HAP SENG
PLANTATIONS

Creating
Value
Together

ANNUAL REPORT

2019

HAP SENG PLANTATIONS HOLDINGS BERHAD

13TH

ANNUAL GENERAL MEETING

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

Date
Wednesday, 1 July 2020

Time
10.00 a.m.

HIGHLIGHTS

MANAGEMENT DICUSSION AND ANALYSIS

For more information, please refer to pg 4

STRENGTHENING OUR SUSTAINABILITY PRACTICES

For more information, please refer to pg 49

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Mohammed Bin Haji Che Hussein
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

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

Tan Sri Amirsham Bin A Aziz
Independent Non-Executive Director

Datuk Jasa @ Ismail Bin Rauddah
Non-Independent Non-Executive Director

Andrew John Barber
Independent Non-Executive Director

COMPANY SECRETARIES

Cheah Yee Leng (LS 0009398)
SSM Practising Certificate No. : 202008000771

Lim Guan Nee (MAICSA 7009321)
SSM Practising Certificate No. : 202008003410

REGISTERED OFFICE

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

Tel : 603-2172 5228
Fax : 603-2172 5286
E-mail : inquiry@hapsengplantations.com.my
Website : www.hapsengplantations.com.my

PLACE OF INCORPORATION

Malaysia

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Registration No.: 197101000970 (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

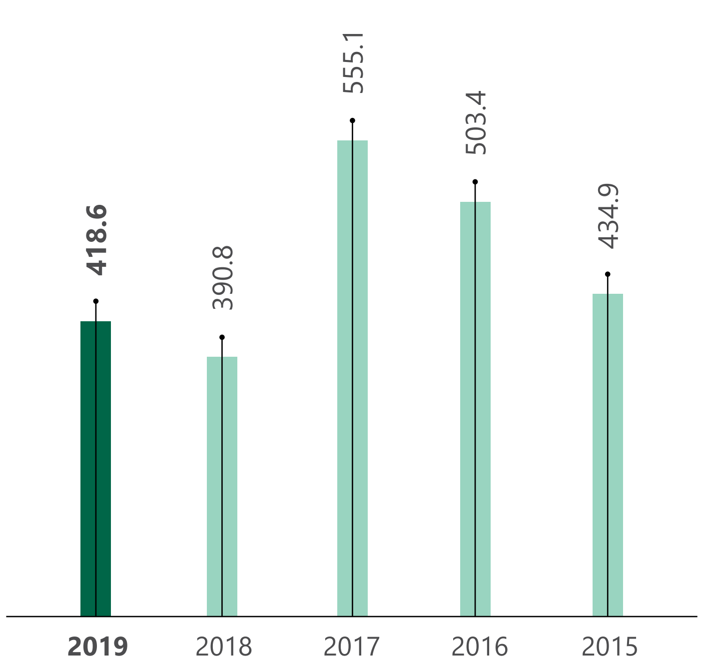
	FINANCIAL YEAR ENDED 31 DECEMBER				
	2019	**2018**	**2017***	**2016**	**2015**
INCOME (RM'000)					
Revenue	**418,598**	390,756	555,072	503,427	434,875
Profit before interest and tax	**38,412**	36,186	145,904	165,893	118,005
Profit before tax	**36,559**	37,151	146,931	167,146	120,226
Profit attributable to owners of the Company	**31,449**	29,109	109,218	124,118	96,448
FINANCIAL POSITION (RM'000)					
Assets					
Total assets	**2,137,699**	2,070,055	2,115,908	2,292,033	2,231,591
Net assets	**1,652,519**	1,638,434	1,669,311	2,040,139	1,980,007
Current assets	**242,828**	232,286	273,419	240,647	256,228
Liabilities					
Current liabilities	**50,363**	42,370	53,786	59,945	63,821
Shareholders' Equity					
Paid-up share capital	**1,475,578**	1,475,578	1,475,578	800,000	800,000
Shareholders' equity	**1,652,519**	1,638,434	1,669,311	2,040,139	1,980,007
Number of shares					
- Weighted average shares in issue net of treasury shares ('000)	**799,686**	799,690	799,694	799,698	799,702
- Shares in issue net of treasury shares ('000)	**799,685**	799,687	799,691	799,695	799,699
SHARE INFORMATION					
Per share					
Basic earnings (sen)#	**3.93**	3.64	13.66	15.52	12.06
Net assets (RM)@	**2.07**	2.05	2.09	2.55	2.48
Dividend (sen)	**2.50**	2.50	11.00	11.00	8.00
Share price					
- Year High (RM)	**2.14**	2.63	2.73	2.54	2.66
- Year Low (RM)	**1.40**	1.61	2.45	2.23	1.95
- As at 31 December (RM)	**2.13**	1.64	2.55	2.52	2.40
Market capitalisation (RM'000)	**1,703,329**	1,311,487	2,039,212	2,015,232	1,919,278
Trading volume ('000)	**11,822**	9,358	30,409	21,826	17,518
FINANCIAL RATIOS					
Return on total assets (%)	**1.47**	1.41	5.16	5.42	4.32
Return on shareholders' equity (%)	**1.90**	1.78	6.54	6.08	4.87
Current ratio (times)	**4.82**	5.48	5.08	4.01	4.01

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

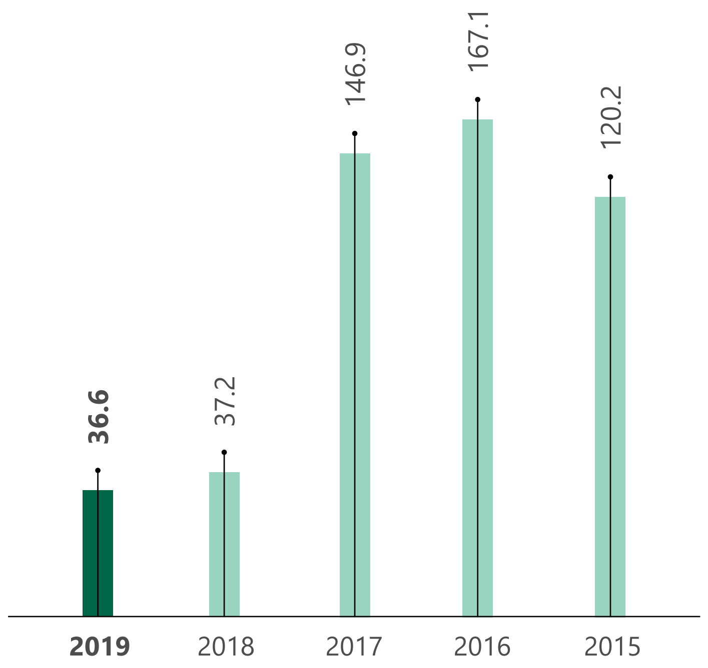
\# *Based on weighted average number of shares in issue net of treasury shares ('000)*

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

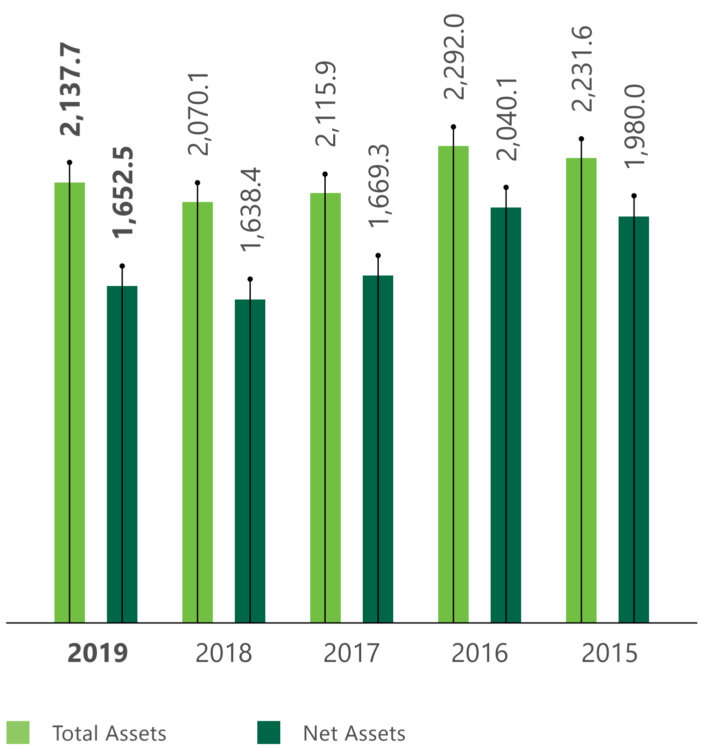
REVENUE
(RM'million)



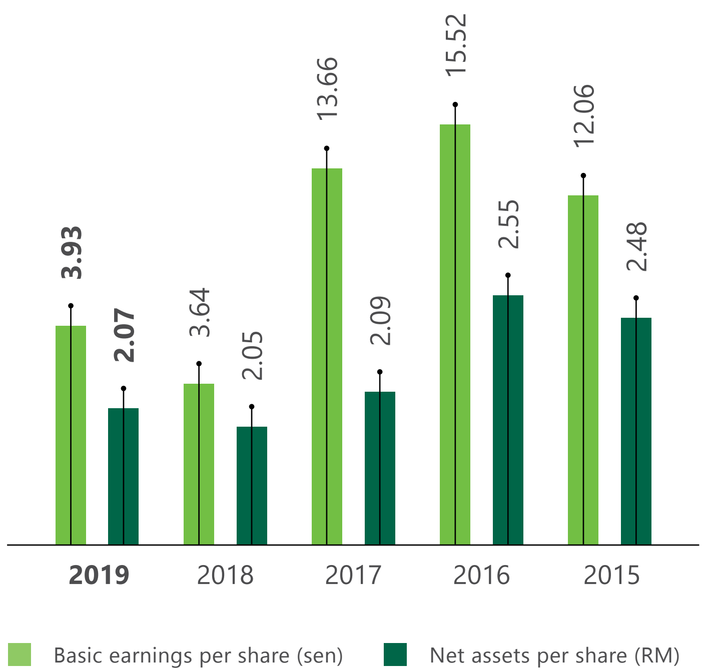
PROFIT BEFORE TAX
(RM'million)



TOTAL ASSETS/NET ASSETS
(RM'million)



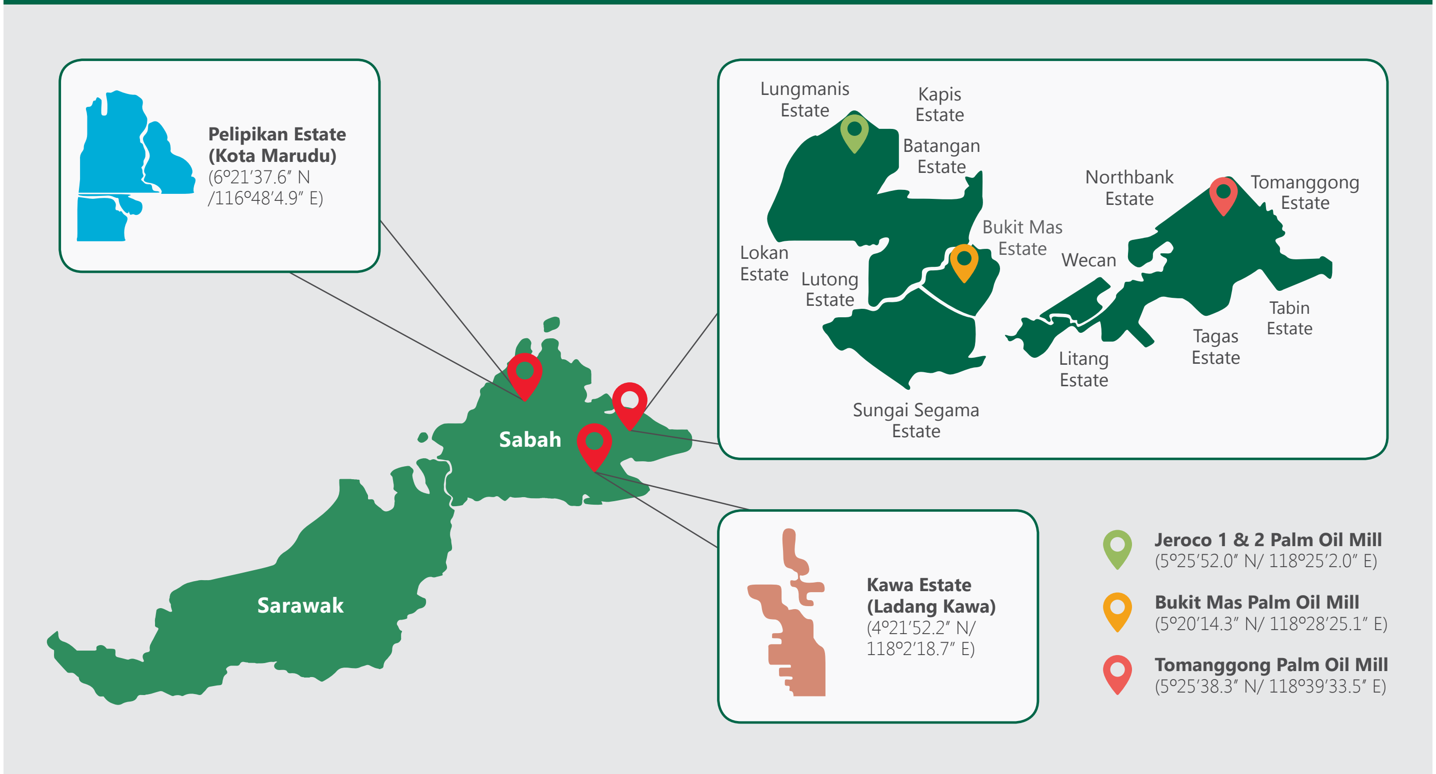
BASIC EARNINGS PER SHARE/ NET ASSETS PER SHARE



MANAGEMENT DISCUSSION AND 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.

PLANTATION OPERATIONS



MARKET CONDITION

Palm oil production for the year fell below market expectation. It was marginally higher by 1.8% to 19.86 million tonnes (2018: 19.52 million tonnes). Palm oil exports were higher for the year at 18.47 million tonnes (2018: 16.49 million tonnes) due to its price competitiveness over other vegetable oils. This led to a lower closing stock at 2.01 million tonnes at the end of 2019 (2018: 3.22 million tonnes).

Crude Palm Oil (CPO) price averaged at RM2,079 per tonne (2018: RM2,232 per tonne). The Sabah average CPO price was RM2,094 per tonne (2018: RM2,174 per tonne). Prices started to rally towards the last quarter of the year on the back of a major slowdown in palm oil production and growing demand.

MANAGEMENT STRATEGIES

Vision

The Group's vision is to achieve optimum productivity and to be the most cost-efficient producer in Malaysia.

Key Market

The Group sells its palm products generally through Spot Sales and Forward Contracts basis. Majority of the sales were locally delivered sales to refiners within Malaysia while a certain percentage of sales were exported on a free-on-board basis.

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 through methane capture in effluent treatment plant
- Improved compliance with regulatory requirements

Group Financial Information

REVENUE **RM418.6** million	**PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY** **RM31.4** million
PROFIT BEFORE TAX **RM36.6** million	**EARNINGS PER SHARE** **3.93** sen

2019 FINANCIAL REVIEW

The Group's revenue was 7.1% higher at RM418.6 million (2018: RM390.8 million) due to higher sales volume despite the lower average selling price of CPO and Palm Kernel (PK). Operating profit increased by 5.9% to RM39.4 million (2018: RM37.2 million).

Sales volume for CPO and PK was higher by 22% to 170,461 tonnes (2018: 139,691 tonnes) and 4.6% to 36,051 tonnes (2018: 34,452 tonnes) respectively. Our Group recorded an average realised price of CPO and PK of RM2,143 per tonne and RM1,311 per tonne respectively during the year, which was higher than the Sabah average of RM2,094 per tonne and RM1,175 per tonne respectively.

The Group performed better than the plantation industry average for Sabah, recording an average Fresh Fruit Bunches (FFB) production of 20.81 tonnes per hectare (2018: 20.45 tonnes per hectare) compared to Sabah's average FFB production of 17.66 tonnes per hectare.

CPO production cost (excluding amortisation of bearer plant and surplus on fair value of biological assets; and after taking into account PK credits) for the financial year was approximately 3.5% higher at RM1,482 per tonne (2018: RM1,432 per tonne) due to higher labour costs.

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 declared a total dividend of 2.5 sen per share for FY2019 (2018: 2.5 sen) representing a pay-out ratio of approximately 64%.

OPERATIONAL PERFORMANCE

Planting Operations

As at 31 December 2019, the Group had a total planted area of 35,957 hectares (2018: 35,957 hectares) out of a total area of 40,279 hectares. Of the total planted area, approximately 90% or 32,458 hectares (2018: 32,138 hectares) were mature areas, with the average age of 15.8 years (2018: 15.6 years).

	Hectares
Immature	3,499
30 months to 7 years	4,340
> 7 years to 17 years	9,794
> 17 years	18,324
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 FY2019, the Group had 3,499 hectares of immature of oil palm out of which 1,412 hectares are expected to mature in 2020. The Group replanted 1,105 hectares during the 2019 financial year.

Area Statement of the Group as of 31 December 2019 is as follows:

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of Mature area
JGOE(i)	14,117	*12,808	11,645	90.9%
TMGOE(ii)	12,806	**11,863	10,807	91.1%
SSGOE(iii)	9,907	8,743	7,317	83.7%
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	32,458	89.9%

(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 operations are 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, recorded an average utilisation rate of 69.2% in 2019 (2018: 68.8%).

SUSTAINABILITY AND FOOD SAFETY CERTIFICATION

The Group strives to ensure all FFB used in its production, including those derived externally, are certified to be sustainable. To this end, the Group targets to ensure all its FFB achieve RSPO certification by 2020.

The Group has obtained RSPO and International Sustainability and Carbon Certification EU (ISCC EU) certifications for most of its operations. In addition, the Group has obtained Malaysian Sustainable Palm Oil (MSPO) certification for all its 15 estates and four palm oil mills in 2018.

The Group continues to engage with independent local outgrowers and smallholders to raise sustainability awareness and the benefits associated therewith.

At the time of reporting, seven out of the 11 independent local outgrowers and smallholders (64%) participated in obtaining the RSPO and MSPO certification. Four independent local outgrowers and smallholders completed the RSPO and MSPO (Stage 1 and 2) audit in September/October 2019 while another three independent local outgrowers and smallholders underwent both RSPO and MSPO (Stage 1 and 2) audit in January 2020.

