




ANNUAL REPORT **2016**

HAP SENG PLANTATIONS HOLDINGS BERHAD

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10th ANNUAL GENERAL MEETING

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

Wednesday,
24 May 2017 at 2pm

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Ahmad Bin Mohd Don
Independent Non-Executive Chairman

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

Datuk Edward Lee Ming Foo, JP
Managing Director

Lee Wee Yong
Executive Director

Cheah Yee Leng
Executive Director

Au Yong Siew Fah
Executive Director

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

Dato' Jorgen Bornhoft
Independent Non-Executive Director

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

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

COMPANY SECRETARIES

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

REGISTERED OFFICE

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

PLANTATION HEADQUARTERS

Off 40KM, Jalan Jeroco
Lahad Datu, Sabah

PLACE OF INCORPORATION

Malaysia

SHARE REGISTRAR

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

AUDITORS

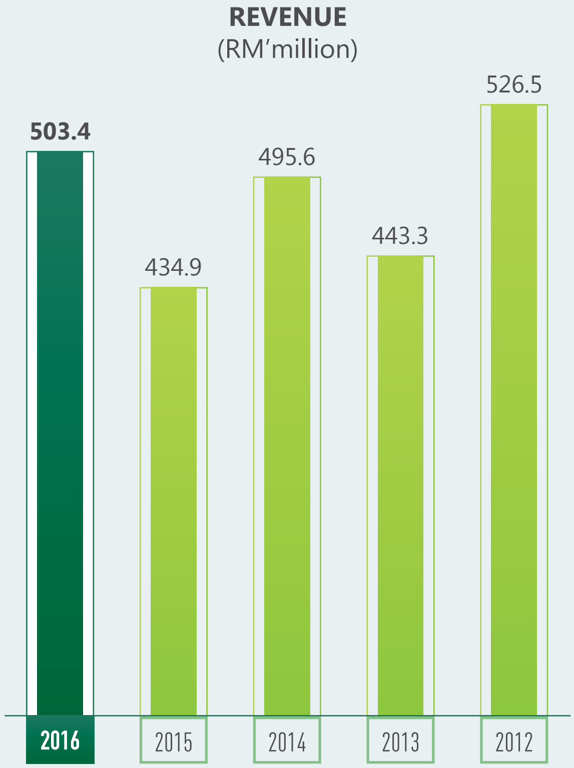
KPMG PLT
Chartered Accountants
2nd Floor, Wisma Gek Poh
18 Jalan Haji Saman
88000 Kota Kinabalu
Sabah

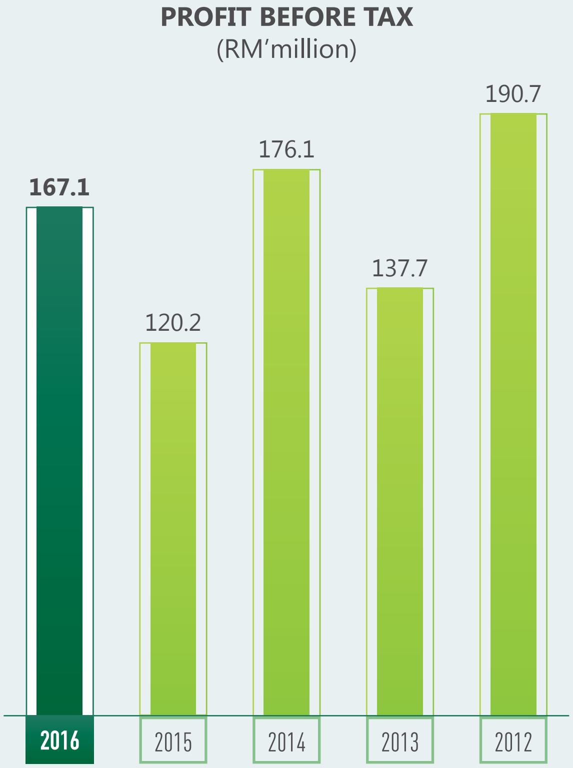
PRINCIPAL BANKER

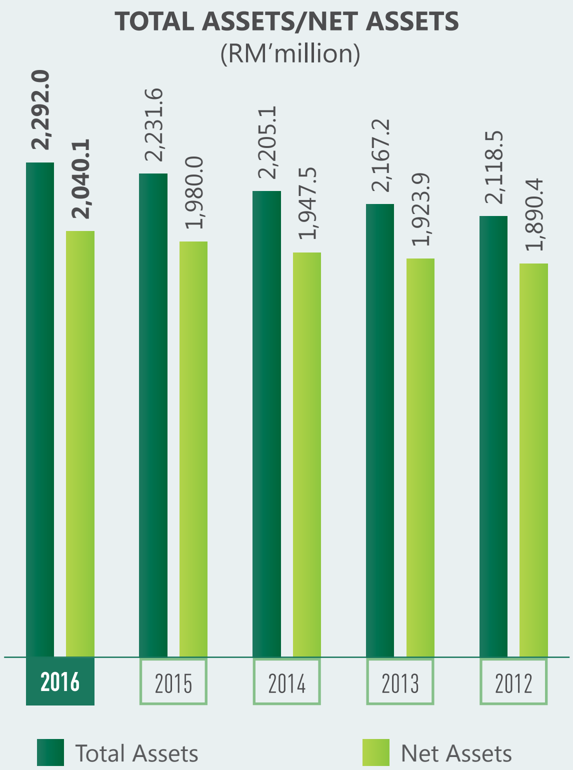
Malayan Banking Berhad

GROUP FINANCIAL HIGHLIGHTS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2016	2015	2014	2013	2012
INCOME (RM'000)					
Revenue	503,427	434,875	495,566	443,321	526,499
Profit before interest & tax	165,893	118,005	170,867	133,913	187,758
Profit before tax	167,146	120,226	176,068	137,674	190,688
Profit attributable to Owners of the Company	124,118	96,448	128,312	97,514	140,335
FINANCIAL POSITION (RM'000)					
Assets					
Total assets	2,292,033	2,231,591	2,205,056	2,167,242	2,118,484
Net assets	2,040,139	1,980,007	1,947,545	1,923,923	1,890,418
Current assets	240,647	256,228	255,913	235,588	195,583
Liabilities and Shareholders' Equity					
Current liabilities	59,945	63,821	61,229	47,639	35,921
Paid-up share capital	800,000	800,000	800,000	800,000	800,000
Shareholders' equity	2,040,139	1,980,007	1,947,545	1,923,923	1,890,418
SHARE INFORMATION					
Per Share					
Basic earnings (sen) *	15.52	12.06	16.04	12.19	17.54
Net assets (RM) **	2.55	2.48	2.44	2.40	2.36
Dividend (sen)	11.00	8.00	11.00	10.00	11.00
Share price					
- Year High (RM)	2.54	2.66	2.88	2.82	3.23
- Year Low (RM)	2.23	1.95	2.43	1.89	2.66
- as at 31 December (RM)	2.52	2.40	2.51	2.68	2.82
Market capitalisation (RM'000)	2,015,232	1,919,278	2,007,255	2,143,928	2,255,935
Trading volume ('000)	21,826	17,518	31,206	91,407	143,585
** Based on weighted average number of shares in issue net of treasury shares ('000)*	*799,698*	*799,702*	*799,729*	*799,976*	*799,980*
*** Based on number of shares in issue net of treasury shares ('000)*	*799,695*	*799,699*	*799,703*	*799,973*	*799,977*
FINANCIAL RATIOS					
Return on total assets (%)	5.42	4.32	5.82	4.50	6.62
Return on shareholders' equity (%)	6.08	4.87	6.59	5.07	7.42
Current ratio (times)	4.01	4.01	4.18	4.95	5.44


REVENUE
(RM'million)
503.4
434.9
495.6
443.3
526.5
2016
2015
2014
2013
2012


PROFIT BEFORE TAX
(RM'million)
167.1
120.2
176.1
137.7
190.7
2016
2015
2014
2013
2012


TOTAL ASSETS/NET ASSETS
(RM'million)
2,292.0
2,040.1
2,231.6
1,980.0
2,205.1
1,947.5
2,167.2
1,923.9
2,118.5
1,890.4
2016
2015
2014
2013
2012
Total Assets
Net Assets


BASIC EARNINGS PER SHARE/
NET ASSETS PER SHARE
15.52
2.55
12.06
2.48
16.04
2.44
12.19
2.40
17.54
2.36
2016
2015
2014
2013
2012
Basic Earnings Per Share (sen)
Net Assets Per Share (RM)

HAP SENG PLANTATIONS HOLDINGS BERHAD IS AN OIL PALM PLANTATION COMPANY LISTED ON BURSA MALAYSIA.

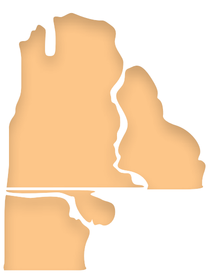
THE GROUP IS ONE OF THE LARGEST PRODUCERS OF SUSTAINABLE PALM OIL IN SABAH WITH A TOTAL AREA OF 40,279 HECTARES LOCATED ENTIRELY IN SABAH. IT ALSO OPERATES FOUR PALM OIL MILLS.

THE GROUP COMPRISES FIVE ESTATES NAMELY, 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. JGOE, TMGOE AND SSGOE ARE LOCATED ON A CONTIGUOUS PLOT OF LAND IN LAHAD DATU.

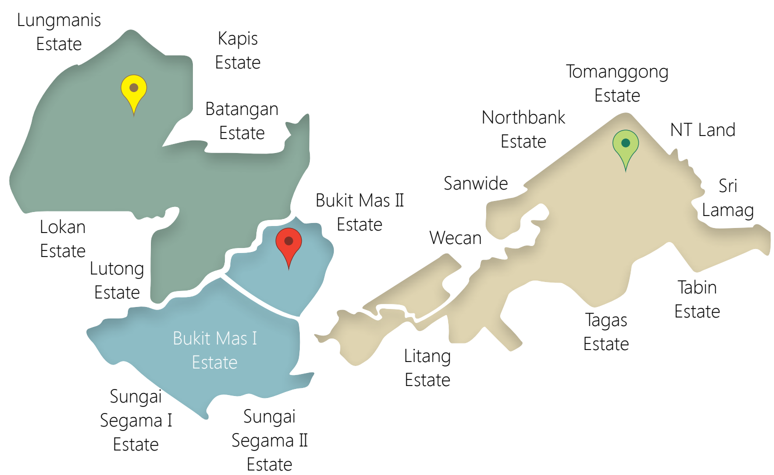
Revenue
RM503.4 mil

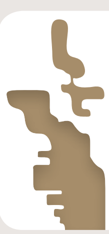
Operating Profit
RM167.1 mil

PLANTATION OPERATIONS



Pelipikan Estate (Kota Marudu)
(6°21′37.6″ N/ 116°48′4.9″ E)





Kawa Estate (Ladang Kawa)
(4°21′52.2″ N/ 118°2′18.7″ E)

Jeroco 1 & 2 Palm Oil Mill
(5°25.866′ N/ 118°25.033′ E)

Bukit Mas Palm Oil Mill
(5°20′ 14.28″ N/ 118°28′ 25.104″ E)

Tomanggong Palm Oil Mill
(5°23.987′ N/ 118°39.798′ E)

VISION

The Group strives to achieve the highest 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 local delivered sales to refiners within Malaysia and some of the sales were exported on FOB basis.

STRATEGIES IN CREATING VALUE

The Group is committed to improve the value and marketability of its palm oil products. On this front, the Group endeavoured to have its crude palm oil (CPO) certified internationally to ensure a wider market acceptance.

As at FY2016, all its mills have international certifications on Roundtable on Sustainable Palm Oil (RSPO) and International Sustainability and Carbon Certification EU (ISCC EU).

The Group is also in the process of obtaining the Hazard Analysis and Critical Control Points (HACCP) certification for all its mills. The Bukit Mas Palm Oil Mill was HACCP certified in 2016, with the balance three mills to be certified in 2017.

The Group's long term strategy is to increase its estate size. In 2016, it acquired 476 hectares of mature estate, adjacent to its present contiguous plot at Lahad Datu, as part of its strategy to increase estate size.

Moving forward, the Group will continue to source for new palm oil estates.

MARKET LANDSCAPE

The production of palm oil for 2016 in Malaysia was adversely affected by the El Nino weather phenomenon which resulted in lower production output of 17.32 million tonnes, a 13.2% drop from 19.96 million tonnes in 2015.

Correspondingly, the Malaysian palm oil stock balance at the end of 2016 was 1.67 million tonnes as compared to 2.63 million tonnes in 2015, providing support to palm oil prices which rallied to a high of RM3,200 per tonne in the fourth quarter of the year.

The year closed with an average CPO price of RM2,653 per tonne, an increase of 23.2% as compared to RM2,153 per tonne in 2015.

2016 FINANCIAL REVIEW

The Group's performance for FY2016 improved significantly over the preceding financial year in tandem with the higher average CPO and palm kernel (PK) prices. It achieved a revenue of RM503.4 million in FY2016, 15.8% higher than the previous financial year of RM434.9 million and operating profit increased by 39% to RM167.1 million (2015: RM120.2 million).

Sales volume for CPO was lower by 7.3% to 151,895 tonnes (2015: 163,849 tonnes) and PK sales volume was also lower by 6.2% to 35,917 tonnes (2015: 38,284 tonnes).

The average price realisation of its CPO and PK for FY2016 was RM2,643 per tonne (2015: RM2,168 per tonne) and RM2,564 per tonne (2015: RM1,600 per tonne), respectively. These prices were comparable or higher than Sabah average of RM2,658 per tonne and RM2,414 per tonne, respectively.

The Group's fresh fruit bunches (FFB) production yield of 20.47 tonnes per hectare (2015: 21.89 tonnes per hectare) was better than the Sabah plantation industry average FFB production yield of 17.10 tonnes per hectare. Its oil extraction rate (OER) of 21.03% (2015: 22.00%) was comparable with Sabah plantation industry average OER of 21.11%.

The plantation industry continued to be impacted by labour shortage. Higher production cost as a result of the fluctuation of Malaysian Ringgit against the US dollar was another factor. CPO production cost (excluding replanting cost and after taking into account of PK credits) for the financial year was approximately 2% higher at RM1,159 per tonne as compared to previous year of RM1,137 per tonne.

The Group's earnings per share (EPS) for FY2016 was at 15.52 sen as compared to 12.06 sen in the preceding year.

Dividend Policy

The Group's dividend policy of distributing up to 60% of the total Group's profit attributable to shareholder is a testament of its commitment in creating and enhancing long-term value for shareholders.

