



**HAP SENG
PLANTATIONS**

Creating
Value
Together



CONTENTS

CORPORATE INFORMATION

Corporate Information	01
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OUR PERFORMANCE REVIEW

Group Financial Highlights	02
Management Discussion and Analysis	04
• Market Condition	
• Management Strategies	
• 2020 Financial Review	
• Operational Performance	
• Short and Long-term Goals	
• Anticipated or Known Risks	
• Outlook for 2021	
• Acknowledgement	

HOW WE ARE GOVERNED

Board of Directors	10
Directors' Profile	11
Senior Management Team's Profile	23
Corporate Governance Overview Statement	25
Audit Committee Report	33
Nominating Committee Report	35
Remuneration Committee Report	36
Statement on Risk Management and Internal Control	37

SUSTAINABILITY STATEMENT

Strengthening Our Sustainability Practices	42
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DIRECTORS' RESPONSIBILITY STATEMENT

Directors' Responsibility Statement	64
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FINANCIAL STATEMENTS AND OTHER INFORMATION

Financial Statements	65
Additional Information	140
Particulars of Group's Properties	142
Plantation Statistics	144
Analysis of Shareholdings	146
Directors' Shareholdings	149
Notice of Annual General Meeting	150

Proxy Form

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Mohammed Bin

Haji Che Hussein

Independent Non-Executive
Chairman

Datuk Simon Shim Kong Yip, JP

Non-Independent Non-Executive
Deputy Chairman

Datuk Edward Lee Ming Foo, JP

Managing Director

Lee Wee Yong

Executive Director

Cheah Yee Leng

Executive Director

Au Yong Siew Fah

Executive Director

Datuk Amat Asri @ A.Asrie

B.Ab Kadir @ A.Kadir, JP

Independent Non-Executive
Director

Chong Kwea Seng

Independent Non-Executive
Director

Choy Khai Choon

Independent Non-Executive
Director

Tan Sri Amirsham Bin A Aziz

Independent Non-Executive
Director

Datuk Jasa @ Ismail Bin

Raoddah

Non-Independent Non-Executive
Director

Andrew John Barber

Independent Non-Executive
Director

COMPANY SECRETARIES

Cheah Yee Leng (LS 0009398)

SSM Practising Certificate

No. 202008000771

Lim Guan Nee (MAICSA 7009321)

SSM Practising Certificate No.

202008003410

REGISTERED OFFICE

21st Floor, Menara Hap Seng

Jalan P. Ramlee

50250 Kuala Lumpur

Tel : 603-2172 5228

Fax : 603-2172 5286

E-mail : inquiry@

hapsengplantations.com.my

Website : www.

hapsengplantations.com.my

PLACE OF INCORPORATION

Malaysia

SHARE REGISTRAR

Tricor Investor & Issuing House
Services Sdn Bhd

Registration No. 197101000970
(11324-H)

Unit 32-01, Level 32, Tower A

Vertical Business Suite

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

Tel : 603-2783 9299

Fax : 603-2783 9222

AUDITORS

KPMG PLT

(LLP0010081-LCA & AF 0758)

Chartered Accountants

Lot 3A.01, Level 3A

Plaza Shell, 29

Jalan Tunku Abdul Rahman

88000 Kota Kinabalu

Sabah

PRINCIPAL BANKER

Malayan Banking Berhad

GROUP FINANCIAL HIGHLIGHTS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2020	2019	2018	2017*	2016
INCOME (RM'000)					
Revenue	467,595	418,598	390,756	555,072	503,427
Profit before interest and tax	110,020	38,412	36,186	145,904	165,893
Profit before tax	108,400	36,559	37,151	146,931	167,146
Profit attributable to owners of the Company	90,296	31,449	29,109	109,218	124,118
FINANCIAL POSITION (RM'000)					
Assets					
Total assets	2,181,885	2,137,699	2,070,055	2,115,908	2,292,033
Net assets	1,714,826	1,652,519	1,638,434	1,669,311	2,040,139
Current assets	380,377	242,828	232,286	273,419	240,647
Liabilities					
Current liabilities	48,269	50,363	42,370	53,786	59,945
Shareholders' Equity					
Paid-up share capital	1,475,578	1,475,578	1,475,578	1,475,578	800,000
Shareholders' equity	1,714,826	1,652,519	1,638,434	1,669,311	2,040,139
Number of shares					
- Weighted average shares in issue net of treasury shares ('000)	799,685	799,686	799,690	799,694	799,698
- Shares in issue net of treasury shares ('000)	799,685	799,685	799,687	799,691	799,695
SHARE INFORMATION					
Per share					
Basic earnings (sen) [#]	11.29	3.93	3.64	13.66	15.52
Net assets (RM) [@]	2.14	2.07	2.05	2.09	2.55
Dividend (sen)	7.00	2.50	2.50	11.00	11.00
Share price					
- Year High (RM)	2.12	2.14	2.63	2.73	2.54
- Year Low (RM)	1.25	1.40	1.61	2.45	2.23
- As at 31 December (RM)	1.80	2.13	1.64	2.55	2.52
Market capitalisation (RM'000)	1,439,433	1,703,329	1,311,487	2,039,212	2,015,232
Trading volume ('000)	40,517	11,822	9,358	30,409	21,826
FINANCIAL RATIOS					
Return on total assets (%)	4.14	1.47	1.41	5.16	5.42
Return on shareholders' equity (%)	5.27	1.90	1.78	6.54	6.08
Current ratio (times)	7.88	4.82	5.48	5.08	4.01

