HAP SENG
PLANTATIONS

Creating
Value
Together

ANNUAL REPORT 2017

CONTENTS

11TH

ANNUAL GENERAL MEETING

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

Monday
28 May 2018
at 2pm

HIGHLIGHTS

Management Discussion & Analysis

For more information, please refer to page 4.

Stepping Up on Sustainability

For more information, please refer to page 46.

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI AHMAD BIN MOHD DON
Independent Non-Executive Chairman

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

DATUK EDWARD LEE MING FOO, JP
Managing Director

LEE WEE YONG
Executive Director

CHEAH YEE LENG
Executive Director

AU YONG SIEW FAH
Executive Director

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

DATO' JORGEN BORNHOFT
Independent Non-Executive Director

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

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

CHONG KWEA SENG
Independent Non-Executive Director

CHOY KHAI CHOON
Independent Non-Executive Director

COMPANY SECRETARIES

CHEAH YEE LENG (LS 0009398)
LIM GUAN NEE (MAICSA 7009321)

REGISTERED OFFICE

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

PLACE OF INCORPORATION

MALAYSIA

SHARE REGISTRAR

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

AUDITORS

KPMG PLT
Chartered Accountants
L3A.01, Level 3A
Plaza Shell, 29
Jalan Tunku Abdul Rahman
88000 Kota Kinabalu
Sabah

PRINCIPAL BANKER

Malayan Banking Berhad

GROUP FINANCIAL HIGHLIGHTS

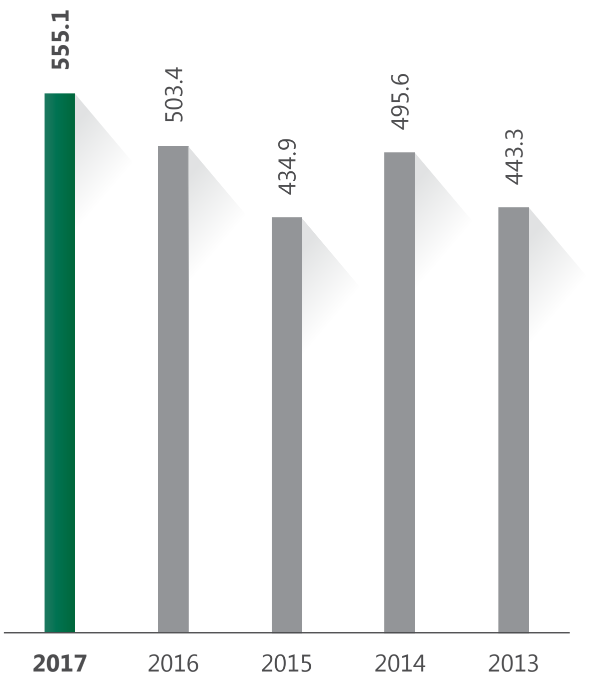
	FINANCIAL YEAR ENDED 31 DECEMBER				
	2017	**2016**	**2015**	**2014**	**2013**
INCOME (RM'000)					
Revenue	**555,072**	503,427	434,875	495,566	443,321
Profit before interest and tax	**177,631**	165,893	118,005	170,867	133,913
Profit before tax	**178,658**	167,146	120,226	176,068	137,674
Profit attributable to owners of the Company	**134,823**	124,118	96,448	128,312	97,514
FINANCIAL POSITION (RM'000)					
Assets					
Total assets	**2,319,324**	2,292,033	2,231,591	2,205,056	2,167,242
Net assets	**2,070,992**	2,040,139	1,980,007	1,947,545	1,923,923
Current assets	**254,534**	240,647	256,228	255,913	235,588
Liabilities					
Current liabilities	**53,786**	59,945	63,821	61,229	47,639
Shareholders' Equity					
Paid-up share capital	**1,475,578**[(a)]	800,000	800,000	800,000	800,000
Shareholders' equity	**2,070,992**	2,040,139	1,980,007	1,947,545	1,923,923
Number of shares					
- Weighted average share in issue net of treasury shares ('000)	**799,694**	799,698	799,702	799,729	799,976
- Shares in issue net of treasury shares ('000)	**799,691**	799,695	799,699	799,703	799,973
SHARE INFORMATION					
Per Share					
Basic earnings (sen)[(b)]	**16.86**	15.52	12.06	16.04	12.19
Net assets (RM)[(c)]	**2.59**	2.55	2.48	2.44	2.40
Dividend (sen)	**11.00**	11.00	8.00	11.00	10.00
Share price					
- Year high (RM)	**2.73**	2.54	2.66	2.88	2.82
- Year low (RM)	**2.45**	2.23	1.95	2.43	1.89
- As at 31 December (RM)	**2.55**	2.52	2.40	2.51	2.68
Market capitalisation (RM'000)	**2,039,212**	2,015,232	1,919,278	2,007,255	2,143,928
Trading volume ('000)	**30,409**	21,826	17,518	31,206	91,407
FINANCIAL RATIOS					
Return on total assets (%)	**5.81**	5.42	4.32	5.82	4.50
Return on shareholders' equity (%)	**6.51**	6.08	4.87	6.59	5.07
Current ratio (times)	**4.73**	4.01	4.01	4.18	4.95

[(a)] *The new Companies Act 2016 ("Act") which was effective from 31 January 2017 abolished the concept of authorised share capital and par value of share capital. Pursuant to the transitional provisions as set out in Section 618(2) of the Act, amount standing to the credit of the share premium account of RM675,578,000 became part of the share capital.*

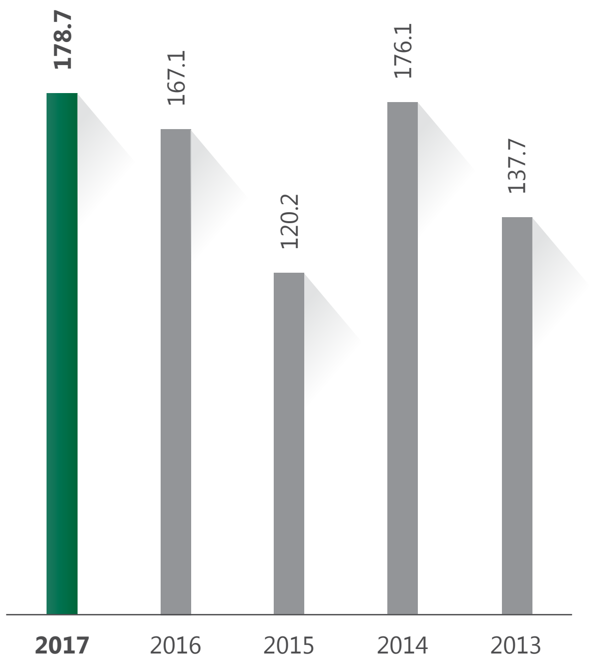
[(b)] *Based on weighted average number of shares in issue net of treasury shares ('000)*

[(c)] *Based on number of shares in issue net of treasury shares ('000)*

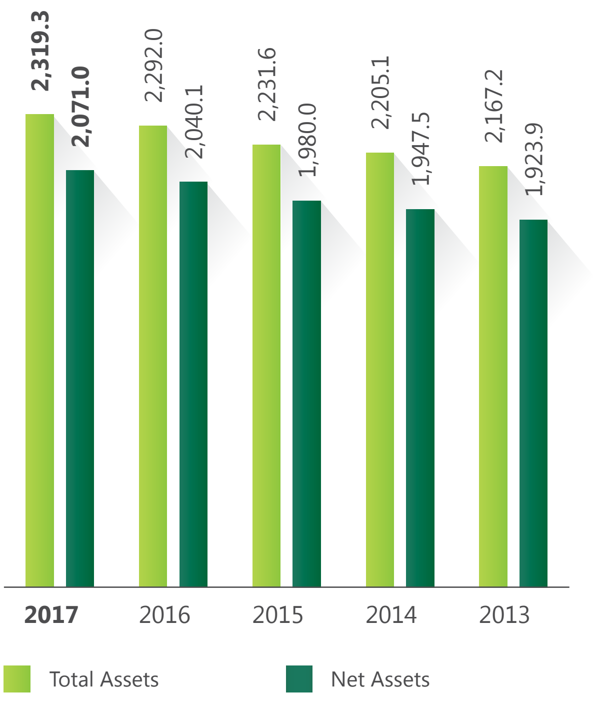
REVENUE
(RM'million)



PROFIT BEFORE TAX
(RM'million)



TOTAL ASSETS/NET ASSETS
(RM'million)



BASIC EARNINGS PER SHARE/ NET ASSETS PER SHARE

MANAGEMENT DISCUSSION & ANALYSIS

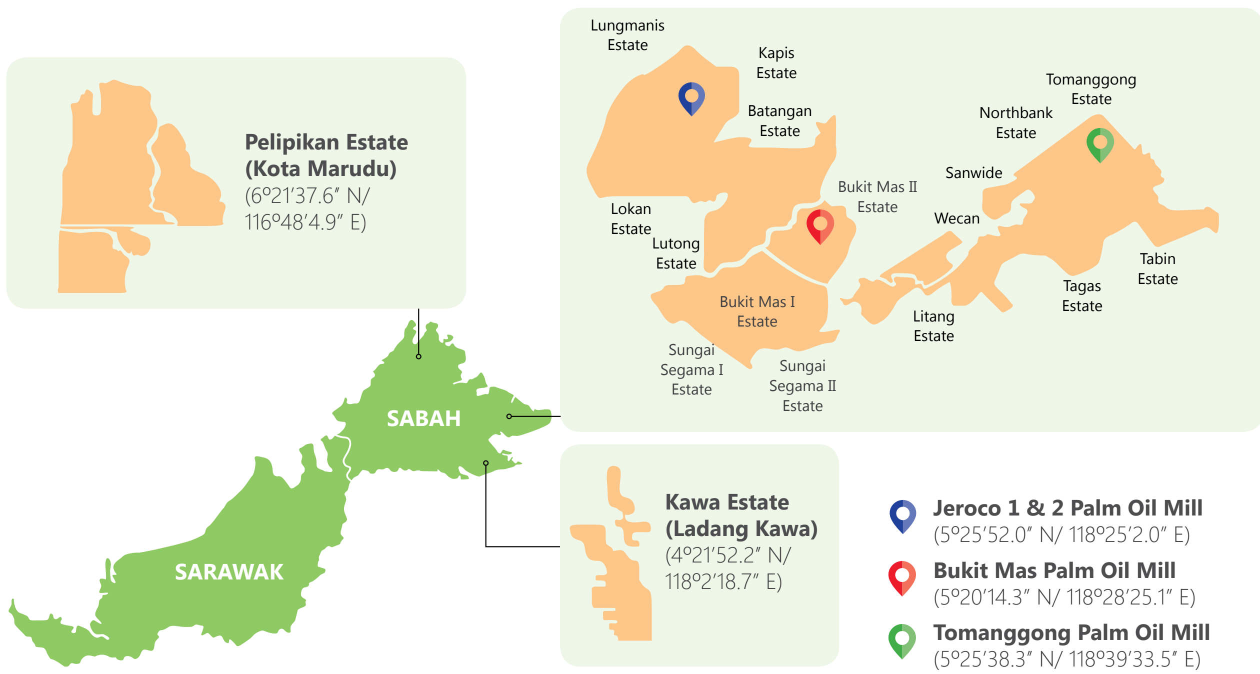
THE GROUP IS ONE OF THE LARGEST PRODUCERS OF SUSTAINABLE PALM OIL IN SABAH WITH A TOTAL AREA OF 40,279 HECTARES ACROSS FIVE ESTATES IN SABAH. THESE ESTATES ARE THE JEROCO GROUP OF ESTATES (JGOE), TOMANGGONG GROUP OF ESTATES (TMGOE), SUNGAI SEGAMA GROUP OF ESTATES (SSGOE), LADANG KAWA ESTATE, PELIPIKAN AND KOTA MARUDU ESTATES, WITH JGOE, TMGOE AND SSGOE BEING CONTIGUOUS TO EACH OTHER IN LAHAD DATU. IT ALSO OWNS AND OPERATES FOUR ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO) CERTIFIED PALM OIL MILLS.

MARKET CONDITION

Palm oil production in Malaysia recovered strongly in the 2nd half of 2017 after being adversely affected in the 1st half of 2017 by the EL Nino weather phenomenon. Palm oil production for the year increased by 15% to 19.92 million tonnes as compared to 17.32 million tonnes in 2016. This led to a record high closing stock of 2.73 million tonnes at the end of 2017 as compared to 1.67 million tonnes in 2016.

In the 1st half of 2017, higher exports due to robust demand for palm oil and the limited supply due to low production provided good support to palm oil prices which rallied as high as RM3,268 per tonne. In the 2nd half of 2017, the palm oil prices retreated due to the recovery in production and high stock levels. Crude Palm Oil (CPO) price closed the year at an average of RM2,783 per tonne, an increase of 4.9% as compared to RM2,653 per tonne in 2016.

PLANTATION OPERATIONS



Jeroco 1 & 2 Palm Oil Mill
(5°25′52.0″ N/ 118°25′2.0″ E)

Bukit Mas Palm Oil Mill
(5°20′14.3″ N/ 118°28′25.1″ E)

Tomanggong Palm Oil Mill
(5°25′38.3″ N/ 118°39′33.5″ E)

MANAGEMENT STRATEGIES

Vision

The Group strives to achieve the highest productivity and to be the most cost-efficient producer in Malaysia.

Key Market

The Group sells its palm products generally through spot sales and forward contracts basis. Approximately 78% of the sales were locally delivered to refiners within Malaysia with the balance exported on a free-on-board basis.

Strategies in Creating Value

The Group adheres to high standards of agriculture practices to maximise yield per hectare on a sustainable basis. These include maintaining a consistent replanting policy to ensure the Group achieves an optimum average palm age profile.

The Group, as a member of the RSPO, is fully committed to its sustainability initiatives which are enshrined in the RSPO Principles and Criteria.

FINANCIAL REVIEW

The Group's revenue for the financial year under review increased by 10% to RM555.1 million (2016: RM503.4 million). Operating profit increased by 7% over the previous financial year to RM178.7 million (2016: RM167.1 million).

The Group recorded an average realised CPO price of RM2,885 per tonne (2016: RM2,643 per tonne) and Palm Kernel (PK) price of RM2,560 per tonne (2016: RM2,564 per tonne), which compared favorably with the Sabah average of RM2,800 per tonne and RM2,398 per tonne respectively.

Sales volume for CPO was higher by 4.4% to 158,567 tonnes (2016: 151,895 tonnes) but PK sales volume was lower by 2.8% to 34,925 tonnes (2016: 35,917 tonnes).

The Group performed better than the plantation industry average for Sabah, recording an average Fresh Fruit Bunches (FFB) production of 20.48 tonnes per hectare (2016: 20.47 tonnes per hectare) which was better than Sabah's average FFB production of 18.35 tonnes per hectare. The Group's average oil extraction rate (OER) of 20.77% (2016: 21.03%) was also better than Sabah's average OER of 20.60%.

CPO production cost (excluding replanting and after taking into account palm kernel credits) for the financial year was approximately 13% higher at RM1,315 per tonne (2016: RM1,159 per tonne). The higher production cost was primarily due to the full-year impact of the increase in minimum wage which took effect in July 2016 and the lower CPO production volume of 150,695 tonnes (2016: 154,682 tonnes) as a result of the lingering effects of the El Nino weather phenomenon.

Dividend Policy

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

The Board has declared a total dividend of 11 sen per share for FY2017 (2016: 11 sen) representing a payout ratio of approximately 65%.

OPERATIONAL PERFORMANCE

Planting Operations

As at 31 December 2017, the Group had a total planted area of 36,103 hectares (2016: 36,145 hectares) out of a total area of 40,279 hectares. Of the total planted area, approximately 89% or 32,023 hectares (2016: 32,374 hectares) were mature areas, with the average age of 15.3 years (2016: 15.3 years).

	Hectares
Immature	3,934
30 months to 7 years	5,615
> 7 years to 17 years	6,839
> 17 years	19,569
Total planted – oil palm	35,957
Immature – other crops	146
Total planted area	36,103
Reserve plantable	113
Building, road, reserves, etc	4,063
Total Area	40,279

For FY2017, the Group had 3,934 hectares of immature oil palm out of which 1,097 hectares were expected to mature in 2018. The Group replanted 1,412 hectares during the 2017 financial year.

Area Statement of the Group as of 31 December 2017 was as follows:

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of Mature area
JGOE(i)	14,117	*12,808	10,731	83.8%
TMGOE(ii)	12,807	**11,862	10,703	90.2%
SSGOE(iii)	9,906	8,744	7,900	90.3%
Ladang Kawa	1,276	1,201	1,201	100.0%
Pelipikan	1,365	903	903	100.0%
Kota Marudu	***808	585	585	100.0%
Total	40,279	36,103	32,023	88.7%

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

Milling Operations

The Group's milling operation is undertaken by four mills that have a combined milling capacity of 180 FFB tonnes per hour. The Group's mills, namely Jeroco Palm Oil Mill 1, Jeroco Palm Oil Mill 2, Tomanggong Plam Oil Mill and Bukit Mas Palm Oil Mill, saw production averaging at 69% of the total milling capacity throughout 2017 which is marginally lower than previous year (2016: 70%) mainly due to lower FFB production.