The Board has declared a total dividend of 11 sen per share for FY2016 as against the previous year's dividend of 8 sen per share, representing a payout ratio of approximately 71%.

OPERATIONAL PERFORMANCE

Planting Operations

As at 31 December 2016, the Group had a total planted area of 36,145 hectares (2015: 35,678 hectares) out of a total area of 40,279 hectares with an average age of 15.3 years (2015: 15.5 years). Of the total planted area, approximately 90% or 32,374 hectares (2015: 32,440 hectares) were mature areas.

	Hectares
Immature	3,625
30 months to 7 years	5,626
> 7 years to 17 years	7,246
> 17 years	19,502
Total planted – oil palm	35,999
Immature – other crops	146
Total planted area	36,145
Reserve plantable	114
Building, road, reserves, etc	4,020
Total Area	40,279

1,106 hectares of the total immature area of 3,625 hectares are expected to mature in 2017. The Group replanted 1,425 hectares during FY2016.

Area Statement of the Group as of 31 December 2016 was as follows:

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of Mature area
JGOE(i)	14,117	*12,808	10,589	82.7%
TMGOE(ii)	12,807	**11,893	10,726	90.2%
SSGOE(iii)	9,906	8,755	8,370	95.6%
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	36,145	32,374	89.6%

(i) JGOE refers to Jeroco group of estates
(ii) TMGOE refers to Tomanggong group of estates
(iii) SSGOE refers to Sungai Segama group of estates
** Including 86 hectares planted with Jelutong trees*
*** Including 60 hectares planted with Sepat trees*
**** Including 81 hectares of land adjoining to the existing land of which the land title is currently under application*

Milling Operations

The Group's milling operation is undertaken by four mills, with a combined milling capacity of 180 FFB tonnes per hour. Its mills, which include Jeroco Palm Oil Mill 1, Jeroco Palm Oil Mill 2, Tomanggong Palm Oil Mill and Bukit Mas Palm Oil Mill, saw production averaging at 70% of the total milling capacity throughout 2016 which was lower than the previous year of 76%, mainly due to lower FFB production.

ANTICIPATED RISKS AND OPPORTUNITIES

The oil palm industry is highly labour intensive and there has been a general shortage of workers particularly for skilled harvesters in the palm oil industry. This poses a significant risk to the plantation business as any manpower shortage will be disruptive to the operations and shortages may result in the further escalation in wages and hence increase in production costs.

To mitigate this, a regular review of wage rate is carried out to ensure that the Group's wage scale adhere to the industry standard and remain competitive. The Group has so far been able to attract and retain workers and their families to work with the Group with the provision of many amenities which include conducive living quarters, Humana schools, clinics, crèche and recreational facilities.

The Group recognises the importance of security for its employees based at the palm oil estates and mills. Thus, various initiatives are in progress or have been planned, including the setting up of auxiliary police in the estates, constructing perimeter fencing in the residential areas, installing GPS and CCTV at prominent locations and maintaining close rapport with the police force.

The ongoing biogas project, when fully operational, is expected to reduce fuel consumption at the mills and other facilities and amenities, apart from meeting environmental standards in reducing GHG emission.

MOVING FORWARD

The Malaysian palm oil industry in 2017 is expected to be challenging. With the abatement of the inclement weather condition caused by the crop damaging El Nino weather phenomenon, production of palm oil is expected to improve over the previous year. According to the Malaysian Palm Oil Board, production of palm oil in Malaysia is expected to increase from 17.32 million tonnes in 2016 to 19.00 million tonnes in 2017. This could put a lid to the current high palm oil prices.

The Malaysian government's intended move to the B10 biodiesel mandate in 2017, together with Indonesia's existing B20 mandate, are expected to increase the offtake of palm oil stocks.

Labour shortage, higher wages and fluctuation in the US dollar are expected to be ongoing challenges faced by the plantations industry. The Group will continue to improve the operational efficiencies to mitigate the effect of the rising production costs.

The Group's prospect for FY2017 is dependent on the global commodity market and the weather conditions in major oil seeds producing countries.

BOARD OF DIRECTORS

1
CHEAH YEE LENG
Executive Director

2
LEE WEE YONG
Executive Director

3
TUAN HAJI MOHD ARIS @ NIK ARIFF BIN NIK HASSAN
Independent Non-Executive Director

4
DATUK AMAT ASRI @ A.ASRIE B.AB KADIR @ A.KADIR, JP
Non-Independent Non-Executive Director

5
AU YONG SIEW FAH
Executive Director

6
DATO' JORGEN BORNHOFT
Independent Non-Executive Director

7
TAN SRI AHMAD BIN MOHD DON
Independent Non-Executive Chairman

8
DATUK EDWARD LEE MING FOO, JP
Managing Director

9
TAN SRI ABDUL HAMID EGOH
Non-Independent Non-Executive Director

10
DATUK SIMON SHIM KONG YIP, JP
Non-Independent Non-Executive Deputy Chairman

TAN SRI AHMAD BIN MOHD DON

Independent
Non-Executive Chairman

Tan Sri Ahmad Bin Mohd Don, male, a Malaysian, aged 69, is the independent non-executive chairman of Hap Seng Plantations Holdings Berhad. He was first appointed as an independent non-executive director on 9 August 2007 and became the chairman on 18 September 2007. He is also the chairman of the Audit Committee, Remuneration Committee and Nominating Committee.

In addition, Tan Sri Ahmad is the independent non-executive director of United Malacca Berhad and MAA Group Berhad, both are listed on the Main Market of Bursa Malaysia Securities Berhad. He is also an independent non-executive chairman of Zurich Insurance Malaysia Berhad, Zurich Takaful Malaysia Berhad (formerly known as MAA Takaful Berhad) and Alliance Bank Malaysia Berhad.

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

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

Tan Sri Ahmad does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

He attended all the 4 board meetings held during the financial year ended 31 December 2016.

DATUK SIMON SHIM KONG YIP, JP

Non-Independent
Non-Executive Deputy Chairman

Datuk Simon Shim Kong Yip, JP, male, a Malaysian, aged 60, 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 an independent non-executive director of Lam Soon (Thailand) Public Company Limited, a company listed on the Stock Exchange of Thailand.

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

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

Datuk Simon Shim does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interest with the Company save for the related party transactions disclosed in Note 22 to the Financial Statements. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

He attended 2 of the 4 board meetings held during the financial year ended 31 December 2016.

DATUK EDWARD LEE MING FOO, JP

Managing Director

Datuk Edward Lee Ming Foo, JP, male, a Malaysian, aged 62, 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. He is also a member of the Remuneration Committee.

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

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

Datuk Edward Lee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company save for the related party transactions disclosed in Note 22 to the Financial Statements. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

He attended all the 4 board meetings held during the financial year ended 31 December 2016.

LEE WEE YONG

Executive Director

Lee Wee Yong, a Malaysian, male, aged 69, 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 2016.

He attended 3 of the 4 board meetings held during the financial year ended 31 December 2016.

CHEAH YEE LENG

Executive
Director

Cheah Yee Leng, female, a Malaysian, aged 48, 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.

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.

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 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 2016.

She attended all the 3 board meetings held subsequent to her appointment to the board on 1 March 2016 during the financial year ended 31 December 2016.

AU YONG SIEW FAH

Executive Director

Au Yong Siew Fah, male, a Malaysian, aged 66, is an executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 31 July 2007.

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 has more than 47 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 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 2016.

He attended all the 4 board meetings held during the financial year ended 31 December 2016.

TAN SRI ABDUL HAMID EGOH

Non-Independent
Non-Executive Director

Tan Sri Abdul Hamid Egoh, male, a Malaysian, aged 83, is a non-independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 9 August 2007.

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

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

Tan Sri Abdul Hamid does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

He attended all the 4 board meetings held during the financial year ended 31 December 2016.

DATO' JORGEN BORNHOFT

Independent
Non-Executive Director

Dato' Jorgen Bornhoft, male, a Dane, aged 75, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 9 August 2007. He is also a member of the Audit Committee and Nominating Committee.

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

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

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

Dato' Bornhoft 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 2016.

He attended 3 of the 4 board meetings held during the financial year ended 31 December 2016.

TUAN HAJI MOHD ARIS @ NIK ARIFF BIN NIK HASSAN

Independent
Non-Executive Director

Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan, male, a Malaysian, aged 71, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 1 January 2011. He is also a member of the Audit Committee.

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

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

Tuan Haji Nik Ariff does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

He attended all the 4 board meetings held during the financial year ended 31 December 2016.

Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP, male, a Malaysian, aged 67, is a non-independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 1 June 2014.

Datuk Amat Asri holds a Bachelor of Laws (LLB) and Diploma in Development Administration from England. 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. Currently, he is the consultant of Hap Seng Land Sdn Bhd, a wholly-owned subsidiary of Hap Seng Consolidated Berhad.

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 2016.

He attended all the 4 board meetings held during the financial year ended 31 December 2016.

MAK WAI MING

General Manager

Finance

Mak Wai Ming, male, a Malaysian, aged 53, 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 interest with the Company. He has not been convicted 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 2016.

PETER LIEW CHI KIAW

Senior Planting Advisor

Peter Liew Chi Kiaw, male, a Malaysian, aged 65, is the senior planting advisor of Hap Seng Plantations Holdings Berhad (HSP) and was appointed to this position on 1 August 2013.

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 has any conflict of interest 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 2016.

SENIOR MANAGEMENT TEAM'S PROFILE

ANSELMIUS @ ROBERT KIMON

General Manager

Processing

Anselmius @ Robert Kimon, male, a Malaysian, aged 48, 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 of HSP shares.

Mr. Anselmius does not have any family relationship with any directors and/or major shareholders nor does he have any conflict of interest with the Company. He has not been convicted of any offence for 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 2016.

GAN LU YEE

Financial Controller

Plantations

Gan Lu Yee, male, a Malaysian, aged 40, is the Financial Controller of Hap Seng Plantations Holdings Berhad and was appointed to this position on 1 April 2011.

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

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

Mr. Gan does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interest with the Company. He has not been convicted 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 2016.

KEE KEOW CHONG

Chief Agronomist

Kee Keow Chong, male, a Malaysian, aged 42, is the chief agronomist of Hap Seng Plantations Holdings Berhad and was appointed to this position on 15 April 2014.

Mr. Kee started his career as a research executive with Asiatic Development Berhad in 1999. Thereafter, he joined IOI Plantations 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 interest 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 2016.

The board is pleased to report on the manner in which the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 (Code) are applied to the affairs of the Group and the extent of compliance pursuant to paragraph 15.25 and practice note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements).

It is the policy of the Company to manage the affairs of the Group in accordance with the appropriate standards for good corporate governance.

The board is committed to ensuring that appropriate standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group and Company.

BOARD OF DIRECTORS

Board Charter

The board has formalised a board charter on 2 April 2013 (Board Charter) to define inter-alia the following:

- Board composition
- Board appointments
- Meetings and board attendance
- Role of the chairman, managing director and company secretary
- Board function
- Board committees comprising the audit, nominating and remuneration committee
- Dichotomy between the board and management's role and responsibilities
- Code of conduct
- Board diversity
- Sustainability

The Board Charter, which is subject to periodic review by the board after taking into account the latest legal, regulatory and ethical requirements, is accessible through the Company's website at www.hapsengplantations.com.my.

Board Responsibilities

The board is responsible for overseeing the management of the business and affairs of the Company, including the commitment to sustainability, in the best long-term interest of the Company. The board has clear roles and responsibilities in discharging its fiduciary and leadership functions and has established clear functions reserved for the board and those that were delegated to the management which are embodied in the Board Charter.

All directors are to act in the best interest of the Company and shall disclose to the board of any interest or potential interest as soon as he becomes aware of such interest. The company secretary shall keep a register of such declarations of interest.

Board Meetings

The directors meet at least 4 times a year. During the financial year ended 31 December 2016, 4 board meetings were held with all the directors having attended at least 50% of the board meetings.

Minutes, proceedings and decisions taken during the board meetings are recorded by the company secretary and would be circulated to the board members within 2 weeks of the relevant meeting.

Directors' attendance at board meetings held during the financial year ended 31 December 2016 are as follows:

Directors	No. of Meetings Attended
Tan Sri Ahmad Bin Mohd Don	4/4
Datuk Simon Shim Kong Yip, JP	2/4
Datuk Edward Lee Ming Foo, JP	4/4
Mr. Lee Wee Yong	3/4
Ms. Cheah Yee Leng	3/3*
Mr. Au Yong Siew Fah	4/4
Tan Sri Abdul Hamid Egoh	4/4
Dato' Jorgen Bornhoft	3/4
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	4/4
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	4/4
Mr. Wong Yuen Kuai, Lucien #	3/4

* *There were 3 board meetings held subsequent to the appointment of Ms. Cheah Yee Leng to the board on 1 March 2016.*

\# *Resigned on 15 December 2016.*

Board Composition

As at the date of this annual report, the board has 10 members comprising 4 executive directors and 6 non-executive directors of which 3 or nearest to 1/3 are independent of management and have no relationships which could interfere with the exercise of their independent judgment.

The directors will among themselves elect an independent director to be the chairman and appoint an executive director to the office of managing director.

The responsibilities of the chairman and the managing director are divided to ensure a balance of power and authority and are clearly defined in the Board Charter.

Together, the directors have wide-ranging business and financial experience. A brief description of the background of each director is presented on pages 11 to 20 of this annual report.

The board annually examines its size with a view to determine the impact of the number on its effectiveness, provided always that the number of directors shall not exceed 12 as provided under article 107 of the Company's articles of association.

Tan Sri Ahmad Bin Mohd Don, being an independent non-executive director, assumes the role of senior independent non-executive director to address concern that may be raised by shareholders of the Company.

Board Diversity

The board comprises members of diverse backgrounds in terms of gender, age, ethnicity, nationality, professional background, skills and experience, all of which are crucial for the effective functioning of the board. Currently, the Company has 1 female executive director on the board.

Supply of Information

Board members are given appropriate information in advance of each board and committee meeting. For board meetings, these information include:

- A financial report
- Report on current trading and business issues from the managing director
- Proposals for capital expenditures (if any)
- Proposals for acquisitions and disposals not in the ordinary course of business (if any)
- Annual budget or business plan
- Reports of the sub-committees of the board (if any)

In addition, the board has a formal schedule of matters reserved for its decision including approval of annual and quarterly results.

The board is supported by suitably qualified and competent company secretary, who is responsible alongside with board members, for various legal and compliance obligations under the laws. The role of the company secretary is detailed in the Board Charter.

The company secretary, together with the managing director, assists the chairman to organise the information necessary for the board to deal with the agenda and providing the relevant information to the directors on a timely basis.