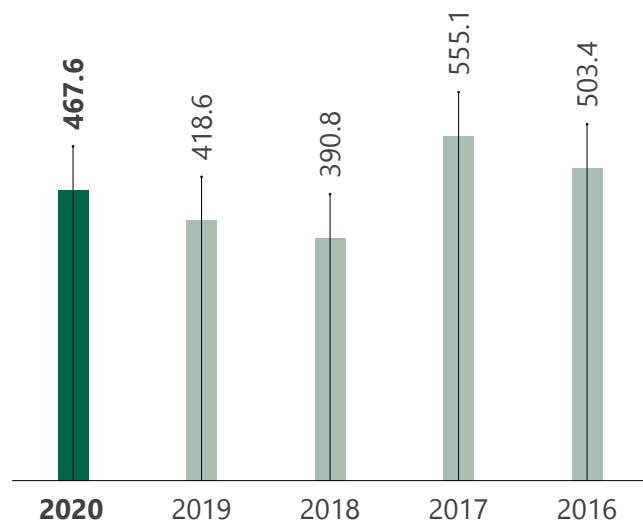
* The figures for financial year ended 31 December 2017 have been restated to reflect the application of the Malaysian Financial Reporting Standards framework

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

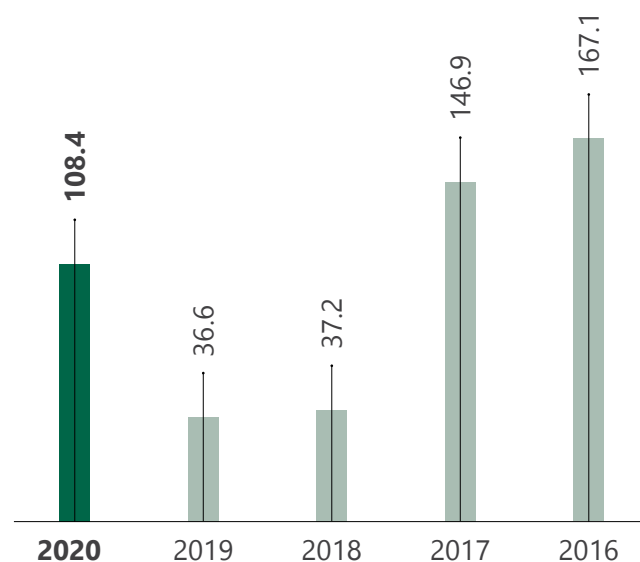
@ Based on number of shares in issue net of treasury shares ('000)

GROUP FINANCIAL HIGHLIGHTS

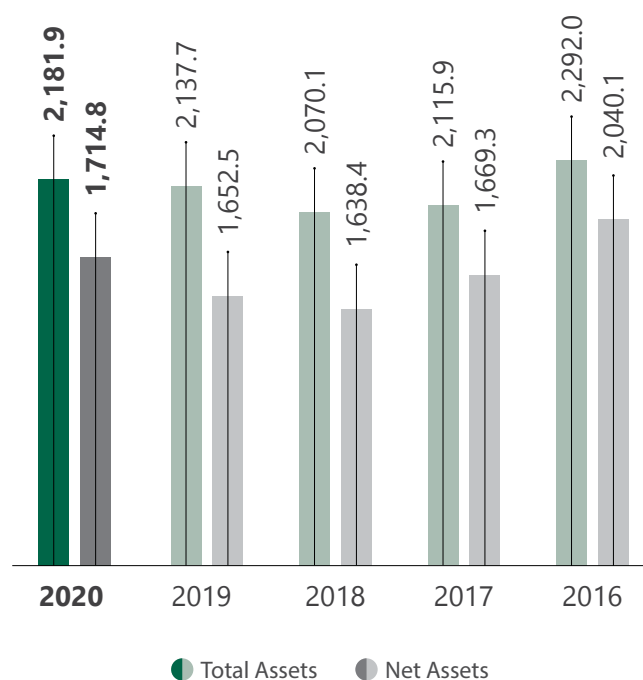
REVENUE
(RM'million)



