code of Conduct as set out in the Board Charter and the Employees' Handbook.

Internal Audit Function

The Group has an internal audit function which is outsourced to Hap Seng Management Services Sdn. Bhd., a wholly owned subsidiary of Hap Seng Consolidated Berhad, at a cost of approximately RM0.9 million per annum. The internal audit function is independent of the activities or operations of other operating units in the Group, which provides the audit committee and the board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control.

The head of internal audit department is a member of Malaysian Institute of Accountants and The Institute of Internal Auditors of Malaysia and he is assisted by a team of qualified personnel.

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

The head of internal audit has direct access to the chairman of the audit committee and whenever deemed necessary, meets with the audit committee without the management being present.

The principal responsibility of the internal audit department is to undertake regular and systematic reviews of the system of internal controls, risk management and governance processes so as to provide reasonable assurance that such system operates satisfactorily and effectively within the Company and the Group and reports to the audit committee on a quarterly basis.

Internal audit strategy and a detailed annual internal audit plan are presented to the audit committee for approval. The internal audit function adopts a risk based approach and prepares its audit strategy and plan based on the risk profiles of the operating units of the Group.

Summary of the works of the internal audit function are as follows:

- Undertook internal audit based on the audit plan that had been reviewed and approved by the audit committee which includes the review of operational and environmental compliance with established internal control procedures, management efficiency, risk assessment and reliability of financial records as well as governance processes.
- Attended business review meetings held regularly by the Group's senior management to keep abreast with the strategic and operational planning and development issues.
- Conducted investigations with regard to various specific areas of concern as directed by the audit committee and the management.
- Attended meetings of the group risk management committee.
- Assessment of key business risks at each operating units which were identified by risk analysis and continuous monitoring of control compliance through data extraction and analysis techniques.
- Issued a total of 14 internal audit reports to the audit committee which encompassed identification and assessment of business risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Other Risks and Control Processes

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

The board is also supported by board committees with specific delegated responsibilities. These committees have the authority to examine all matters within their scope and responsibilities, as provided in the Board Charter, and report to the board with their recommendations. (For more details on the various committees, please refer to the pages 41 to 45 in this annual report)

The audit committee meets with the independent external auditors at least twice a year, without management being present, to discuss their remit and any issues or observations of the independent external auditors, recognising that such issues or observations will generally be limited to risks and controls related to the financial statements.

The board is provided with financial information on a quarterly basis which includes key performance and risk indicators and amongst others, the monitoring of results against budget.

Assurance to the board was given by the group managing director, group finance director and chief financial officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management model adopted by the Group.

CONCLUSION

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31 December 2018, and reported to the board that nothing has come to their attention that cause them to believe that the Statement intended to be included in the annual report of the Group, in all material respects has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the SRMICG or is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

BOARD COMMITTEES

AUDIT COMMITTEE

Members of the Audit Committee

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

Terms of Reference of Audit Committee

The duties and responsibilities of the Audit Committee are set out in its Terms of Reference and Board Charter which are published on the Company's website at www.hapsengplantations.com.my.

Meetings

During the financial year ended 31 December 2018, 5 meetings were held. Details of the attendance of each member of Audit Committee are set out in the Corporate Governance Overview Statement on page 27 of this annual report.

The executive directors and senior executives were invited to all Audit Committee meetings to facilitate direct communication and provide clarification on financial and audit issues as well as business or operations. The head of the internal audit attended all the Audit Committee meetings to table and brief the committee members on the internal audit reports.

Summary of Works of the Audit Committee during the financial year ended 31 December 2018

The works of the Audit Committee during the financial year ended 31 December 2018 are summarised below:

- Reviewed internal audit plan for the financial year to ensure adequate scope and comprehensive coverage which includes review of operational compliance with established control procedures, management efficiency, risk assessment and reliability of financial records.
- Received and reviewed a total of 14 internal audit reports presented by the internal auditors at the quarterly Audit Committee meetings covering the business processes of the Group and is satisfied with the recommendations and actions taken by the management in addressing the issues highlighted.
- Reviewed annual audit plans outlining audit materiality, audit scope, methodology and timing of audit, audit focus area and proposed fees for the statutory audit services rendered by the external auditors and recommendation of their audit fees to the Board for approval.
- Discussed the annual audited financial statements of the Group with the external auditors and noted the salient features and key findings from the external auditors as well as to ensure that the audited financial statement were drawn up in accordance with the provisions of the Companies Act 2016 and the applicable accounting standards approved by the Malaysian Accounting Standards Board.
- Reviewed the annual audited financial statements and recommended to the Board for approval.
- Noted the key audit matters that were highlighted by the external auditors as disclosed in the Independent Auditors' Report.

BOARD COMMITTEES

- The Audit Committee held 2 separate independent meetings with the external auditors in the absence of the executive board members and management representatives during which the external auditors informed that they had received full co-operation from the management as well as unrestricted access to all information required for purpose of their audit and there were no special audit concerns to be highlighted to the Audit Committee.
- The external auditors also confirmed that during the audit process, they were not aware of any relationships or matters that, in their professional judgment, would impact their independence in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA").
- Reviewed the independence of the external auditors and have received written assurance from external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements as well as the By-Laws (on Professional Ethics, Conduct and Practice) of the MIA.
- Reviewed the suitability of the external auditors and was satisfied with the suitability of the external auditors, Messrs KPMG PLT in terms of the quality of audit, performance, competency and sufficiency of resources and recommended to the Board for the reappointment of Messrs KPMG PLT as the external auditors of the Company for the next financial year.
- Reviewed the Group's quarterly unaudited financial results prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 134 "Interim Financial Reporting" and chapter 9 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements prior to submission to the Board for consideration and approval where the chairman of the Audit Committee will brief the Board on the pertinent points and the recommendations of the Audit Committee.
- Reviewed and considered the disclosure of related party transactions in the financial statements and the recurrent related party transactions in circular to shareholders.
- Received and reviewed the comprehensive risk management report from the group risk management committee and is satisfied with the assessment therein.
- Reviewed and recommended to the Board the statement on risk management and internal control for approval and inclusion in the annual report.
- Reviewed the whistleblowing procedures.

Summary of Works of the Internal Audit Function during the financial year ended 31 December 2018

Summary of works of the internal audit function for the financial year ended 31 December 2018 are set out in the Statement on Risk Management and Internal Control on pages 35 to 40 of this annual report.

REMUNERATION COMMITTEE

Members of the Remuneration Committee

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

Tan Sri Ahmad Bin Mohd Don	(Independent Non-Executive Director) – Chairman
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	(Independent Non-Executive Director)
Datuk Simon Shim Kong Yip, JP	(Non-Independent Non-Executive Director)

Terms of Reference of Remuneration Committee

The duties and responsibilities of the Remuneration Committee are set out in its Terms of Reference and Board Charter which are published on the Company's website at www.hapsengplantations.com.my.

Meeting

During the financial year ended 31 December 2018, 1 meeting was held and all the Remuneration Committee members were present.

Summary of Activities of the Remuneration Committee during the financial year ended 31 December 2018

The activities of the Remuneration Committee during the financial year ended 31 December 2018 are summarised below:

- Reviewed the remuneration policy of the executive directors as well as the industry forecast for 2018/2019 for the average salary increment after taking into account the Company's operating results, individual performance and comparable market statistic to ensure that the executive directors are adequately incentivised and remunerated to encourage enhanced performance.
- Reviewed and recommended to the Board, the proposed bonus of the executive directors for the financial year ended 31 December 2018 and their respective proposed increments for the financial year commencing from 1 January 2019 based on the remuneration policy of the Company and industry forecast for 2018/2019.

BOARD COMMITTEES

NOMINATING COMMITTEE

Members of the Nominating Committee

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

Dato' Jorgen Bornhoft	(Independent Non-Executive Director) - Chairman
Tan Sri Ahmad Bin Mohd Don	(Independent Non-Executive Director)
Datuk Simon Shim Kong Yip, JP	(Non-Independent Non-Executive Director)

Terms of Reference of Nominating Committee

The duties and responsibilities of the Nominating Committee are set out in its Terms of Reference and Board Charter which are published on the Company's website at www.hapsengplantations.com.my.

Meetings

During the financial year ended 31 December 2018, 1 meeting was held and all the Nomination Committee members were present.

Summary of Activities of the Nominating Committee during the financial year ended 31 December 2018

The activities of the Nominating Committee during the financial year ended 31 December 2018 are summarised below:

- Evaluated the performance and effectiveness of Board and Board Committees collectively as well as the performance of each individual member on an annual basis through the self and peer-assessment and was satisfied that all members of the Board and Board Committees are suitably qualified to hold their positions in view of their respective academic and professional qualifications, skills, competencies, experiences, commitment and contribution to the Board and Board Committees.
- Evaluated the independence of each independent director taking into account both the quantitative and qualitative criterion.
- Tan Sri Ahmad Bin Mohd Don, having served as an independent non-executive chairman of the Company for almost 12 years, has expressed his intention to resign from the Board upon the conclusion of the forthcoming annual general meeting ("AGM").
- Dato' Jorgen Bornhoft, having served as an independent non-executive director of the Company for almost 12 years, will not be seeking re-election when he retires as a director in accordance with clause 116 of the Company's constitution during the forthcoming AGM.

- Assessed the independence of Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan, having served as an independent non-executive director of the Company for almost 9 years. Notwithstanding so, he has continued to advocate professional views without fear or favour and was capable of acting objectively in the best interest of the Company, as well as demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements. Accordingly, the Nominating Committee had recommended to the Board that Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan to continue in office as independent non-executive director of the Company, subject to shareholders' approval.
- Reviewed the term of office and performance of the Audit Committee and each of its members. The Nominating Committee was satisfied that the Audit Committee and its members had carried out their duties in accordance with their terms of reference.
- Reviewed the current size and composition of the Remuneration Committee and was satisfied that the Remuneration Committee was effective in the discharge of its function.
- Evaluated the performance of the following executive and non-executive directors standing for re-election pursuant to clause 116 of the Company's constitution at the forthcoming AGM:-
 - (i) Datuk Simon Shim Kong Yip, JP;
 - (ii) Datuk Edward Lee Ming Foo, JP; and
 - (iii) Mr. Lee Wee Yong.
- Reviewed that all directors of the Company had received appropriate continuous training programmes in order to keep abreast with developments in the relevant industry to enhance their skills in a dynamic and complex business environment and with changes in the relevant statutory and regulatory requirements.
- Reviewed and assessed the adequacy of the Board Charter and Terms of Reference of the Board Committees adopted by the Board.

RAISING OUR LEVEL OF SUSTAINABILITY



2018 was an extremely challenging year. Most plantations turned in reduced profits, and even losses, as a result of the prolonged depression in CPO prices through the second half of the year. Market demand for CPO was also lower compared to previous years.

Market conditions may fluctuate, but our commitment to pursue the highest standards of excellence in sustainability remains steadfast.

Our sustainability focus in 2018 was two pronged. The first was to monitor established policies to measure the effectiveness of the policies and at the same time, continue to improve on our sustainability performance. Second, we expanded our external outreach to the independent local outgrowers and smallholders who are within our supply chain. Our effort is to support and encourage them to seek RSPO and MSPO certifications.

Our hope is that these steps will support the wider adoption of sustainability certification in our industry and help to counter the negative perceptions held by some markets about the palm oil business. We believe that our own operations demonstrate that palm oil is a hugely valuable crop, and that its cultivation can drive community prosperity and environmental stewardship.

Sustainability Policies

In line with Hap Seng Plantations’ sustainability goals, we have actively sought to improve and raise the level of sustainability within our operations while addressing social, environmental and economic challenges.

Hap Seng Plantations has launched several sustainability policies aimed at delivering on our commitment without compromising on performance. These apply to Hap Seng Plantations and all its subsidiaries. We also encourage our contractors, suppliers and independent local outgrowers and smallholders to adopt our policies.

Policy	Introduced
• Occupational Safety and Health Policy	April 2015
• Land Dispute Management	March 2016
• Sustainable Agriculture Policy	February 2017
• MSPO Policy	March 2017
• Rare, Threatened & Endangered Species Policy	November 2017
• Grievance Procedure	March 2018 (updated)
• Code of Conduct & Business Ethics	March 2018 (updated)
• Environmental Policy	November 2018 (updated)

Details about these policies are publicly available at hapsengplantations.com.my/corporate-citizen.html



SUSTAINABILITY HIGHLIGHTS 2018



Launched updated Environmental Policy and Code of Conduct & Business Ethics Policy



Reviewed Stakeholder Grievance Procedure



Recorded zero fatalities in 2018



Marked the achievement of a **46%** reduction in lost time accidents since 2014



Plantations Central Laboratory is **MS ISO/IEC 17025 certified**



Achieved an increase in Hap Seng Plantations' ranking in the ZSL Sustainable Palm Oil Transparency Toolkit



Among the earliest palm oil companies to be **100% MSPO** certified (all mills and estates) by 2018



Achieved GHG emissions intensity of between **1.0 to 1.5 tonnes** CO₂e /tonnes Crude Palm Oil by 2018 (ahead of targeted timeline of 2021)



SUSTAINABILITY HIGHLIGHTS 2017



100% of mills RSPO & MSPO certified



100% of mills ISCC EU- certified



91% of our planted area is certified according to RSPO Principles & Criteria (RSPO P & C)



Reductions in GHG value contributed by the commissioning of **two biogas facilities**



100% of mills HACCP certified

BENCHMARKING OUR PRACTICES

Hap Seng Plantations has taken the initiative to benchmark its best practices against global standards in key sustainable areas of its business. This has led to several successes in our quest for international certifications, including standards such as RSPO, MSPO, ISCC EU, HACCP and MS ISO/IEC.

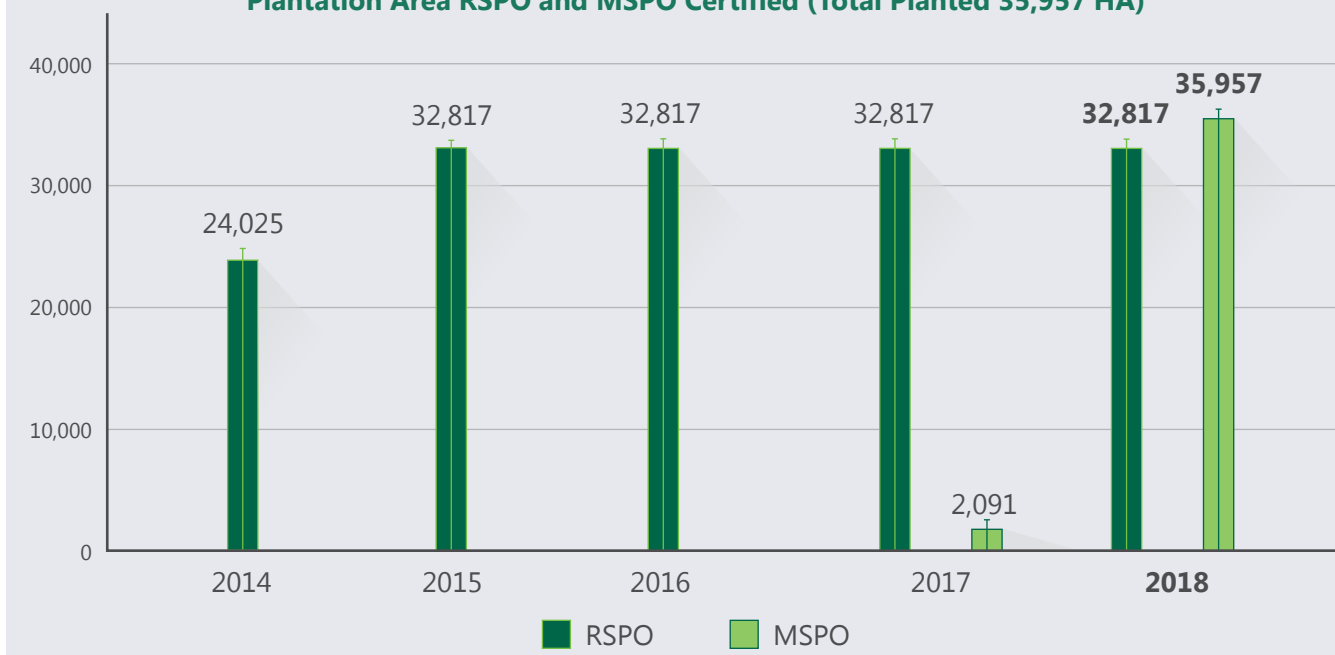
On Track for 100% RSPO Certification

Currently, 91% of our planted area and all four palm oil mills are certified according to RSPO P&C. For us to achieve 100% certification by end of 2019, we have revised the timebound plan in our Annual Communication on Progress (ACOP). This is due to the compensation case relating to our Northbank and Tabin estates. We have also established a CSR and Sustainability Committee (CSRS), which will work together with the RSPO Sub-Committee, to ensure that our estates and mills are fully compliant with RSPO requirements at all times.

As for MSPO certification, we have been recognised by the Ministry of Plantation Industries and Commodities and Malaysian Palm Oil Certification Council (MPOCC) as among the earliest to achieve 100% MSPO certification for both mills and plantations.



Plantation Area RSPO and MSPO Certified (Total Planted 35,957 HA)



Improved Ranking for ZSL SPOTT

Since 2017, Hap Seng Plantations has been ranked within the highest score range on the SPOTT scoreboard, indicating that our company is relatively transparent about its operations, policies and commitments to ESG best practices.

Following additional progress in meeting our targets and closing performance gaps, our SPOTT ranking has further improved in 2018, allowing us to move up three places. With a score of 74.4%, Hap Seng Plantations is now ranked fourteenth worldwide, fourth amongst Malaysian plantations, and fourteenth amongst RSPO member companies.

Year	Score (%)	Rank (for all 70 companies)	Rank (for Malaysian companies)	Rank (for RSPO member companies)
Nov 15	46.00	16	5	15
June 16	46.00	19	5	18
Nov 16	46.20	21	6	20
June 17	64.20	15	4	13
Nov 17	66.20	17	4	15
Nov 18	74.40	14	4	14

* Please refer to spott.org/palm-oil/ for the Hap Seng Plantations ZSL SPOTT ranking.