The board also authorises directors to seek independent professional advice if necessary at the Company's expense in the furtherance of their duties. Prior to incurring the professional fees, the directors shall refer to the managing director on the nature and the fees of the professional advice to be sought.

All information within the Group is accessible to the directors in the furtherance of their duties and all directors have access to the services of the company secretary.

Board Committees

Specific responsibilities are delegated to board committees which comprise the audit committee, nominating committee and remuneration committee which shall report to the board regularly. The board committees are limited to making recommendations to the board as the board is not empowered to delegate its decision-making authorities to the board committees. The primary responsibilities of these board committees are approved by the board and are published on the Company's website at www.hapsengplantations.com.my.

Minutes of proceedings and resolutions of all meetings including attendance of members of the committee are recorded by the company secretary and circulated promptly to the members of the board committee and once agreed, to all members of the board.

The board committees have access to relevant resources to facilitate the carrying out of its duties including obtaining, at the Company's expense, outside legal or other professional advice on any matters within its term of reference.

Appointments to the Board

Appointments to the board are decided by the members of the board based on the recommendations of the nominating committee. The nominating committee, which comprises 3 non-executive directors of which 2 are independent non-executive directors, is responsible for proposing new nominees to the board on an on-going basis and annually assessing the contribution of each individual director, (including independent non-executive directors as well as the managing director) and also the effective discharge by the members of the board committees.

The nominating committee has reviewed and is satisfied that:

- the size of the board is optimum for the effective discharge of the board's function and that there is appropriate mix of skills and core competencies in the composition of the board;
- all members of the board are suitably qualified to hold their positions as directors in view of their respective academic and professional qualifications, competencies, experiences, commitment, contribution and performance;
- all the directors at the date of this annual report have updated their knowledge and enhance their skills through appropriate continuing education programmes during the financial year ended 31 December 2016; and
- Tan Sri Ahmad Bin Mohd Don and Dato' Jorgen Bornhoft both have served as independent non-executive directors of the Company for a cumulative term of more than 9 years. Notwithstanding so, they are capable of acting in the best interests of the Company, and they have demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements. Accordingly, the nominating committee had recommended to the board that Tan Sri Ahmad Bin Mohd Don and Dato' Jorgen Bornhoft to continue in office as independent directors of the Company.

Company secretaries are appointed by the board and are persons who are capable of carrying out the duties which the post entails, providing effective support to the chairman to ensure the effective functioning of the board. Their removal is a matter for the board as a whole.

Re-election of Directors

In accordance with the Company's articles of association, directors who are appointed by the board during the year shall hold office only until the next annual general meeting (AGM) and shall be eligible for re-election by the shareholders. In addition, at the AGM in every calendar year, 1/3 of the directors including the managing director shall retire from office at least once every 3 years and shall be eligible for re-election by shareholders.

During the year, the nominating committee had reviewed both the independence and performance of the 1 non-independent non-executive director and 2 executive directors who are due for re-election at the forthcoming AGM. Based on the satisfactory outcome of the said review, the nominating committee had made recommendations to the board for their re-election.

Directors' Training and Education

On joining, all new directors are given background information describing the Company and its activities. Site visits are arranged whenever necessary. All the directors holding office as at the date of this annual report have completed the mandatory accreditation programme as specified by Bursa Malaysia Securities Berhad (the Exchange).

The Company is mindful of the importance of continuous training and education for the directors to enable the directors to effectively discharge their duties. Where appropriate, talks and seminars are organised for the directors to keep abreast with any changes in the relevant statutory and regulatory requirements.

The directors are also encouraged to attend various external professional programmes on a continuous basis to ensure that they are kept abreast on various issues facing the changing business environment within which the Group operates.

Details and updates of directors' training and continuous professional education are tabled to the board at each board meeting.

The directors had during the financial year ended 31 December 2016, evaluated their own training needs on a continuous basis and attended the following programmes:

Directors	Training Programme
Tan Sri Ahmad Bin Mohd Don	Fintech: Business Opportunity or Disruptor
	Briefing on New Companies Bill 2015
	Companies Bill 2015 vis-à-vis Malaysian Companies Law
Datuk Simon Shim Kong Yip, JP	The 34th Cambridge International Symposium on Economic Crimes of which Datuk Simon was one of the speakers
Datuk Edward Lee Ming Foo, JP	Bank Negara Malaysia's 2015 Annual Report/Financial Stability and Payment Systems Report Briefing
	Investing in a Turbulent World
	Companies Bill 2015 vis-à-vis Malaysian Companies Law
	Rabobank Financial Outlook 2017 "Business as Unusual"
	LSE Insights on BREXIT
	Post-Brexit Impact on UK Commercial & Residential Investment and Development
	Global Markets and Macroeconomics
	Health is Wealth
Mr. Lee Wee Yong	Latest GST Update Seminar
	Transfer Pricing Briefing – Base Erosion Profit Shifting (BEPS) Action Plans
	Integrated Reporting Conference: Connecting the dots
	KPMG in Malaysia Tax Summit 2016
Ms. Cheah Yee Leng	The Companies Bill 2015: A Brave New World?
	Companies Bill 2015 vis-à-vis Malaysian Companies Law
	Implementing Sustainability Best Practices – Meeting Regulatory Requirements & Beyond

Directors	Training Programme
Mr. Au Yong Siew Fah	Creating a better world: The Role of Corporate ASEAN in driving the Sustainable Development Goals
	Sustainability Engagement Series for Directors/Chief Executive Officers
	Companies Bill 2015 vis-à-vis Malaysian Companies Law
	Roundtable on Sustainability Palm Oil (RSPO) – RT 14 Conference
Tan Sri Abdul Hamid Egoh	CG Breakfast Series with Directors: The Strategy, the Leadership, the Stakeholders and the Board
	CG Breakfast Series with Directors: Future of Auditor Reporting – The Game Changer for Boardroom
	Companies Bill 2015 vis-à-vis Malaysian Companies Law
	CG Breakfast Series with Directors: How To Leverage on AGMs for Better Engagement with Shareholders
Dato' Jorgen Bornhoft	Coaching & Techniques for Breakthrough Results
	Sustainability Engagement Series for Directors/Chief Executive Officer
	CG Breakfast Series with Directors: Future of Auditor Reporting – The Game Changer for Boardroom
	Embarking on the Sustainability Reporting
	Companies Bill 2015 vis-à-vis Malaysian Companies Law
	Global Markets and Macroeconomics
	Health is Wealth
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	Companies Bill 2015 vis-à-vis Malaysian Companies Law
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	Companies Bill 2015 vis-à-vis Malaysian Companies Law
Mr. Wong Yuen Kuai, Lucien (Resigned on 15 December 2016)	14th Asia Pacific Maritime 2016
	Singapore Shipping Forum 2016
	2nd RMB International Summit
	The Future of Connectivity and its Impact on Trade Flows
	Companies Bill 2015 vis-à-vis Malaysian Companies Law
	Ecosperity Conference
	The Singapore Summit Conference
	Singapore Maritime Institute 2016 Forum

DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration

The board ensures that fair level of remuneration is accorded to attract, retain and motivate directors needed to manage the Company successfully. The component remuneration package for executive directors has 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.

Procedure

Remuneration packages of newly appointed and existing executive directors are reviewed by the remuneration committee and recommended to the board for approval. Directors do not participate in decisions on their own remuneration.

Disclosure

Directors' remuneration and remuneration policy are as follows:

Details of Directors' Remuneration

(i) The aggregate remuneration paid or payable by the Company and/or its subsidiaries to the directors of the Company for services in all capacities during the financial year ended 31 December 2016 is as follows:

Category	Fees RM'000	Salaries and Other Emoluments RM'000	Benefits-in-Kind RM'000	Total Remuneration RM'000
Executive	-	2,875	55	2,930
Non-Executive	571	-	-	571

(ii) The number of directors who received remuneration from the Company and/or its subsidiaries for the financial year ended 31 December 2016, and their remuneration including benefits-in-kind are tabulated in the following bands:

Remuneration Range	No. of Directors
Executive Directors	
RM350,001 to RM400,000	1
RM400,001 to RM850,000	-
RM850,001 to RM900,000	1
RM900,001 to RM1,650,000	-
RM1,650,001 to RM1,700,000	1
Non-Executive Directors	
RM50,001 to RM100,000	6
RM100,001 to RM150,000	1

Remuneration Policy

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

No directors shall be involved in any decisions as to their own remuneration.

(i) Remuneration for Executive Directors

The remuneration package for the executive directors comprises some or all of the following elements:-

- **Basic Salary**
  Salaries are reviewed annually. In setting the basic salary of each director, the remuneration committee takes into account market competitiveness and the performance of each individual director.

- **Annual Bonus**
  The annual bonus plan focuses on annual objectives and is designed to reward appropriately the achievement of results against these objectives.

- **Contribution to EPF**
  Contribution to EPF is based on the statutory rate.

- **Benefits-in-kind**
  Benefits-in-kind includes, inter-alia, car, driver, fuel and mobile phone.

(ii) Remuneration for Non-Executive Directors

The Company is mindful that fair and appropriate remuneration is equally important to attract and retain the service of non-executive directors. Accordingly, the Board will review the remuneration payable to non-executive directors every two years, having regard to inter alia the following:-

(a) the time commitment required of and level of responsibility assumed by the non-executive directors to discharge their functions effectively;

(b) the remuneration of non-executive directors of other comparable listed companies in similar industry; and

(c) the overall business performance of the Group.

SHAREHOLDERS

Dialogue between Company and Investors

The Company is committed to ensuring that all shareholders have timely access to all publicly available information of the Company, with which shareholders are enabled to actively participate in the affairs of the Company in an informed manner.

Towards this end, the board is guided by the disclosure policy enshrined in the Listing Requirements in making immediate announcement of all material information save for the permitted exceptional circumstances, which information is also made available on the Company's website at www.hapsengplantations.com.my after the release of the announcement.

The board views the AGM as an ideal opportunity to communicate with both institutional and private investors. In addition, the Company has a website at www.hapsengplantations.com.my which provides shareholders and investors at large with up-to-date information. Amongst others, the quarterly financial results, annual report, corporate announcements and the like are downloaded onto the website as soon as practicable after such information is released by the Company to the Exchange. While the Company endeavours to provide as much information as possible to its shareholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

In addition, the Company's announcements, including full version of its quarterly financial results announcements and annual report can be accessed through the Exchange's website at www.bursamalaysia.com.

The Annual General Meeting (AGM)

Notice of AGM which is contained in the annual report is sent out at least 21 days prior to the date of the meeting.

There will be commentary by the chairman and managing director at the AGM regarding the Company's performance for the financial year and a brief review on current trading conditions.

At each AGM, a platform is available to shareholders to participate in the question and answer session. Where appropriate, the chairman and managing director will provide written answers to any significant question that cannot be readily answered.

Each item of special business included in the notice of AGM will be accompanied by a full explanation of the proposed resolution.

Whenever appropriate, press conference is held at the end of each AGM where the chairman and managing director advise the press on the resolutions passed and answer questions in respect of the Group as well as to clarify and explain any issues.

The board has also formulated a policy to encourage constructive and effective engagement, dialogue and other forms of communication with shareholders, stakeholders, investors and/or the community as contained in the Company's shareholder communication policy which is included in the Board Charter.

CODE OF CONDUCT

In its aspiration to instill and promote appropriate standards of conduct and ethical practices, the Board has established this code of business conduct (Code of Conduct) to be strictly complied with by the directors and members of the management. For the avoidance of doubt, the provision of this Code of Conduct is in addition to any other obligations imposed on the directors by any applicable rules, laws and regulations. The board reviews the Code of Conduct periodically.

The Code of Conduct covers the following areas:

- **Honesty and Integrity**
  The success of our business is built on the foundation of trust and confidence. Hence, directors must act honestly and fairly in their business dealings with all stakeholders.

- **Compliance with Laws**
  Directors shall comply and satisfy themselves that appropriate policies and procedures are in place for compliance by employees and officers, with all laws, rules and regulations applicable to the Company and themselves, including insider trading laws. In the event of dealing with the Company's shares both within and outside the closed periods, to comply with the disclosure requirements.

- **Conflict of Interests**
  Directors are to avoid situations that present or create the appearance of a potential conflict between their own interests and those of the Company. Any situation that involves, or may reasonably be expected to involve a conflict of interest must be disclosed promptly to the fellow board members by notifying the company secretary.

- **Confidentiality**
  Directors must maintain the confidentiality of information entrusted to them by the Company and any other information about the Company which comes to them in their capacity as a director. In addition, a director must not make use of non-public price-sensitive information to advance or pursue his/her personal opportunities, gains or interests, such as the buying or selling of the Company's shares.

- **Whistle-Blowing**
  The board has formulated a whistle blowing policy to encourage employees to disclose any malpractice or misconduct of which they become aware of and to provide protection for the reporting of such alleged malpractice or misconduct. The full text of the whistle blowing policy of the Company is found in the corporate website.

This Code of Conduct has been published on the Company's website at www.hapsengplantations.com.my.

STRATEGIES FOR SUSTAINABILITY

The board aspires to strengthen its commitment and investment in corporate sustainability, with the objective of managing its plantation operations in a socially and environmentally responsible manner.

Various initiatives and strategies have since been outlined and implemented as part of the Group's on-going commitment to support sustainable palm oil developments in Malaysia:

- The location of the various plantation estates of the Group in a contiguous plot of land allows the Group to reap the economies of scale and therefore enables management team to be employed at an optimum level;

- Applying and implementing sustainable practices in the plantation management including:

  (a) soil enrichment and conservation

  The Group routinely carries out mulching with recycled organic materials such as empty fruit bunches, oil palm trunks and fronds, which process would replenish organic matter to the soil and improve soil properties accordingly. Other soil conservation initiatives include the planting of leguminous cover crops to reduce soil erosion and improve soil physical properties, terracing and construction of silt pits and bunds, maintenance of soft grasses in palm avenues and prohibiting cultivation or development at slope sites with a gradient of 25 degrees or more.

  (b) zero burning policy

  The Group adheres to the zero burning policy for both new planting and replanting of oil palm, where remainders of trees are allowed to decompose naturally on the ground during which nutrients are released to fertilise the land organically. At the same time, the elimination of burning would necessarily reduce carbon footprint for the environment.

  (c) effective water management

  The Group takes all precautionary steps necessary to ensure that water used for irrigation in the estates is free from pollutants by, amongst other things, preserving the water catchment areas and water bodies from pollution and contamination.

  (d) integrated pest management (IPM)

  The Group has adopted the IPM system in its management of pests and diseases with the objective of reducing the use of chemical pesticides. Instead, environmental friendly pest control techniques such as use of natural predators and beneficial plants are adopted.