As part of the Group's effort to improve its palm products' marketability for food application, all the Group's mills are Hazard Analysis and Critical Control Points (HACCP) and HALAL certified.

SHORT & LONG-TERM GOALS

The various certifications obtained on RSPO, HACCP, MSPO, ISCC EU and HALAL are a testament to the Group's commitment to be a sustainable palm oil producer in compliance with global sustainability standards for agriculture production.

ANTICIPATED OR KNOWN RISKS

The oil palm industry is highly labour intensive and there has been a shortage of workers particularly for skilled harvesters. This poses a significant risk to the plantation business as any manpower shortage is disruptive to operations. To mitigate this, a regular review of the wage rate is carried out to ensure the Group's wage scale remains competitive. The Group has so far been able to attract Indonesian workers to work with the Group because of the Group's investments in amenities such as conducive modern living quarters, Humana schools, clinics, childcare centres and recreational facilities.

The Group recognises that security risk poses a significant threat to the Group's employees based in the palm oil estates and mills. Various initiatives are in progress including the planned setting up of auxiliary police at the estates, constructing perimeters fencing in the residential areas, installing GPS and CCTV at prominent locations and maintaining close rapport with the police force.

OUTLOOK FOR 2020

The Malaysian palm oil industry in 2020 is expected to be challenging. High palm oil stock, the EU policy on palm oil, labour shortage, higher wages and fluctuation in USD are expected to be ongoing challenges faced by the plantations industry. The Group will continue to optimise operational efficiencies to mitigate the effects of rising production costs.

The Group's prospect mostly depends on global macroeconomic factors which affect the palm oil market, weather conditions in major countries producing oil seeds, government policy on biodiesel and the seasonal cropping pattern of FFB. The recent COVID-19 pandemic has also caused a disruption in the global supply chain and affected both the demand and supply of palm oil.

In response to the COVID-19 pandemic, the Group has been implementing several measures to comply with the Movement Control Order (MCO) such as social distancing, regular body temperature checks and mandatory 14-day quarantine for all employees returning to the plantation. In addition, the Group has been complying with requirements from the Ministry of Primary Industry and Commodities and the Sabah state government in relations to its harvesting and milling operations.

ACKNOWLEDGEMENTS

The Company would like to express its gratitude and thanks to its Board of Directors and shareholders for their guidance and support. In particular, the Company would like to extend its utmost gratitude to Tan Sri Ahmad Bin Mohd Don who stepped down as our Independent Non-Executive Chairman on 29 May 2019, for his invaluable guidance and leadership. The Company would also like to thank Dato' Jorgen Bornhoft and Tan Sri Abdul Hamid Egoh, who have retired from the Board on 29 May 2019, for their years of dedicated service to the Company and Board.

The Company would also like to welcome Dato' Mohammed Bin Haji Che Hussein, who joined the Board as the Independent Non-Executive Chairman on 31 May 2019. In addition, the Company would also like to welcome Tan Sri Amirsham Bin A. Aziz and Datuk Jasa @ Ismail Bin Rauddah, who joined the Board as Independent Non-Executive and Non-Independent Non-Executive Directors respectively on 5 July 2019; and Mr Andrew John Barber, who joined the Board as an Independent Non-Executive Director on 24 February 2020.

The Company would like to extend its condolences to the family of our late Independent Non-Executive Director, Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan, who passed away during the year.

The Company would also like to thank the management and staff for their significant contributions over the years and further acknowledges the support given to the Group from its bankers, business partners, clients, customers and suppliers as we continue to create value for all stakeholders.

BOARD OF DIRECTORS

Sitting from left to right

1 **CHEAH YEE LENG**
Executive Director

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

3 **DATO' MOHAMMED BIN HAJI CHE HUSSEIN**
Independent Non-Executive Chairman

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

5 **LEE WEE YONG**
Executive Director

Standing from left to right

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

7 **ANDREW JOHN BARBER**
Independent Non-Executive Director

8 **DATUK JASA @ ISMAIL BIN RAUDDAH**
Non-Independent Non-Executive Director

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

10 **TAN SRI AMIRSHAM BIN A AZIZ**
Independent Non-Executive Director

11 **AU YONG SIEW FAH**
Executive Director

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

DATO' MOHAMMED BIN HAJI CHE HUSSEIN

Independent Non-Executive Chairman

Dato' Mohammed Bin Haji Che Hussein, male, a Malaysian, aged 69, is an independent non-executive chairman of Hap Seng Plantations Holdings Berhad and was appointed to this position on 31 May 2019. He is also a member of the Audit Committee, Remuneration Committee and Nominating Committee.

Dato' Mohammed Hussein is also the independent non-executive chairman of Gamuda Berhad and Syarikat Takaful Malaysia Keluarga Berhad as well as an independent non-executive director of Tasek Corporation Berhad, Bank of America Malaysia Berhad, Credit Guarantee Corporation Malaysia Berhad, and CapitaLand Malaysia Mall REIT Management Sdn Bhd which manages CapitaLand Malaysia Mall Trust, a real estate investment trust listed on Main Market of Bursa Malaysia Securities Berhad. In addition, he is also the chairman of Corporate Debt Restructuring Committee (CDRC) sponsored by Bank Negara Malaysia to facilitate the resolution and restructuring of major corporate debts and a Fellow of the Asian Institute of Chartered Bankers.

Dato' Mohammed Hussein obtained a Bachelor of Commerce degree majoring in Accounting from the University of Newcastle, New South Wales, Australia. He is an alumnus of the Advanced Management Program, Harvard Business School, Boston, USA and attended several management programmes in Wharton Business School (Philadelphia, USA), IMD (Lausanne, Switzerland) and INSEAD (Fontainebleau, France).

During his 31-year career in the Malayan Banking Berhad (Maybank) Group, Dato' Mohammed Hussein held various senior management positions including Head of Corporate Banking, Head of Commercial Banking, Head of Malaysian Operations, Managing Director of Aseambankers Malaysia Berhad (currently known as Maybank Investment Bank Berhad) and Executive Director (Business Group). The last position held prior to his retirement on 30 January 2008 was Deputy President/Executive Director/ Chief Financial Officer of Maybank Group.

Dato' Mohammed Hussein 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 ending 31 December 2019.

He attended all the 2 board meetings held subsequent to his appointment to the Board on 31 May 2019 during the financial year ended 31 December 2019.

DATUK SIMON SHIM KONG YIP, JP

Non-Independent Non-Executive Deputy Chairman

Datuk Simon Shim Kong Yip, JP, male, a Malaysian, aged 63, 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 23 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 2019.

He attended 3 out of the 5 board meetings held during the financial year ended 31 December 2019.

DATUK EDWARD LEE MING FOO, JP

Managing Director

Datuk Edward Lee Ming Foo, JP, male, a Malaysian, aged 65, 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 23 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 2019.

He attended all the 5 board meetings held during the financial year ended 31 December 2019.

LEE WEE YONG

Executive Director

Lee Wee Yong, a Malaysian, male, aged 72, 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 2019.

He attended 3 out of the 5 board meetings held during the financial year ended 31 December 2019.

CHEAH YEE LENG

Executive Director

Cheah Yee Leng, female, a Malaysian, aged 51, 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.

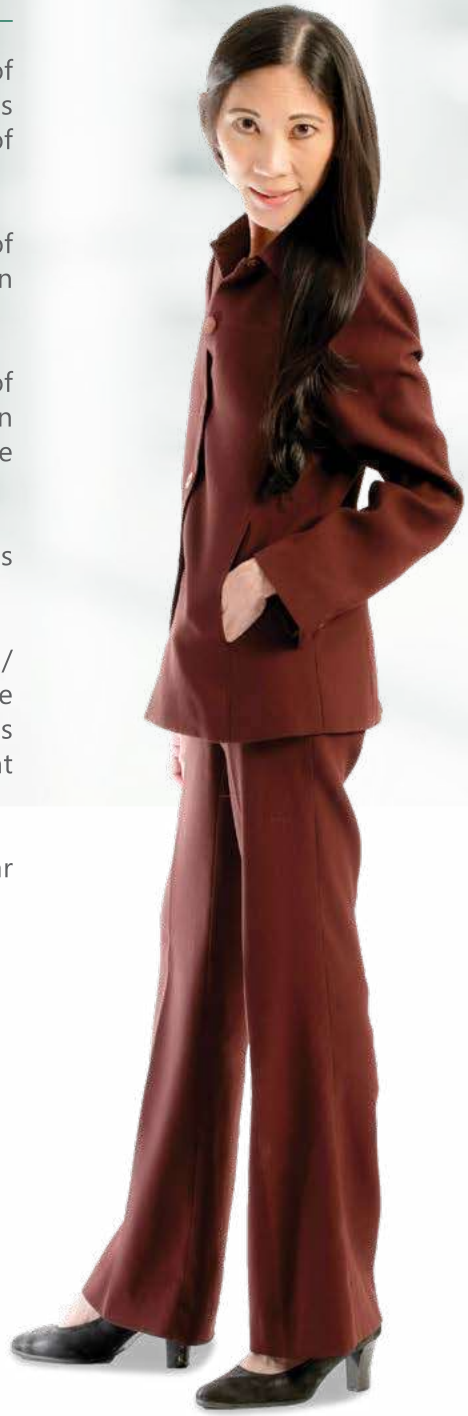
In addition, Ms. Cheah is a non-independent non-executive director of Paos Holdings Berhad and Hafary Holdings Limited, a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

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 2019.

She attended all the 5 board meetings held during the financial year ended 31 December 2019.



AU YONG SIEW FAH

Executive Director

Au Yong Siew Fah, male, a Malaysian, aged 69, 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 50 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 2019.

He attended all the 5 board meetings held during the financial year ended 31 December 2019.

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 70, 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 the chairman 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 2019.

He attended all the 5 board meetings held during the financial year ended 31 December 2019.

CHONG KWEA SENG

Independent Non-Executive Director

Chong Kwea Seng, male, a Malaysian, aged 65, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 1 June 2017. He is also the chairman of the Nominating Committee.

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 2019.

He attended all the 5 board meetings held during the financial year ended 31 December 2019.

CHOY KHAI CHOON

Independent Non-Executive Director

Choy Khai Choon, male, a Malaysian, aged 62, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 20 November 2017. He is also a member of the Audit Committee.

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, MSM Malaysia Holdings Berhad, Deutsche Bank (Malaysia) Berhad, Zurich General Insurance 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 as well as a public interest director of Federation of Investment Managers 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 2019.

He attended 4 out of the 5 board meetings held during the financial year ended 31 December 2019.

TAN SRI AMIRSHAM BIN A AZIZ

Independent Non-Executive Director

Tan Sri Amirsham Bin A Aziz, male, a Malaysian, aged 69, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 5 July 2019. He is also the chairman of the Audit Committee.

Tan Sri Amirsham is also the independent non-executive director of CapitaLand Limited, a company incorporated in Singapore and listed on the Mainboard of the Singapore Exchange Securities Trading Limited and Wearnes-StarChase Limited, a company incorporated in Singapore. In addition, he is an independent non-executive chairman of RAM Holdings Berhad and RAM Rating Services Berhad.

Tan Sri Amirsham holds degree in Bachelor of Economics (Hons) from University of Malaya. He is a member of the Malaysian Institute of Certified Public Accountants.

Tan Sri Amirsham was the president and chief executive officer of Malayan Banking Berhad from 1994 to 2008 before assuming the position as a minister in Prime Minister's Department in charge of the Economic Planning Unit and Department of Statistics from March 2008 to April 2009. On 1 June 2009, he was appointed as the chairman of the National Economic Advisory Council which he served until 31 May 2011. In addition, he served as the independent non-executive chairman of Bursa Malaysia Berhad from 1 March 2015 to 1 March 2019.

Tan Sri Amirsham 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 2019.

He attended all the 2 board meetings held subsequent to his appointment to the Board on 5 July 2019 during the financial year ended 31 December 2019.

DATUK JASA @ ISMAIL BIN RAUDDAH

Non-Independent Non-Executive Director

Datuk Jasa @ Ismail Bin Rauddah, male, a Malaysian, aged 61, is a non-independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 5 July 2019.

Datuk Jasa is also a director of Malaysia Co-Operative Societies Commission.

Datuk Jasa is the London Chamber of Commerce and Industry (LCCI) holder.

Datuk Jasa was the chairman of Koperasi Kemajuan Perikanan dan Nelayan Sabah (Ko-Nelayan). In addition, he served as a member of Sabah State Legislative Assembly from 1999 to 2008 and was a director of Felcra Berhad from 2003 to 2008.

Datuk Jasa 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 2019.

He attended all the 2 board meetings held subsequent to his appointment to the Board on 5 July 2019 during the financial year ended 31 December 2019.

ANDREW JOHN BARBER

Independent Non-Executive Director

Andrew John Barber, male, a British, aged 61, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 24 February 2020.

Mr. Barber is also the managing director and proprietor of Andrew Barber & Associates Sdn Bhd as well as the executive chairman and co-proprietor of Barber-Mullan & Associates Sdn Bhd.

Mr. Barber started his career in British Foreign and Commonwealth Office. During his 20-year employment with the Diplomatic Service, Mr. Barber focused on security affairs, in particular in South and South East Asia and Africa. A secondment to the British Cabinet Office resulted in a period spent working on high-level security analysis and policy. After leaving government service, in 2011 Mr. Barber joined the International Federation of Spirit Producers and was its Managing Director from 2015 until 2018.

Mr. Barber holds a Master's Degree in History from Cambridge University, United Kingdom, and is a Fellow of the Royal Asiatic Society.

Mr. Barber 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 2019.

He did not attend any board meetings held during the financial year ended 31 December 2019 as he was appointed to the board subsequent to the financial year end.

MAK WAI MING

General Manager – Finance

Mak Wai Ming, male, a Malaysian, aged 56, 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 2019.

PETER LIEW CHI KIAW

General Manager – Plantation Advisory

Peter Liew Chi Kiaw, male, a Malaysian, aged 68, 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 2019.

ANSELMIUS @ ROBERT KIMON

General Manager – Processing

Anselmius @ Robert Kimon, male, a Malaysian, aged 51, 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 2019.

GAN LU YEE

Financial Controller - Plantations

Gan Lu Yee, male, a Malaysian, aged 43, 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.

Currently, Mr. Gan holds 30,000 HSP shares.

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 2019.

KEE KEOW CHONG

General Manager – Agronomy

Kee Keow Chong, male, a Malaysian, aged 45, 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 2019.

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 Audit, Nominating and Remuneration 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 2019 except for the following:

- Practice 4.1 (At least half of the board comprises independent 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); 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 and senior management.

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 and sustainability report. Attendance of the Board meetings and Board Committees meetings during the financial year ended 31 December 2019 is outlined below:

Director	Board	AC	RC	NC
Dato' Mohammed Bin Haji Che Hussein [1]	2/2*	2/2	1/1	-#
Datuk Simon Shim Kong Yip, JP	3/5		0/1	2/2
Datuk Edward Lee Ming Foo, JP	5/5			
Lee Wee Yong	3/5			
Cheah Yee Leng	5/5			
Au Yong Siew Fah	5/5			
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP[2]	5/5		1/1	
Chong Kwea Seng[3]	5/5			-#
Choy Khai Choon[4]	4/5	1/2		
Tan Sri Amirsham Bin A Aziz[5&6]	2/2*	-#		
Datuk Jasa @ Ismail Bin Rauddah[5]	2/2*			
Andrew John Barber[7]	-#			
Tan Sri Ahmad Bin Mohd Don[8]	3/3	3/3	-@	2/2
Dato' Jorgen Bornhoft[8]	2/3	2/3		1/2
Tan Sri Abdul Hamid Egoh[9]	2/3			
Late Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan[10]	5/5	5/5		

● Board/Board Committee Chairman ● Member

[1] *Appointed as chairman of the Board and as a member of AC, RC & NC w.e.f. 31 May 2019.*
[2] *Redesignated as chairman of the RC w.e.f. 31 May 2019.*
[3] *Appointed as chairman of the NC and senior independent director w.e.f. 31 May 2019.*
[4] *Appointed as a member of AC w.e.f. 31 May 2019.*
[5] *Appointed to the Board w.e.f. 5 July 2019.*
[6] *Appointed as chairman of the AC w.e.f. 24 February 2020.*
[7] *Appointed to the Board w.e.f. 24 February 2020.*
[8] *Resigned on 29 May 2019.*
[9] *Resigned on 1 June 2019.*
[10] *Demised on 24 November 2019*
* *There were 2 meetings held subsequent to his appointment*
\# *There were no meetings held subsequent to his appointment.*
@ *There were no meetings held prior to his resignation.*

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.

The composition of the respective Board Committees meets the independence criteria outlined in Main Market Listing Requirements and MCCG 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.

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.

During the year the AC 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 AC.

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 as well as corporate liability as set out under Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("MACC Amendment Act 2018"). 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. 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.

The Group has developed the anti-bribery and corruption policy ("Anti-Bribery and Corruption Policy") to establish, maintain, enforce and review the anti-corruption compliance programme periodically to adequately address the corruption risks pursuant to Section 17A of the MACC Amendment Act 2018. This would help to prevent acts of bribery and corruption throughout the organization and parties who work for and associated with the HSP Group. The Anti-Bribery and Corruption Policy is available on the Company's website.

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, as well as the commercial sensitivity of certain information.

Conduct of General Meetings

Annual general meeting ("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.

The Company had yet to facilitate the shareholders' participation and voting remotely during the 12th AGM held on 29 May 2019 as the Board was of the view that a physical shareholders' meeting was more effective and conducive to forge an in-person engagement with shareholders and proxies.

As part of the Company's commitment to adhere strictly the social distancing rules, the forthcoming AGM will be conducted by way of a full virtual meeting. Pursuant to clause 77 of the Company's constitution, general meetings may be held at more than one venue using any technology that enables the members to participate and to exercise the members' rights to speak and vote at the meeting. Shareholders can therefore participate in the AGM remotely, including submission of questions for response prior to remote voting. The cast votes during the AGM will be validated by the appointed scrutineer, GovernAce Advisory & Solutions Sdn Bhd at the AGM.

As recommended by MCCG, 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 2019 are as follows:

Independence of the Board and Board Committees

During the year, Dato' Mohammed Bin Haji Che Hussein was appointed as the new independent non-executive chairman on 31 May 2019 succeeding Tan Sri Ahmad Bin Mohd Don who had served to the Board for almost 12 years. Dato' Mohammed Bin Haji Che Hussein was appointed as a member of the AC, RC and NC on the same date.