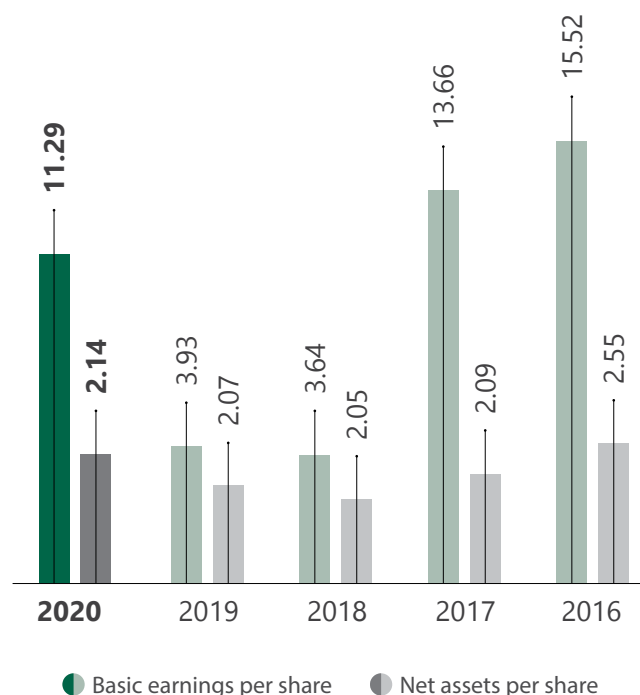
PROFIT BEFORE TAX
(RM'million)



TOTAL ASSETS/NET ASSETS
(RM'million)



**BASIC EARNINGS PER SHARE/
NET ASSETS PER SHARE**
(sen)/(RM)



MANAGEMENT DISCUSSION AND ANALYSIS

THE GROUP IS AN OIL PALM PLANTATION COMPANY LISTED ON BURSA MALAYSIA. THE GROUP IS ONE OF THE LARGEST PRODUCERS OF SUSTAINABLE PALM OIL IN SABAH WITH A LANDBANK OF 39,727 HECTARES ACROSS FIVE ESTATES.



Revenue
RM467.6
million



Operating Profit
RM110.9
million

These estates are the Jeroco Group of Estates (JGOE), Tomanggong Group of Estates (TMGOE), Sungai Segama Group of Estates (SSGOE), Ladang Kawa Estate, Pelipikan and Kota Marudu Estates, with JGOE, TMGOE and SSGOE being contiguous to each other in Lahad Datu. The Group also owns and operates four Roundtable on Sustainable Palm Oil (RSPO) certified palm oil mills.

MARKET CONDITION

In 2020, the Malaysian palm oil industry was disrupted by the COVID-19 pandemic. The various movement restrictions during the year hampered the supply of workforce and the harvesting and processing activities, which resulted in lower palm oil production.

Consequently, Malaysian palm oil production fell by 3.6% to 19.14 million tonnes (2019: 19.86 million tonnes). Total palm oil exports declined by 5.8% to 17.40 million tonnes (2019: 18.47 million tonnes), partly due to the lower palm oil production.



The 2nd half of 2020 saw a recovery in crude palm oil (CPO) prices due to stronger demand from key markets and the strengthening of competing vegetable oil prices against a backdrop of lower palm oil production. CPO price closed out the year at an average of RM2,685 per tonne (2019: RM2,079 per tonne). The Sabah average CPO price was RM2,671 per tonne (2019: RM2,094 per tonne).

MANAGEMENT STRATEGIES

Vision

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

Key Market

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

MANAGEMENT DISCUSSION AND ANALYSIS



Strategies in Creating Value

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

Benefits of certification amongst others are as follow:

- Better access to international markets
- Price premium for certified sustainable palm oil (CSPO)
- Reduced emission of greenhouse gases through methane capture in effluent treatment plant
- Improved compliance with regulatory requirements

2020 FINANCIAL REVIEW

The Group's financial performance for the year improved over the preceding year in tandem with the CPO price recovery in 2020. The Group's revenue for the financial year under review was RM467.6 million, 11.7% higher than the previous financial year of RM418.6 million.

Operating profit increased by 181.9% over the previous financial year to RM110.9 million (2019: RM39.4 million). This included the gain from the disposal of plantation land of RM12.9 million. Consequently, the earnings per share attributable to the shareholders was 187.3% higher at 11.29 sen (2019 : 3.93 sen).

The Group recorded an average realised price of CPO and Palm Kernel (PK) of RM2,788 per tonne (2019: RM2,143 per tonne) and RM1,681 per tonne (2019: RM1,311 per tonne) respectively during the year, which was higher than the Sabah average of RM2,671 per tonne and RM1,438 per tonne respectively.

CPO production cost (excluding amortisation of bearer plants and surplus on fair value; and after taking into account PK credits) for the financial year was approximately 13.5% higher at RM1,682 per tonne (2019: RM1,482 per tonne) mainly due to lower CPO production.

Dividend Policy

The Group has a dividend policy of distributing approximately 60% of the total Group's profit for the year to shareholders annually. The Board declared a total dividend of 7.0 sen per share for FY2020 (2019: 2.5 sen) representing a pay-out ratio of approximately 62%.

