



HAP SENG PLANTATIONS HOLDINGS BERHAD



## ANNUAL REPORT 2014





# **ANNUAL GENERAL MEETING**

**Menara Hap Seng  
Jalan P. Ramlee,  
50250 Kuala Lumpur,  
Malaysia.**

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**Monday,  
25 May 2015 at 2pm.**

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# 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

### AU YONG SIEW FAH

Executive Director

### TAN SRI ABDUL HAMID EGOH

Non-Independent Non-Executive Director

### DATO' JORGEN BORNHOFT

Independent Non-Executive Director

### WONG YUEN KUAI, LUCIEN

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

Non-Independent Non-Executive Director

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## 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](http://www.hapsengplantations.com.my)

E-mail : [inquiry@hapsengplantations.com.my](mailto:inquiry@hapsengplantations.com.my)

## PLANTATION HEADQUARTERS

Off 40KM, Jalan Jeroco

Lahad Datu, Sabah

## PLACE OF INCORPORATION

Malaysia

## SHARE REGISTRAR

Tricor Investor Services Sdn Bhd (118401-V)

Level 17, The Gardens North Tower

Mid Valley City, Lingkaran Syed Putra

59200 Kuala Lumpur

Tel : 603-2264 3883

Fax : 603-2282 1886

## AUDITORS

KPMG (Firm No. AF 0758)

Chartered Accountants

2nd Floor, Wisma Gek Poh

18 Jalan Haji Saman

88000 Kota Kinabalu

Sabah

## PRINCIPAL BANKER

Malayan Banking Berhad



## DIRECTORS' PROFILE



**TAN SRI AHMAD  
BIN MOHD DON**

**Independent  
Non-Executive  
Chairman**

Tan Sri Ahmad Bin Mohd Don, a Malaysian, aged 67, 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 chairman of Komarkcorp Berhad, and an independent non-executive director of United Malacca Berhad and MAA Group Berhad, all of which are listed on the Main Market of Bursa Malaysia Securities Berhad. He is also an independent non-executive chairman of Zurich Insurance Malaysia Berhad, MAA Takaful Berhad and KAF Investment Bank 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 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2014.

## DIRECTORS' PROFILE



**DATUK SIMON  
SHIM KONG YIP, JP**

**Non-Independent  
Non-Executive  
Deputy Chairman**

**4** **Datuk Simon Shim Kong Yip, JP**, a Malaysian, aged 58, 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. He has not been convicted of any offence in the past 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2014.

## DIRECTORS' PROFILE



**DATUK EDWARD  
LEE MING FOO, JP**

**Managing  
Director**

**Datuk Edward Lee Ming Foo, JP**, a Malaysian, aged 60, 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, 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 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 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2014.

## DIRECTORS' PROFILE



**LEE WEE YONG**

**Executive Director**

**6 Lee Wee Yong**, a Malaysian, aged 67, 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 Institute of Chartered Accountants of New Zealand. He joined Malaysian Mosaics Sdn Bhd

(formerly Malaysian Mosaics Berhad) group in 1992, assumed the position of group chief financial officer from 1 March 2003 to 15 December 2005, and was an executive director from 1 March 1999 to 6 March 2007.

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 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2014.



## DIRECTORS' PROFILE



**AU YONG SIEW FAH**

**Executive Director**

**Au Yong Siew Fah**, a Malaysian, aged 64, 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 1975. 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 has been the Honorary Secretary of the MPOA since April 2006. He served as a member of the Malaysian Palm Oil Board during the years from 2008 to 2014.

Mr. Au Yong has more than 45 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 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2014.

## DIRECTORS' PROFILE



**TAN SRI ABDUL  
HAMID EGOH**

**Non-Independent  
Non-Executive  
Director**

**8 Tan Sri Abdul Hamid EgoH**, a Malaysian, aged 81, 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, INTI College Kinabalu Sdn Bhd, and University Malaysia Sabah.

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 10 years.

He attended 3 of the 4 board meetings held during the financial year ended 31 December 2014.

## DIRECTORS' PROFILE



**DATO' JORGEN BORNHOFT**

**Independent  
Non-Executive  
Director**

**Dato' Jorgen Bornhoft**, a Dane, aged 73, 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 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 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2014.

## DIRECTORS' PROFILE



**WONG YUEN KUI,  
LUCIEN**

**Independent  
Non-Executive  
Director**

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**Wong Yuen Kuai, Lucien**, a Singaporean, aged 61, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 9 August 2007.

Mr. Wong is also the chairman of Maritime and Port Authority of Singapore and Singapore International Arbitration Centre, a member of the Board of Trustees for the Singapore Business Federation and a non-executive director of Temasek Holdings (Private) Limited. He also sits on the board of Singapore Airlines Limited and Singapore Press Holdings Limited, both are companies listed on the Singapore Stock Exchange.

He is the chairman and senior partner of Messrs. Allen & Gledhill LLP, Singapore. He holds a Bachelor of Law (Honours) degree from University of Singapore. He was called to the Singapore Bar in 1979. Specialising in banking, corporate and financial services work, Mr. Wong has extensive experience in debt and equity issues, mergers and acquisitions, banking transactions and securitisations.

Mr. Wong 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 10 years.

He attended 3 of the 4 board meetings held during the financial year ended 31 December 2014.



## DIRECTORS' PROFILE



**TUAN HAJI MOHD  
ARIS @ NIK ARIFF  
BIN NIK HASSAN**

**Independent  
Non-Executive  
Director**

**Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan**, a Malaysian, aged 69, 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 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2014.

## DIRECTORS' PROFILE



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

**Non-Independent  
Non-Executive  
Director**

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**Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir**, a Malaysian, aged 65, 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 10 years.

He attended 2 of the 4 board meetings held subsequent to his appointment to the board on 1 June 2014 during the financial year ended 31 December 2014.







# GROUP FINANCIAL HIGHLIGHTS

← FINANCIAL YEAR ENDED 31 DECEMBER →

	2014	2013	2012	2011	2010
<b>INCOME (RM'000)</b>					
(i) Revenue	495,566	443,321	526,499	654,866	473,754
(ii) Profit before tax	176,068	137,674	190,688	339,473	226,376
(iii) Profit attributable to Owners of the Company	128,312	97,514	140,335	252,968	169,111
<b>FINANCIAL POSITION (RM'000)</b>					
<b>Key data</b>					
<b>Assets</b>					
(i) Total tangible assets	2,205,056	2,167,242	2,118,484	2,114,737	2,019,787
(ii) Net assets	1,947,545	1,923,923	1,890,418	1,878,092	1,761,141
(iii) Current assets	255,913	235,588	195,583	204,836	110,865
<b>Liabilities and Shareholders' Funds</b>					
(i) Current liabilities	61,229	47,639	35,921	46,530	51,146
(ii) Paid-up share capital	800,000	800,000	800,000	800,000	800,000
(iii) Shareholders' funds	1,947,545	1,923,923	1,890,418	1,878,092	1,761,141
<b>PER SHARE</b>					
(i) Basic earnings (sen) *	16.04	12.19	17.54	31.62	21.14
(ii) Net assets (RM) **	2.44	2.40	2.36	2.35	2.20
(iii) Dividend (sen)	11.00	10.00	11.00	20.00	13.00
* Based on weighted average number of shares in issue net of treasury shares ('000)	799,729	799,976	799,980	799,986	799,990
** Based on number of shares in issue net of treasury shares ('000)	799,703	799,973	799,977	799,981	799,988
<b>FINANCIAL RATIOS</b>					
(i) Return on total tangible assets (%)	5.82	4.50	6.62	11.96	8.37
(ii) Return on shareholders' funds (%)	6.59	5.07	7.42	13.47	9.60
(iii) Current ratio (times)	4.18	4.95	5.44	4.40	2.17



## GROUP FINANCIAL HIGHLIGHTS

### Revenue (RM'000)

**2014** **495,566**

2013 443,321

2012 526,499

2011 654,866

2010 473,754

### Profit Before Tax (RM'000)

**2014** **176,068**

2013 137,674

2012 190,688

2011 339,473

2010 226,376

### Total Tangible Assets/Shareholders' Funds (RM'000)

**2014** **2,205,056**  
1,947,545

2013 2,167,242  
1,923,923

2012 2,118,484  
1,890,418

2011 2,114,737  
1,878,092

2010 2,019,787  
1,761,141

### Basic Earnings Per Share/Net Assets Per Share

**2014** **16.04**  
2.44

2013 12.19  
2.40

2012 17.54  
2.36

2011 31.62  
2.35

2010 21.14  
2.20

Total Tangible Assets Shareholders' Funds

Basic Earnings Per Share (sen) Net Assets Per Share (RM)

# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present the Annual Report of Hap Seng Plantations Holdings Berhad for the financial year ended 31 December 2014 (FY2014).



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

Profit After Taxation

**RM128.3**  
million

Earnings Per Share

**16.04**  
sen

Net Earning

**32%**

## CHAIRMAN'S STATEMENT



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### THE YEAR IN REVIEW

2014 started with crude palm oil (CPO) prices benefitting from a price recovery during the last quarter of 2013. CPO production in the first half of the year was relatively weak. As a result, CPO prices for the first half of the year peaked at RM2,855 per tonne in March 2014 and averaged at RM2,605 per tonne.

However, the above scenario was overtaken by events in the second half of the year. Global demand for CPO declined due to an oversupply of global soybean oils.

Competition from Indonesian palm oil and other substitute oils such as sunflower oil and rapeseed oil also affected the demand, with export markets like China, Pakistan, United States, Ukraine, Iran and Bangladesh recording lower imports of Malaysian palm oil.

As a result, CPO inventories began to build up towards the end of 2014, peaking at 2.28 million tonnes in November 2014 with exports of palm oil products shrinking by 2.7% to 25.01 million tonnes in 2014. CPO price bottomed out in September 2014 at RM2,055 per tonne.

The government initiated several measures to counter the weak demand and encourage the take-up for CPO, including announcing a higher biodiesel mandate from B5 to B7 and waiving duties on CPO.

As a result, CPO prices averaged RM2,183 per tonne for the second half and closed at an average of RM2,383 per tonne for 2014, marginally higher than the previous year's average of RM2,371 per tonne. Inventories closed at 2.01 million tonnes for the year.

### 2014 FINANCIAL REVIEW

In spite of the challenging operating environment, we are pleased to report a better financial performance for FY2014. The Group benefitted from higher price realisation and sales volume of both CPO and palm kernel (PK).

For 2014, we achieved a CPO price realisation of RM2,386 per tonne (2013: RM2,343 per tonne) and a PK price realisation of RM1,654 per tonne (2013: RM1,288 per tonne), both comparable to the average Sabah price realisation of RM2,404 per tonne and RM1,565 per tonne for CPO and PK respectively.



## CHAIRMAN'S STATEMENT

Sales volume for CPO grew by 5.8% to 170,506 tonnes (2013: 161,170 tonnes), while PK sales volume grew by 11.2% to 39,703 tonnes (2013: 35,707 tonnes).

Our continued effort to improve plantation management and operational efficiencies was reflected in the lower cost of CPO production (excluding replanting and after taking into account palm kernel credits) of RM1,064 per tonne (2013: RM1,178 per tonne).

In addition, we recorded higher yield for fresh fruit bunches (FFB) of 23.20 tonnes per hectares (2013: 22.96 tonnes per hectare) and improved oil extraction rate (OER) to 21.56% (2013: 21.34%). As a result, the CPO yield achieved was five tonnes per hectare.

As a result, the Group's operating profit increased by 28% to RM176.1 million from RM137.7 million in the previous year.

## OPERATIONS DURING THE YEAR

### Planting Operations

As at 31 December 2014, the Group had a total planted area of 35,684 hectares (2013: 35,697 hectares) out of a total area of 39,803 hectares. Of the total planted area, approximately 88% or 31,373 hectares (2013: 30,670 hectares) were mature areas, with the average age of 15.4 years (2013: 15.2 years).

The age profile of the planted area, reserves, and other parameters as at 31 December 2014 were as follows:

	Hectares
<b>Immature</b>	4,165
30 months to 7 years	4,089
> 7 years to 17 years	10,122
> 17 years	17,162
<b>Total planted – oil palm</b>	<b>35,538</b>
Immature – other crops	146
<b>Total planted area</b>	<b>35,684</b>
Reserves plantable	105
Buildings, roads, reserves, etc	4,014
<b>Total Area</b>	<b>39,803</b>

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CHAIRMAN'S  
STATEMENT

For FY2014, the Group had 4,165 hectares of immature oil palm out of which 2,094 hectares are expected to mature in 2015. The Group also replanted 1,106 hectares during the 2014 financial year.

**Area statement of the Group as of 31 December 2014 was as follows:**

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of Mature area
JGOE (i)	14,117	* 12,808	10,693	83.5 %
TMGOE (ii)	12,331	** 11,426	9,552	83.6 %
SSGOE (iii)	9,906	8,761	8,761	100.0%
Ladang Kawa	1,276	1,201	1,201	100.0%
Pelipikan	1,365	903	581	64.3%
Kota Marudu	***808	585	585	100.0%
Total	39,803	35,684	31,373	87.9%

(i) JGOE refers to Jeroco group of estates

(ii) TMGOE refers to Tomanggong group of estates

(iii) SSGOE refers to Sungai Segama group of estates

\* Including 86 hectares planted with Jelutong trees

\*\* Including 60 hectares planted with Sepat trees

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

### Milling Operations

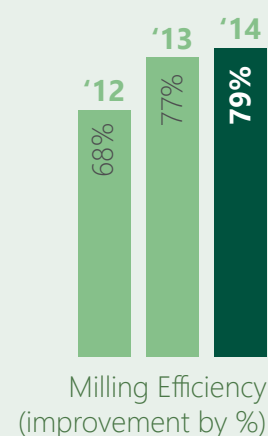
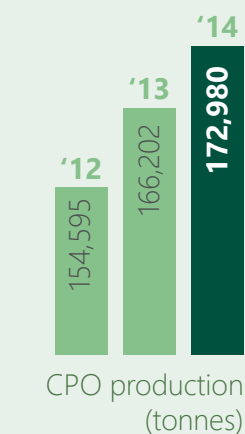
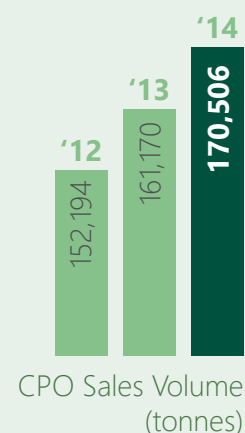
For FY2014, the Group had a combined milling capacity of 175 FFB tonnes per hour contributed by its four mills, namely Jeroco Palm Oil Mill 1, Jeroco Palm Oil Mill 2, Tomanggong Palm Oil Mill and Bukit Mas Palm Oil Mill.