  (e) others

  The Group also has a specialised department tasked with the responsibility of researching into sustainable agriculture practices to maximise yield and minimise wastage, alongside with contributing to greener environment. Amongst others, the said department undertakes analysis of the oil palm fronds to optimise palm growth through nutritional needs and to minimise chemical leakages from over-applications of fertilizers; also, bunch ash is also used as a source of potassium to reduce the dependence on mineral fertilizers.

- The Group continues to reach out to the rural communities in the vicinity of our estates by providing dependable source of income and employments and hence, seeking to improve or eradicate poverty among such communities;

- Modern amenities and infrastructures including creches, kindergarten, schools, staff quarters are provided to improve the standard of living among the plantation workers;

- In addition to providing safe working environment, the Group adheres strictly to all aspects of occupational safety and health policies to safeguard the safety and well-beings of all the employees and workers alike;

- In its management of human resources to maintain workforce capabilities, the Group also places emphasis on employee satisfaction through continuous trainings and competitive remuneration and benefits programmes;

- According respect to human rights and ensuring non-existence of discrimination in any form, be it religion, race, nationality, background or others;

- Taking proactive steps towards reducing carbon footprint, including having the corporate office on the estates to reduce unnecessary travelling, engaging measures to improve energy performance of office buildings, better management of energy use for office equipment, reducing overseas or outstation travelling by encouraging participation in meetings by telephone or video conferencing;

- Meeting shareholders' demand for sound financial returns through regular dividend stream, economic growth, open communication and transparent financial reporting;

- Establishing and complying high standards of corporate governance and engagement with shareholders.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Company operates, and attaches importance to clear principles and procedures designed to achieve accountability and control appropriate to the businesses of the Group. In presenting the annual financial statements and quarterly reports, the directors aim to present a balanced and understandable assessment of the Group's position and prospects.

Statement of Directors' Responsibility for preparing the Annual Audited Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements for each financial year that is in accordance with applicable Financial Reporting Standards and the Companies Act, 1965, so as to give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of their financial performance and cash flows for the financial year then ended.

The directors consider that in preparing the financial statements, the Group and the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable Financial Reporting Standards have been followed. Their responsibilities include ensuring that the Group and Company maintain internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Internal Control

The Group's statement on risk management and internal control is set out on pages 36 to 40 of the annual report.

Relationship with Auditors

The audit committee and the board have established formal and transparent arrangements to maintain an appropriate relationship with the Company's auditors as stated on pages 41 and 42 of the annual report.

External auditors are invited at least twice a year to attend the audit committee meetings as well as the AGM. Dialogue between the audit committee and the external auditors are also conducted in the absence of management. The audit committee has also received written assurance from the external auditors confirming their independence.

This statement on corporate governance is made in accordance with a resolution from the board.

TAN SRI AHMAD BIN MOHD DON
Independent Non-Executive Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

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 2016 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. The risk assessments approach is in compliance with the guidance on the SRMICG and Recommendation 6.1 of the Code.

Members of the group risk management committee comprise the following:

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

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

Risk Management (continued)

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.

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 RM1.03 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 13 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 41 to 44 in this annual report).

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

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

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

CONCLUSION

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), *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 2016, 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.

RPG 5 (Revised 2015) 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.

AUDIT COMMITTEE

Members of the Audit Committee

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

Terms of Reference of Audit Committee

The duties and responsibility of the audit committee are set out in its Terms of Reference which is published on the Company's website at www.hapsengplantations.com.my.

During the financial year ended 31 December 2016, 4 meetings were held. The details of the attendance of each member of audit committee are as follows:

Members of the Audit Committee	No. of Meetings
Tan Sri Ahmad Bin Mohd Don	4/4
Dato' Jorgen Bornhoft	3/4
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	4/4

Summary of Works of the Audit Committee during the financial year ended 31 December 2016

The works of the audit committee during the financial year ended 31 December 2016 are summarised below:

- Reviewed internal audit plan for the financial year 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 13 internal audit reports covering the business processes of the Group and is satisfied with the recommendations and actions by the management in addressing the issues highlighted.
- Reviewed annual audit plans of the Group and Company with the external auditors and recommendation of their audit fees to the board.
- 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.
- Reviewed the annual audited financial statements and recommended to the board for approval.
- 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.

Summary of Works of the Audit Committee during the financial year ended 31 December 2016 (continued)

- Reviewed the suitability and independence of 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.

- Reviewed the Group's quarterly report prepared in compliance with Financial Reporting Standard ("FRS") 134 "Interim Financial Reporting" and chapter 9 of the Listing Requirements prior to submission to the board for consideration and approval where the chairman of the audit committee will brief the board on the pertinent points and the recommendations of the audit committee.

- Reviewed and considered the disclosure of related party transactions in the financial statements and the recurrent related party transactions 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.

Summary of Works of the Internal Audit Function during the financial year ended 31 December 2016

Summary of works of the internal audit function for the financial year ended 31 December 2016 are set out in the Statement on Risk Management and Internal Control on page 39 of this annual report.

REMUNERATION COMMITTEE

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

Tan Sri Ahmad Bin Mohd Don	*(Independent Non-Executive Director) – Chairman*
Datuk Simon Shim Kong Yip, JP	*(Non-Independent Non-Executive Director)*
Datuk Edward Lee Ming Foo, JP	*(Executive Director)*

Terms of Reference of Remuneration Committee

The duties and responsibility of the remuneration committee are set out in its Terms of Reference which is published on the Company's website at www.hapsengplantations.com.my.

During the financial year ended 31 December 2016, 1 meeting was held and all the remuneration committee members were present.

Summary of Activities of the Remuneration Committee during the financial year ended 31 December 2016

The activities of the remuneration committee during the financial year ended 31 December 2016 are summarised below:

- Reviewed the remuneration policy of the Group together with the market trend for palm oil companies; and
- Reviewed and recommended to the board, the proposed bonus of an executive director for the financial year ended 31 December 2016 and his proposed increment for the financial year commencing from 1 January 2017.

NOMINATING COMMITTEE

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

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

Terms of Reference of Nominating Committee

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

During the financial year ended 31 December 2016, 1 meeting was held and all the nominating committee members were present.

Summary of Activities of the Nominating Committee during the financial year ended 31 December 2016

The activities of the nominating committee during the financial year ended 31 December 2016 are summarised below:

- Reviewed the current size and composition of audit committee and was of the view that the members were aptly qualified to discharge their respective duties and responsibilities after taking into account their professional qualifications and experiences.

- Reviewed the current size and composition of remuneration committee and was satisfied that the remuneration committee was effective in the discharge of its function.

- Evaluated the performance of each board and board committees collectively as well as the performance of members individually and was satisfied that all members of the board are suitably qualified to hold their positions as directors in view of their respective academic and professional qualifications, skills, competencies, experiences, commitment and contribution to the board.

- Reviewed and assessed the adequacy of the Board Charter and the Code of Conduct adopted by the board.

- 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.

- Evaluated the independence of each independent director taking into account both the quantitative and qualitative criterion.

- Assessed the independence of Tan Sri Ahmad Bin Mohd Don and Dato' Jorgen Bornhoft both have served as independent non-executive directors of the Company for a cumulative term of more than 9 years. Notwithstanding so, they are capable of acting in the best interests of the Company, and they have demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements. Accordingly, the nominating committee had recommended to the board that Tan Sri Ahmad Bin Mohd Don and Dato' Jorgen Bornhoft to continue in office as independent directors of the Company.

- Evaluated the performance of the following executive and non-executive directors standing for re-election pursuant to article 112 of the Company's articles of association at the forthcoming annual general meeting:-
  (i) Datuk Edward Lee Ming Foo, JP;
  (ii) Mr. Lee Wee Yong; and
  (iii) Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP.

- 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.

Sustainability has been embedded in our operations for decades. This is evidenced by our longstanding implementation of good agricultural practices, including a strict zero-burning policy for new plantings and replanting, and our early adoption of RSPO certification. We want to stay at the forefront of best practice and in 2016 developed our first comprehensive Sustainable Agriculture Policy, which was approved by the Board in 2017.

The policy reiterates our commitment to RSPO certification, but also expands and clarifies the scope of our commitments in areas not specifically addressed in the RSPO Principles & Criteria (P&C). The policy applies to Hap Seng Plantations and its subsidiaries. While not binding on contractors, suppliers and business partners, we will encourage the adoption of this policy throughout our supply chain.

The policy covers nine commitments:

- No deforestation [including a commitment to High Conservation Value (HCV)/High Carbon Stock (HCS), zero burning and greenhouse gas (GHG) reductions].
- Protection of peat areas.
- Drive positive socio-economic impact for people and local communities.
- Respect and support the Universal Declaration of Human Rights.
- Respect and recognise the rights of all workers.
- Facilitate the inclusion of smallholders into the supply chain.
- Respect land tenure rights.
- Respect the rights of indigenous and local communities.
- Resolve verifiable complaints and conflicts through an open, transparent and consultative process.

EXPANDING OUR CERTIFICATION PROGRAMME

We achieved our first RSPO certification for the Bukit Mas Palm Oil Mill and associated estates in 2012, and currently all of our mills and 91% of our planted area are RSPO certified. We are expecting to achieve 100% certification by the end of 2017.

In addition to RSPO certification, we have successfully achieved International Sustainability and Carbon Certification EU (ISCC EU) certification for all our mills. The ISCC EU system is an independent, globally applicable certification covering sustainability and greenhouse gas emissions. ISCC EU is recognised by the European Commission as one of the first certification systems to meet the requirements of the EU Renewable Energy Directive.

The full policy can be downloaded at http://www.hapsengplantations.com.my/download/sustainabilitypolicy/sustainable-agriculture-policy.pdf

SUSTAINABILITY HIGHLIGHTS

As global concerns about food safety continue to grow, we are progressing certification of Hazard Analysis & Critical Control Points (HACCP) certification. HACCP is a chain-of-custody system that provides assurance of appropriate and safe handling of food products. We achieved certification of Bukit Mas Oil Palm Mill in July 2016, and are targeting certification for the remaining mills in 2017.

Bukit Mas Oil Palm Mill achieved the Hazard Analysis & Critical Control Points (HACCP) certification in July 2016.

TÜV NORD

CERTIFICATE

HACCP (Hazard Analysis Critical Control Points)
Management system as per Codex Alimentarius Commission

In accordance with TÜV NORD CERT procedures, it is hereby certified that

Hap Seng Plantations (River Estates) Sdn Bhd (40531-P)
Bukit Mas Palm Oil Mill
40 km, Off Jalan Jeroco,
91100 Lahad Datu, Sabah,
Malaysia

applies a HACCP-System in line with the above guideline for the following scope

Processing the fresh fruit bunch into crude palm oil and palm kernel

Certification Body at TÜV NORD CERT GmbH

This certification was conducted in accordance with the TÜV NORD CERT auditing and certification procedures and is subject to regular surveillance audits.

TÜV NORD CERT GmbH

DAkkS

PROTECTING WATER SOURCES

We take all precautionary steps necessary to ensure that water used for irrigation on our estates is free from pollutants. This protects water catchment areas and other bodies of water from residual pollution and contamination.

During the dry season, months may pass without any significant rainfall to replenish our reservoirs. For this reason we store a six-month reserve of water and maintain strict water efficiencies in our processes all year round. Our mills account for the majority of our water use where we have focused our efforts. We have successfully reduced our water consumption by 20% over the past five years, and have achieved our 2016 target of 1.3 tonnes of water used per tonne of processed FFB.

We do not discharge palm oil mill effluent from our mills into rivers – it is instead released into our Land Irrigation System, which is approved by the Department of the Environment. We have reduced the biological oxygen demand level in our effluents significantly since 2012 as a result of our ongoing efforts to achieve a maximum level of 20ppm (parts per million). Specific investments in this area include the completion of a new polishing plant in Jeroco Palm Oil Mill.

ENRICHING SOILS AND REDUCING CHEMICALS

Acting on our commitment to increase land productivity without endangering the environment, we constantly trial best management practices in fertiliser enhancement and chemical reduction. The use of chemical fertilisers for soil enrichment and pesticide management is our last and least preferred option.

ACTION ON GHG EMISSIONS

We recognise that climate change is one of the biggest threats to our planet and we are committed to monitoring and reducing our potential contributions to global carbon emissions. We established a baseline measurement in 2014 using the RSPO PalmGHG calculator v2.1.1 to understand where we might have opportunities for GHG reductions. We are pleased to note that we have successfully reduced our net carbon emissions by around 23% and our footprint per tonne of CPO by 15% over the past two years.

	MT CO_2e/ MT CPO	
Mill	**2014**	**2016**
Jeroco 1	1.61	0.99
Jeroco 2	1.07	1.49
Bukit Mas	3.18	1.45
Tomanggong	1.85	2.35
Group average	2.35	2.00

Note: 2014 figures were calculated using the RSPO PalmGHG v2.1.1 whereas 2016 figures are based on RSPO PalmGHG v3.1.1. The RSPO has advised that numbers may be compared without recalculation.

We expect to achieve significant further reductions as we have installed biogas facilities that capture methane from POME (palm oil mill effluents) and convert it to electricity. We have commissioned two biogas plants at Jeroco and Bukit Mas Palm Oil Mills in March 2017. This could potentially reduce our emissions by up to 20% while making electricity available for our operations and housing areas.

CONSERVING BIODIVERSITY

Most of our plantings were developed on land previously used for other agricultural purposes and a large part of our land borders other plantations rather than forest. Approximately 1,400 hectares, some 3.5% of our total land bank, has been designated for conservation. An assessment and a comprehensive management plan for the HCV area has been completed, and monitoring and review of the plans are being updated annually by our internal assessment team.