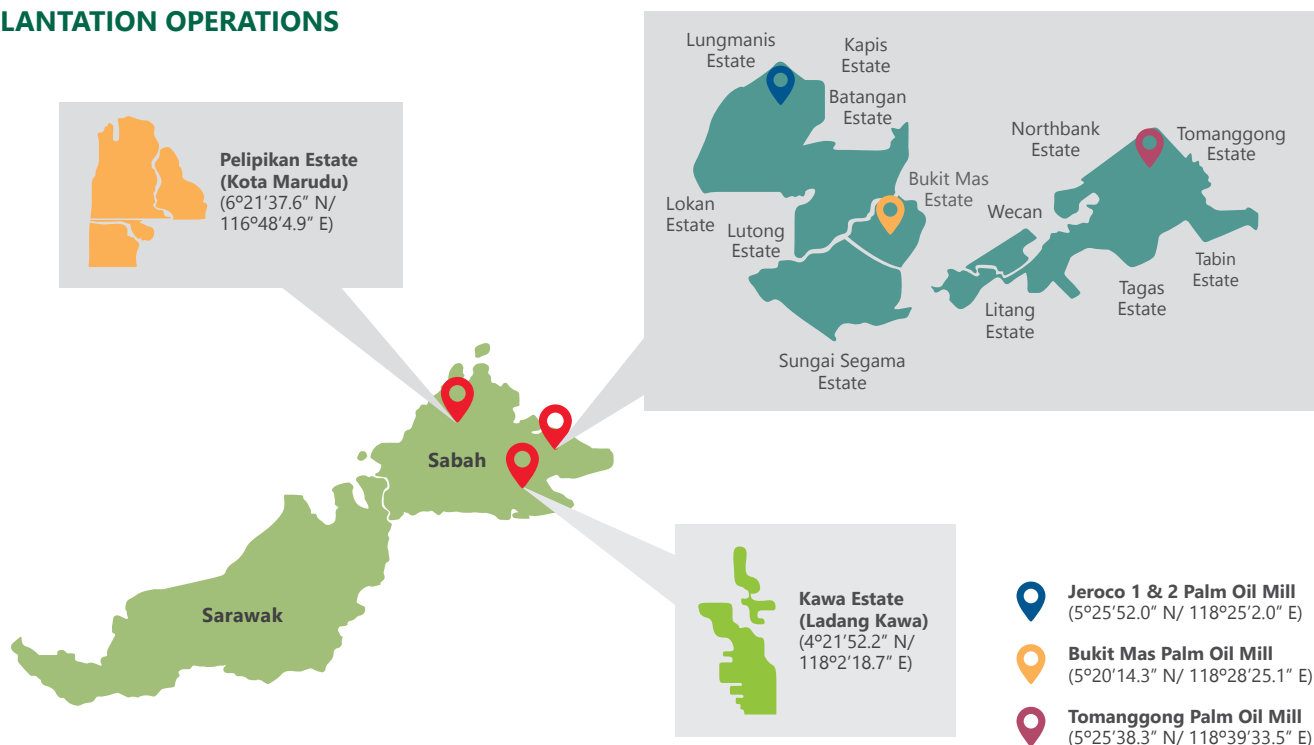
OPERATIONAL PERFORMANCE

Planting Operations

As at 31 December 2020, the Group had a total planted area of 35,434 hectares (2019: 35,957 hectares) out of a total area of 39,727 hectares. The reduction in total hectareage was due to the sale of plantation land. Of the total planted area, approximately 91% or 32,286 hectares (2019: 32,458 hectares) were mature areas, with an average age of 15.9 years (2019: 15.8 years).

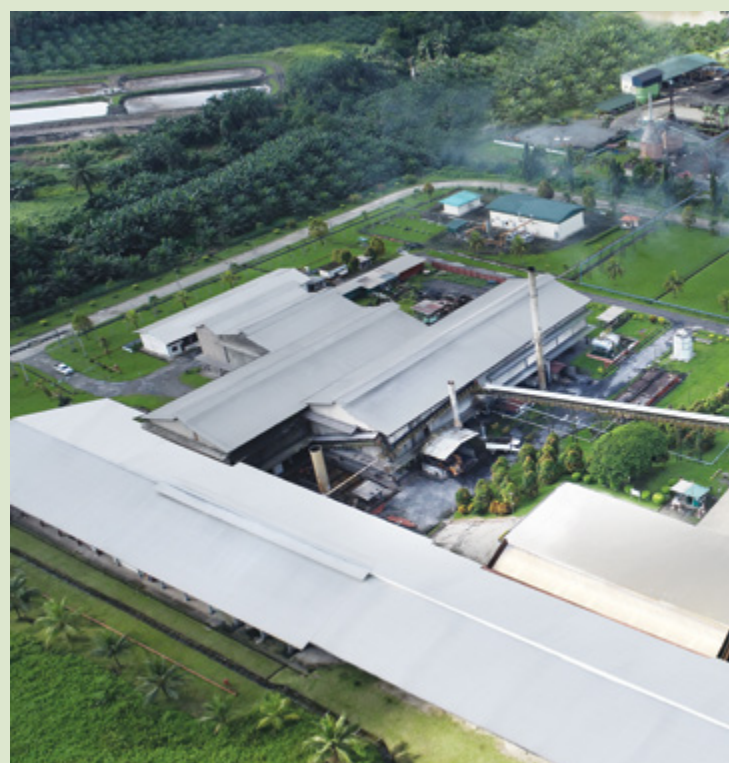
MANAGEMENT DISCUSSION AND ANALYSIS

PLANTATION OPERATIONS



	Hectares
Immature	3,148
30 months to 7 years	5,040
> 7 years to 17 years	10,196
> 17 years	17,050
Total planted – oil palm	35,434
Immature – other crops	146
Total planted area	35,580
Reserve plantable	113
Building, road, reserves, etc	4,034
Total Area	39,727

For FY2020, the Group had 3,148 hectares of immature of oil palm out of which 982 hectares are expected to mature in 2021. The Group replanted 1,061 hectares during the 2020 financial year.