Dato' Jorgen Bornhoft, an independent non-executive director also resigned from the Board upon conclusion of the AGM held on 29 May 2019 as he had served the Board for almost 12 years.

The Board welcomed Tan Sri Amirsham Bin A Aziz as an independent non-executive director and Datuk Jasa @ Ismail Bin Rauddah as a non-independent non-executive director during the year. Datuk Jasa @ Ismail Bin Rauddah replaced Tan Sri Abdul Hamid Egoh as the corporate representative of Innoprise Corporation Sdn Bhd, a substantial shareholder, holding 15% of the equity interest of the Company.

The Board Committees were re-organized during the year with Mr. Choy Khai Choon appointed as a member of AC, Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir redesignated as the chairman of RC and Mr. Chong Kwea Seng as the senior independent director and chairman of NC.

The Board wish to record its appreciation to the Late Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan, an independent non-executive director who passed away on 24 November 2019 after having served to the Board for almost 9 years.

During the 1st-quarter of 2020, Tan Sri Amirsham Bin A Aziz was appointed as chairman of the AC and with the appointment of Mr. Andrew John Barber as an independent non-executive director, the board composition complied with the Practice 4.1 of MCCG that at least half of board comprises independent directors.

None of the independent directors of the Company have held the position for a term exceeding 9 years.

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. The information was up-to-date with 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.

The list of training programmes were attended by the Board members during the financial year ended 31 December 2019 are outlined below:

Name	Programme title	Date
Dato' Mohammed Bin Haji Che Hussein	Maybank Investment Bank's "Virtual Banking: Transforming Malaysia's Banking Landscape"	27 June 2019
	Artificial Intelligence and Its Role in FIs	24 July 2019
	Bank of America Berhad Board of Directors Training on Lines of Business (Corporate Banking & Global Transaction Services (GTS))	26 July 2019
	Digital Upskilling for Boards	5 August 2019
	Talk by MACC – Enhancing Corporate Governance by Understanding Legal Liabilities – "Act or Resign"	23 August 2019
	Malaysia Macro and Equity Outlook	29 August 2019
	Financial Institutions Directors' Education: Session with Bank Negara Malaysia on Fintech & Innovation	19 September 2019
	Strategic Readiness of CapitaLand Malaysia Mall Trust Board in The Age of Digital Disruption	24 October 2019
	Training on Lines of Business (Global Vendor Finance)	25 October 2019
	Permodalan Nasional Berhad Corporate Summit "Rebooting Corporate Malaysia"	30 October 2019
	The Thirty-Third Sultan Azlan Shah Law Lecture Series: International Commerce: Mapping the Law in a Borderless World by The Right Honourable The Lord Briggs of Westbourne	5 November 2019
	MACC Act (Section 17A)	20 November 2019
Datuk Simon Shim Kong Yip, JP	Malaysia Macro and Equity Outlook	29 August 2019
	The 37th Cambridge International Symposium on Economic Crimes of which Datuk Simon was one of the speakers	1-8 September 2019
Datuk Edward Lee Ming Foo, JP	Global Outlook Amidst Clashing Economic Tectonic Plates	8 August 2019
	Malaysia Macro and Equity Outlook	29 August 2019
	MACC Act (Section 17A)	20 November 2019
Lee Wee Yong	MFRS 16, Leases (Run 8)	19 September 2019
	Tax and Business Summit 2019	30 October 2019
	Budget 2020 Proposals Briefing	14 November 2019
	MACC Act (Section 17A)	20 November 2019

Name	Programme title	Date
Cheah Yee Leng	2nd Annual General Counsel and Company Secretary	18-19 July 2019
	Listing Requirements Chapter 10 Transactions – Tackling Practical Issues	1 August 2019
	Malaysia Macro and Equity Outlook	29 August 2019
	MIA's Directors' Dialogue with Jonathan Labrey on Integrated Reporting	11 September 2019
	Briefing on Corporate Liability under the Malaysian Anti-Corruption Commission Act 2009, Adequate Procedures and ISO 37001 Anti-Bribery Management System Certification	21 October 2019
	Corporate Governance & Anti-Corruption	31 October 2019
	MACC Act (Section 17A)	20 November 2019
Au Yong Siew Fah	MPOB -Palm Oil Economic Review and Outlook (R&O) Seminar 2019	17 January 2019
	Malaysia Macro and Equity Outlook	29 August 2019
	RSPO R17 Conference	5-6 November 2019
	MACC Act (Section 17A)	20 November 2019
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	MACC Act (Section 17A)	20 November 2019
Chong Kwea Seng	Independent Directors' Programme: "The Essence of Independence"	27 June 2019
	Demystifying The Diversity Conundrum: The Road to Business Excellence	5 July 2019
	Avoiding Competition Law Violations - Formulating An Effective Compliance Policy	17 July 2019
	Malaysia Macro and Equity Outlook	29 August 2019
	MACC Act (Section 17A)	20 November 2019

Name	Programme title	Date
Choy Khai Choon	Introduction of Shariah & Takaful and Shariah Governance Framework	7 March 2019
	FIDE FORUM Dinner Talk: Digital Assets: Global Trends Legal Requirements and Opportunities for Financial Institutions	26 March 2019
	PWC briefing on Digitisation	29 March 2019
	Constructing and Financing Affordable Housing Across Asia	2-3 April 2019
	BNM-FIDE FORUM Dialogue with the Deputy Governor on the Draft Risk Management in Technology Policy	8 April 2019
	FIDE FORUM - 2nd Distinguished Board Leadership Series: Rethinking Strategy	23 April 2019
	MISC Annual Planning Forum	26 June 2019
	Bursa Malaysia Thought Leadership: The Convergence of Digitisation and Sustainability	23 August 2019
	Malaysia Macro and Equity Outlook	29 August 2019
Tan Sri Amirsham Bin A Aziz	MACC Act (Section 17A)	20 November 2019
Datuk Jasa @ Ismail Bin Rauddah	Malaysia Macro and Equity Outlook	29 August 2019
	MACC Act (Section 17A)	20 November 2019
Dato' Jorgen Bornhoft (Resigned on 29 May 2019)	MIA's Engagement Session with Audit Committee Members on Integrated Reporting	30 April 2019
Late Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan (Demised on 24 November 2019)	MIA's Engagement Session with Audit Committee Members on Integrated Reporting	30 April 2019
	Cyber Security in the Boardroom - Accelerating from Acceptance to Action	27 June 2019
	Malaysia Macro and Equity Outlook	29 August 2019

Tan Sri Ahmad Bin Mohd Don and Tan Sri Abdul Hamid Egoh resigned on 29 May 2019 and 1 June 2019 respectively.

Corporate Governance Priorities (2020 and Beyond)

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

Short term plan (one year)

Board Independence

Currently, the 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 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.

AUDIT COMMITTEE REPORT

Members of the Audit Committee

Tan Sri Amirsham Bin A Aziz	(Independent Non-Executive Director) - Chairman - Appointed on 24 February 2020
Dato' Mohammed Bin Haji Che Hussein	(Independent Non-Executive Director) - Appointed on 31 May 2019
Mr. Choy Khai Choon	(Independent Non-Executive Director) - Appointed on 31 May 2019
Tan Sri Ahmad Bin Mohd Don	(Independent Non-Executive Director) - Resigned on 29 May 2019
Dato' Jorgen Bornhoft	(Independent Non-Executive Director) - Resigned on 29 May 2019
Late Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	(Independent Non-Executive Director) - Chairman - Demised on 24 November 2019

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 2019, 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 28 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

The works of the Audit Committee during the financial year ended 31 December 2019 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 15 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.

- 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 Main Market Listing Requirements of the Bursa Malaysia Securities Berhad 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

Summary of works of the internal audit function for the financial year ended 31 December 2019 are set out in the Statement on Risk Management and Internal Control on pages 43 to 48 of this annual report.

NOMINATING COMMITTEE REPORT

Members of the Nominating Committee

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

Mr. Chong Kwea Seng	(Independent Non-Executive Director) - Chairman - Appointed on 31 May 2019
Dato' Mohammed Bin Haji Che Hussein	(Independent Non-Executive Director) - Appointed on 31 May 2019
Datuk Simon Shim Kong Yip, JP	(Non-Independent Non-Executive Director)
Dato' Jorgen Bornhoft	(Independent Non-Executive Director) - Chairman - Resigned on 29 May 2019
Tan Sri Ahmad Bin Mohd Don	(Independent Non-Executive Director) - Resigned on 29 May 2019

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 2019, 2 meetings were held. Details of the attendance of each member of Nominating Committee are set out in the Corporate Governance Overview Statement on page 28 of this annual report.

Summary of Activities of the Nominating Committee

The activities of the Nominating Committee for the financial year 2019 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.

- 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.

- 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 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.

- Reviewed and recommended to the Board on the appointment of Dato' Mohammed Bin Haji Che Hussein as an independent non-executive director and chairman after taking into consideration his experience, competency, skill, time commitment and potential contribution to the Company.

- Reviewed and recommended to the Board on the appointment of Dato' Mohammed Bin Haji Che Hussein and Mr. Choy Kai Choon as members of Audit Committee in place of Tan Sri Ahmad Bin Mohd Don and Dato' Jorgen Bornhoft.

- Reviewed and recommended to the Board on the redesignation of Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir as chairman of Remuneration Committee in place of Tan Sri Ahmad Bin Mohd Don and appointment of Dato' Mohammed Bin Haji Che Hussein as a member of Remuneration Committee.

- Reviewed and recommended to the Board on the appointment of Mr. Chong Kwea Seng as chairman of Nominating Committee and the senior independent director in place of Dato' Jorgen Bornhoft as well as the appointment of Dato' Mohammed Bin Haji Che Hussein as a member of Nominating Committee in place of Tan Sri Ahmad Bin Mohd Don.

- Reviewed and recommended to the Board on the appointment of Tan Sri Amirsham Bin A Aziz as an independent non-executive director after taking into consideration his experience, competency, skill, time commitment and potential contribution to the Company.

- Reviewed and recommended to the Board on the nomination of Datuk Jasa @ Ismail Bin Rauddah by Innoprise Corporation Sdn Bhd, a substantial shareholder, holding 15% of the equity interest of the Company be appointed as a non-independent non-executive director after taking into consideration his experience, competency, skill, time commitment and potential contribution to the Company.

The activities carried out by the Nominating Committee during the meeting held on 24 February 2020 are summarised below:

- Reviewed and recommended to the Board on the appointment of Mr. Andrew John Barber as an independent non-executive director after taking into consideration his experience, competency, skill, time commitment and potential contribution to the Company. Pursuant to clause 122 of the Company's constitution, Mr. Andrew John Barber would stand for re-election at the forthcoming annual general meeting ("AGM").

- Reviewed and recommended to the Board on the appointment of Tan Sri Amirsham Bin A Aziz as chairman of Audit Committee.

- 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) Ms. Cheah Yee Leng;
  (ii) Mr. Au Yong Siew Fah; and
  (iii) Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP.

- Evaluated the performance of the following directors standing for re-election pursuant to clause 122 of the Company's constitution at the forthcoming AGM:

  (i) Dato' Mohammed Bin Haji Che Hussein;
  (ii) Tan Sri Amirsham Bin A Aziz; and
  (iii) Datuk Jasa @ Ismail Bin Rauddah.

REMUNERATION COMMITTEE REPORT

Members of the Remuneration Committee

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

Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	(Independent Non-Executive Director) - Chairman - Redesignated as Chairman on 31 May 2019
Dato' Mohammed Bin Haji Che Hussein	(Independent Non-Executive Director) - Appointed on 31 May 2019
Datuk Simon Shim Kong Yip, JP	(Non-Independent Non-Executive Director)
Tan Sri Ahmad Bin Mohd Don	(Independent Non-Executive Director) - Chairman - Resigned on 29 May 2019

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*.

Meetings

During the financial year ended 31 December 2019, 1 meeting was held. Details of the attendance of each member of Remuneration Committee are set out in the Corporate Governance Overview Statement on page 28 of this annual report.

Summary of Activities of the Remuneration Committee

The activities of the Remuneration Committee during the financial year ended 31 December 2019 are summarised below:

- Reviewed the remuneration policy of the executive directors and senior management as well as the industry forecast for 2019/2020 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 and senior management personnel are adequately incentivised and remunerated to encourage enhanced performance.

- Reviewed and recommended to the Board, the proposed bonus of executive directors and senior management for the financial year ended 31 December 2019 and their respective proposed increments for the financial year commencing from 1 January 2020 based on the remuneration policy of the Company and industry forecast for 2019/2020.

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 2019 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.

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 executives lead 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.

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 RM1.02 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 15 internal audit reports to the Audit Committee which encompassed identification and assessment of business risks.

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 38 to 42 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 collectively 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 2019, 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.

STRENGTHENING OUR SUSTAINABILITY PRACTICES

In 2019, the Group's focus was on strengthening our sustainability practices. Significant efforts and resources were committed for the cause despite the challenging economic conditions.

This can be seen with the introduction of new and updated policies that included HALAL, MSPO, equal opportunity, labour policy for foreign workers, freedom of association and collective bargaining as well as the sustainable agriculture policy. These policies are meant to guide and strengthen our sustainability practices.

Significant resources were also invested to support the independent local outgrowers and smallholders within our supply chain to achieve RSPO and MSPO certifications. This effort will uplift our traceability target, and enable us to meet our ultimate goal of producing 100% RSPO certified fresh fruit bunch including from our external suppliers.

Our effort has been fruitful as we were able to convince seven out of the 11 independent local outgrowers and smallholders (64%) to participate in obtaining the RSPO and MSPO certifications, at the time of reporting. So far, three independent local outgrowers and smallholders had completed the RSPO and MSPO (Stage 1 and 2) audits in September/October 2019 while another four independent local outgrowers and smallholders had undergone both RSPO and MSPO (Stage 1) audits as at January 2020.

In the area of reporting, we are very happy to note that significant progress have been made since our inaugural sustainability report in 2015. Our 2018 sustainability report was recognised by the EU-Malaysia Chamber of Commerce & Industry (EUMCCI) as the Best Sustainability report on 28 November 2019 when we were awarded the Europa Awards for Best Sustainability Reporting. The EUMCCI stated that the awards was in recognition of companies that have shown exemplary business excellence in the field of sustainability and contributed to the long-term benefit of Malaysian society and economy.

As always, our success depends on the commitment and collective effort of our people and Hap Seng Plantations would like to sincerely record our thanks to each and every employee for helping us to continue our sustainability journey. Ultimately, it is our action that defines our commitment on sustainability.

SUSTAINABILITY HIGHLIGHTS 2019

SUSTAINABILITY ACHIEVEMENTS 2019

Launched
HALAL
Policy

Launched
updated
Sustainable Agriculture Policy,
Equal Opportunity Policy,
Freedom of Association and Right to Collective Bargaining Policy,
Labour Policy for Foreign Workers
and MSPO Policy

Zero
fatalities

50%
reduction
in lost time accidents since 2014

Amongst earliest to obtain **MSPO Supply Chain Certification Standard (MSPO SCCS)** for all mills

Obtained **HALAL certification** for all mills

Assisted **two neighbouring independent local outgrowers/ smallholders** to obtain **RSPO and MSPO certifications**

Recognised by **EUMCCI** for **Best Sustainability Reporting** at the **EUROPA Awards 2019**

Reduced GHG emissions intensity to **1.08 tonnes CO_2e/tonne Crude Palm Oil**, ahead of target timeline of 2021

TRACKING PROGRESS ON OUR COMMITMENTS

Year		Status
2015	• All mills RSPO certified	ACHIEVED
	• Establish a GHG baseline	ACHIEVED
	• Increase FFB yields to 22 tonnes per hectare	NOT ACHIEVED* **(reset target to 2021)**
	• Complete a biodiversity baseline study	ACHIEVED
	• No increase in lost time accident rate	ACHIEVED
	• Zero fatalities	ACHIEVED
2016	• ISCC EU certification of all mills	ACHIEVED
	• Complete guidelines on biodiversity management at landscape level using an HCV approach	ACHIEVED
	• Develop a GHG emissions reduction plan	ACHIEVED
2017	• Reduce BOD level to 20 ppm for JPOM	ACHIEVED
	• HACCP certification of all mills	ACHIEVED
	• Increase CPO extraction rate to 22.5%	NOT ACHIEVED* **(reset target to 2021)**
	• MSPO certification of Pelipikan Estate	ACHIEVED
	• Reduce GHG emissions intensity to between 1.5 to 2.0 tonnes CO_2e/ tonne Crude Palm Oil	ACHIEVED
2018	• MSPO certification of all estates and mills	ACHIEVED
2019	• RSPO & MSPO certifications of 50% of JPOM 2's external FFB	NOT ACHIEVED* **(reset target to 2020)**
	• Reduce BOD level to 20 ppm for BPOM	NOT ACHIEVED* **(reset target to 2021)**
2020	• Reduce BOD level to 20 ppm for TPOM	ACHEIVED IN 2017
	• 70% reduction of COD level at anaerobic treatment for JPOM & BPOM	IN PROGRESS
	• Biogas facilities with methane capture for all mills	IN PROGRESS
2021	• Reduce GHG emissions intensity to between 1.0 to 1.5 tonnes CO_2e/ tonne Crude Palm Oil	ACHIEVED IN 2018
2022	• RSPO & MSPO certifications of 100% external FFB of JPOM 2 and TPOM • 70% reduction of COD level at anaerobic treatment for TPOM • Reduce GHG emissions intensity to below 1.0 tonnes CO_2e/tonne Crude Palm Oil	IN PROGRESS

* *For the past few years, our yields have been impacted by the El Niño climatic phenomenon. We feel that the new target will allow us time to re-strategise and achieve our target.*

RSPO	-	Roundtable on Sustainable Palm Oil	HACCP	-	Hazard Analysis & Critical Control Points
FFB	-	Fresh Fruit Bunch	BOD	-	Biological Oxygen Demand
ISCC	-	International Sustainability & Carbon Certification	COD	-	Chemical Oxygen Demand
			JPOM 1	-	Jeroco Palm Oil Mill 1
HCV	-	High Conservation Values	JPOM 2	-	Jeroco Palm Oil Mill 2
GHG	-	Greenhouse Gas	TPOM	-	Tomanggong Palm Oil Mill
CPO	-	Crude Palm Oil	PPM	-	Parts Per Million
MSPO	-	Malaysian Sustainable Palm Oil	BPOM	-	Bukit Mas Palm Oil Mill

STRENGTHENING OUR SUSTAINABILITY PRACTICES

SUSTAINABILITY AT HAP SENG PLANTATIONS

At Hap Seng Plantations, we believe that our approach to sustainability provides assurance to our business partners and our community that we will always strive to achieve a long-term balance between social, economic and environmental objectives. It is this approach that forms the basis of our business model.