The Group has also successfully commissioned its first biogas plant located in its Jeroco Oil Palm Mill 1 in March 2017 as part of the Group's commitment to reduce carbon emissions.

Sustainability and Food Safety Certification

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

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

The Group also supports the national sustainability scheme and has achieved the first Malaysian Sustainable Palm Oil (MSPO) certification for Pelipikan Estate on 1 September 2017.

SHORT AND LONG-TERM GOALS

The Group will continue its effort to maintain its status as a sustainable palm oil producer. It will continue its MSPO certification process to achieve 100% MSPO certification for all its operations by 2018.

The Group will also continue with its efforts to reduce carbon emission within the plantation with the commencement of installing its second biogas project in the Bukit Mas Palm Oil Mill.

The Group is committed to further expand its planted area. To this end, the Group has entered into a conditional agreement to acquire a majority stake in Kretam Holdings Berhad (KHB), a listed plantation company in Bursa Malaysia. KHB's estates are located in the vicinity of the Group's estates and this proposed acquisition, if completed, will increase the Group's total planted area by approximately 19,623 hectares to 55,726 hectares.

ANTICIPATED OR KNOWN RISK

The provision and/or upgrading of workers' quarters, Humana schools, medical facilities, child care facilities and other recreational facilities are expected to improve the overall quality of living amongst plantation workers. Notwithstanding the general shortage of workers affecting the plantation industry, the Group is confident of achieving a high workers retention rate and low staff turnover rate.

The planned setting up of Auxiliary Police, augmented by other security facilities, is expected to allay security risk in the plantation.

OUTLOOK

Oil palm cultivation continues to be the most efficient oil crop in terms of land use. It also has the highest yield compared to other oil crop per hectare of land use, yielding approximately 3.8 tonnes of oil per hectare per annum as compared to soybean, the closest competitive oil crop, at only approximately 0.5 tonnes per hectare per annum.

Global palm oil production has increased from 15.2 million tonnes in 1995 to 62.6 million tonnes in 2015, making it the highest production volume of all vegetable oils.

Global palm oil consumption also grew in the same period from 14.6 million tonnes to 61.1 million tonnes, making it the most consumed oil in the world. China, India and the European Union are the largest consumers of palm oil accounting for 47.9% of global imports.

Oil palm is also one of the most versatile oil crop with both food and non-food applications. It is widely used, in refined form, in non-food products such as detergent, cosmetics, lubricants and printing ink. In addition, in its usage for biofuel, palm oil is regarded as carbon neutral as it does not increase the level of carbon dioxide in its combustion process as compared to fossil fuel.

With the growth in world population, with China and India continue to be the most populated countries in the world making up approximately 37% of the world population, this augur well for the long-term prospect of palm oil.

The Group believes in the long-term viability of the palm oil industry as demand for palm oil continues to grow, supported by the versatility of the palm oil in its use. Accordingly, the Group is positive in its outlook and will continue to develop and expand its business.

ACKNOWLEDGEMENT

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

In addition, the Company would like to thank and acknowledge the support given to the Group from its business partners, customers, suppliers and other stakeholders. The Group is committed to creating value together with its stakeholders.

The Company would also like to welcome two new directors to its Board, Mr. Chong Kwea Seng and Mr. Choy Khai Choon.

BOARD OF DIRECTORS

Sitting (from left to right)

01 | **CHEAH YEE LENG**
Executive Director

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

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

04 | **DATUK EDWARD LEE MING FOO**, JP
Managing Director

05 | **LEE WEE YONG**
Executive Director

Standing (from left to right)

06 | **DATO' JORGEN BORNHOFT**
Independent Non-Executive Director

07 | **CHOY KHAI CHOON**
Independent Non-Executive Director

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

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

10 | **AU YONG SIEW FAH**
Executive Director

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

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

DIRECTORS' PROFILE

TAN SRI AHMAD BIN MOHD DON

Independent Non-Executive Chairman

Tan Sri Ahmad Bin Mohd Don, male, a Malaysian, aged 70, is the independent non-executive chairman of Hap Seng Plantations Holdings Berhad. He was first appointed as an independent non-executive director on 9 August 2007 and became the chairman on 18 September 2007. He is also a member of the Audit Committee and Nominating Committee and the chairman of the Remuneration Committee.

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

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

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

Tan Sri Ahmad does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

He attended all the 4 board meetings held during the financial year ended 31 December 2017.

DATUK SIMON SHIM KONG YIP, JP

Non-Independent Non-Executive Deputy Chairman

Datuk Simon Shim Kong Yip, JP, male, a Malaysian, aged 61, is a non-independent non-executive deputy chairman of Hap Seng Plantations Holdings Berhad. He was first appointed as a non-independent non-executive director on 9 August 2007 and became the deputy chairman on 23 February 2015. He is also a member of the Nominating Committee and Remuneration Committee.

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

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

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

Datuk Simon Shim does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interest with the Company save for the related party transactions disclosed in Note 22 to the Financial Statements. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

He attended 3 out of the 4 board meetings held during the financial year ended 31 December 2017.

DATUK EDWARD LEE MING FOO, JP

Managing Director

Datuk Edward Lee Ming Foo, JP, male, a Malaysian, aged 63, is the managing director of Hap Seng Plantations Holdings Berhad. He was first appointed to the board on 15 May 2007 as an executive director and assumed the current position since 18 September 2007.

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

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

Datuk Edward Lee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company save for the related party transactions disclosed in Note 22 to the Financial Statements. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

He attended all the 4 board meetings held during the financial year ended 31 December 2017.

LEE WEE YONG

Executive Director

Lee Wee Yong, a Malaysian, male, aged 70, is an executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 2 February 2011.

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

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

Mr. Lee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

He attended all the 4 board meetings held during the financial year ended 31 December 2017.

CHEAH YEE LENG

Executive Director

Cheah Yee Leng, female, a Malaysian, aged 49, is an executive director of Hap Seng Plantations Holdings Berhad (HSP) and was appointed to this position on 1 March 2016. She is also the Group Company Secretary of HSP.

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

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

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

Ms. Cheah does not have any family relationship with any director and/or major shareholder nor does she have any conflict of interests with the Company. She has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

She attended all the 4 board meetings held during the financial year ended 31 December 2017.

AU YONG SIEW FAH

Executive Director

Au Yong Siew Fah, male, a Malaysian, aged 67, is an executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 31 July 2007.

Mr. Au Yong has more than 48 years of extensive experience in all aspects of management of large plantations for major crops such as oil palm, rubber, cocoa and coconuts and in the development of plantation land from initial acquisition of jungle land, establishment of palm oil mills and marketing of produce. He started his career as a cadet planter with Yule Catto Plantations Sdn Bhd in Kluang, Johor in 1969 after attending the Royal Military College and rose through the ranks to various capacities such as estate controller and planting adviser. He was the general manager of United Malacca Berhad from 1997 to 2001 before joining the Hap Seng Consolidated Berhad Group (HSCB Group) as its chief operating executive for Group Plantations in 2001. Currently, he is the chief executive for the Group Plantations of the HSCB Group.

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

Mr. Au Yong does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

He attended all the 4 board meetings held during the financial year ended 31 December 2017.

TAN SRI ABDUL HAMID EGOH

Non-Independent Non-Executive Director

Tan Sri Abdul Hamid Egoh, male, a Malaysian, aged 84, is a non-independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 9 August 2007.

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

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

Tan Sri Abdul Hamid does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

He attended all the 4 board meetings held during the financial year ended 31 December 2017.

Dato' Jorgen Bornhoft, male, a Dane, aged 76, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 9 August 2007. He is also a member of the Audit Committee and the chairman of the Nominating Committee.

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

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

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

Dato' Bornhoft does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

He attended all the 4 board meetings held during the financial year ended 31 December 2017.

TUAN HAJI MOHD ARIS @ NIK ARIFF BIN NIK HASSAN

Independent Non-Executive Director

Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan, male, a Malaysian, aged 72, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 1 January 2011. He is also the chairman of the Audit Committee.

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

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

Tuan Haji Nik Ariff does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

He attended all the 4 board meetings held during the financial year ended 31 December 2017.

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

Independent Non-Executive Director

Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP, male, a Malaysian, aged 68, is an independent non-executive director of Hap Seng Plantations Holdings Berhad (HSP) and was appointed to this position on 23 August 2017. Prior to this, he was a non-independent non-executive director of HSP from 1 June 2014 to 22 August 2017. He is also a member of the Remuneration Committee.

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

Datuk Amat Asri does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

He attended all the 4 board meetings held during the financial year ended 31 December 2017.

CHONG KWEA SENG

Independent Non-Executive Director

Chong Kwea Seng, male, a Malaysian, aged 63, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 1 June 2017.

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

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

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

Mr. Chong does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

He attended all the 2 board meetings held subsequent to his appointment to the Board on 1 June 2017 during the financial year ended 31 December 2017.

CHOY KHAI CHOON

Independent Non-Executive Director

Choy Khai Choon, male, a Malaysian, aged 60, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 20 November 2017.

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

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

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

Mr. Choy does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

There was no board meeting held during the financial year subsequent to his appointment to the Board on 20 November 2017.

SENIOR MANAGEMENT TEAM'S PROFILE

MAK WAI MING

General Manager – Finance

Mak Wai Ming, male, a Malaysian, aged 54, is the general manager of finance division of Hap Seng Plantations Holdings Berhad (HSP) and was appointed to this position on 1 January 2015.

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

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

Mr. Mak does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

PETER LIEW CHI KIAW

General Manager – Plantation Advisory

Peter Liew Chi Kiaw, male, a Malaysian, aged 66, is the general manager of plantation advisory of Hap Seng Plantations Holdings Berhad (HSP) and was appointed to this position on 1 January 2018. Mr. Peter Liew joined the Company in August 2013 as senior planting advisor before assuming the present position.

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

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

Mr. Peter Liew does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

ANSELMIUS @ ROBERT KIMON

General Manager – Processing

Anselmius @ Robert Kimon, male, a Malaysian, aged 49, is the general manager of the mill processing division of Hap Seng Plantations Holdings Berhad (HSP) and was appointed to this position on 1 January 2015.

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

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

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

Mr. Anselmius does not have any family relationship with any directors and/or major shareholders nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

KEE KEOW CHONG

General Manager - Agronomy

Kee Keow Chong, male, a Malaysian, aged 43, is the general manager of agronomy of Hap Seng Plantations Holdings Berhad and was promoted to this position on 1 January 2018. Mr. Kee joined the Company in April 2014 as chief agronomist before assuming the present position.

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

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

Mr. Kee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

GAN LU YEE

Financial Controller - Plantations

Gan Lu Yee, male, a Malaysian, aged 41, is the financial controller of Hap Seng Plantations Holdings Berhad (HSP) and was appointed to this position on 1 April 2011.

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

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

Currently, Mr. Gan holds 20,000 of HSP shares.

Mr. Gan does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The Corporate Governance Overview Statement is complemented with a Corporate Governance Report, based on a prescribed format as enshrined in paragraph 15.25(2) of the Main Market Listing Requirements so as to provide a detailed articulation on the application of the Company's corporate governance practices vis-à-vis the Malaysian Code on Corporate Governance ("MCCG"). The Corporate Governance Report is available on the Company's website, www.hapsengplantations.com.my as well as via an announcement on the website of Bursa Securities.

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

Corporate Governance Approach

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

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

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

Given the commitment of the Board to good corporate governance, the Board drives efforts to promote meaningful and thoughtful application of good corporate governance practices. This includes monitoring local and global developments in corporate governance and assessing their implications. Such efforts proved to be particularly imperative in the year 2017 as Malaysia witnessed a range of regulatory reforms including the coming into force of Companies Act 2016, release of the new MCCG by Securities Commission Malaysia as well as the amendments to Main Market Listing Requirements which were augmented with the issuance of the Corporate Governance Guide (3rd edition) by Bursa Securities.

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

The Company has also taken steps designed to harmonise corporate governance standards throughout the HSP group of companies. This effort is focused, amongst others, on standardising, to the extent practicable, principles relating to various corporate governance matters including Board composition, Directors' independence criteria, roles of Board Committees, and Directors' remuneration framework.

Summary of Corporate Governance Practices

The Company has applied all the Practices encapsulated in MCCG for the financial year ended 31 December 2017 except:

- Practice 4.1 (Board to comprise majority Independent Directors for Large Companies);
- Practice 4.5 (Board to comprise 30% women Directors);
- Practice 4.6 (Sourcing of candidates for directorships using independent sources);
- Practice 7.2 (Disclosure of the top five senior management's remuneration on a named basis); and
- Practice 11.2 (Adoption of Integrated Reporting for Large Companies).

In line with the latitude provided in the application mechanism of MCCG, the Company has provided explanations for the departures from the said Practices. The explanations on departures are augmented with articulations on the alternative measures that seek to achieve the Intended Outcome of the departed Practices, measures that the Company has taken or intends to take to adopt the departed Practices as well as the timeframe for adoption of the departed Practices. Further details on the Company's application of each individual Practice of MCCG are available on the Corporate Governance Report which is available on the Company's website as well as via an announcement on the website of Bursa Securities.

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

Responsibilities of the Board

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

The Board has established three Board Committees, namely, Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") to assist it in discharging its oversight function. In delegating its responsibility to the Board Committees, the Board is guided by the maxim, "delegate but do not abdicate". At all times, the Board retains collective oversight over the Board Committees. These Board Committees have been constituted with clear terms of reference and they are actively engaged to ensure that the Company is in adherence with good corporate governance.

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

The Board and Board Committees meet with sufficient regularity to deliberate on matters under their purview. During the year, the Board has deliberated on business strategies and critical issues concerning the Company, including business plan, annual budget, financial results as well as key performance indicators. The attendance of individual Directors for the meetings of the Board and Board Committees during the financial year ended 31 December 2017 are outlined below:

Director	Board	AC	RC	NC
Tan Sri Ahmad Bin Mohd Don[1&2]	4/4	4/4	1/1	2/2
Datuk Simon Shim Kong Yip	3/4		1/1	1/2
Datuk Edward Lee Ming Foo[3]	4/4		1/1	
Lee Wee Yong	4/4			
Cheah Yee Leng	4/4			
Au Yong Siew Fah	4/4			
Tan Sri Abdul Hamid Egoh	4/4			
Dato' Jorgen Bornhoft[4]	4/4	4/4		2/2
Tuan Haji Nik Ariff Bin Nik Hassan[5]	4/4	4/4		
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir[6]	4/4		-	
Chong Kwea Seng[7]	2/2			
Choy Khai Choon[8]	-			

Board/Board Committee Chairman   Member

[1] Re-designated as a member of the AC w.e.f 20 November 2017.
[2] Re-designated as a member of the NC w.e.f 27 February 2018.
[3] Resigned as a member of the RC on 20 November 2017.
[4] Re-designated as the Chairman of the NC w.e.f 27 February 2018.
[5] Re-designated as the Chairman of the AC w.e.f 20 November 2017.
[6] Appointed as a member of the RC on 20 November 2017 in place of Datuk Edward Lee Ming Foo and there were no RC meetings held during the financial year subsequent to his appointment.
[7] There were 2 Board meetings held during the financial year subsequent to the appointment of Chong Kwea Seng to the Board w.e.f 1 June 2017.
[8] There were no Board meetings held during the financial year subsequent to the appointment of Choy Khai Choon to the Board w.e.f 20 November 2017.

There is also a clear demarcation of responsibilities between Board and Management. While the Board directs and governs Management, it does not excessively intervene on the operational and implementation role of Management. The Chairman is responsible to spearhead the Board while the Managing Director is responsible for the efficient and effective management and operation of the Company, in accordance with the strategic direction of the Board.

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

In discharging its responsibilities, the Board is assisted by two professionally qualified and competent Company Secretaries that act as counsels and resource support on corporate governance matters. Management provides Directors with complete, adequate and timely information prior to meetings and on an ongoing basis to enable them to make informed decisions.

The Board is also cognisant of its responsibility to set the ethical tone for the Company. A Code of Conduct and Whistleblowing Policy have been put in place to foster an ethical culture and allow legitimate ethical concerns to be raised in confidence without the risk of reprisal. The Code of Conduct and Whistleblowing Policy are reviewed periodically by the Board and published on the Company's website.