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

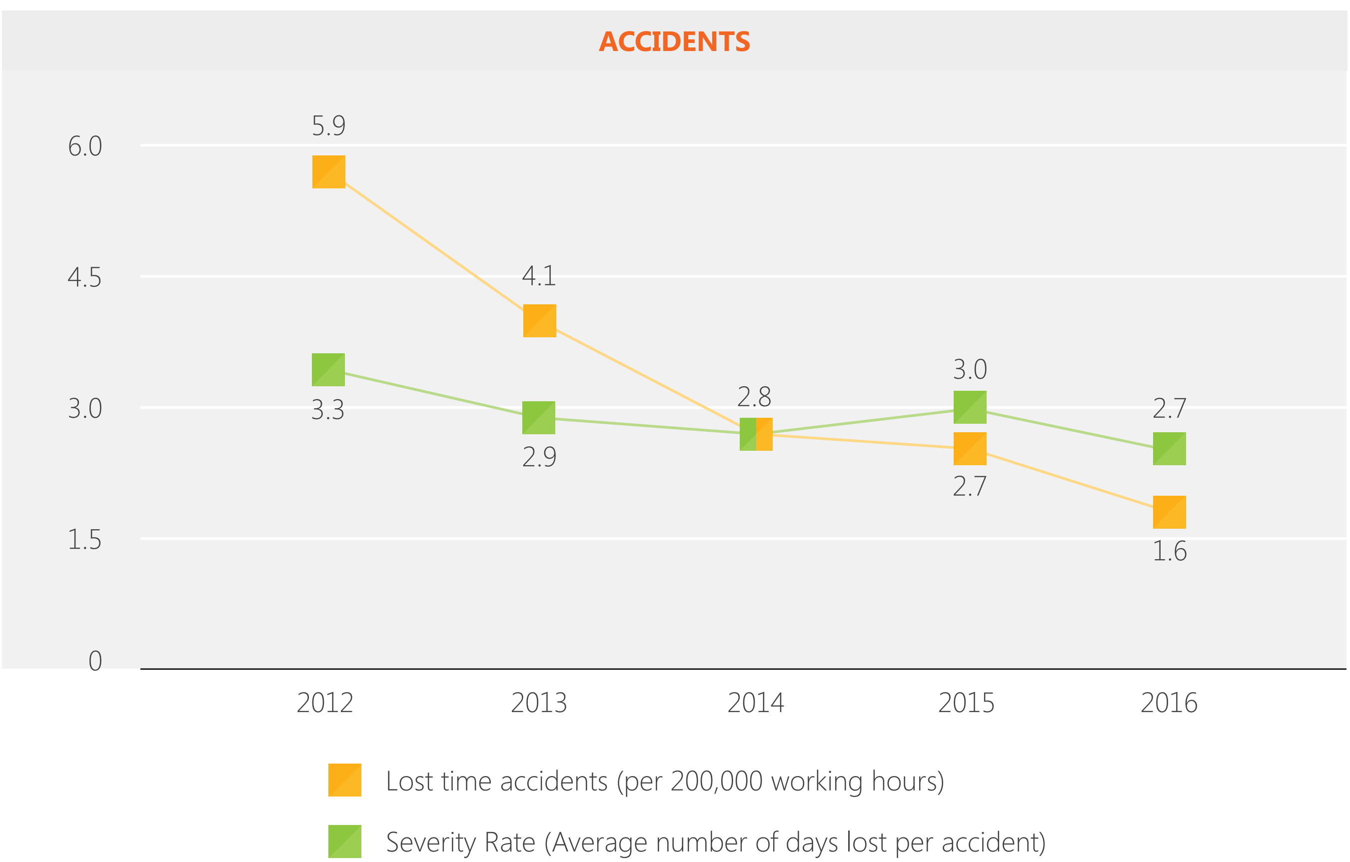
Eight species of primates are found at Tabin, including orang-utans and proboscis monkeys, as are three protected cat species, including the Sunda clouded leopard. Over 42 families of bird representing some 220 species have also been recorded on the reserve. Many additional types of wildlife are attracted by the presence of active and mineral rich mud volcanoes.

Our close proximity to such rich biodiversity gives us a responsibility to protect it, hence we enforce a strict no hunting policy on our estates for all employees. We installed CCTV extensively to identify any illegal game being brought onto our estates.

We also try to prevent human-animal conflict. We are not located on the migratory paths of elephants and have set up electric fences to prevent animals straying onto our estates. Incidents involving elephant encroachment are rare.

FOCUS ON HEALTH AND SAFETY

To excel in our business we must continue building a strong safety culture and focusing on reducing at-risk behaviours. Lower incident rates bring lower staff turnover, lower absenteeism and higher productivity. In 2015, we took the next big step by implementing a standardised health and safety programme by job type across all our operations. This ensures that all workers receive standardised hours of training for each specific job task. Our efforts have resulted in a continued downward trend in accident rates and zero fatalities in 2016.



RESPECT AND HUMAN RIGHTS IN THE WORKPLACE

Hap Seng Plantations employs 6,993 people. We empower every individual to be as productive as possible in their job, and to develop their skills, character and experience. By supporting our staff to achieve their maximum potential, we encourage ownership, innovation and entrepreneurial endeavour.

We are committed to ensuring that the rights of all workers – including contract, temporary and migrant workers – are respected according to local, national and ratified international laws, and that international best practices are adopted where legal frameworks are not yet in place. As part of our RSPO commitments, we ensure that our policies are aligned with the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights. While legal compliance and alignment to the RSPO P&C is our first priority, we also see it as our moral obligations to create, build and promote a harmonious, safe and healthy work environment and culture. Nor do we differentiate between nationalities – housing, wages, medical and other benefits are provided equally to all workers.

Our workforce reflects the typical composition found in our sector and the diversity of Sabah. Around 93% of our employees are manual workers based in the field and the mill, with the majority being non-Malaysian nationals, primarily Indonesians and some Filipinos. Our Malaysian employees are mostly from the local community.

SUPPORTING THE NEXT GENERATION OF PLANTERS

The biggest human resources challenge for our industry is the recruitment of today's experienced planters and the training of the next generation. It can take a decade for a planter to become trained and matured in all aspects of the business.

We have an active programme to train planters by promoting talented supervisory field staff as Trainee Field Assistants. All staff and executives undergo a 15-module Oil Palm Agriculture Policy (OPAP) programme that teaches best practices in estate management. In 2016, we added an additional syllabus on RSPO and health and safety to the programme, ensuring that staff is well equipped to maintain and support our certification programme and safety efforts.

CULTIVATING FINANCIAL LITERACY

Acknowledging the pressure of increased living costs, Hap Seng Group has introduced a new programme to enhance employees' financial literacy. Targeted at executives and staff, the programme offers comprehensive financial education modules including basic money management skills and retirement planning. The programme, developed in partnership with Hap Seng Credit Sdn Bhd and *Agensi Kaunseling & Pengurusan Kredit* (AKPK), was conducted via road shows at Group offices nationwide. Two training sessions involving a total of 152 employees were held at our plantation at Lahad Datu, Sabah.

SUSTAINABILITY HIGHLIGHTS

INVESTING CAPITAL TO BUILD EDUCATIONAL CAPACITIES

Since 2009, Hap Seng Plantations has funded the Borneo Child Aid Society (part of the global Humana charity) in its mission to provide education for children living on oil palm estates in Sabah. In the last five years we have invested about RM2.0 million in capital and operating expenditure, and today there are 10 Humana Learning Centres providing six years of primary national curriculum to 983 children on our estates. Our funding also supports career talk to local schools, and outreach to other plantation companies in the area to encourage similar initiatives and drive awareness of the right to basic education.

In 2015 and 2016, we invested RM1.2 million in a new CSR programme entitled Hap Seng Group D-Code. Initiated by the Hap Seng Group, the programme aims to build educational capacities in rural areas and reduce inequity between rural and urban schools. Hap Seng Group D-Code is primarily designed to help young people between the ages of 13 and 15 learn how to code. But it also encourages students to explore, experiment and solve problems with a view to developing higher order thinking skills.

The outcomes of the programme were overwhelmingly positive and participants felt that they received increased knowledge and improved skills in coding–kids with no coding skills started to code. At the end of the process:

- All participating schools were able to create websites using HTML, Java and CSS.
- All participating teams were able to present problems and found ways to use technology to solve them.
- 96% of participants believe that the programme has helped increase their confidence and aspiration to continue learning technology.
- 93% would encourage their school friends to learn and explore technology.

A total of 25 coding camps have so far been held in Sabah, and 1,061 students and 212 teachers from 210 secondary schools have participated, and there are requests for more coding programmes. All content has been created by Startup Malaysia and the programme is supported by the Sabah state Education Department and Ministry of Resource Development and Information Technology, Sabah.

For more detail on our sustainability performance, please download our 2015-16 Sustainability Report, which is published alongside this annual report and available at www.hapsengplantations.com.my.

FINANCIAL STATEMENTS

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 2016.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	124,118	67,019

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 Company paid:

(i) a second interim dividend of 5 sen per ordinary share under the single-tier system totalling RM39,984,960 in respect of the financial year ended 31 December 2015 on 24 March 2016; and

(ii) a first interim dividend of 3 sen per ordinary share under the single-tier system totalling RM23,990,916 in respect of the financial year ended 31 December 2016 on 27 September 2016.

On 22 February 2017, the Board of Directors approved a second interim dividend of 8 sen per ordinary share under the single-tier system in respect of the financial year ended 31 December 2016, amounting to a total of RM63,975,616 and was paid on 23 March 2017. 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 2017.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2016.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Tan Sri Ahmad Bin Mohd Don
Datuk Simon Shim Kong Yip, JP
Datuk Edward Lee Ming Foo, JP
Lee Wee Yong
Cheah Yee Leng
Au Yong Siew Fah
Tan Sri Abdul Hamid Egoh
Dato' Jorgen Bornhoft
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP
Wong Yuen Kuai, Lucien (resigned on 15 December 2016)

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	At 1.1.2016	**Bought**	**Sold**	**At 31.12.2016**
Interest in the immediate holding company:				
Hap Seng Consolidated Berhad				
Dato' Jorgen Bornhoft	50,000	-	(25,000)	25,000
Au Yong Siew Fah	291,600	-	-	291,600
Interest in the Company:				
Hap Seng Plantations Holdings Berhad				
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000
Cheah Yee Leng	31,200	-	-	31,200
Au Yong Siew Fah	168,000	-	-	168,000
Tan Sri Abdul Hamid Egoh	110,000	-	-	110,000
Dato' Jorgen Bornhoft	10,000	-	-	10,000
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	590,000	-	-	590,000
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	55,000	-	(54,000)	1,000

None of the other Directors holding office at 31 December 2016 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 emoluments received or due and receivable by Directors as shown in Note 14 in the financial statements or the fixed salary of a full time employee of the Company or of related corporation) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in Note 22 to the financial statements.

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

ISSUE OF SHARES

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

TREASURY SHARES

During the extraordinary general meeting of the Company held on 18 May 2016, shareholders of the Company renewed the existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 4,000 shares at the total cost of RM9,718 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 2016	300,800	809,178	2.69
Repurchased during the year	4,000	9,718	2.43
At 31 December 2016	304,800	818,896	2.69

OPTIONS GRANTED OVER UNISSUED SHARES

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

HOLDING COMPANIES

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

MATERIAL LITIGATIONS

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

OTHER STATUTORY INFORMATION

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

(i) 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 2016 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 (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

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

Datuk Edward Lee Ming Foo, JP
Director

Au Yong Siew Fah
Director

Kuala Lumpur

12 April 2017

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Assets					
Property, plant and equipment	3	673,959	614,480	701	769
Biological assets	4	1,377,427	1,360,883	-	-
Investment in subsidiaries	5	-	-	1,598,517	1,602,711
Total non-current assets		2,051,386	1,975,363	1,599,218	1,603,480
Inventories	6	72,087	64,247	-	-
Receivables	7	6,339	13,875	27,170	15,696
Tax recoverable		626	419	626	402
Money market deposits		122,136	98,636	15,822	20,780
Cash and cash equivalents	8	39,459	79,051	972	349
Total current assets		240,647	256,228	44,590	37,227
Total assets		2,292,033	2,231,591	1,643,808	1,640,707
Equity					
Share capital	9	800,000	800,000	800,000	800,000
Share premium	9	675,578	675,578	675,578	675,578
Retained earnings		565,380	505,238	167,323	164,280
		2,040,958	1,980,816	1,642,901	1,639,858
Less: Treasury shares	9	(819)	(809)	(819)	(809)
Total equity		2,040,139	1,980,007	1,642,082	1,639,049
Liabilities					
Deferred tax liabilities	10	191,949	187,763	2	7
Total non-current liabilities		191,949	187,763	2	7
Payables	11	49,821	55,371	1,724	1,651
Current tax liabilities		10,124	8,450	-	-
Total current liabilities		59,945	63,821	1,724	1,651
Total liabilities		251,894	251,584	1,726	1,658
Total equity and liabilities		2,292,033	2,231,591	1,643,808	1,640,707

The notes on pages 62 to 98 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	12	503,427	434,875	74,891	77,319
Cost of sales		(277,539)	(266,175)	-	-
Gross profit		225,888	168,700	74,891	77,319
Other operating income		7,879	11,141	624	982
Distribution expenses		(29,627)	(26,215)	-	-
Administrative expenses		(29,787)	(27,623)	(4,016)	(3,957)
Other operating expenses		(7,207)	(5,777)	(4,450)	(6,616)
Profit before tax	13	167,146	120,226	67,049	67,728
Tax expense	15	(43,028)	(23,778)	(30)	33
Profit for the year representing total comprehensive income for the year		124,118	96,448	67,019	67,761
Basic earnings per ordinary share (sen)	16	15.52	12.06		

The notes on pages 62 to 98 are an integral part of these financial statements.