Overall, mill operational efficiencies improved further, achieving 79% utilisation of milling capacity compared to 77% in 2013. The oil extraction rate (OER) was also higher at 21.56% (2013: 21.34%) comparable to Sabah's average of 21.49%.

### SUSTAINABILITY POLICY

Both Jeroco Palm Oil Mills and the Bukit Mas Palm Oil Mill are RSPO (Roundtable on Sustainable Palm Oil) certified. The Tomanggong Palm Oil Mill is at an advance stage of certification and is expected to be certified in 2015.

During the year, Bukit Mas Palm Oil Mill had also embarked on the International Sustainability & Carbon Certification (ISCC) exercise. It had successfully completed the certification audit in 2014 and obtained its ISCC EU certificate in January 2015. The other palm oil mills will commence their ISCC certification exercise in FY2015.



## CHAIRMAN'S STATEMENT

### PLANTATIONS

Upon completion of this certification process, our mills and estates would have dual international accreditations which cement our status as a sustainable palm oil producer in compliance with global sustainability standards for agriculture production.

As part of our commitment towards sustainability, the Group has also embarked on producing our inaugural sustainability report in 2015. This stand-alone report will be guided by the internationally recognised Global Reporting Initiatives (GRI 4) framework.

### OUR PEOPLE

Our people are at the core of our success and we have always regarded our employees as 'partners-in-progress'. To this end, the professional and social welfare of our people has always been paramount for the Group.

We continue to be firmly committed to improving their earnings, productivity, job security and career prospects by providing continuous training, competitive remuneration and by putting in place participatory mechanisms that promote ownership, commitment, responsibility and recognition.

In addition, the Group also invests in modern facilities that improve the welfare of our employees and that of their families. These include staff quarters, crèches, schools, medical facilities and recreational facilities.

### ENHANCING SHAREHOLDER VALUE

The Group continues to be committed in creating, enhancing and returning value to shareholders. We firmly believe that by adopting sustainable plantation best-practices and investing in our people, we will be in a position to continuously reward our shareholders with good dividends without inhibiting the growth potential of the Group.



## CHAIRMAN'S STATEMENT



The Board is pleased to report that the Group had declared and paid two interim dividends totalling 11 sen per share for FY2014 (2013: 10 sen per share), constituting approximately 69% of the Group's profit attributable to shareholders for the FY2014 (2013: 82%).

### 2015 OUTLOOK

The global outlook for edible oils in 2015 remains bearish, with the expected oversupply of soybean and vegetable oils as well as weaker demand for biodiesel stemming from low crude oil price expectations.

However, the Group expects the recovering CPO price trend in the latter part of 2014 to continue into the first half of 2015. This is primarily due to the expected dry spells in Malaysia and Indonesia, resulting in lower CPO productions.

The current biodiesel mandate in both Malaysia and Indonesia may render some support by shoring up demand for CPO. This will however be limited should petroleum prices continue to be weak.

In addition, the potential CPO production spike in the second half of the year, when the seasonally higher production cycle kicks in, may also keep a lid on CPO prices.

In conclusion, we expect 2015 to be another challenging year in view of the uncertain CPO price outlook. Notwithstanding so, the Company will continue its ongoing effort to improve operational efficiencies, productivity and complete the various certification exercises for both RSPO and ISCC.



### ACKNOWLEDGEMENT

In closing, I wish to record my sincere gratitude to my fellow board members for their stewardship and strategic guidance.

My thanks also go to our team of highly dedicated workers, employees and management for their commitment, passion and loyalty. I also wish to place on record my thanks to our customers, partners, shareholders and other stakeholders for their continued support and confidence.

Let me also take this opportunity to welcome Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir who was appointed to the Board on 1 June 2014.

**Ahmad Bin Mohd Don**



# STATEMENT ON CORPORATE GOVERNANCE

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](http://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.



## STATEMENT ON CORPORATE GOVERNANCE

### Board Meetings

The directors meet at least 4 times a year. During the financial year ended 31 December 2014, 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 2014 is as follows:

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

\* There were 2 board meetings held subsequent to his appointment to the board on 1 June 2014

### Board Composition

As at the date of this annual report, the board has 10 members comprising 3 executive directors and 7 non-executive directors of which 4 or more than 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 3 to 12 of this annual report.

## STATEMENT ON CORPORATE GOVERNANCE

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 acknowledges the importance of having diverse elements among its members, which include gender, age, ethnicity, nationality, professional background, skills and experience. Female representation will be considered when vacancies arise and suitable candidates are identified, underpinned by the overriding primary aim of selecting the best candidate to support the achievement of the Company's strategic objectives.

### 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.

## STATEMENT ON CORPORATE GOVERNANCE

### 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 detailed in pages 41 to 50 of this annual report.

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 2014; and
- all the independent directors as at the date of this annual report have not exceeded the term of 9 years tenure.

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.



## STATEMENT ON CORPORATE GOVERNANCE

### Reappointment and Re-election of Directors

Pursuant to section 129(6) of the Companies Act, 1965, directors who are over the age of 70 years shall retire at every annual general meeting (AGM) and may offer themselves for reappointment to hold office until the next AGM.

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 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 independent non-executive director, 2 non-independent non-executive directors and 2 executive directors who are due for reappointment and/or 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 reappointment and/or 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.

## STATEMENT ON CORPORATE GOVERNANCE

The directors had during the financial year ended 31 December 2014, evaluated their own training needs on a continuous basis and attended the following programmes:

Directors	Training Programme	Duration
Tan Sri Ahmad Bin Mohd Don	Nominating Committee Programme	1 day
	Advocacy Sessions on Corporate Disclosure for Directors	½ day
	Seminar on amendment and changes to several MFRS Standard applicable in 2014 and IFRS15 – revenue from contracts with customers	1 day
Datuk Simon Shim Kong Yip, JP	Malaysia Goods and Services Tax	2 hours
Datuk Edward Lee Ming Foo, JP	Hap Seng Group GST Readiness Project	2 hours
	Malaysia Goods and Services Tax	2 hours
	HSBC Forum-China Globalising; RMB Rising	1 day
	Where's The Smart Money Going?	½ day
	West-East Corridor – The Future of Energy	1 ½ hour
Mr. Lee Wee Yong	Hap Seng Group GST Readiness Project	2 days
	Malaysia Goods and Services Tax	2 hours
Mr. Au Yong Siew Fah	Hap Seng Group GST Readiness Project	4 hours
	Palm Oil Economic Review & Outlook Seminar 2014	1 day
	Advocacy Sessions on Corporate Disclosure for Directors	½ day
	Palm Oil Symposium Sabah	1 day
Tan Sri Abdul Hamid Egoh	Malaysia Goods and Services Tax	2 hours
	Advocacy Sessions on Corporate Disclosure for Directors	½ day
Dato' Jorgen Bornhoft	Malaysia Goods and Services Tax	2 hours
	2014 MASB Roundtable on Financial Reporting	2 hours
	Directors' Continuing Education Programme 2014	1 day
	Enhancing Internal Audit Practice	½ day
	Directors Breakfast Series on "Great Companies deserve great boards"	½ day
	Forbes Global CEO Conference	2 days
Mr. Wong Yuen Kuai, Lucien	SID Directors' Conference 2014 "Towards The New Capitalism"	1 day
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	Malaysia Goods and Services Tax	2 hours
	Breakfast at Bursa Malaysia with Audit Committee Members – Enhancing Internal Audit Practice	½ day
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir	Setting Up of a Palm Oil Refinery in Sandakan	1 hour

## STATEMENT ON CORPORATE GOVERNANCE

### 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 2014 is as follows:

Category	Fees RM'000	Salaries and Other Emoluments RM'000	Benefits- in-Kind RM'000	Total Remuneration RM'000
Executive	-	2,227	38	2,265
Non-Executive	503	-	-	503

- (ii) The number of directors who received remuneration from the Company and/or its subsidiaries for the financial year ended 31 December 2014, and their remuneration including benefits-in-kind are tabulated in the following bands:

Remuneration Range	No. of Directors
<b>Executive Directors</b>	
RM250,001 to RM300,000	1
RM300,001 to RM600,000	-
RM600,001 to RM650,000	1
RM650,001 to RM1,350,000	-
RM1,350,001 to RM1,400,000	1
<b>Non-Executive Directors</b>	
RM1 to RM50,000	1
RM50,001 to RM100,000	5
RM100,001 to RM150,000	1



## STATEMENT ON CORPORATE GOVERNANCE

### 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 calibre 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

Remuneration of the non-executive directors shall be a matter for the executive members of the board.

## STATEMENT ON CORPORATE GOVERNANCE

### 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](http://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 [www.hapsengplantations.com.my](http://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 announcement 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](http://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 each 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.

## STATEMENT ON CORPORATE GOVERNANCE

### 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 situation 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](http://www.hapsengplantations.com.my).



## STATEMENT ON CORPORATE GOVERNANCE

### 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.

## STATEMENT ON CORPORATE GOVERNANCE

### (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.

## STATEMENT ON CORPORATE GOVERNANCE

### 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.

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#### Internal Control

The Group's statement on risk management and internal control is set out on pages 35 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 to 45 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 2014 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.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### 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.

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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 have been tabled to the Group Risk Management Committee highlighting on the key risks, their causes and management action plans thereon.

The Group Risk Management Committee reports its activities and makes recommendations to the Board via the Audit Committee. An annual comprehensive risk management report and a half yearly update on salient changes to the key risk profile are tabled to the Audit Committee to facilitate timely assessment.

Any major changes to risks or emerging significant risk in the Group together with the appropriate actions and/or strategies to be taken, will be brought to the attention of the Board by the Chairman of the Audit Committee.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### Internal Control

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

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### 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 RM850,000 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.

The activities of the Internal Audit Department that were carried out 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 16 internal audit reports to the Audit Committee which encompassed identification and assessment of business risks.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### Other Risks and Control Processes

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

The Board is also supported by Board Committees with specific delegated responsibilities. These Committees have the authority to examine all matters within their scope and responsibilities, as provided in the Board Charter, and report to the Board with their recommendations. (For more details on the various Committees, please refer to pages 41 to 50 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.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### 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), *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 2014, 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 Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers or is factually inaccurate.

RPG 5 (Revised) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

# BOARD COMMITTEES

## AUDIT COMMITTEE

### Members of the Audit Committee

Tan Sri Ahmad Bin Mohd Don  
Dato' Jorgen Bornhoft  
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan

*(Independent Non-Executive Director) – Chairman*  
*(Independent Non-Executive Director)*  
*(Independent Non-Executive Director)*

### Terms of Reference of Audit Committee

#### Membership

- The committee shall be appointed by the board from amongst the directors of the Company on the recommendation of the nominating committee and shall consist of not less than 3 members. All the audit committee members must be non-executive directors with a majority of them being independent directors.
- A member shall not have any family relationship with any executive director or any related company or relationship which would interfere with his/her independent judgment.
- Independent director shall be one who fulfills the requirement as provided in the Listing Requirements.
- At least one member of the audit committee shall be a member of the Malaysian Institute of Accountants or a person approved under section 15.09(1)(c)(ii) and (iii) of the Listing Requirements.
- No alternate director shall be appointed as a member of the audit committee.
- The chairman of the committee who shall be an independent director shall be elected by the members of the committee.
- In the event the number of audit committee members are less than the required number of 3 due to resignation or for any reason ceases to be a member, the board shall within 3 months appoint new member(s) to fill up the vacancy. All members of audit committee shall hold office until otherwise determined by the board or until they cease to be a director of the Company.

#### Attendance at Meetings

- The quorum necessary for the transactions of business shall be 2 members.
- The company secretary shall act as the secretary of the committee.

#### Frequency of Meetings

The audit committee shall meet as often as it requires but at least once for every financial quarter.

## BOARD COMMITTEES

During the financial year ended 31 December 2014, 4 meetings were held. The details of directors' attendance at these meetings are as follows:

<b>Directors</b>	<b>No. of Meetings</b>
Tan Sri Ahmad Bin Mohd Don	4/4
Dato' Jorgen Bornhoft	4/4
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	4/4

The details of training attended by the above directors are tabulated on page 27 of the annual report.

### Proceedings of Meetings

- In the absence of the chairman, the committee shall appoint one of the independent members present to chair the meeting.
- Questions arising at any meeting where a quorum is present shall be decided by a majority of votes of the members present, each member having 1 vote.