OUR SUSTAINABILITY GOAL

Become sustainable and capable of producing 100% certified sustainable palm oil (CSPO) and certified sustainable palm kernel oil (CSPK) by 2022 (both internal & external)

SUSTAINABILITY PRINCIPLES, COMMITMENTS AND VALUES

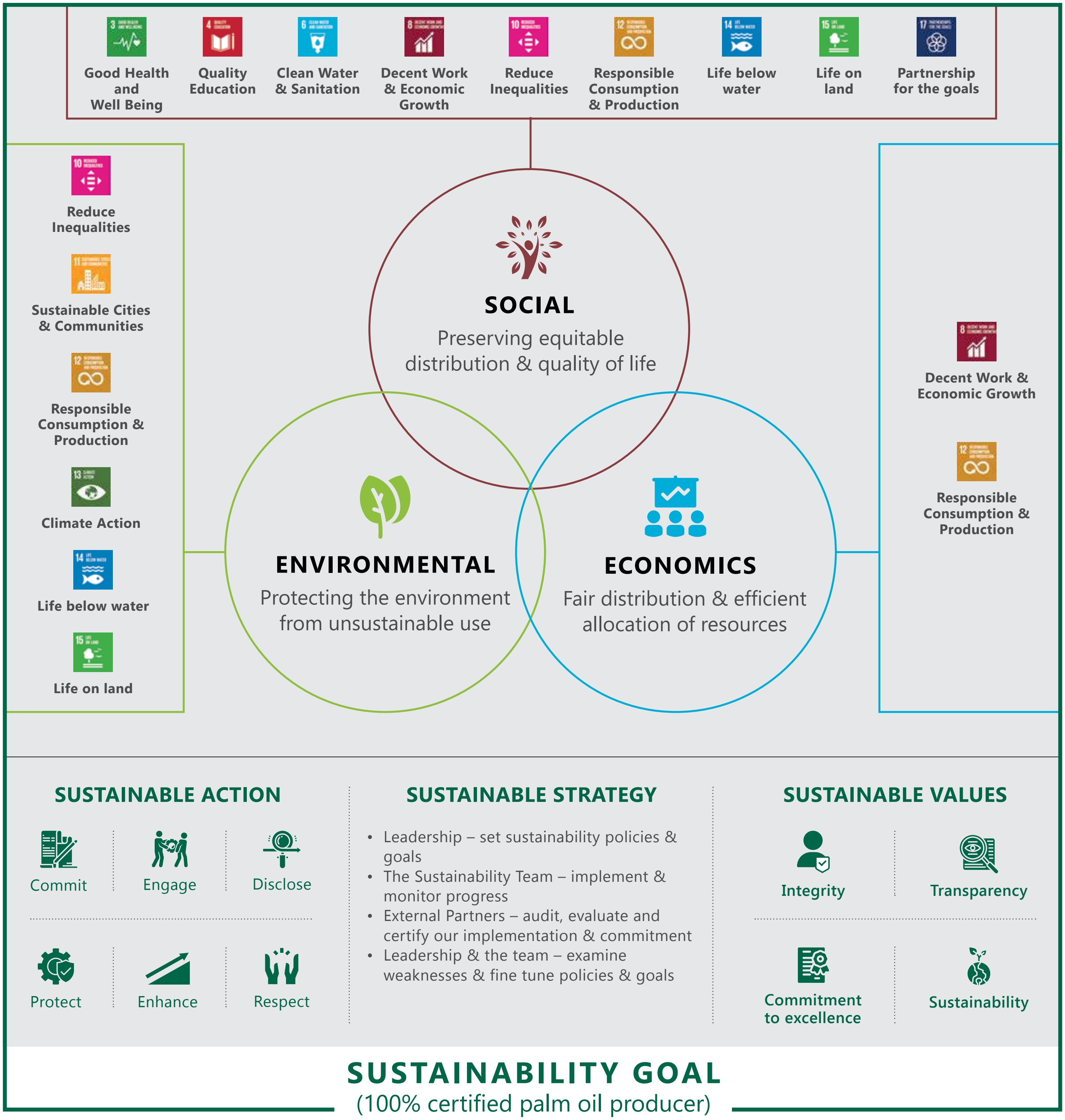
Elements of sustainability have long been embedded in the operations of Hap Seng Plantations. These include our early adoption of RSPO and MSPO certifications, and our longstanding implementation of good agricultural practices, such as our strict zero-burning policy.

These elements form the basis of our sustainability principles, commitments and values.

Sustainability Principles	Commitments	Values
ECONOMIC GROWTH	• Improve operational efficiency & productivity	Integrity
ENVIRONMENTAL PROTECTION	• No deforestation, including commitments to protect High Conservation Value (HCV) / High Carbon Stock (HCS) areas, zero burning and GHG reduction • Protection of peat areas	Transparency
MUTUALLY BENEFICIAL RELATIONSHIPS WITH THE COMMUNITY	• Enhance livelihoods, promote mutual respect, adhere to human rights, respect and support land tenure rights and the rights of indigenous and local communities	Commitment to excellence
ACCOUNTABLE TO OUR STAKEHOLDERS	• Transparency, good governance and continuous engagement	Sustainability (engage, empower, protect, respect, enhance)

OUR SUSTAINABILITY FRAMEWORK – STRATEGIES, GOALS AND THE UN SDGS

Our sustainability framework is derived from the three pillars of sustainability – social (preserving equitable distribution and quality of life), environmental (protecting the environment from unsustainable use) and economic (fair distribution and efficient allocation of resources) – and is linked to the United Nations Sustainable Development Goals.



SUSTAINABILITY STRATEGY

Our approach to sustainability in 2019 focuses on monitoring our established policies and to measure their effectiveness. This is our commitment to continuous improvement in our sustainability performance so that we can expand our external outreach to the independent local outgrowers and smallholders within our supply chain. Our goal is to support and encourage them to seek RSPO and MSPO certifications while ensuring that we continuously pursue new and, at the same time, maintain existing sets of beneficial national and international standards and certifications.

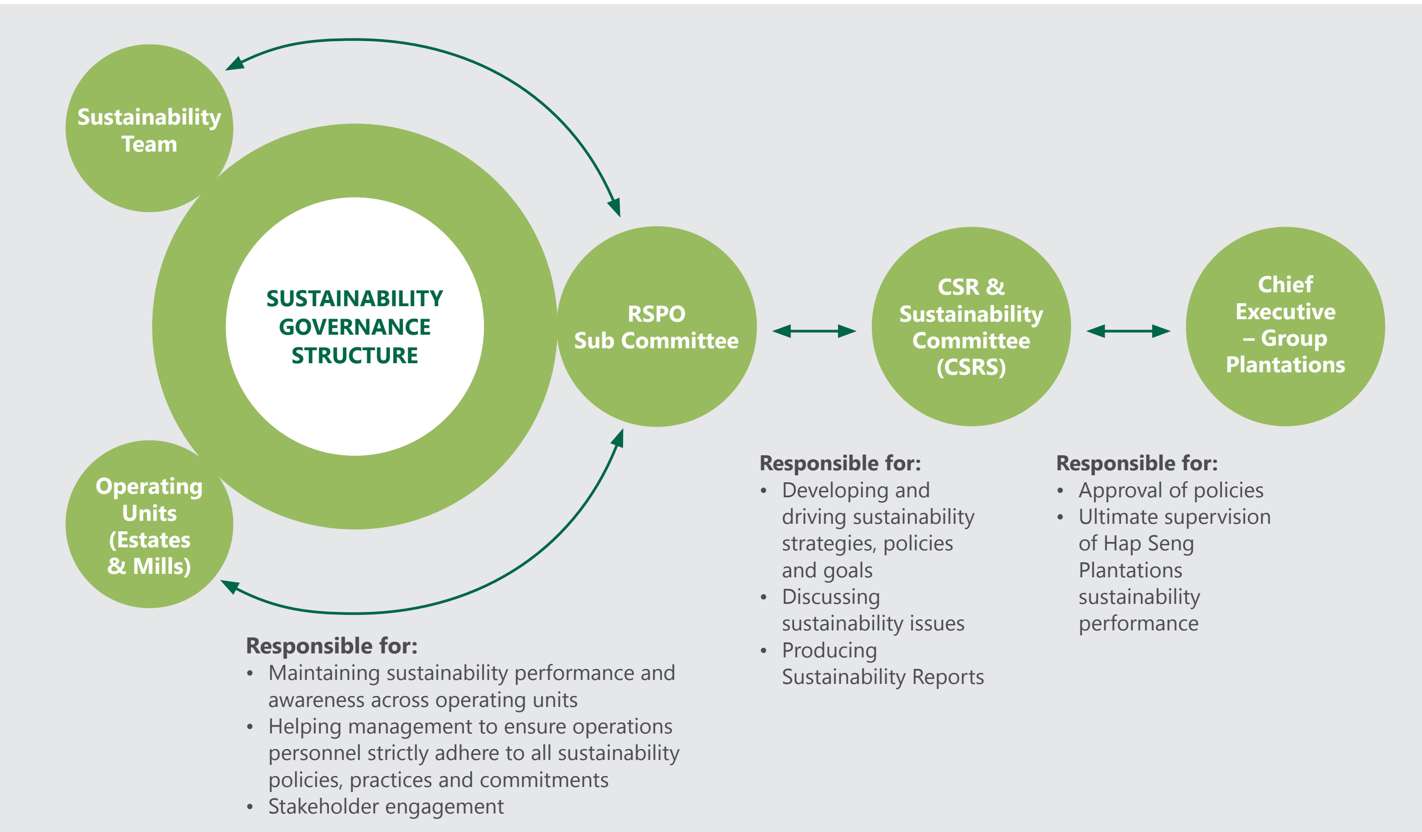
To-date, seven of our 11 independent local outgrowers and smallholders have made commitments to pursue RSPO & MSPO certifications. Two are already RSPO and MSPO certified while the others have undergone either Stage 1 or Stage 2 Audit.

SUSTAINABILITY GOVERNANCE AND MANAGEMENT STRUCTURE

Sustainability is an integral part of our Board's agenda, as it reviews and signs off on sustainability policies and disclosures. These include both new and newly updated policies and procedures such as the HALAL Policy, MSPO Policy, Sustainable Agriculture Policy, Equal Opportunity Policy, Freedom of Association & Right to Collective Bargaining Policy, Labour Policy for Foreign Workers and as well as our Standard Operating Procedure for Traceability.

Sustainable practices are already ingrained in our activities, but we still strive for continuous improvement. This requires leadership and ongoing focus on compliance procedures. It also requires mechanisms to monitor external developments, and means by which innovative ways of working can be adopted where relevant.

Our Chief Executive – Group Plantations chairs the CSR & Sustainability Committee, which is responsible for developing and driving our sustainability strategy, as well as developing time-bound plans for safeguarding our sustainability certifications.



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 encourage our contractors, suppliers and independent local outgrowers and smallholders to adopt our policies, with some of them already adopting some of our sustainability policies.

Overview of Policies

Policy	Introduced
• Occupational Safety and Health Policy	April 2015
• Land Dispute Management	March 2016
• Sustainable Agriculture Policy	August 2019 (updated)
• MSPO Policy	October 2019 (updated)
• Rare, Threatened & Endangered Species (RTE) Policy	November 2017
• Grievance Procedure	March 2018
• Environmental Policy	November 2018
• Labour Policy for Foreign Workers	April 2019 (updated)
• Equal Opportunity Policy	March 2019 (updated)
• Freedom of Association & Right to Collective Bargaining Policy	March 2019 (updated)
• HALAL Policy	July 2019

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

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 and local certifications, including standards such as RSPO, MSPO, MSPO SCCS, ISCC EU, HACCP, ISO/IEC, HALAL and MeSTI.

International & Local Certification

Type of Certification	Achievement	Date Achieved	Comments
MSPO	100% estates & mills	February 2018	• Achieved ahead of mandatory deadline of 31 December 2018
MSPO SCCS	100% mills	December 2019	• Achieved ahead of mandatory deadline of 1 January 2020
RSPO	82% landbank*	As at 2018	• SSGOE – 2nd Cycle Recertification – 2nd Annual Surveillance Audit included Kawa as supply base on March 2019 • JGOE – 2nd Cycle Recertification – 1st Annual Surveillance Audit on July 2019 • TMGOE – Recertification Audit on October 2019 • Compensation: The concept note and Land Use Change Analysis (LUCA) have been submitted to RSPO
	100% mills	2017	• All mills are RSPO certified
ISCC EU	100% mills	2017	• 2019 Recertification Audit was obtained on 30 November 2019
HACCP	100% mills	June 2017	• Annual Surveillance Audits were passed on 25 June 2019 (JPOM 1 & 2), 28 June 2019 (TPOM) and 31 July 2019 (BPOM)
MS ISO/IEC 17025	Accredited	October 2018	• Plantations Central Laboratory
HALAL	100% mills	September 2019	• All mills are HALAL certified
MeSTI	50% of all mills	February 2019	• 2 mills (JPOM 1 & BPOM)

* *Not including 81 hectares of land adjoining to the existing land of which the land title is currently under application.*

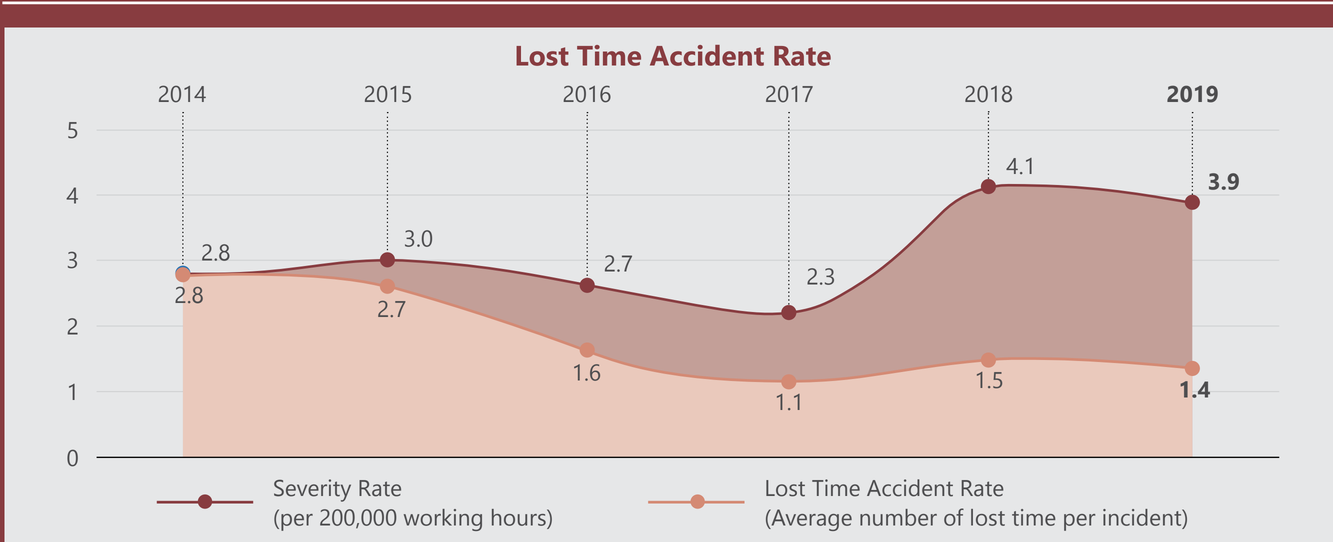
CARING FOR OUR PEOPLE

Towards a Zero Fatality Workplace

No fatalities were recorded in 2019 while the lost time accidents (LTA) also experienced a decrease of 50%, from 2.8 in 2014 to 1.4 in 2019. The severity rate (average amount of lost time per accident), unfortunately, increased by 39% from 2014 to 2019.

Unlike 2018 where the major cause of accidents were due to harvesting-related works, accidents sustained while commuting to and from the workplace were the main contributor to this increase. This showed that intensive training, specifically focusing on safe FFB harvesting techniques, in 2019 have effectively brought down harvesting-related accidents. This included the yearly harvesting safety standard operating procedure (SSOP) conducted by estates and intensive training (counselling method) conducted by RSPO officer on a weekly basis on problematic harvesters.

To address the new issue, the safety committee is now looking into measures to prevent such accidents in future. Intensive training aimed at drivers will be conducted by RSPO officers to address the issue. With the positive outcome of the counselling method in addressing the issue with the harvesters, the sustainability team will rely on the same method.



SOCIAL COMMITMENT COST TO FACILITATE FOR A BETTER QUALITY OF LIFE

Hap Seng Plantations has contributed a considerable amount of monetary commitment towards providing a better quality of life for its workers and the community living nearby. This comes in the form of quality housing; social and religious amenities; recreational and medical facilities as well as transportation and infrastructural facilities.

Items	Amount Per Year (RM) 2019	2018	2017
Workers Welfare			
Housing	**1,327,798.26**	1,514,571.32	875,441.72
Utilities - electricity	**5,111,659.35**	4,999,792.22	4,437,066.72
Utilities - water	**812,290.71**	753,154.43	713,828.68
Training & development	**47,037.62**	32,428.96	47,529.73
Transport for workers (work purpose)	**585,112.07**	674,433.71	639,357.05
Clinic - medial for employees & dependents	**158,538.34**	184,185.44	173,645.54
Upkeep of religious buildings, recreational facilities and amenities	**602,071.73**	727,557.54	714,631.42
Social contributions	**335,575.02**	407,947.80	360,449.82
Community			
Ferry service	**63,458.99**	66,016.25	9,695.18
Road maintenance	**2,616,604.67**	1,114,025.27	1,571,165.70
Clinic - medial for employees & dependents	**95,820.42**	100,366.07	111,342.91
Upkeep of religious buildings, recreational facilities and amenities	**552.00**	-	-
Social contributions	**30,727.89**	31,118.12	23,532.11
Retailers in Estates			
Subsidies rental	**15,900.20**	15,715.20	15,715.20

Free Access to Clean, Safe Water for Our Workers

In 2019, we finally completed the establishment of three water treatment plants and can now produce sufficient treated water to support all our employees living in our plantations except Pelipikan Estate (Kota Marudu region), which still rely on rainwater harvesting.