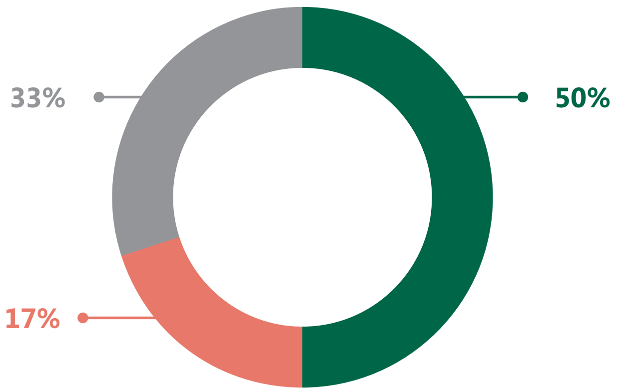
Board Composition

The Board ensures that it has an appropriate mix of skills, experience and diversity to discharge its role and responsibilities effectively based on the Company's nature of business. The Board from time to time undertakes a review of its composition to determine areas of strengths and improvement opportunities.

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

Accounting	**Finance**	**Business management**
Plantation	**Legal**	**Marketing**

In terms of independence, the Board is currently made up of six Independent Non-Executive Directors, two Non-Independent Non-Executive Directors and four Executive Directors including a Managing Director. The higher proportion of Non-Executive Directors present on the Board helps to mitigate any possible conflict of interest between the policy-making process and the day-to-day management of the Company. The NC assesses Independent Directors annually to ascertain if they display a strong element of impartiality. In conducting this assessment, the dimension of tenure of service is also considered as to ensure that the same has not reduced impartiality or lack of fresh insights.



- *Independent Non-Executive Directors*
- *Non-Independent Non-Executive Directors*
- *Executive Directors*

Listed issuer	Average tenure of independent directors
HSP	5.28 years
Top 300 listed issuers[1]	6.92 years

[1] *Based on latest available annual reports as at 31 July 2017 (data analytics from KPMG Management & Risk Consulting Sdn Bhd)*

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

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

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

Remuneration

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

Audit Committee

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

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

Risk Management and Internal Control Framework

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

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

Communication with Stakeholders

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

Conduct of General Meetings

The Annual General Meeting ("AGM") provides the Board with the opportunity to engage shareholders by sharing the Company's financial and operational performance for the past financial year.

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

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

Focus Areas on Corporate Governance

Areas which gained prominence from the Board during the financial year ended 31 December 2017 are as follows:

Independence of the Board and Board Committees

During the year 2017, the Board welcomed two new members to its fold, namely, Chong Kwea Seng and Choy Khai Choon, who were appointed as Independent Non-Executive Directors. The said appointments enabled the Board to have a balance of Independent and Non-Independent Directors, thus, facilitating greater checks and balances during deliberations and decision-makings.

Changes were made to the composition of the AC so as to enable the Chairman of the AC to be distinct from the Chairman of the Board. This move is designed to facilitate a more objective review of the AC's findings and recommendations by the Board. Changes were also made to the RC, as Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir was appointed as a member of the RC member in place of Datuk Edward Lee Ming Foo to ensure that the composition of the RC consists of only Non-Executive Directors with majority of them being independent directors.

Review of Board and Board Committees' policies and procedures

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

The NC also revised the instruments that are deployed to assess the effectiveness of the Board, Board Committees and individual Directors. The assessment criteria in the revised instruments revolve around the mix and composition of the Board and Board Committees, quality of information and decision-making and boardroom activities.

Professional development of directors

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

The list of training programmes were attended by the Board members during the financial year ended 31 December 2017 are outlined below:

Name	Programme title	Date(s)
Tan Sri Ahmad Bin Mohd Don	Board Selection – Engagement with Potential Directors	25 May 2017
	Malaysian Code on Corporate Governance 2017	23 August 2017
	Companies Act 2016	21 November 2017
	Sustainability Awareness Training for Directors and Management	20 December 2017
Datuk Edward Lee Ming Foo	Investment Insights – China Musing: The Case for Asia and China	22 August 2017
	Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience	23 August 2017
Lee Wee Yong	Companies Act 2016 and Insolvency Act 1967 (Bankruptcy Act 1967 Amended)	16 June 2017
	MFRS141 and MFRS15 Workshop	16 October 2017
	MFRS 15 Revenue from Contracts with Customers Training	24 & 25 October 2017
	MFRS 9 Financial Instruments Training	3 November 2017
	Tax and Business Summit 2017	9 November 2017
Cheah Yee Leng	Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience	23 August 2017
	Advanced Company Secretarial Practice – Refreezing the New Companies Act 2016	28 August 2017
	Game-Changers under Companies Act 2016: Key Insights and Implications for Boardroom Matters	4 September 2017
	MAICSA Annual Conference 2017 – Companies Act 2016: A Paradigm Shift	12 & 13 September 2017
	Corporate Directors Training Programme Fundamental 1.0	27 September 2017
	New Malaysian Code of Corporate Governance 2017 – A Comprehensive & Actionable Work Plan	6 October 2017
	Registration of Company & Its Constitution	30 October 2017
	Companies Act 2016. What's New for Company Secretaries?	6 November 2017
Au Yong Siew Fah	Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience	23 August 2017
	MPOB International Palm Oil Congress and Exhibition	14-16 November 2017

Name	Programme title	Date(s)
Datuk Simon Shim Kong Yip	Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience	23 August 2017
	The 35th Cambridge International Symposium on Economic Crimes of which Datuk Simon was one of the speakers	3-10 September 2017
Tan Sri Abdul Hamid Egoh	CG Breakfast Series with Directors – Board Excellence: How To Engage and Enthuse Beyond Compliance with Sustainability	17 July 2017
	Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience	23 August 2017
Dato' Jorgen Bornhoft	Malaysian Code on Corporate Governance 2017	26 April 2017
	ASEAN@50 Conference	4 August 2017
	Directors' Continuing Education Programme 2017	21 August 2017
	Investment Insights – China Musing: The Case for Asia and China	22 August 2017
	Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience	23 August 2017
	Creating & Sharing the Value of Growth thru Communication & Collaboration	7 October 2017
Tuan Haji Nik Ariff Bin Nik Hassan	Responsible Investment Forum – Kuala Lumpur	14 July 2017
	Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience	23 August 2017
	CG Breakfast Series with Directors: Leading Change @ The Brain	5 December 2017
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir	SDG Business Summit 2017	25 May 2017
	Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience	23 August 2017
Chong Kwea Seng	Malaysian Code on Corporate Governance 2017 and Path to Cyber Resilience	23 August 2017
	CG Breakfast Series with Directors: Leading Change @ The Brain	5 December 2017
Choy Khai Choon	MISC Berhad Annual Directors Training	23 November 2017

Corporate Governance Priorities (2018 and Beyond)

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

Short and medium term plan (one to three years)

Boardroom independence

The Company intends to have a majority of Independent Directors on its board so as to foster greater objectivity in its deliberations and decision-makings. In the course of making this change, the Company will not compromise on the business imperatives. In order to create a more conducive environment for insightful deliberations, the Board will consider enlisting Independent Directors with strong business acumen and a broad range of industry experience.

In relation to the tenure of Independent Directors, the Company has reviewed its Constitution with the view of incorporating enabling provisions to facilitate two-tier shareholder approval for the retention of an Independent Director beyond 12 years. The proposed adoption of new Constitution of the Company would be tabled at the forthcoming annual general meeting for the shareholders' approval.

Sourcing of Directors

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

Long term plan (three to five years)

Board Diversity

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

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

Corporate Reporting

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

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

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 2017 pursuant to paragraph 15.26(b) of the Listing Requirements. In making this statement, the board is guided by the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" ("SRMICG") which is issued by the Taskforce on Internal Control with the support and endorsement of the Exchange.

Board's Responsibility

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

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

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

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

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

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

Risk Management

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

Members of the group risk management committee comprise the following:

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

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

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

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

Risk Management (Continued)

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

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

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

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

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

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

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

Internal Control

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

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

Internal Control (Continued)

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

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

Internal Audit Function

The Group has an internal audit function which is outsourced to Hap Seng Management Services Sdn. Bhd., a wholly owned subsidiary of Hap Seng Consolidated Berhad, at a cost of approximately RM1.17 million per annum. The internal audit function is independent of the activities or operations of other operating units in the Group, which provides the audit committee and the board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control.

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

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

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

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

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

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

- Undertook internal audit based on the audit plan that had been reviewed and approved by the audit committee which includes the review of operational and environmental compliance with established internal control procedures, management efficiency, risk assessment and reliability of financial records as well as governance processes.

- Attended business review meetings held regularly by the Group’s senior management to keep abreast with the strategic and operational planning and development issues.

- Conducted investigations with regard to various specific areas of concern as directed by the audit committee and the management.

- Attended meetings of the group risk management committee.

- Assessment of key business risks at each operating units which were identified by risk analysis and continuous monitoring of control compliance through data extraction and analysis techniques.

- Issued a total of 13 internal audit reports to the audit committee which encompassed identification and assessment of business risks.

Other Risks and Control Processes

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

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

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

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

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

CONCLUSION

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3 (previously Recommended Practice Guide 5 (Revised 2015)), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017, and reported to the board that nothing has come to their attention that cause them to believe that the Statement intended to be included in the annual report of the Group, in all material respects has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the SRMICG or is factually inaccurate.

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

BOARD COMMITTEES

AUDIT COMMITTEE

Members of the Audit Committee

Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	*(Independent Non-Executive Director) – Chairman* - *redesignated as the Chairman on 20 November 2017*
Tan Sri Ahmad Bin Mohd Don	*(Independent Non-Executive Director)* - *redesignated as a member on 20 November 2017*
Dato' Jorgen Bornhoft	*(Independent Non-Executive Director)*

Terms of Reference of Audit Committee

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

Meetings

During the financial year ended 31 December 2017, 4 meetings were held. Details of the attendance of each member of audit committee are set out in the Corporate Governance Overview Statement on page 27 of this annual report.

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

Summary of Works of the Audit Committee during the financial year ended 31 December 2017

The works of the audit committee during the financial year ended 31 December 2017 are summarised below:

- Reviewed internal audit plan for the financial year to ensure adequate scope and comprehensive coverage which includes review of operational compliance with established control procedures, management efficiency, risk assessment and reliability of financial records.

- Received and reviewed a total of 13 internal audit reports presented by the internal auditors at the quarterly audit committee meetings covering the business processes of the Group and is satisfied with the recommendations and actions taken by the management in addressing the issues highlighted.

- Reviewed annual audit plans outlining audit materiality, audit scope, methodology and timing of audit, audit focus area and proposed fees for the statutory audit services rendered by the external auditors and recommendation of their audit fees to the board for approval.

- Discussed the annual audited financial statements of the Group with the external auditors and noted the salient features and key findings from the external auditors as well as to ensure that the audited financial statement were drawn up in accordance with the provisions of the Companies Act 2016 and the applicable accounting standards approved by the Malaysian Accounting Standards Board.

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

Summary of Works of the Internal Audit Function during the financial year ended 31 December 2017

Summary of works of the internal audit function for the financial year ended 31 December 2017 are set out in the Statement on Risk Management and Internal Control on pages 35 to 40 of this annual report.

REMUNERATION COMMITTEE

Members of the Remuneration Committee

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

Tan Sri Ahmad Bin Mohd Don	*(Independent Non-Executive Director) – Chairman*
Datuk Simon Shim Kong Yip, JP	*(Non-Independent Non-Executive Director)*
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	*(Independent Non-Executive Director)* - *appointed on 20 November 2017*
Datuk Edward Lee Ming Foo, JP	*(Executive Director)* - *resigned on 20 November 2017*

Terms of Reference of Remuneration Committee

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

Meeting

During the financial year ended 31 December 2017, 1 meeting was held and all the remuneration committee members were present.

Summary of Activities of the Remuneration Committee during the financial year ended 31 December 2017

The activities of the remuneration committee during the financial year ended 31 December 2017 are summarised below:

- Reviewed the remuneration policy of the executive directors and senior management personnel as well as the industry forecast for 2017/2018 for the average salary increment after taking into account the Company's operating results, individual performance and comparable market statistic to ensure that the executive directors and senior management personnel are adequately incentivised and remunerated to encourage enhanced performance.

- Reviewed and recommended to the board, the proposed bonus of the executive directors for the financial year ended 31 December 2017 and their respective proposed increments for the financial year commencing from 1 January 2018 based on the remuneration policy of the Company and industry forecast for 2017/2018.

NOMINATING COMMITTEE

Members of the Nominating Committee

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

Dato' Jorgen Bornhoft	*(Independent Non-Executive Director) – Chairman* - *redesignated as the Chairman on 27 February 2018*
Tan Sri Ahmad Bin Mohd Don	*(Independent Non-Executive Director)* - *redesignated as a member on 27 February 2018*
Datuk Simon Shim Kong Yip, JP	*(Non-Independent Non-Executive Director)*

Terms of Reference of Nominating Committee

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

Meetings

During the financial year ended 31 December 2017, 2 meetings were held. Details of the attendance of each member of the nominating committee are set out in the Corporate Governance Overview Statement on page 27 of this annual report.

Summary of Activities of the Nominating Committee during the financial year ended 31 December 2017

The activities of the nominating committee during the financial year ended 31 December 2017 are summarised below:

- Evaluated the performance and effectiveness of board and board committees collectively as well as the performance of each individual member on an annual basis through the self and peer-assessment and was satisfied that all members of the board and board committees are suitably qualified in view of their respective academic and professional qualifications, skills, competencies, experiences, commitment and contribution to the board and board committees.

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

- Assessed the independence of Tan Sri Ahmad Bin Mohd Don who has served as the independent non-executive chairman of the Company for a cumulative term of more than 9 years. Notwithstanding so, he has continued to advocate professional views without fear or favour and was capable of acting objectively in the best interest of the Company, as well as demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements. Accordingly, the nominating committee had recommended to the board that Tan Sri Ahmad Bin Mohd Don to continue in office as independent non-executive chairman of the Company, subject to shareholders' approval.

- Assessed the independence of Dato' Jorgen Bornhoft who has served as an independent non-executive director of the Company for a cumulative term of more than 9 years. Notwithstanding so, he has continued to advocate professional views without fear or favour and was capable of acting objectively in the best interest of the Company, as well as demonstrably proven to be in compliance with the Listing Requirements. Accordingly, the nominating committee had recommended to the board that Dato' Jorgen Bornhoft to continue in office as independent non-executive director of the Company, subject to shareholders' approval.

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

- Reviewed and recommended to the board on the appointment of Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir as a member of the remuneration committee in place of Datuk Edward Lee Ming Foo.

- Reviewed and recommended to the board on the appointment of Mr. Chong Kwea Seng and Mr. Choy Khai Choon as independent non-executive directors after taking into consideration their experience, competency, skill, time commitment and potential contribution to the Company.

- Reviewed the term of office and performance of the audit committee and each of its members. The nominating committee was satisfied that the audit committee and its members had carried out their duties in accordance with their terms of reference.

- Reviewed and recommended to the board on the election of Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan as the chairman of the audit committee in place of Tan Sri Ahmad Bin Mohd Don.

- Evaluated the performance of the following executive and non-executive directors standing for re-election pursuant to article 112 of the Company's articles of association at the forthcoming annual general meeting (AGM):-

  (i) Tan Sri Ahmad Bin Mohd Don;

  (ii) Ms. Cheah Yee Leng; and

  (iii) Mr. Au Yong Siew Fah.

- Evaluated the performance of the following non-executive directors standing for re-election pursuant to article 118 of the Company's articles of association at the forthcoming AGM:-

  (i) Mr. Chong Kwea Seng; and

  (ii) Mr. Choy Khai Choon

- Reviewed that all directors of the Company had received appropriate continuous training programmes in order to keep abreast with developments in the relevant industry to enhance their skills in a dynamic and complex business environment and with changes in the relevant statutory and regulatory requirements.

- Reviewed and assessed the adequacy of the Board Charter, Terms of Reference and the Code of Conduct and Ethics adopted by the board.

STEPPING UP ON SUSTAINABILITY

"

SUSTAINABILITY IS AN INTEGRAL PART OF THE BOARD AGENDA. THE BOARD REVIEWS AND SIGNS OFF ON POLICIES AND DISCLOSURES, INCLUDING OUR NEW MALAYSIAN SUSTAINABLE PALM OIL (MSPO) POLICY; RARE, THREATENED, AND ENDANGERED (RTE) SPECIES POLICY; AND OUR SUSTAINABILITY REPORTS.

As a responsible palm oil producer, we recognise our challenges in continuing our effort in increasing sustainability awareness throughout our supply chain and embedding sustainability culture in every Hap Seng Plantations employee.

The Group believes that a sustainable plantation is important as it provides assurance to our commercial and civil society partners in that we look at the long-term balance between social, economic and environmental objectives in our business model.

Though most of the commitments are already part of our operations, 2017 saw the Group implementing a RTE Species Policy within and surrounding our vicinity, demonstrating our strong commitment towards conservation and wildlife rehabilitation. We also collaborated with Aflatoun International – RSPO Smallholder Academy Programme in Sabah – to assist smallholders within its supply chain in obtaining RSPO certification.