### Scope of Authority

- The chairman of the audit committee may engage on a continuous basis with the senior management such as the chairman of the board, the managing director, the group finance director, chief financial officer, head of internal audit department and the external auditors in order to be kept informed of matters affecting the Company.
- The committee is authorised by the board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are required to comply with any request made by the committee.
- The committee is authorised by the board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
- The terms of reference of the audit committee shall not limit in any way the responsibilities and authorities of the managing director to institute or instruct internal audits and reviews to be undertaken from time to time.
- The chairman of audit committee, upon the request of the external auditor, shall convene a meeting of the committee to consider any matter which the external auditors believe should be brought to the attention of the directors or shareholders.
- The committee may invite other directors, any employee and a representative of the external auditors to attend any particular audit committee meeting, specific to the relevant meeting(s). The group finance director, chief financial officer and the head of internal audit department, upon the invitation by the committee, normally attend the meeting(s).

## BOARD COMMITTEES

### Primary Responsibilities of the Audit Committee

Assisting the board in the discharge of its statutory duties and responsibilities in the following areas:

- To monitor the integrity of the Group's financial statements, review its annual accounts and quarterly results to be released to the Exchange and any other announcements relating to the Group's financial performance as well as significant financial reporting issues.
- To review the effectiveness of the Group's internal controls and risk management systems and to review and approve statement to be included in the annual report concerning internal controls and risk management.
- To review and report to the board any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- To monitor and review the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system.
- To approve the appointment and removal of the head of internal audit function.
- To consider and approve the remit of the internal audit function and to ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards, particularly to ensure that the internal audit function has adequate standing and is free from management or other restrictions.
- To review and assess the annual internal audit master plan.
- To review promptly all reports on the Group from the internal auditors.
- To review and monitor the management's response to the findings and recommendations of the internal auditors.
- To meet the head of the internal audit whenever deemed necessary, to discuss their remit and any issues arising from the internal audits carried out without the presence of the management. The head of internal audit shall be given the right of direct access to the chairman of the board and to the committee.
- To consider and make recommendations to the board in relation to the appointment, reappointment or removal of the company's external auditors, so that the same could be put to shareholders for approval at the annual general meeting.
- To oversee the selection process of new auditors and if an auditor resigns, to investigate the issues leading to the resignation.



## BOARD COMMITTEES

- To oversee the relationship with the external auditors including:
  - Approval of their remuneration;
  - Approval of their terms of engagement;
  - Assessing annually their independence and objectivity taking into account the regulatory requirements and the relationship with the auditor as a whole;
  - Formulating a policy governing the provision of non-audit services by the external auditor and regularly monitoring the compliance therewith; and
  - Assessing annually their qualifications, expertise and resources and the effectiveness of the audit process.
- To review with the external auditors, the audit plan, their evaluation of the system of internal controls, the audit report and any issues arising from the audit.
- To meet regularly with the external auditors, at least twice a year, without the presence of the management, to discuss their remit and any issues arising from the audit, including the adequacy of the assistance given by the employees of the Company to the external auditors.
- To review the quarterly and year end financial statements before tabling to the board focusing particularly on:
  - any changes in accounting policies and practices,
  - significant adjustments arising from the audit and other unusual events (if any),
  - compliance with accounting standards, relevant legislative framework and other legal requirements,
  - compliance with the Listing Requirements and all other applicable rules and regulations.

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### Review of the Audit Committee

The term of office and performance of the committee and each member shall be reviewed by the board at least once every 3 years to determine whether the audit committee and its members have carried out their duties effectively in accordance with their terms of reference.

Annually, the nominating committee will evaluate performance of the board committees collectively as well as performance of members individually.

### Reporting Procedures

The chairman of the committee will brief the board on the various deliberations and/or issues of concern raised during the course of meeting together with a list of recommendations and/or other matters for the deliberation of the board.

The company secretary shall circulate the minutes of meetings of the committee to all members of the board.

### Reporting of Breaches to the Exchange

The audit committee is to report promptly to the Exchange on any matter reported to the board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

## BOARD COMMITTEES

### Summary of Audit Committee Activities during the financial year ended 31 December 2014

The activities of the audit committee during the financial year ended 31 December 2014 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 16 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.
- 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.

## BOARD COMMITTEES

### 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  
Datuk Simon Shim Kong Yip, JP  
Datuk Edward Lee Ming Foo, JP

*(Independent Non-Executive Director) – Chairman*  
*(Non-Independent Non-Executive Director)*  
*(Executive Director)*

#### Terms of Reference of Remuneration Committee

##### Membership

The committee shall be appointed by the board from amongst the directors of the Company upon the recommendation of the nominating committee and shall consist of not less than 3 directors, a majority of whom must be non-executive.

##### Frequency of Meetings

The remuneration committee shall meet as often as it requires but at least once per financial year.

##### Attendance at Meetings

The quorum necessary for the transaction of business shall be 2 members and decisions are by majority votes.

##### Proceeding of Meetings

- The chairman of the committee may invite personnel such as the chief executives of the business division, the head of the human resources department as and when appropriate and necessary.
- In the absence of the chairman, the remuneration committee shall appoint one of the non-executive members present to chair the meeting.
- Questions arising at any meeting where a quorum is present shall be decided by a majority of votes of the members present, each member having 1 vote.

##### Reporting Procedure

The company secretary shall circulate the minutes of meetings of the remuneration committee to all members of the board.

##### Scope of Authority

The remuneration committee does not have the delegated authority from the board to implement its recommendations but is obliged to report its recommendations to the full board for its consideration and implementation.

##### Interest of Remuneration Committee Members

Members of the remuneration committee shall not participate or be involved in the deliberations or discussions of their own remuneration.

The remuneration of the non-executive directors shall be a matter for the executive members of the board.

**BOARD  
COMMITTEES****Primary Responsibilities of Remuneration Committee**

- To determine and agree with the board the broad policy for the remuneration of the executive directors of the Company, after taking into account all relevant factors to ensure that the executive directors are adequately incentivized and remunerated to encourage enhanced performance.
- To constantly review the ongoing appropriateness and relevance of the remuneration policy.
- Within the terms of the agreed policy and in consultation with the chairman, to determine the total individual remuneration package of each executive director including bonuses and yearly increment.

**Summary of Activities**

- To review and note the remuneration policy of the Group together with the market trend for palm oil companies; and
- To recommend to the board, the proposed bonus of an executive director for the financial year ended 31 December 2014 and his proposed increment for the financial year commencing from 1 January 2015.



## BOARD COMMITTEES

### 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  
Datuk Simon Shim Kong Yip, JP  
Dato' Jorgen Bornhoft

*(Independent Non-Executive Director) – Chairman*  
*(Non-Independent Non-Executive Director)*  
*(Independent Non-Executive Director)*

#### Terms of Reference of Nominating Committee

##### Membership

- The committee shall be appointed by the board from amongst the directors of the Company of not less than 3 non-executive directors, a majority of whom are independent.
- The chairman of the committee is also the senior independent director of the Company.

##### Frequency of Meetings

The nominating committee shall meet as often as it requires but at least once per financial year.

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##### Attendance at Meetings

The quorum necessary for the transaction of business shall be 2 members and decisions are by majority votes.

##### Proceeding of Meetings

- The committee shall have access to sufficient 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.
- In the absence of the chairman, the nominating committee shall appoint one of the independent non-executive members present to chair the meeting.
- Questions arising at any meeting where a quorum is present shall be decided by a majority of votes of the members present, each member having 1 vote.

##### Reporting Procedure

The company secretary shall circulate the minutes of meetings of the nominating committee to all members of the board.

##### Scope of Authority

The nominating committee does not have the delegated authority from the board to implement its recommendations but is obliged to report its recommendations to the full board for its consideration and implementation. The actual decision as to who shall be appointed is the responsibility of the full board after considering the recommendations of the committee.

## BOARD COMMITTEES

### Primary Responsibilities of Nominating Committee

- To consider and recommend candidates onto the board and board committees and guided by the selection criteria, amongst others, are integrity and professionalism, expertise and experience, independence and objectivity, personal attributes, dedication and commitment and board diversity. Details of the selection criteria are set out in the Board Charter.
- To annually evaluate performance of the board and board committees collectively as well as performance of members individually.
- To facilitate board induction and training programmes.
- Assessing directors' training needs periodically and devising relevant professional development programmes based on such assessment for recommendation to the board.
- To develop a proper succession plan for the board so as to ensure a smooth transition when directors leave the board, and that positions are filled and skill gaps addressed.
- To monitor and recommend the functions to be undertaken by the various board committees.
- To review and reassess the adequacy of the Board Charter and Code of Conduct annually.
- To evaluate the independence of each independent director on a yearly basis. In this regard, the committee is guided by the criteria as set out in the Board Charter.
- To recommend directors for reappointment or re-election subject to satisfactory outcome of the evaluation of their performance.

## BOARD COMMITTEES

### Summary of Activities

- Reviewed the current size and composition of the 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, 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. In addition, all the independent directors at the date of this annual report have served in the board with a tenure less than the cumulative 9 years.
- Evaluated the performance of the following non-executive directors and executive directors standing for reappointment and/or re-election at the forthcoming annual general meeting:
  - (i) Tan Sri Abdul Hamid Egoh on his reappointment pursuant to section 129(6) of the Companies Act, 1965;
  - (ii) Dato' Jorgen Bornhoft on his reappointment pursuant to section 129(6) of the Companies Act, 1965;
  - (iii) Datuk Edward Lee Ming Foo, JP on his re-election pursuant to article 112 of the Company's articles of association;
  - (iv) Mr. Au Yong Siew Fah on his re-election pursuant to article 112 of the Company's articles of association; and
  - (v) Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir on his re-election pursuant to article 118 of the Company's articles of association.
- Recommended the appointment of Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir as a non-independent non-executive director of the Company on 1 June 2014.
- Recommended the appointment of Datuk Simon Shim Kong Yip, JP as deputy chairman of the Company on 23 February 2015.

# CORPORATE SOCIAL RESPONSIBILITY

Sustainable business practices are essential to the long-term health of our business. We were one of the first to join the Roundtable on Sustainable Palm Oil (RSPO), the leading multi-stakeholder commodity standard, which sets strict criteria across all aspects related to environmental protection, human rights, community relations and ethics.

Three of our four mills had achieved RSPO certification at year-end 2014 and we are on track to complete certification for all of our mills in 2015.



## ENVIRONMENT

### Chemicals Use

As part of our commitment to increase the productivity of our land without endangering the surrounding environment, we are constantly trialling best management practices in fertiliser enhancement and chemical reduction.

We are not using hazardous chemicals like Paraquat and have implemented integrated pest management (IPM) which emphasises the growth of healthy crops with the least possible disruption to the ecosystem.

IPM encourages the use of natural methods to control insects, pathogens and weed, with chemicals used only as a last resort.

We have strict procedures of chemicals handling, and all employees are required to wear personal protective equipment when handling pesticides.

### Carbon Footprint

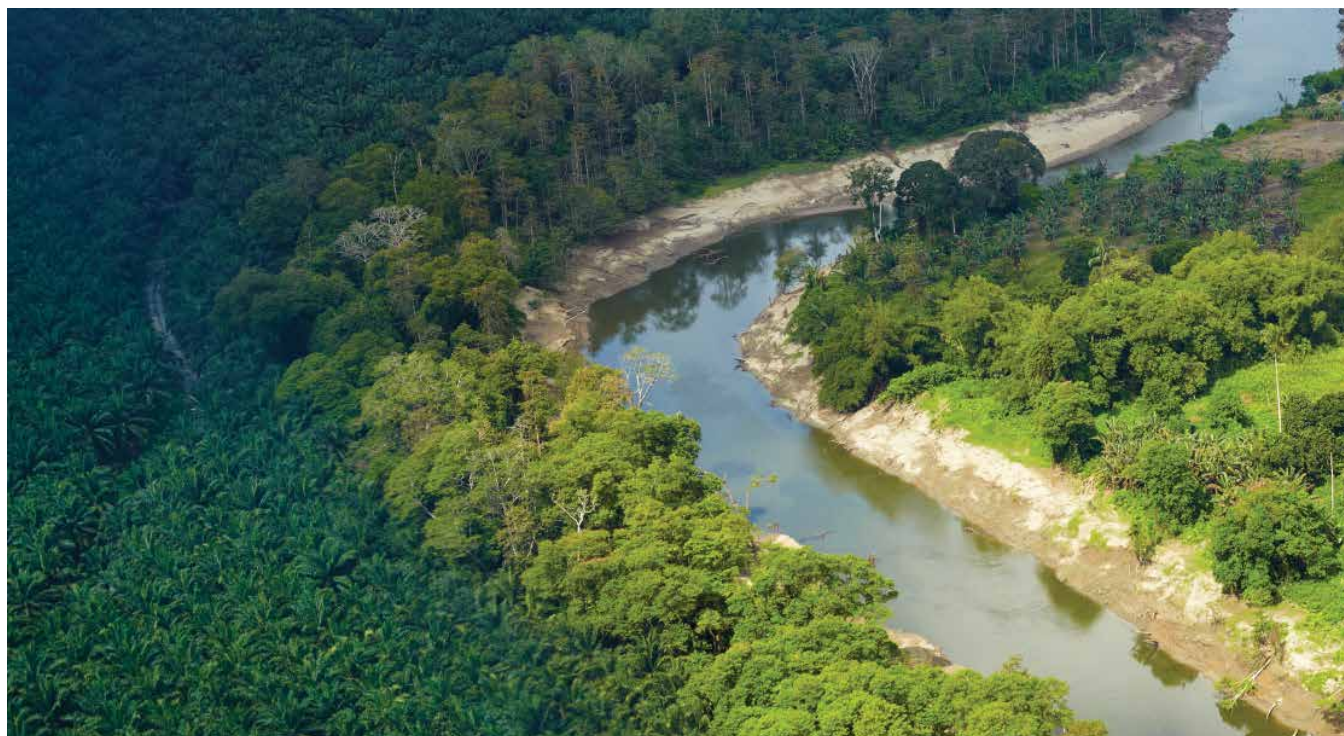
Managing our GHG emission is an increasingly important demand by stakeholders. We have recently finalised our first carbon footprint calculation, which we will publish in our forthcoming sustainability report and use to identify areas for emissions reductions targets.