This is in line with our commitment to provide adequate supply of treated water to all workers. In addition, we are also committed to providing safe and quality water for our employees. As such, we regularly monitor the water quality closely as mandated by the National Water Quality Standards regulated by Malaysia's Ministry of Health.

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. For us to ensure we have access to trained and experienced planters, we have an active programme that specifically look into promoting talented supervisory field staff as trainee field assistants.

At Hap Seng Plantations, 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 2019, 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.

Training	Target employees	Objective of Training	Schedule	Number of employees trained for 2019
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	61
First aider 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	113 (as at March 2020)
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	180 (67 for RSPO & 113 for MSPO & ISCC EU)
Safety and Health	All executives and staff from estates and mills	To regularly educate and promote awareness on safety measure at workplace	Annually	71
HACCP	All executives and staff from mills	To educate on food safety and HACCP requirements	Annually	48
HALAL	One HALAL executive and five Committee for each mill	To educate on food safety and HALAL requirements	Annually	23
MeSTI	All executives, staff and workers from mills (food handlers only)	To educate on food safety and MeSTI requirements	Annually	23

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, MSPO 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 2019, we began monitoring the effectiveness of the established mechanism aimed at improving the environment within our operations. This included evaluating the usefulness of the quarterly meetings to discuss the effectiveness of our environment management plan before adoption into our business practices. The outcome of the meetings resulted in the implementing of the following mechanisms:

1. Conduct monthly monitoring of scheduled waste management at estates and mills by a competent person.
2. Improve the recycling programme implemented at estates and mills including workers' housing areas by conducting awareness training to all workers.
3. Conduct monthly monitoring of landfill areas at each estate.
4. Conduct monthly monitoring of riparian areas at each estate.
5. Conduct monthly monitoring of deforestation activity and forest buffer zone at each estate.
6. Conduct monthly monitoring of fire hot spots at each estate. The data is available on our company website.
7. Engage accredited external consultant to conduct quarterly monitoring in our environmental compliance which include workers housing areas, landfills, river water quality, scheduled waste management, sedimentation and sewerage ponds, riparian zone, forest buffer zone, soil erosion along river banks, replanting activities, air pollution, and water sources.

Safeguarding Our Water Sources

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 to 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

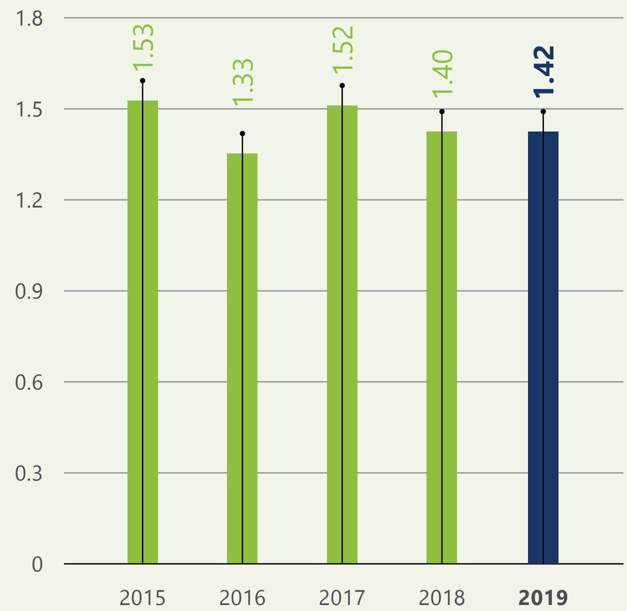
Water efficiency

Water usage at our mills has remained stable between 2018 and 2019. In 2019, the total amount of water used for processing FFB in mills increased to 1.42 m^3/ tonne FFB, 0.02 m^3/ tonne FFB higher than the 1.40 m^3/ tonne FFB recorded in 2018. The reason for the relatively low water usage was due to the commissioning of a biogas plant, which generates electricity and reduces our dependence on boilers to kinetically convert steam to electricity.

Our time bound commitment to improve our water use coincide with the establishment of more biogas facilities in our plantations. This commitment has been progressively carried out with the commissioning of the two biogas facilities in March 2017 at JPOM 1 and JPOM 2, followed by the commissioning of the third biogas facility at BPOM in February 2020.

One new biogas plant with a single biogas facility will be built at TPOM in 2022. This addition is expected to further reduce water usage intensity in the plantations.

Water Usage in Mills (MT Water/MT FFB)



MANAGING PALM OIL MILL EFFLUENT (POME) DISCHARGE IN WATER SOURCE

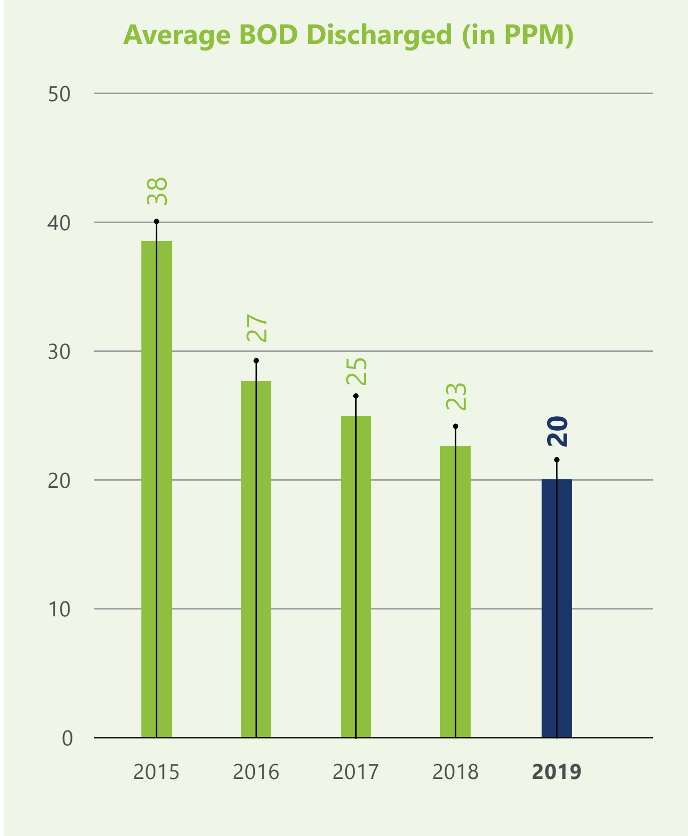
POME is water that has been used in the processing of FFB. Untreated POME is harmful for aquatic environments, as it contains high level of organic matter that can cause excessive algae growth and reduce the amount of oxygen available for other marine life.

Hap Seng Plantations has shown an evidential improvement in reducing BOD at all four mills by 13%, from an average of 23 ppm in 2018 to an average of 20 ppm in 2019. This positive change is due to the expansion of the belt press system in 2019 at BPOM. The commissioning of a new biogas facility and Polishing Plant at BPOM in February 2020 is set to further improve the BOD level in the plantations. Moreover, one new biogas facility is scheduled to be built at TPOM in 2022. This new addition is expected to greatly reduce the BOD level further.

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.

BOD DISCHARGED LEVEL (IN PPM)

Mills	BOD level in 2019	BOD level in 2018	BOD level in 2017
BPOM	31 ppm	33 ppm	41 ppm
JPOM1	12 ppm	13 ppm	20 ppm
JPOM2	19 ppm	21 ppm	20 ppm
TPOM	19 ppm	23 ppm	19 ppm
Total Average	**20 ppm**	**23 ppm**	**25 ppm**



OUR SOIL MANAGEMENT PRACTICE

Yield size and quality depends on the nutrient content of our soil. We adhere to the best soil conservation practice of planting leguminous cover crops to reduce soil erosion and improve its physical and chemical composition. We also construct earth terraces, silt pits and bunds, and maintain natural covers along palm avenues. We do not cultivate on slopes with a gradient of 25 degrees or more. Empty fruit bunches and oil palm trunks and fronds are mulched, composted and recycled as organic materials to maintain soil properties at an optimum level.

The recycling of nutrient-rich organic matter – such as empty fruit bunches, POME and belt press solids (BPS) – into fertiliser is another common practice with multiple benefits. By putting this biomass to good economic use, such processes `help to reduce our reliance on agrochemicals, reduce our costs and mitigate our GHG emissions.

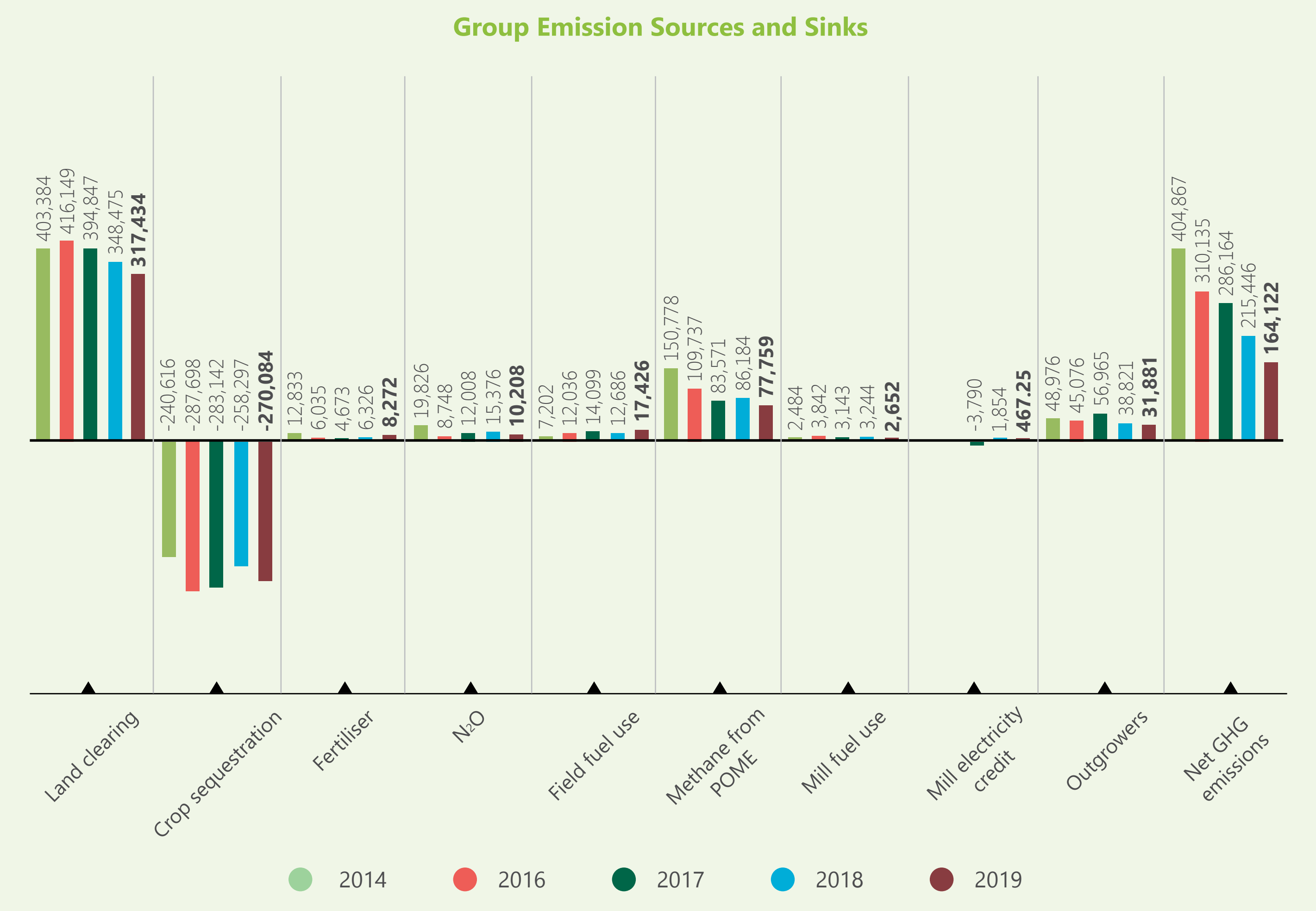
CARBON MANAGEMENT - ACTION ON GHG EMISSIONS

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 v4.0 in 2019, and data for 2019 has been calculated using this version.

We are pleased to report that in 2019, Hap Seng Plantations has achieved reductions of around 26% 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.

Mills	MT CO_2e/MT CPO				
	2014	2016	2017	2018	2019
JPOM 1	1.61	0.99	0.50	0.40	**0.56**
JPOM 2	1.07	1.49	1.19	1.92	**1.62**
BPOM	3.18	1.45	2.09	2.06	**1.44**
TPOM	1.85	2.35	1.99	1.80	**1.34**
Group average	2.35	2.00	1.89	1.45	**1.08**

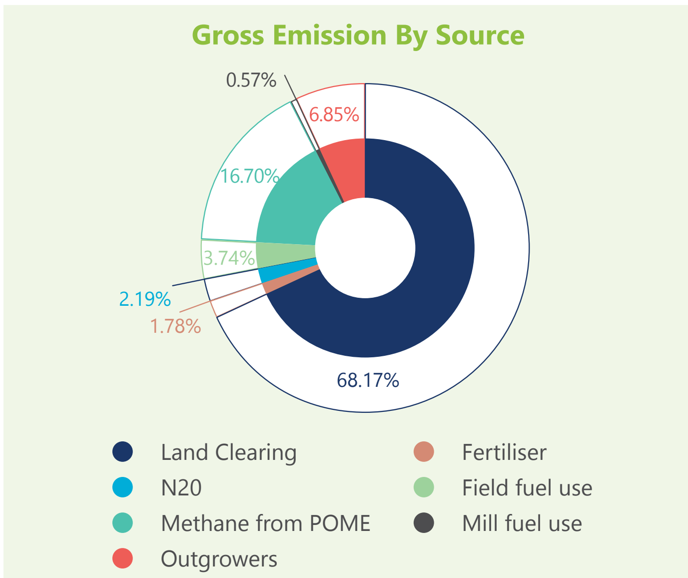
Note that the 2014 figures were calculated using RSPO PalmGHG v2.1.1. For 2016, 2017 and 2018 the figures used the PalmGHG v3.0.1 while for 2019 the figures used is based on the PalmGHG v4.0. RSPO advises that these numbers may be compared without recalculation.



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

We do use direct energy from fossil fuels (diesel fuel) to operate mechanised equipment and for vehicles that transport FFB from our estates to the 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 facilities.

With the commissioning of our third biogas facility at BPOM, this will only mean that fossil fuel usage will be further reduced in our plantations operations. We are now focused on building another biogas plant at TPOM for electricity generation.



MONITORING DEFORESTATION

Shapefile (a data format used to visualise geographic features) was provided to RSPO and their team to monitor deforestation around our estates. We have continuously monitored our buffer zone boundary along the forest reserve area on a monthly basis, and have not detected any evidence of deforestation taking place within our boundaries.

ZERO BURNING POLICY

With the recurrence of transboundary haze in 2019, a result of forest fires during the dry season in this region, Hap Seng Plantations, as a concerned party, has always strictly abide by the regulations stipulated under the Environmental Quality Act 1974.

In order to enforce our zero burn policy, we have deployed teams of employees to patrol our perimeter with the forest reserve on a monthly basis. These patrols aim to identify and report signs of fire, as well as illegal encroachment and illegal hunting in the area.

We monitor fires and fire hotspots using the Global ForestWatch Fire Portal *(https://fires.globalforestwatch.org/home/)* and reports are available on our company website at *https://www.hapsengplantations.com.my/environmental-sustainability.html.* We have recorded zero fire incidents since we began monitoring in 2018.

BIOGAS FACILITY

The production of palm oil generates waste that must be carefully managed to reduce its impact on the environment. The main waste type derived from the production of crude palm oil is palm oil mill effluent, also known as POME.

As a responsible planter, and in line with our sustainable goal of reducing both our GHG and BOD levels, Hap Seng Plantations has commissioned a biogas plant that is able to capture methane from POME and convert it into electricity. Not only does this process reduce the amount of methane released to the environment, it also reduces our reliance on fossil fuels for energy generation. Moreover, the nutrient-rich by products from our biogas plant can be used to replace costly fertilisers, thereby further improving our carbon footprint and benefitting our company economically.

The electricity produced by our biogas plant is now powering our two mills at Jeroco. It also lights up our Kapis and Batangan estates, including SK Jeroco local school.

In 2019, the biogas plant at BPOM was completed. With this new facility, we have met our target of utilising renewable energy for BPOM.

Year commissioned	Biogas Facility (quantity)	Energy Produced (kW)	Mill	Beneficiary
2017	two	2017 – 5,988,804 2018 – 6,930,471 2019 - 8,390,010 **Total = 21,309,285**	JPOM 1 JPOM 2	- Workers housing at JPOM 1, JPOM 2, Kapis Estate and Batangan Estate - SK Jeroco - Office area - Mill 1 and 2
2020	one	NA*	BPOM	Workers housing
2021	one	NA*	TPOM	Workers housing

* *Not available*

RECYCLING PROJECT - WASTE MANAGEMENT

As part of our effort to manage waste and inculcate a culture of recycling, Hap Seng Plantations has introduced a waste management programme to collect plastic bottles, glass bottles, paper and aluminium. Hap Seng Plantations understands that poor waste management is detrimental to the environment and poses risks to societal health and wellbeing. It also increases the cost of doing business.

As a responsible planter, and in line with our goal for better waste management, Hap Seng Plantations has built storage facilities for recycling waste at JGOE, SSGOE and TMGOE. Another two storage units were completed in 2019 at Kawa and Pelipikan estates. To support the project, workers have been educated on the importance of waste recycling as part of their environmental sustainability training.

In June 2018, we launched a trial run for the project, engaging an authorised contractor to collect recyclable waste materials. In 2019, we successfully recycled about 23.01 MT of recyclable wastes, an increase of 77 % from the 5.28 MT collected in 2018. This indicated an increase in awareness by our operating units for the need to recycle our wastes.

These efforts are in accordance with both state and national laws that seek to minimise the discharge of waste into the environment, and through them we are compliant with regulations under the Environmental Quality Act 1974. In 2019, two representatives from our mills and PCO passed their competent person certificate after having submitted and presented their field training report to the Environmental Institute of Malaysia (EiMAS), DOE.

The competent person is responsible for providing training on scheduled waste to all operating units. They also control and monitor scheduled waste management on a monthly basis. All scheduled waste is disposed through authorised contractors on a half yearly basis, or when the waste reached 20 tonnes as stipulated under Regulation 9, Environmental Quality (Scheduled Wastes) Regulation 2005.