In February 2017, Hap Seng Plantations' Sustainable Agriculture Policy ("Policy") came into effect and is expected to speed up the adoption of its nine commitments, namely:

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

SUSTAINABILITY HIGHLIGHTS 2017

- Launch of MSPO Policy and RTE Species Policy
- 61% reduction in lost time accidents since 2014
- 100% of mills RSPO certified
- 100% of mills ISCC EU certified
- Two biogas facilities were successfully commissioned
- 100% of mills HACCP certified
- All estates and mills MSPO certified ahead of the mandatory timeline
- Hap Seng Plantations' The Zoological Society of London Sustainable Palm Oil Transparency Toolkit (ZSL SPOTT) ranking listed in the green zone
- 91% of our planted area is certified according to RSPO Principles & Criteria
- 1,656 children and 323 teachers trained in computer coding from 2015 to 2017
- RM2 million invested in children's education in 2017

BREAKTHROUGH IN SUSTAINABILITY RANKING

In November 2017, our ZSL's SPOTT ranking was fourth and 15th amongst Malaysian plantations and RSPO member companies, respectively. We made a major breakthrough in our ZSL's SPOTT ranking when we were listed in a "green" zone for the first time with a score of 66.20%.

Year	Score (%)	Rank (for All 50 companies)	Rank (for Malaysian Companies)	Rank (for RSPO member companies)
Nov 15	46.00	16	5	15
June 16	46.00	19	5	18
Nov 16	46.20	21	6	20
June 17	64.20	15	4	13
Nov 17	66.20	17	4	15

The green zone, in this case, equates to higher transparency. This achievement could be attributed to the progress made by us in closing gaps and meeting our sustainability targets such as consistent publication of sustainability report, disclosure of greenhouse gas (GHG) emission, environmental management and traceability.

MSPO CERTIFICATION - BROADENING OUR CERTIFICATION PROGRAMME

All 15 estates and four palm oil mills were MSPO certified by February 2018, ahead of the mandatory timeline of 31 December 2018 (for RSPO-certified plantations category).

In addition, our journey in obtaining the Hazard Analysis & Critical Control Points (HACCP) certification for all mills was also achieved by June 2017. This is in line with the increasing awareness and demand of the food safety and hygiene requirement from customers globally.

The Group had also successfully achieved ISCC EU certification for all our mills and associated estates since 2016. 91% of our planted area and all four palm oil mills were certified according to RSPO Principles and Criteria (P&C), with the first at Bukit Mas Palm Oil Mill (BPOM) and associated estates since 2012.

In order to ensure that all our estates and mills fully comply with RSPO requirement at all time, we have established a "CSR and Sustainability Committee" (CSRS) together with "RSPO Sub-Committee" to monitor its compliance.

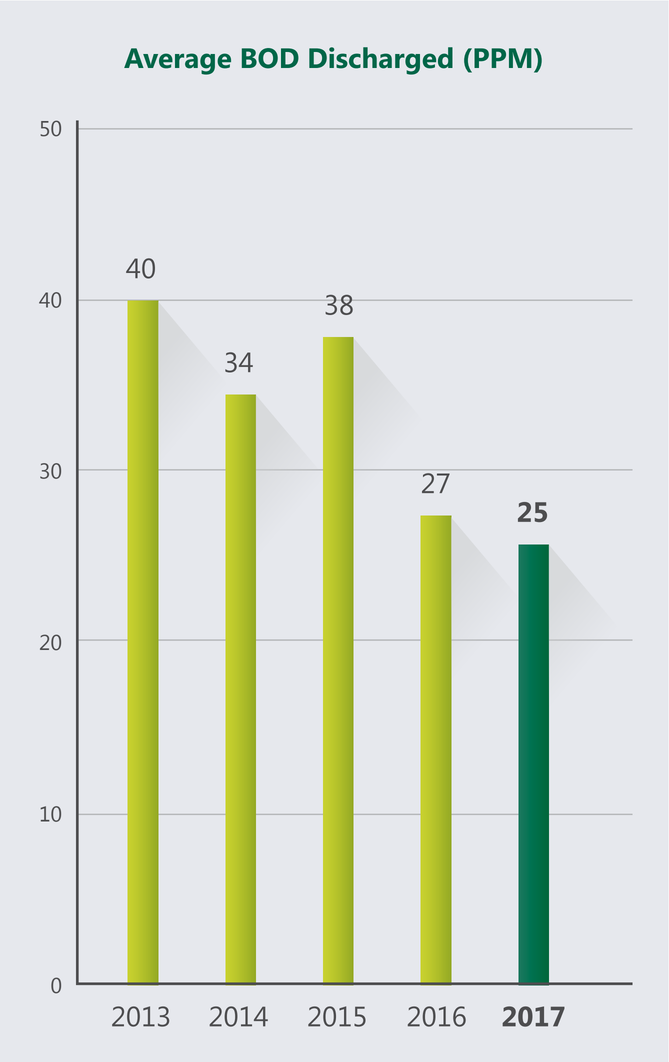
SAFEGUARDING OUR WATER SOURCES

Significant steps were taken to protect our local environment, notably our water resources, by establishing an effective effluent water treatment system that ensured three of our four palm oil mills achieved effluent discharge of not more than 20 ppm in 2017, namely, JPOM 1, JPOM 2 and TPOM.

The system involved implementing a polishing plant[1] at JPOM and an adequate sized effluent treatment pond against crop processed at TPOM. The polishing plant helps in effluent treatment with proper aeration and the removal of excess solid, thus reducing Biological Oxygen Demand (BOD) through various processes.

With the system in place, our four palm oil mills managed to reduce the level of BOD by 7% in 2017, from 27ppm to 25ppm. This significant result was due to the new biogas plant that helped capture all methane in the effluent pond. The captured methane was converted into electricity for the purpose of kick starting the mill's engine and for the housing complex area. We are moving towards all mills achieving the 20 ppm by year 2020.

Not only the BOD level had decreased, the biogas plant had also reduced the GHG values. In complementing the effort, the Group had also established a "20ppm and Biogas Project Committee" to monitor the BOD level on a daily basis.



[1] Polishing Plant helps in effluent treatment by removing excess solid thus reducing BOD through various processes. Settling tank and Belt Press System contributed in solid removal while Aeration Tank and Batch Reactors to further aeration process for effluent. Polishing Plant also being equipped with Dissolved Air Floatation system to trap the micro solid inside the bubbles and remove them simultaneously. Additionally, the ponding system also being improved by installing mixers to break down solid and aerators to speed aeration process from the pond. At the final ponds, paddle wheel aerators being installed to remove algae (algae could cause high BOD for Pond).

ENRICHING SOILS AND REDUCING CHEMICALS

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

Our soil management practice relies on the recycling of nutrient-rich organic matters such as empty fruit bunches (EFB) and palm oil mill effluent (POME). This is complemented by our deployment of Integrated Pest Management (IPM), which encourages the use of natural methods to control pests, pathogens and weeds while employing selective use of chemical application.

Paraquat had not been used in our plantations since 2011 when it was highlighted as a chemical of concern by stakeholders due to widespread misuse.

ACTION ON GHG EMISSIONS

We are pleased to note that we had successfully reduced our net carbon emissions and our footprint per tonne of CPO by around 29% and 20%, respectively, as compared to 2014. This reduction was largely attributed to the timely commissioning of the methane capture facility and biogas power plant in 2016 at our two palm oil mills namely, JPOM 1 & JPOM 2.

Having established the biogas plant, we were able to reduce our GHG emissions significantly. The biogas plant also served as a renewable energy source to produce electricity for two estates namely; Kapis Estate & Batangan Estate. Apart from that, the efficient application of by-products to the field also contributed to the reduction of the Group's GHG emission.

	MT CO_2e/MT CPO		
Mill	**2014**	**2016**	**2017**
JPOM 1	1.61	0.99	**0.50**
JPOM 2	1.07	1.49	**1.19**
BPOM	3.18	1.45	**1.99**
TPOM	1.85	2.35	**2.09**
Group average	2.35	2.00	**1.89**

Note that 2014 figures were calculated using the RSPO PalmGHG v2.1.1 whereas since 2016, the figures used were based on RSPO PalmGHG v3.0.1. The RSPO has advised that numbers may be compared without recalculation.

CONSERVING BIODIVERSITY

Most of our plantings were developed on land previously used for other agricultural purposes and a large part of our land borders other plantations rather than forest. Approximately 1,400 hectares, some 3.5% of our total land banks had been designated for conservation.

An assessment and a comprehensive management plan for the HCV area has been completed, and monitoring and review of the plans are being updated annually by our internal assessment team for our Bukit Kibos hill, a 75-hectare area located near our headquarters.

Although RSPO P&C confirmed that a formal HCV assessment was not required in this area, as there had been neither land use change nor conversion since November 2015, we appointed an RSPO approved HCV assessor to conduct a supplementary assessment and discovered that there was diverse kind of fauna species.

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

SAFEGUARDING HUMAN RIGHTS IN THE WORKPLACE

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

TRAINING THE NEXT GENERATION OF PLANTERS

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

All staff and executives undergo a 15-module Oil Palm Agriculture Policy (OPAP) programme that teaches best practices in estate management. From 2016 to 2017, we added an additional syllabus on RSPO, MSPO, ISCC EU and Health and Safety to the programme, ensuring that staff and executives are well equipped to maintain and support our certification programme and safety efforts.

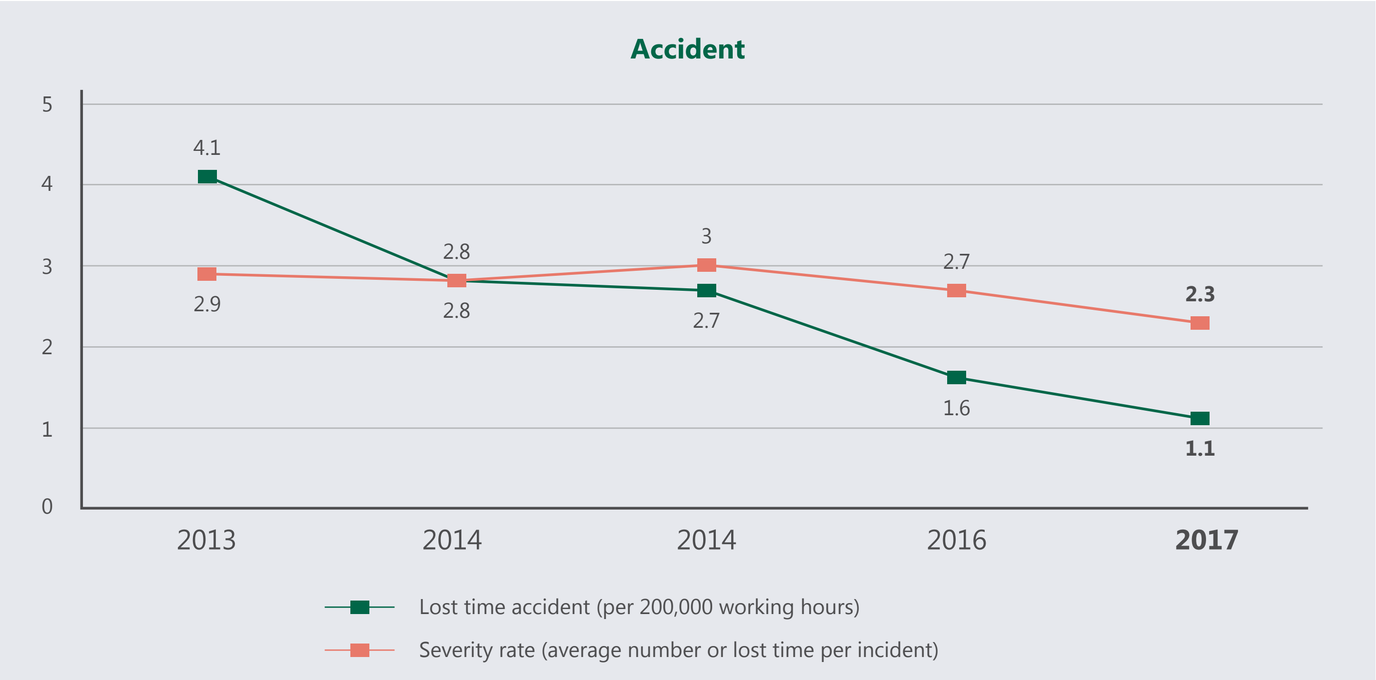
No.	Training	Target of employees	Objective of Training	Year 2017
1	Oil Palm Agriculture Policy	All executives and staff from estates	To educate staff and executives on good agricultural practices that will be applied in the field.	6 months (Feb, Mar, Apr, May, June, July) every year with examination.
2	First Aid Training	All executives , staff, mandores and workers from estates and mills	To train all the person in-charge at each of the work unit in estates and mills on the function of the first aid kid. In case of emergency, the responsible person will take immediate action.	Yearly basis
3	RSPO, MSPO & ISCC EU	All executives and staff from estates and mills	To train on the RSPO/MSPO/ISCC EU 's principles and criteria to all.	Yearly basis
4	Safety and Health	All executives and staff from estates and mills	To regularly educate and promote awareness on safety measures at workplace.	Yearly basis
5	HACCP	All executives and staff from mills	To educate on food safety and HACCP requirement.	Yearly basis

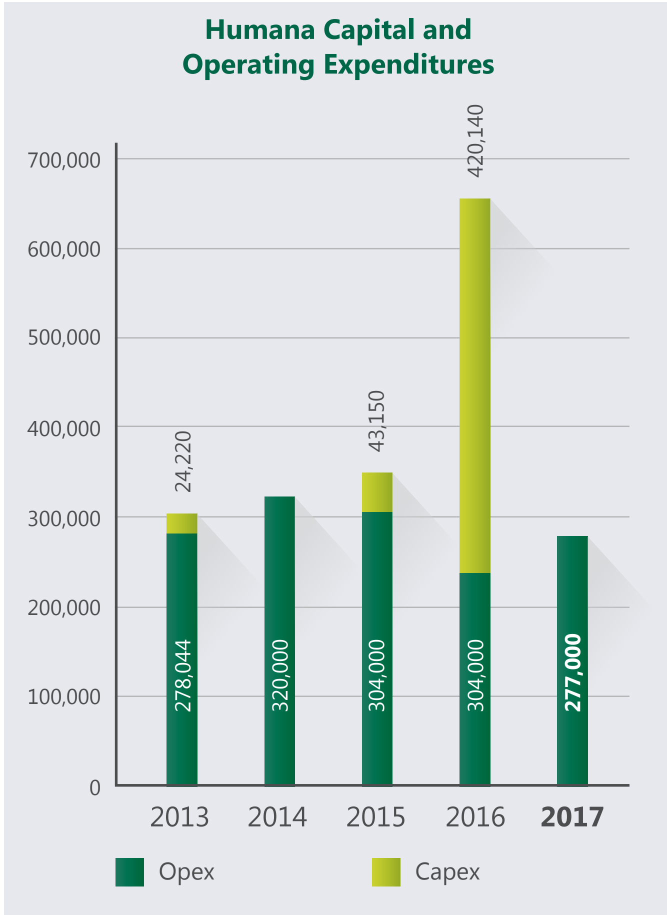
FOCUS ON HEALTH AND SAFETY

Occupational Safety and Health (OSH) is of utmost priority to us. To excel in our business we continue to provide and maintain a safe and healthy working environment at all times for all employees, as well as for our contractors and visitors. These commitments are continuously instilled in our employees' daily work culture, primarily focusing on reducing at-risk behaviours. Lower incident rates bring lower staff turnover, lower absenteeism and higher productivity.

Hap Seng Plantations takes safety very seriously. To reduce the number of incidents in our estates, we have instituted strict compliance to our safety management plan, this includes:

- Yearly training of safety operating procedure of each work unit.
- Daily monitoring of work activity of each work unit by management representative.
- Induction training on safety operating procedure for every new employee.
- Safety committee meeting between management and worker representative at a quarterly basis to discuss on the action required to improve the Safety operating procedure of each work unit.





INVESTING IN THE FUTURE GENERATION

Since 2009, the Hap Seng Group has funded the Humana Child Aid Society in its mission to provide education for children without access to school in plantations and other remote areas of Borneo. In the last six years, the company had invested about RM2.3 million in capital and operating expenditure, and today, there are 11 Humana Learning Centres providing six years of primary national curriculum to around 1,000 children on our estates. Our funding also supports career talk to local schools, and outreach to other plantation companies in the area to encourage similar initiatives and drive awareness of the right to basic education.

We continue to support Hap Seng Group social investment initiative to reduce inequity in education between rural and urban schools, one of the desired outcomes of Malaysian Education Blueprint 2013-2025, where our partners deliver 'experiential High Order Thinking Skills' learning and English.

We limit our role to be a catalyst, hence the criteria set for our programmes must contain facilitation for capacity building, open to collaboration with other stakeholders, the school community will be able to adopt and sustain the programme or learning when we exit. The programme should be able to replicate and scale.