Our International & Local Certification

Type of Certification	Achievement	Date Achieved	Comments
MSPO	100% estates & mills	February 2018	<ul style="list-style-type: none"> Achieved ahead of mandatory deadline of 31 December 2018
RSPO	91% planted area	As at 2018	<ul style="list-style-type: none"> SSGOE – 2nd Cycle Recertification – 1st Annual Surveillance Audit included Kawa as supply base on March 2018 JGOE – Recertification Audit on July 2018 TMGOE – 4th Annual Surveillance Audit on October 2018 Compensation: The concept note and Land Use Change Analysis (LUCA) have been submitted to RSPO
	100% mills	2017	<ul style="list-style-type: none"> All mills are RSPO certified
ISCC EU	100% mills	2017	<ul style="list-style-type: none"> 2018 Recertification Audit was obtained on 30 November 2018
HACCP	100% mills	June 2017	<ul style="list-style-type: none"> Annual Surveillance Audits were passed on 25 June 2018 (JPOM1&2), 28 June 2018 (TPOM) and 31 July 2018 (BPOM)
MS ISO/IEC 17025	Certified	October 2018	<ul style="list-style-type: none"> Plantations Central Laboratory



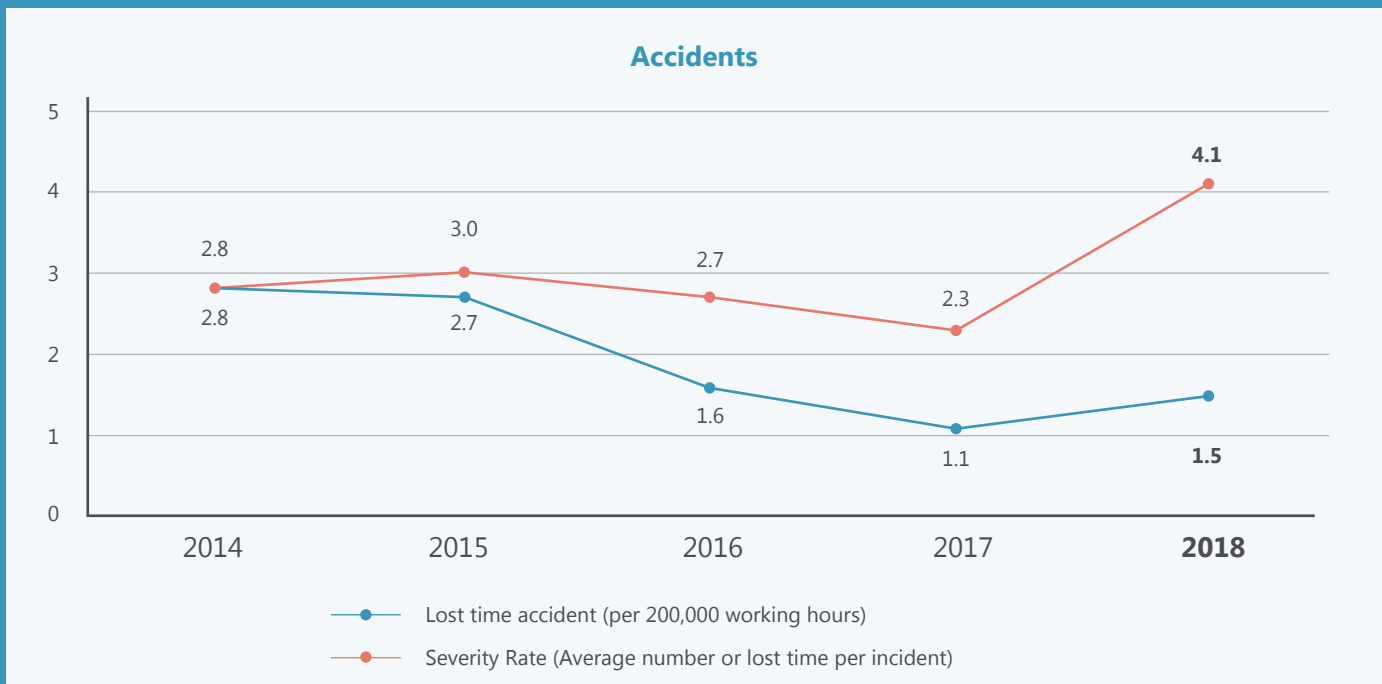
CARING FOR OUR PEOPLE

Hap Seng Plantations seeks to provide and maintain a safe and healthy working environment for all employees, contractors and visitors. In this respect, our commitment to safety is to ensure a continuous reduction in the number of accidents in our operations, while continuously instilling a safety-first mindset in our employees' daily work culture.

Towards a Zero Fatality Workplace

No fatalities were recorded in 2018. Lost time accidents (LTA) decreased by 46%, from 2.8 in 2014 to 1.5 in 2018. The severity rate (average amount of lost time per accident) unfortunately increased by 46% from 2014 to 2018. Accidents sustained while commuting to and from the workplace were the main contributor to this increase.

Some of our most critical accidents in 2018 were related to harvesting operations, accounting for just under a quarter of the nine serious accidents recorded for the year (out of a total of 58 lost time accidents). We have therefore focused on ensuring the competency of our harvesting workers by providing periodical intensive training, specifically focusing on safe FFB harvesting techniques. For instance, following a case involving a worker who severely injured his fingers while harvesting FFB, the safety committee is now reviewing the SOP for this process, and is considering new control measures to prevent such accidents in future.



Beside reactive programmes, preventative actions are also carried out to ensure a safer working environment. The OSH Committee conducts workplace inspections and regular in-house OSH training is provided. Safety and warning signs are clearly positioned in workspaces.

Challenges in Changing Work Habits

Our challenge is not only to reduce accident rates, but also to make OSH a culture and a way of life. The main obstacle we face is that workers do not always prioritise safety training if it means being away from the field. To overcome this reluctance, it is vital that we emphasise the personal benefits of what is essentially an investment: a reduced risk of accidents linked to more productivity and a higher income.

We have employed two strategies to achieve this objective. The first has been a major project to implement a standardised health and safety programme, according to job type, across all operations. This programme continuously reminds our employees to adopt a safe work culture on a daily basis and avoid at risk behaviours. The safety management plan includes:

- Annual training of Safety Operating Procedure (SOP) for each work unit.
- Daily monitoring of the work activity in each work unit by management representatives.
- Induction training on SOPs for every new employee.
- Safety committee meetings between management and worker representatives held on a quarterly basis to discuss actions required to improve the SOP of each work unit.
- Periodical reviews on Hazard Identification Risk Assessment and Risk Control (HIRARC) in order to improve control measures and reduce the risk of accidents.

Our second strategy involved the implementation of specific safety procedures, including:

- Implementation of a Log Out Tag Out system (LOTO) in mill machinery. LOTO increases machine handling safety, especially during maintenance, by locking the switchboard to prevent accidental activation.
- Implementation of Permit To Work (PTW) for high-risk and/or non-routine work – for example working at height, in extreme temperatures and in confined spaces. PTWs are only issued to individuals qualified to do the work, thereby ensuring compliance with SOPs.
- Quarterly workplace safety inspections/audits conducted by a safety committee member to review any set safety measures requiring improvement.
- Training workers on HIRARC for each work task to help them better understand task-specific hazards.
- Engaging external occupational safety and health trainers, such as the National Institute of Occupational Safety and Health (NIOSH) and BOMBA, to conduct Authorised Entrant and Standby Person (AESP) competency training and fire training.

Furthermore, all our estates and mills will need to routinely undergo chemical health risk assessments (CHRA). The CHRA is conducted once every five years to understand chemical hazards to health and ensure compliance with the Use and Standard of Exposure Chemical Hazardous to Health (USECHH) Regulation 2000. All Hap Seng Plantations workers are covered by the Foreign Workmen Compensation Scheme, a general insurance policy that covers both injuries and fatalities.





Safeguarding the Rights of Workers

Hap Seng Plantations is committed to ensuring that the rights of all employees, including contract, temporary and migrant workers – are respected according to local, national and ratified international laws. In situations where legal frameworks are not yet in place, international best practices are adopted.

As part of our RSPO commitments, our policies are aligned with the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights. While legal compliance and alignment to the RSPO P&C is our first priority, we also see it as our moral obligations to create, strengthen and promote a harmonious, safe and healthy work environment and culture. We do not differentiate between nationalities and benefits including housing, wages and medical provision are provided equally to all workers.

Training the Next Generation of Planters

The biggest human resources challenge for our industry is the recruitment of experienced planters and the training of the next generation. It can take a decade for a planter to become trained and matured in all aspects of the business. We have an active programme to train planters by promoting talented supervisory field staff as trainee field assistants.

All staff and executives must undergo a 15-module Oil Palm Agriculture Policy (OPAP) programme that contains best practices in estate management. Staff members and executives must achieve a pass to progress in this work. From 2016 to 2018, we added an additional syllabus on RSPO, MSPO, ISCC EU and Health and Safety to the programme, ensuring that staff and executives are well equipped to maintain and support our certification programme and safety efforts.

No	Training	Target employees	Objective of Training	Schedule
1	Oil Palm Agriculture Policy	All executives and staff from estates	To educate staff and executives on good agricultural practices	6 months (Feb, Mar, Apr, May, June, July) every year with examination
2	First aid training	All executives, staff, mandors and workers from estates and mills	To train all individuals in charge of work units at estates and mills on first aid principles and kit	Annually
3	RSPO, MSPO & ISCC EU	All executives and staff from estates and mills	To provide training on RSPO/MSPO/ISCC EU principles and criteria for all estates and mill operating units	Annually
4	Safety and Health	All executives and staff from estates and mills	To regularly educate and promote awareness on safety measure at workplace	Annually
5	HACCP	All executives and staff from mills	To educate on food safety and HACCP requirements	Annually



CARING FOR OUR ENVIRONMENT

Our operations in Sabah are located close to some of Southeast Asia's richest biodiversity, including flagship species and flora endemic to the area. We have developed a structured and continuously evolving set of systems to ensure that our operations do not endanger wildlife habitats or ecosystems.

Hap Seng Plantations strictly adheres to all relevant laws, as well as to RSPO and ISCC EU certification principles and criteria. These commitments have been condensed into the Hap Seng Plantations Sustainable Agriculture Policy where our journey towards a sustainable palm oil estate is set out. The policy is publicly available from our company website at hapsengplantations.com.my.

For 2018, we have also established a mechanism to improve the environment within our operations. This includes conducting quarterly meetings to discuss the effectiveness of our pollution control system. The system is evaluated in each meeting and further improvements are proposed for adoption into our business practices.



Safeguarding Our Water Sources

We understand that water sources are critical to the environment, human health and local wildlife. This confers on us a special obligation, as our plantations are located in a remote part of Sabah where we do not have access to public utilities such as piped water. All our drinking water must be sourced from water catchment ponds. It is therefore our responsibility to ensure that the quality of our treated water is continuously monitored and analysed according to the National Water Quality Standards regulated by Malaysia's Ministry of Health.

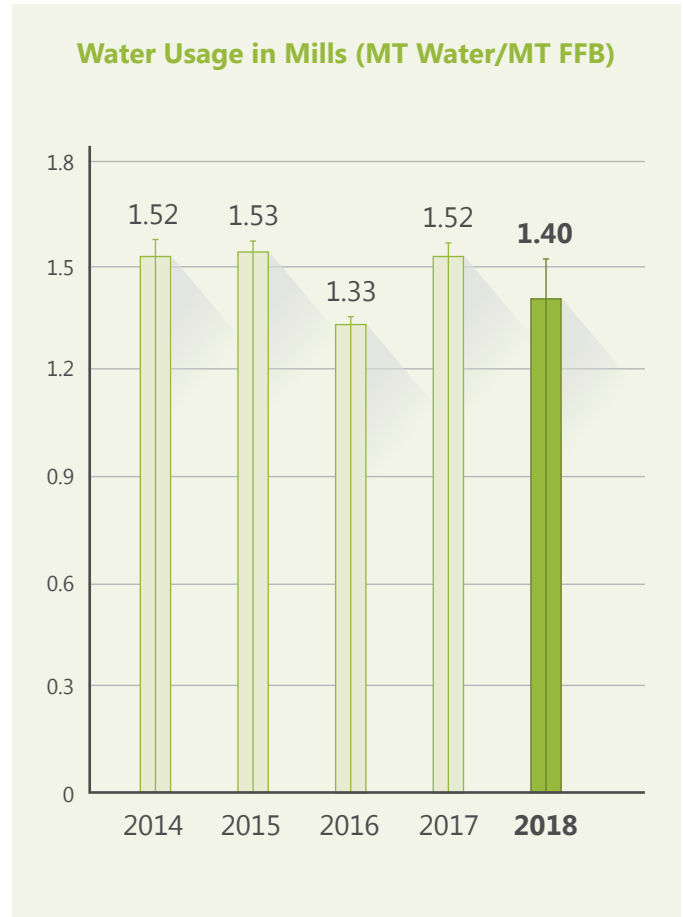
In order to protect our water resources, we routinely monitor our stream and water usage. By doing so, we have been able to safeguard our water quality and drive efforts to mitigate any potential negative impacts from our operations.

Hap Seng Plantations practices water resource management guided by a water management plan. This plan is revised annually in every plantation to ensure our water sources are well managed and conserved. The plan includes:

- Maintenance of riparian reserves to minimise soil run-off and act as a filter to preserve the quality of water entering waterways
- Growing legume cover crops to prevent run-off and conserve soils
- Avoiding oil palm planting on steep terrain
- Monitoring and treating Palm Oil Mill Effluent (POME) and wastewater before discharge
- Applying BioTUBE desludging technology to remove solids in POME, reducing BOD levels to within an acceptable limit as required by the Department of Environment

i. Water efficiency

Water usage at our mills has remained stable between 2014 and 2018, with a relatively low consumption compared to industry standards. In 2018, there was a slight drop in the total amount of water used for processing FFB in mills. This was due to the commissioning of a biogas plant, which generates electricity and reduces our dependence on boilers to kinetically convert steam to electricity.



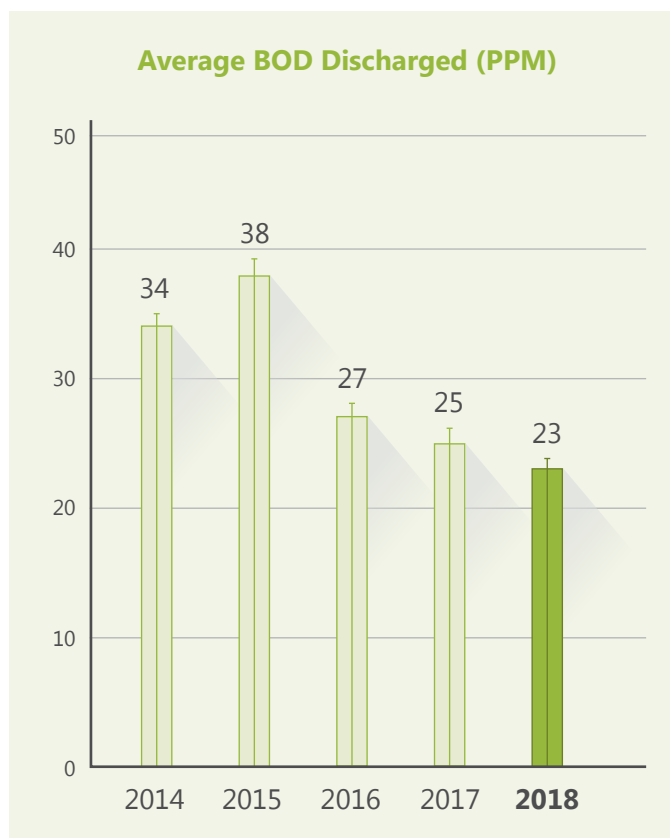
ii. Managing Palm Oil Mill Effluent (POME) discharge in water source

POME is water that has been used in the processing of FFB. Untreated POME is harmful for aquatic environments, as it contains high levels of organic matter that can cause excessive algae growth and reduce the amount of oxygen available for other marine life.

POME is disposed of in two ways: through land application and through treatment and discharge. Applied to farmland, POME provides moisture, nutrients and organic matters, and can help to reduce the need for commercial fertilisers. POME can also be treated in a special pond, from which it can safely be released into the estate drainage system.

Hap Seng Plantations has shown an evidential improvement in reducing Biological Oxygen Demand at all four mills by 8%, from an average of 25 ppm in 2017 to an average of 23 ppm in 2018. This positive change is due to the commissioning of a new biogas plant, which captures methane in effluent ponds and converts it into electricity.

The energy generated by the plant is used to kickstart the mill’s engine and provide power for workers’ houses. We are making good progress towards our 20 ppm target for all mills by 2020. To support our work in line with this goal, we have established a dedicated committee (the 20 ppm and Biogas Project Committee) to monitor BOD levels on a daily basis.



Local environmental regulations require us to minimise the risk of disturbances to the aquatic environment, as well as the pollution of ground water. All Hap Seng Plantations operations were in compliant with all relevant local thresholds throughout 2018.

Carbon Management - Action on GHG Emissions

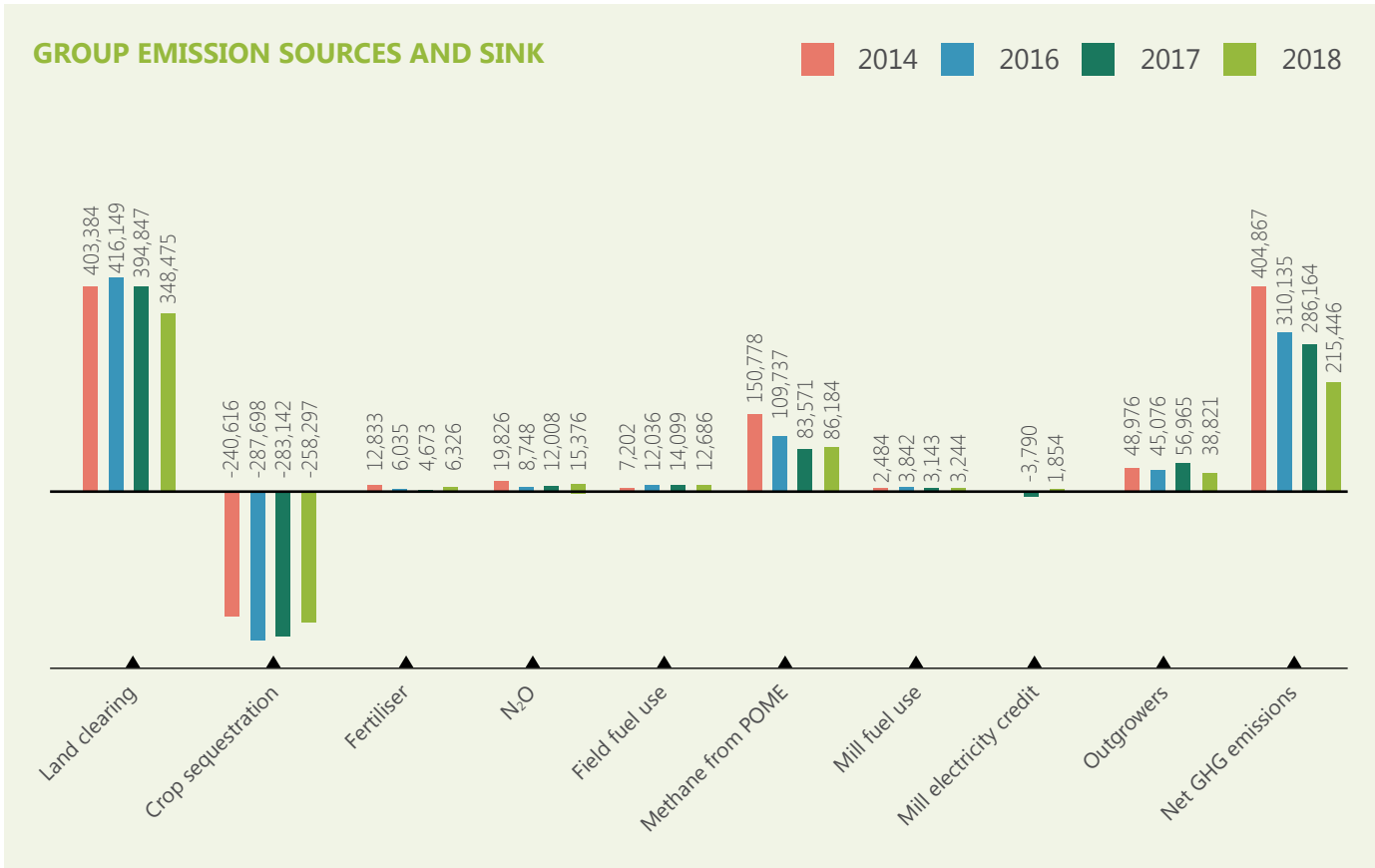
Hap Seng Plantations recognises that climate change is a major threat to our planet, and we are committed to monitoring and reducing our global carbon emissions. We established our GHG emissions baseline in 2014 by using the RSPO PalmGHG Calculator v2.1.1. RSPO introduced the new PalmGHG Calculator v3.0.1 in 2018, and data for 2018 has been calculated using this version.