We have completed the tender process of our biogas plant which is scheduled to be completed in 2016. The biogas plant will help us reduce our GHG emissions from palm oil mill effluent and supply power to the mills.



## CORPORATE SOCIAL RESPONSIBILITY

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### Conservation and protection of local waterways

We are committed to protection of our local environment which is home to many flagship species. We have set aside around 1,400 hectares of land that is not suitable for Oil Palm cultivation for conservation. This area will be marked as a reservoir for flora and fauna. In fact, we are in the process of mapping wildlife within this area.

Area	Ha	
Reserve	36.80	Suitable for oil palm plantation.
Sepat	60.00	Area is prone to flooding and not suitable for oil palm.
Bukit Kibos	75.50	High conservation area and a hotspot for bird species.
Jelutong	86.00	Legacy area from the 1980s development. Jelutong is a protected species.
Reserve - Unplantable	1,142.68	Unsuitable for palm oil cultivation.
	1,400.98	





## CORPORATE SOCIAL RESPONSIBILITY



In addition to our conservation areas, we maintain a riparian buffer along all the rivers, natural water body within our plantation as required by Drainage and Irrigation Department Sabah Water Resources Enactment 1998. Whereby natural waterways that have a width less than three metres required a riparian reserve of five metres for both side of the river (from top of the river bank) to be set aside. For natural waterways that have a width of not less than three metres, a riparian reserve of 20 metres for both side of the river (from top of the river bank) would be required.

### WORKPLACE

We employ 7,257 people in our operations. 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 guided by the principle that all employees must be treated fairly and with respect. Our workplace policies are anchored in Malaysia's labour legislation and cover core labour standards as set out by the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Human Rights.



## CORPORATE SOCIAL RESPONSIBILITY

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. Of these, the majority are non-Malaysian nationals, primarily Indonesians and some Filipinos. Our Malaysian employees are mostly from the local community.

### Women in the workforce

Compared to the general Malaysian palm oil sector, the representation of women in our workforce is relatively high. We believe this is due to our encouragement to married couples to apply for jobs, which in turn provides for a more stable workforce.

We also aim to improve our gender balance at management level where female representation is low. This is partly due to the relatively small number of women educated in the traditional agricultural disciplines from which we draw our management candidates. We also find that many women leave the workforce to care for their families before they reach senior positions.

This is a general concern across the Malaysian workforce, and particularly in the agricultural sector where hours are rarely family-friendly and educational facilities for older children are often in short supply.

### Housing and facilities

We provide housing to all our employees and their families. All houses have sufficient land for small garden plots. Employees also have access to a range of recreational facilities, price controlled stores and subsidised meals.

There is a medical clinic at each estate. The clinics are staffed full time by nurses, and a medical officer comes on a weekly basis to tend to patients. The clinics have ward facilities for patients and an ambulance is on standby for transfers in cases of emergency.



## COMMUNITY

We are closely linked to the villages and enjoy a very positive relationship with our local communities. We engage actively with community leaders to see how we can contribute to local development and address any concerns they have about our operations.



## CORPORATE SOCIAL RESPONSIBILITY

### Access to essential services and infrastructure

We provide some direct financial assistance to our local communities, mainly related to celebrations and holiday festivals. However, we believe that we can make the biggest positive impact by creating local job opportunities, expanding access to services and improving local infrastructure for communities that are often isolated and without access to basic facilities.

Local communities are offered free access to a number of our services. These include our medical clinics, which provide local care in an area where the nearest alternative is more than one hour's drive away.

Our focus on infrastructure is aimed at enhancing access to facilities and increasing employment opportunities in nearby towns. Today, locals benefit from a 24-hour ferry crossing on the Segama River, and from access to the 117 kilometres of all-weather gravelled roads we maintain across our plantations.

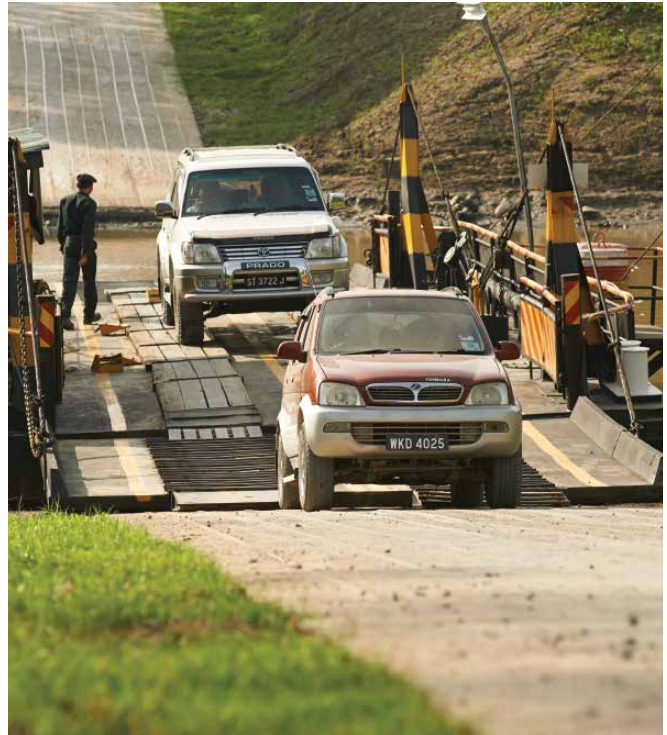
### MARKETPLACE

#### Traceable and sustainable palm oil

We understand that our customers are increasingly concerned about the origin of palm oil, and many are currently working to map the source of their oil back to the estates. To ensure that we can accommodate these customer requirements, we provide fully traceable and RSPO certified CPO.

#### Sustainability reporting

To enhance accountability and transparency, we are currently working on the development of our inaugural Sustainability Report for 2014. The report will adhere to the Global Reporting Initiative G4 Guidelines, and will be published in Q3 2015.



## FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

## DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2014.

## PRINCIPAL ACTIVITIES

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

## RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	128,312	108,370

## RESERVES AND PROVISIONS

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

## DIVIDENDS

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

- (i) a second interim dividend of 5 sen per ordinary share and a special interim dividend of 2 sen per ordinary share, both under the single-tier system totalling RM55,979,714 in respect of the financial year ended 31 December 2013 on 28 March 2014; and
- (ii) a first interim dividend of 6 sen per ordinary share under the single-tier system totalling RM47,982,492 in respect of the financial year ended 31 December 2014 on 26 September 2014.

On 23 February 2015, the Board of Directors approved a second interim dividend of 5 sen per ordinary share under the single-tier system in respect of the financial year ended 31 December 2014, amounting to a total of RM39,985,160 and was paid on 25 March 2015. 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 2015.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2014.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

### DIRECTORS OF THE COMPANY

Directors who served since the date of last report are:

Tan Sri Ahmad Bin Mohd Don  
 Datuk Simon Shim Kong Yip, JP  
 Datuk Edward Lee Ming Foo, JP  
 Lee Wee Yong  
 Au Yong Siew Fah  
 Tan Sri Abdul Hamid Egoh  
 Dato' Jorgen Bornhoft  
 Wong Yuen Kuai, Lucien  
 Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan  
 Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir (appointed on 1 June 2014)

### DIRECTORS' INTERESTS

The interests and deemed interests in the ordinary shares and warrants over ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year ended 31 December 2014 (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 1.1.2014/ Date of appointment	Bought	Sold	At 31.12.2014
<b>Hap Seng Plantations Holdings Berhad</b>				
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000
Au Yong Siew Fah	163,000	-	-	163,000
Tan Sri Abdul Hamid Egoh	110,000	-	-	110,000
Dato' Jorgen Bornhoft	10,000	-	-	10,000
Wong Yuen Kuai, Lucien	110,000	-	-	110,000
	*50,000	-	(50,000)	-
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	590,000	-	-	590,000
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir	55,000	-	-	55,000

\* Held through his spouse

None of the other Directors holding office at 31 December 2014 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

## DIRECTORS' INTERESTS (CONTINUED)

	Number of ordinary shares of RM1.00 each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
<b>Hap Seng Consolidated Berhad (HSCB), Immediate holding company</b>				
Dato' Jorgen Bornhoft	130,000	-	-	130,000
Au Yong Siew Fah	250,000	<sup>^</sup> 41,600	-	291,600
	Number of warrants over ordinary shares of RM1.00 each			
	At 1.1.2014	Bought	Exercised	At 31.12.2014
<b>HSCB</b>				
Au Yong Siew Fah	41,600	-	(41,600)	-

<sup>^</sup> Conversion of warrants to ordinary shares.

## DIRECTORS' BENEFITS

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

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the conversion of warrants in the immediate holding company by a Director.

## ISSUE OF SHARES

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

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

### TREASURY SHARES

During the extraordinary general meeting of the Company held on 27 May 2014, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 269,800 shares at the total cost of RM728,556 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 2014	27,000	70,548	2.61
Repurchased during the year	269,800	728,556	2.70
At 31 December 2014	296,800	799,104	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.

### LITIGATION MATTERS

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

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

## 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 2014 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.



## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

### AUDITORS

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

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

**Datuk Edward Lee Ming Foo, JP**

**Au Yong Siew Fah**

Kuala Lumpur

15 April 2015

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Assets</b>					
Property, plant and equipment	3	589,515	577,487	1,937	1,498
Biological assets	4	1,359,628	1,354,167	-	-
Investment in subsidiaries	5	-	-	1,609,081	1,568,481
<b>Total non-current assets</b>		1,949,143	1,931,654	1,611,018	1,569,979
Inventories	6	46,255	38,847	-	-
Receivables	7	5,003	7,619	3,212	31,811
Tax recoverable		-	49	-	49
Money market deposits		111,234	-	20,045	-
Cash and cash equivalents	8	93,421	189,073	5,618	31,741
<b>Total current assets</b>		255,913	235,588	28,875	63,601
<b>Total assets</b>		2,205,056	2,167,242	1,639,893	1,633,580
<b>Equity</b>					
Share capital	9	800,000	800,000	800,000	800,000
Share premium	9	675,578	675,578	675,578	675,578
Retained earnings		472,766	448,416	160,495	156,087
		1,948,344	1,923,994	1,636,073	1,631,665
Less: Treasury shares	9	(799)	(71)	(799)	(71)
<b>Total equity</b>		1,947,545	1,923,923	1,635,274	1,631,594
<b>Liabilities</b>					
Deferred tax liabilities	10	196,282	195,680	9	7
<b>Total non-current liabilities</b>		196,282	195,680	9	7
Payables	11	45,694	38,072	4,390	1,979
Tax payable		15,535	9,567	220	-
<b>Total current liabilities</b>		61,229	47,639	4,610	1,979
<b>Total liabilities</b>		257,511	243,319	4,619	1,986
<b>Total equity and liabilities</b>		2,205,056	2,167,242	1,639,893	1,633,580

The notes on pages 68 to 108 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Revenue</b>	12	495,566	443,321	117,409	107,329
Cost of goods sold		(266,339)	(256,898)	-	-
<b>Gross profit</b>		229,227	186,423	117,409	107,329
Other operating income		7,438	4,999	659	491
Distribution expenses		(30,240)	(28,392)	-	-
Administrative expenses		(24,281)	(19,449)	(7,806)	(5,301)
Other operating expenses		(6,076)	(5,907)	(499)	(8,154)
<b>Profit before tax</b>	13	176,068	137,674	109,763	94,365
Tax expense	15	(47,756)	(40,160)	(1,393)	(1,277)
<b>Profit for the year representing total comprehensive income for the year</b>		128,312	97,514	108,370	93,088
<b>Basic earnings per ordinary share (sen)</b>	16	16.04	12.19		

The notes on pages 68 to 108 are an integral part of these financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

		← Attributable to owners of the Company →				
			Non-Distributable	Distributable		
	Note	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Treasury shares RM'000	Total equity RM'000
<b>Group</b>						
<b>At 1 January 2013</b>		800,000	675,578	414,900	(60)	1,890,418
Total comprehensive income for the year		-	-	97,514	-	97,514
Purchase of treasury shares	9	-	-	-	(11)	(11)
Dividends	17	-	-	(63,998)	-	(63,998)
<b>At 31 December 2013/ 1 January 2014</b>						
		800,000	675,578	448,416	(71)	1,923,923
Total comprehensive income for the year		-	-	128,312	-	128,312
Purchase of treasury shares	9	-	-	-	(728)	(728)
Dividends	17	-	-	(103,962)	-	(103,962)
<b>At 31 December 2014</b>		800,000	675,578	472,766	(799)	1,947,545
<b>Company</b>						
<b>At 1 January 2013</b>		800,000	675,578	126,997	(60)	1,602,515
Total comprehensive income for the year		-	-	93,088	-	93,088
Purchase of treasury shares	9	-	-	-	(11)	(11)
Dividends	17	-	-	(63,998)	-	(63,998)
<b>At 31 December 2013/ 1 January 2014</b>						
		800,000	675,578	156,087	(71)	1,631,594
Total comprehensive income for the year		-	-	108,370	-	108,370
Purchase of treasury shares	9	-	-	-	(728)	(728)
Dividends	17	-	-	(103,962)	-	(103,962)
<b>At 31 December 2014</b>		800,000	675,578	160,495	(799)	1,635,274
		Note 9	Note 9		Note 9	