To-date, our educational initiatives have created the intended positive impacts, there are various learning and some are being replicated by other funders to other schools in the country. These programmes included:

<table>
<tr><th></th><th>Hap Seng Group D-Code (2015-2016)</th><th>HAP SENG GROUP INTER-ACTIVE STEM (2017)</th><th>HAP SENG GROUP IoT (2017-2018)</th><th>TG BATU COMMUNITY LEARNING CENTRE (2017-2020)</th></tr>
<tr><td>Partners</td><td>Startup Malaysia</td><td>Petrosains</td><td>Chumbaka</td><td>SOLS 24/7</td></tr>
<tr><td>Programmes</td><td>Digital literacy problem solving through coding; includes abstract thinking, logic and also reasoning skills while also learning to think creatively and work collaboratively.
2017 – Advance project based coding</td><td>Expose the teachers to the best teaching practice/pedagogy and the students to HOTS through STEM (electricity)</td><td>Expose the teachers to the best teaching practice/pedagogy and HOTS through digital literacy (coding and embedded system) –</td><td>Conduct English classes and related activities with the community of all ages</td></tr>
<tr><td>Beneficiaries</td><td>2015 – 2016: 1061 Students in 210 SMK schools throughout Sabah
2017: 211 students from 65 SMK schools from Sabah</td><td>35 teachers and 60 students in 4 SK schools in Kg Tg Batu, Tawau</td><td>48 teachers and 384 students in 24 SMK schools in the interior – Keningau, Nabawan, Tenom and Tambunan</td><td>100 people of different age groups – SK students, SMK students, adults in Kg Tg Batu, Tawau</td></tr>
<tr><td>Impact</td><td colspan="3">• Students are more articulate and confident after the programme.
• Students mentor each other through peer-to-peer learning.
• Students have a more positive attitude towards learning.
• Students are able to network and communicate well with others.
• Teachers encourage students to enter more project-based competitions.
• Teachers are more confident to apply HOTS in mentoring and guiding students.
• Teachers share the best teaching practices/ pedagogy with other teachers.</td><td>• The community is involved in the development of youth in the community.
• A safe space for the youth to learn and spend time outside of school.
• The community (youth and adults) is more confident and comfortable using English in their daily lives.</td></tr>
</table>

For more detail on our sustainability performance, please download our 2017 Sustainability Report, which is published alongside this annual report at www.hapsengplantations.com.my

Plantations Staff continue English Immersive Programme via Career Talk

Over the last two years, staff of Hap Seng Plantations have focused on immersing primary six students of SK Jeroco in English through various activities.

In January 2016, the Metaphor Reading Project saw the staff volunteering their time reading English books donated by Hap Seng Group to the school. From the positive response received both from the staff and the school, the English immersion initiative continued with a career talk programme.

This new programme was conducted once every quarter, where our volunteers from different estates would spend at least one hour with the students, to share about themselves, their educational background and working environment.

The session was conducted in English and involved interactive fun activities like singing, watching short videos and sharing of ideas. This engagement also promoted volunteerism among our employees.

"The school really appreciate the initiative taken by Hap Seng Plantations and would like it to be continued in the following year," said Cikgu Azlan Aliamat, the head of English Language at SK Jeroco.

"The sharing and interactive sessions with Hap Seng staff not only promote motivation and self confidence among the kids, but we also hope it will empower the students to achieve their dream and ambition," he added.

"I am extremely thrilled to inform Hap Seng Group that the Language officer of Lahad Datu was really impressed at the volunteerism of Hap Seng Group's staff in assisting SK Jeroco. It was a great collaborative experience, and in fact, SK Jeroco experienced great improvement in our UPSR English results where all achieved passes with 5As score for paper 1 and 95% passes with 6As for paper 2. We might not be able to achieve these successes in 2017 without Hap Seng Group's help," he continued.

The school English Club recently won a reading and storytelling competition at Lahad Datu district level. The best part was they were using the story books donated by Hap Seng Group.

Kuddos to SK Jeroco!

FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

HOLDING COMPANIES

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

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	134,823	123,681

RESERVES AND PROVISIONS

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

DIVIDENDS

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

(i) In respect of the financial year ended 31 December 2016 as reported in the Directors' report of that year:

- a second interim dividend of 8 sen per ordinary share under the single-tier system totalling RM63,975,616 declared on 22 February 2017 and paid on 23 March 2017; and

(ii) In respect of the financial year ended 31 December 2017:

- a first interim dividend of 5 sen per ordinary share under the single-tier system totalling RM39,984,660 declared on 23 August 2017 and paid on 26 September 2017.

On 27 February 2018, the Board of Directors approved a second interim dividend of 6 sen per ordinary share under the single-tier system in respect of the financial year ended 31 December 2017, amounting to a total of RM47,981,472 and was paid on 28 March 2018. 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 2018.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2017.

DIRECTORS OF THE COMPANY

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

Tan Sri Ahmad Bin Mohd Don
Datuk Simon Shim Kong Yip, JP
Datuk Edward Lee Ming Foo, JP**
Lee Wee Yong**
Cheah Yee Leng**
Au Yong Siew Fah**
Tan Sri Abdul Hamid Egoh
Dato' Jorgen Bornhoft
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP**
Chong Kwea Seng (Appointed on 1 June 2017)
Choy Khai Choon (Appointed on 20 November 2017)

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

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

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

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
Interest in the immediate holding company:				
Hap Seng Consolidated Berhad				
Dato' Jorgen Bornhoft	25,000	-	(20,000)	5,000
Au Yong Siew Fah	291,600	-	-	291,600
Interest in the Company:				
Hap Seng Plantations Holdings Berhad				
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000
Cheah Yee Leng	31,200	-	-	31,200
Au Yong Siew Fah	168,000	-	-	168,000
Tan Sri Abdul Hamid Egoh	110,000	-	-	110,000
Dato' Jorgen Bornhoft	10,000	-	-	10,000
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	590,000	-	-	590,000
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	1,000	-	-	1,000

None of the other Directors of the Company holding office at 31 December 2017 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

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

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

ISSUE OF SHARES

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

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

TREASURY SHARES

During the annual general meeting of the Company held on 24 May 2017, shareholders of the Company renewed the existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 4,000 shares at the total cost of RM10,460 which were held as treasury shares. All the repurchases of shares were financed by the Company's internal funds.

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

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
At 1 January 2017	304,800	818,896	2.69
Repurchased during the year	4,000	10,460	2.62
At 31 December 2017	308,800	829,356	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.

INDEMNITY AND INSURANCE COSTS

The Directors and Officers of the Company are covered by Directors and Officers Liability Insurance which is maintained on a group basis by the Company in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors and Officers Liability Insurance effected for the Directors and Officers of the Group during the year was RM10 million whilst the total amount of premium paid was RM26,000.

MATERIAL LITIGATIONS

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

SUBSEQUENT EVENT

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

OTHER STATUTORY INFORMATION

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

(i) there are no bad debts to be written off and no provision need to be made for doubtful debts, and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONTINUED)

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 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

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

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

Datuk Edward Lee Ming Foo, JP
Director

Au Yong Siew Fah
Director

Kuala Lumpur

13 April 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Assets					
Property, plant and equipment	3	**686,820**	673,959	**846**	701
Biological assets	4	**1,377,970**	1,377,427	**-**	-
Investment in subsidiaries	5	**-**	-	**1,610,639**	1,598,517
Total non-current assets		**2,064,790**	2,051,386	**1,611,485**	1,599,218
Inventories	6	**67,483**	72,087	**-**	-
Receivables	7	**50,841**	6,339	**35,066**	27,170
Tax recoverable		**446**	626	**361**	626
Money market deposits		**90,990**	122,136	**16,285**	15,822
Cash and cash equivalents	8	**44,774**	39,459	**597**	972
Total current assets		**254,534**	240,647	**52,309**	44,590
Total assets		**2,319,324**	2,292,033	**1,663,794**	1,643,808
Equity					
Share capital	9	**1,475,578**	800,000	**1,475,578**	800,000
Share premium	9	**-**	675,578	**-**	675,578
Retained earnings		**596,243**	565,380	**187,044**	167,323
		2,071,821	2,040,958	**1,662,622**	1,642,901
Less: Treasury shares	9	**(829)**	(819)	**(829)**	(819)
Total equity		**2,070,992**	2,040,139	**1,661,793**	1,642,082
Liabilities					
Deferred tax liabilities	10	**194,546**	191,949	**12**	2
Total non-current liabilities		**194,546**	191,949	**12**	2
Payables	11	**48,781**	49,821	**1,989**	1,724
Current tax liabilities		**5,005**	10,124	**-**	-
Total current liabilities		**53,786**	59,945	**1,989**	1,724
Total liabilities		**248,332**	251,894	**2,001**	1,726
Total equity and liabilities		**2,319,324**	2,292,033	**1,663,794**	1,643,808

The notes on pages 70 to 117 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	12	**555,072**	503,427	**116,541**	74,891
Cost of sales		**(313,146)**	(277,539)	**-**	-
Gross profit		**241,926**	225,888	**116,541**	74,891
Other operating income		**12,132**	7,879	**12,774**	624
Distribution expenses		**(32,938)**	(29,627)	**-**	-
Administrative expenses		**(35,396)**	(29,787)	**(5,234)**	(4,016)
Other operating expenses		**(7,066)**	(7,207)	**(374)**	(4,450)
Profit before tax	13	**178,658**	167,146	**123,707**	67,049
Tax expense	15	**(43,835)**	(43,028)	**(26)**	(30)
Profit for the year representing total comprehensive income for the year		**134,823**	124,118	**123,681**	67,019
Basic earnings per ordinary share (sen)	16	**16.86**	15.52		

The notes on pages 70 to 117 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

		Attributable to owners of the Company				
	Note	Share capital RM'000	Non-Distributable Share premium RM'000	Distributable Retained earnings RM'000	Treasury shares RM'000	Total equity RM'000
Group						
At 1 January 2016		800,000	675,578	505,238	(809)	1,980,007
Total comprehensive income for the year		-	-	124,118	-	124,118
Purchase of treasury shares	9	-	-	-	(10)	(10)
Dividends	17	-	-	(63,976)	-	(63,976)
At 31 December 2016/ 1 January 2017		**800,000**	**675,578**	**565,380**	**(819)**	**2,040,139**
Transition to no-par value regime under the Companies Act 2016		**675,578**	**(675,578)**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**134,823**	**-**	**134,823**
Purchase of treasury shares	9	**-**	**-**	**-**	**(10)**	**(10)**
Dividends	17	**-**	**-**	**(103,960)**	**-**	**(103,960)**
At 31 December 2017		**1,475,578**	**-**	**596,243**	**(829)**	**2,070,992**
		Note 9	Note 9		Note 9	
Company						
At 1 January 2016		800,000	675,578	164,280	(809)	1,639,049
Total comprehensive income for the year		-	-	67,019	-	67,019
Purchase of treasury shares	9	-	-	-	(10)	(10)
Dividends	17	-	-	(63,976)	-	(63,976)
At 31 December 2016/ 1 January 2017		**800,000**	**675,578**	**167,323**	**(819)**	**1,642,082**
Transition to no-par value regime under the Companies Act 2016		**675,578**	**(675,578)**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**123,681**	**-**	**123,681**
Purchase of treasury shares	9	**-**	**-**	**-**	**(10)**	**(10)**
Dividends	17	**-**	**-**	**(103,960)**	**-**	**(103,960)**
At 31 December 2017		**1,475,578**	**-**	**187,044**	**(829)**	**1,661,793**
		Note 9	Note 9		Note 9	

The notes on pages 70 to 117 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities					
Profit before tax		**178,658**	167,146	**123,707**	67,049
Adjustments for:					
Depreciation of property, plant and equipment	3	**37,298**	33,191	**228**	230
Dividend income		**(3,794)**	(3,182)	**(117,090)**	(75,419)
Interest income		**(1,027)**	(1,253)	**(103)**	(96)
(Reversal of impairment loss)/Impairment loss on investment in subsidiaries		**-**	-	**(12,122)**	4,194
(Gain)/Loss on disposal of property, plant and equipment		**(1,639)**	(259)	**146**	25
Property, plant and equipment written off		**301**	156	**-**	-
Operating profit/(loss) before changes in working capital		**209,797**	195,799	**(5,234)**	(4,017)
Change in inventories		**4,604**	(7,840)	**-**	-
Change in receivables		**(44,416)**	7,519	**(3)**	(4)
Change in payables		**(1,040)**	(5,550)	**265**	73
Cash generated from/(used in) operations		**168,945**	189,928	**(4,972)**	(3,948)
Interest received		**1,027**	1,253	**103**	96
Tax paid		**(46,573)**	(37,880)	**(147)**	(259)
Tax refunded		**396**	505	**396**	-
Net cash from/(used in) operating activities		**123,795**	153,806	**(4,620)**	(4,111)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from investing activities					
Additions to biological assets	4	**(543)**	(16,544)	**-**	-
Balances with subsidiaries		**-**	-	**(7,807)**	(11,487)
Dividends received from money market deposits		**3,708**	3,199	**463**	545
Dividends received from subsidiaries		**-**	-	**116,541**	74,891
Decrease/(Increase) in money market deposits		**31,146**	(23,500)	**(463)**	4,958
Proceeds from disposal of property, plant and equipment		**12,682**	2,783	**935**	1,216
Purchase of property, plant and equipment		**(61,503)**	(95,350)	**(1,454)**	(1,403)
Net cash (used in)/from investing activities		**(14,510)**	(129,412)	**108,215**	68,720
Cash flows from financing activities					
Dividends paid to owners of the Company	17	**(103,960)**	(63,976)	**(103,960)**	(63,976)
Shares repurchased at cost		**(10)**	(10)	**(10)**	(10)
Net cash used in financing activities		**(103,970)**	(63,986)	**(103,970)**	(63,986)
Net change in cash and cash equivalents		**5,315**	(39,592)	**(375)**	623
Cash and cash equivalents at 1 January		**39,459**	79,051	**972**	349
Cash and cash equivalents at 31 December	8	**44,774**	39,459	**597**	972

The notes on pages 70 to 117 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

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

The consolidated financial statements of the Group as at the end of the financial year ended 31 December 2017 comprise the Company and its subsidiaries.

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 5.

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

These financial statements were authorised for issue by the Board of Directors on 13 April 2018.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ["FRS"] and the requirements of the Companies Act 2016 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 the Company:

Standards/Amendments/Interpretations	Effective date
FRS 9, *Financial Instruments* (2014)	1 January 2018
IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements to FRS Standards 2014-2016 Cycle)*	1 January 2018
Amendments to FRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 4, *Insurance Contracts – Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts*	1 January 2018
Amendments to FRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to FRS Standards 2014-2016 Cycle)*	1 January 2018
Amendments to FRS 140, *Investment Property – Transfers of Investment Property*	1 January 2018

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

Standards/Amendments/Interpretations	Effective date
IC Interpretation 23, *Uncertainty over Income Tax Treatments*	1 January 2019
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*	Yet to be determined

The Group's and the Company's financial statements for annual period beginning on 1 January 2018 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB and International Financial Reporting Standards ("IFRSs"). As a result, the Group and the Company will not be adopting the above FRSs, interpretations and amendments.

Malaysian Financial Reporting Standards ["MFRS"]

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

The Group and the Company falls under the scope definition of Transitioning Entities and will adopt MFRS for annual period beginning on 1 January 2018. In presenting its first MFRS financial statements in 2018, the Group 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.

The Group and the Company will apply the following MFRS, where applicable, that have been issued by the Malaysian Accounting Standards Board ("MASB") but not yet effective, on the respective effective dates.

Standards/Amendments/Interpretations	Effective date
Agriculture: *Bearer Plants (Amendments to MFRS 116 and MFRS 141)*	1 January 2018
MFRS 9, *Financial Instruments* (2014)	1 January 2018
MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*	1 January 2018

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

Malaysian Financial Reporting Standards ["MFRS"] (continued)

Standards/Amendments/Interpretations	Effective date
Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	1 January 2018
Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*	1 January 2018
MFRS 16, *Leases*	1 January 2019
IC Interpretation 23, *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*	1 January 2019
MFRS 17, *Insurance Contracts*	1 January 2021
Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Yet to be confirmed

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

(i) MFRS 1, *First-Time Adoption of Malaysian Financial Reporting Standards*

(a) Common control transactions

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

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

(i) MFRS 1, *First-Time Adoption of Malaysian Financial Reporting Standards* (continued)

(a) Common control transactions (continued)

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

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

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

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

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

The amendments to MFRS 116 and MFRS 141 (effective from 1 January 2018) which will be effective in conjunction with the adoption of MFRS framework, require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment in accordance with MFRS 116.

Prior to the adoption of the Amendments to MFRS 116 and MFRS 141, all new planting expenditure incurred from land clearing, planting, field upkeep and maintenance to the point of maturity was capitalised under plantation development expenditure and was not amortised. Replanting expenditure which represents cost incurred in replanting old planted areas, was charged to profit or loss as and when incurred. Biological assets-agricultural produce which form part of the bearer plants were not recognised separately.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

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

The adoption of the Amendments to MFRS 116 and MFRS 141 will result in additional depreciation on property, plant and equipment and replanting expenditure that were charged to profit or loss prior to the adoption of the Amendments to MFRS 116 and MFRS 141 will be reversed and capitalised under property, plant and equipment. Changes in fair value less costs to sell of the biological assets will be recognised in the profit or loss.