We are pleased to report that Hap Seng Plantations has achieved reductions of around 23% in our net carbon emissions and our footprint per tonne of CPO compared to 2014. The commissioning of our biogas facilities contributed significantly to this reduction.

MT CO₂e/MT CPO

Mill	2014	2016	2017	2018
JPOM 1	1.61	0.99	0.50	0.40
JPOM 2	1.07	1.49	1.19	1.92
BPOM	3.18	1.45	2.09	2.06
TPOM	1.85	2.35	1.99	1.80
Group average	2.35	2.00	1.89	1.45

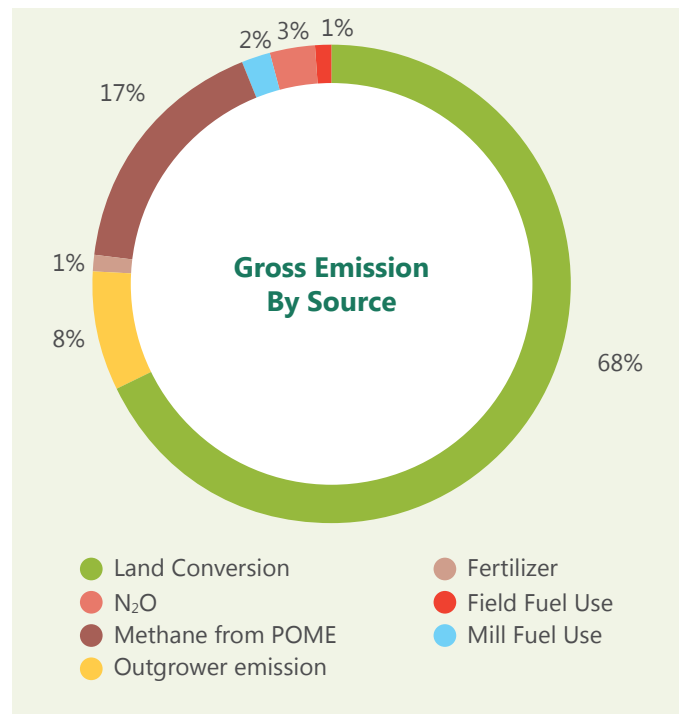
Note that the 2014 figures were calculated using RSPO PalmGHG v2.1.1. For 2016, 2017 and 2018 the figures used the PalmGHG v3.0.1. RSPO advises that these numbers may be compared without recalculation.



Note: Peat, conservation area offset, and POME electricity credits have been omitted, as there are no emissions or offsets in these categories.

Previous land use change accounts for 69% of our GHG emissions. The estates supplying fruit to Bukit Mas Palm Oil Mill (BPOM) were originally cleared decades ago, and were left to regenerate until the 1990s when they were finally planted. Consequently, this land is classified as disturbed forest under the PalmGHG definitions, and there are few remedies available to reduce the impact of historical conversions of this type.

We use direct energy from fossil fuels (diesel fuel) to operate mechanised equipment and for vehicles that transport FFB from our estates to the oil mills. We also use fossil fuels to start FFB processing in mills, as fuel for vehicles transporting CPO from the mills to ports or our customers, and to provide power to our employees' housing – except in our Batangan and Kapis estates, where electricity is supplied by the JPOM biogas plant.



Conserving Biodiversity

Most of our plantings have been developed on land that was previously used for other agricultural purposes. Furthermore, a large part of our land borders other plantations rather than forest. Nevertheless, we have designated approximately 1,400 hectares, some 3.5% of our total land bank, for conservation.

An assessment and a comprehensive management plan have been completed for our HCV area at Bukit Kibos Hill, a 75-hectare area located near our headquarters. The plan is monitored and reviewed annually by our internal assessment team.

In line with our Sustainable Agriculture Policy, we seek to protect the forest reserves that are adjacent to our concession areas. In 2018, we began a programme to monitor the buffer zone area. Our first step has been to make the zone’s boundaries highly visible to our workers by erecting signboards and painting red markings on trees.

Although a formal HCV assessment has never been required by the RSPO for this area, as there has been neither land use change nor conversion since November 2015, we appointed an RSPO-approved HCV assessor to conduct a supplementary assessment. This assessment found that the area is home to diverse species of fauna.

We have also continued working to conserve the Jelutong tree, a protected species in parts of Malaysia and Thailand. Latex tapped from Jelutong trees was a key ingredient in the production of chewing gum until the 1960s, when overharvesting led to the species becoming threatened in many areas. The trees on our estate were originally propagated in vacant and HCV areas from seedlings we collected. Supported by our comprehensive replanting efforts, the Jelutong’s quick growth and hardy nature mean that its extinction is now unlikely.

Today, Jelutong covers around 86 hectares on our estates. Another area comprising 60 hectares has also been set aside for the planting of Sepat, a wetland timber species. The area, which was previously planted with oil palm, proved unsuitable for palm cultivation due to repeated flooding.

Area	HA
Reserve – Plantable	36.80
Sepat	60.00
Bukit Kibos	75.50
Jelutong	86.00
Reserve – Unplantable	1,143.68
Total area	1,401.98





i. Tabin Wildlife Reserve

The Tabin Wildlife Reserve, which borders our estate, was designated as a protected area in 1984. Covering approximately 122,539 hectares, this lowland dipterocarp forest is home to three of the largest mammals in Sabah – the Borneo pygmy elephant, the Sumatran rhinoceros, and the Tembadau.

Eight primate species are also found at Tabin, including orangutans and proboscis monkey, as are three protected cat species, not least the Sunda clouded leopard. Over 42 families of birds representing some 220 species have also been recorded on the reserve. Many additional types of wildlife are attracted to the reserve by the presence of active and mineral rich mud volcanoes.

Our close proximity to such rich biodiversity gives us a responsibility to support its ongoing protection. Continuous monitoring of rare, threatened and endangered (RTE) species is carried out across our estates, as well as in bordering areas, to protect wildlife identified by the Sabah Wildlife Enactments and the International Union for Conservation of Nature (IUCN) Red List.

To support the implementation of our RTE Species Policy, our Sustainability Team has been attending biodiversity management training in accordance with specific regulations and best practices in bird and wildlife species conservation. Additionally in 2018,

representatives from the Police Department, the Sabah Wildlife Department and the Forestry Department of Sabah conducted a joint training session for our sustainability officers, estate staff and workers.

Hap Seng Plantations enforces a strict no hunting policy. All workers are made aware of RTE species that have been identified in the area, and reminders not to disturb, hunt or kill these animals are communicated at each morning muster. We take appropriate action against individuals that ignore these instructions. CCTV has been installed to identify illegal game if it is brought into our estates.

We also work to pre-empt and prevent human-animal conflict. While our operations are located away from the migratory paths of elephants, and while incidents involving elephant encroachment are rare, we have nevertheless set up electric fences in our estates as prevention.

ii. Compensation Case Update

We continue to seek resolution to a compensation case first raised from a RSPO certification audit at TPOM in 2013. The case was raised by auditors who assessed that an area totalling 1,406 hectares on our Northbank and Tabin estates had been cleared without undergoing the required HCV assessment.

As custodians of the land, we have records showing that the area in question was degraded prior to planting, and therefore did not require a HCV assessment.

Nevertheless, we voluntarily notified and submitted our case to the RSPO Compensation Task Force (CTF) in 2014. A panel of RSPO members comprising industry peers and environmental experts was convened. Through land use change analysis, historical pictures, and an on-the-ground survey of the site, we were able to demonstrate to the panel that the area had been planted with oil palm in the 1960s and 1980s, but that these plantings had failed. We submitted our final land use change analysis to the RSPO in December 2016, which showed a significant reduction in potential compensation area.



INTEGRATED PEST MANAGEMENT (IPM)

Hap Seng Plantations deploys an IPM system to control pests, pathogens and weeds so as to minimise the use of chemical pesticides in its plantations. Controlling nettle caterpillars has been one of our biggest pest control challenges, and a previous infestation in the Sungai Segama Group caused extensive defoliation and a substantial loss of yield over a significant period.

To control the nettle caterpillar population, we now plant more than the recommended 10 metres of beneficial plants per hectare of oil palm. These plants, which include *Tunera subulata*, *Antigonon leptopus* and *Cassia cobanensis*, provide a natural habitat for insect predators of nettle caterpillars and bagworms.

Other preventative measures include the establishment of fast-growing leguminous covers to accelerate the decomposition of palm biomass. This stops biomass becoming a breeding ground for *Oryctes rhinoceros* beetles, one of the major pests afflicting the oil palm industry.

Our concept proposal to compensate the total liability of 579.48 hectares with hectare-for-hectare reparations combined with monetary compensation was rejected by the RSPO Biodiversity and HCV Compensation Panel (BHCV-CP) in 2018. We have re-submitted a revised concept note to the BHCV-CP in October 2018 proposing an increase in the riparian reserve by six metres, or an additional allocation of 334.48 hectares (instead of the 167.24 hectares originally proposed), with the remaining 245 hectares compensated through plantings within the set aside area.

Our purpose in extending the riparian hectareage was to promote the river ecosystem and enhance the biodiversity of endemic species.



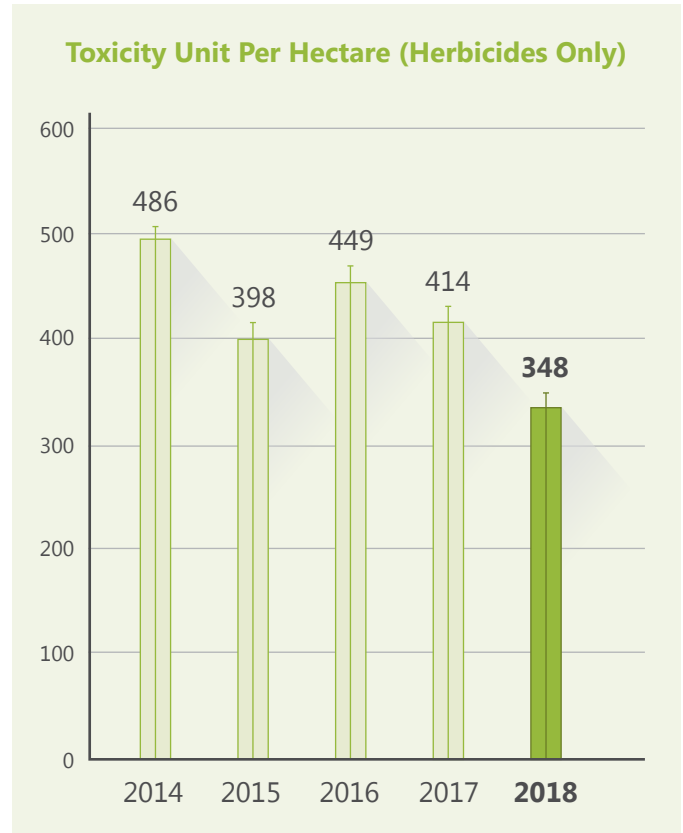


Selective Chemical Application

We do not undertake blanket spraying of herbicides at Hap Seng Plantations. Weeds are treated on a block basis following an analysis of the problem in the area. Herbicide usage is cyclical and will increase in years with more new or immature plantings.

In 2018, our approach to herbicide usage contributed to a reduction in toxicity units per planted hectare compared to 2017. The main contributing factor has been our use of a pre-emergence herbicide, which enables us to reduce the number of spraying rounds required per year (by up to two rounds) as compared to conventional herbicides.

We currently use a total of 31 agricultural chemicals in our plantations for weed and pest control purposes. Of these, only four are listed as banned chemicals by the UN Rotterdam and Stockholm conventions. Two of these chemicals are only used in the nursery, while the other two are used to target specific pests. We continue to search for ways to replace these chemicals, but have yet to find suitable alternatives.



* Toxicity units are calculated from the volume, concentration and level of toxicity as declared by the manufacturer and determined by means of the LD50 toxicity test. The data above are based on budgeted consumption. Note that the figures are restated from our 2014 Sustainability Report.

INVESTING IN EDUCATION FOR OUR COMMUNITY

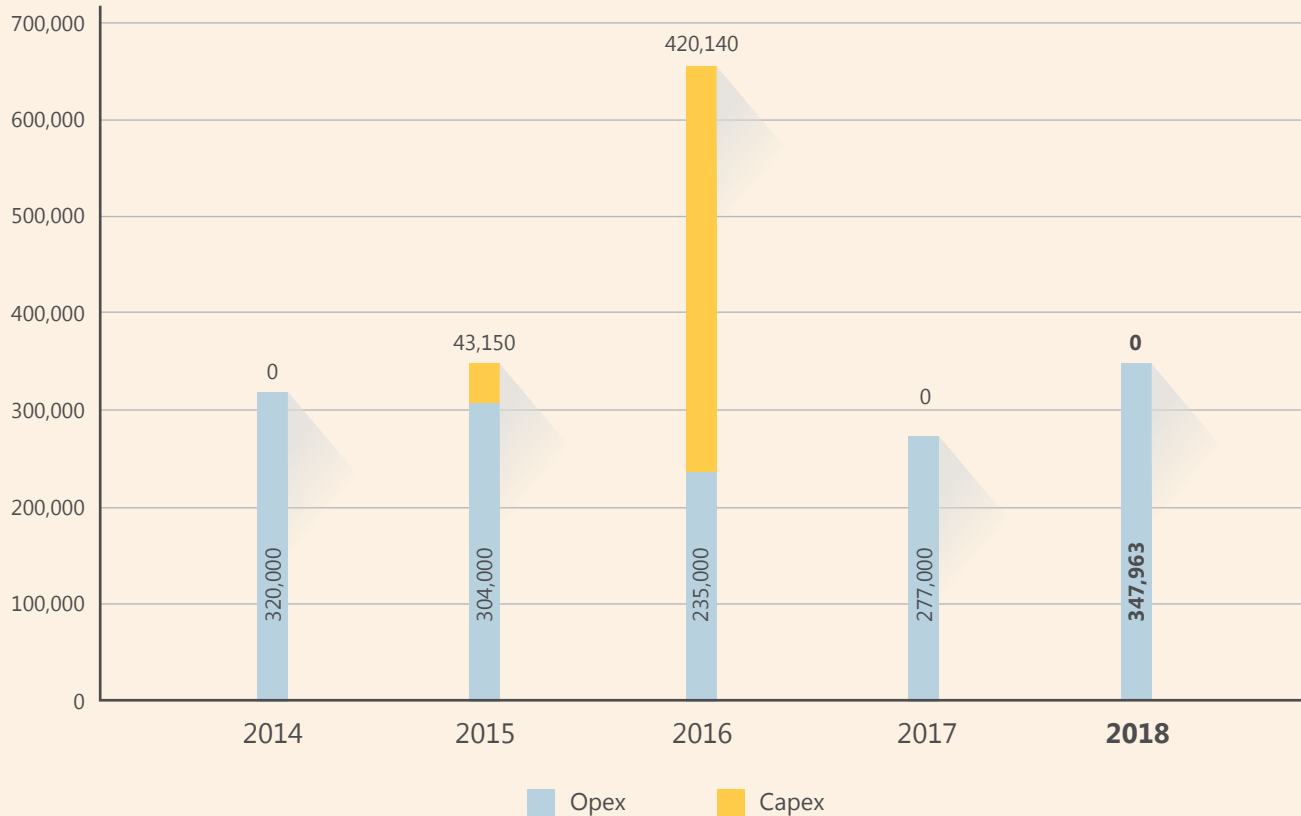
Building Educational Capacities for Humana

Challenged by our remote location, and the fact that many children of foreign workers are undocumented, improving access to schools has been a key initiative for our company. Since 2009, the Hap Seng Group has funded the Humana Child Aid Society to support its mission to provide education for children in plantations and other remote areas of Borneo.

In 2018, we invested close to RM1 million in various CSR initiatives, including capacity building programmes and building funds for schools. We have also conducted outreach to other plantation companies in the area to raise awareness about the right to basic education and to encourage them to adopt similar initiatives.



Humana Capital and Operating Expenditure (RM)





Investing in Education for Rural Schools

Our CSR mandate is to be a catalyst in improving education in rural areas through capacity building in Higher Order Thinking Skills (HOTS) and English.



Four Main Capacity Building Programmes In 2018 **RM612,046.00**

 PROGRAMMES FOR TEACHERS	 PROGRAMMES FOR COMMUNITIES
<p><u>HSG IoT</u></p> <ul style="list-style-type: none"> • Internet of Things (IoT), HOTS • Interior districts of Sabah – Keningau, Tenom, Nabawan and Tambunan • 24 secondary schools, 48 teachers, approximately 300 students <p><u>HSG IoT Semporna</u></p> <ul style="list-style-type: none"> • Internet of Things (IoT), HOTS • Semporna • 5 secondary schools, 10 teachers, approximately 15 students <p><u>Junior Innovate</u></p> <ul style="list-style-type: none"> • Internet of Things (IoT), HOTS • Interior districts of Sabah – Keningau, Tenom, Nabawan and Tambunan • 20 primary schools, 40 teachers, approximately 210 students 	<p><u>HSG Tawau Leadership</u></p> <ul style="list-style-type: none"> • Leadership development and character building • Tawau • 15 parents and community volunteers, more than 160 youth from 7-14 years

HSG IoT

Hap Seng Group’s Internet of Things (IoT) Programme aims to develop teachers’ ability to deliver 21st century learning in their classroom through the development of both technical and soft skills, with particular focus on mentoring and project-based learning.