The notes on pages 68 to 108 are an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		176,068	137,674	109,763	94,365
Adjustments for:					
Depreciation of property, plant and equipment	3	29,308	28,167	499	384
Dividend income		(734)	-	(110,424)	(101,226)
Loss on disposal of property, plant and equipment		73	64	168	291
Interest income		(5,201)	(3,761)	(614)	(383)
Impairment loss on investment in subsidiaries		-	-	-	7,770
Property, plant and equipment written off		208	79	-	-
<b>Operating profit/(loss) before changes in working capital</b>		199,722	162,223	(608)	1,201
Inventories		(7,408)	(1,658)	-	-
Receivables		2,616	15,795	223	120
Payables		7,622	2,638	1,961	(1,135)
<b>Cash generated from operations</b>		202,552	178,998	1,576	186
Tax refunded		2,684	1,401	261	95
Tax paid		(43,821)	(25,387)	(1,383)	(1,426)
Interest received		5,201	3,761	614	383
<b>Net cash generated from/ (used in) operating activities</b>		166,616	158,773	1,068	(762)
<b>Cash flows from investing activities</b>					
Additions to biological assets	4	(5,461)	(7,475)	-	-
Balances with subsidiaries		-	-	28,826	(9,235)
Dividends received from money market deposits		734	-	45	-
Dividends received from subsidiaries (net)		-	-	110,379	101,226
Increase in money market deposits		(111,234)	-	(20,045)	-
Purchase of property, plant and equipment	3	(43,230)	(31,901)	(2,624)	(2,608)
Proceeds from disposal of property, plant and equipment		1,613	2,313	1,518	2,084
Acquisition of additional shares in subsidiaries		-	-	(40,600)	-
<b>Net cash (used in)/generated from investing activities</b>		(157,578)	(37,063)	77,499	91,467



# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Cash flows from financing activities</b>					
Dividends paid to owners of the Company (net)	17	(103,962)	(63,998)	(103,962)	(63,998)
Shares repurchased at cost		(728)	(11)	(728)	(11)
<b>Net cash used in financing activities</b>		(104,690)	(64,009)	(104,690)	(64,009)
Net change in cash and cash equivalents		(95,652)	57,701	(26,123)	26,696
Cash and cash equivalents at 1 January		189,073	131,372	31,741	5,045
<b>Cash and cash equivalents at 31 December</b>	(i)	93,421	189,073	5,618	31,741

## (i) Cash and cash equivalents

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits with licensed banks with maturities less than 3 months	91,617	185,152	5,500	31,700
Cash and bank balances	1,804	3,921	118	41
	93,421	189,073	5,618	31,741

The notes on pages 68 to 108 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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

21<sup>st</sup> 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 2014 comprise the Company and its subsidiaries.

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

The immediate holding company is Hap Seng Consolidated Berhad 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 15 April 2015.

## 68 1. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ["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 and of the Company:

#### ***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014***

- Amendments to FRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to FRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to FRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION (CONTINUED)

#### (a) Statement of compliance (continued)

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016***

- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- 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*
- Amendments to FRS 10, *Consolidated Financial Statements*, FRS 12, *Disclosure of Interests in Other Entities* and FRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to FRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- FRS 14, *Regulatory Deferral Accounts*
- Amendments to FRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to FRS 116, *Property, Plant and Equipment* and FRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to FRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

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

- FRS 9, *Financial Instruments (2014)*

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

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to FRS 138 which is not applicable to the Group.
- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for FRS 14 and Amendments to FRS 5, FRS 11 and FRS 128 which are not applicable to the Group.

The application of the above mentioned standards, amendments and interpretations are not expected to have any material impacts on the financial statements of the Group and the Company upon their initial adoption.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION (CONTINUED)

#### (a) Statement of compliance (continued)

##### **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 2017.

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 2017 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.

#### **(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.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION (CONTINUED)

#### (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

Note 10 - Recognition of unutilised tax losses and capital allowances



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Basis of consolidation

##### (i) Subsidiaries

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

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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) 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.

##### (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(i)).

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Financial instruments (continued)

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

###### *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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Property, plant and equipment (continued)

##### (iii) Depreciation

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

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

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

Road and infrastructure	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.

#### (d) Biological assets

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Inventories

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

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

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

#### (f) Receivables

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

#### (g) Money market deposits

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

#### (h) Cash and cash equivalents

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) 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.

#### (j) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) 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.

#### (k) 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.

#### (l) 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.

##### (iii) Selling commission

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Interest income

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

#### (n) Income tax

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

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

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

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which 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.

#### (o) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (p) 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.

#### (q) 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.

#### (r) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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
<b>Group</b>							
<b>Cost</b>							
1 January 2013	371,968	113,661	170,136	193,018	12,446	12,899	874,128
Additions	-	1,816	631	14,534	405	14,515	31,901
Disposals	-	-	-	(4,076)	-	-	(4,076)
Write off	-	-	(199)	(1,426)	(103)	-	(1,728)
Reclassifications	-	2,306	9,404	3,499	135	(15,344)	-
At 31 December 2013/ 1 January 2014	371,968	117,783	179,972	205,549	12,883	12,070	900,225
Additions	-	3,208	885	13,952	590	24,595	43,230
Disposals	-	-	-	(2,594)	(57)	-	(2,651)
Write off	-	-	(557)	(1,488)	(14)	-	(2,059)
Reclassifications	-	1,204	4,219	3,648	339	(9,410)	-
At 31 December 2014	371,968	122,195	184,519	219,067	13,741	27,255	938,745
<b>Accumulated depreciation</b>							
1 January 2013	35,525	23,087	84,688	144,443	10,176	-	297,919
Charge for the year	4,390	3,776	6,483	12,868	650	-	28,167
Disposals	-	-	-	(1,699)	-	-	(1,699)
Write off	-	-	(192)	(1,354)	(103)	-	(1,649)
At 31 December 2013/ 1 January 2014	39,915	26,863	90,979	154,258	10,723	-	322,738
Charge for the year	4,390	3,848	6,803	13,562	705	-	29,308
Disposals	-	-	-	(908)	(57)	-	(965)
Write off	-	-	(442)	(1,396)	(13)	-	(1,851)
At 31 December 2014	44,305	30,711	97,340	165,516	11,358	-	349,230
<b>Carrying amounts</b>							
At 31 December 2013	332,053	90,920	88,993	51,291	2,160	12,070	577,487
At 31 December 2014	327,663	91,484	87,179	53,551	2,383	27,255	589,515



## NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Leasehold land represented by:

	Group	
	2014 RM'000	2013 RM'000
Unexpired period more than 50 years	309,793	313,857
Unexpired period less than 50 years	17,870	18,196
	327,663	332,053

- (a) The title of the Group's long term leasehold land with carrying amount of RM9,231,000 (2013: RM9,362,000) 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 RM19,943,000 (2013: RM20,306,000) as disclosed in Note 23(a) to the financial statements.
- (c) In year 2012, caveats by the Assistant Collector of Land Revenue were lodged over parcels of native title which a subsidiary had subleased from natives. The sublease is disclosed as leasehold land with unexpired period of less than 50 years and with carrying amount of RM17,870,000 (2013: RM18,196,000).

## NOTES TO THE FINANCIAL STATEMENTS

### 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Company</b>			
<b>Cost</b>			
1 January 2013	132	1,793	1,925
Additions	17	2,591	2,608
Disposals	-	(2,764)	(2,764)
At 31 December 2013/1 January 2014	149	1,620	1,769
Additions	25	2,599	2,624
Disposals	-	(1,939)	(1,939)
At 31 December 2014	174	2,280	2,454
<b>Accumulated depreciation</b>			
1 January 2013	70	206	276
Charge for the year	28	356	384
Disposals	-	(389)	(389)
At 31 December 2013/1 January 2014	98	173	271
Charge for the year	29	470	499
Disposals	-	(253)	(253)
At 31 December 2014	127	390	517
<b>Carrying amounts</b>			
At 31 December 2013	51	1,447	1,498
At 31 December 2014	47	1,890	1,937

### 4. BIOLOGICAL ASSETS

	2014 RM'000	Group 2013 RM'000
<b>Cost</b>		
At 1 January	1,354,167	1,346,692
Additions	5,461	7,475
At 31 December	1,359,628	1,354,167

## NOTES TO THE FINANCIAL STATEMENTS

### 5. INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost	1,622,051	1,581,451
Less: Impairment loss	(12,970)	(12,970)
	<b>1,609,081</b>	<b>1,568,481</b>

Details of the subsidiaries as at 31 December 2014 which are all incorporated in Malaysia are as follows:

<b>Name of subsidiaries</b>	<b>Principal activities</b>	<b>Effective ownership interest (%)</b>	
		<b>2014</b>	<b>2013</b>
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 this subsidiary contains an emphasis of matter on going concern. The ability of this subsidiary to continue as going concern is dependent on the continuing financial support from the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 6. INVENTORIES

	<b>Group</b>	
	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Consumables stores	27,662	24,889
Planting materials	2,154	1,239
Produce stocks	16,439	12,719
	<b>46,255</b>	<b>38,847</b>
<b>Recognised in profit or loss:</b>		
Inventories recognised as cost of sales	239,882	228,721
Written off	-	6

### 7. RECEIVABLES

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
<b>Trade</b>					
Trade receivables	a	3,962	5,536	-	-
Amount due from subsidiaries	a	-	-	314	501
		<b>3,962</b>	<b>5,536</b>	<b>314</b>	<b>501</b>
<b>Non-trade</b>					
Other receivables		986	2,003	6	42
Amount due from subsidiaries	b	-	-	2,892	31,268
Amount due from related companies	b	55	80	-	-
		<b>1,041</b>	<b>2,083</b>	<b>2,898</b>	<b>31,310</b>
		<b>5,003</b>	<b>7,619</b>	<b>3,212</b>	<b>31,811</b>

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. CASH AND CASH EQUIVALENTS

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits with licensed banks with maturities less than 3 months	91,617	185,152	5,500	31,700
Cash and bank balances	1,804	3,921	118	41
	93,421	189,073	5,618	31,741

### 9. CAPITAL AND RESERVES

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>		<b>2013</b>	
	<b>Number of shares '000</b>	<b>Amount RM'000</b>	<b>Number of shares '000</b>	<b>Amount RM'000</b>
<b>Share capital</b>				
<b>Authorised:</b>				
Ordinary shares of RM1 each				
At 31 December	1,000,000	1,000,000	1,000,000	1,000,000
<b>Issued and fully paid:</b>				
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.

#### Treasury shares

During the extraordinary general meeting of the Company held on 27 May 2014, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 269,800 (2013: 4,000) shares at the total cost of RM728,556 (2013: RM10,835) 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 9. CAPITAL AND RESERVES (CONTINUED)

#### Treasury shares (continued)

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
At 1 January 2013	23,000	59,713	2.60
Repurchased during the year	4,000	10,835	2.71
At 31 December 2013/1 January 2014	27,000	70,548	2.61
Repurchased during the year	269,800	728,556	2.70
At 31 December 2014	296,800	799,104	2.69

### 10. DEFERRED TAX LIABILITIES

#### Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	2014 RM'000	2013 RM'000
<b>Group</b>		
Property, plant and equipment	(121,423)	(118,315)
Biological assets	(74,859)	(77,365)
	(196,282)	(195,680)
<b>Company</b>		
Property, plant and equipment	(9)	(7)



## NOTES TO THE FINANCIAL STATEMENTS

### 10. DEFERRED TAX LIABILITIES (CONTINUED)

Movement in temporary differences during the year:

	At 1.1.2013 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31.12.2013/ 1.1.2014 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31.12.2014 RM'000
<b>Group</b>					
Property, plant and equipment	(119,663)	1,348	(118,315)	(3,108)	(121,423)
Biological assets	(75,893)	(1,472)	(77,365)	2,506	(74,859)
Unutilised tax losses	3,411	(3,411)	-	-	-
	(192,145)	(3,535)	(195,680)	(602)	(196,282)

#### Company

Property, plant and equipment	-	(7)	(7)	(2)	(9)
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#### Unrecognised deferred tax assets

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

	<b>Group</b>	
	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Other temporary differences	(7,125)	(3,215)
Unutilised tax losses	30,582	22,263
	23,457	19,048

The above unabsorbed capital 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 the Group can utilise the benefits there from.

## NOTES TO THE FINANCIAL STATEMENTS

### 11. PAYABLES

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Trade</b>					
Trade payables	a	15,329	14,349	-	-
Amount due to related companies	a	6,706	6,227	1,949	1,257
		22,035	20,576	1,949	1,257
<b>Non-trade</b>					
Other payables		23,659	17,496	1,991	722
Amount due to a subsidiary	b	-	-	450	-
		23,659	17,496	2,441	722
		45,694	38,072	4,390	1,979

#### Note a

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

#### Note b

The non-trade amount due to a subsidiary is unsecured, interest free and repayable on demand.