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 Plantations has funded the Humana Child Aid Society to support its mission to provide education for children in plantations and other remote areas of Borneo.

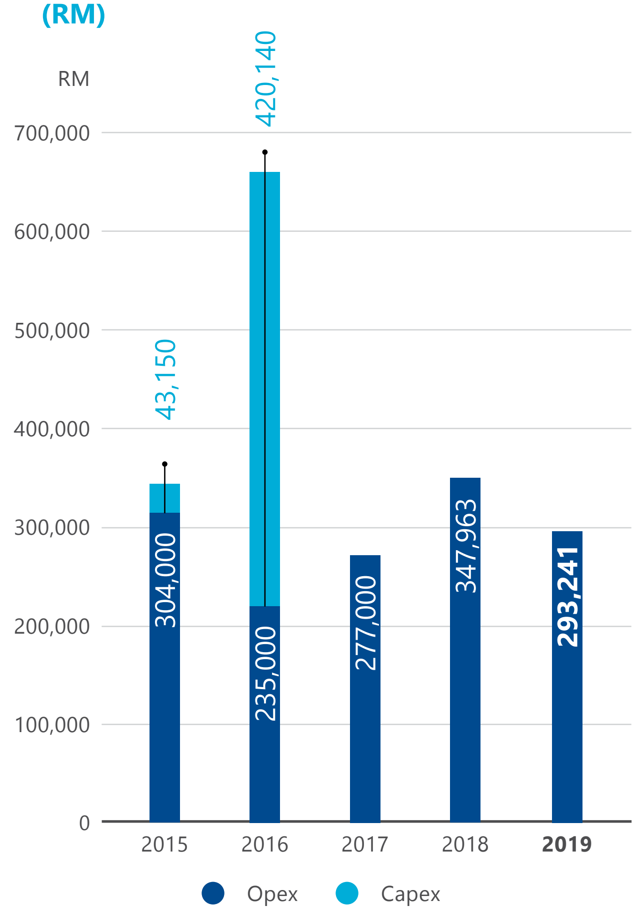
In 2019, we contributed an estimated RM293,241.00 to our foreign workers education. We have also conducted outreach to other plantation companies in the area to raise awareness about the right to basic education and to encourage them to adopt similar initiatives.

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.

In 2019, we invested approximately RM258,000.00 in three main capacity building programmes, namely, HSG Tawau Leadership, Malaysian Collective Impact Initiative for Education (MCII) and WordPower KK. The focus for the Tawau Leadership programme was on building leaders while the WordPower KK and the MCII supported Collective impact models were aimed at increasing proficiency in English literacy and STEM education.

Humana's Capital and Operating Expenses (RM)



HSG TAWAU LEADERSHIP

ABOUT THE PROGRAMME
Third year for the community in Tawau.

OBJECTIVE
Leadership Development and Character Building.

LOCATION
Bandar Sri Indah, Tawau.

PARTICIPATION
- 240 youth from 7 – 16 years old, 50 parents and community volunteers. Out of the total, around 40 high potential participants from the 2018 camp also participated in the event.

ACTIVITIES
- Continued with monthly engagement with the kids and parents under the Hap Seng Leadership Club. This was held at Hap Seng Properties Development Office, Bandar Sri Indah, Tawau.
- LEAD Convention themed Tawau My Home was held at BSI Sports Complex from 3 – 7 December 2019.

OUTCOMES
- Some of the high potential youth from the 2018 camp became facilitators.
- 30 local facilitators were also selected from Charis International School, Vision School and St. Patrick Academy.
- The Tawau community is now more aware of the importance of developing leadership among youth through our leadership programme:
  - > The youth understands that a good leadership involves character building and values – the importance of teamwork, patience, focus and determination.
  - > Parents and community volunteers are aware that their involvement and support would significantly help develop youth leadership.

MCII (MALAYSIAN COLLECTIVE IMPACT INITIATIVE FOR EDUCATION)

LOCATION
14 schools in Klang.

PARTICIPATION
- **EngagED programme**
  - six schools with 420 teachers.
- **MYReaders programme**
  - 10 schools with 120 students.
- **STEM Education**
  - 10 schools with 160 students and 20 teachers joined the programme.

ABOUT THE PROGRAMME
- Hap Seng Group is a member of MCII since 2017 where all members collaborate to fund selective programmes with the aim to assist in education needs and create a collective impact in schools and community in an identified area.
- EngagED programme, MYReaders programme and STEM Education programme.

OBJECTIVE
- EngagED programme is to improve classroom learning environment targeted at teachers.
- MYReaders programme is to increase English proficiency for students.
- and STEM Education is to acquire coding skill for students and teachers.

OUTCOMES
- **EngagED programme**
  > 25% improvement of use of CL and feedback strategies in lessons against baseline.
  > 50% improvement in student engagement.
  > 56% increase in inviting peers to observe their lessons and participation in online learning networks.
- **MYReaders programme**
  > 23% improvement in word recognition.
  > 4% improvement in fluency.
- **STEM Education**
  > Two teams participated in the Young Innovate Challenge at national Level.

WORDPOWER KK

ABOUT THE PROGRAMME

- A three-day event celebrating all the different contexts and uses of the English language with talks and workshops.
- Included a teambuilding day for Hap Seng Group East Malaysia synergy team.

OBJECTIVE

- English literacy.

OUTCOMES

- Spelling proficiency.

LOCATION

Palace Hotel, Kota Kinabalu.

PARTICIPATION

- 430 youths from all over Kota Kinabalu attended the event.

For the complete 2019 Hap Seng Plantations Sustainability report, please download it at: https://www.hapsengplantations.com.my/sustainability-report.html

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company are responsible for ensuring that the annual audited financial statements of the Group and of the Company are prepared 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 2019 and of their financial performance and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

(a) used appropriate accounting policies and applied them on a consistent basis;
(b) made judgements and estimates that are reasonable and prudent; and
(c) prepared the audited financial statements on going concern basis.

The Directors are also responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Companies Act 2016 and take reasonable steps to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

FINANCIAL STATEMENTS

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 2019.

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	31,449	12,215

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 2018 as reported in the Directors' report of that year:

- a second interim dividend of 1 sen per ordinary share under the single-tier system totalling RM7,996,872 declared on 26 February 2019 and paid on 27 March 2019; and

(ii) In respect of the financial year ended 31 December 2019:

- a first interim dividend of 0.5 sen per ordinary share under the single-tier system totalling RM3,998,425 declared on 28 August 2019 and paid on 27 September 2019.

On 24 February 2020, the Board of Directors approved a second interim dividend of 2 sen per ordinary share under the single-tier system in respect of the financial year ended 31 December 2019, amounting to a total of RM15,993,704 and was paid on 24 March 2020. 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 2020.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2019.

DIRECTORS OF THE COMPANY

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

Dato' Mohammed Bin Haji Che Hussein (Appointed on 31 May 2019)
Datuk Simon Shim Kong Yip, JP
Datuk Edward Lee Ming Foo, JP **
Lee Wee Yong **
Cheah Yee Leng **
Au Yong Siew Fah **
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP **
Chong Kwea Seng
Choy Khai Choon
Tan Sri Amirsham Bin A Aziz (Appointed on 5 July 2019)
Datuk Jasa @ Ismail Bin Rauddah (Appointed on 5 July 2019)
Andrew John Barber (Appointed on 24 February 2020)
Tan Sri Ahmad Bin Mohd Don (Resigned on 29 May 2019)
Dato' Jorgen Bornhoft (Resigned on 29 May 2019)
Tan Sri Abdul Hamid Egoh (Resigned on 1 June 2019)
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan (Deceased on 24 November 2019)

** *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:

Tuan Haji Pondren Bin Nawa
Tan Sri Datuk Seri Panglima Richard Allan Lind (Resigned on 30 November 2019)

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 1.1.2019/ Date of appointment	**Bought**	**Sold**	**At 31.12.2019**
Interest in the immediate holding company: Hap Seng Consolidated Berhad				
Au Yong Siew Fah	291,600	-	-	291,600
Dato' Mohammed Bin Haji Che Hussein	20,000	-	-	20,000
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	180,000	-	-	180,000
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 2019 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 15 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 23 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 29 May 2019, shareholders of the Company renewed the existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 2,000 shares at the total cost of RM3,243 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 2019	312,800	837,823	2.68
Repurchased during the year	2,000	3,243	1.62
At 31 December 2019	314,800	841,066	2.67

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 24 to the financial statements.

SUBSEQUENT EVENT

Subsequent event is disclosed in Note 27 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 2019 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 14 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

13 May 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Property, plant and equipment	3	**1,894,871**	1,837,769	**521**	863
Investment in subsidiaries	4	**-**	-	**1,591,142**	1,603,586
Total non-current assets		**1,894,871**	1,837,769	**1,591,663**	1,604,449
Inventories	5	**50,790**	82,878	**-**	-
Biological assets	6	**25,049**	15,772	**-**	-
Receivables	7	**30,017**	15,304	**46,744**	41,316
Current tax assets		**3,628**	11,503	**23**	424
Money market deposits		**84,027**	66,518	**53,057**	45,802
Cash and cash equivalents	8	**49,317**	40,311	**4,635**	4,824
Total current assets		**242,828**	232,286	**104,459**	92,366
Total assets		**2,137,699**	2,070,055	**1,696,122**	1,696,815
Equity					
Share capital	9	**1,475,578**	1,475,578	**1,475,578**	1,475,578
Merger reserves	9	**(1,347,761)**	(1,347,761)	**-**	-
Retained earnings		**1,525,543**	1,511,455	**219,111**	218,891
		1,653,360	1,639,272	**1,694,689**	1,694,469
Less: Treasury shares	9	**(841)**	(838)	**(841)**	(838)
Total equity		**1,652,519**	1,638,434	**1,693,848**	1,693,631
Liabilities					
Deferred tax liabilities	10	**384,325**	389,251	**14**	14
Lease liabilities		**50,492**	-	**-**	-
Total non-current liabilities		**434,817**	389,251	**14**	14
Payables	11	**38,580**	42,025	**2,260**	3,170
Current tax liabilities		**2,520**	345	**-**	-
Lease liabilities		**9,263**	-	**-**	-
Total current liabilities		**50,363**	42,370	**2,260**	3,170
Total liabilities		**485,180**	431,621	**2,274**	3,184
Total equity and liabilities		**2,137,699**	2,070,055	**1,696,122**	1,696,815

The notes on pages 85 to 138 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	12	**418,598**	390,756	**27,930**	106,917
Cost of sales		**(321,518)**	(281,634)	**-**	-
Gross profit		**97,080**	109,122	**27,930**	106,917
Other operating income		**19,731**	11,700	**1,328**	1,007
Distribution expenses		**(27,163)**	(23,207)	**-**	-
Administrative expenses		**(29,639)**	(37,117)	**(4,326)**	(8,666)
Other operating expenses		**(20,658)**	(23,347)	**(12,714)**	(7,412)
Operating profit		**39,351**	37,151	**12,218**	91,846
Finance costs	13	**(2,792)**	-	**-**	-
Profit before tax	14	**36,559**	37,151	**12,218**	91,846
Tax expense	16	**(5,110)**	(8,042)	**(3)**	(22)
Profit for the year representing total comprehensive income for the year		**31,449**	29,109	**12,215**	91,824
Basic earnings per ordinary share (sen)	17	**3.93**	3.64		

The notes on pages 85 to 138 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

		← Attributable to owners of the Company →				
		Non-Distributable		Distributable		
	Note	Share capital RM'000	Merger reserves RM'000	Retained earnings RM'000	Treasury shares RM'000	Total equity RM'000
Group						
At 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	18	-	-	(59,977)	-	(59,977)
At 31 December 2018/ 1 January 2019						
- As previously stated		**1,475,578**	**(1,347,761)**	**1,511,455**	**(838)**	**1,638,434**
- Effect of adoption of MFRS 16	26	**-**	**-**	**(5,366)**	**-**	**(5,366)**
- As restated		**1,475,578**	**(1,347,761)**	**1,506,089**	**(838)**	**1,633,068**
Total comprehensive income for the year		**-**	**-**	**31,449**	**-**	**31,449**
Purchase of treasury shares	9	**-**	**-**	**-**	**(3)**	**(3)**
Dividends	18	**-**	**-**	**(11,995)**	**-**	**(11,995)**
At 31 December 2019		**1,475,578**	**(1,347,761)**	**1,525,543**	**(841)**	**1,652,519**
		Note 9	Note 9		Note 9	

The notes on pages 85 to 138 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

		← Attributable to owners of the Company →			
		Non-Distributable	Distributable		
	Note	Share capital RM'000	Retained earnings RM'000	Treasury shares RM'000	Total equity RM'000
Company					
At 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	18	-	(59,977)	-	(59,977)
At 31 December 2018/1 January 2019		**1,475,578**	**218,891**	**(838)**	**1,693,631**
Total comprehensive income for the year		**-**	**12,215**	**-**	**12,215**
Purchase of treasury shares	9	**-**	**-**	**(3)**	**(3)**
Dividends	18	**-**	**(11,995)**	**-**	**(11,995)**
At 31 December 2019		**1,475,578**	**219,111**	**(841)**	**1,693,848**
		Note 9		Note 9	

The notes on pages 85 to 138 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before tax		**36,559**	37,151	**12,218**	91,846
Adjustments for:					
Depreciation of property, plant and equipment	3	**88,389**	77,638	**181**	189
Dividend income		**(2,468)**	(2,368)	**(29,144)**	(107,813)
Interest income		**(939)**	(965)	**(114)**	(111)
Interest expense		**2,792**	-	**-**	-
Impairment loss on investment in subsidiaries		**-**	-	**12,444**	7,053
Net (gain)/loss on disposal of property, plant and equipment		**(1,395)**	(423)	**89**	170
(Gain)/Loss on fair value of biological assets		**(9,277)**	3,113	**-**	-
Property, plant and equipment written off		**240**	384	**-**	-
Operating profit/(loss) before changes in working capital		**113,901**	114,530	**(4,326)**	(8,666)
Change in inventories		**32,088**	(15,395)	**-**	-
Change in receivables		**(14,754)**	35,475	**5**	(1)
Change in payables		**(3,445)**	(6,756)	**(910)**	1,181
Cash generated from/(used in) operations		**127,790**	127,854	**(5,231)**	(7,486)
Interest received		**939**	965	**114**	111
Interest paid		**(2,792)**	-	**-**	-
Tax paid		**(9,838)**	(27,319)	**(47)**	(83)
Tax refunded		**9,852**	-	**445**	-
Net cash from/(used in) operating activities		**125,951**	101,500	**(4,719)**	(7,458)
Cash flows from investing activities					
Balances with subsidiaries		**-**	-	**(5,474)**	(6,311)
Dividends received from money market deposits		**2,509**	2,430	**1,255**	958
Dividends received from subsidiaries		**-**	-	**27,930**	106,917
(Increase)/Decrease in money market deposits		**(17,509)**	24,472	**(7,255)**	(29,517)
Proceeds from disposal of property, plant and equipment		**5,153**	4,003	**1,267**	1,190
Acquisition of property, plant and equipment	3	**(86,301)**	(76,882)	**(1,195)**	(1,566)
Net cash (used in)/from investing activities		**(96,148)**	(45,977)	**16,528**	71,671

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from financing activities					
Dividends paid	18	**(11,995)**	(59,977)	**(11,995)**	(59,977)
Shares repurchased at cost		**(3)**	(9)	**(3)**	(9)
Payment of lease liabilities		**(8,799)**	-	**-**	-
Net cash used in financing activities		**(20,797)**	(59,986)	**(11,998)**	(59,986)
Net change in cash and cash equivalents		**9,006**	(4,463)	**(189)**	4,227
Cash and cash equivalents at 1 January		**40,311**	44,774	**4,824**	597
Cash and cash equivalents at 31 December	8	**49,317**	40,311	**4,635**	4,824
Cash outflows for leases as a lessee:					
Included in net cash from operating activities:					
Interest paid in relation to lease liabilities		**2,792**	-	**-**	-
Included in net cash from financing activities:					
Payment of lease liabilities		**8,799**	-	**-**	-
Total cash outflows for leases		**11,591**	-	**-**	-

Changes in liabilities arising from financing activities:

	At 1 January RM'000	Effect of adoption of MFRS 16 RM'000	Cash flows RM'000	Addition of new lease RM'000	At 31 December RM'000
Group					
2019					
Lease liabilities	**-**	**65,431**	**(8,799)**	**3,123**	**59,755**

The notes on pages 85 to 138 are an integral part of these 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 2019 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, a company listed on the Main Market of Bursa Malaysia Securities Berhad and the 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 13 May 2020.

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 following are accounting standards, amendments and interpretations of the MFRSs 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
Amendments to MFRS 3, *Business Combinations – Definition of a Business*	1 January 2020
Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*	1 January 2020
Amendments to MFRS 9, *Financial Instruments,* MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures* – Interest Rate Benchmark Reform	1 January 2020
MFRS 17, *Insurance Contracts*	1 January 2021
Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*	1 January 2022
Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Asset between an Investor and its Associates or Joint Venture*	Yet to be confirmed

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The Group and the Company plans to apply the abovementioned accounting standards, interpretations and amendments:

- 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
- from the annual period beginning on 1 January 2022 for the amendment that is effective for annual periods beginning on or after 1 January 2022.

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

The initial application of the abovementioned accounting standards, amendments and interpretations is not expected to have any material financial impact to the current period and prior period financial statements of the Group and of the Company.

(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.

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued)

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 3(b) - Extension options and discount rate in relation to leases
Note 3(e) - Impairment of property, plant and equipment
Note 4 - Impairment on investment in subsidiaries
Note 6 - Biological assets

2. SIGNIFICANT ACCOUNTING POLICIES

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

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(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

In the previous financial year, leasehold land of the Group was 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.

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

Current financial year (continued)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Rented land	60 years
Motor vehicles	5 years

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other operating income".

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

Previous financial year

As a lessee

(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 lease

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Biological assets (continued)

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

(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.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's or the Company's historical experience and informed credit assessment and including forward-looking information, where available.