The programme, which is delivered in partnership with Chumbaka, began in 2017 and reached 24 secondary schools in the interior of Sabah during its first year. Teachers participate in workshops to learn about embedded systems, electronics and coding. Soft skills such as mentoring, pitching, design thinking and advanced learning methods are also covered. At the end of the programme, teachers run a bootcamp to introduce students to what they have learned and guide students to join the state level Young Innovate Challenge (YIC).

In 2018, this programme was expanded to include Semporna and a programme for primary students, Junior Innovate, was introduced. By implementing IoT programmes at the junior level, the Junior Innovate programme seeks to instil the digital understanding in rural schools’ students from interior Sabah at the early stages of their education to better prepare them for Industry 4.0. In the second year of the IoT programme, benefits began to show in both teachers and students in terms of building confidence, improving communication and English language skills, increasing teamwork and collaboration, building resilience and extensive usage of high-order thinking skills. The programme has encouraged collaboration between schools to share ideas and resulted in greater interest by teachers and school leaders in growing IoT awareness among students. The success of the programme in 2017 also prompted the adoption of the programme by another funder for its delivery in schools in Perlis.





HSG Tawau Leadership

We consider it an educational priority to instil leadership values among young people. Following the success of the 2017 leadership-based Hap Seng Tawau Summer Camp, Hap Seng Group, together with our implementation partner Leaderonomics, ran a leadership development programme throughout 2018 that included various monthly activities, including train the trainer sessions, community leadership club, parent engagement sessions and year-end camps.

The programme aimed to instil leadership, confidence and good interpersonal skills in the youth, especially among the 18 high potential youth who were selected from the 2017 camp. They were further groomed as leaders with the involvement of their parents and community volunteers, and at the end of the year, they were able to exercise their newly developed leadership skills as facilitators' assistants at the Hap Seng Super Micro Leader Camps.

The Hap Seng Super Micro Leader Camps helped to develop leadership character and skills among youth aged 7 to 14 with the goal of bringing about positive change in the Tawau community. The camps encourage personal growth through self-discovery and character development and exposed participants to four main values in 2018: Determination, Decisiveness, Forgiveness and Truthfulness. More than 160 young leaders participated in the year end camps.



For a complete report on our sustainability performance, please download our 2018 Hap Seng Plantations Sustainability Report, which is published alongside this annual report at: <https://www.hapsengplantations.com.my/sustainability-reports.html>



FINANCIAL STATEMENTS

- 66** Directors' Report
- 72** Statements of Financial Position
- 74** Statements of Profit or Loss and Other Comprehensive Income
- 75** Statements of Changes in Equity
- 77** Statements of Cash Flows
- 79** Notes to the Financial Statements
- 142** Statement by Directors
- 143** Statutory Declaration
- 144** Independent Auditors' Report

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

HOLDING COMPANIES

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

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 4 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	29,109	91,824

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

- (i) In respect of the financial year ended 31 December 2017 as reported in the Directors' report of that year:
 - a second interim dividend of 6 sen per ordinary share under the single-tier system totalling RM47,981,472 declared on 27 February 2018 and paid on 28 March 2018; and
- (ii) In respect of the financial year ended 31 December 2018:
 - a first interim dividend of 1.5 sen per ordinary share under the single-tier system totalling RM11,995,337 declared on 28 August 2018 and paid on 28 September 2018.

On 26 February 2019, the Board of Directors approved a second interim dividend of 1 sen per ordinary share under the single-tier system in respect of the financial year ended 31 December 2018, amounting to a total of RM7,996,872 and was paid on 27 March 2019. The financial statements for the current financial year do not reflect this dividend and it will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2018.

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Tan Sri Ahmad Bin Mohd Don
 Datuk Simon Shim Kong Yip, JP
 Datuk Edward Lee Ming Foo, JP**
 Lee Wee Yong**
 Cheah Yee Leng**
 Au Yong Siew Fah**
 Tan Sri Abdul Hamid Egoh
 Dato' Jorgen Bornhoft
 Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan
 Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP**
 Chong Kwea Seng
 Choy Khai Choon

** *These Directors are also directors of the Company's subsidiaries.*

The names of the Directors of the Company's subsidiaries who served during the financial year until the date of this report (not including those directors listed above) are:

Tan Sri Datuk Seri Panglima Richard Allan Lind
 Tuan Haji Pondren Bin Nawa

DIRECTORS' INTERESTS

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

	Number of ordinary shares			At 31.12.2018
	At 1.1.2018	Bought	Sold	
Interest in the immediate holding company:				
Hap Seng Consolidated Berhad				
Dato' Jorgen Bornhoft	5,000	-	-	5,000
Au Yong Siew Fah	291,600	-	-	291,600
Interest in the Company:				
Hap Seng Plantations Holdings Berhad				
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000
Cheah Yee Leng	31,200	-	-	31,200
Au Yong Siew Fah	168,000	12,000	-	180,000
Tan Sri Abdul Hamid Egoh	110,000	-	-	110,000
Dato' Jorgen Bornhoft	10,000	-	-	10,000
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	590,000	-	-	590,000
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	1,000	-	-	1,000

None of the other Directors of the Company holding office at 31 December 2018 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

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

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

ISSUE OF SHARES

There were no changes in the issued share capital of the Company during the financial year.

TREASURY SHARES

During the annual general meeting of the Company held on 28 May 2018, shareholders of the Company renewed the existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 4,000 shares at the total cost of RM8,467 which were held as treasury shares. All the repurchases of shares were financed by the Company's internal funds.

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

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
At 1 January 2018	308,800	829,356	2.69
Repurchased during the year	4,000	8,467	2.12
At 31 December 2018	312,800	837,823	2.68

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

The Directors and Officers of the Company are covered by Directors and Officers Liability Insurance which is maintained on a group basis by the Company in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors and Officers Liability Insurance effected for the Directors and Officers of the Group during the year was RM10 million whilst the total amount of premium paid was RM25,000.

MATERIAL LITIGATIONS

Details of material litigations are disclosed in Note 23 to the financial statements.

SIGNIFICANT EVENT

Significant event is disclosed in Note 25 to the financial statements.

OTHER STATUTORY INFORMATION

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

- (i) there are no bad debts to be written off and no provision need to be made for doubtful debts, and
- (ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

The auditors' remuneration is disclosed in Note 13 to the financial statements.

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

Datuk Edward Lee Ming Foo, JP
Director

Au Yong Siew Fah
Director

Kuala Lumpur

17 April 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

			Group	
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Assets				
Property, plant and equipment	3	1,837,769	1,842,489	1,842,695
Total non-current assets		1,837,769	1,842,489	1,842,695
Inventories	5	82,878	67,483	72,087
Biological assets	6	15,772	18,885	37,002
Receivables	7	15,304	50,841	6,339
Current tax assets		11,503	446	626
Money market deposits		66,518	90,990	122,136
Cash and cash equivalents	8	40,311	44,774	39,459
Total current assets		232,286	273,419	277,649
Total assets		2,070,055	2,115,908	2,120,344
Equity				
Share capital	9	1,475,578	1,475,578	800,000
Share premium	9	-	-	675,578
Merger reserves	9	(1,347,761)	(1,347,761)	(1,347,761)
Retained earnings		1,511,455	1,542,323	1,537,065
		1,639,272	1,670,140	1,664,882
Less: Treasury shares	9	(838)	(829)	(819)
Total equity		1,638,434	1,669,311	1,664,063
Liabilities				
Deferred tax liabilities	10	389,251	392,811	396,336
Total non-current liabilities		389,251	392,811	396,336
Payables	11	42,025	48,781	49,821
Current tax liabilities		345	5,005	10,124
Total current liabilities		42,370	53,786	59,945
Total liabilities		431,621	446,597	456,281
Total equity and liabilities		2,070,055	2,115,908	2,120,344

The notes on pages 79 to 141 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Company		
	Note	31.12.2018	31.12.2017	1.1.2017
		RM'000	RM'000	RM'000
Assets				
Property, plant and equipment	3	863	846	701
Investment in subsidiaries	4	1,603,586	1,610,639	1,598,517
Total non-current assets		1,604,449	1,611,485	1,599,218
Receivables	7	41,316	35,066	27,170
Current tax assets		424	361	626
Money market deposits		45,802	16,285	15,822
Cash and cash equivalents	8	4,824	597	972
Total current assets		92,366	52,309	44,590
Total assets		1,696,815	1,663,794	1,643,808
Equity				
Share capital	9	1,475,578	1,475,578	800,000
Share premium	9	-	-	675,578
Retained earnings		218,891	187,044	167,323
		1,694,469	1,662,622	1,642,901
Less: Treasury shares	9	(838)	(829)	(819)
Total equity		1,693,631	1,661,793	1,642,082
Liabilities				
Deferred tax liabilities	10	14	12	2
Total non-current liabilities		14	12	2
Payables	11	3,170	1,989	1,724
Total current liabilities		3,170	1,989	1,724
Total liabilities		3,184	2,001	1,726
Total equity and liabilities		1,696,815	1,663,794	1,643,808

The notes on pages 79 to 141 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	12	390,756	555,072	106,917	116,541
Cost of sales		(281,634)	(313,955)	-	-
Gross profit		109,122	241,117	106,917	116,541
Other operating income		11,700	12,132	1,007	12,774
Distribution expenses		(23,207)	(32,938)	-	-
Administrative expenses		(37,117)	(35,396)	(8,666)	(5,234)
Other operating expenses		(23,347)	(37,984)	(7,412)	(374)
Profit before tax	13	37,151	146,931	91,846	123,707
Tax expense	15	(8,042)	(37,713)	(22)	(26)
Profit for the year representing total comprehensive income for the year		29,109	109,218	91,824	123,681
Basic earnings per ordinary share (sen)	16	3.64	13.66		

The notes on pages 79 to 141 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

← Attributable to owners of the Company →						
		Non-Distributable		Distributable		
	Share capital	Share premium	Merger reserves	Retained earnings	Treasury shares	Total equity
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
At 1 January 2017	800,000	675,578	(1,347,761)	1,537,065	(819)	1,664,063
Transition to no-par value regime under the Companies Act 2016	675,578	(675,578)	-	-	-	-
Total comprehensive income for the year	-	-	-	109,218	-	109,218
Purchase of treasury shares	9	-	-	-	(10)	(10)
Dividends	17	-	-	(103,960)	-	(103,960)
At 31 December 2017/ 1 January 2018	1,475,578	-	(1,347,761)	1,542,323	(829)	1,669,311
Total comprehensive income for the year	-	-	-	29,109	-	29,109
Purchase of treasury shares	9	-	-	-	(9)	(9)
Dividends	17	-	-	(59,977)	-	(59,977)
At 31 December 2018	1,475,578	-	(1,347,761)	1,511,455	(838)	1,638,434
	Note 9		Note 9		Note 9	

The notes on pages 79 to 141 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

← Attributable to owners of the Company →						
		Non- Distributable	Distributable			
	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Treasury shares RM'000	Total equity RM'000
Company						
At 1 January 2017		800,000	675,578	167,323	(819)	1,642,082
Transition to no-par value regime under the Companies Act 2016		675,578	(675,578)	-	-	-
Total comprehensive income for the year		-	-	123,681	-	123,681
Purchase of treasury shares	9	-	-	-	(10)	(10)
Dividends	17	-	-	(103,960)	-	(103,960)
At 31 December 2017/ 1 January 2018		1,475,578	-	187,044	(829)	1,661,793
Total comprehensive income for the year		-	-	91,824	-	91,824
Purchase of treasury shares	9	-	-	-	(9)	(9)
Dividends	17	-	-	(59,977)	-	(59,977)
At 31 December 2018		1,475,578	-	218,891	(838)	1,693,631
		Note 9	Note 9		Note 9	

The notes on pages 79 to 141 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities					
Profit before tax		37,151	146,931	91,846	123,707
Adjustments for:					
Depreciation of property, plant and equipment	3	77,638	76,445	189	228
Dividend income		(2,368)	(3,794)	(107,813)	(117,090)
Interest income		(965)	(1,027)	(111)	(103)
Impairment loss/(Reversal of impairment loss) on investment in subsidiaries		-	-	7,053	(12,122)
(Gain)/Loss on disposal of property, plant and equipment		(423)	(1,639)	170	146
Loss on fair value of biological assets		3,113	18,117	-	-
Property, plant and equipment written off		384	301	-	-
Operating profit/(loss) before changes in working capital		114,530	235,334	(8,666)	(5,234)
Change in inventories		(15,395)	4,604	-	-
Change in receivables		35,475	(44,416)	(1)	(3)
Change in payables		(6,756)	(1,040)	1,181	265
Cash generated from/(used in) operations		127,854	194,482	(7,486)	(4,972)
Interest received		965	1,027	111	103
Tax paid		(27,319)	(46,573)	(83)	(147)
Tax refunded		-	396	-	396
Net cash from/(used in) operating activities		101,500	149,332	(7,458)	(4,620)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from investing activities					
Balances with subsidiaries		-	-	(6,311)	(7,807)
Dividends received from money market deposits		2,430	3,708	958	463
Dividends received from subsidiaries		-	-	106,917	116,541
Decrease/(Increase) in money market deposits		24,472	31,146	(29,517)	(463)
Proceeds from disposal of property, plant and equipment		4,003	12,682	1,190	935
Acquisition of property, plant and equipment		(76,882)	(87,583)	(1,566)	(1,454)
Net cash (used in)/from investing activities		(45,977)	(40,047)	71,671	108,215
Cash flows from financing activities					
Dividends paid	17	(59,977)	(103,960)	(59,977)	(103,960)
Shares repurchased at cost		(9)	(10)	(9)	(10)
Net cash used in financing activities		(59,986)	(103,970)	(59,986)	(103,970)
Net change in cash and cash equivalents		(4,463)	5,315	4,227	(375)
Cash and cash equivalents at 1 January		44,774	39,459	597	972
Cash and cash equivalents at 31 December	8	40,311	44,774	4,824	597

The notes on pages 79 to 141 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

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

The consolidated financial statements of the Group as at the end of the financial year ended 31 December 2018 comprise the Company and its subsidiaries.

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 4.

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

These financial statements were authorised for issue by the Board of Directors on 17 April 2019.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ["MFRSs"], International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements for the year ended 31 December 2018 are the Group's and the Company's first financial statements in accordance with MFRS, and MFRS 1, *First-time adoption of Malaysian Financial Reporting Standards* has been applied in the preparation of the financial statements.

In the previous financial years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ["FRSs"] in Malaysia. The financial impacts on transition to MFRSs are disclosed in Note 26.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ["MASB"] but have not been adopted by the Group and the Company:

Standards/Amendments/Interpretations	Effective date
MFRS 16, <i>Leases</i>	1 January 2019
IC Interpretation 23, <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)</i>	1 January 2019
Amendments to MFRS 9, <i>Financial Instruments – Prepayment Features with Negative Compensation</i>	1 January 2019

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

Standards/Amendments/Interpretations	Effective date
Amendments to MFRS 11, <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)</i>	1 January 2019
Amendments to MFRS 112, <i>Income Taxes (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)</i>	1 January 2019
Amendments to MFRS 119, <i>Employee Benefits – Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 123, <i>Borrowing Costs (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)</i>	1 January 2019
Amendments to MFRS 128, <i>Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 3, <i>Business Combinations – Definition of a Business</i>	1 January 2020
Amendments to MFRS 101, <i>Presentation of Financial Statements</i> and MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material</i>	1 January 2020
MFRS 17, <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>Investments in Associates and Joint Ventures – Sale or Contribution of Asset between an Investor and its Associates or Joint Venture</i>	Yet to be confirmed

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2019.
- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

Material impacts of the initial application of the abovementioned accounting standards, amendments or interpretations, which are or are likely to be applicable to the Group and the Company and which are to be applied retrospectively, are discussed below:

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The impact to the financial statements of the Group on initial application of MFRS 16 on 1 January 2019 would be the recognition of lease liabilities and right-of-use assets, with the difference recognised in retained earnings.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

Note 4 - Impairment on investment in subsidiaries

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS-compliant statements of financial position of the Group and the Company as at 1 January 2017 (being the Group's and Company's transition date to MFRS framework), unless otherwise stated.

The impacts arising from transition to MFRS and the changes to accounting policies are disclosed in Note 26.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

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

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

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisition from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

(iv) Loss of control

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

(v) Transactions eliminated on consolidation

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

(c) Financial instruments

(i) Recognition and initial measurement

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

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) *Amortised cost*

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

(b) *Fair value through other comprehensive income*

(i) *Debt investments*

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial assets (continued)

(b) *Fair value through other comprehensive income (continued)*

(ii) *Equity investments*

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) *Fair value through profit or loss*

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(k)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) *Fair value through profit or loss*

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

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel; or
- if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial liabilities (continued)

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

- (a) the recognition of an asset on the day it is received by the Group or the Company, and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iv) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses. Bearer plants are living plants used in the production or supply of agricultural produce; are expected to bear produce for more than one period; and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

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

Oil palms are classified as bearer plants. Expenditure that are directly related to the planting and upkeep of oil palms are capitalised until the palms reach maturity. Upon maturity, maintenance and upkeep cost of oil palms are expensed off to profit or loss.

The carrying values of bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The useful life and amortisation method are reviewed at each financial year end to ensure that the amount, method and period of amortisation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits.

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

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

A bearer plant is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the bearer plant is included in the profit or loss in the year the bearer plant is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

Bearer plants include mature and immature oil palm plantations. Immature plantations are stated at cost which includes costs incurred for field preparation, planting, fertilising and maintenance, capitalisation of borrowing costs incurred on loans used to finance the developments of immature plantations and an allocation of other indirect costs based on planted areas. Mature plantations are stated at cost less accumulated amortisation and impairment, if any. Mature plantations are amortised on a straight-line basis over 22 years, the expected useful life of the oil palms, calculated from the time when the palms are declared mature, normally 36 months after initial planting. Upon maturity, all subsequent maintenance expenditure is charged to profit or loss.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Depreciation commences when the bearer plants mature or when the assets under construction are ready for their intended use.

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

Road and infrastructure	10 - 100 years
Buildings	10 - 33 years
Plant, machinery and motor vehicles	3 - 20 years
Furniture, fittings and equipment	3 - 10 years
Bearer plants	22 years

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Biological assets

Biological assets comprised produce growing on bearer plants. Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised net in profit or loss. Fair value is determined based on the present value of expected net cash flows from the biological assets. The expected net cash flows are estimated using the expected output method and the estimated market price of the biological assets.

Biological assets are classified as current assets for bearer plants that are expected to be harvested on a date not more than 12 months after the reporting.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

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

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

Cost of crude palm oil and palm kernel includes direct labour, an appropriate share of production overheads and the fair value attributed to agriculture produce at year end in accordance to MFRS 141.