The potential impacts to the financial statements of the Group on initial application of MFRS 1 and Amendments to MFRS 116 and MFRS 141 are as follows:

	Statements of financial position as at 31 December 2017		Statements of financial position as at 1 January 2017	
	As currently stated under FRS RM'000	Expected restatement under MFRS RM'000	As currently stated under FRS RM'000	Expected restatement under MFRS RM'000
Group				
Non-current assets				
Property, plant and equipment	686,820	1,836,719	673,959	1,836,423
Biological assets	1,377,970	-	1,377,427	-
Current assets				
Biological assets	-	18,885	-	37,002
Non-current liabilities				
Deferred tax liabilities	194,546	391,253	191,949	394,791
Equity				
Share capital	1,475,578	875,577	800,000	800,000
Share premium	-	-	675,578	75,577
Merger reserves	-	(747,760)	-	(747,760)
Retained earnings	596,243	1,538,111	565,380	1,532,338

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

(iii) MFRS 9, *Financial Instruments*

MFRS 9 (effective from 1 January 2018), which will be effective in conjunction with the adoption of MFRS framework, replaces MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset.

MFRS 9 retains most of the MFRS 139 requirements for liabilities. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than in profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The initial adoption of MFRS 9 is not expected to have any material financial impact to the financial statements of the Group.

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

MFRS 15 (effective from 1 January 2018), which will be effective in conjunction with the adoption of MFRS framework, replaces MFRS 111, *Construction Contracts*, MFRS 118, *Revenue* and related interpretations.

Prior to the adoption of MFRS 15, 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. Upon adoption of MFRS 15, revenue is recognised when a performance obligation is satisfied, such as "control" of goods or services underlying the particular performance obligation is transferred to the customer.

The initial adoption of MFRS 15 is not expected to have any material financial impact to the financial statements of the Group.

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

(v) MFRS 16, *Leases*

MFRS 16 (effective from 1 January 2019), replaces MFRS 117, *Leases* and related interpretations.

Under MFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet) and requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116, *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in profit or loss.

MFRS 16 retains most of the requirements in MFRS 117 for lessor. Lessor continues to classify all leases as either operating leases or finance leases and account for them differently.

The Group will apply the MFRS 16 on annual period beginning on 1 January 2019 and is currently assessing the financial impact that may arise from the adoption.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

Note 5 - Impairment on investment in subsidiaries

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iii) Loss of control

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

(iv) Transactions eliminated on consolidation

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

(b) Foreign currency transactions

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

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(c) Financial instruments

(i) Initial recognition and measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) Loans and receivables

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount 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.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

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

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

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

(ii) Subsequent costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation

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

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

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

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

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

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

(e) Leased assets

(i) Finance lease

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets (continued)

(ii) Operating leases

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

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

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

(f) Biological assets

(i) Recognition and measurement

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

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

(ii) Amortisation

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

(g) Inventories

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Receivables

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

(i) Money market deposits

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

(j) Cash and cash equivalents

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

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

(k) 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 investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

(l) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) Employee benefits

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

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

(n) Revenue

(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.

(o) Interest income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax

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

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

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

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

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

(q) 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.

(r) Contingent liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Operating segments

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

(t) Fair value measurement

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

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

3. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RM'000	Road and infrastructure RM'000	Buildings RM'000	Plant, machinery and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work in progress RM'000	Total RM'000
Group							
Cost							
At 1 January 2016	373,031	133,989	192,062	233,274	15,338	43,739	991,433
Additions	17,441	6,309	2,018	23,378	1,016	45,188	95,350
Disposals	-	-	-	(6,047)	(36)	-	(6,083)
Written off	-	-	(443)	(1,995)	(56)	-	(2,494)
Reclassifications	-	31,003	20,076	9,104	972	(61,155)	-
At 31 December 2016/ 1 January 2017	**390,472**	**171,301**	**213,713**	**257,714**	**17,234**	**27,772**	**1,078,206**
Additions	**600**	**74**	**501**	**16,830**	**1,000**	**42,498**	**61,503**
Disposals	**-**	**-**	**-**	**(25,710)**	**-**	**-**	**(25,710)**
Written off	**-**	**-**	**(533)**	**(3,398)**	**(249)**	**-**	**(4,180)**
Reclassifications	**-**	**9,275**	**(2,262)**	**47,694**	**677**	**(55,384)**	**-**
At 31 December 2017	**391,072**	**180,650**	**211,419**	**293,130**	**18,662**	**14,886**	**1,109,819**
Accumulated depreciation							
At 1 January 2016	48,689	34,774	104,123	177,408	11,959	-	376,953
Charge for the year	4,570	5,173	7,524	14,961	963	-	33,191
Disposals	-	-	-	(3,555)	(4)	-	(3,559)
Written off	-	-	(443)	(1,843)	(52)	-	(2,338)
At 31 December 2016/ 1 January 2017	**53,259**	**39,947**	**111,204**	**186,971**	**12,866**	**-**	**404,247**
Charge for the year	**4,606**	**6,110**	**7,715**	**17,747**	**1,120**	**-**	**37,298**
Disposals	**-**	**-**	**-**	**(14,667)**	**-**	**-**	**(14,667)**
Written off	**-**	**-**	**(403)**	**(3,228)**	**(248)**	**-**	**(3,879)**
Reclassification	**-**	**-**	**(9,940)**	**9,940**	**-**	**-**	**-**
At 31 December 2017	**57,865**	**46,057**	**108,576**	**196,763**	**13,738**	**-**	**422,999**
Carrying amounts							
At 31 December 2016	337,213	131,354	102,509	70,743	4,368	27,772	673,959
At 31 December 2017	**333,207**	**134,593**	**102,843**	**96,367**	**4,924**	**14,886**	**686,820**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leasehold land represented by:

	Group	
	2017 RM'000	**2016 RM'000**
Unexpired period more than 50 years	**316,315**	319,995
Unexpired period less than 50 years	**16,892**	17,218
	333,207	337,213

(a) The title of the Group's leasehold land with carrying amount of RM9,438,000 (2016: RM8,969,000) stipulated that not less than 30% of the undivided share of the said land or not less than 30% of the equity of the subsidiary being the registered owner of the said land, shall be transferred to/held by/registered in the name of native(s) on or before July 2012 ["Native Condition"]. In year 2017, the Land and Survey Department in Kota Kinabalu had granted further extension up to July 2022 to comply with the Native Condition.

(b) Private caveat was entered by third parties on the Group's leasehold land with carrying amount of RM18,862,000 (2016: RM19,222,000) as disclosed in Note 23(a) to the financial statements.

(c) The Group has evaluated whether the underlying property, plant and equipment of certain subsidiaries are stated in excess of their recoverable amounts. The recoverable amounts of the assets are based on their estimated fair values, which are determined by a professional valuation firm by reference to the sales transactions values for similar assets as comparison and after taking into account the age and physical condition of the assets. The carrying amounts of these assets are not impaired as at year end as their recoverable amount is higher than their carrying amounts.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
Cost			
At 1 January 2016	181	1,106	1,287
Additions	-	1,403	1,403
Disposals	-	(1,758)	(1,758)
At 31 December 2016/1 January 2017	**181**	**751**	**932**
Additions	**16**	**1,438**	**1,454**
Disposals	**-**	**(1,293)**	**(1,293)**
At 31 December 2017	**197**	**896**	**1,093**
Accumulated depreciation			
At 1 January 2016	152	366	518
Charge for the year	16	214	230
Disposals	-	(517)	(517)
At 31 December 2016/1 January 2017	**168**	**63**	**231**
Charge for the year	**11**	**217**	**228**
Disposals	**-**	**(212)**	**(212)**
At 31 December 2017	**179**	**68**	**247**
Carrying amounts			
At 31 December 2016	13	688	701
At 31 December 2017	**18**	**828**	**846**

4. BIOLOGICAL ASSETS

	Group	
	2017	**2016**
	RM'000	**RM'000**
Cost		
At 1 January	**1,377,427**	1,360,883
Additions	**543**	16,544
At 31 December	**1,377,970**	1,377,427

The Group has evaluated whether the underlying biological assets of certain subsidiaries are stated in excess of their recoverable amounts. The recoverable amounts of the assets are based on their estimated fair values, which are determined by a professional valuation firm by reference to the sales transactions values for similar assets as comparison and after taking into account the age and physical condition of the assets. The carrying amounts of these assets are not impaired as at year end as their recoverable amount is higher than their carrying amounts.

5. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	**2016**
	RM'000	**RM'000**
Unquoted shares, at cost	**1,622,051**	1,622,051
Less: Impairment loss	**(11,412)**	(23,534)
	1,610,639	1,598,517

5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries as at 31 December 2017 which are all incorporated in Malaysia are as follows:

Name of subsidiaries	Principal activities	Effective ownership interest (%) 2017	2016
Jeroco Plantations Sdn. Bhd.	Cultivation of oil palm and processing of fresh fruit bunches	**100**	100
Hap Seng Plantations (River Estates) Sdn. Bhd. and its subsidiaries	Cultivation of oil palm, processing of fresh fruit bunches and investment holding	**100**	100
Hap Seng Plantations (Ladang Kawa) Sdn. Bhd.	Cultivation of oil palm	**100**	100
Hap Seng Plantations (Wecan) Sdn. Bhd.	Cultivation of oil palm	**100**	100
Hap Seng Plantations (Tampilit) Sdn. Bhd.	Cultivation of oil palm	**100**	100
Hap Seng Plantations (Kota Marudu) Sdn. Bhd.#	Cultivation of oil palm	**100**	100
Pelipikan Plantation Sdn. Bhd.#	Cultivation of oil palm	**100**	100
Hap Seng Edible Oils Sdn. Bhd.	Dormant	**100**	100

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

6. INVENTORIES

	Group 2017 RM'000	Group 2016 RM'000
Consumables stores	**35,165**	29,413
Planting materials	**3,401**	3,677
Produce stocks	**28,917**	38,997
	67,483	72,087
Recognised in profit or loss:		
Inventories recognised as cost of sales	**272,704**	239,404

7. RECEIVABLES

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Trade					
Trade receivables	a	**47,461**	4,754	**-**	-
Non-trade					
Other receivables	b	**3,276**	1,502	**120**	31
Amount due from subsidiaries	b	**-**	-	**34,946**	27,139
Amount due from related companies	b	**104**	83	**-**	-
		3,380	1,585	**35,066**	27,170
		50,841	6,339	**35,066**	27,170

Note a

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

Note b

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

Included in other receivables of the Group at 31 December 2017 are balances of RM113,000 (2016: Nil) relating to a company connected to a major shareholder of the immediate holding company.

8. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with licensed banks with maturities less than 3 months	**29,318**	35,541	**-**	600
Cash and bank balances	**15,456**	3,918	**597**	372
	44,774	39,459	**597**	972

9. CAPITAL AND RESERVES

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

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

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

9. CAPITAL AND RESERVES (CONTINUED)

Share premium

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

Treasury shares

During the annual general meeting of the Company held on 24 May 2017, shareholders of the Company renewed the existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 4,000 (2016: 4,000) shares at the total cost of RM10,460 (2016: RM9,718) which were held as treasury shares. All the repurchases of shares were financed by the Company's internal funds.

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

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
At 1 January 2016	300,800	809,178	2.69
Repurchased during the year	4,000	9,718	2.43
At 31 December 2016/1 January 2017	**304,800**	**818,896**	**2.69**
Repurchased during the year	**4,000**	**10,460**	**2.62**
At 31 December 2017	**308,800**	**829,356**	**2.69**

10. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	At 1.1.2016 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31.12.2016/ 1.1.2017 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31.12.2017 RM'000
Group					
Property, plant and equipment	(115,601)	(4,124)	**(119,725)**	**(2,488)**	**(122,213)**
Biological assets	(72,162)	(62)	**(72,224)**	**(109)**	**(72,333)**
	(187,763)	(4,186)	**(191,949)**	**(2,597)**	**(194,546)**
Company					
Property, plant and equipment	(7)	5	**(2)**	**(10)**	**(12)**

Unrecognised deferred tax assets

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

	Group	
	2017 RM'000	2016 RM'000
Other temporary differences	**(25,240)**	(16,653)
Unabsorbed capital and agriculture allowances	**29,860**	19,688
Unutilised tax losses	**42,845**	39,787
	47,465	42,822

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

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

11. PAYABLES

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade					
Trade payables	a	**5,844**	8,413	**-**	-
Amount due to related companies		**15,505**	16,971	**811**	626
	b	**21,349**	25,384	**811**	626
Non-trade					
Other payables	c	**27,400**	24,437	**1,178**	1,098
Amount due to related companies		**32**	-	**-**	-
		27,432	24,437	**1,178**	1,098
		48,781	49,821	**1,989**	1,724

Note a

Included in trade payables of the Group for the previous financial year are balances of RM3,068,000 relating to a company connected to a major shareholder of the immediate holding company.

Note b

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

Note c

Included in other payables of the Group at 31 December 2017 are balances of RM537,000 (2016: Nil) relating to a company connected to a major shareholder of the immediate holding company.

12. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sales of plantation produce	**555,072**	503,427	**-**	-
Gross dividend income	**-**	-	**116,541**	74,891
	555,072	503,427	**116,541**	74,891

13. PROFIT BEFORE TAX

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax is arrived at after charging:				
Auditors' remuneration:				
- Statutory audit				
- KPMG PLT	**265**	224	**55**	45
- Other services				
- KPMG PLT	**33**	13	**15**	13
- Affiliates of KPMG PLT	**69**	61	**7**	6
Depreciation of property, plant and equipment	**37,298**	33,191	**228**	230
Equipment hiring charges	**5,009**	5,402	**-**	-
Hire of motor vehicles	**1,931**	443	**-**	-
Impairment loss on investment in subsidiaries	**-**	-	**-**	4,194
Loss on disposal of property, plant and equipment	**146**	206	**146**	25
Management fees	**3,700**	3,216	**74**	54
Personnel expenses (including key management personnel)				
- Contributions to Employees' Provident Fund	**4,946**	4,149	**258**	227
- Wages, salaries and others	**127,657**	113,197	**2,249**	1,981
Property, plant and equipment written off	**301**	156	**-**	-
Realised losses on foreign exchange	**-**	592	**-**	1
Rental expenses	**2,155**	2,139	**43**	62
Replanting expenses	**25,537**	21,690	**-**	-

13. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
and after crediting:				
Dividend income from money market deposits	**3,794**	3,182	**549**	528
Dividend income from subsidiaries				
- unquoted shares	**-**	-	**116,541**	74,891
Gain on disposal of property, plant and equipment	**1,785**	465	**-**	-
Insurance claim received	**1,070**	356	**-**	-
Interest income	**1,027**	1,253	**103**	96
Plantation management fee income	**322**	54	**-**	-
Reversal of impairment loss on investment in subsidiaries	**-**	-	**12,122**	-
Rental income from letting of shops in estates	**330**	303	**-**	-

14. KEY MANAGEMENT PERSONNEL COMPENSATIONS

The key management personnel compensations are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Directors of the Company:				
- Fees	**593**	571	**569**	547
- Remuneration	**2,989**	2,875	**1,311**	1,237
- Other short term employee benefits*	**56**	55	**-**	-
	3,638	3,501	**1,880**	1,784
Other Directors:				
- Fees	**48**	48	**-**	-
- Other emoluments	**102**	102	**-**	-
	150	150	**-**	-
	3,788	3,651	**1,880**	1,784
Other key management personnel:				
- Remuneration	**11,082**	9,835	**674**	654
- Other short term employee benefits*	**501**	455	**25**	20
	11,583	10,290	**699**	674

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

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

15. TAX EXPENSE

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Current tax expense				
- Current year provisions	**41,524**	38,987	**23**	29
- (Over)/Under provision in prior years	**(286)**	(145)	**(7)**	6
	41,238	38,842	**16**	35
Deferred tax expense				
- Origination and reversal of temporary differences	**2,850**	3,381	**1**	(6)
- (Over)/Under provision in prior years	**(253)**	805	**9**	1
	2,597	4,186	**10**	(5)
Total tax expense	**43,835**	43,028	**26**	30
Reconciliation of tax expense				
Profit before tax	**178,658**	167,146	**123,707**	67,049
Tax calculated using Malaysian tax rate of 24% (2016: 24%)	**42,878**	40,115	**29,690**	16,092
Non-deductible expenses	**1,822**	2,021	**1,349**	2,032
Non-taxable income	**(1,440)**	(764)	**(31,015)**	(18,101)
Utilisation of previously unrecognised deferred tax assets	**-**	(44)	**-**	-
Deferred tax assets not recognised during the year	**1,114**	1,040	**-**	-
	44,374	42,368	**24**	23
(Over)/Under provision of current tax expense in prior years	**(286)**	(145)	**(7)**	6
(Over)/Under provision of deferred tax expense in prior years	**(253)**	805	**9**	1
	43,835	43,028	**26**	30

16. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

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

	Group	
	2017	**2016**
Profit attributable to owners of the Company (RM'000)	**134,823**	124,118
Weighted average number of ordinary shares ('000)		
Issued ordinary shares net of treasury shares at 1 January	**799,695**	799,699
Effect of shares buyback during the year	**(1)**	(1)
Weighted average number of ordinary shares at 31 December	**799,694**	799,698
Basic earnings per ordinary share (sen)	**16.86**	15.52

17. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2017			
Second interim 2016 ordinary	**8**	**63,976**	**23 March 2017**
First interim 2017 ordinary	**5**	**39,984**	**26 September 2017**
Total amount	**13**	**103,960**	
2016			
Second interim 2015 ordinary	5	39,985	24 March 2016
First interim 2016 ordinary	3	23,991	27 September 2016
Total amount	8	63,976	

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

17. DIVIDENDS (CONTINUED)

On 27 February 2018, the Board of Directors approved a second interim dividend of 6 sen per ordinary share under the single-tier system in respect of the financial year ended 31 December 2017, amounting to a total of RM47,981,472 and was paid on 28 March 2018. 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 2018.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2017.