### 12. REVENUE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Sales of plantation produce	495,566	443,321	-	-
Gross dividend income	-	-	110,379	101,226
Selling commission	-	-	7,030	6,103
	495,566	443,321	117,409	107,329

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PROFIT BEFORE TAX

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Profit before tax is arrived at after charging:</b>				
Auditors' remuneration:				
- Statutory audit				
KPMG				
- current year	188	160	33	30
- under provision in prior year	28	-	3	-
- Other services				
KPMG				
- current year	13	11	13	11
- under provision in prior year	2	-	2	-
Affiliates of KPMG				
- current year	55	63	8	20
Depreciation of property, plant and equipment	29,308	28,167	499	384
Equipment hiring charges	3,857	3,371	-	-
Loss on disposal of property, plant and equipment	73	64	168	291
Management fees	2,671	2,520	424	94
Personnel expenses (including key management personnel)				
- Contributions to Employees' Provident Fund	3,017	3,110	412	323
- Wages, salaries and others	102,356	95,811	3,548	2,733
Property, plant and equipment written off	208	79	-	-
Impairment loss on investment in subsidiaries	-	-	-	7,770
Write down of inventories	-	6	-	-
Rental expenses	2,108	2,096	248	235
Replanting expenses	16,663	18,558	-	-
<b>and after crediting:</b>				
Dividend income from money market deposits	734	-	45	-
Dividend income from subsidiaries				
- unquoted shares	-	-	110,379	101,226
Reversal of impairment loss on amount due from a subsidiary	-	-	-	108
Plantation management fee income	53	53	-	-
Rental income from letting of shops in estates	186	181	-	-
Interest income	5,201	3,761	614	383
Insurance claim received	613	431	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 14. KEY MANAGEMENT PERSONNEL COMPENSATIONS

The key management personnel compensations are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Directors of the Company:				
- Fees	503	365	503	365
- Remuneration	2,227	1,881	879	703
- Other short term employee benefits *	38	43	-	-
	2,768	2,289	1,382	1,068
Other Directors:				
- Fees	174	174	-	-
	2,942	2,463	1,382	1,068
Other key management personnel:				
- Remuneration	7,858	6,318	2,359	1,882
- Other short term employee benefits *	393	272	85	45
	8,251	6,590	2,444	1,927

\* 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 15. TAX EXPENSE

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Current tax expense</b>				
- Current year provisions	47,332	36,659	1,404	1,271
- Over provision in prior years	(178)	(34)	(13)	(1)
	47,154	36,625	1,391	1,270
<b>Deferred tax expense</b>				
- Origination of temporary differences	687	160	1	(2)
- (Over)/under provision in prior years	(85)	710	1	9
- Deferred tax assets derecognised	-	2,665	-	-
	602	3,535	2	7
<b>Total tax expense</b>	<b>47,756</b>	<b>40,160</b>	<b>1,393</b>	<b>1,277</b>
<b>Reconciliation of tax expenses:</b>				
Profit before tax	176,068	137,674	109,763	94,365
Tax calculated using Malaysian tax rate of 25%	44,017	34,419	27,441	23,591
Non-deductible expenses	2,900	1,381	1,559	3,012
Non-taxable income	-	-	(27,595)	(25,334)
Deferred tax assets not recognised during the year	1,102	1,019	-	-
	48,019	36,819	1,405	1,269
Over provision of tax in prior years	(178)	(34)	(13)	(1)
(Over)/under provision of deferred tax in prior years	(85)	710	1	9
Deferred tax assets derecognised	-	2,665	-	-
	47,756	40,160	1,393	1,277

## NOTES TO THE FINANCIAL STATEMENTS

### 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:

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to owners of the Company	128,312	97,514
	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares		
Issued ordinary shares net of treasury shares at 1 January	799,973	799,977
Effect of shares buyback during the year	(244)	(1)
Weighted average number of ordinary shares at 31 December	799,729	799,976
Basic earnings per ordinary share (sen)	16.04	12.19



## NOTES TO THE FINANCIAL STATEMENTS

### 17. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
<b>2014</b>			
Second and special interim 2013 ordinary	7	55,980	28 March 2014
First interim 2014 ordinary	6	47,982	26 September 2014
Total amount	13	103,962	
<b>2013</b>			
Second interim 2012 ordinary	5	39,999	28 March 2013
First interim 2013 ordinary	3	23,999	18 September 2013
Total amount	8	63,998	

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

On 23 February 2015, the Board of Directors approved a second interim dividend of 5 sen per ordinary share under the single-tier system in respect of the financial year ended 31 December 2014, amounting to a total of RM39,985,160 and was paid on 25 March 2015. 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 2015.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2014.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. CAPITAL COMMITMENTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Capital expenditure commitments</b>				
<b>Contracted but not provided for</b>				
Property, plant and equipment	47,730	24,408	-	-
Biological assets	2,485	2,546	-	-
	50,215	26,954	-	-
<b>Authorised but not contracted for</b>				
Property, plant and equipment	202,262	70,401	3,454	3,186
Biological assets	1,906	7,942	-	-
	204,168	78,343	3,454	3,186
	254,383	105,297	3,454	3,186

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### 19. SEGMENTAL REPORTING

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

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

#### Geographical area information

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

#### Major customers

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

	Revenue	
	2014 RM'000	2013 RM'000
All common control companies of:		
- Customer A	350,625	231,274
- Customer B	82,685	152,033

## NOTES TO THE FINANCIAL STATEMENTS

### 20. FINANCIAL INSTRUMENTS

#### 20.1 Categories of financial instruments

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

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

	Group			Company		
	Carrying amount RM'000	FVTPL – DUIR RM'000	L&R/ (OL) RM'000	Carrying amount RM'000	FVTPL – DUIR RM'000	L&R/ (OL) RM'000
<b>2014</b>						
<b>Financial assets</b>						
Receivables	5,003	-	5,003	3,212	-	3,212
Money market deposits	111,234	111,234	-	20,045	20,045	-
Cash and cash equivalents	93,421	-	93,421	5,618	-	5,618
	209,658	111,234	98,424	28,875	20,045	8,830
<b>Financial liabilities</b>						
Payables	(45,694)	-	(45,694)	(4,390)	-	(4,390)
<b>2013</b>						
<b>Financial assets</b>						
Receivables	7,619	-	7,619	31,811	-	31,811
Cash and cash equivalents	189,073	-	189,073	31,741	-	31,741
	196,692	-	196,692	63,552	-	63,552
<b>Financial liabilities</b>						
Payables	(38,072)	-	(38,072)	(1,979)	-	(1,979)

## NOTES TO THE FINANCIAL STATEMENTS

### 20. FINANCIAL INSTRUMENTS (CONTINUED)

#### 20.2 Net gains and losses arising from financial instruments

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Gains on:</b>				
Loan and receivables	5,201	3,761	614	383
Fair value through profit or loss:				
- Designated upon initial recognition	734	-	45	-
	5,935	3,761	659	383

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 20. FINANCIAL INSTRUMENTS (CONTINUED)

#### 20.4 Credit risk (continued)

##### Receivables (continued)

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Not past due	3,959	5,533	314	501
Past due 1 – 30 days	-	3	-	-
Past due more than 120 days	3	-	-	-
	3,962	5,536	314	501

##### *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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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
<b>Group</b>					
<b>2014</b>					
<i>Non-derivative financial liabilities</i>					
Payables	45,694	-	45,694	45,694	-
<b>2013</b>					
<i>Non-derivative financial liabilities</i>					
Payables	38,072	-	38,072	38,072	-
<b>Company</b>					
<b>2014</b>					
<i>Non-derivative financial liabilities</i>					
Payables	4,390	-	4,390	4,390	-
<b>2013</b>					
<i>Non-derivative financial liabilities</i>					
Payables	1,979	-	1,979	1,979	-



## NOTES TO THE FINANCIAL STATEMENTS

### 20. FINANCIAL INSTRUMENTS (CONTINUED)

#### 20.6 Market risk

Market risk is the risk that changes in market prices, such as 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 process for managing the risk*

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

*Exposure to interest rate risk*

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Fixed rate instruments</b>				
Financial assets	91,617	185,152	5,500	31,700

*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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

2014	Fair value of financial instruments carried at fair value Level 2 RM'000	Total fair value RM'000	Carrying amount RM'000
<b>Group</b>			
<b>Financial assets</b>			
Money market deposits	111,234	111,234	111,234
<b>Company</b>			
<b>Financial assets</b>			
Money market deposits	20,045	20,045	20,045

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 and have been established under negotiated terms. 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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Firm connected to Datuk Edward Lee Ming Foo, JP,</b>				
a Director of the Company:				
Corporated International Consultants				
Project consultancy fee	(189)	(160)	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 22. RELATED PARTIES (CONTINUED)

#### Significant related party transactions (continued)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Related companies</b>				
Insurance expenses	(2,427)	(2,202)	(107)	(84)
Management fees	(2,671)	(2,520)	(424)	(93)
Plantation management fee income	53	53	-	-
Rental expense	(306)	(296)	(248)	(235)
Purchase of vehicles and spare parts	(4,220)	(6,876)	(1,142)	(591)
Purchase of fertilisers and chemicals	(34,157)	(36,625)	-	-
Purchase of diesel, petrol and lubricant	(20,774)	(20,305)	-	-
Purchase of building materials	(2,630)	(370)	-	-
Purchase of stones and sand	(5,084)	(1,489)	-	-
Purchase of tyre and tube	(91)	(50)	-	-
<b>Subsidiaries</b>				
Selling commission	-	-	7,030	6,103

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

## NOTES TO THE FINANCIAL STATEMENTS

### 23. LITIGATION MATTERS

- (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 (Note 3).

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

RESB is claiming for the following in the 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 1<sup>st</sup> 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 2<sup>nd</sup> Defendant from effecting any steps, actions and/or representations in respect of the Alleged PA;
- (vi) Costs of the RESB Suit; and
- (vii) Such further or other relief as the Court deems fit and just.

Upon the 1<sup>st</sup> Defendant's application, the RESB Suit was transferred to the High Court of Sabah & Sarawak at Kota Kinabalu on 10 August 2012, subject to the said Ad Interim Injunction continuing to be in effect. With the transfer, RESB is currently represented by the law firm of Messrs Jayasuriya Kah & Co. in Kota Kinabalu. The RESB Suit is presently stayed pending referral and determination by the Federal Court on the constitutionality of the transfer of civil suits from West Malaysia to the High Court of Sabah and Sarawak and vice versa.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 23. LITIGATION MATTERS (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 High Court of Sabah & Sarawak at Kota Kinabalu vide originating summons 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.

The application by RESB filed to convert the KK Suit into a writ action ["Conversion Application"] was heard on both 23 October 2012 and 26 November 2012 and is currently pending decision. Consistent with the RESB Suit stated in Note 23(a) above, the KK Suit is stayed pending referral and determination by the Federal Court on the constitutionality of the transfer of civil suits from West Malaysia to the High Court of Sabah and Sarawak and vice versa.

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

- (c) Pelipikan Plantation Sdn Bhd ["PPSB"], the wholly-owned subsidiary of the Company is the registered sub-lessee of all those 251 pieces of land measuring approximately 1,364.91 hectares situated in Kg. Natu in the district of Kota Marudu, Sabah ["Pelipikan Sub-Leased Lands"]. A writ of summons ["said Writ"] was filed on 7 August 2014 by 94 natives of Sabah ["Plaintiffs"] represented by Messrs Sugumar & Co. claiming interest and ownership, legal and beneficial in respect of 113 parcels of land which form part of the Pelipikan Sub-Leased Lands ["said 113 Titles"] in the High Court of Sabah and Sarawak at Kota Kinabalu vide suit no. BKI-22NCvC66/8-2014 (HC2), naming one Hatija Binti Hassan as first defendant, one Juniah @ Rubiah Bt. Okk Zainal as second defendant and PPSB as the third defendant ["said Suit"]. The said 113 Titles represent approximately 1.31% of the Group's total land holdings.



## NOTES TO THE FINANCIAL STATEMENTS

### 23. LITIGATION MATTERS (CONTINUED)

(c) (continued)

In the said Writ, the Plaintiffs alleged, inter alia the following:

- (i) acting on a purported power of attorney P/A No. 5391/03, one Sikit @ Lanjim bin Sarapong ["Sikit"] transferred the Pelipikan Sub-Leased Lands on behalf of the Plaintiffs to the first and second defendants and created a sublease in favour of PPSB;
- (ii) the transfer of the said 113 Titles from the Plaintiffs to Sikit, the subsequent transfer from Sikit to the first and second defendants and the sublease created in favour of PPSB were effected via forged documents and/or illegal means;
- (iii) that the first and second defendants are not bona-fide third party purchasers of the said 113 Titles for value without notice; and
- (iv) that PPSB is not a bona-fide third party sub-lessee of the said 113 Titles for value without notice.

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

- (i) a declaration that the Plaintiffs are entitled to possession of the said 113 Titles;
- (ii) a declaration that the first, second, and third defendants are not entitled to possession of the said 113 Titles;
- (iii) a declaration that the Plaintiffs are entitled to legal and beneficial ownership of the said 113 Titles;
- (iv) that the registration of transfer of the said 113 Titles in favour of Sikit be declared null and void and of no effect;
- (v) that the registration of transfer of the said 113 Titles in favour of first and second defendants be declared null and void and of no effect;
- (vi) that the registration of sub-lease of the said 113 Titles in favour of the third defendant be declared null and void and of no effect;
- (vii) an order directing the first, second and third defendants to give vacant possession of the said 113 Titles to the Plaintiffs;
- (viii) an order directing the Assistant Collector of Land Revenue, Kota Marudu, Sabah to remove and delete forthwith the registration of the transfer of the 113 Titles effected in favour of Sikit and the first and second defendants;
- (ix) an order directing the Assistant Collector of Land Revenue, Kota Marudu, Sabah to remove and delete forthwith the registration of the sublease of the said 113 Titles in favour of the third defendant.

PPSB has been advised by its solicitors, Messrs Jayasuriya Kah & Co. that pursuant to the Sabah Land Ordinance, it is lawful for a native landowner to grant a sub-lease to a non-native for a period not exceeding 30 years and the said Suit against PPSB is unlikely to succeed.

### 24. CONTINGENT LIABILITY - UNSECURED

The Company has undertaken to provide financial support to a subsidiary to enable it to continue to operate as going concern.

## NOTES TO THE FINANCIAL STATEMENTS

### 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:

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings of the Company and its subsidiaries:				
- realised	872,593	844,719	160,504	156,094
- unrealised	(138,179)	(136,842)	(9)	(7)
	734,414	707,877	160,495	156,087
Less: Consolidation adjustments	(261,648)	(259,461)	-	-
Total retained earnings	472,766	448,416	160,495	156,087

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 63 to 108 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 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 109 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

**Datuk Edward Lee Ming Foo, JP**

**Au Yong Siew Fah**

Kuala Lumpur

15 April 2015

# 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 63 to 109 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 15 April 2015.