Cost of fresh fruit bunches acquired from third parties includes the cost of purchase of the inventory.

Oil palm nursery inventories consist of seedlings remaining in the nursery for eventual field planting. Cost of palm oil seeds and seedlings includes the cost of treatment and cultivation.

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

(h) Receivables

Trade and other receivables are categorised and measured as financial assets at amortised cost in accordance with Note 2(c).

(i) Money market deposits

Money market deposits are categorised and measured as financial assets at fair value through profit or loss in accordance with Note 2(c).

(j) Cash and cash equivalents

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

Cash and cash equivalents are categorised and measured as financial assets at amortised cost in accordance with Note 2(c).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment

(i) Financial assets

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(ii) Other assets (continued)

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

(l) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

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

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

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits

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

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

(n) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Dividend income

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

(iii) Interest income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax

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

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

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

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

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

(p) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ["EPS"].

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

(q) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Operating segments

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

(s) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RM'000	Road and infrastructure RM'000	Buildings RM'000	Plant, machinery and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work in progress RM'000	Bearer plants RM'000	Total RM'000
Group								
Cost								
At 1 January 2017	1,219,775	192,797	274,934	257,714	17,234	27,772	655,150	2,645,376
Additions	600	74	501	16,830	1,000	42,498	26,080	87,583
Disposals	-	-	-	(25,710)	-	-	-	(25,710)
Written off	-	-	(533)	(3,398)	(249)	-	-	(4,180)
Reclassifications	-	9,275	(2,262)	47,694	677	(55,384)	-	-
At 31 December 2017/ 1 January 2018	1,220,375	202,146	272,640	293,130	18,662	14,886	681,230	2,703,069
Additions	-	4,609	330	15,796	1,066	31,565	23,516	76,882
Disposals	-	-	-	(12,887)	-	-	-	(12,887)
Written off	-	-	(457)	(10,447)	(641)	-	-	(11,545)
Reclassifications	-	14,121	5,781	8,736	14	(28,652)	-	-
At 31 December 2018	1,220,375	220,876	278,294	294,328	19,101	17,799	704,746	2,755,519
Accumulated depreciation								
At 1 January 2017	26,074	39,947	111,204	186,971	12,866	-	425,619	802,681
Charge for the year	17,515	7,235	12,505	17,747	1,120	-	20,323	76,445
Disposals	-	-	-	(14,667)	-	-	-	(14,667)
Written off	-	-	(403)	(3,228)	(248)	-	-	(3,879)
Reclassification	-	-	(9,940)	9,940	-	-	-	-
At 31 December 2017/ 1 January 2018	43,589	47,182	113,366	196,763	13,738	-	445,942	860,580
Charge for the year	17,525	7,622	12,997	17,391	1,294	-	20,809	77,638
Disposals	-	-	-	(9,307)	-	-	-	(9,307)
Written off	-	-	(328)	(10,200)	(633)	-	-	(11,161)
At 31 December 2018	61,114	54,804	126,035	194,647	14,399	-	466,751	917,750
Carrying amounts								
At 1 January 2017	1,193,701	152,850	163,730	70,743	4,368	27,772	229,531	1,842,695
At 31 December 2017	1,176,786	154,964	159,274	96,367	4,924	14,886	235,288	1,842,489
At 31 December 2018	1,159,261	166,072	152,259	99,681	4,702	17,799	237,995	1,837,769

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leasehold land represented by:

	31.12.2018	Group 31.12.2017	1.1.2017
	RM'000	RM'000	RM'000
Unexpired period more than 50 years	1,139,684	1,156,822	1,173,351
Unexpired period less than 50 years	19,577	19,964	20,350
	1,159,261	1,176,786	1,193,701

- (a) The title of the Group's leasehold land with carrying amount of RM37,931,000 (2017: RM38,505,000) stipulated that not less than 30% of the undivided share of the said land or not less than 30% of the equity of the subsidiary being the registered owner of the said land, shall be transferred to/held by/registered in the name of native(s) on or before July 2012 ["Native Condition"]. In year 2017, the Land and Survey Department in Kota Kinabalu had granted further extension up to July 2022 to comply with the Native Condition.
- (b) Private caveat was entered by third parties on the Group's leasehold land with carrying amount of RM68,327,000 (2017: RM69,183,000) as disclosed in Note 23(a) to the financial statements.
- (c) The Group has evaluated whether the underlying property, plant and equipment of certain subsidiaries are stated in excess of their recoverable amounts. The recoverable amounts of the assets are based on their estimated fair values, which are determined by a professional valuation firm by reference to the sales transactions values for similar assets as comparison and after taking into account the age and physical condition of the assets. The carrying amounts of these assets are not impaired as at year end as their recoverable amount is higher than their carrying amounts.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
Cost			
At 1 January 2017	181	751	932
Additions	16	1,438	1,454
Disposals	-	(1,293)	(1,293)
At 31 December 2017/1 January 2018	197	896	1,093
Additions	-	1,566	1,566
Disposals	-	(1,554)	(1,554)
At 31 December 2018	197	908	1,105
Accumulated depreciation			
At 1 January 2017	168	63	231
Charge for the year	11	217	228
Disposals	-	(212)	(212)
At 31 December 2017/1 January 2018	179	68	247
Charge for the year	8	181	189
Disposals	-	(194)	(194)
At 31 December 2018	187	55	242
Carrying amounts			
At 1 January 2017	13	688	701
At 31 December 2017	18	828	846
At 31 December 2018	10	853	863

4. INVESTMENT IN SUBSIDIARIES

	Company		
	31.12.2018	31.12.2017	1.1.2017
	RM'000	RM'000	RM'000
Unquoted shares, at cost	1,622,051	1,622,051	1,622,051
Less: Impairment loss	(18,465)	(11,412)	(23,534)
	1,603,586	1,610,639	1,598,517

Details of the subsidiaries as at 31 December 2018 which are all incorporated and have their principal place of business in Malaysia are as follows:

Name of subsidiaries	Principal activities	Effective ownership interest and voting interest (%)		
		31.12.2018	31.12.2017	1.1.2017
Jeroco Plantations Sdn. Bhd.	Cultivation of oil palm and processing of fresh fruit bunches	100	100	100
Hap Seng Plantations (River Estates) Sdn. Bhd. and its subsidiaries	Cultivation of oil palm, processing of fresh fruit bunches and investment holding	100	100	100
Hap Seng Plantations (Ladang Kawa) Sdn. Bhd.	Cultivation of oil palm	100	100	100
Hap Seng Plantations (Wecan) Sdn. Bhd.	Cultivation of oil palm	100	100	100
Hap Seng Plantations (Tampilit) Sdn. Bhd.	Cultivation of oil palm	100	100	100
Hap Seng Plantations (Kota Marudu) Sdn. Bhd.#	Cultivation of oil palm	100	100	100
Pelipikan Plantation Sdn. Bhd.#	Cultivation of oil palm	100	100	100
Hap Seng Edible Oils Sdn. Bhd.	Dormant	100	100	100

The auditors' report of these subsidiaries contains material uncertainty related to going concern. The ability of these subsidiaries to continue as going concern is dependent on the continuing financial support from the Company.

5. INVENTORIES

	31.12.2018 RM'000	Group 31.12.2017 RM'000	1.1.2017 RM'000
At cost:			
Consumables stores	36,888	35,165	29,413
Planting materials	5,235	3,401	3,677
Produce stocks	94	28,917	38,997
	42,217	67,483	72,087
At net realisable value:			
Produce stocks	40,661	-	-
	82,878	67,483	72,087
Recognised in profit or loss:			
Inventories recognised as cost of sales	254,831	272,704	

6. BIOLOGICAL ASSETS

Fair value

	Group RM'000
At 1 January 2017	37,002
Net loss from fair value adjustments recognised in profit or loss	(18,117)
At 31 December 2017/1 January 2018	18,885
Net loss from fair value adjustments recognised in profit or loss	(3,113)
At 31 December 2018	15,772

The biological assets of the Group comprise fresh fruit bunches ["FFB"] prior to harvest. The valuation model adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB. The net present value of cash flows is then determined with reference to the market value of FFB based on Malaysian Palm Oil Board reference price as at reporting date, adjusted for production costs and other costs to sell.

The Group's biological assets were fair valued within Level 3 of the fair value hierarchy. There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the financial year.

6. BIOLOGICAL ASSETS (CONTINUED)

Sensitivity analysis for FFB

The sensitivity analysis below indicates the approximate change in the Group's fair value of FFB and profit for the year that would arise if the following key estimates and assumptions adopted in the valuation model had changed at the reporting date, assuming all other estimates, assumptions and other variables remained constant.

	← 2018 →		← 2017 →	
	Increase/ (Decrease) in price and volume	Increase/ (Decrease) in fair value of biological assets and profit before tax for the year RM'000	Increase/ (Decrease) in price and volume	Increase/ (Decrease) in fair value of biological assets and profit before tax for the year RM'000
Selling price	10%	4,494	10%	4,840
	(10%)	(4,494)	(10%)	(4,840)
Production volume	10%	1,519	10%	1,871
	(10%)	(1,519)	(10%)	(1,871)

7. RECEIVABLES

	Note	Group			Company		
		31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Trade							
Trade receivables from contracts with customer	a	10,162	47,461	4,754	-	-	-
Non-trade							
Other receivables	b	1,925	1,940	769	44	106	19
Prepayment		724	372	430	15	14	12
Goods and Services Tax ("GST") recoverable		2,276	964	303	-	-	-
Amount due from subsidiaries	b	-	-	-	41,257	34,946	27,139
Amount due from related companies	b	217	104	83	-	-	-
		5,142	3,380	1,585	41,316	35,066	27,170
		15,304	50,841	6,339	41,316	35,066	27,170

Note a

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

Note b

The amount due from subsidiaries and related companies are unsecured, interest free and repayable on demand.

Included in other receivables of the Group at 31 December 2018 are balances of RM466,000 (31.12.2017: RM113,000; 1.1.2017: Nil) relating to a company connected to a major shareholder of the immediate holding company.

NOTES TO THE
FINANCIAL STATEMENTS

8. CASH AND CASH EQUIVALENTS

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Deposits with licensed banks with maturities less than 3 months	30,187	29,318	35,541	4,300	-	600
Cash and bank balances	10,124	15,456	3,918	524	597	372
	40,311	44,774	39,459	4,824	597	972

9. CAPITAL AND RESERVES

	Group			Company		
	Number of shares '000	2018 Amount RM'000	2017 Amount RM'000	Number of shares '000	2018 Amount RM'000	2017 Amount RM'000
Issued and fully paid:						
Ordinary shares						
At 1 January	800,000	1,475,578	800,000	800,000	1,475,578	800,000
Transition to no-par value regime under the Companies Act 2016	-	-	675,578	-	-	675,578
At 31 December	800,000	1,475,578	1,475,578	800,000	1,475,578	1,475,578

The new Companies Act 2016 ("Act"), which was effective from 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, amount standing to the credit of the share premium account of RM675,578,000 became part of the share capital pursuant to the transitional provisions as set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amounts standing to the credit of its share premium account for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The Company did not utilise the amount standing to the credit of its share premium account within 24 months from the commencement of the Act.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

9. CAPITAL AND RESERVES (CONTINUED)

Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares issued before the commencement of the Act. The amount standing to the credit of the share premium account of RM675,578,000 became part of the share capital pursuant to the transitional provisions as set out in Section 618(2) of the Act.

Merger reserves

Merger reserves represent the difference between cost of merger and share capital of subsidiaries acquired pursuant to an internal group reorganisation that is under common controlling shareholders.

Treasury shares

During the annual general meeting of the Company held on 28 May 2018, shareholders of the Company renewed the existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 4,000 (2017: 4,000) shares at the total cost of RM8,467 (2017: RM10,460) which were held as treasury shares. All the repurchases of shares were financed by the Company's internal funds.

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

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
At 1 January 2017	304,800	818,896	2.69
Repurchased during the year	4,000	10,460	2.62
At 31 December 2017/1 January 2018	308,800	829,356	2.69
Repurchased during the year	4,000	8,467	2.12
At 31 December 2018	312,800	837,823	2.68

10. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	At 1.1.2017 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31.12.2017/ 1.1.2018 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31.12.2018 RM'000
Group					
Property, plant and equipment	(396,336)	3,525	(392,811)	3,560	(389,251)
Company					
Property, plant and equipment	(2)	(10)	(12)	(2)	(14)

Unrecognised deferred tax assets

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

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Other temporary differences	(20,123)	(18,617)
Unabsorbed capital and agriculture allowances	33,228	30,014
Unutilised tax losses	48,151	42,831
	61,256	54,228

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

Pursuant to the Finance Act 2018, unutilised tax losses from a year of assessment can only be carried forward up to 7 consecutive year of assessment. Unabsorbed capital allowances and agriculture allowances attributable to group entities incorporated in Malaysia do not expire under the current tax legislation. In the case of a dormant company, such allowances and losses will not be available to the affected group entities if there has been a change of 50% or more in the shareholdings thereof.

11. PAYABLES

	Note	Group			Company		
		31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Trade							
Trade payables		3,703	5,844	8,413	-	-	-
Amount due to related companies		15,594	15,505	16,971	923	811	626
	a	19,297	21,349	25,384	923	811	626
Non-trade							
Other payables	b	22,728	25,435	23,846	2,247	1,178	1,098
GST payable		-	1,965	591	-	-	-
Amount due to related companies		-	32	-	-	-	-
		22,728	27,432	24,437	2,247	1,178	1,098
		42,025	48,781	49,821	3,170	1,989	1,724

Note a

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

Note b

Included in other payables of the Group at 31 December 2018 are balances of RM5,000 (31.12.2017: RM537,000; 1.1.2017: Nil) relating to a company connected to a major shareholder of the immediate holding company.

NOTES TO THE
FINANCIAL STATEMENTS

12. REVENUE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue from contracts with customer				
Sales of plantation produce	390,756	555,072	-	-
Other revenue				
Gross dividend income	-	-	106,917	116,541
	390,756	555,072	106,917	116,541

Revenue from sales of plantation produce is recognised at a point in time when goods are delivered and there are no performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. There is no variable element in consideration, no obligation for returns or refunds and no warranty.

13. PROFIT BEFORE TAX

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration:				
- Statutory audit				
- KPMG PLT	265	265	55	55
- Other services				
- KPMG PLT	45	33	45	15
- Affiliates of KPMG PLT	667	69	561	7

13. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Material expenses/(income)				
Depreciation of property, plant and equipment	77,638	76,445	189	228
Equipment hiring charges	4,415	5,009	-	-
Hire of motor vehicles	7,705	1,931	-	-
Impairment loss on investment in subsidiaries	-	-	7,053	-
Loss on disposal of property, plant and equipment	170	146	170	146
Loss on fair value of biological assets	3,113	18,117	-	-
Management fees	3,717	3,700	108	74
Personnel expenses (including key management personnel)				
- Contributions to Employees' Provident Fund	4,530	4,946	238	258
- Wages, salaries and others	128,263	127,657	2,055	2,249
Property, plant and equipment written off	384	301	-	-
Rental expenses	2,201	2,155	42	43
Dividend income from money market deposits	(2,368)	(3,794)	(896)	(549)
Dividend income from subsidiaries				
- unquoted shares	-	-	(106,917)	(116,541)
Gain on disposal of property, plant and equipment	(593)	(1,785)	-	-
Insurance claim received	(446)	(1,070)	-	-
Interest income	(965)	(1,027)	(111)	(103)
Plantation management fee income	(555)	(322)	-	-
Reversal of impairment loss on investment in subsidiaries	-	-	-	(12,122)
Rental income from properties	(323)	(330)	-	-

**NOTES TO THE
FINANCIAL STATEMENTS**

14. KEY MANAGEMENT PERSONNEL COMPENSATIONS

The key management personnel compensations are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Directors of the Company:				
- Fees	684	593	660	569
- Remuneration	2,626	2,989	1,121	1,311
- Other short term employee benefits*	57	56	-	-
	3,367	3,638	1,781	1,880
Directors of subsidiaries:				
- Fees	48	48	-	-
- Other emoluments	102	102	-	-
	150	150	-	-
	3,517	3,788	1,781	1,880
Other key management personnel:				
- Remuneration	10,598	11,082	630	674
- Other short term employee benefits*	502	501	25	25
	11,100	11,583	655	699

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

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

15. TAX EXPENSE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax expense				
- Current year provisions	18,416	41,524	21	23
- Over provision in prior years	(6,814)	(286)	(1)	(7)
Total current tax recognised in profit or loss	11,602	41,238	20	16
Deferred tax expense				
- Origination and reversal of temporary differences	(4,700)	(3,272)	2	1
- Under/(Over) provision in prior years	1,140	(253)	-	9
Total deferred tax recognised in profit or loss	(3,560)	(3,525)	2	10
Total income tax expense	8,042	37,713	22	26
Reconciliation of tax expense				
Profit before tax	37,151	146,931	91,846	123,707
Tax calculated using Malaysian tax rate of 24% (2017: 24%)	8,916	35,264	22,043	29,690
Non-deductible expenses	3,683	3,314	3,855	1,349
Non-taxable income	(570)	(1,440)	(25,875)	(31,015)
Deferred tax assets not recognised during the year	1,687	1,114	-	-
	13,716	38,252	23	24
Over provision of current tax expense in prior years	(6,814)	(286)	(1)	(7)
Under/(Over) provision of deferred tax expense in prior years	1,140	(253)	-	9
	8,042	37,713	22	26

16. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

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

	Group	
	2018	2017
Profit attributable to owners of the Company (RM'000)	29,109	109,218
Weighted average number of ordinary shares ('000)		
Issued ordinary shares net of treasury shares at 1 January	799,691	799,695
Effect of shares buyback during the year	(1)	(1)
Weighted average number of ordinary shares at 31 December	799,690	799,694
Basic earnings per ordinary share (sen)	3.64	13.66

17. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2018			
Second interim 2017 ordinary	6.0	47,981	28 March 2018
First interim 2018 ordinary	1.5	11,996	28 September 2018
Total amount	7.5	59,977	
2017			
Second interim 2016 ordinary	8.0	63,976	23 March 2017
First interim 2017 ordinary	5.0	39,984	26 September 2017
Total amount	13.0	103,960	

All the dividends are tax exempt in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967.

17. DIVIDENDS (CONTINUED)

On 26 February 2019, the Board of Directors approved a second interim dividend of 1 sen per ordinary share under the single-tier system in respect of the financial year ended 31 December 2018, amounting to a total of RM7,996,872 and was paid on 27 March 2019. The financial statements for the current financial year do not reflect this dividend and it will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2018.