MANAGEMENT DISCUSSION AND ANALYSIS

Area Statement of the Group as of 31 December 2020 was as follows:

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of Mature area
JGOE⁽ⁱ⁾	14,117	*12,808	11,863	92.6%
TMGOE⁽ⁱⁱ⁾	12,806	**11,863	11,009	92.8%
SSGOE⁽ⁱⁱⁱ⁾	9,907	8,743	7,248	82.9%
Ladang Kawa	724	678	678	100.0%
Pelipikan	1,365	903	903	100.0%
Kota Marudu	***808	585	585	100.0%
Total	39,727	35,580	32,286	90.7%

(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 are currently under application



Milling Operations

The Group's milling operations are undertaken by four mills with a combined milling capacity of 180 Fresh Fruit Bunch (FFB) tonnes per hour. The Group's mills, which include Jeroco Palm Oil Mill 1, Jeroco Palm Oil Mill 2, Tomanggong Palm Oil Mill and Bukit Mas Palm Oil Mill, recorded an average utilisation rate of 67.0% in 2020 (2019: 69.2%).

MANAGEMENT DISCUSSION AND ANALYSIS



Sustainability and Food Safety Certification

The Group strives to ensure FFB used in its production, whether sourced internally or externally, are certified to be sustainable. To this end, the Group has reviewed the targets to ensure all its FFB achieve RSPO certification by 2022.

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

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

As at the end of 2020, seven out of the 11 independent local outgrowers and smallholders (64%) participated in obtaining the RSPO and MSPO certification. Three independent local outgrowers and smallholders have obtained both RSPO and MSPO certification in the period of 31 December 2019 to 16 March 2020 while another one independent local outgrower achieved MSPO Certification as at December 2020.

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

SHORT & LONG-TERM GOALS

The various certifications obtained on RSPO, HACCP, MSPO, ISCC EU, HALAL and MeSTI are a testament to the Group's commitment to be a responsive sustainable palm oil producer in compliance with global sustainability standards for agriculture production and to enhance the market accessibility with good quality or specification of palm oil produced that meet the market requirement.

ANTICIPATED OR KNOWN RISKS

The Group is expected to face pressure from the rising cost of production and labour shortage. To mitigate these, reviews has been carried out regularly on feasibility to mechanize certain works with a view of reducing cost and labour dependency. In the meantime, Plantation Management reviews workers' wages quarterly to ensure that they are paid at a competitive market rate to improve the workers' retention rate. The Group has so far been able to attract workers to work in the Group because of its investments in amenities such as conducive modern living quarters, Humana schools, clinics, childcare centres and recreational facilities.

The safety, health and wellbeing of all employees have always been of utmost importance to the Group, especially during this COVID-19 era. The Group has carried out swab tests for all workers, continuously providing necessary PPE, tightening movement control and setting up temporary quarantine centre in accordance with the MOH guideline.



MANAGEMENT DISCUSSION AND ANALYSIS



OUTLOOK FOR 2021

The Group's prospect mostly depends on the domestic and global macroeconomic factors which affect the palm oil market, weather conditions in oil seeds producing, government policy on biodiesel and the seasonal cropping pattern of FFB.

Palm oil production has yet to recover in the 1st Quarter 2021 primarily due to heavy rain and flooding particularly in Sabah which affected harvesting and processing activities. The re-imposition of the Movement Control Order (MCO) in mid-January has impacted production. However, palm oil production in Malaysia is expected to recover by the 2nd half of 2021.

Malaysian palm oil production is expected to reach close to 20 million tonnes in 2021. Coupled with the recent change in export tax structure in Indonesia, which will likely shift demand for CPO from Indonesia to Malaysia, this is likely to augur well for export of Malaysian palm oil.



ACKNOWLEDGMENT

The Company would like to express its gratitude and thanks to its Board of Directors and shareholders for their guidance and support.

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

BOARD OF DIRECTORS



1 CHEAH YEE LENG
Executive Director

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

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

4 DATUK EDWARD LEE MING FOO, JP
Managing Director

5 LEE WEE YONG
Executive Director

Sitting from left to right

6 CHONG KWEA SENG
*Independent Non-Executive
Director*

7 ANDREW JOHN BARBER
*Independent Non-Executive
Director*

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

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

Standing from left to right

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

11 AU YONG SIEW FAH
Executive Director

12 CHOY KHAI CHOON
*Independent Non-Executive
Director*

DIRECTORS' PROFILE



Dato' Mohammed Bin Haji Che Hussein, male, a Malaysian, aged 70, is an independent non-executive chairman of Hap Seng Plantations Holdings Berhad and was appointed to this position on 31 May 2019. He is also a member of the Audit Committee, Remuneration Committee and Nominating Committee.