**Lee Wee Yong**

Before me:

**Kapt. (B) Jasni Bin Yusoff**

(No. W465)

*Commissioner for Oaths*

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HAP SENG PLANTATIONS HOLDINGS BERHAD

(COMPANY NO. 769962-K)

(INCORPORATED IN MALAYSIA)

## Report on the Financial Statements

We have audited the financial statements of Hap Seng Plantations Holdings Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 63 to 108.

### *Directors' Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 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.

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HAP SENG PLANTATIONS HOLDINGS BERHAD  
(COMPANY NO. 769962-K)  
(INCORPORATED IN MALAYSIA)

### Report on Other Legal and Regulatory Requirements

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 25 on page 109 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards in Malaysia. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

### Other Matter

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

#### KPMG

Firm Number: AF 0758  
Chartered Accountants

#### Lee Hean Kok

Approval Number: 2700/12/15 (J)  
Chartered Accountant

15 April 2015

Kota Kinabalu

## ADDITIONAL INFORMATION

- (1) The following additional information are provided in accordance with Paragraph 9.25 Appendix 9C of 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. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

The Company did not issue any options, warrants or convertible securities during the financial year.

**iii. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME**

The Company did not sponsor any ADR or GDR programme for the year.

**iv. PARTICULARS OF SANCTIONS AND/OR PENALTIES IMPOSED**

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2014.

**v. 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 2014 (excluding the under provision in prior year) was RM68,000 as disclosed in Note 13 to the Financial Statements.

**vi. VARIATION IN RESULTS**

There were no material variances in the Company's audited consolidated financial results for the financial year ended 31 December 2014 and the unaudited results for the same period previously released in the quarterly report to Bursa Malaysia Securities Berhad on 23 February 2015.

**vii. PROFIT GUARANTEES**

There was no profit guarantee given by the Company during the financial year ended 31 December 2014.

**viii. MATERIAL CONTRACTS**

Save for the following, there were no other material contracts of the Company and its subsidiaries involving directors' and major shareholders' interest, which still subsisted as at 31 December 2014, or entered into since 31 December 2013:

- Related party transactions in the ordinary course of business on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority interests, which were entered into during the financial year ended 31 December 2014 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 extraordinary general meeting to be convened on 25 May 2015 immediately after the conclusion of the annual general meeting to be held on the same date.



## ADDITIONAL INFORMATION

### (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.

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	Land title	Area (hectares)	Description	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings (years)	Net book value at 31/12/2014 RM'000
<b>SABAH</b>								
<b>KINABATANGAN, LAHAD DATU</b>								
<b>Tomanggong Estate</b>	Lease No. 095310017	347.00	Oil palm plantation	September 2007	Leasehold 99 years	2067	-	972,528
	CL 095324897	567.80	Jungle land, not cultivated yet	September 2007	Leasehold 99 years	2094	-	
	CL 095316304	3,971.77	Oil palm plantation & buildings	September 2007	Leasehold 999 years	2894	9 - 48	
		3.23	Tomanggong Palm Oil Mill				44	
<b>Tabin Estate</b>	Lease No. 095310017	842.00	Oil palm plantation	September 2007	Leasehold 99 years	2067	-	
	CL 095324879	182.10	Jungle land, not cultivated yet	September 2007	Leasehold 99 years	2093	-	
	CL 075359465	1,430.67	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2076	9 - 31	
	24 various Native titles *	124.00	Not cultivated	September 2007	Leasehold 99 years	2098 2097	-	
<b>Tagas Estate</b>	Lease No. 095310017	1,422.89	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2067	9 - 39	
	CL 075359438	587.74	Oil palm plantation	September 2007	Leasehold 99 years	2076	-	
<b>Litang Estate</b>	CL 075359456	146.90	Oil palm plantation	September 2007	Leasehold 99 years	2076	-	
	CL 075359447	262.92	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2076	10 - 32	
	CL 095321092	366.80	Oil palm plantation	September 2007	Leasehold 99 years	2091	-	
	CL 095316340	414.00	Oil palm plantation	September 2007	Leasehold 999 years	2887	-	
	CL 095316359	380.00	Oil palm plantation	September 2007	Leasehold 999 years	2900	-	
<b>Sungai Segama Estate</b>	CL 095317605	3,843.00	Oil palm plantation & buildings Plantation Central Office & Club house	September 2007	Leasehold 99 years	2089	9 - 23	
	CL 095317614	1,331.00	Oil palm plantation	September 2007	Leasehold 99 years	2089	-	
<b>Bukit Mas Estate</b>	CL 095317614	3,704.90	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2089	9 - 21	
		8.10	Bukit Mas Palm Oil Mill				16	
	CL 095316340	1,020.00	Oil palm plantation & buildings	September 2007	Leasehold 999 years	2887	9 - 20	

## PARTICULARS OF GROUP'S PROPERTIES

Location	Land title	Area (hectares)	Description	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings (years)	Net book value at 31/12/2014 RM'000
<b>SABAH</b>								
<b>KINABATANGAN, LAHAD DATU (CONTINUED)</b>								
<b>Batangan Estate</b>	CL 095311005	1,991.94	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	9 - 33	687,223
	CL 095311014	1,640.94	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	9 - 33	
<b>Lutong Estate</b>	CL 095311014	2,406.00	Oil palm plantation & buildings & Jelutong	September 2007	Leasehold 99 years	2078	14 - 25	
	CL 095332264	5.98	Oil palm plantation	September 2007	Leasehold 99 years	2098	-	
	CL 095332282	15.18	Oil palm plantation	September 2007	Leasehold 99 years	2099	-	
	CL 095332291	15.17	Oil palm plantation	September 2007	Leasehold 99 years	2099	-	
	CL 095332273	6.07	Oil palm plantation	September 2007	Leasehold 99 years	2098	-	
<b>Lokan Estate</b>	CL 095311005	1,968.00 **	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	14	
	CL 095310973	1,187.39	Oil palm plantation & buildings Air control tower	September 2007	Leasehold 99 years	2078	14 - 19	
<b>Kapis Estate</b>	CL 095310973	2,668.85	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	12 - 28	
		12.15	Jeroco Palm Oil Mill I & II				18 - 27	
<b>Lungmanis Estate</b>	CL 095310973	2,200.00	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2078	14 - 20	
<b>Wecan Estate</b>	CL 095317427	1,078.00	Oil palm plantation	September 2007	Leasehold 99 years	2084	-	48,747
<b>Tampilit Estate</b>	CL 095317418	201.70	Oil palm plantation	September 2007	Leasehold 99 years	2084	-	8,955

## PARTICULARS OF GROUP'S PROPERTIES

Location	Land title	Area (hectares)	Description	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings (years)	Net book value at 31/12/2014 RM'000
<b>SABAH</b>								
<b>TAWAU</b>								
<b>Apas Claremont Estate</b>	Lease No. 105319775	185.95	Oil palm plantation	September 2007	Leasehold 99 years	2058	-	59,711
	CL 105350909	105.50	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2058	11 - 33	
	CL 105334049	80.85	Oil palm plantation	September 2007	Leasehold 99 years	2058	-	
	CL 105343762	13.95	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2064	33	
	PL 106260833	36.90	Oil palm plantation	September 2007	Leasehold 99 years	2061	-	
	PL 106261349	34.05	Oil palm plantation	September 2007	Leasehold 99 years	2061	-	
	PL 106261330	60.32	Oil palm plantation	September 2007	Leasehold 99 years	2061	-	
	CL 105246179	34.96	Oil palm plantation	September 2007	Leasehold 99 years	2061	-	
<b>Muul Hill Estate</b>	Lease No. 105315955	90.35	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2062	33	59,711
	Lease No. 105320161	194.13	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2068	33	
	Lease No. 105315900	87.00	Oil palm plantation	September 2007	Leasehold 99 years	2063	-	
	Lease No. 105316032	39.69	Oil palm plantation	September 2007	Leasehold 99 years	2065	-	
	Lease No. 105315857	81.06	Oil palm plantation	September 2007	Leasehold 99 years	2062	-	
	CL 105342550	12.10	Oil palm plantation	September 2007	Leasehold 99 years	2073	-	
	CL 105342541	18.76	Oil palm plantation	September 2007	Leasehold 99 years	2071	-	
	CL 105351915	180.77	Oil palm plantation	September 2007	Leasehold 99 years	2072	-	
	CL 105342532	19.79	Oil palm plantation & buildings	September 2007	Leasehold 99 years	2071	33	

## PARTICULARS OF GROUP'S PROPERTIES

Location	Land title	Area (hectares)	Description	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings (years)	Net book value at 31/12/2014 RM'000
<b>SABAH</b>								
<b>KOTA MARUDU</b>								
Pelipikan Estate, Kg Natu	CL 225326170	403.10	Oil palm plantation & buildings	August 2008	Leasehold 99 years	2102	7 - 15	44,397
Pelipikan Estate, Kg Natu	CL 225319013	323.60	Oil palm plantation & buildings	August 2008	Leasehold 99 years	2101		
Pelipikan Estate, Kg Natu	#	81.00	Oil palm plantation	August 2008	-	-		
Pelipikan Estate, Kg Natu	251 various Native titles ***	1,364.91	Oil palm plantation & buildings	December 2009	Leasehold 30 years	2039	9 - 10	44,393
<b>Total</b>		<b>39,803</b>						<b>1,865,954</b>

\* Native land in Tabin Estate which were sub-leased to Hap Seng Plantations (River Estates) Sdn Bhd

\*\* This land area excludes 87 hectares that has been gazetted as forest reserve

\*\*\* Native land in Pelipikan Estate which were sub-leased to Pelipikan Plantation Sdn Bhd

# Land title currently under application

# PLANTATION STATISTICS

	← FINANCIAL YEAR ENDED 31 DECEMBER →				
	2014	2013	2012	2011	2010
<b>CROP PRODUCTION - TONNES</b>					
FFB	727,937	704,241	665,812	738,969	677,071
<b>PROCESSED - TONNES</b>					
FFB - own	680,741	662,452	620,770	693,901	636,033
FFB - purchased	121,673	116,490	105,469	107,623	63,001
Palm Oil	172,980	166,202	154,595	168,025	149,941
Palm Kernel	38,778	36,554	34,587	37,050	33,409
<b>EXTRACTION RATE - %</b>					
Palm Oil	21.56	21.34	21.29	20.96	21.45
Palm Kernel	4.83	4.69	4.76	4.62	4.78
<b>MATURE AREA - HECTARES</b>					
Oil Palm					
30 months to 7 years	4,089	2,525	2,788	2,289	2,892
> 7 years to 17 years	10,122	10,981	13,332	16,009	17,899
> 17 years onwards	17,162	17,164	14,335	12,770	11,296
<b>Total mature area</b>	<b>31,373</b>	<b>30,670</b>	<b>30,455</b>	<b>31,068</b>	<b>32,087</b>
<b>AVERAGE YIELD - TONNES/HECTARE</b>					
FFB yield per mature hectare	23.20	22.96	21.86	23.79	21.10
Oil per mature hectare	5.00	4.90	4.65	4.99	4.53
<b>AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE</b>					
FFB	491	470	560	697	579
Palm Oil	2,386	2,343	2,773	3,226	2,594
Palm Kernel	1,654	1,288	1,494	2,200	1,629
<b>TAXES APPLICABLE TO PLANTATION INDUSTRY RM'000</b>					
MPOB cess	2,249	2,161	2,010	2,185	1,950
Sabah sales tax	30,240	28,391	30,987	40,338	31,399
Windfall tax	-	-	911	3,063	798
<b>Total taxes paid</b>	<b>32,489</b>	<b>30,552</b>	<b>33,908</b>	<b>45,586</b>	<b>34,147</b>

## PLANTATION STATISTICS

### AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2014

	River Estates Group	Jeroco	* HSP (Kota Marudu)	Pelipikan Plantation	Total Group
Oil Palm					
Mature	19,514	10,693	585	581	31,373
Immature	1,814	2,029		322	4,165
Total Oil Palm	21,328	12,722	585	903	35,538
Other crop	60	86	-	-	146
Total planted area	21,388	12,808	585	903	35,684
Reserves	578	312	81	330	1,301
Buildings, roads etc	1,547	997	142	132	2,818
<b>Grand Total</b>	<b>23,513</b>	<b>14,117</b>	<b>808</b>	<b>1,365</b>	<b>39,803</b>

Conversion Rate : 1 Hectare = 2.4710 acres

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



# SHARE BUY-BACKS SUMMARY

Month (2014)	No. of shares bought back and retained as treasury shares	Lowest price paid per share (RM)	Highest price paid per share (RM)	Average cost per share (RM)	Total cost (RM)
January	262,800	2.64	2.72	2.70	709,994.96
February	-	-	-	-	-
March	-	-	-	-	-
April	-	-	-	-	-
May	-	-	-	-	-
June	2,000	2.74	2.74	2.76	5,515.65
July	-	-	-	-	-
August	-	-	-	-	-
September	-	-	-	-	-
October	-	-	-	-	-
November	5,000	2.59	2.59	2.61	13,044.59
December	-	-	-	-	-
<b>Total</b>	<b>269,800</b>	<b>2.59</b>	<b>2.74</b>	<b>2.70</b>	<b>728,555.20</b>

During the financial year, all the shares bought back by the Company were retained as treasury shares. Consequently, the balance cumulative treasury shares held as at 31 December 2014 were 296,800.