18. CAPITAL COMMITMENTS

	Group	
	31.12.2018	31.12.2017
	RM'000	RM'000
Capital expenditure commitments		
Contracted but not provided for		
Property, plant and equipment	34,221	45,436

19. SEGMENTAL REPORTING

Segment assets, segment liabilities, segment operating results and revenues from external customers by product information

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

Geographical area information

The following information is based on geographical location of customer:

	Group	
	2018	2017
	RM'000	RM'000
Revenue		
Malaysia	254,836	432,111
Singapore	135,920	122,961
	390,756	555,072

The Group's non-current assets are located wholly in Malaysia.

Major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	Group	
	2018	2017
	RM'000	RM'000
All common control companies of		
Customer A	98,330	188,750
Customer B	77,302	40,188
Customer C	135,920	122,961
Customer D	31,699	136,866

20. FINANCIAL INSTRUMENTS

20.1 Categories of financial instruments

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

- (a) Amortised cost ["AC"]; and
- (b) Fair value through profit or loss ["FVTPL"]

	← Group →			← Company →		
	Carrying amount RM'000	FVTPL RM'000	AC RM'000	Carrying amount RM'000	FVTPL RM'000	AC RM'000
31.12.2018						
Financial assets						
Receivables	12,304	-	12,304	41,301	-	41,301
Money market deposits	66,518	66,518	-	45,802	45,802	-
Cash and cash equivalents	40,311	-	40,311	4,824	-	4,824
	119,133	66,518	52,615	91,927	45,802	46,125
Financial liabilities						
Payables	(42,025)	-	(42,025)	(3,170)	-	(3,170)
31.12.2017						
Financial assets						
Receivables	49,505	-	49,505	35,052	-	35,052
Money market deposits	90,990	90,990	-	16,285	16,285	-
Cash and cash equivalents	44,774	-	44,774	597	-	597
	185,269	90,990	94,279	51,934	16,285	35,649
Financial liabilities						
Payables	(46,816)	-	(46,816)	(1,989)	-	(1,989)

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.1 Categories of financial instruments (continued)

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

	← Group →			← Company →		
	Carrying amount RM'000	FVTPL RM'000	AC RM'000	Carrying amount RM'000	FVTPL RM'000	AC RM'000
1.1.2017						
Financial assets						
Receivables	5,606	-	5,606	27,158	-	27,158
Money market deposits	122,136	122,136	-	15,822	15,822	-
Cash and cash equivalents	39,459	-	39,459	972	-	972
	167,201	122,136	45,065	43,952	15,822	28,130
Financial liabilities						
Payables	(49,230)	-	(49,230)	(1,724)	-	(1,724)

20.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Gains on:				
Amortised cost	965	1,027	111	103
Fair value through profit or loss	2,368	3,794	896	549
	3,333	4,821	1,007	652

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

20.4 Credit risk

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

Trade receivables from contract with customers

Risk management objectives, policies and processes for managing the risk

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

At each reporting date, the Group or the Company assesses whether any of the receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, receivables that are written off could still be subject to enforcement activities.

Exposure to credit risk, credit quality and collateral

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

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.4 Credit risk (continued)

Trade receivables from contract with customers (continued)

Concentration of credit risk

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group		
	31.12.2018	31.12.2017	1.1.2017
	RM'000	RM'000	RM'000
Malaysia	10,162	23,468	4,754
Singapore	-	23,993	-
	10,162	47,461	4,754

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within credit period. The Group's debt recovery process is whereby above 30 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the sales management team.

As there are only a few customers, the Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these customers have low risk of default.

Inter-company advances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. Advances provided are not secured by any collateral or supported by any other credit enhancements.

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.4 Credit risk (continued)

Inter-company advances (continued)

Recognition and measurement of impairment loss

Generally, the Company considers advances to subsidiaries have low credit risk.

The Company determines the probability of default for these advances individually using internal information available.

The following table provides information about the exposure to credit risk for subsidiaries' advances as at 31 December 2018.

	Gross carrying amount RM'000	Impairment loss allowances RM'000	Net balance RM'000
Company			
31.12.2018			
Low credit risk	41,257	-	41,257
31.12.2017			
Low credit risk	34,946	-	34,946
1.1.2017			
Low credit risk	27,139	-	27,139

The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances are repayable on demand. There was no indication that the advances to the subsidiaries are not recoverable.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.4 Credit risk (continued)

Other receivables

Credit risks on other receivables are mainly arising from deposits paid for office buildings and fixtures rented. These deposits will be received at the end of each lease terms. The Group manages the credit risk together with the leasing arrangement.

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

As at the end of the reporting period, the Group did not recognise any allowance for impairment losses.

20.5 Liquidity risk

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

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

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.5 Liquidity risk (continued)

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000
31.12.2018					
Group					
<i>Non-derivative financial liabilities</i>					
Payables	42,025	-	42,025	42,025	-
Company					
<i>Non-derivative financial liabilities</i>					
Payables	3,170	-	3,170	3,170	-
31.12.2017					
Group					
<i>Non-derivative financial liabilities</i>					
Payables	46,816	-	46,816	46,816	-
Company					
<i>Non-derivative financial liabilities</i>					
Payables	1,989	-	1,989	1,989	-
1.1.2017					
Group					
<i>Non-derivative financial liabilities</i>					
Payables	49,230	-	49,230	49,230	-
Company					
<i>Non-derivative financial liabilities</i>					
Payables	1,724	-	1,724	1,724	-

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.6 Market risk

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

20.6.1 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

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

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Fixed rate instruments						
Financial assets	30,187	29,318	35,541	4,300	-	600

Interest rate risk sensitivity analysis

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

20.6.2 Currency risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other than the functional currency of the Group. The currency giving rise to this risk is primarily US Dollar ["USD"].

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.7 Fair value of financial instruments

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

The table below analyses financial instruments carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value Level 2 RM'000	Total fair value RM'000	Carrying amount RM'000
31.12.2018			
Group			
Financial assets			
Money market deposits	66,518	66,518	66,518
Company			
Financial assets			
Money market deposits	45,802	45,802	45,802
31.12.2017			
Group			
Financial assets			
Money market deposits	90,990	90,990	90,990
Company			
Financial assets			
Money market deposits	16,285	16,285	16,285
1.1.2017			
Group			
Financial assets			
Money market deposits	122,136	122,136	122,136
Company			
Financial assets			
Money market deposits	15,822	15,822	15,822

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.7 Fair value of financial instruments (continued)

Level 2 fair value

The fair value of money market deposits is determined by reference to statements provided by the respective financial institutions, with which the investments were entered into.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year.

21. CAPITAL MANAGEMENT

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

22. RELATED PARTIES

Identity of related parties

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

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

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

22. RELATED PARTIES (CONTINUED)

Significant related party transactions

Related party transactions except for dividend received have been entered into in the normal course of business. The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 14), are shown below. The balances related to the below transactions are disclosed in Note 7 and 11.

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Firm in which				
Datuk Simon Shim Kong Yip, JP,				
a Director of the Company, has interest:				
Shim Pang & Co				
Legal fee	(515)	(70)	(515)	-
Firm connected to				
Datuk Edward Lee Ming Foo, JP,				
a Director of the Company:				
Corporated International Consultants				
Project consultancy fee	(408)	(388)	-	-

22. RELATED PARTIES (CONTINUED)

Significant related party transactions (continued)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Company connected to Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the immediate holding company:				
Lei Shing Hong Limited Group				
- Sales of used commercial vehicles	905	1,169	-	-
- Purchase of motor vehicles and spare parts	(2,221)	(10,583)	-	-
- Transportation charges	-	(508)	-	-
- Rental of commercial vehicles	(4,608)	(2,116)	-	-
Immediate holding company				
Sales of used motorcycle	2	-	2	-
Subsidiaries				
Dividend received	-	-	106,917	116,541
Related companies				
Car usage	(36)	-	-	-
Insurance expenses	(2,594)	(2,373)	(27)	(28)
Management fees	(3,717)	(3,700)	(108)	(74)
Plantation management fee income	555	322	-	-
Purchase of building materials	(2,877)	(2,129)	-	-
Purchase of diesel, petrol and lubricant	(18,435)	(18,951)	-	-
Purchase of fertilizers and chemicals	(39,709)	(39,378)	-	-
Purchase of fresh fruit bunches	(1,597)	(2,657)	-	-
Purchase of stones and sand	(10,294)	(13,453)	-	-
Purchase of tyre and tube	(5,550)	(6,940)	-	-
Purchase of vehicles and spare parts	(912)	(997)	(363)	(467)
Rental expenses	(396)	(355)	(42)	(43)
Rental of commercial vehicles	(3,061)	(1,133)	-	-
Rental of skid tank	(8)	-	-	-
Rental income	4	-	-	-
Sales of used commercial vehicles	-	8,457	-	-
Transportation charges	-	(520)	-	-

Related companies in these financial statements refer to Gek Poh (Holdings) Sdn. Bhd. group of companies.

23. MATERIAL LITIGATIONS

- (a) Hap Seng Plantations (River Estates) Sdn. Bhd. ["RESB"], the wholly-owned subsidiary of the Company, is the registered and beneficial proprietor of all that parcel of land held under CL095310017, District of Kinabatangan, State of Sabah measuring approximately 6,454 acres ["said Land"]. On 16 January 2012, a purported sale and purchase agreement in respect of the said Land was entered into between Mr. Heng Chin Hing @ Wong Chin Hing (NRIC No. H0699157/570811-12-5731) ["HCH"] as the purported vendor and Excess Interpoint Sdn. Bhd. ["EISB"] as the purported purchaser ["Purported SPA"]. HCH alleged that he is the donee of a power of attorney dated 8 February 1977 allegedly created in respect of the said Land ["Alleged PA"]. On the basis of the Purported SPA, EISB entered a private caveat on the said Land on 3 April 2012.

On 23 May 2012, RESB commenced a legal suit ["KL RESB Suit"] vide a writ of summon at Kuala Lumpur High Court ["KLHC"] against EISB ["1st Defendant"] and HCH was added as the second defendant ["2nd Defendant"] to the KL RESB Suit on 16 June 2012.

On 10 August 2012, upon the 1st Defendant's application, the KL RESB Suit was transferred to the High Court of Sabah and Sarawak at Kota Kinabalu ["KKHC"]. On 7 April 2016, the Federal Court held that the KLHC has no jurisdiction to transfer a civil suit filed in the High Court of Malaya to the High Court of Sabah and Sarawak. On the basis of such ruling, the KKHC had on 19 April 2016 struck off the KL RESB Suit with no order as to costs.

On 8 April 2016, RESB commenced a fresh legal suit against the 1st and 2nd Defendants through its solicitors in Sabah, Messrs Jayasuriya Kah & Co. in KKHC vide writ of summon no. BKI-22NCvC-39/4-2016 ["KK RESB Suit"].

RESB is claiming for the following in the KK RESB Suit:

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

Pending disposal of the KK RESB Suit, the KKHC had on 27 July 2016 granted an interlocutory injunction in favour of RESB pursuant to which the 1st and 2nd Defendants have been restrained from effecting dealings as set out in terms (iv) and (v) above ["KK Interlocutory Injunction"].

23. MATERIAL LITIGATIONS

(a) (continued)

On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB's application ["Consolidated RESB Suit"]. The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018, 7 to 11 January 2019, 28 February 2019 and 8 March 2019.

The Company has been advised by Messrs Jayasuriya Kah & Co., that RESB has good grounds to succeed in the KK RESB Suit.

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

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

SYC is claiming for the following in the KK Suit:

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

On 27 July 2016, the KKHC, upon application of RESB, granted an order converting the KK Suit from an originating summon to a writ action. On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB's application ["Consolidated RESB Suit"].

The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018, 7 to 11 January 2019, 28 February 2019 and 8 March 2019.

The Company has been advised by its solicitors, Messrs Jayasuriya Kah & Co., that the KK Suit is unlikely to succeed.

23. MATERIAL LITIGATIONS (CONTINUED)

- (c) Pelipikan Plantation Sdn. Bhd. ["PPSB"], the wholly-owned subsidiary of the Company is the registered sub-lessee of all those 251 pieces of land measuring approximately 1,364.91 hectares situated in Kg. Natu in the district of Kota Marudu, Sabah ["Pelipikan Sub-Leased Lands"].

A writ of summon was filed on 7 August 2014 in the High Court of Sabah & Sarawak at Kota Kinabalu ["KKHC"] vide suit no. BKI-22NCvC66/8-2014 ["First Suit"] by 94 natives of Sabah ["First Suit Plaintiffs"] claiming interest and ownership, legal and beneficial, in respect of 113 titles which form part of the Pelipikan Sub-Leased Lands ["First Suit Disputed Titles"] against one Hatija Binti Hassan as the first defendant, one Juniah @ Rubiah Bt. Okk Zainal as second defendant and PPSB as the third defendant. Pursuant to a consent order ["said Consent Order"] recorded before the KKHC on 15 May 2015, the First Suit was struck off with no order as to costs.

PPSB was informed by its solicitors, Messrs Shim Pang & Co. on 20 April 2017 that it has been served with a writ of summon filed in KKHC vide suit no. BKI-22NCvC51/4-2017 ["Second Suit"] by 70 natives of Sabah, who form part of the First Suit Plaintiffs ["said Plaintiffs"] claiming legal and beneficial ownership in respect of 86 titles, which form part of the First Suit Disputed Titles ["said 86 Titles"]. The said Plaintiffs named one Sugumar Balakrishnan as the first defendant, Sugumar & Co (Firm) as the second defendant, Hatija Binti Hassan as the third defendant, Juniah @ Rubiah Bt. Okk Zainal as the fourth defendant and PPSB as the fifth defendant. The first and second defendants were the solicitors acting for the First Suit Plaintiffs in the First Suit.

In the Second Suit, the said Plaintiffs alleged, inter alia that the said Consent Order was fraudulently obtained by their previous solicitors, i.e. the first and second defendants without the informed consent and/or instruction of the First Suit Plaintiffs.

The said Plaintiffs are claiming for the following reliefs in the Second Suit:

- (i) a declaration that the said Consent Order was null and void and of no effect;
- (ii) a declaration that all acts, actions, proceedings including land enquiry proceedings, decisions, dealings and/or transactions with the said 86 Titles and any consequential matters relying on or consequential to the said Consent Order are invalid, null and void;
- (iii) an order that the said Consent Order be set aside;
- (iv) an order that the First Suit shall continue and proceed to trial;
- (v) in the alternative, damages against the first and second defendant in the Second Suit jointly and severally to be assessed;
- (vi) costs to the said Plaintiffs; and
- (vii) such further or other relief as the KKHC deems fit and just.

The said Plaintiffs failed to proceed with the Second Suit during the court trial held on 3 December 2018. Accordingly, the KKHC dismissed the Second Suit with no liberty to file afresh and with no order as to costs. The said Plaintiffs did not appeal against the said KKHC decision.

24. CONTINGENT LIABILITY - UNSECURED

The Company has undertaken to provide financial support to certain subsidiaries to enable them to continue to operate as going concern.

25. SIGNIFICANT EVENT

On 21 February 2018, the Company entered into the following agreements in connection with the proposed acquisition of 1,280,194,500 ordinary shares in Kretam Holdings Berhad ["KHB"] ["KHB Shares"], representing approximately 55.0% equity interest in KHB for a cash consideration of RM1,177,778,940 or RM0.92 per KHB Share ["Proposed Acquisition"]:

- (i) conditional share sale agreement with Datuk Lim Nyuk Sang @ Freddie Lim ["Datuk Freddy"] for the purchase of 779,336,900 KHB Shares, representing approximately 33.5% equity interest in KHB, for a cash consideration of RM716,989,948 or RM0.92 per KHB Share ["SSA 1"]; and
- (ii) conditional share sale agreement with Santraprise Sdn. Bhd. ["Santraprise"] for the purchase of 500,857,600 KHB Shares, representing approximately 21.5% equity interest in KHB, for a cash consideration of RM460,788,992 or RM0.92 per KHB Share ["SSA 2"].

(SSA 1 and SSA 2 are collectively referred to as "SSAs").

Upon completion of the Proposed Acquisition, the Company's shareholding in KHB would increase from nil to approximately 55.0%. Accordingly, pursuant to Section 218(2) of the Capital Markets & Services Act, 2007 and Paragraph 4.01(a) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions ["Rules"], the Company would be obliged to extend the proposed mandatory general offer ["MGO"] for all the remaining KHB Shares not already owned by the Company and persons acting in concert with it, if any, after the Proposed Acquisition ["Remaining Shares"] for a cash consideration of RM0.92 per KHB Share ["Proposed MGO"]. Upon the SSAs becoming unconditional, the Company will serve the notice of MGO on the Board of Directors of KHB, in accordance with Paragraph 9.10 of the Rules.

The Proposed Acquisition was subject to amongst others, the following conditions:

- (i) approval of the shareholders of the Company at an extraordinary general meeting to be convened; and
- (ii) the due diligence findings of KHB and its subsidiaries being satisfactory and acceptable to the Company.

On 14 June 2018, the Company notified Datuk Freddy and Santraprise in writing pursuant to Clause 8.2 of the SSAs that the Company had found the results of the due diligence of KHB and its subsidiaries to be unsatisfactory and unacceptable. Accordingly, the Company had exercised its rights pursuant to Clause 8.4 to terminate the SSAs with immediate effect, with which the Company would not extend the Proposed MGO for all the Remaining Shares.

26. EXPLANATION OF TRANSITION TO MFRS FRAMEWORK

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2018, the comparative information presented in these financial statements for the financial year ended 31 December 2017 and in the preparation of the opening MFRS statement of financial position at 1 January 2017 (being the Group's date of transition to MFRS Framework).

The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards.

The transition to MFRSs does not have financial impacts to the separate financial statements of the Company.

In preparing the opening consolidated statement of financial position at 1 January 2017, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSS. An explanation of how the transition from previous FRSS to MFRSs has affected the Group's financial position, financial performance and cash flows is set out below.

26.1 Notes to reconciliation – transition adjustments

(i) Common control transactions

Upon adoption of the MFRS framework, MFRS 1 allows a first-time adopter to determine the accounting policies that it will apply. The Group has reassessed the significant accounting policies currently adopted by the Group, especially in relation to business combination, which is currently accounted for using acquisition method.

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties or both before and after the combination, and that control is not transitory. Business combinations under common control transactions can be accounted using the book value accounting. The application of the book value accounting will result in the profit or loss and other comprehensive income to include the results of each of the combining entities from the date when these entities came under the control of the common controlling party. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The component of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

26. EXPLANATION OF TRANSITION TO MFRS FRAMEWORK (CONTINUED)

26.1 Notes to reconciliation – transition adjustments (continued)

- (ii) Optional exemption to use fair value or revaluation as deemed cost

As provided in MFRS 1, first-time adopter can elect optional exemptions from full retrospective application of MFRS. The 'fair value or revaluation as deemed cost' optional exemption permits the carrying amount of an item of property, plant and equipment to be measured at the date of transition based on a deemed cost. Any surplus arising from fair value at the date of transition is transferred to retained earnings.