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax (continued)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Fair value measurement (continued)

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	Right-of-use assets RM'000	Total RM'000
Group									
Cost									
At 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 January 2019									
- As previously stated	**1,220,375**	**220,876**	**278,294**	**294,328**	**19,101**	**17,799**	**704,746**	**-**	**2,755,519**
- Effects of adoption of MFRS 16	**(1,220,375)**	**-**	**-**	**-**	**-**	**-**	**-**	**1,296,762**	**76,387**
- As restated	**-**	**220,876**	**278,294**	**294,328**	**19,101**	**17,799**	**704,746**	**1,296,762**	**2,831,906**
Additions	**-**	**-**	**63**	**8,211**	**867**	**53,478**	**23,682**	**3,123**	**89,424**
Disposals	**-**	**-**	**-**	**(14,398)**	**-**	**-**	**-**	**-**	**(14,398)**
Written off	**-**	**-**	**(172)**	**(7,758)**	**(78)**	**-**	**(177,390)**	**-**	**(185,398)**
Reclassifications	**-**	**20,399**	**14,672**	**7,822**	**1,216**	**(44,109)**	**-**	**-**	**-**
At 31 December 2019	**-**	**241,275**	**292,857**	**288,205**	**21,106**	**27,168**	**551,038**	**1,299,885**	**2,721,534**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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	Right-of-use assets RM'000	Total RM'000
Group									
Accumulated depreciation									
At 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 2018/1 January 2019									
- As previously stated	**61,114**	**54,804**	**126,035**	**194,647**	**14,399**	**-**	**466,751**	**-**	**917,750**
- Effects of adoption of MFRS 16	**(61,114)**	**-**	**-**	**-**	**-**	**-**	**-**	**77,436**	**16,322**
- As restated	**-**	**54,804**	**126,035**	**194,647**	**14,399**	**-**	**466,751**	**77,436**	**934,072**
Charge for the year	**-**	**8,449**	**13,277**	**17,874**	**1,367**	**-**	**20,434**	**26,988**	**88,389**
Disposals	**-**	**-**	**-**	**(10,640)**	**-**	**-**	**-**	**-**	**(10,640)**
Written off	**-**	**-**	**(101)**	**(7,589)**	**(78)**	**-**	**(177,390)**	**-**	**(185,158)**
At 31 December 2019	**-**	**63,253**	**139,211**	**194,292**	**15,688**	**-**	**309,795**	**104,424**	**826,663**
Carrying amounts									
At 31 December 2018	1,159,261	166,072	152,259	99,681	4,702	17,799	237,995	-	1,837,769
At 31 December 2019	**-**	**178,022**	**153,646**	**93,913**	**5,418**	**27,168**	**241,243**	**1,195,461**	**1,894,871**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM89,424,000 (2018: RM76,882,000) which are satisfied by the following:

	Group	
	2019 RM'000	2018 RM'000
Cash payments on purchase of property, plant and equipment	**86,301**	76,882
Additions of right-of-use assets by way of lease commitment	**3,123**	-
	89,424	76,882

(b) Right-of-use assets

Information about leases for which the Group are lessees is presented below:

	Leasehold land RM'000	Rented land RM'000	Motor vehicles RM'000	Total RM'000
Group				
Carrying amount				
1 January 2019				
- As previously stated	-	-	-	-
- Effects of adoption of MFRS 16	**1,159,261**	**30,692**	**29,373**	**1,219,326**
- As restated	**1,159,261**	**30,692**	**29,373**	**1,219,326**
Additions	**-**	**-**	**3,123**	**3,123**
Depreciation charge for the year	**(17,527)**	**(612)**	**(8,849)**	**(26,988)**
At 31 December 2019	**1,141,734**	**30,080**	**23,647**	**1,195,461**

The Group assess at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the discount rate of the respective leases. Group entities first determine the closest available discount rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

(c) The title of the Group's leasehold land with carrying amount of RM37,356,000 (2018: RM37,931,000) 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.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Private caveat was entered by third parties on the Group's leasehold land with carrying amount of RM68,313,000 (2018: RM69,183,000) as disclosed in Note 24(a) to the financial statements.

(e) 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.

	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
Cost			
At 1 January 2018	197	896	1,093
Additions	-	1,566	1,566
Disposals	-	(1,554)	(1,554)
At 31 December 2018/1 January 2019	**197**	**908**	**1,105**
Additions	**3**	**1,192**	**1,195**
Disposals	**-**	**(1,520)**	**(1,520)**
At 31 December 2019	**200**	**580**	**780**
Accumulated depreciation			
At 1 January 2018	179	68	247
Charge for the year	8	181	189
Disposals	-	(194)	(194)
At 31 December 2018/1 January 2019	**187**	**55**	**242**
Charge for the year	**7**	**174**	**181**
Disposals	**-**	**(164)**	**(164)**
At 31 December 2019	**194**	**65**	**259**
Carrying amounts			
At 31 December 2018	10	853	863
At 31 December 2019	**6**	**515**	**521**

4. INVESTMENT IN SUBSIDIARIES

	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares, at cost	**1,622,051**	1,622,051
Less: Impairment loss	**(30,909)**	(18,465)
	1,591,142	1,603,586

Details of the subsidiaries as at 31 December 2019 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 (%) 2019	Effective ownership interest and voting interest (%) 2018
Jeroco Plantations Sdn. Bhd.	Cultivation of oil palm and processing of fresh fruit bunches	**100**	100
Hap Seng Plantations (River Estates) Sdn. Bhd. and its subsidiaries	Cultivation of oil palm, processing of fresh fruit bunches and investment holding	**100**	100
Hap Seng Plantations (Ladang Kawa) Sdn. Bhd.	Cultivation of oil palm	**100**	100
Hap Seng Plantations (Wecan) Sdn. Bhd.	Cultivation of oil palm	**100**	100
Hap Seng Plantations (Tampilit) Sdn. Bhd.	Cultivation of oil palm	**100**	100
Hap Seng Plantations (Kota Marudu) Sdn. Bhd. [#]	Cultivation of oil palm	**100**	100
Pelipikan Plantation Sdn. Bhd.[#]	Cultivation of oil palm	**100**	100
Hap Seng Edible Oils Sdn. Bhd.	Livestock farming (ceased operations)	**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

	Group	
	2019	**2018**
	RM'000	**RM'000**
At cost:		
Consumables stores	**35,972**	36,888
Planting materials	**5,184**	5,235
Produce stocks	**9,634**	94
	50,790	42,217
At net realisable value:		
Produce stocks	**-**	40,661
	50,790	82,878
Recognised in profit or loss:		
Inventories recognised as cost of sales	**286,512**	254,831

6. BIOLOGICAL ASSETS

Fair value

	Group
	RM'000
At 1 January 2018	18,885
Net loss from fair value adjustments recognised in profit or loss	(3,113)
At 31 December 2018/1 January 2019	**15,772**
Net gain from fair value adjustments recognised in profit or loss	**9,277**
At 31 December 2019	**25,049**

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.

As at 31 December 2019, the estimated quantity of unharvested FFB of the Group included in the fair value of FFB was 98,000 tonnes (2018: 132,000 tonnes).

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.

	2019		2018	
	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%**	**5,411**	10%	4,494
	(10%)	**(5,411)**	(10%)	(4,494)
Production volume	**10%**	**2,519**	10%	1,519
	(10%)	**(2,519)**	(10%)	(1,519)

Risk management strategy related to agriculture activities

(a) Regulatory and environmental risk

The Group is exposed to the environmental risk. Nevertheless, the Group has placed the Sustainability and Environmental Policies and health, safety and environmental procedures to create and maintain safe workplace and conservation of the environment at the same time comply with relevant regulations.

(b) Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of fresh fruit bunches. The Group constantly analyse and monitor global palm oil demand patterns and trends to make prompt and informed decisions. The Group also continuously focus on increasing yield and productivity as well as adopting cautious spending to mitigate the price risk.

(c) Climate and other risk

The Group's plantations are exposed to the risk of damages from climatic changes, diseases, forest fires and other natural forces. The Group has in place the processes and procedures aimed at monitoring and mitigating those risks. Such processes include but not limit to close monitoring on harvesting and crop recovery, adequate measures to control pest population, emphasize on proper fire safety procedures and other necessary measures to ensure smooth running of the operation.

7. RECEIVABLES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade					
Trade receivables from contracts with customer	a	**26,630**	10,162	**-**	-
Non-trade					
Other receivables	b	**1,973**	1,925	**3**	44
Prepayment		**573**	724	**10**	15
Goods and Services Tax ("GST") recoverable		**841**	2,276	**-**	-
Amount due from subsidiaries	b	**-**	-	**46,731**	41,257
Amount due from related companies	b	**-**	217	**-**	-
		3,387	5,142	**46,744**	41,316
		30,017	15,304	**46,744**	41,316

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 2019 are balances of RM5,000 (2018: RM466,000) relating to a company connected to a major shareholder of the immediate holding company.

8. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits with licensed banks with maturities less than 3 months	**41,910**	30,187	**4,200**	4,300
Cash and bank balances	**7,407**	10,124	**435**	524
	49,317	40,311	**4,635**	4,824

9. CAPITAL AND RESERVES

	Group/Company		
	Number of shares '000	2019 Amount RM'000	2018 Amount RM'000
Issued and fully paid:			
Ordinary shares			
At 1 January/31 December	800,000	**1,475,578**	1,475,578

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.

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 29 May 2019, shareholders of the Company renewed the existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 2,000 (2018: 4,000) shares at the total cost of RM3,243 (2018: 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 2018/1 January 2019	**312,800**	**837,823**	**2.68**
Repurchased during the year	**2,000**	**3,243**	**1.62**
At 31 December 2019	**314,800**	**841,066**	**2.67**

10. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	At 1.1.2018 RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2018/ 1.1.2019 RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2019 RM'000
Group					
Property, plant and equipment	388,279	(2,813)	**385,466**	**(7,153)**	**378,313**
Biological assets	4,532	(747)	**3,785**	**2,227**	**6,012**
	392,811	(3,560)	**389,251**	**(4,926)**	**384,325**
Company					
Property, plant and equipment	12	2	**14**	**-**	**14**

Unrecognised deferred tax assets

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

	Group 2019 RM'000	Group 2018 RM'000
Other temporary differences	**(15,589)**	(15,442)
Unabsorbed capital and agriculture allowances	**35,468**	33,213
Unutilised tax losses	**52,568**	48,131
	72,447	65,902

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

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade					
Trade payables		**3,408**	3,703	**-**	-
Amount due to related companies		**9,752**	15,594	**503**	923
	a	**13,160**	19,297	**503**	923
Non-trade					
Other payables	b	**25,408**	22,728	**1,757**	2,247
Amount due to related companies		**12**	-	**-**	-
		25,420	22,728	**1,757**	2,247
		38,580	42,025	**2,260**	3,170

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 2019 are balances of RM17,000 (2018: RM5,000) relating to a company connected to a major shareholder of the immediate holding company and RM7,000 (2018: Nil) relating to a firm connected to a director of the Company.

12. REVENUE

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Revenue from contracts with customer				
Sales of plantation produce	**418,598**	390,756	**-**	-
Other revenue				
Gross dividend income	**-**	-	**27,930**	106,917
	418,598	390,756	**27,930**	106,917

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. FINANCE COSTS

	Group	
	2019 RM'000	**2018 RM'000**
Interest expense on lease liabilities	**2,792**	-

14. PROFIT BEFORE TAX

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration:				
- Statutory audit				
- KPMG PLT	**313**	265	**72**	55
- Other services				
- KPMG PLT	**64**	45	**30**	45
- Affiliates of KPMG PLT	**102**	667	**8**	561
Material expenses/(income)				
Depreciation of property, plant and equipment	**88,389**	77,638	**181**	189
Equipment hiring charges	**5,346**	4,415	**-**	-
Hire of motor vehicles	**84**	7,705	**-**	-
Impairment loss on investment in subsidiaries	**-**	-	**12,444**	7,053
Loss on disposal of property, plant and equipment	**89**	170	**89**	170
(Gain)/Loss on fair value of biological assets	**(9,277)**	3,113	**-**	-
Management fees	**4,045**	3,717	**85**	108
Personnel expenses (including key management personnel)				
- Contributions to Employees' Provident Fund	**4,446**	4,530	**232**	238
- Wages, salaries and others	**137,495**	128,263	**1,988**	2,055
Property, plant and equipment written off	**240**	384	**-**	-
Rental expenses	**341**	2,201	**36**	42
Dividend income from money market deposits	**(2,468)**	(2,368)	**(1,214)**	(896)
Dividend income from subsidiaries				
- unquoted shares	**-**	-	**(27,930)**	(106,917)
Gain on disposal of property, plant and equipment	**(1,484)**	(593)	**-**	-
Insurance claim received	**(533)**	(446)	**-**	-
Interest income	**(939)**	(965)	**(114)**	(111)
Plantation management fee income	**(455)**	(555)	**-**	-
Rental income from properties	**(375)**	(323)	**-**	-

15. KEY MANAGEMENT PERSONNEL COMPENSATIONS

The key management personnel compensations are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Directors of the Company:				
- Fees	**662**	684	**638**	660
- Remuneration	**2,755**	2,626	**1,175**	1,121
- Other short term employee benefits*	**61**	57	**-**	-
	3,478	3,367	**1,813**	1,781
Directors of subsidiaries:				
- Fees	**46**	48	**-**	-
- Other emoluments	**102**	102	**-**	-
	148	150	**-**	-
	3,626	3,517	**1,813**	1,781
Other key management personnel:				
- Remuneration	**9,265**	10,598	**470**	630
- Other short term employee benefits*	**517**	502	**17**	25
	9,782	11,100	**487**	655

* *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.

16. TAX EXPENSE

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current tax expense				
- Current year provisions	**10,424**	18,416	**24**	21
- Over provision in prior years	**(388)**	(6,814)	**(21)**	(1)
Total current tax recognised in profit or loss	**10,036**	11,602	**3**	20
Deferred tax expense				
- Origination and reversal of temporary differences	**1,952**	(4,700)	**-**	2
- (Over)/Under provision in prior years	**(6,878)**	1,140	**-**	-
Total deferred tax recognised in profit or loss	**(4,926)**	(3,560)	**-**	2
Total income tax expense	**5,110**	8,042	**3**	22
Reconciliation of tax expense				
Profit before tax	**36,559**	37,151	**12,218**	91,846
Tax calculated using Malaysian tax rate of 24% (2018: 24%)	**8,774**	8,916	**2,932**	22,043
Non-deductible expenses	**3,193**	3,683	**4,088**	3,855
Non-taxable income	**(1,162)**	(570)	**(6,996)**	(25,875)
Deferred tax assets not recognised during the year	**1,571**	1,687	**-**	-
	12,376	13,716	**24**	23
Over provision of current tax expense in prior years	**(388)**	(6,814)	**(21)**	(1)
(Over)/Under provision of deferred tax expense in prior years	**(6,878)**	1,140	**-**	-
	5,110	8,042	**3**	22

17. 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	
	2019	**2018**
Profit attributable to owners of the Company (RM'000)	**31,449**	29,109
Weighted average number of ordinary shares ('000)		
Issued ordinary shares net of treasury shares at 1 January	**799,687**	799,691
Effect of shares buyback during the year	**(1)**	(1)
Weighted average number of ordinary shares at 31 December	**799,686**	799,690
Basic earnings per ordinary share (sen)	**3.93**	3.64

18. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2019			
Second interim 2018 ordinary	**1.0**	**7,997**	**27 March 2019**
First interim 2019 ordinary	**0.5**	**3,998**	**27 September 2019**
Total amount	**1.5**	**11,995**	
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	

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.

18. DIVIDENDS (CONTINUED)

On 24 February 2020, the Board of Directors approved a second interim dividend of 2 sen per ordinary share under the single-tier system in respect of the financial year ended 31 December 2019, amounting to a total of RM15,993,704 and was paid on 24 March 2020. 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 2020.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2019.

19. CAPITAL COMMITMENTS

	Group	
	2019 **RM'000**	**2018** **RM'000**
Capital expenditure commitments		
Contracted but not provided for		
Property, plant and equipment	**46,675**	34,221

20. 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	
	2019 RM'000	**2018 RM'000**
Revenue		
Malaysia	**256,344**	254,836
Singapore	**162,254**	135,920
	418,598	390,756

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	
	2019 RM'000	**2018 RM'000**
All common control companies of		
Customer A	**100,449**	98,330
Customer B	**65,139**	77,302
Customer C	**162,254**	135,920

21. FINANCIAL INSTRUMENTS

21.1 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
2019						
Financial assets						
Receivables	**28,603**	**-**	**28,603**	**46,734**	**-**	**46,734**
Money market deposits	**84,027**	**84,027**	**-**	**53,057**	**53,057**	**-**
Cash and cash equivalents	**49,317**	**-**	**49,317**	**4,635**	**-**	**4,635**
	161,947	**84,027**	**77,920**	**104,426**	**53,057**	**51,369**
Financial liabilities						
Payables	**(38,580)**	**-**	**(38,580)**	**(2,260)**	**-**	**(2,260)**
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)

21. FINANCIAL INSTRUMENTS (CONTINUED)

21.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gains on:				
Amortised cost	**939**	965	**114**	111
Fair value through profit or loss	**2,468**	2,368	**1,214**	896
	3,407	3,333	**1,328**	1,007

21.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

21.4 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.

21. FINANCIAL INSTRUMENTS (CONTINUED)

21.4 Credit risk (continued)

Trade receivables from contract with customers (continued)

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.

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	
	2019	**2018**
	RM'000	**RM'000**
Malaysia	**20,112**	10,162
Singapore	**6,518**	-
	26,630	10,162

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.

21. FINANCIAL INSTRUMENTS (CONTINUED)

21.4 Credit risk (continued)

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.

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 2019.

	Gross carrying amount RM'000	Impairment loss allowances RM'000	Net balance RM'000
Company			
2019			
Low credit risk	**46,731**	**-**	**46,731**
2018			
Low credit risk	41,257	-	41,257

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.

21. FINANCIAL INSTRUMENTS (CONTINUED)

21.4 Credit risk (continued)

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.

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.

21.5 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.

21. FINANCIAL INSTRUMENTS (CONTINUED)

21.5 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	2 – 5 years RM'000	More than 5 years RM'000
2019							
Group							
Non-derivative financial liabilities							
Payables	**38,580**	**-**	**38,580**	**38,580**	**-**	**-**	**-**
Lease liabilities	**59,755**	**3.80 - 4.65**	**114,463**	**11,705**	**10,741**	**12,667**	**79,350**
Company							
Non-derivative financial liabilities							
Payables	**2,260**	**-**	**2,260**	**2,260**	**-**	**-**	**-**
2018							
Group							
Non-derivative financial liabilities							
Payables	42,025	-	42,025	42,025	-	-	-
Company							
Non-derivative financial liabilities							
Payables	3,170	-	3,170	3,170	-	-	-

21. FINANCIAL INSTRUMENTS (CONTINUED)

21.6 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.