18. CAPITAL COMMITMENTS

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Capital expenditure commitments				
Contracted but not provided for				
Property, plant and equipment	**45,436**	37,984	**-**	-
Authorised but not contracted for				
Property, plant and equipment	**104,193**	98,603	**1,846**	1,345
Biological assets	**-**	821	**-**	-
	104,193	99,424	**1,846**	1,345
	149,629	137,408	**1,846**	1,345

19. SEGMENTAL REPORTING

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

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

Geographical area information

The following information is based on geographical location of customer:

	Group	
	2017 RM'000	**2016 RM'000**
Revenue		
Malaysia	**432,111**	360,024
Singapore	**122,961**	143,403
	555,072	503,427

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

Major customers

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

	Group	
	2017 RM'000	**2016 RM'000**
All common control companies of		
Customer A	**188,750**	149,077
Customer B	**40,188**	68,028
Customer C	**122,961**	143,403
Customer D	**136,866**	100,374

20. FINANCIAL INSTRUMENTS

20.1 Categories of financial instruments

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

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

	Group			Company		
	Carrying amount RM'000	**FVTPL – DUIR RM'000**	**L&R/ (FL) RM'000**	**Carrying amount RM'000**	**FVTPL – DUIR RM'000**	**L&R/ (FL) RM'000**
2017						
Financial assets						
Receivables	**49,505**	**-**	**49,505**	**35,052**	**-**	**35,052**
Money market deposits	**90,990**	**90,990**	**-**	**16,285**	**16,285**	**-**
Cash and cash equivalents	**44,774**	**-**	**44,774**	**597**	**-**	**597**
	185,269	**90,990**	**94,279**	**51,934**	**16,285**	**35,649**
Financial liabilities						
Payables	**(46,816)**	**-**	**(46,816)**	**(1,989)**	**-**	**(1,989)**
2016						
Financial assets						
Receivables	5,606	-	5,606	27,158	-	27,158
Money market deposits	122,136	122,136	-	15,822	15,822	-
Cash and cash equivalents	39,459	-	39,459	972	-	972
	167,201	122,136	45,065	43,952	15,822	28,130
Financial liabilities						
Payables	(49,230)	-	(49,230)	(1,724)	-	(1,724)

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Gains on:				
Loan and receivables	**1,027**	1,253	**103**	96
Fair value through profit or loss:				
- Designated upon initial recognition	**3,794**	3,182	**549**	528
	4,821	4,435	**652**	624

20.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

20.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.4 Credit risk (continued)

Receivables (continued)

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

	Group	
	2017 RM'000	**2016 RM'000**
Not past due	**47,461**	4,752
Past due more than 120 days	**-**	2
	47,461	4,754

Impairment losses

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

Inter-company advances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.5 Liquidity risk

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

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

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

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000
2017					
Group					
Non-derivative financial liabilities					
Payables	**46,816**	**-**	**46,816**	**46,816**	**-**
Company					
Non-derivative financial liabilities					
Payables	**1,989**	**-**	**1,989**	**1,989**	**-**
2016					
Group					
Non-derivative financial liabilities					
Payables	49,230	-	49,230	49,230	-
Company					
Non-derivative financial liabilities					
Payables	1,724	-	1,724	1,724	-

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.6 Market risk

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

20.6.1 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed rate instruments				
Financial assets	**29,318**	35,541	**-**	600

Interest rate risk sensitivity analysis

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

20.6.2 Currency risk

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.7 Fair value of financial instruments

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

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

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

	Fair value of financial instruments carried at fair value Level 2 RM'000	Total fair value RM'000	Carrying amount RM'000
2017			
Group			
Financial assets			
Money market deposits	**90,990**	**90,990**	**90,990**
Company			
Financial assets			
Money market deposits	**16,285**	**16,285**	**16,285**
2016			
Group			
Financial assets			
Money market deposits	122,136	122,136	122,136
Company			
Financial assets			
Money market deposits	15,822	15,822	15,822

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.7 Fair value of financial instruments (continued)

Level 2 fair value

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

Transfers between Level 1 and Level 2 fair values

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

21. CAPITAL MANAGEMENT

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

22. RELATED PARTIES

Identity of related parties

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

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

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

Significant related party transactions

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

22. RELATED PARTIES (CONTINUED)

Significant related party transactions (continued)

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Firm in which Datuk Simon Shim Kong Yip, JP, a Director of the Company, has interest: Shim Pang & Co				
Legal fee	**(70)**	(207)	**-**	-
Firm connected to Datuk Edward Lee Ming Foo, JP, a Director of the Company: Corporated International Consultants				
Project consultancy fee	**(388)**	(668)	**-**	-
Company connected to Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the immediate holding company: Lei Shing Hong Limited Group				
- Sales of used commercial vehicles	**1,169**	276	**-**	-
- Purchase of motor vehicles and spare parts	**(10,583)**	(7,048)	**-**	-
- Transportation charges	**(508)**	-	**-**	-
- Rental of commercial vehicles	**(2,116)**	-	**-**	-
Subsidiaries				
Dividend received	**-**	-	**116,541**	74,891

22. RELATED PARTIES (CONTINUED)

Significant related party transactions (continued)

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Related companies				
Car usage	**-**	(19)	**-**	-
Transportation charges	**(520)**	(1,078)	**-**	-
Rental of commercial vehicles	**(1,133)**	(443)	**-**	-
Insurance expenses	**(2,373)**	(2,275)	**(28)**	(72)
Management fees	**(3,700)**	(3,216)	**(74)**	(54)
Plantation management fee income	**322**	54	**-**	-
Purchase of building materials	**(2,129)**	(2,167)	**-**	-
Purchase of diesel, petrol and lubricant	**(18,951)**	(12,873)	**-**	-
Purchase of fertilizers and chemicals	**(39,378)**	(39,862)	**-**	-
Purchase of fresh fruit bunches	**(2,657)**	(1,040)	**-**	-
Purchase of stones and sand	**(13,453)**	(12,955)	**-**	-
Purchase of tyre and tube	**(6,940)**	(297)	**-**	-
Purchase of vehicles and spare parts	**(997)**	(2,566)	**(467)**	(293)
Rental expenses	**(355)**	(339)	**(43)**	(62)
Sales of used commercial vehicles	**8,457**	-	**-**	-

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

23. MATERIAL LITIGATIONS

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

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

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

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

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

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

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

On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB's application ["Consolidated RESB Suit"]. The Consolidated RESB Suit was part heard from 13 to 15 September, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017 and 26 to 27 February 2018. The Consolidated RESB Suit has been fixed for continued hearing from 23 to 27 April 2018.

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

23. MATERIAL LITIGATIONS (CONTINUED)

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

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

SYC is claiming for the following in the KK Suit:

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

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

The Consolidated RESB Suit was part heard from 13 to 15 September, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017 and 26 to 27 February 2018. The Consolidated RESB Suit has been fixed for continued hearing from 23 to 27 April 2018.

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

23. MATERIAL LITIGATIONS (CONTINUED)

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

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

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

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

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

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

The Company has been advised by its solicitors that the Second Suit is unlikely to succeed.

24. CONTINGENT LIABILITY - UNSECURED

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

25. SUBSEQUENT EVENT

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

(i) conditional share sale agreement with Datuk Lim Nyuk Sang @ Freddie Lim for the purchase of 779,336,900 KHB Shares, representing approximately 33.5% equity interest in KHB, for a cash consideration of RM716,989,948 or RM0.92 per KHB Share ["SSA 1"]; and

(ii) conditional share sale agreement with Santraprise Sdn. Bhd. for the purchase of 500,857,600 KHB Shares, representing approximately 21.5% equity interest in KHB, for a cash consideration of RM460,788,992 or RM0.92 per KHB Share ["SSA 2"].

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

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

The Proposed Acquisition and Proposed MGO are subject to the terms and conditions of the SSAs and the following approvals being obtained:

(i) approval of the shareholders of the Company at an extraordinary general meeting to be convened; and

(ii) any other relevant authorities or parties, if required.

The Proposed Acquisition is conditional upon, amongst others, the approval of the shareholders of the Company to undertake the Proposed MGO. However, the Proposed MGO is conditional upon the SSAs becoming unconditional.

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 65 to 117 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

Datuk Edward Lee Ming Foo, JP
Director

Au Yong Siew Fah
Director

Kuala Lumpur

13 April 2018

STATUTORY DECLARATION

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

I, **Lee Wee Yong**, the Director primarily responsible for the financial management of Hap Seng Plantations Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 65 to 117 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Lee Wee Yong MIA CA 7492, in Kuala Lumpur on 13 April 2018.

Lee Wee Yong

Before me:
KAPT (B) JASNI BIN YUSOFF
(W 465)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HAP SENG PLANTATIONS HOLDINGS BERHAD

(COMPANY NO. 769962-K) (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hap Seng Plantations Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 117.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 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 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matter

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

Valuation of Property, plant and equipment and Biological assets

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

   The key audit matter

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

Key Audit Matter (Continued)

Valuation of property, plant and equipment and biological assets (continued)

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

   The key audit matter (continued)

   During the year, two subsidiaries of the Group continued to incur losses due to low production from its oil palm plantations; hence leading to an indication of impairment on the carrying amounts of their property, plant and equipment and biological assets. The carrying amounts of the aforementioned assets as at 31 December 2017 amounted to RM112,892,000. The Directors have carried out an impairment assessment involving an external independent valuer to determine the estimated recoverable amount.

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

   How our audit addressed the key audit matter

   Our procedures included, amongst others:

   - Evaluated the qualifications, competence and objectivity of the external valuer engaged by the Group by considering the valuer's membership of a professional body, the number of years in practice and performed inquiry of the independence of the external valuer.

   - Read the valuer's reports and discussed the report with the valuer to assess the valuation methods against those applied for similar assets and industry.

   - Evaluated the sales transactions values used by the valuers by comparing them against selling prices of similar assets from external market information.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

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

13 April 2018

Kota Kinabalu

ADDITIONAL INFORMATION

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

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

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

   (ii) NON-AUDIT FEES

   The amount of non-audit fees incurred for services rendered by the external auditors and/or its affiliates to the Group for the financial year ended 31 December 2017 was RM102,000 as disclosed in Note 13 to the Financial Statements.

   (iii) MATERIAL CONTRACTS

   There were no other material contracts of the Company and its subsidiaries involving the interests of directors, chief executive who is not a director or major shareholders, subsisting as at 31 December 2017, and/or entered into since 31 December 2016.

   (iv) RECURRENT RELATED PARTY TRASACTIONS

   Pursuant to Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the recurrent related party transactions of a revenue or trading in nature which were entered into by the Company and its subsidiaries with the related parties during the financial year ended 31 December 2017 are as disclosed in Note 22 to the Financial Statements.

   The Company will be seeking new or renewed shareholders' mandate for recurrent related party transactions at the annual general meeting to be convened on 28 May 2018.

2. OTHERS

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

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

(a) The Company is to disclose the efforts taken and the status of the compliance with the Litang Estate Condition in the annual report until such time the condition is fulfilled;

(b) The Company and/or CIMB Investment Bank Berhad ["CIMB"] is/are to make quarterly announcements to Bursa Malaysia Securities Berhad until such time the condition is fulfilled; and

(c) The Company and/or CIMB is/are to update the SC when such disclosure is made in the annual report.

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

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

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

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

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

PARTICULARS OF GROUP'S PROPERTIES

Location	Area (hectares)	Description	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2017 RM'000
SABAH							
KINABATANGAN, LAHAD DATU							
Tomanggong Estate	4,890	Oil palm plantation and buildings Tomanggong Palm Oil Mill	September 2007	Leasehold 99 years/ 999 years	2067/2094/ 2894	1 - 49	1,032,374
Tabin Estate	3,055	Oil palm plantation and buildings	September 2007/ March 2016	Leasehold 99 years	2067/2076/ 2093/2096/ 2097/2098	2 - 32	
Tagas Estate	2,010	Oil palm plantation and buildings	September 2007	Leasehold 99 years	2067/2076	1 - 41	
Litang Estate	1,571	Oil palm plantation and buildings	September 2007	Leasehold 99 years/ 999 years	2076/2091/ 2887/2900	1 - 32	
Sungai Segama Estate	5,174	Oil palm plantation and buildings Plantation Central Office and Clubhouse	September 2007	Leasehold 99 years	2089	1 - 22	
Bukit Mas Estate	4,733	Oil palm plantation and buildings Bukit Mas Palm Oil Mill	September 2007	Leasehold 99 years/ 999 years	2089/2887	2 - 22	
Wecan Estate	1,078	Oil palm plantation	September 2007	Leasehold 99 years	2084	-	48,954
Tampilit Estate	202	Oil palm plantation	September 2007	Leasehold 99 years	2084	-	8,889

Location	Area (hectares)	Description	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2017 RM'000
SABAH							
KINABATANGAN, LAHAD DATU (Continued)							
Batangan Estate	3,633	Oil palm plantation and buildings	September 2007	Leasehold 99 years	2078	2 - 35	
Lutong Estate	2,448	Oil palm plantation and buildings	September 2007	Leasehold 99 years	2078/2098/ 2099	2 - 26	
Lokan Estate	3,155	Oil palm plantation and buildings	September 2007	Leasehold 99 years	2078	2 - 21	691,243
Kapis Estate	2,681	Oil palm plantation and buildings Jeroco Palm Oil Mill I and II	September 2007	Leasehold 99 years	2078	1 - 31	
Lungmanis Estate	2,200	Oil palm plantation and buildings	September 2007	Leasehold 99 years	2078	2 - 20	
TAWAU							
Apas Claremont Estate	552	Oil palm plantation and buildings	September 2007	Leasehold 99 years	2058/2061/ 2064	3 - 35	
Muul Hill Estate	724	Oil palm plantation and buildings	September 2007	Leasehold 99 years	2062/2063/ 2065/2068/ 2071/2072/ 2073	35	59,001
KOTA MARUDU							
Pelipikan Estate, Kg Natu	808*	Oil palm plantation and buildings	August 2008	Leasehold 99 years	2101/2102	1 - 18	51,705
Pelipikan Estate, Kg Natu	1,365	Oil palm plantation and buildings	December 2009	Leasehold 30 years	2039	5 - 13	56,447
Total	**40,279**						**1,948,613**

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

PLANTATION STATISTICS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2017	2016	2015	2014	2013
CROP PRODUCTION - TONNES					
FFB	**655,957**	662,774	709,984	727,937	704,241
PROCESSED - TONNES					
FFB - own	**640,507**	643,731	667,504	680,741	662,452
FFB - purchased	**85,006**	91,707	107,829	121,673	116,490
Palm Oil	**150,695**	154,682	170,546	172,980	166,202
Palm Kernel	**35,183**	35,872	38,087	38,778	36,554
EXTRACTION RATE - %					
Palm Oil	**20.77**	21.03	22.00	21.56	21.34
Palm Kernel	**4.85**	4.88	4.91	4.83	4.69
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	**5,615**	5,626	5,599	4,089	2,525
> 7 years to 17 years	**6,839**	7,246	8,480	10,122	10,981
> 17 years onwards	**19,569**	19,502	18,361	17,162	17,164
Total mature area	**32,023**	**32,374**	**32,440**	**31,373**	**30,670**
AVERAGE YIELD - TONNES/ HECTARE					
FFB yield per mature hectare	**20.48**	20.47	21.89	23.20	22.96
Oil per mature hectare	**4.25**	4.31	4.81	5.00	4.90
AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE					
FFB	**536**	521	433	491	470
Palm Oil	**2,885**	2,643	2,168	2,386	2,343
Palm Kernel	**2,560**	2,564	1,600	1,654	1,288
TAXES APPLICABLE TO PLANTATION INDUSTRY RM'000					
MPOB cess	**1,962**	2,011	2,217	2,249	2,161
Sabah sales tax	**32,609**	29,466	26,216	30,240	28,391
Windfall tax	**329**	161	-	-	-
Total taxes paid	**34,900**	**31,638**	**28,433**	**32,489**	**30,552**