A first-time adopter does not have to apply the deemed cost exemption to all classes of property, plant and equipment or to all items within a class of property, plant and equipment; instead, the exemption may be applied to individual items. In addition, the election of the deemed cost exemption is independent of the first-time adopter's accounting policy choice for the subsequent measurement of property, plant and equipment.

The Group has elected to use the 'fair value as deemed cost' optional exemption to measure leasehold land, buildings and infrastructure at the date of transition. Accordingly, the surplus arising from the fair value net of deferred tax was recognised in retained earnings as at 1 January 2017. The election of the optional exemption using the fair value of property, plant and equipment as deemed cost has resulted in additional annual depreciation on property, plant and equipment which is charged to profit or loss.

- (iii) Bearer plants and biological assets

Under FRSs, all the new planting expenditure incurred from land clearing, planting, field upkeep and maintenance to the point of maturity was capitalised under plantation development expenditure and was not amortised. Replanting expenditure which represents cost incurred in replanting old planted areas, was charged to profit or loss as and when incurred. Biological assets-agricultural produce which form part of the bearer plants were not recognised separately.

Upon transition to MFRSs, new planting expenditure and replanting expenditure are accounted for as property, plant and equipment in accordance with MFRS 116 and measured at cost less accumulated depreciation whereas biological assets-agricultural produce within the scope of MFRS 141 are measured at fair value less costs to sell.

The transition will also result in additional depreciation on property, plant and equipment and replanting expenditure that were charged to profit or loss prior to the adoption of the Amendments will be reversed and capitalised under property, plant and equipment. Changes in fair value less costs to sell of the biological assets-agricultural produce will be recognised in profit or loss.

26. EXPLANATION OF TRANSITION TO MFRS FRAMEWORK (CONTINUED)

26.2 Impacts on Financial Statements

The following tables summarise the impacts arising from the transition to MFRSs on the Group's financial statements.

Effects on Statements of Financial Position

1.1.2017	FRSs RM'000	(i) Common control RM'000	(ii) Fair value as deemed cost RM'000	(iii) MFRS 116 and MFRS 141 RM'000	MFRSs RM'000
Group					
Property, plant and equipment	673,959	(222,678)	1,161,883	229,531	1,842,695
Biological assets	1,377,427	(901,356)	-	(476,071)	-
Total non-current assets	2,051,386	(1,124,034)	1,161,883	(246,540)	1,842,695
Inventories	72,087	-	-	-	72,087
Biological assets	-	-	-	37,002	37,002
Receivables	6,339	-	-	-	6,339
Current tax assets	626	-	-	-	626
Money market deposits	122,136	-	-	-	122,136
Cash and cash equivalent	39,459	-	-	-	39,459
Total current assets	240,647	-	-	37,002	277,649
Total assets	2,292,033	(1,124,034)	1,161,883	(209,538)	2,120,344

26. EXPLANATION OF TRANSITION TO MFRS FRAMEWORK (CONTINUED)

26.2 Impacts on Financial Statements (continued)

Effects on Statements of Financial Position (continued)

1.1.2017	FRSs RM'000	(i) Common control RM'000	(ii) Fair value as deemed cost RM'000	(iii) MFRS 116 and MFRS 141 RM'000	MFRSs RM'000
Group					
Equity					
Share capital	800,000	-	-	-	800,000
Share premium	675,578	-	-	-	675,578
Merger reserves	-	(1,347,761)	-	-	(1,347,761)
Retained earnings	565,380	277,166	884,303	(189,784)	1,537,065
	2,040,958	(1,070,595)	884,303	(189,784)	1,664,882
Less: Treasury shares	(819)	-	-	-	(819)
Total equity	2,040,139	(1,070,595)	884,303	(189,784)	1,664,063
Liabilities					
Deferred tax liabilities	191,949	(53,439)	277,580	(19,754)	396,336
Total non-current liabilities	191,949	(53,439)	277,580	(19,754)	396,336
Payables	49,821	-	-	-	49,821
Current tax liabilities	10,124	-	-	-	10,124
Total current liabilities	59,945	-	-	-	59,945
Total liabilities	251,894	(53,439)	277,580	(19,754)	456,281
Total equity and liabilities	2,292,033	(1,124,034)	1,161,883	(209,538)	2,120,344

26. EXPLANATION OF TRANSITION TO MFRS FRAMEWORK (CONTINUED)

26.2 Impacts on Financial Statements (continued)

Effects on Statements of Financial Position (continued)

31.12.2017	FRSs RM'000	(i) Common control RM'000	(ii) Fair value as deemed cost RM'000	(iii) MFRS 116 and MFRS 141 RM'000	MFRSs RM'000
Group					
Property, plant and equipment	686,820	(219,792)	1,140,173	235,288	1,842,489
Biological assets	1,377,970	(901,356)	-	(476,614)	-
Total non-current assets	2,064,790	(1,121,148)	1,140,173	(241,326)	1,842,489
Inventories	67,483	-	-	-	67,483
Biological assets	-	-	-	18,885	18,885
Receivables	50,841	-	-	-	50,841
Current tax assets	446	-	-	-	446
Money market deposits	90,990	-	-	-	90,990
Cash and cash equivalent	44,774	-	-	-	44,774
Total current assets	254,534	-	-	18,885	273,419
Total assets	2,319,324	(1,121,148)	1,140,173	(222,441)	2,115,908

26. EXPLANATION OF TRANSITION TO MFRS FRAMEWORK (CONTINUED)

26.2 Impacts on Financial Statements (continued)

Effects on Statements of Financial Position (continued)

31.12.2017	FRSs RM'000	(i) Common control RM'000	(ii) Fair value as deemed cost RM'000	(iii) MFRS 116 and MFRS 141 RM'000	MFRSs RM'000
Group					
Equity					
Share capital	1,475,578	-	-	-	1,475,578
Merger reserves	-	(1,347,761)	-	-	(1,347,761)
Retained earnings	596,243	279,359	867,767	(201,046)	1,542,323
	2,071,821	(1,068,402)	867,767	(201,046)	1,670,140
Less: Treasury shares	(829)	-	-	-	(829)
Total equity	2,070,992	(1,068,402)	867,767	(201,046)	1,669,311
Liabilities					
Deferred tax liabilities	194,546	(52,746)	272,406	(21,395)	392,811
Total non-current liabilities	194,546	(52,746)	272,406	(21,395)	392,811
Payables	48,781	-	-	-	48,781
Current tax liabilities	5,005	-	-	-	5,005
Total current liabilities	53,786	-	-	-	53,786
Total liabilities	248,332	(52,746)	272,406	(21,395)	446,597
Total equity and liabilities	2,319,324	(1,121,148)	1,140,173	(222,441)	2,115,908

26. EXPLANATION OF TRANSITION TO MFRS FRAMEWORK (CONTINUED)

26.2 Impacts on Financial Statements (continued)

Effects on Statements of Profit or Loss and Other Comprehensive Income

2017	FRSs RM'000	(i) Common control RM'000	(ii) Fair value as deemed cost RM'000	(iii) MFRS 116 and MFRS 141 RM'000	MFRSs RM'000
Group					
Revenue	555,072	-	-	-	555,072
Cost of sales	(313,146)	-	(6,023)	5,214	(313,955)
Gross profit	241,926	-	(6,023)	5,214	241,117
Other operating income	12,132	-	-	-	12,132
Distribution expenses	(32,938)	-	-	-	(32,938)
Administrative expenses	(35,396)	-	-	-	(35,396)
Other operating expenses	(7,066)	2,886	(15,687)	(18,117)	(37,984)
Profit before tax	178,658	2,886	(21,710)	(12,903)	146,931
Tax expense	(43,835)	(693)	5,174	1,641	(37,713)
Profit for the year representing total comprehensive income for the year	134,823	2,193	(16,536)	(11,262)	109,218
Basic earnings per ordinary share (sen)	16.86	0.27	(2.06)	(1.41)	13.66

26. EXPLANATION OF TRANSITION TO MFRS FRAMEWORK (CONTINUED)

26.2 Impacts on Financial Statements (continued)

Effects on Statements of Cash Flows

2017	FRSs RM'000	(i) Common control RM'000	(ii) Fair value as deemed cost RM'000	(iii) MFRS 116 and MFRS 141 RM'000	MFRSs RM'000
Group					
Cash flows from operating activities					
Profit before tax	178,658	2,886	(21,710)	(12,903)	146,931
Adjustments for:					
Depreciation of property, plant and equipment	37,298	(2,886)	21,710	20,323	76,445
Dividend income	(3,794)	-	-	-	(3,794)
Interest income	(1,027)	-	-	-	(1,027)
Gain on disposal of property, plant and equipment	(1,639)	-	-	-	(1,639)
Loss on fair value of biological assets	-	-	-	18,117	18,117
Property, plant and equipment written off	301	-	-	-	301
Operating profit before changes in working capital	209,797	-	-	25,537	235,334
Change in inventories	4,604	-	-	-	4,604
Change in receivables	(44,416)	-	-	-	(44,416)
Change in payables	(1,040)	-	-	-	(1,040)
Cash generated from operations	168,945	-	-	25,537	194,482
Interest received	1,027	-	-	-	1,027
Tax paid	(46,573)	-	-	-	(46,573)
Tax refunded	396	-	-	-	396
Net cash from operating activities	123,795	-	-	25,537	149,332

26. EXPLANATION OF TRANSITION TO MFRS FRAMEWORK (CONTINUED)

26.2 Impacts on Financial Statements (continued)

Effects on Statements of Cash Flows (continued)

2017	FRSs RM'000	(i) Common control RM'000	(ii) Fair value as deemed cost RM'000	(iii) MFRS 116 and MFRS 141 RM'000	MFRSs RM'000
Group					
Cash flows from investing activities					
Dividends received from money market deposits	3,708	-	-	-	3,708
Decrease in money market deposits	31,146	-	-	-	31,146
Proceeds from disposal of property, plant and equipment	12,682	-	-	-	12,682
Acquisition of property, plant and equipment	(61,503)	-	-	(26,080)	(87,583)
Additions to biological assets	(543)	-	-	543	-
Net cash used in investing activities	(14,510)	-	-	(25,537)	(40,047)
Cash flows from financing activities					
Dividends paid	(103,960)	-	-	-	(103,960)
Shares repurchased at cost	(10)	-	-	-	(10)
Net cash used in financing activities	(103,970)	-	-	-	(103,970)
Net change in cash and cash equivalents	5,315	-	-	-	5,315
Cash and cash equivalents at 1 January 2017	39,459	-	-	-	39,459
Cash and cash equivalents at 31 December 2017	44,774	-	-	-	44,774

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 72 to 141 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

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

Datuk Edward Lee Ming Foo, JP
Director

Au Yong Siew Fah
Director

Kuala Lumpur

17 April 2019

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **Lee Wee Yong**, the Director primarily responsible for the financial management of Hap Seng Plantations Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 72 to 141 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Lee Wee Yong, MIA CA 7492 in Kuala Lumpur on 17 April 2019.

Lee Wee Yong

Before me:

KAPT (B) JASNI BIN YUSOFF

(W 465)

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HAP SENG PLANTATIONS HOLDINGS BERHAD

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hap Seng Plantations Holdings Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 72 to 141.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are the matters that, in our professional judgement, are of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters are addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment on property, plant and equipment

Refer to Note 2 – Significant accounting policy: Property, plant and equipment, Note 3 – Property, plant and equipment.

The key audit matter

The carrying amounts of the Group's property, plant and equipment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Key Audit Matters (continued)

1. Impairment on property, plant and equipment (continued)

The key audit matter (continued)

During the year, two subsidiaries of the Group continued to incur losses due to low production from its oil palm plantations; hence leading to an indication of impairment on the carrying amounts of their property, plant and equipment. The carrying amounts of the aforementioned assets as at 31 December 2018 amounted to RM82.4 million. The Directors have carried out an impairment assessment involving an independent external valuer to determine the estimated recoverable amount.

The estimation of recoverable amount involves using sales transactions values for similar assets as a comparison. We focused on this area as a key audit matter due to the degree of the Group judgement involved and assumptions of future events that are inherently uncertain.

How our audit addressed the key audit matter

Our procedures included, amongst others:

- Evaluated the qualifications, competence and objectivity of the external valuer engaged by the Group by considering the valuer's membership of a professional body, the number of years in practice and performed inquiry of the independence of the external valuer.
- Read the valuer's reports and discussed the reports with the valuer to assess the valuation methods against those applied for similar assets and industry.
- Evaluated the sales transactions values used by the valuer by comparing them against selling prices of similar assets from external market information.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HAP SENG PLANTATIONS HOLDINGS BERHAD**

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

Key Audit Matters (continued)

2. Valuation of property, plant and equipment – leasehold land, buildings and infrastructure

Refer to Note 26 – Explanation of transition to MFRS Framework.

The key audit matter

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs. In the previous financial years, the financial statements of Group and Company were prepared in accordance with Financial Reporting Standards. Arising from the transition to MFRS and the adoption of MFRS 1, the Group has adopted the transitional exemption on using fair value as its deemed cost for leasehold land, buildings and infrastructure as at the date of transition.

As provided in MFRS 1, first-time adopter can elect optional exemptions from full retrospective application of MFRSs. The 'fair value as deemed cost' optional exemption permits the carrying amount of an item of property, plant and equipment to be measured at the date of transition based on a deemed cost basis. Any surplus arising from fair value at the date of transition is transferred to retained earnings.

A first-time adopter does not have to apply the deemed cost exemption to all classes of property, plant and equipment or to all items within a class of property, plant and equipment; instead, the exemption may be applied to individual items. In addition, the election of the deemed cost exemption is independent of the first-time adopter's accounting policy choice for the subsequent measurement of property, plant and equipment. As a result of the adoption of this transitional exemption under MFRS 1, the cost of leasehold land, buildings and infrastructure as at 1 January 2017 (transition date) has increased by approximately RM1.16 billion; which constitute 63% of the total carrying value of property, plant and equipment as at that date.

The estimation of fair value of leasehold land of RM1.07 billion was performed by independent external valuer based on sales transactions values for similar assets as a comparison. We focused on this area as a key audit matter due to the degree of judgement involved and assumptions of future events that are inherently uncertain.

Key Audit Matters (continued)

2. Valuation of property, plant and equipment - leasehold land, buildings and infrastructure (continued)

How our audit addressed the key audit matter

Our procedures included, amongst others:

- Evaluated the qualifications, competence and objectivity of the external valuer engaged by the Group by considering the valuer's membership of a professional body, the number of years in practice and performed inquiry of the independence of the external valuer.
- Read the valuer's reports and discussed the reports with the valuer to assess the valuation methods for leasehold land against those applied for similar assets and industry.
- Evaluated the sales transactions values used by the valuer when determining the fair value of leasehold land by comparing them against selling prices of similar assets from external market information.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAP SENG PLANTATIONS HOLDINGS BERHAD

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

1. As stated in Note 26 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2017 and 1 January 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2017 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2018 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018, and the financial performance and cash flows for the year then ended.
2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Lee Hean Kok
Approval Number: 02700/12/2019 J
Chartered Accountant

17 April 2019

Kota Kinabalu

ADDITIONAL INFORMATION

1. The following additional information are provided in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements.

(i) STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

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

(ii) NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered by the external auditors and/or its affiliates to the Group for the financial year ended 31 December 2018 was RM712,000 as disclosed in Note 13 to the Financial Statements.

(iii) MATERIAL CONTRACTS

There were no other material contracts of the Company and its subsidiaries involving the interests of directors, chief executive who is not a director or major shareholders, subsisting as at 31 December 2018, and/or entered into since 31 December 2017.

(iv) RECURRENT RELATED PARTY TRANSACTIONS

Pursuant to Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the recurrent related party transactions of a revenue or trading in nature which were entered into by the Company and its subsidiaries with the related parties during the financial year ended 31 December 2018 are as disclosed in Note 22 to the Financial Statements.

The Company will be seeking new or renewed shareholders' mandate for recurrent related party transactions at the annual general meeting to be convened on 29 May 2019.

2. OTHERS

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

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

- (a) The Company is to disclose the efforts taken and the status of the compliance with the Litang Estate Condition in the annual report until such time the condition is fulfilled;
- (b) The Company and/or CIMB Investment Bank Berhad ["CIMB"] is/are to make quarterly announcements to Bursa Malaysia Securities Berhad until such time the condition is fulfilled; and
- (c) The Company and/or CIMB is/are to update the SC when such disclosure is made in the annual report.

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

As announced on 31 July 2017, the Land and Survey Department in Kota Kinabalu had granted a further extension of time to July 2022 ["said Extension"] for the transfer of 30% of the undivided share of the Litang Estate or 30% equity in Hap Seng Plantations (Wecan) Sdn Bhd, the wholly-owned subsidiary of the Company to natives.

To the best of the Company's knowledge, the said Extension was granted on the basis that frequent floods had hindered the full development or planting up of the Litang Estate in accordance with the title conditions.