		Attributable to owners of the Company				
	Note	Share capital RM'000	Non-Distributable Share premium RM'000	Distributable Retained earnings RM'000	Treasury shares RM'000	Total equity RM'000
Group						
At 1 January 2015		800,000	675,578	472,766	(799)	1,947,545
Total comprehensive income for the year		-	-	96,448	-	96,448
Purchase of treasury shares	9	-	-	-	(10)	(10)
Dividends	17	-	-	(63,976)	-	(63,976)
At 31 December 2015/ 1 January 2016		800,000	675,578	505,238	(809)	1,980,007
Total comprehensive income for the year		-	-	124,118	-	124,118
Purchase of treasury shares	9	-	-	-	(10)	(10)
Dividends	17	-	-	(63,976)	-	(63,976)
At 31 December 2016		800,000	675,578	565,380	(819)	2,040,139
Company						
At 1 January 2015		800,000	675,578	160,495	(799)	1,635,274
Total comprehensive income for the year		-	-	67,761	-	67,761
Purchase of treasury shares	9	-	-	-	(10)	(10)
Dividends	17	-	-	(63,976)	-	(63,976)
At 31 December 2015/ 1 January 2016		800,000	675,578	164,280	(809)	1,639,049
Total comprehensive income for the year		-	-	67,019	-	67,019
Purchase of treasury shares	9	-	-	-	(10)	(10)
Dividends	17	-	-	(63,976)	-	(63,976)
At 31 December 2016		800,000	675,578	167,323	(819)	1,642,082
		Note 9	Note 9		Note 9	

The notes on pages 62 to 98 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities					
Profit before tax		167,146	120,226	67,049	67,728
Adjustments for:					
Depreciation of property, plant and equipment	3	33,191	30,000	230	246
Dividend income		(3,182)	(3,777)	(75,419)	(78,088)
Interest income		(1,253)	(2,221)	(96)	(213)
Impairment loss on investment in subsidiaries		-	-	4,194	6,370
(Gain)/Loss on disposal of property, plant and equipment		(259)	154	25	295
Property, plant and equipment written off		156	192	-	-
Operating profit/(loss) before changes in working capital		195,799	144,574	(4,017)	(3,662)
Change in inventories		(7,840)	(17,992)	-	-
Change in payables		(5,550)	9,677	73	(2,289)
Change in receivables		7,519	(8,838)	(4)	310
Cash generated from/(used in) operations		189,928	127,421	(3,948)	(5,641)
Interest received		1,253	2,221	96	213
Tax paid		(37,880)	(39,801)	(259)	(591)
Tax refunded		505	-	-	-
Net cash from/(used in) operating activities		153,806	89,841	(4,111)	(6,019)

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities					
Additions to biological assets	4	(16,544)	(1,255)	-	-
Balances with subsidiaries		-	-	(11,487)	(13,210)
Dividends received from money market deposits		3,199	3,743	545	735
Dividends received from subsidiaries		-	-	74,891	77,319
(Increase)/Decrease in money market deposits		(23,500)	12,598	4,958	(735)
Proceeds from disposal of property, plant and equipment		2,783	1,505	1,216	1,333
Purchase of property, plant and equipment		(95,350)	(56,816)	(1,403)	(706)
Net cash (used in)/from investing activities		(129,412)	(40,225)	68,720	64,736
Cash flows from financing activities					
Dividends paid to owners of the Company	17	(63,976)	(63,976)	(63,976)	(63,976)
Shares repurchased at cost		(10)	(10)	(10)	(10)
Net cash used in financing activities		(63,986)	(63,986)	(63,986)	(63,986)
Net change in cash and cash equivalents		(39,592)	(14,370)	623	(5,269)
Cash and cash equivalents at 1 January		79,051	93,421	349	5,618
Cash and cash equivalents at 31 December	8	39,459	79,051	972	349

The notes on pages 62 to 98 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 2016 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 5.

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

These financial statements were authorised for issue by the Board of Directors on 12 April 2017.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group have been prepared in accordance with Financial Reporting Standards ["FRS"] and the requirements of the Companies Act, 1965 in Malaysia.

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

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to FRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to FRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- FRS 9, *Financial Instruments (2014)*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to FRS 4, *Insurance Contracts – Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts*
- Amendments to FRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 140, *Investment Property – Transfers of Investment Property*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to FRS 10, *Consolidated Financial Statements and FRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group plans to apply the abovementioned accounting standards, amendments and interpretations from the annual period beginning on or after 1 January 2017 for those amendments, where applicable, that are effective for annual periods beginning on or after 1 January 2017.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group.

Malaysian Financial Reporting Standards [“MFRS”]

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the MFRS framework, to be adopted by non-private entities for annual periods beginning on or after 1 January 2012. However, adoption of the MFRS framework by entities that are within the scope of MFRS 141 *Agriculture* and IC Interpretation 15 *Agreements for Construction of Real Estate*, including its parent, significant investor and venture [“Transitioning Entities”] will only be mandatory for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the definition of Transitioning Entities and are currently exempted from adopting the MFRS framework. Accordingly, the Group’s and the Company’s financial statements for annual period beginning on 1 January 2018 will be prepared in accordance with the MFRS and International Financial Reporting Standards. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

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

(i) Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*

The amendments to MFRS 116 and MFRS 141 require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment in accordance with MFRS 116, *Property, Plant and Equipment*.

The Group is currently assessing the financial impact that may arise from the adoption of Amendments to MFRS 116 and MFRS 141.

(ii) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfer of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services.*

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

(iii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in FRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(iv) MFRS 16, *Leases*

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

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

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

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

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

Note 5 - Impairment on investment in subsidiaries

2. SIGNIFICANT ACCOUNTING POLICIES

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

(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 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 considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

(ii) Business combinations

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iii) 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. 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 an available-for-sale financial asset depending on the level of influence retained.

(iv) Transactions eliminated on consolidation

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

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company 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 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 available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

(c) Financial instruments

(i) Initial recognition and measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) Loans and receivables

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

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

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

Financial liabilities

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

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

(iii) Derecognition

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Derecognition (continued)

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

(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.

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

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

The 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.

(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 part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

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

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. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

Road and infrastructure	3% to 10%
Buildings	3% to 10%
Plant, machinery and motor vehicles	5% to 33 1/3%
Furniture, fittings and equipment	10% to 33 1/3%

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

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

(e) Biological assets

(i) Recognition and measurement

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

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

(ii) Amortisation

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

(f) Inventories

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Receivables

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

(h) Money market deposits

Money market deposits are designated upon initial recognition as financial assets at fair value through profit or loss.

(i) 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 value with original maturities of three months or less and are used by the Group and the Company in the management of their short term commitments.

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

(j) Impairment

(i) Financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(ii) Other assets

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

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

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.

(k) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Equity instruments (continued)

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

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

Where treasury shares are 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.

(l) 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.

(m) Revenue

(i) Goods sold

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

(ii) Dividend income

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

(n) Interest income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax

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

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

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

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

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

(p) Earnings per ordinary share

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

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

(q) Contingent liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Operating segments

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

(s) Fair value measurement

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

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are 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	Total RM'000
Group							
Cost							
At 1 January 2015	371,968	122,195	184,519	219,067	13,741	27,255	938,745
Additions	-	2,782	1,736	12,586	1,407	38,305	56,816
Disposals	-	-	-	(3,246)	-	-	(3,246)
Written off	-	-	(565)	(186)	(131)	-	(882)
Reclassifications	1,063	9,012	6,372	5,053	321	(21,821)	-
At 31 December 2015/ 1 January 2016	373,031	133,989	192,062	233,274	15,338	43,739	991,433
Additions	17,441	6,309	2,018	23,378	1,016	45,188	95,350
Disposals	-	-	-	(6,047)	(36)	-	(6,083)
Written off	-	-	(443)	(1,995)	(56)	-	(2,494)
Reclassifications	-	31,003	20,076	9,104	972	(61,155)	-
At 31 December 2016	390,472	171,301	213,713	257,714	17,234	27,772	1,078,206
Accumulated depreciation							
At 1 January 2015	44,305	30,711	97,340	165,516	11,358	-	349,230
Charge for the year	4,384	4,063	7,162	13,660	731	-	30,000
Disposals	-	-	-	(1,587)	-	-	(1,587)
Written off	-	-	(379)	(181)	(130)	-	(690)
At 31 December 2015/ 1 January 2016	48,689	34,774	104,123	177,408	11,959	-	376,953
Charge for the year	4,570	5,173	7,524	14,961	963	-	33,191
Disposals	-	-	-	(3,555)	(4)	-	(3,559)
Written off	-	-	(443)	(1,843)	(52)	-	(2,338)
At 31 December 2016	53,259	39,947	111,204	186,971	12,866	-	404,247
Carrying amounts							
At 31 December 2015	324,342	99,215	87,939	55,866	3,379	43,739	614,480
At 31 December 2016	337,213	131,354	102,509	70,743	4,368	27,772	673,959

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leasehold land represented by:

	Group	
	2016 RM'000	2015 RM'000
Unexpired period more than 50 years	319,995	306,798
Unexpired period less than 50 years	17,218	17,544
	337,213	324,342

(a) The title of the Group's long-term leasehold land with carrying amount of RM8,969,000 (2015: RM9,100,000) 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 2012, the Land and Survey Department in Kota Kinabalu had granted further extension up to July 2017 to comply with the Native Condition.

(b) Private caveat was entered by third parties on the Group's long-term leasehold land with carrying amount of RM19,222,000 (2015: RM19,580,000) as disclosed in Note 23(a) to the financial statements.

(c) The Group has evaluated whether the underlying property, plant and equipment of a subsidiary is stated in excess of their recoverable amounts. The recoverable amounts of the assets are based on their estimated fair values, which are determined by professional valuation firms involving forecasting and discounting future cash flows based on certain key assumptions provided by the subsidiary by reference to the market values of similar assets and after taking into account the age and physical condition of the assets. The carrying amounts of the affected assets are not impaired as at year end as their recoverable amount is higher than their carrying amounts.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
Cost			
At 1 January 2015	174	2,280	2,454
Additions	7	699	706
Disposals	-	(1,873)	(1,873)
At 31 December 2015/1 January 2016	181	1,106	1,287
Additions	-	1,403	1,403
Disposals	-	(1,758)	(1,758)
At 31 December 2016	181	751	932
Accumulated depreciation			
At 1 January 2015	127	390	517
Charge for the year	25	221	246
Disposals	-	(245)	(245)
At 31 December 2015/1 January 2016	152	366	518
Charge for the year	16	214	230
Disposals	-	(517)	(517)
At 31 December 2016	168	63	231
Carrying amounts			
At 31 December 2015	29	740	769
At 31 December 2016	13	688	701

4. BIOLOGICAL ASSETS

	Group	
	2016 RM'000	2015 RM'000
Cost		
At 1 January	1,360,883	1,359,628
Additions	16,544	1,255
At 31 December	1,377,427	1,360,883

(a) The Group has evaluated whether the underlying biological assets of a subsidiary is stated in excess of their recoverable amounts. The recoverable amounts of the assets are based on their estimated fair values, which are determined by professional valuation firms involving forecasting and discounting future cash flows based on certain key assumptions provided by the subsidiary by reference to the market values of similar assets and after taking into account the age and physical condition of the assets. The carrying amounts of the affected assets are not impaired as at year end as their recoverable amount is higher than their carrying amounts.

5. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost	1,622,051	1,622,051
Less: Impairment loss	(23,534)	(19,340)
	1,598,517	1,602,711

Details of the subsidiaries as at 31 December 2016 which are all incorporated in Malaysia are as follows:

Name of subsidiaries	Principal activities	Effective ownership interest (%) 2016	2015
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	Dormant	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.

6. INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
Consumables stores	29,413	33,773
Planting materials	3,677	3,186
Produce stocks	38,997	27,288
	72,087	64,247
Recognised in profit or loss:		
Inventories recognised as cost of sales	239,404	238,292

7. RECEIVABLES

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade					
Trade receivables	a	4,754	8,236	-	-
Non-trade					
Other receivables		1,502	5,595	31	44
Amount due from subsidiaries	b	-	-	27,139	15,652
Amount due from related companies	b	83	44	-	-
		1,585	5,639	27,170	15,696
		6,339	13,875	27,170	15,696

Note a

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

Note b

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

8. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits with licensed banks with maturities less than 3 months	35,541	64,182	600	-
Cash and bank balances	3,918	14,869	372	349
	39,459	79,051	972	349

9. CAPITAL AND RESERVES

	Group and Company			
	2016		2015	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Share capital				
Authorised:				
Ordinary shares of RM1 each				
At 31 December	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of RM1 each				
At 31 December	800,000	800,000	800,000	800,000

Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

9. CAPITAL AND RESERVES (CONTINUED)

Treasury shares

During the extraordinary general meeting of the Company held on 18 May 2016, shareholders of the Company renewed the existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 4,000 (2015: 4,000) shares at the total cost of RM9,718 (2015: RM10,074) 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 2015	296,800	799,104	2.69
Repurchased during the year	4,000	10,074	2.52
At 31 December 2015/1 January 2016	300,800	809,178	2.69
Repurchased during the year	4,000	9,718	2.43
At 31 December 2016	304,800	818,896	2.69

10. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	At 1.1.2015 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31.12.2015/ 1.1.2016 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31.12.2016 RM'000
Group					
Property, plant and equipment	(121,423)	5,822	(115,601)	(4,124)	(119,725)
Biological assets	(74,859)	2,697	(72,162)	(62)	(72,224)
	(196,282)	8,519	(187,763)	(4,186)	(191,949)
Company					
Property, plant and equipment	(9)	2	(7)	5	(2)

10. DEFERRED TAX LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

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

	Group 2016 RM'000	Group 2015 RM'000
Other temporary differences	(16,712)	(7,953)
Unabsorbed capital and agriculture allowances	19,691	10,668
Unutilised tax losses	39,858	35,969
	42,837	38,684

The above unabsorbed capital and agriculture allowances and unutilised tax losses do not expire under current tax legislation.

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 there from.

11. PAYABLES

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Trade					
Trade payables	a	8,413	8,362	-	-
Amount due to related companies		16,971	20,414	626	606
	b	25,384	28,776	626	606
Non-trade					
Other payables		24,437	26,595	1,098	1,045
		49,821	55,371	1,724	1,651

Note a

Included in trade payables at 31 December 2016 are balances of RM3,067,615 (2015: Nil) relating to a company connected to a major shareholder of the immediate holding company.