# ANALYSIS OF SHAREHOLDINGS

AS AT 1 APRIL 2015

Authorised share capital	: RM1,000,000,000
Issued and fully paid-up capital	: RM800,000,000
Class of shares	: Ordinary share of RM1.00 each
Voting rights	: One vote per ordinary share
Number of shareholders	: 9,370

## DISTRIBUTION OF SHAREHOLDERS

Size of holdings	No. of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Capital
1 to 99	114	1.22	2,509	#
100 to 1,000	2,919	31.15	2,247,797	0.28
1,001 to 10,000	5,022	53.60	21,742,343	2.72
10,001 to 100,000	1,152	12.29	34,680,049	4.34
100,001 to less than 5% of issued shares	159	1.70	93,398,502	11.68
5% & above of issued shares	4	0.04	647,632,000	80.98
<b>Total</b>	<b>9,370</b>	<b>100.00</b>	<b>799,703,200</b>	<b>100.00</b>

\* The number of 799,703,200 ordinary shares was arrived at after deducting 296,800 treasury shares retained by the Company from the original issued and paid-up share capital of 800,000,000 ordinary shares of the Company.

# Negligible

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## LIST OF 30 LARGEST SHAREHOLDERS

	Shareholding	% <sup>(3)</sup>
1. Hap Seng Consolidated Berhad	421,821,800	52.75
2. Innoprise Corporation Sdn Bhd	119,978,000	15.00
3. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	60,930,400	7.62
4. Lembaga Tabung Haji	44,901,800	5.61
5. Amanahraya Trustees Berhad - Amanah Saham Wawasan 2020	9,123,600	1.14
6. Amanahraya Trustees Berhad - Amanah Saham Malaysia	6,112,000	0.76
7. Chinchoo Investment Sdn Berhad	5,499,900	0.69
8. Key Development Sdn Berhad	4,282,200	0.54
9. Maybank Nominees (Tempatan) Sdn Bhd - Etiqa Takaful Berhad (Family PRF EQ)	3,977,000	0.50
10. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	3,806,300	0.48

## ANALYSIS OF SHAREHOLDINGS

AS AT 1 APRIL 2015

### LIST OF 30 LARGEST SHAREHOLDERS (CONTINUED)

	Shareholding	% <sup>(3)</sup>
11. Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (I-VCAP)	3,369,200	0.42
12. Gan Teng Siew Realty Sdn Berhad	3,143,066	0.39
13. Lembaga Tabung Angkatan Tentera	2,000,000	0.25
14. CIMB Commerce Trustee Berhad - Public Focus Select Fund	1,988,700	0.25
15. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (PHEIM)	1,918,700	0.24
16. Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	1,686,900	0.21
17. CIMB Islamic Nominees (Tempatan) Sdn Bhd - CIMB Islamic Trustee Bhd for BIMB I Dividend Fund	1,569,100	0.20
18. Employees Provident Fund Board	1,500,000	0.19
19. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	1,441,000	0.18
20. PM Nominees (Tempatan) Sdn Bhd - Bank Kerjasama Rakyat Malaysia Berhad	1,380,000	0.17
21. Mikdavid Sdn Bhd	1,352,000	0.17
22. Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (RHB Inv)	1,143,600	0.14
23. Ti Geok Chiam	1,064,100	0.13
24. Maybank Nominees (Tempatan) Sdn Bhd - Syarikat Takaful Malaysia Berhad (TKTK-280349)	980,000	0.12
25. Gemas Bahru Estates Sdn Bhd	810,000	0.10
26. Amsec Nominees (Tempatan) Sdn Bhd - Amtrustee Bhd for Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	801,900	0.10
27. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (LGF)	753,300	0.09
28. Lee Chee Hai	750,000	0.09
29. Lee Chee Hai	742,500	0.09
30. Amanahraya Trustees Berhad - Public Islamic Treasures Growth Fund	741,000	0.09
<b>Total</b>	<b>709,568,066</b>	<b>88.71</b>

ANALYSIS OF  
SHAREHOLDINGS

AS AT 1 APRIL 2015

## SUBSTANTIAL SHAREHOLDERS

	Shareholding			
	Direct	% <sup>(3)</sup>	Indirect	% <sup>(3)</sup>
Hap Seng Consolidated Berhad	421,821,800	52.75	-	-
Innoprise Corporation Sdn Bhd	119,978,000	15.00	-	-
Citigroup Nominees (Tempatan) Sdn Bhd	60,930,400	7.62	-	-
- Employees Provident Fund Board				
Lembaga Tabung Haji	44,901,800	5.61		
Gek Poh (Holdings) Sdn Bhd	-	-	421,821,800 <sup>(1)</sup>	52.75
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	421,821,800 <sup>(2)</sup>	52.75

<sup>(1)</sup> Deemed interest by virtue of its substantial interest in Hap Seng Consolidated Berhad pursuant to section 6A(4) of the Companies Act, 1965.

<sup>(2)</sup> Deemed interest by virtue of his substantial interest in Gek Poh (Holdings) Sdn Bhd pursuant to section 6A(4) of the Companies Act, 1965.

<sup>(3)</sup> For the purpose of computing the percentage of shareholding above, the number of ordinary shares used was 799,703,200 which was arrived at after deducting 296,800 treasury shares held by the Company from its issued and paid-up capital of 800,000,000 ordinary shares.

# DIRECTORS' SHAREHOLDINGS

AS AT 1 APRIL 2015

Company	Direct Shareholding		Indirect Shareholding	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
<b>Hap Seng Plantations Holdings Berhad (HSP)</b>				
Datuk Simon Shim Kong Yip, JP	180,000	0.023	-	-
Au Yong Siew Fah	163,000	0.020	-	-
Tan Sri Abdul Hamid Egoh	110,000	0.014	-	-
Dato' Jorgen Bornhoft	10,000	0.001	-	-
Wong Yuen Kuai, Lucien	110,000	0.014	-	-
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	590,000	0.074	-	-
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir	55,000	0.007	-	-
<b>Related Corporation</b>				
	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>
<b>Hap Seng Consolidated Berhad (HSCB)</b>				
Dato' Jorgen Bornhoft	130,000	0.006	-	-
Au Yong Siew Fah	291,600	0.014	-	-

Notes:

<sup>(1)</sup> For the purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,703,200 which was arrived at after deducting 296,800 treasury shares held by HSP from its issued and paid-up capital of 800,000,000 ordinary shares.

<sup>(2)</sup> For the purpose of computing the percentage of HSCB shareholding above, the number of ordinary shares used was 2,143,919,881 which was arrived at after deducting 89,182,400 treasury shares held by HSCB from its issued and paid-up capital of 2,233,102,281 ordinary shares.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 8<sup>th</sup> 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 Monday, 25 May 2015 at 2pm to transact the following:-

## AGENDA

### ORDINARY BUSINESS

1. To table the audited financial statements for the financial year ended 31 December 2014 together with the reports of directors and auditors. Note 1

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

2. To reappoint Tan Sri Abdul Hamid Egoh pursuant to section 129(6) of the Companies Act, 1965 as director of the Company to hold office until the conclusion of the next annual general meeting of the Company. Note 2 **Ordinary Resolution 1**
3. To reappoint Dato' Jorgen Bornhoft pursuant to section 129(6) of the Companies Act, 1965 as director of the Company to hold office until the conclusion of the next annual general meeting of the Company. Note 2 **Ordinary Resolution 2**
4. To re-elect Datuk Edward Lee Ming Foo, JP who shall retire in accordance with article 112 of the Company's articles of association and being eligible, has offered himself for re-election. Note 3 **Ordinary Resolution 3**
5. To re-elect Mr. Au Yong Siew Fah who shall retire in accordance with article 112 of the Company's articles of association and being eligible, has offered himself for re-election. Note 3 **Ordinary Resolution 4**
6. To re-elect Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir who shall retire in accordance with article 118 of the Company's articles of association and being eligible, has offered himself for re-election. Note 4 **Ordinary Resolution 5**
7. To approve the payment of directors' fees of RM502,917.00 for the financial year ended 31 December 2014. **Ordinary Resolution 6**
8. To reappoint Messrs KPMG as auditors of the Company to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the directors of the Company. Note 6 **Ordinary Resolution 7**

### SPECIAL BUSINESS

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

9. **Authority to allot and issue shares pursuant to section 132D of the Companies Act, 1965**

"That subject always to the approvals of the relevant authorities, the directors of the Company be and are hereby empowered pursuant to section 132D of the Companies Act, 1965 to issue 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 and paid-up 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 7

**Ordinary  
Resolution 8**

## NOTICE OF ANNUAL GENERAL MEETING

### 10. Proposed amendment to the articles of association of the Company

"That the existing article 164.(i) in the articles of association of the Company be deleted entirely and the adoption of the following article as article 164.(i) of the articles of association of the Company be hereby approved:-

**Special  
Resolution**

Article No.	Existing Article	Proposed Amendment
Article 164.(i)	The Directors shall from time to time in accordance with the provisions of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are required under the Act. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' reports to the Exchange shall not exceed four (4) months or such period as may be prescribed by the Listing Requirements.	The Directors shall from time to time in accordance with the provisions of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are required under the Act."

Note 8

By order of the Board

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

Kuala Lumpur  
30 April 2015

*Explanatory notes to the Agenda:-*

1. Pursuant to section 169(1) of the Companies Act, 1965 (Act), the directors shall lay before the Company at its annual general meeting 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 section 129(2) of the Act, the office of a director of a public company or of a subsidiary of a public company shall become vacant at the conclusion of the annual general meeting commencing next after he attains the age of seventy years. However, section 129(6) of the Act states that a person of or over the age of seventy years may by a resolution of which no shorter notice than that required to be given to the members of the company of an annual general meeting has been duly given, passed by a majority of not less than three-fourths of such members of the company as being entitled so to do vote in person or, where proxies are allowed, by proxy, at a general meeting of that company, be appointed or reappointed as a director of that company to hold office until the next annual general meeting of the company.
3. 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 annual general meeting, but shall be eligible for re-election.
4. Pursuant to article 118 of the Company's articles of association and paragraph 7.22 of the Listing Requirements, any director so appointed shall hold office only until the next annual general meeting of the Company, and shall then be eligible for re-election.
5. Based on the satisfactory outcome of its review, the Nominating Committee had made recommendations to the Board for these directors to be re-elected or reappointed, as the case may be.
6. Pursuant to section 172(2) of the Act, the Company shall at every annual general meeting appoint its auditors who shall hold office until the conclusion of the next annual general meeting.



## NOTICE OF ANNUAL GENERAL MEETING

7. *This section 132D authority, if approved, will empower the directors of the Company to issue ordinary shares in the Company up to 10% of the issued and paid-up 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 annual general meeting of the Company.*

*As at the date of this notice of annual general meeting, the Company has not issued any new shares pursuant to the existing section 132D authority obtained during the last annual general meeting held on 27 May 2014, which authority shall lapse at the conclusion of this annual general meeting.*

8. *The proposed amendment to the articles of association of the Company is to comply with the amendments made to Chapter 9 of the Listing Requirements in relation to the issue of annual report.*

*Notes to the notice of annual general meeting:-*

1. *A depositor shall not be regarded as a member entitled to attend this general meeting and to speak and vote thereat unless his/her name appears in the record of depositors as at 18 May 2015 (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)

## PROXY FORM

No. of shares	CDS Account No.

I/We \_\_\_\_\_ NRIC No. /Company No. \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

Telephone No. \_\_\_\_\_ of \_\_\_\_\_  
(FULL ADDRESS)

being a member/members of Hap Seng Plantations Holdings Berhad, do hereby appoint \_\_\_\_\_

\_\_\_\_\_ NRIC No. /Company No. \_\_\_\_\_  
(FULL NAME OF PROXY IN BLOCK LETTERS)

Telephone No. \_\_\_\_\_ of \_\_\_\_\_  
(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 8<sup>th</sup> 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 Monday, 25 May 2015 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 2014 together with the reports of directors and auditors.

ORDINARY BUSINESS			FOR	AGAINST
2	To reappoint Tan Sri Abdul Hamid Egoh pursuant to section 129(6) of the Companies Act, 1965 as director of the Company to hold office until the conclusion of the next annual general meeting of the Company.	Ordinary Resolution 1		
3	To reappoint Dato' Jorgen Bornhoft pursuant to section 129(6) of the Companies Act, 1965 as director of the Company to hold office until the conclusion of the next annual general meeting of the Company.	Ordinary Resolution 2		
4	To re-elect Datuk Edward Lee Ming Foo, JP who shall retire in accordance with article 112 of the Company's articles of association and being eligible, has offered himself for re-election.	Ordinary Resolution 3		
5	To re-elect Mr. Au Yong Siew Fah who shall retire in accordance with article 112 of the Company's articles of association and being eligible, has offered himself for re-election.	Ordinary Resolution 4		
6	To re-elect Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir who shall retire in accordance with article 118 of the Company's articles of association and being eligible, has offered himself for re-election.	Ordinary Resolution 5		
7	To approve the payment of directors' fees of RM502,917.00 for the financial year ended 31 December 2014.	Ordinary Resolution 6		
8	To reappoint Messrs KPMG 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.	Ordinary Resolution 7		
SPECIAL BUSINESS			FOR	AGAINST
9	Authority to allot and issue shares pursuant to section 132D of the Companies Act, 1965.	Ordinary Resolution 8		
10	Proposed amendment to the articles of association of the Company.	Special Resolution		

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 \_\_\_\_\_ 2015

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

Notes:-

1. *A depositor shall not be regarded as a member entitled to attend this general meeting and to speak and vote thereat unless his/her name appears in the record of depositors as at 18 May 2015 (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.*
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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.*
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Postage

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

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## **HAP SENG PLANTATIONS HOLDINGS BERHAD**

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

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

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[www.hapsengplantations.com.my](http://www.hapsengplantations.com.my)