As part of its effort to comply with the SC condition, the Company has taken the following steps to fully develop the Litang Estate:

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

PARTICULARS OF GROUP'S PROPERTIES

Location	Area (hectares)	Description	Date of revaluation	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2018 RM'000
SABAH							
KINABATANGAN, LAHAD DATU							
Tomanggong Estate	4,890	Oil palm plantation and buildings Tomanggong Palm Oil Mill	January 2017	Leasehold 99 years/ 999 years	2067/2094/ 2894	1 - 50	857,339
Tabin Estate	3,055	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2067/2076/ 2093/2096/ 2097/2098	3 - 33	
Tagas Estate	2,010	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2067/2076	1 - 42	
Litang Estate	1,571	Oil palm plantation and buildings	January 2017	Leasehold 99 years/ 999 years	2076/2091/ 2887/2900	2 - 33	
Sungai Segama Estate	5,174	Oil palm plantation and buildings Plantation Central Office and Clubhouse	January 2017	Leasehold 99 years	2089	1 - 23	
Bukit Mas Estate	4,733	Oil palm plantation and buildings Bukit Mas Palm Oil Mill	January 2017	Leasehold 99 years/ 999 years	2089/2887	1 - 23	
Wecan Estate	1,078	Oil palm plantation	January 2017	Leasehold 99 years	2084	-	37,931
Tampilit Estate	202	Oil palm plantation	January 2017	Leasehold 99 years	2084	-	6,971

PARTICULARS OF GROUP'S PROPERTIES

Location	Area (hectares)	Description	Date of revaluation	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2018 RM'000
SABAH							
KINABATANGAN, LAHAD DATU (Continued)							
Batangan Estate	3,633	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	3 - 36	581,885
Lutong Estate	2,448	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078/2098/ 2099	3 - 27	
Lokan Estate	3,155	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	3 - 22	
Kapis Estate	2,681	Oil palm plantation and buildings Jeroco Palm Oil Mill I and II	January 2017	Leasehold 99 years	2078	2 - 32	
Lungmanis Estate	2,200	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	3 - 21	
TAWAU							
Apas Claremont Estate	552	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2058/2061/ 2064	4 - 36	147,025
Muul Hill Estate	724	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2062/2063/ 2065/2068/ 2071/2072/ 2073	36	
KOTA MARUDU							
Pelipikan Estate, Kg Natu	808*	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2101/2102	1 - 19	36,701
Pelipikan Estate, Kg Natu	1,365	Oil palm plantation and buildings	January 2017	Leasehold 30 years	2039	6 - 14	47,735
Total	40,279						1,715,587

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

PLANTATION STATISTICS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2018	2017	2016	2015	2014
CROP PRODUCTION - TONNES					
FFB	657,259	655,957	662,774	709,984	727,937
PROCESSED - TONNES					
FFB - own	640,737	640,507	643,731	667,504	680,741
FFB - purchased	80,746	85,006	91,707	107,829	121,673
Palm Oil	148,651	150,695	154,682	170,546	172,980
Palm Kernel	34,802	35,183	35,872	38,087	38,778
EXTRACTION RATE - %					
Palm Oil	20.60	20.77	21.03	22.00	21.56
Palm Kernel	4.82	4.85	4.88	4.91	4.83
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	4,491	5,615	5,626	5,599	4,089
> 7 years to 17 years	8,522	6,839	7,246	8,480	10,122
> 17 years onwards	19,125	19,569	19,502	18,361	17,162
Total mature area	32,138	32,023	32,374	32,440	31,373
AVERAGE YIELD - TONNES/ HECTARE					
FFB yield per mature hectare	20.45	20.48	20.47	21.89	23.20
Oil per mature hectare	4.21	4.25	4.31	4.81	5.00
AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE					
FFB	396	536	521	433	491
Palm Oil	2,300	2,885	2,643	2,168	2,386
Palm Kernel	1,825	2,560	2,564	1,600	1,654
TAXES APPLICABLE TO PLANTATION INDUSTRY RM'000					
MPOB cess	1,948	1,962	2,011	2,217	2,249
Sabah sales tax	23,207	32,609	29,466	26,216	30,240
Windfall tax	-	329	161	-	-
Total taxes paid	25,155	34,900	31,638	28,433	32,489

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2018

	River Estates Group	Jeroco	*HSP (Kota Marudu)	Pelipikan Plantation	Total Group
Oil Palm					
Mature	19,693	10,957	585	903	32,138
Immature	2,054	1,765	-	-	3,819
Total Oil Palm	21,747	12,722	585	903	35,957
Other crop	60	86	-	-	146
Total planted area	21,807	12,808	585	903	36,103
Reserves	27	5	81	308	421
Buildings, roads etc	2,155	1,304	142	154	3,755
Grand Total	23,989	14,117	808	1,365	40,279

Conversion Rate : 1 Hectare = 2.4710 acres

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

ANALYSIS OF SHAREHOLDINGS

AS AT 1 APRIL 2019

Total number of issued shares : 800,000,000 (including 312,800 treasury shares)
 Class of shares : ordinary share
 Voting rights : one vote per ordinary share
 Number of shareholders : 8,306

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Shares
1 to 99	122	1.47	2,434	#
100 to 1,000	2,609	31.41	1,969,728	0.25
1,001 to 10,000	4,399	52.96	19,002,012	2.37
10,001 to 100,000	1,036	12.47	30,448,224	3.81
100,001 to less than 5% of issued shares	136	1.64	68,349,802	8.55
5% & above of issued shares	4	0.05	679,915,000	85.02
Total	8,306	100.00	799,687,200	100.00

* The number of 799,687,200 ordinary shares which was arrived at after deducting 312,800 treasury shares held by the Company from its issued shares of 800,000,000 ordinary shares.

Negligible

LIST OF 30 LARGEST SHAREHOLDERS

	Shareholding	% ⁽³⁾
1. Hap Seng Consolidated Berhad	424,183,300	53.04
2. Innoprise Corporation Sdn Bhd	119,978,000	15.00
3. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	69,679,200	8.71
4. Urusharta Jamaah Sdn Bhd	66,074,500	8.26
5. Amanahraya Trustees Berhad - Amanah Saham Malaysia 2 - Wawasan	7,436,900	0.93
6. Amanahraya Trustees Berhad - Amanah Saham Malaysia	6,112,000	0.76
7. Chinchoo Investment Sdn. Berhad	5,499,900	0.69
8. Key Development Sdn. Berhad	4,282,200	0.54
9. Gan Teng Siew Realty Sdn. Berhad	3,143,066	0.39
10. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	2,937,600	0.37

ANALYSIS OF SHAREHOLDINGS

AS AT 1 APRIL 2019

	Shareholding	% ⁽³⁾
11. CIMB Commerce Trustee Berhad - Public Focus Select Fund	2,254,500	0.28
12. Valuecap Sdn Bhd	1,610,700	0.20
13. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	1,406,200	0.18
14. Mikdavid Sdn Bhd	1,352,000	0.17
15. Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	1,241,100	0.16
16. Maybank Nominees (Tempatan) Sdn Bhd - Bank Kerjasama Rakyat (M) Berhad (412803)	1,145,700	0.14
17. Amanahraya Trustees Berhad - Public Islamic Treasures Growth Fund	1,061,700	0.13
18. Gemas Bahru Estates Sdn. Bhd.	810,000	0.10
19. CIMB Islamic Nominees (Tempatan) Sdn Bhd - CIMB Islamic Trustee Bhd for BIMB I Dividend Fund	800,000	0.10
20. Teuh Chin Yap	663,000	0.08
21. Cheong Meng Soon @ Chong Sai Yan	655,000	0.08
22. Chan Kwai Chee	615,100	0.08
23. Gan Kai San	600,000	0.08
24. Mohd Aris @ Nik Ariff Bin Nik Hassan	590,000	0.07
25. Cheah Yaw Song	572,000	0.07
26. Chinchoo Investment Sdn. Berhad	500,000	0.06
27. RHB Capital Nominees (Tempatan) Sdn Bhd - Bien Chin Hwa (T-471150)	500,000	0.06
28. Chan Wan Choon	450,900	0.06
29. Tan Sing Kah	421,800	0.05
30. Lee Chee Hai	420,000	0.05
Total	726,996,366	90.89

ANALYSIS OF SHAREHOLDINGS

AS AT 1 APRIL 2019

SUBSTANTIAL SHAREHOLDERS

	Shareholding			
	Direct	% ⁽³⁾	Indirect	% ⁽³⁾
Hap Seng Consolidated Berhad	424,183,300	53.04	-	-
Innoprise Corporation Sdn Bhd	119,978,000	15.00	-	-
Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	69,679,200	8.71	-	-
Urusharta Jamaah Sdn Bhd	66,074,500	8.26	-	-
Gek Poh (Holdings) Sdn Bhd	-	-	424,183,300 ⁽¹⁾	53.04
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	424,183,300 ⁽²⁾	53.04

Notes:

⁽¹⁾ Deemed interest by virtue of its substantial interest in Hap Seng Consolidated Berhad pursuant to section 8 of the Companies Act 2016 (the "Act").

⁽²⁾ Deemed interest by virtue of his substantial interest in Gek Poh (Holdings) Sdn Bhd pursuant to section 8 of the Act.

⁽³⁾ For purpose of computing the percentage of shareholding above, the number of ordinary shares used was 799,687,200 which was arrived at after deducting 312,800 treasury shares held by the Company from its issued shares of 800,000,000 ordinary shares.

DIRECTORS' SHAREHOLDINGS

AS AT 1 APRIL 2019

Company	Direct Shareholding		Indirect Shareholding	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Hap Seng Plantations Holdings Berhad (HSP)				
Datuk Simon Shim Kong Yip, JP	180,000	0.023	-	-
Cheah Yee Leng	31,200	0.004	-	-
Au Yong Siew Fah	180,000	0.023	-	-
Tan Sri Abdul Hamid Egoh	110,000	0.014	-	-
Dato' Jorgen Bornhoft	10,000	0.001	-	-
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	590,000	0.074	-	-
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	1,000	#	-	-
Related Corporation	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
Hap Seng Consolidated Berhad (HSCB)				
Dato' Jorgen Bornhoft	5,000	#	-	-
Au Yong Siew Fah	291,600	0.012	-	-

Notes:

⁽¹⁾ For purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,687,200 which was arrived at after deducting 312,800 treasury shares held by the Company from its issued shares of 800,000,000 ordinary shares.

⁽²⁾ For purpose of computing the percentage of HSCB shareholding above, the number of ordinary shares used was 2,489,671,583 which was arrived at after deducting 10,000 treasury shares held by HSCB from its issued shares of 2,489,681,583 ordinary shares.

Negligible

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 12th annual general meeting of Hap Seng Plantations Holdings Berhad will be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 29 May 2019 at 2pm to transact the following:-

AGENDA

ORDINARY BUSINESS

1. To table the audited financial statements for the financial year ended 31 December 2018 together with the reports of directors and auditors. Note 1

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

2. To re-elect the following directors who shall retire by rotation in accordance with clause 116 of the Company's constitution and being eligible, have offered themselves for re-election:- Notes 2 & 3

(a) Datuk Simon Shim Kong Yip, JP

Resolution 1

(b) Datuk Edward Lee Ming Foo, JP

Resolution 2

(c) Mr. Lee Wee Yong

Resolution 3

Dato' Jorgen Bornhoft who retires in accordance with clause 116 of the Company's constitution, will not be seeking re-election and accordingly will retire at the conclusion of this 12th annual general meeting. Note 4

3. To approve the payment of directors' fees of the Company and its subsidiaries amounting to RM732,000.00 for the financial year ended 31 December 2018. Note 5

Resolution 4

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

Resolution 5

SPECIAL BUSINESS

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

5. **Authority to allot shares pursuant to section 75 of the Companies Act 2016**

"That subject always to the approvals of the relevant authorities, the directors of the Company be and are hereby empowered pursuant to section 75 of the Companies Act 2016 to allot shares in the Company at any time upon such terms and conditions, and for such purposes as the directors of the Company may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." Note 7

Resolution 6

6. **Continuation of Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan as an independent non-executive director**

"That pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan who has served as an independent non-executive director of the Company for almost 9 years be and is hereby authorised to continue in office as an independent non-executive director of the Company until the conclusion of the next annual general meeting." ^{Note 8}

Resolution 7

7. **Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature**

"That subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Part A, section 2.2 of the Circular/Statement to shareholders dated 30 April 2019, provided such transactions are necessary for the day-to-day operations of the Company and/or its subsidiaries and are carried out in the ordinary course of business, at arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

That such approval shall continue to be in force until:-

- (a) the conclusion of the next annual general meeting of the Company, at which time the said authority shall lapse, unless renewed by a resolution passed at the annual general meeting; or
- (b) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to section 340(4) of the Companies Act 2016); or
- (c) revoked or varied by a resolution passed by the shareholders in a general meeting of the Company,

whichever is the earlier;

and that the directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the proposed renewal of and new shareholders' mandate." ^{Note 9}

Resolution 8

8. **Proposed renewal of share buy-back authority**

"That subject always to section 127 of the Companies Act 2016, the Company's constitution, Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and the approvals of all relevant governmental and/or regulatory authorities, the directors of the Company be and are hereby authorised to purchase ordinary shares in the Company through Bursa Malaysia Securities Berhad, provided that:-

**NOTICE OF
ANNUAL GENERAL MEETING**

- (a) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed 10% of the total number of issued shares of the Company;
- (b) the maximum funds allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, based on the Company's audited financial statements for the financial year ended 31 December 2018; and
- (c) the authority conferred by this resolution shall continue to be in force until:-
 - (1) the conclusion of the next annual general meeting of the Company, at which time the said authority shall lapse, unless is renewed by the passing of a resolution at that meeting, either unconditionally or subject to conditions; or
 - (2) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to section 340(4) of the Companies Act 2016); or
 - (3) revoked or varied by a resolution passed by the shareholders in a general meeting of the Company,

whichever occurs first;

and that the directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:-

- (i) cancel all the shares so purchased; and/or
- (ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Malaysia Securities Berhad; and/or
- (iii) retain part thereof as treasury shares and cancel the remainder; and/or
- (iv) in any other manner as prescribed by the Companies Act 2016, rules, regulations and orders made pursuant to the Companies Act 2016 and the requirements of the Bursa Malaysia Securities Berhad and any other relevant authority for the time being in force,

and further that the directors of the Company be and are hereby authorised to take all such steps as are necessary and/or enter into any and all agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares." Note 10

Resolution 9

By order of the Board

Cheah Yee Leng (LS 0009398)
Lim Guan Nee (MAICSA 7009321)
Company Secretaries

Kuala Lumpur
30 April 2019

Explanatory notes to the Agenda:-

1. *Pursuant to section 340(1) and (2) of the Companies Act 2016 (Act), the directors shall lay before the Company at its annual general meeting (AGM) its audited financial statements made up to a date not more than 6 months before the date of the AGM. This agenda 1 is meant for discussion only and will not be put forward for voting.*
2. *Pursuant to clause 116 of the Company's constitution, at least one-third of the directors of the Company for the time being shall retire from office at every AGM and be eligible for re-election.*
3. *Based on the satisfactory outcome of its review, the Nominating Committee had made recommendations to the board of directors (Board) that these directors be eligible to stand for re-election.*
4. *Dato' Jorgen Bornhoft, having served as an independent non-executive director of the Company for almost 12 years will retire by rotation as a director in accordance with clause 116 of the Company's constitution. As he will not be seeking re-election, Dato' Jorgen Bornhoft will retire at the conclusion of this AGM.*

Tan Sri Ahmad Bin Mohd Don, having served as the independent non-executive chairman of the Company for almost 12 years has expressed his intention to resign as a director at the conclusion of this AGM.

5. *Pursuant to section 230(1) of the Act, the Company shall at every AGM approve the fees of the directors of the Company and its subsidiaries.*
6. *Pursuant to section 271(4) and section 273(b) of the Act, the Company shall at every AGM appoint its auditors who shall hold office until the conclusion of the next AGM.*
7. *The proposed resolution 6 is to authorise the Company to allot shares pursuant to section 75 of the Act. This proposed resolution 6, if passed, will empower the directors of the Company to allot ordinary shares in the Company up to 10% of the total number of issued shares of the Company for the time being, subject to compliance with all other regulatory requirement and this authority will enable the Company to finance investment projects, working capital and/or acquisitions by issuing new shares as and when the need arises without delay or incurring costs in convening a separate general meeting. This authority, unless revoked or varied at an earlier general meeting, will expire at the conclusion of the next AGM of the Company.*

As at the date of this notice of AGM, the Company has not issued any new shares pursuant to the authority granted by the shareholders at the last AGM held on 28 May 2018, which the authority shall lapse at the conclusion of this AGM.

8. *Despite having served as an independent non-executive director for almost 9 years, the Board, upon the assessment and recommendation of the Nominating Committee, is of the opinion that Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan continue to advocate professional views without fear or favour and is capable of acting objectively in the best interest of the Company, as well as has demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements.*
9. *The proposed resolution 8 is to authorise the Company and its subsidiaries to enter into recurrent related party transactions (RRPT) which are necessary for day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not detrimental to the minority shareholders of the Company. This would eliminate the need to make regular announcements to Bursa Malaysia Securities Berhad or convene separate general meetings from time to time to seek shareholders' approval as and when RRPT arise, thereby reducing substantial administrative time and expenses in convening such meetings.*

Further information on the said RRPT is set out in Part A of the Circular/Statement to shareholders dated 30 April 2019 which is issued together with the Company's Annual Report 2018.

NOTICE OF ANNUAL GENERAL MEETING

10. *The proposed resolution 9 is to authorise the Company to purchase its own shares of up to 10% of the total number of issued shares of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of next AGM of the Company. Further information on the proposed renewal of share buy-back authority is set out in Part B of the Circular/Statement to shareholders dated 30 April 2019 which is issued together with the Company's Annual Report 2018.*

Notes to the notice of AGM:-

1. *A depositor shall not be regarded as a member entitled to attend this AGM, to speak and vote thereat unless his/her name appears in the register of record of depositors as at 21 May 2019.*
2. *Subject to note 3 below, a member entitled to attend and vote at this AGM is entitled to appoint a proxy or proxies to attend and vote in his/her stead. Where a member appoints more than 1 proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. The proxy or proxies need not be a member of the Company and there shall be no restriction as to the qualification of the proxy or proxies.*
3. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit on the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing, or if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised, and such duly executed instrument appointing a proxy must be deposited at the registered office of the Company at 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.*



HAP SENG PLANTATIONS

Hap Seng Plantations Holdings Berhad (769962-K)

Creating Value Together

PROXY FORM

No. of shares	CDS Account No.

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

of _____
(FULL ADDRESS)

Tel No. _____ being a member/members of Hap Seng Plantations Holdings Berhad, do hereby appoint

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

of _____ Tel No. _____
(FULL ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the 12th annual general meeting of the Company to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 29 May 2019 at 2pm or at any adjournment thereof in the manner as indicated below:-

Agenda

- To table the audited financial statements for the financial year ended 31 December 2018 together with the reports of directors and auditors.

ORDINARY BUSINESS

		FOR	AGAINST
2. To re-elect Datuk Simon Shim Kong Yip, JP as director of the Company.	Resolution 1		
3. To re-elect Datuk Edward Lee Ming Foo, JP as director of the Company.	Resolution 2		
4. To re-elect Mr. Lee Wee Yong as director of the Company.	Resolution 3		
5. To approve the payment of directors' fees.	Resolution 4		
6. To reappoint Messrs KPMG PLT as auditors of the Company.	Resolution 5		

SPECIAL BUSINESS

		FOR	AGAINST
7. Authority to allot shares pursuant to section 75 of the Companies Act 2016.	Resolution 6		
8. To approve the continuation of Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan as an independent non-executive director of the Company.	Resolution 7		
9. To approve renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	Resolution 8		
10. To approve renewal of share buy-back authority.	Resolution 9		

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

Signed this _____ day of _____ 2019

Signature(s)/Common Seal of Shareholder(s)

Notes:-

1. A depositor shall not be regarded as a member entitled to attend this annual general meeting (AGM), to speak and vote thereat unless his/her name appears in the register of record of depositors as at 21 May 2019.
2. Subject to note 3 below, a member entitled to attend and vote at this AGM is entitled to appoint a proxy or proxies to attend and vote in his/her stead. Where a member appoints more than 1 proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. The proxy or proxies need not be a member of the Company and there shall be no restriction as to the qualification of the proxy or proxies.
3. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit on the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing, or if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised, and such duly executed instrument appointing a proxy must be deposited at the registered office of the Company at 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.

Fold here

Postage

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

Fold here

www.hapsengplantations.com.my

HAP SENG PLANTATIONS HOLDINGS BERHAD (769962-K)

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

Tel : (603) 2172 5228

Fax : (603) 2172 5286