Dato' Mohammed Hussein is also the independent non-executive chairman of Gamuda Berhad, Syarikat Takaful Malaysia Keluarga Berhad and Credit Guarantee Corporation Malaysia Berhad as well as an independent non-executive director of Bank of America Malaysia Berhad. In addition, he is also the chairman of Corporate Debt Restructuring Committee (CDRC) sponsored by Bank Negara Malaysia to facilitate the resolution and restructuring of major corporate debts and a Fellow of the Asian Institute of Chartered Bankers.

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

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

Dato' Mohammed Hussein does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2020.

He attended all the 5 board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE



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

Datuk Simon Shim Kong Yip, JP, male, a Malaysian, aged 64, is a non-independent non-executive deputy chairman of Hap Seng Plantations Holdings Berhad. He was first appointed as a non-independent non-executive director on 9 August 2007 and became the deputy chairman on 23 February 2015. He is also a member of the Nominating Committee and Remuneration Committee.

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

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

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

Datuk Simon Shim does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interest with the Company save for the related party transactions disclosed in Note 23 to the Financial Statements. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2020.

He attended all 5 board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE



DATUK EDWARD LEE MING FOO, JP

Managing Director

Datuk Edward Lee Ming Foo, JP, male, a Malaysian, aged 66, is the managing director of Hap Seng Plantations Holdings Berhad. He was first appointed to the board on 15 May 2007 as an executive director and assumed the current position since 18 September 2007.

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

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

Datuk Edward Lee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company save for the related party transactions disclosed in Note 23 to the Financial Statements. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2020.

He attended all the 5 board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE



Lee Wee Yong, a Malaysian, male, aged 73, 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 2020.

He attended all 5 board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE



Cheah Yee Leng, female, a Malaysian, aged 52, 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 2020.

She attended all the 5 board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE



AU YONG SIEW FAH

Executive Director

Au Yong Siew Fah, male, a Malaysian, aged 70, 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 51 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 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 2020.

He attended all the 5 board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE



Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP, male, a Malaysian, aged 71, is an independent non-executive director of Hap Seng Plantations Holdings Berhad (HSP) and was appointed to this position on 23 August 2017. Prior to this, he was a non-independent non-executive director of HSP from 1 June 2014 to 22 August 2017. He is also the chairman of the Remuneration Committee.

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

Datuk Amat Asri does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2020.

He attended 4 out of the 5 board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE



Chong Kwea Seng, male, a Malaysian, aged 66, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 1 June 2017. He is also the chairman of the Nominating Committee.

In addition, Mr. Chong is an independent non-executive director of MeGroup Ltd, a company incorporated in Singapore and listed on the Catalist of the Singapore Exchange Securities Trading Limited.

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 was an independent non-executive director of Fitters Diversified Berhad.

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 2020.

He attended all the 5 board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE



Choy Khai Choon, male, a Malaysian, aged 63, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 20 November 2017. He is also a member of the Audit Committee.

Mr. Choy is the independent non-executive chairman of Zurich Life Insurance Malaysia Berhad and Zurich General Insurance Malaysia Berhad. He is also an independent non-executive director of Malaysia Marine and Heavy Engineering Holdings Berhad, MSM Malaysia Holdings Berhad and Deutsche Bank (Malaysia) Berhad. In addition, Mr. Choy is also a board member of Asian Banking School Sdn Bhd and Bond and Sukuk Information Platform Sdn Bhd, a non-profit information platform established to provide free public access to information on bonds and sukuk issued in Malaysia, a public interest director of Federation of Investment Managers Malaysia (FIMM) as well as a member of the Labuan Financial Services Authority (Labuan FSA).

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 2020.

He attended all the 5 board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE



Tan Sri Amirsham Bin A Aziz, male, a Malaysian, aged 70, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 5 July 2019. He is also the chairman of the Audit Committee.

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

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

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

Tan Sri Amirsham does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2020.

He attended all the 5 board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE



Datuk Jasa @ Ismail Bin Rauddah, male, a Malaysian, aged 62, is a non-independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 5 July 2019.

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

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

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

Datuk Jasa does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2020.

He attended all the 5 board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE



ANDREW JOHN BARBER

Independent Non-Executive Director

Andrew John Barber, male, a British, aged 62, is an independent non-executive director of Hap Seng Plantations Holdings Berhad and was appointed to this position on 24 February 2020.

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

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

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

Mr. Barber does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2020.

He attended all the 4 board meetings held subsequent to his appointment to the Board on 24 February 2020 during the financial year ended 31 December 2020.

SENIOR MANAGEMENT TEAM'S PROFILE

1 MAK WAI MING

General Manager – Finance

Mak Wai Ming, male, a Malaysian, aged 57, 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 2020.