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2017

	River Estates Group	Jeroco	*HSP (Kota Marudu)	Pelipikan Plantation	Total Group
Oil Palm					
Mature	19,804	10,731	585	903	32,023
Immature	1,943	1,991	-	-	3,934
Total Oil Palm	21,747	12,722	585	903	35,957
Other crops	60	86	-	-	146
Total planted area	21,807	12,808	585	903	36,103
Reserves	603	312	81	330	1,326
Buildings, roads etc	1,579	997	142	132	2,850
Grand Total	**23,989**	**14,117**	**808**	**1,365**	**40,279**

Conversion Rate: 1 Hectare = 2.4710 acres

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

ANALYSIS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

Total number of issued shares	: 800,000,000 (including 308,800 treasury shares)
Class of shares	: ordinary share
Voting rights	: one vote per ordinary share
Number of shareholders	: 8,414

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Shares
1 to 99	113	1.34	2,247	#
100 to 1,000	2,634	31.30	2,006,077	0.25
1,001 to 10,000	4,488	53.34	19,428,339	2.43
10,001 to 100,000	1,045	12.42	30,497,835	3.81
100,001 to less than 5% of issued shares	130	1.55	68,892,902	8.62
5% & above of issued shares	4	0.05	678,863,800	84.89
Total	**8,414**	**100.00**	**799,691,200**	**100.00**

* *The number of 799,691,200 ordinary shares was arrived at after deducting 308,800 treasury shares held by the Company from its issued shares of 800,000,000 ordinary shares of the Company.*

\# *Negligible*

LIST OF 30 LARGEST SHAREHOLDERS

		Shareholding	%[3]
1.	Hap Seng Consolidated Berhad	424,183,300	53.04
2.	Innoprise Corporation Sdn Bhd	119,978,000	15.00
3.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	69,671,200	8.71
4.	Lembaga Tabung Haji	65,031,300	8.13
5.	Amanahraya Trustees Berhad - Amanah Saham Wawasan 2020	7,436,900	0.93
6.	Amanahraya Trustees Berhad - Amanah Saham Malaysia	6,112,000	0.76
7.	Chinchoo Investment Sdn. Berhad	5,499,900	0.69
8.	Key Development Sdn. Berhad	4,282,200	0.54
9.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	3,352,400	0.42
10.	Gan Teng Siew Realty Sdn. Berhad	3,143,066	0.39

		Shareholding	%[3]
11.	CIMB Commerce Trustee Berhad - Public Focus Select Fund	2,254,500	0.28
12.	Valuecap Sdn Bhd	1,610,700	0.20
13.	CIMB Islamic Nominees (Tempatan) Sdn Bhd - CIMB Islamic Trustee Bhd for BIMB I Dividend Fund	1,569,100	0.20
14.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	1,441,000	0.18
15.	Maybank Nominees (Tempatan) Sdn Bhd - Bank Kerjasama Rakyat (M) Berhad	1,380,000	0.17
16.	Mikdavid Sdn Bhd	1,352,000	0.17
17.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	1,284,500	0.16
18.	Amanahraya Trustees Berhad - Public Islamic Treasures Growth Fund	1,061,700	0.13
19.	Gemas Bahru Estates Sdn. Bhd.	810,000	0.10
20.	Lee Chee Hai	720,000	0.09
21.	Teuh Chin Yap	663,000	0.08
22.	Cheong Meng Soon @ Chong Sai Yan	655,000	0.08
23.	Tan Bee Guat	601,300	0.08
24.	Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	590,000	0.07
25.	Lee Chee Hai	580,300	0.07
26.	Cheah Yaw Song	572,000	0.07
27.	Lee Tze Liang	560,000	0.07
28.	Chinchoo Investment Sdn. Berhad	500,000	0.06
29.	Gan Kai San	500,000	0.06
30.	RHB Capital Nominees (Tempatan) Sdn Bhd - Bien Chin Hwa	500,000	0.06
Total		**727,895,366**	**90.99**

SUBSTANTIAL SHAREHOLDERS

	Shareholding			
	Direct	%[3]	Indirect	%[3]
Hap Seng Consolidated Berhad	424,183,300	53.04	-	-
Innoprise Corporation Sdn Bhd	119,978,000	15.00	-	-
Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	69,671,200	8.71	-	-
Lembaga Tabung Haji	65,031,300	8.13	-	-
Gek Poh (Holdings) Sdn Bhd	-	-	424,183,300[1]	53.04
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	424,183,300[2]	53.04

Notes:

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

(2) *Deemed interest by virtue of his substantial interest in Gek Poh (Holdings) Sdn Bhd pursuant to section 8 of the Act.*

(3) *For the purpose of computing the percentage of shareholding above, the number of ordinary shares used was 799,691,200 which was arrived at after deducting 308,800 treasury shares held by the Company from its issued shares of 800,000,000 ordinary shares.*

DIRECTORS' SHAREHOLDINGS

AS AT 30 MARCH 2018

Company	Direct Shareholding No. of Shares	Direct Shareholding %(1)	Indirect Shareholding No. of Shares	Indirect Shareholding %(1)
Hap Seng Plantations Holdings Berhad (HSP)				
Datuk Simon Shim Kong Yip, JP	180,000	0.023	-	-
Cheah Yee Leng	31,200	0.004	-	-
Au Yong Siew Fah	168,000	0.021	-	-
Tan Sri Abdul Hamid Egoh	110,000	0.014	-	-
Dato' Jorgen Bornhoft	10,000	0.001	-	-
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	590,000	0.074	-	-
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	1,000	#	-	-

Related Corporation	No. of Shares	%(2)	No. of Shares	%(2)
Hap Seng Consolidated Berhad (HSCB)				
Dato' Jorgen Bornhoft	5,000	#	-	-
Au Yong Siew Fah	291,600	0.012	-	-

Notes:

(1) *For the purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,691,200 which was arrived at after deducting 308,800 treasury shares held by HSP from its issued shares of 800,000,000 ordinary shares.*

(2) *For purpose of computing the percentage of HSCB shareholding above, the number of ordinary shares used was 2,489,675,583 which was arrived at after deducting 6,000 treasury shares held by HSCB from its issued shares of 2,489,681,583 ordinary shares.*

\# *Negligible*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 11th 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, 28 May 2018 at 2pm to transact the following:-

AGENDA

ORDINARY BUSINESS

1. To table the audited financial statements for the financial year ended 31 December 2017 together with the reports of directors and auditors. Note 1

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

2. To re-elect the following directors who shall retire by rotation in accordance with article 112 of the Company's articles of association and being eligible, have offered themselves for re-election:- Notes 2 & 4

   (a) Tan Sri Ahmad Bin Mohd Don — **Ordinary Resolution 1**

   (b) Ms. Cheah Yee Leng — **Ordinary Resolution 2**

   (c) Mr. Au Yong Siew Fah — **Ordinary Resolution 3**

3. To re-elect the following directors who shall retire in accordance with article 118 of the Company's articles of association and being eligible, has offered themselves for re-election:- Notes 3 & 4

   (a) Mr. Chong Kwea Seng — **Ordinary Resolution 4**

   (b) Mr. Choy Khai Choon — **Ordinary Resolution 5**

4. To approve the payment of directors' fees of the Company and its subsidiaries amounting to RM641,096.00 for the financial year ended 31 December 2017. Note 5 — **Ordinary Resolution 6**

5. To reappoint Messrs KPMG PLT as auditors of the Company to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the directors of the Company. Note 6 — **Ordinary Resolution 7**

SPECIAL BUSINESS

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

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

   "That subject always to the approvals of the relevant authorities, the directors of the Company be and are hereby empowered pursuant to section 75 of the Companies Act 2016 to allot shares in the Company at any time upon such terms and conditions, and for such purposes as the directors of the Company may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." Note 7 **Ordinary Resolution 8**

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

   "Subject to the passing of Ordinary Resolution 1, that pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, Tan Sri Ahmad Bin Mohd Don who has served the Board as an independent non-executive chairman of the Company for a cumulative term of more than 9 years be and is hereby authorised to continue in office as the independent non-executive chairman of the Company until the conclusion of the next annual general meeting." Note 8 **Ordinary Resolution 9**

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

   "That pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, Dato' Jorgen Bornhoft who has served the Board as an independent non-executive director of the Company for a cumulative term of more than 9 years be and is hereby authorised to continue in office as an independent non-executive director of the Company until the conclusion of the next annual general meeting." Note 8 **Ordinary Resolution 10**

9. **Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature**

   "That subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Part A, section 2.2 of the Circular/Statement to shareholders dated 30 April 2018, provided such transactions are necessary for the day-to-day operations of the Company and/or its subsidiaries and are carried out in the ordinary course of business, at arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

That such approval shall continue to be in force until:-

(a) the conclusion of the next annual general meeting of the Company, at which time the said authority shall lapse, unless renewed by a resolution passed at the annual general meeting; or

(b) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to section 340(4) of the Companies Act 2016); or

(c) revoked or varied by a resolution passed by the shareholders in a general meeting of the Company,

whichever is the earlier;

and that the directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the proposed renewal of and new shareholders' mandate." Note 9 **Ordinary Resolution 11**

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

"That subject always to section 127 of the Companies Act 2016, the Company's articles of association, Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and the approvals of all relevant governmental and/or regulatory authorities, the directors of the Company be and are hereby authorised to purchase ordinary shares in the Company through Bursa Malaysia Securities Berhad, provided that:-

(a) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed 10% of the total number of issued shares of the Company;

(b) the maximum funds allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, based on the Company's audited financial statements for the financial year ended 31 December 2017; and

(c) the authority conferred by this resolution shall continue to be in force until:-

(1) the conclusion of the next annual general meeting of the Company, at which time the said authority shall lapse, unless is renewed by the passing of a resolution at that meeting, either unconditionally or subject to conditions; or
(2) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to section 340(4) of the Companies Act 2016); or
(3) revoked or varied by a resolution passed by the shareholders in a general meeting of the Company,

whichever occurs first;

and that the directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:-

(i) cancel all the shares so purchased; and/or
(ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Malaysia Securities Berhad; and/or
(iii) retain part thereof as treasury shares and cancel the remainder; and/or
(iv) in any other manner as prescribed by the Companies Act 2016, rules, regulations and orders made pursuant to the Companies Act 2016 and the requirements of the Bursa Malaysia Securities Berhad and any other relevant authority for the time being in force,

and further that the directors of the Company be and are hereby authorised to take all such steps as are necessary and/or enter into any and all agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares." Note 10

Ordinary Resolution 12

11. **Proposed adoption of new constitution of the Company (Proposed Adoption)**

"That the Company's existing memorandum and articles of association be deleted in its entirety and that the new constitution as set out in Part C of the Circular/Statement to shareholder dated 30 April 2018 be and is hereby adopted as the new constitution of the Company,

and that the directors of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Adoption with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities to give effect to the Proposed Adoption." Note 11

Special Resolution

By order of the Board

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

Kuala Lumpur
30 April 2018

Explanatory notes to the Agenda:-

1. *Pursuant to section 340(1) and (2) of the Companies Act 2016 (Act), the directors shall lay before the Company at its annual general meeting (AGM) its audited financial statements made up to a date not more than 6 months before the date of the AGM. This agenda 1 is meant for discussion only and will not be put forward for voting.*

2. *Pursuant to article 112 of the Company's articles of association, at least one-third of the directors of the Company for the time being shall retire from office at every AGM and be eligible for re-election.*

3. *Pursuant to article 118 of the Company's articles of association and paragraph 7.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), any director so appointed, either to fill a casual vacancy or as an addition to the board of directors, shall hold office until the next AGM of the Company, and shall then be eligible for re-election.*

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

5. *Pursuant to section 230(1) of the Act, the Company shall at every AGM approve the fees of the directors of the Company and its subsidiaries.*

6. *Pursuant to section 271(4) and section 273(b) of the Act, the Company shall at every AGM appoint its auditors who shall hold office until the conclusion of the next AGM.*

7. *The proposed ordinary resolution 8 is a renewal of the general mandate (General Mandate) for the authority to allot shares pursuant to section 75 of the Act. This proposed ordinary resolution 8, if passed, will empower the directors of the Company to allot ordinary shares in the Company up to 10% of the total number of issued shares of the Company for the time being, subject to compliance with all other regulatory requirements and this General Mandate will enable the Company to finance investment projects, working capital and/or acquisitions by issuing new shares as and when the need arises without delay or incurring costs in convening a separate general meeting. This General Mandate, unless revoked or varied at an earlier general meeting, will expire at the conclusion of the next AGM of the Company.*

   As at the date of this notice of AGM, the Company has not issued any new shares pursuant to the mandate granted by the shareholders at the last AGM held on 24 May 2017, which the mandate shall lapse at the conclusion of this AGM.

8. *Despite having served as an independent non-executive chairman/director for more than 9 years, the Board, upon the assessment and recommendation of the Nominating Committee, is of the opinion that Tan Sri Ahmad Bin Mohd Don and Dato' Jorgen Bornhoft continue to advocate professional views without fear or favour and are capable of acting objectively in the best interests of the Company, as well as have demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements.*

9. *The proposed ordinary resolution 11 is to enable the Company and its subsidiaries to enter into recurrent related party transactions (RRPT) which are necessary for day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not detrimental to the minority shareholders of the Company. This would also eliminate the need to make regular announcements to Bursa Malaysia Securities Berhad or convene separate general meetings from time to time to seek shareholders' approval as and when RRPT arise, thereby reducing substantial administrative time and expenses in convening such meetings.*

   Further information on the said RRPT is set out in Part A of the Circular/Statement to shareholders dated 30 April 2018 which is despatched together with the Company's 2017 Annual Report.

10. *The proposed ordinary resolution 12, if approved, will empower the Company to purchase its own shares of up to 10% of the total number of issued shares of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of next AGM of the Company. Further information on the proposed renewal of share buy-back authority is set out in Part B of the Circular/Statement to shareholders dated 30 April 2018 which is despatched together with the Company's 2017 Annual Report.*

11. *The proposed special resolution, if passed, shall streamline the constitution of the Company to be aligned with the Act which came into force on 31 January 2017, the updated provision of the Listing Requirements, and prevailing statutory and regulatory requirements as well as to render clarity and consistency throughout. Further information on the Proposed Adoption is set out in Part C of the Circular/Statement to shareholders dated 30 April 2018 which is despatched together with the Company's 2017 Annual Report.*

Notes to the notice of AGM:-

1. *A depositor shall not be regarded as a member entitled to attend this AGM, to speak and vote thereat unless his/her name appears in the register of record of depositors as at 21 May 2018.*

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

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

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

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HAP SENG PLANTATIONS

Hap Seng Plantations Holdings Berhad (769962-K)

Creating Value Together

PROXY FORM

No. of shares	CDS Account No.

I/We ______________________________ NRIC No./Company No. ______________
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS)

Tel No. ______________ being a member/members of Hap Seng Plantations Holdings Berhad, do hereby appoint

______________________________ NRIC No./Company No. ______________
(FULL NAME OF PROXY IN BLOCK LETTERS)

of ______________________________ Tel No. ______________
(FULL ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the 11th 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, 28 May 2018 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 2017 together with the reports of directors and auditors.			
ORDINARY BUSINESS		**FOR**	**AGAINST**
2. To re-elect Tan Sri Ahmad Bin Mohd Don as director of the Company.	Ordinary Resolution 1		
3. To re-elect Ms. Cheah Yee Leng as director of the Company.	Ordinary Resolution 2		
4. To re-elect Mr. Au Yong Siew Fah as director of the Company.	Ordinary Resolution 3		
5. To re-elect Mr. Chong Kwea Seng as director of the Company.	Ordinary Resolution 4		
6. To re-elect Mr. Choy Khai Choon as director of the Company.	Ordinary Resolution 5		
7. To approve the payment of directors' fees.	Ordinary Resolution 6		
8. To reappoint Messrs KPMG PLT as auditors of the Company.	Ordinary Resolution 7		
SPECIAL BUSINESS		**FOR**	**AGAINST**
9. Authority to allot shares pursuant to section 75 of the Companies Act 2016.	Ordinary Resolution 8		
10. To approve the continuation of Tan Sri Ahmad Bin Mohd Don as the independent non-executive chairman of the Company.	Ordinary Resolution 9		
11. To approve the continuation of Dato' Jorgen Bornhoft as an independent non-executive director of the Company.	Ordinary Resolution 10		
12. To approve renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	Ordinary Resolution 11		
13. To approve renewal of share buy-back authority.	Ordinary Resolution 12		
14. To approve adoption of new constitution 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 ______________ 2018

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

Notes:-

1. *A depositor shall not be regarded as a member entitled to attend this annual general meeting (AGM), to speak and vote thereat unless his/her name appears in the register of record of depositors as at 21 May 2018.*

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

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

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Postage

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

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