Note b

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

12. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sales of plantation produce	503,427	434,875	-	-
Gross dividend income	-	-	74,891	77,319
	503,427	434,875	74,891	77,319

13. PROFIT BEFORE TAX

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax is arrived at after charging:				
Auditors' remuneration:				
- Statutory audit				
- KPMG PLT	224	217	45	38
- Other services				
- KPMG PLT	13	13	13	13
- Affiliates of KPMG PLT	61	49	6	6
Depreciation of property, plant and equipment	33,191	30,000	230	246
Equipment hiring charges	5,402	3,766	-	-
Hire of motor vehicles	443	-	-	-
Impairment loss on investment in subsidiaries	-	-	4,194	6,370
Loss on disposal of property, plant and equipment	206	154	25	295
Management fees	3,216	3,431	54	59
Personnel expenses (including key management personnel)				
- Contributions to Employees' Provident Fund	4,149	4,026	227	165
- Wages, salaries and others	113,197	113,676	1,981	1,423
Property, plant and equipment written off	156	192	-	-
Realised losses on foreign exchange	592	-	1	-
Rental expenses	2,139	2,117	62	62
Replanting expenses	21,690	17,242	-	-

13. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
and after crediting:				
Dividend income from money market deposits	3,182	3,777	528	769
Dividend income from subsidiaries				
- unquoted shares	-	-	74,891	77,319
Gain on disposal of property, plant and equipment	465	-	-	-
Insurance claim received	356	264	-	-
Interest income	1,253	2,221	96	213
Plantation management fee income	54	53	-	-
Realised gain on foreign exchange	-	1,299	-	-
Rental income from letting of shops in estates	303	241	-	-

14. KEY MANAGEMENT PERSONNEL COMPENSATIONS

The key management personnel compensations are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors of the Company:				
- Fees	571	571	547	547
- Remuneration	2,875	2,446	1,237	1,018
- Other short term employee benefits*	55	70	-	-
	3,501	3,087	1,784	1,565
Other Directors:				
- Fees	48	48	-	-
- Other emoluments	102	102	-	-
	150	150	-	-
	3,651	3,237	1,784	1,565
Other Key Management Personnel:				
- Remuneration	9,835	7,980	654	599
- Other short term employee benefits*	455	457	20	17
	10,290	8,437	674	616

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

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

15. TAX EXPENSE

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current tax expense				
- Current year provisions	38,987	32,199	29	55
- (Over)/Under provision in prior years	(145)	98	6	(86)
	38,842	32,297	35	(31)
Deferred tax expense				
- Origination and reversal of temporary differences	3,381	48	(6)	(2)
- Effect of change in tax rate	-	(7,758)	-	-
- Under/(Over) provision in prior years	805	(809)	1	-
	4,186	(8,519)	(5)	(2)
Total tax expense	43,028	23,778	30	(33)
Reconciliation of tax expense				
Profit before tax	167,146	120,226	67,049	67,728
Tax calculated using Malaysian tax rate of 24% (2015: 25%)	40,115	30,057	16,092	16,932
Non-deductible expenses	2,021	1,626	2,032	2,644
Non-taxable income	(764)	(946)	(18,101)	(19,523)
Effect of change in tax rate on deferred tax	-	(7,758)	-	-
Utilisation of previously unrecognised deferred tax assets	(44)	-	-	-
Deferred tax assets not recognised during the year	1,040	1,510	-	-
	42,368	24,489	23	53
(Over)/Under provision of current tax expense in prior years	(145)	98	6	(86)
Under/(Over) provision of deferred tax expense in prior years	805	(809)	1	-
	43,028	23,778	30	(33)

16. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

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

	Group	
	2016	**2015**
Profit attributable to owners of the Company (RM'000)	124,118	96,448
Weighted average number of ordinary shares ('000)		
Issued ordinary shares net of treasury shares at 1 January	799,699	799,703
Effect of shares buyback during the year	(1)	(1)
Weighted average number of ordinary shares at 31 December	799,698	799,702
Basic earnings per ordinary share (sen)	15.52	12.06

17. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2016			
Second interim 2015 ordinary	5	39,985	24 March 2016
First interim 2016 ordinary	3	23,991	27 September 2016
Total amount	8	63,976	
2015			
Second interim 2014 ordinary	5	39,985	25 March 2015
First interim 2015 ordinary	3	23,991	29 September 2015
Total amount	8	63,976	

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.

On 22 February 2017, the Board of Directors approved a second interim dividend of 8 sen per ordinary share under the single-tier system in respect of the financial year ended 31 December 2016, amounting to a total of RM63,975,616 and was paid on 23 March 2017. 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 2017.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2016.

18. CAPITAL COMMITMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Capital expenditure commitments				
Contracted but not provided for				
Property, plant and equipment	37,984	75,321	-	-
Biological assets	-	692	-	-
	37,984	76,013	-	-
Authorised but not contracted for				
Property, plant and equipment	98,603	102,770	1,345	1,415
Biological assets	821	-	-	-
	99,424	102,770	1,345	1,415
	137,408	178,783	1,345	1,415

19. SEGMENTAL REPORTING

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

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

19. SEGMENTAL REPORTING (CONTINUED)

Geographical area information

The following information is based on geographical location of customer:

	Group 2016 RM'000	Group 2015 RM'000
Revenue		
Malaysia	360,024	339,421
Singapore	143,403	95,454
	503,427	434,875

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 2016 RM'000	Group 2015 RM'000
All common control companies of:		
- Customer A	149,077	256,249
- Customer B	68,028	15,516
- Customer C	143,403	95,454
- Customer D	100,374	-

20. FINANCIAL INSTRUMENTS

20.1 Categories of financial instruments

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

(a) Loans and receivables ["L&R"];
(b) Fair value through profit or loss ["FVTPL"] – designated upon initial recognition ["DUIR"]; and
(c) Financial liabilities measured at amortised cost ["FL"].

	Group			Company		
	Carrying amount RM'000	**FVTPL – DUIR RM'000**	**L&R/(FL) RM'000**	**Carrying amount RM'000**	**FVTPL – DUIR RM'000**	**L&R/(FL) RM'000**
2016						
Financial assets						
Receivables	6,339	-	6,339	27,170	-	27,170
Money market deposits	122,136	122,136	-	15,822	15,822	-
Cash and cash equivalents	39,459	-	39,459	972	-	972
	167,934	122,136	45,798	43,964	15,822	28,142
Financial liabilities						
Payables	(49,821)	-	(49,821)	(1,724)	-	(1,724)
2015						
Financial assets						
Receivables	13,875	-	13,875	15,696	-	15,696
Money market deposits	98,636	98,636	-	20,780	20,780	-
Cash and cash equivalents	79,051	-	79,051	349	-	349
	191,562	98,636	92,926	36,825	20,780	16,045
Financial liabilities						
Payables	(55,371)	-	(55,371)	(1,651)	-	(1,651)

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.2 Net gains and losses arising form financial instruments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gains on:				
Loan and receivables	1,253	2,221	96	213
Fair value through profit or loss:				
- Designated upon initial recognition	3,182	3,777	528	769
	4,435	5,998	624	982

20.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

20.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.4 Credit risk (continued)

Receivables (continued)

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

	Group	
	2016 RM'000	**2015 RM'000**
Not past due	4,752	8,231
Past due more than 120 days	2	5
	4,754	8,236

Impairment losses

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

Inter-company advances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.5 Liquidity risk

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

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

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

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
2016					
Group					
Non-derivative financial liabilities					
Payables	49,821	-	49,821	49,821	-
Company					
Non-derivative financial liabilities					
Payables	1,724	-	1,724	1,724	-
2015					
Group					
Non-derivative financial liabilities					
Payables	55,371	-	55,371	55,371	-
Company					
Non-derivative financial liabilities					
Payables	1,651	-	1,651	1,651	-

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.6 Market risk

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

20.6.1 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

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

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Fixed rate instruments				
Financial assets	35,541	64,182	600	-

Interest rate risk sensitivity analysis

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

20.6.2 Currency risk

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.7 Fair value of financial instruments

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

It was not practicable to estimate the fair value of the Company's investment in subsidiaries – unquoted shares due to the lack of comparable quoted market prices and in an active market and the fair value cannot be reliably measured.

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 statement of financial position.

	Fair value of financial instruments carried at fair value Level 2	Total fair value	Carrying amount
	RM'000	RM'000	RM'000
2016			
Group			
Financial assets			
Money market deposits	122,136	122,136	122,136
Company			
Financial assets			
Money market deposits	15,822	15,822	15,822
2015			
Group			
Financial assets			
Money market deposits	98,636	98,636	98,636
Company			
Financial assets			
Money market deposits	20,780	20,780	20,780

Level 2 fair value

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

Transfers between Level 1 and Level 2 fair values

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

21. CAPITAL MANAGEMENT

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

22. RELATED PARTIES

Identity of related parties

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

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

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

Significant related party transactions

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Firm in which **Datuk Simon Shim Kong Yip,** JP, a Director of the Company, has interest: Shim Pang & Co				
Legal fee	(207)	-	-	-
Firm connected to **Datuk Edward Lee Ming Foo,** JP, a Director of the Company: Corporated International Consultants				
Project consultancy fee	(668)	(937)	-	-
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				
- Sale of used motor vehicle	276	-	-	-
- Purchase of motor vehicle and spare parts	(7,048)	-	-	-

22. RELATED PARTIES (CONTINUED)

Significant related party transactions (continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Related companies				
Car usage	(19)	(132)	-	-
Handling fees	(1,078)	-	-	-
Hire of motor vehicles	(443)	-	-	-
Insurance expenses	(2,275)	(2,358)	(72)	(68)
Management fees	(3,216)	(3,431)	(54)	(59)
Plantation management fee income	54	53	-	-
Purchase of building materials	(2,167)	(5,932)	-	-
Purchase of diesel, petrol and lubricant	(12,873)	(15,805)	-	-
Purchase of fertilisers and chemicals	(39,862)	(39,306)	-	-
Purchase of fresh fruit bunches	(1,040)	-	-	-
Purchase of stones and sand	(12,955)	(4,870)	-	-
Purchase of tyre and tube	(297)	(443)	-	-
Purchase of vehicles and spare parts	(2,566)	(2,419)	(293)	(272)
Rental expense	(339)	(313)	(62)	(62)

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

23. MATERIAL LITIGATIONS

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

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

On 10 August 2012, upon the 1st Defendant's application, the KL RESB Suit was transferred to the High Court of Sabah & 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 the 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"].

On 13 December 2016, the KKHC allowed both the KK RESB Suit and KK Suit to be consolidated upon RESB's application. On 20 February 2017, the KKHC during the case management, set 23 to 26 May 2017 for full trial of both the KK RESB Suit and KK Suit.

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

23. MATERIAL LITIGATIONS (CONTINUED)

(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 allowed both the KK RESB Suit and KK Suit to be consolidated upon RESB's application. On 20 February 2017, the KKHC during the case management, set 23 to 26 May 2017 for full trial of both the KK RESB Suit and KK Suit.

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

24. CONTINGENT LIABILITY - UNSECURED

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

25. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	956,152	893,097	167,325	164,287
- unrealised	(137,579)	(132,689)	(2)	(7)
	818,573	760,408	167,323	164,280
Less: Consolidation adjustments	(253,193)	(255,170)	-	-
Total retained earnings	565,380	505,238	167,323	164,280

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

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

In the opinion of the Directors, the financial statements set out on pages 57 to 98 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 25 on page 99 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Datuk Edward Lee Ming Foo, JP
Director

Au Yong Siew Fah
Director

Kuala Lumpur

12 April 2017

STATUTORY DECLARATION

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

I, **Lee Wee Yong**, the Director primarily responsible for the financial management of Hap Seng Plantations Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 57 to 99 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Lee Wee Yong, in Kuala Lumpur on 12 April 2017.

Lee Wee Yong

Before me:
Kapt. (B) Jasni Bin Yusoff
(No. W465)
Commissioner for Oaths

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 2016 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 57 to 98.

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 2016 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 Matter

Key audit matter is the matter that, in our professional judgement, is of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. This matter is 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 this matter.

1. Refer to Note 2 – Significant accounting policy: Property, plant and equipment and Biological assets, Note 3 – Property, plant and equipment and Note 4 – Biological assets.

   The key audit matter

   The carrying amounts of the Group's property, plant and equipment and biological assets 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.

   During the year, one subsidiary of the Group continued to incur losses since the previous years due to low production from young palms at its plantations; hence leading to an indication of impairment on its property, plant and equipment and biological assets. The carrying amounts of the aforementioned assets as at 31 December 2016 amounting to RM57,249,689. The Directors have carried out an impairment assessment involving an external independent valuer to determine the estimated recoverable amount.

   The estimation of recoverable amount involves forecasting and discounting future cash flows based on certain key assumptions provided by the subsidiary as well as using indicative 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.

Key Audit Matter (continued)

How our audit addressed the key audit matter
Our procedures included, amongst others:

- Evaluated the qualifications, competence and objectivity of the external valuer engaged by the Group by considering the valuer's membership of a professional body, the number of years in practice and performed inquiry of the independence of the external valuer.
- Read the valuer's reports and discussed the report with the valuer to assess the valuation methods against those applied for similar assets and industry.
- Evaluated the selling price of fresh fruit bunches, production yield and production costs used in the valuation by comparing them against internal historical data and available industry data.
- Evaluated the indicative sales transactions values used by the valuers by comparing them against selling prices of similar assets from external market information.

We also considered the adequacy of the disclosures in the financial statements in respect of the impairment assessment about whether they reflected the risks inherent in the key assumptions and sensitivities to changes in such assumptions.

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

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

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.

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.

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

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 Reporting Responsibilities

The supplementary information set out in Note 25 on page 99 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material aspects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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: 2700/12/17 (J)
Chartered Accountant

12 April 2017

Kota Kinabalu

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 2016 was RM74,000 as disclosed in Note 13 to the Financial Statements.

(iii) MATERIAL CONTRACTS

There were no material contracts of the Company and its subsidiaries, involving the interests of the directors, chief executive who is not a director or major shareholders, subsisting as at 31 December 2016, and/or entered into since 31 December 2015.

(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 2016 are as disclosed in Note 22 to the Financial Statements.

The Company will be seeking new or renewed shareholders' mandate for recurrent related party transactions at the annual general meeting to be convened on 24 May 2017.

2. OTHERS

In its approval letter dated 23 July 2007 approving the initial public offering of the Company, the Securities Commission ["SC"] required, 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"].

As announced on 31 July 2012, the Land and Survey Department in Kota Kinabalu had granted a further extension of time to July 2017 ["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.

2. OTHERS (CONTINUED)

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:

(i) 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;

(ii) 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

(iii) 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".

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 the affected areas; and
(f) palms planted on platforms for lower lying areas.