2 PETER LIEW CHI KIAW

General Manager – Plantation Advisory

Peter Liew Chi Kiaw, male, a Malaysian, aged 69, 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 2020.

SENIOR MANAGEMENT TEAM'S PROFILE

3 ANSELMIOUS @ ROBERT KIMON

General Manager – Processing

Anselmious @ Robert Kimon, male, a Malaysian, aged 53, 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. Anselmious 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. Anselmious holds a Bachelor of Mechanical Engineering (Hons) degree from University of Technology Malaysia.

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

Mr. Anselmious 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 2020.

4 GAN LU YEE

Financial Controller – Plantations

Gan Lu Yee, male, a Malaysian, aged 44, is the financial controller of Hap Seng Plantations Holdings Berhad (HSP) and was appointed to this position on 1 April 2011.

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

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

Mr. Gan does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2020.

5 KEE KEOW CHONG

General Manager – Agronomy

Kee Keow Chong, male, a Malaysian, aged 46, is the general manager, agronomy department of Hap Seng Plantations Holdings Berhad and was promoted to this position on 1 January 2018. Mr. Kee joined the Company in April 2014 as chief agronomist before assuming the present position.

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

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

Mr. Kee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

This corporate governance overview statement ("CG Statement") of Hap Seng Plantations Holdings Berhad ("HSP" or the "Company" and "Group" refers to HSP's group of companies) is prepared pursuant to paragraph 15.25(1) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("LRs" and "Bursa Securities"), with guidance being drawn from Practice Note 9 of LR's and the Corporate Governance Guide (3rd Edition) issued by Bursa Securities.

The CG Statement is supplemented by a corporate governance report ("CG Report") prepared in accordance with the prescribed format of paragraph 15.25(2) of the LR's. The CG Report is to provide a detailed articulation on the extent to which the Company has complied with the corporate governance practices set out in the Malaysian Code on Corporate Governance ("MCCG"). The CG Report is available on the Company's website, www.hapsengplantations.com.my as well as the website of Bursa Securities.

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

Corporate Governance Approach

The board of HSP ("Board") is committed to ensure that the Company remains strong, viable and sustainable to deliver value to both 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, the stakeholders and the Company; and
- embed sound corporate governance practices into the Company's broader responsibility to shareholders, customers and the communities in which it operates.

For this purpose, the Board strives to promote meaningful and thoughtful application of good corporate governance practices. Recognizing that improving corporate governance practices is a dynamic and evolving process, the Company will continue to enhance accountability, objectivity and transparency in its operations.

Summary of Corporate Governance Practices

During the financial year ended 31 December 2020, the Company not being a large company, has applied the practices encapsulated in MCCG ("MCCG Practices") except the following:

- Practice 4.6 (Sourcing of candidates for directorships using independent sources); and
- Practice 7.2 (Disclosure of the top five senior management's remuneration on a named basis)

In areas of non-compliance, the Company has set out explanations and alternative measures to achieve the intended outcome. Details on the Company's application of the MCCG Practices are to be found in the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 Group, including the commitment to sustainability, in the best interest of the Company.

The Board has established three board committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") (collectively the "Board Committees"), with clear terms of reference. By engaging closely and actively with the Board, the Board Committees are able to effectively assist the Board in the discharging of its oversight function.

AC	NC	RC
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 Group's overall risk management system.	The NC is responsible to recommend candidates to be appointed to the Board and Board Committees, annually evaluate performance of the Board and the Board Committees as well as to develop succession plans for directors of the Company.	The RC is to set out the Group's remuneration policy, and to make remuneration recommendations for executive directors and senior management.

The Board and Board Committees meet regularly to deliberate on matters under their respective purview. During the year, the Board has deliberated on business strategies and critical issues concerning the Group, including business plan, annual budget, financial results, risk management status report and sustainability report. Meeting attendance of Board members and members of the various Board Committees during the financial year ended 31 December 2020 is as follows:

Director	Board	AC	RC	NC
Dato' Mohammed Bin Haji Che Hussein	5/5	5/5	1/1	1/1
Datuk Simon Shim Kong Yip, JP	5/5		1/1	1/1
Datuk Edward Lee Ming Foo, JP	5/5			
Lee Wee Yong	5/5			
Cheah Yee Leng	5/5			
Au Yong Siew Fah	5/5			
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	4/5		1/1	
Chong Kwea Seng	5/5			1/1
Choy Khai Choon	5/5	5/5		
Tan Sri Amirsham Bin A Aziz ¹	5/5	4/4*		
Datuk Jasa @ Ismail Bin Rauddah	5/5			
Andrew John Barber ²	4/4*			

¹ Appointed as chairman of the AC w.e.f. 24 February 2020.

² Appointed to the Board w.e.f. 24 February 2020.

* There were 4 meetings held subsequent to his appointment.