21.6.1 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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Fixed rate instruments				
Financial assets	**41,910**	30,187	**4,200**	4,300

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.

21.6.2 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"].

21. FINANCIAL INSTRUMENTS (CONTINUED)

21.7 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
2019			
Group			
Financial assets			
Money market deposits	**84,027**	**84,027**	**84,027**
Company			
Financial assets			
Money market deposits	**53,057**	**53,057**	**53,057**
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

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.

22. 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.

23. 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.

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 15), are shown below. The balances related to the below transactions are disclosed in Note 7 and 11.

	Group		**Company**	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Firm in which **Datuk Simon Shim Kong Yip, JP**, a Director of the Company, has interest: Shim Pang & Co				
Legal fee	**(70)**	(515)	**-**	(515)
Firm connected to **Datuk Edward Lee Ming Foo, JP**, a Director of the Company: Corporated International Consultants				
Project consultancy fee	**(786)**	(408)	**-**	-

23. RELATED PARTIES (CONTINUED)

Significant related party transactions (continued)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	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	**1,303**	905	**-**	-
- Purchase of motor vehicles and spare parts	**(1,283)**	(2,221)	**-**	-
- Rental expenses	**(22)**	-	**-**	-
- Rental of commercial vehicles	**(6,401)**	(4,608)	**-**	-
Immediate holding company				
Sales of used motorcycle	**-**	2	**-**	2
Subsidiaries				
Dividend received	**-**	-	**27,930**	106,917
Related companies				
Blasting and crushing of rock aggregates	**(1,684)**	-	**-**	-
Car usage	**(84)**	(36)	**-**	-
Insurance expenses	**(2,314)**	(2,594)	**(29)**	(27)
Management fees	**(4,045)**	(3,717)	**(85)**	(108)
Plantation management fee income	**455**	555	**-**	-
Purchase of building materials	**(3,724)**	(2,877)	**-**	-
Purchase of diesel, petrol and lubricant	**(21,068)**	(18,435)	**-**	-
Purchase of fertilizers and chemicals	**(26,170)**	(39,709)	**-**	-
Purchase of fresh fruit bunches	**(1,236)**	(1,597)	**-**	-
Purchase of stones and sand	**(18,435)**	(10,294)	**-**	-
Purchase of tyre and tube	**(685)**	(5,550)	**-**	-
Purchase of vehicles and spare parts	**(4,692)**	(912)	**(1,227)**	(363)
Rental expenses	**(316)**	(396)	**(14)**	(42)
Rental of commercial vehicles	**(3,460)**	(3,061)	**-**	-
Rental of skid tank	**(3)**	(8)	**-**	-
Rental income	**8**	4	**-**	-
Sales of used commercial vehicles	**424**	-	**-**	-
Sales of used motor vehicles	**3,288**	-	**1,267**	-
Utilities charges	**5**	-	**-**	-

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

24. 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”].

24. MATERIAL LITIGATIONS (CONTINUED)

(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, 8 March 2019, 19 September 2019 and 7 February 2020. Due to the Restriction of Movement Order which took effect on 18 March 2020, the hearing dates of the Consolidated RESB Suit on 26 and 27 March 2020 had been adjourned to further dates to be fixed.

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, 8 March 2019, 19 September 2019 and 7 February 2020. Due to the Restriction of Movement Order which took effect on 18 March 2020, the hearing dates of the Consolidated RESB Suit on 26 and 27 March 2020 had been adjourned to further dates to be fixed.

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

25. CONTINGENT LIABILITY - UNSECURED

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

26. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group and the Company adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset at 1 January 2019 are determined to be the same as the carrying amount of the leased asset under MFRS 117 immediately before that date.

26. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

As a lessor

Group entities who is an intermediate lessor reassessed the classification of a sublease previously classified as an operating lease under MFRS 117 and concluded that the sublease is an operating lease under MFRS 16.

Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

The effects of adoption of MFRS 16 as at 1 January 2019 are as follows:

	Increase/ (Decrease) RM'000
Property, plant and equipment – Leasehold land	(1,159,261)
Property, plant and equipment – Right-of-use assets	1,219,326
Lease liabilities	65,431
Retained earnings	(5,366)

27. SUBSEQUENT EVENT

The Covid-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts. The rapid spread of the virus has weakened the global economic outlook and the unprecedented lockdowns in many countries have also caused severe demand shrinkage and disruption to supply chain networks.

The Group considers this outbreak to be a non-adjusting post balance sheet event as it was not a condition that existed as at the reporting date. Accordingly, it does not have an impact on the balances reported for the financial year ended 31 December 2019.

As at the date of these financial statements, the Group is still in the process of assessing the financial impact of the Covid-19 pandemic to the Group's performance with which the Group is unable to provide any estimate thereof.

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 79 to 138 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 2019 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

13 May 2020

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 79 to 138 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 above named Lee Wee Yong, MIA CA 7492 in Kuala Lumpur on 13 May 2020.

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
Registration No. 200701011957 (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 2019 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 79 to 138.

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 2019 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, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were 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 2019 amounted to RM112 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.

Key Audit Matters (continued)

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 concern, 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.

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 Matter

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: 02700/12/2021 J
Chartered Accountant

13 May 2020

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 2019 was RM166,000 as disclosed in Note 14 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 2019, and/or entered into since 31 December 2018.

   (iv) RECURRENT RELATED PARTY TRASACTIONS

   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 2019 are as disclosed in Note 23 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 1 July 2020.

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 31/12/2019 RM'000
SABAH							
KINABATANGAN, LAHAD DATU							
Tomanggong Estate	4,890	Oil palm plantation and buildings	January 2017	Leasehold 99 years/ 999 years	2067/2094/ 2894	1 - 51	
		Tomanggong Palm Oil Mill					
Tabin Estate	3,055	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2067/2076/ 2093/2096/ 2097/2098	1 - 34	
Tagas Estate	2,010	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2067/2076	1 - 43	
Litang Estate	1,571	Oil palm plantation and buildings	January 2017	Leasehold 99 years/ 999 years	2076/2091/ 2887/2900	1 - 34	864,708
Sungai Segama Estate	5,174	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2089	1 - 24	
		Plantation Central Office and Clubhouse					
Bukit Mas Estate	4,733	Oil palm plantation and buildings	January 2017	Leasehold 99 years/ 999 years	2089/2887	1 - 24	
		Bukit Mas Palm Oil Mill					
Wecan Estate	1,078	Oil palm plantation	January 2017	Leasehold 99 years	2084	-	43,885
Tampilit Estate	202	Oil palm plantation	January 2017	Leasehold 99 years	2084	-	6,865

Location	Area (hectares)	Description	Date of revaluation	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2019 RM'000
SABAH							
KINABATANGAN, LAHAD DATU (continued)							
Batangan Estate	3,633	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	1 - 37	
Lutong Estate	2,448	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078/2098/2099	4 - 28	
Lokan Estate	3,155	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	4 - 23	575,243
Kapis Estate	2,681	Oil palm plantation and buildings Jeroco Palm Oil Mill I and II	January 2017	Leasehold 99 years	2078	1 - 33	
Lungmanis Estate	2,200	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	4 - 22	
TAWAU							
Apas Claremont Estate	552	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2058/2061/2064	5 - 37	
Muul Hill Estate	724	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2062/2063/2065/2068/2071/2072/2073	37	143,712
KOTA MARUDU							
Pelipikan Estate, Kg Natu	808*	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2101/2102	1 - 20	34,719
Pelipikan Estate, Kg Natu	1,365	Oil palm plantation and buildings	January 2017	Leasehold 30 years	2039	7 - 15	75,593
Total	**40,279**						**1,744,725**

* *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				
	2019	**2018**	**2017**	**2016**	**2015**
CROP PRODUCTION - TONNES					
FFB	**675,587**	657,259	655,957	662,774	709,984
PROCESSED - TONNES					
FFB - own	**659,427**	640,737	640,507	643,731	667,504
FFB - purchased	**66,356**	80,746	85,006	91,707	107,829
Palm Oil	**152,017**	148,651	150,695	154,682	170,546
Palm Kernel	**35,402**	34,802	35,183	35,872	38,087
EXTRACTION RATE - %					
Palm Oil	**20.95**	20.60	20.77	21.03	22.00
Palm Kernel	**4.88**	4.82	4.85	4.88	4.91
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	**4,340**	4,491	5,615	5,626	5,599
> 7 years to 17 years	**9,794**	8,522	6,839	7,246	8,480
> 17 years onwards	**18,324**	19,125	19,569	19,502	18,361
Total mature area	**32,458**	32,138	32,023	32,374	32,440
AVERAGE YIELD - TONNES/ HECTARE					
FFB yield per mature hectare	**20.81**	20.45	20.48	20.47	21.89
Oil per mature hectare	**4.36**	4.21	4.25	4.31	4.81
AVERAGE SELLING PRICE (Ex-Sandakan)					
RM/TONNE					
FFB	**371**	396	536	521	433
Palm Oil	**2,143**	2,300	2,885	2,643	2,168
Palm Kernel	**1,311**	1,825	2,560	2,564	1,600
TAXES APPLICABLE TO PLANTATION INDUSTRY					
RM'000					
MPOB cess	**1,984**	1,948	1,962	2,011	2,217
Sabah sales tax	**27,163**	23,207	32,609	29,466	26,216
Windfall tax	**-**	-	329	161	-
Total taxes paid	**29,147**	25,155	34,900	31,638	28,433

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2019

	River Estates Group	Jeroco	* HSP (Kota Marudu)	Pelipikan Plantation	Total Group
Oil Palm					
Mature	19,325	11,645	585	903	32,458
Immature	2,422	1,077	-	-	3,499
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	-	113
Buildings, roads etc	2,155	1,304	142	462	4,063
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 30 APRIL 2020

Total number of issued shares	:	800,000,000 (including 314,800 treasury shares)
Class of shares	:	ordinary share
Voting rights	:	one vote per ordinary share
Number of shareholders	:	8,030

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Shares
1 to 99	126	1.57	2,365	#
100 to 1,000	2,480	30.88	1,854,687	0.23
1,001 to 10,000	4,225	52.62	18,217,603	2.28
10,001 to 100,000	1,061	13.21	31,040,410	3.88
100,001 to less than 5% of issued shares	134	1.67	68,653,135	8.59
5% & above of issued shares	4	0.05	679,917,000	85.02
Total	**8,030**	**100.00**	**799,685,200**	**100.00**

* *The number of 799,685,200 ordinary shares which was arrived at after deducting 314,800 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	69,681,200	8.71
4.	Citigroup Nominees (Tempatan) Sdn Bhd - Urusharta Jamaah Sdn. Bhd. (1)	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.	John Chia Sin Tet	3,103,400	0.39
11.	CIMB Commerce Trustee Berhad - Public Focus Select Fund	2,254,500	0.28

		Shareholding	%[3]
12.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	1,939,900	0.24
13.	Mikdavid Sdn Bhd	1,352,000	0.17
14.	Amanahraya Trustees Berhad - Public Islamic Treasures Growth Fund	1,061,700	0.13
15.	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Commerce Trustee Berhad for Maybank Malaysia Smallcap Fund	1,026,300	0.13
16.	Gemas Bahru Estates Sdn. Bhd.	810,000	0.10
17.	Maybank Nominees (Tempatan) Sdn Bhd - Medical Fund (1FM Maybank)	800,000	0.10
18.	Chan Kwai Chee	690,900	0.09
19.	Teuh Chin Yap	663,000	0.08
20.	Cheong Meng Soon @ Chong Sai Yan	655,000	0.08
21.	Gan Kai San	600,000	0.08
22.	Mohd Aris @ Nik Ariff Bin Nik Hassan	590,000	0.07
23.	Cheah Yaw Song	572,000	0.07
24.	Permodalan Nasional Berhad	536,900	0.07
25.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	509,100	0.06
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		**725,848,466**	**90.74**

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	69,681,200	8.71	-	-
Citigroup Nominees (Tempatan) Sdn Bhd - Urusharta Jamaah Sdn. Bhd. (1)	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 799,685,200 which was arrived at after deducting 314,800 treasury shares held by the Company from its issued shares of 800,000,000 ordinary shares.*

DIRECTORS' SHAREHOLDINGS

AS AT 30 APRIL 2020

	Direct Shareholding		Indirect Shareholding	
Company	**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	41,200	0.005	-	-
Au Yong Siew Fah	180,000	0.023	-	-
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)				
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 799,685,200 which was arrived at after deducting 314,800 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 2,489,669,583 which was arrived at after deducting 12,000 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 13th annual general meeting of Hap Seng Plantations Holdings Berhad will be conducted by way of a full virtual meeting with its broadcast venue at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 1 July 2020 at 10am to transact the following:-

AGENDA

ORDINARY BUSINESS

1. To table the audited financial statements for the financial year ended 31 December 2019 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 & 4

    (a) Ms. Cheah Yee Leng — **Resolution 1**

    (b) Mr. Au Yong Siew Fah — **Resolution 2**

    (c) Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP — **Resolution 3**

3. To re-elect the following directors who shall retire in accordance with clause 122 of the Company's constitution and being eligible, have offered themselves for re-election:- Notes 3 & 4

    (a) Dato' Mohammed Bin Haji Che Hussein — **Resolution 4**

    (b) Tan Sri Amirsham Bin A Aziz — **Resolution 5**

    (c) Datuk Jasa @ Ismail Bin Rauddah — **Resolution 6**

    (d) Mr. Andrew John Barber — **Resolution 7**

4. To approve the payment of directors' fees of the Company and its subsidiaries amounting to RM708,273.00 for the financial year ended 31 December 2019. Note 5 — **Resolution 8**

5. 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 9**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following ordinary resolutions:-

6. **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 10**

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 29 May 2020, which 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 (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the proposed renewal of and new shareholders' mandate." Note 8 **Resolution 11**

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:-

(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 2019; 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 9 **Resolution 12**

By order of the Board

Cheah Yee Leng (LS 0009398)
SSM Practising Certificate No.: 202008000771
Lim Guan Nee (MAICSA 7009321)
SSM Practising Certificate No.: 202008003410
Company Secretaries

Kuala Lumpur
29 May 2020

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. *Pursuant to clause 122 of the Company's constitution and paragraph 7.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, any director so appointed, either to fill a casual vacancy or as an addition to the board of directors, shall hold office until the next AGM of the Company, and shall then be eligible for re-election.*

4. *Based on the satisfactory outcome of its review, the Nominating Committee had made recommendations to the board of directors that these directors be eligible to stand for re-election.*

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 10 is to authorise the Company to allot shares pursuant to section 75 of the Act. This proposed resolution 10, 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 29 May 2019, which the authority shall lapse at the conclusion of this AGM.

8. *The proposed resolution 11 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 29 May 2020 which is issued together with the Company's Annual Report 2019.

9. *The proposed resolution 12 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 29 May 2020 which is issued together with the Company's Annual Report 2019.*

Notes to the notice of AGM:-

1. *In view of the official guidance issued by the Malaysian government vis-a-viz the COVID-19 pandemic, the AGM will be conducted by way of a full virtual meeting through live streaming and online remote voting via remote participation and voting ("RPV") facilities. Such RPV facilities will be made available on Boardroom Share Registrars Sdn Bhd's website at https://www.boardroomlimited.my. Please follow the procedures as provided in the administrative guide for the AGM in order to register, participate and vote remotely via RPV facilities.*

2. *The chairman of the AGM will be at the broadcast venue in compliance with section 327(2) of the Act. No shareholder/proxy shall be physically present at the meeting venue.*

3. *A depositor shall not be regarded as a member entitled to participate and vote thereat unless his/her name appears in the register of record of depositors as at 24 June 2020.*

4. *Subject to note 5 below, a member entitled to participate and vote at this AGM is entitled to appoint a proxy or proxies to participate and vote in his/her stead. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. 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.*

5. *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.*

6. *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. Such duly executed instrument appointing a proxy must either (a) be physically deposited at Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur; or (b) be electronically deposited through the Boardroom Smart Investor Online Portal at https://www.boardroomlimited.my, not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.*

HAP SENG PLANTATIONS

Creating Value Together

Hap Seng Plantations Holdings Berhad 200701011957 (769962-K)

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 13th annual general meeting of the Company to be conducted by way of a full virtual meeting with its broadcast venue at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 1 July 2020 at 10am or at any adjournment thereof in the manner as indicated below:-

Agenda

1. To table the audited financial statements for the financial year ended 31 December 2019 together with the reports of directors and auditors.

ORDINARY BUSINESS		**FOR**	**AGAINST**
2. To re-elect Ms. Cheah Yee Leng as director of the Company.	Resolution 1		
3. To re-elect Mr. Au Yong Siew Fah as director of the Company.	Resolution 2		
4. To re-elect Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP as director of the Company.	Resolution 3		
5. To re-elect Dato' Mohammed Bin Haji Che Hussein as director of the Company.	Resolution 4		
6. To re-elect Tan Sri Amirsham Bin A Aziz as director of the Company.	Resolution 5		
7. To re-elect Datuk Jasa @ Ismail Bin Rauddah as director of the Company.	Resolution 6		
8. To re-elect Mr. Andrew John Barber as director of the Company.	Resolution 7		
9. To approve the payment of directors' fees.	Resolution 8		
10. To reappoint Messrs KPMG PLT as auditors of the Company.	Resolution 9		
SPECIAL BUSINESS		**FOR**	**AGAINST**
11. Authority to allot shares pursuant to section 75 of the Companies Act 2016.	Resolution 10		
12. To approve renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	Resolution 11		
13. To approve renewal of share buy-back authority.	Resolution 12		

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 ____________ 2020

____
Signature(s)/Common Seal of Shareholder(s)

Notes:-

1. *In view of the official guidance issued by the Malaysian government vis-a-viz the COVID-19 pandemic, the annual general meeting ("AGM") will be conducted by way of a full virtual meeting through live streaming and online remote voting via remote participation and voting ("RPV") facilities. Such RPV facilities will be made available on Boardroom Share Registrars Sdn Bhd's website at https://www.boardroomlimited.my. Please follow the procedures as provided in the administrative guide for the AGM in order to register, participate and vote remotely via RPV facilities.*

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Postage

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Registration No. 200701011957 (769962-K)
Reception Counter, Ground Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

Fold here

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