PARTICULARS OF GROUP'S PROPERTIES

Location	Area (hectares)	Description	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2016 RM'000
SABAH							
KINABATANGAN, LAHAD DATU							
Tomanggong Estate	4,890	Oil palm plantation and buildings Tomanggong Palm Oil Mill	September 2007	Leasehold 99 years/ 999 years	2067/ 2094/ 2894	1 - 46	1,026,446
Tabin Estate	3,055	Oil palm plantation and buildings	September 2007/ March 2016	Leasehold 99 years	2067/ 2076/ 2093/ 2096/ 2097/ 2098	1 - 31	
Tagas Estate	2,010	Oil palm plantation and buildings	September 2007	Leasehold 99 years	2067/ 2076	1 - 40	
Litang Estate	1,571	Oil palm plantation and buildings	September 2007	Leasehold 99 years	2076/ 2091/ 2887/ 2900	1 - 31	
Sungai Segama Estate	5,174	Oil palm plantation and buildings Plantation Central Office and Clubhouse	September 2007	Leasehold 99 years	2089	1 - 24	
Bukit Mas Estate	4,733	Oil palm plantation and buildings Bukit Mas Palm Oil Mill	September 2007	Leasehold 99 years/ 999 years	2089/ 2887	1 - 21	
Batangan Estate	3,633	Oil palm plantation and buildings	September 2007	Leasehold 99 years	2078	1 - 34	698,620
Lutong Estate	2,448	Oil palm plantation and buildings	September 2007	Leasehold 99 years	2078/ 2098/ 2099	1 - 25	
Lokan Estate	3,155	Oil palm plantation and buildings	September 2007	Leasehold 99 years	2078	1 - 20	
Kapis Estate	2,681	Oil palm plantation and buildings Jeroco Palm Oil Mill I and II	September 2007	Leasehold 99 years	2078	1 - 30	
Lungmanis Estate	2,200	Oil palm plantation and buildings	September 2007	Leasehold 99 years	2078	1 - 19	

Location	Area (hectares)	Description	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2016 RM'000
SABAH							
KINABATANGAN, LAHAD DATU (CONTINUED)							
Wecan Estate	1,078	Oil palm plantation	September 2007	Leasehold 99 years	2084	-	48,485
Tampilit Estate	202	Oil palm plantation	September 2007	Leasehold 99 years	2084	-	8,911
TAWAU							
Apas Claremont Estate	552	Oil palm plantation and buildings	September 2007	Leasehold 99 years	2058/ 2061/ 2064	2 - 34	59,243
Muul Hill Estate	724	Oil palm plantation and buildings	September 2007	Leasehold 99 years	2062/ 2063/ 2065/ 2071/ 2072/ 2073	34	
KOTA MARUDU							
Pelipikan Estate, Kg Natu	808*	Oil palm plantation and buildings	August 2008	Leasehold 99 years	2101/ 2102	1 - 17	49,410
Pelipikan Estate, Kg Natu	1,365	Oil palm plantation and buildings	December 2009	Leasehold 30 years	2039	4 - 12	57,388
Total	**40,279**						**1,948,503**

* *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				
	2016	**2015**	**2014**	**2013**	**2012**
CROP PRODUCTION - TONNES					
FFB	662,774	709,984	727,937	704,241	665,812
PROCESSED - TONNES					
FFB - own	643,731	667,504	680,741	662,452	620,770
FFB - purchased	91,707	107,829	121,673	116,490	105,469
Palm Oil	154,682	170,546	172,980	166,202	154,595
Palm Kernel	35,872	38,087	38,778	36,554	34,587
EXTRACTION RATE - %					
Palm Oil	21.03	22.00	21.56	21.34	21.29
Palm Kernel	4.88	4.91	4.83	4.69	4.76
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	5,626	5,599	4,089	2,525	2,788
> 7 years to 17 years	7,246	8,480	10,122	10,981	13,332
> 17 years onwards	19,502	18,361	17,162	17,164	14,335
Total mature area	**32,374**	**32,440**	**31,373**	**30,670**	**30,455**
AVERAGE YIELD - TONNES/ HECTARE					
FFB yield per mature hectare	20.47	21.89	23.20	22.96	21.86
Oil per mature hectare	4.31	4.81	5.00	4.90	4.65
AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE					
FFB	521	433	491	470	560
Palm Oil	2,643	2,168	2,386	2,343	2,773
Palm Kernel	2,564	1,600	1,654	1,288	1,494
TAXES APPLICABLE TO PLANTATION INDUSTRY RM'000					
MPOB cess	2,011	2,217	2,249	2,161	2,010
Sabah sales tax	29,466	26,216	30,240	28,391	30,987
Windfall tax	161	-	-	-	911
Total taxes paid	**31,638**	**28,433**	**32,489**	**30,552**	**33,908**

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2016

	River Estates Group	Jeroco	* HSP (Kota Marudu)	Pelipikan Plantation	Total Group
Oil Palm					
Mature	20,297	10,589	585	903	32,374
Immature	1,492	2,133	-	-	3,625
Total Oil Palm	21,789	12,722	585	903	35,999
Other crop	60	86	-	-	146
Total planted area	21,849	12,808	585	903	36,145
Reserves	595	312	81	330	1,318
Buildings, roads etc	1,545	997	142	132	2,816
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 31 MARCH 2017

Issued share capital	: RM800,000,000
Class of shares	: ordinary share
Voting rights	: one vote per ordinary share
Number of shareholders	: 8,901

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Capital
1 to 99	112	1.26	2,312	#
100 to 1,000	2,747	30.86	2,101,586	0.26
1,001 to 10,000	4,790	53.81	20,813,331	2.60
10,001 to 100,000	1,101	12.37	32,388,669	4.05
100,001 to less than 5% of issued shares	147	1.65	79,869,502	9.99
5% & above of issued shares	4	0.05	664,519,800	83.10
Total	**8,901**	**100.00**	**799,695,200**	**100.00**

* *The number of 799,695,200 ordinary shares was arrived at after deducting 304,800 treasury shares held by the Company from the original issued share capital of 800,000,000 ordinary shares of the Company.*

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	69,686,800	8.71
4. Lembaga Tabung Haji	50,671,700	6.34
5. Amanahraya Trustees Berhad - Amanah Saham Wawasan 2020	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. Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (I-VCAP)	4,509,500	0.56
9. Key Development Sdn Berhad	4,282,200	0.54
10. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	3,622,700	0.45
11. Gan Teng Siew Realty Sdn Berhad	3,143,066	0.39
12. CIMB Commerce Trustee Berhad - Public Focus Select Fund	2,254,500	0.28
13. Maybank Nominees (Tempatan) Sdn Bhd - National Trust Fund (IFM Maybank)	1,800,000	0.23

	Shareholding	%(3)
14. Valuecap Sdn Bhd	1,592,700	0.20
15. CIMB Islamic Nominees (Tempatan) Sdn Bhd - CIMB Islamic Trustee Bhd for BIMB I Dividend Fund	1,569,100	0.20
16. Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	1,488,900	0.19
17. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	1,441,000	0.18
18. Maybank Nominees (Tempatan) Sdn Bhd - Bank Kerjasama Rakyat (M) Berhad	1,380,000	0.17
19. Mikdavid Sdn Bhd	1,352,000	0.17
20. Amanahraya Trustees Berhad - Public Islamic Treasures Growth Fund	1,065,200	0.13
21. RHB Investment Bank Berhad - CLR (K) for Lembaga Tabung Haji	1,000,000	0.13
22. Gemas Bahru Estates Sdn Bhd	810,000	0.10
23. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (PHEIM)	800,000	0.10
24. Cheong Meng Soon @ Chong Sai Yan	655,000	0.08
25. Maybank Investment Bank Berhad - CLR (A) for Lembaga Tabung Haji	653,200	0.08
26. Tan Bee Guat	601,300	0.08
27. Tan Bee Guat	600,000	0.08
28. Lee Chee Hai	590,000	0.07
29. Lee Chee Hai	580,300	0.07
30. Cheah Yaw Song	572,000	0.07
Total	**719,931,266**	**90.02**

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	69,686,800	8.71	-	-
Lembaga Tabung Haji	50,671,700	6.34		
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

(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 the purpose of computing the percentage of shareholding above, the number of ordinary shares used was 799,695,200 which was arrived at after deducting 304,800 treasury shares held by the Company from its issued share capital of 800,000,000 ordinary shares.*

	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	31,200	0.004		
Au Yong Siew Fah	168,000	0.021	-	-
Tan Sri Abdul Hamid Egoh	110,000	0.014	-	-
Dato' Jorgen Bornhoft	10,000	0.001	-	-
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	590,000	0.074	-	-
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	1,000	#	-	-

Related Corporation	**No. of Shares**	**%(2)**	**No. of Shares**	**%(2)**
Hap Seng Consolidated Berhad (HSCB)				
Dato' Jorgen Bornhoft	25,000	0.001	-	-
Au Yong Siew Fah	291,600	0.012	-	-

Notes:

(1) *For the purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,695,200 which was arrived at after deducting 304,800 treasury shares held by HSP from its issued share capital of 800,000,000 ordinary shares.*

(2) *For the purpose of computing the percentage of HSCB shareholding above, the number of ordinary shares used was 2,489,679,583 which was arrived at after deducting 2,000 treasury shares held by HSCB from its issued share capital of 2,489,681,583 ordinary shares.*

\# *Negligible*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 10th annual general meeting of Hap Seng Plantations Holdings Berhad will be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 24 May 2017 at 2pm to transact the following:-

AGENDA

ORDINARY BUSINESS

1. To table the audited financial statements for the financial year ended 31 December 2016 together with the reports of directors and auditors. Note 1

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

2. To re-elect the following directors who shall retire in accordance with article 112 of the Company's articles of association and being eligible, have offered themselves for re-election:- Note 2

   (a) Datuk Edward Lee Ming Foo, JP **Resolution 1**

   (b) Mr. Lee Wee Yong **Resolution 2**

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

3. To approve the payment of directors' fees of the Company and its subsidiaries amounting to RM619,159.00 for the financial year ended 31 December 2016. Note 4 **Resolution 4**

4. To reappoint Messrs KPMG PLT as auditors of the Company to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the directors of the Company. Note 5 **Resolution 5**

SPECIAL BUSINESS

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

5. **Authority to allot shares pursuant to section 75 of the Companies Act 2016**

   "That subject always to the approvals of the relevant authorities, the directors of the Company be and are hereby empowered pursuant to section 75 of the Companies Act 2016 to allot shares in the Company at any time upon such terms and conditions, and for such purposes as the directors of the Company may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital 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 6 **Resolution 6**

6. **Continuation of Tan Sri Ahmad Bin Mohd Don as the independent non-executive chairman**

"That pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, Tan Sri Ahmad Bin Mohd Don be and is hereby authorised to continue in office as the independent non-executive chairman of the Company until the conclusion of the next annual general meeting." Note 7 **Resolution 7**

7. **Continuation of Dato' Jorgen Bornhoft as an independent non-executive director**

"That pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, Dato' Jorgen Bornhoft be and is hereby authorised to continue in office as an independent non-executive director of the Company until the conclusion of the next annual general meeting." Note 7 **Resolution 8**

8. **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 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 28 April 2017, provided such transactions are necessary for the day-to-day operations of the Company and/or its subsidiaries and are carried out in the ordinary course of business, at arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

That this authority 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 shall be the earliest.

and that the directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the proposed renewal of and new shareholders' mandate." Note 8 **Resolution 9**

9. **Proposed renewal of share buy-back authority**

"That subject always to section 127 of the Companies Act 2016, the Company's articles of association, Main Market Listing Requirements of the 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's issued ordinary share capital 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 issued ordinary share capital of the Company;

(b) the 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 2016; 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 renewed by the passing of a resolution; 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 shall be the earliest, 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 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 10**

By order of the Board

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

Kuala Lumpur
28 April 2017

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 annual financial statements made up to a date not more than 6 months before the date of the meeting. There will be no resolution to be passed on this item 1.*

2. *Pursuant to article 112 of the Company's articles of association and paragraph 7.26(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), at least one-third of the directors of the Company for the time being shall retire from office at every AGM, but shall be eligible for re-election.*

3. *Based on the satisfactory outcome of its review, the Nominating Committee had made recommendations to the Board for these directors to be re-elected.*

4. *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.*

5. *Pursuant to section 271(4) of the Act, the Company shall at every AGM appoint its auditors who shall hold office until the conclusion of the next AGM.*

6. *This section 75 authority, if approved, will empower the directors of the Company to allot ordinary shares in the Company up to 10% of the issued share capital of the Company for the time being, subject to compliance with all other regulatory requirements and this will enable the Company to finance investments 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 section 132D of the Companies Act, 1965 authority obtained during the last AGM held on 18 May 2016, which authority shall lapse at the conclusion of this AGM.

7. *Despite having served as independent non-executive chairman/director for more than nine years, the Board, upon the assessment and recommendation of the Nominating Committee, is of the opinion that Tan Sri Ahmad Bin Mohd Don and Dato' Jorgen Bornhoft are capable of acting objectively in the best interests of the Company, and have demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements.*

8. *The proposed resolution 9 is to enable the Company and its subsidiaries to enter into recurrent related party transactions 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 also eliminate the need to make regular announcements to Bursa Malaysia Securities Berhad (Bursa Securities) or convene separate general meetings from time to time to seek shareholders' approval as and when recurrent related transactions arise, thereby reducing substantial administrative time and expenses in convening such meetings.*

   Further information on the said recurrent transactions is set out in Part A of the Circular/Statement to shareholders dated 28 April 2017 which is despatched together with the Company's 2016 Annual Report.

9. *The proposed resolution 10, if approved, will empower the Company to purchase its own shares of up to 10% of the issued ordinary share capital of the Company. This authority will, unless, revoked or varies by the Company, in general meeting, expires 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 28 April 2017 which is despatched together with the Company's 2016 Annual Report.*

Notes to the notice of AGM:-

1. *A depositor shall not be regarded as a member entitled to attend this annual general meeting, to speak and vote thereat unless his/her name appears in the record of depositors as at 18 May 2017 (which is not less than 3 market days before the date of this meeting) issued by Bursa Malaysia Depository Sdn Bhd (Bursa Depository) upon the Company's request in accordance with the rules of the Bursa Depository.*

2. *Subject to note 3 below, a member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies (but not more than 2) to attend and vote in his/her stead. Where a member appoints more than 1 proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. The proxy or proxies need not be a member of the Company and there shall be no restriction as to the qualification of the proxy or proxies.*

3. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit on the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney, duly authorised in writing, or if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised, and such duly executed instrument appointing a proxy must be deposited at the registered office of the Company, 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

HAP SENG PLANTATIONS HOLDINGS BERHAD (769962-K)

No. of shares	CDS Account No.

PROXY FORM

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 10th annual general meeting of the Company to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 24 May 2017 at 2pm 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 2016 together with the reports of directors and auditors.

ORDINARY BUSINESS		**FOR**	**AGAINST**
2. To re-elect Datuk Edward Lee Ming Foo, JP as director of the Company.	**Resolution 1**		
3. To re-elect Mr. Lee Wee Yong 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 approve the payment of directors' fees.	**Resolution 4**		
6. To reappoint Messrs KPMG PLT as auditors of the Company.	**Resolution 5**		
SPECIAL BUSINESS		**FOR**	**AGAINST**
7. Authority to allot shares pursuant to section 75 of the Companies Act 2016.	**Resolution 6**		
8. To approve the continuation of Tan Sri Ahmad Bin Mohd Don as the independent non-executive chairman of the Company.	**Resolution 7**		
9. To approve the continuation of Dato' Jorgen Bornhoft as an independent non-executive director of the Company.	**Resolution 8**		
10. To approve renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	**Resolution 9**		
11. To approve renewal of share buy-back authority.	**Resolution 10**		

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 __________________ 2017

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

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Postage

THE COMPANY SECRETARY
HAP SENG PLANTATIONS HOLDINGS BERHAD
(Company No. 769962-K)
21st Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

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www.hapsengplantations.com.my

HAP SENG PLANTATIONS HOLDINGS BERHAD (769962-K)

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

Tel : (603) 2172 5228
Fax : (603) 2172 5286