Board/Board Committee Chairman
Member

CORPORATE GOVERNANCE OVERVIEW STATEMENT

There is a clear demarcation of responsibilities between Board and management of the Group ("Management"). While the Board directs and governs the Management, it does not unduly usurp the operational and implementation role of Management. The chairman is responsible to spearhead the Board while the managing director is responsible for the efficient and effective management and operations of the Group, 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 their members, including matters that are solely reserved for the Board's decision ("Board Charter"). The Board Charter is periodically reviewed by the Board to ensure it reflects Group's evolving needs. The Board Charter is available on the Company's website.

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

A code of conduct and whistleblowing policy has been put in place to foster an ethical culture and allow legitimate concerns to be raised in confidence without the risk of reprisal ("said Code"). The said Code is reviewed periodically by the Board and published on the Company's website.

Board Composition

The Board ensures that it has an appropriate mix of skills, experience and diversity to discharge its role and responsibilities effectively. The Board undertakes a periodic review of its composition to ensure that all skill gaps are filled and to identify areas of weakness for improvement.

The directors strive to harness their 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.



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

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

Composition of the various Board Committees is in compliance with the independence criteria outlined in both the LRs and the MCCG. There is also an appropriate cross-memberships to further promote effectiveness.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board appointments are made via a formal, rigorous and transparent process, premised on meritocracy and after taking into account the skills, experience and diversity needed on the Board in the context of the Company's strategic direction. In terms of gender diversity, the Board currently comprises one female director, namely, Ms. Cheah Yee Leng.

The Board annually undertakes an assessment of the effectiveness of both the Board and the Board Committees as well as the individual directors in a formal process. Such findings would be utilized as the bases for the Board's development needs and in making governance changes.

Remuneration

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

Audit Committee

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

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

During the year the AC held two separate independent meetings with the external auditors in the absence of the executive board members and management representatives during which the external auditors informed the AC that they had received full co-operation from the Management as well as unrestricted access to all information required for purpose of their audit and there were no special audit concerns to be highlighted to the AC.

Risk Management and Internal Control Framework

The Board is cognisant that a robust risk management and internal control framework helps the Group to achieve its value-creation targets by providing risk information to enable better formulation of the Group's strategies and decision-making. The Group's risk management and internal control framework covers not only financial controls but also operational, environmental and compliance controls as well as corporate liability as set out under Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("MACC Amendment Act 2018"). The risk management committee of the Group ("RMC") assumes the risk management responsibility, 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 RMC while the chief executive leads the risk management function of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 ("IA") which is independent of the activities. The IA provides the AC and the Board with assurance regarding the adequacy and integrity of the system of internal control. The IA adopts a risk-based approach and prepares its audit strategy and plan based on the respective risk profile of the Group. To discharge its functions independently and effectively, the IA has unfettered access to the Group's records, properties and personnel and most importantly, a direct reporting line to the AC.

The Company has undertaken a group-wide integrity program with the view to instill the value and culture of good corporate behavior among its employees. As part of the said program, the Group has implemented its anti-bribery and corruption policy ("ABC Policy") with which various adequate procedures were introduced pursuant to section 17A of the MACC Amendment Act. This ABC policy, which is available on the Company's website, is to deter and prevent acts of bribery and corruption among employees of and third parties dealing with the Group.

Communication with Stakeholders

The Board believes in apprising the Company's stakeholders of all material business events in a timely manner. In this connection, the Board ensures timely announcements of all material transactions to Bursa Securities, which are also made available on the Company's website. The Company's website contains recent announcements, past and current reports to shareholders, including summaries of key financial data as well as copies of recent notices and minutes of general meetings. While the Company endeavours to provide as much information as possible to its stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information, as well as the commercial sensitivity of certain information.

Conduct of General Meetings

At each general meeting of the Company, chairman of the Board will facilitate a robust engagement with shareholders and/or their proxies, with participation by all the directors. The Board endeavours to answer all questions relating to the Company's financial and operational performance.

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



As recommended by MCGG, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Focus Areas on Corporate Governance

Areas which gained prominence from the Board during the financial year ended 31 December 2020 are as follows:

Independence of the Board and Board Committees

During the year, Tan Sri Amirsham Bin A Aziz was appointed as chairman of the AC and Mr. Andrew John Barber was appointed to the Board as an independent non-executive director, with which half of the members of the Board were independent. The Company is therefore in compliance with Practice 4.1 of MCCG which requires 50% of its board members to be independent.

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

Annual General Meeting

As part of its commitment to adhere strictly to the social distancing rules introduced to combat the COVID-19 pandemic, the Company held its AGM on 1 July 2020 ("13th AGM") by way of a fully virtual meeting with the broadcast venue at Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur. Pursuant to clause 77 of the Company's constitution, general meetings may be held at more than one venue using any technology that enables the members to participate and to exercise the members' rights to speak and vote at the meeting.

Shareholders who participated virtually in the 13th AGM submitted their questions via the virtual meeting portal for response prior to remote voting. In accordance with paragraph 8.29A(1) of LRs, all resolutions had been carried out by poll voting, which votes were validated by GovernAce Advisory & Solutions Sdn Bhd, the appointed independent scrutineer.

Review of Board and Board Committees' Policies and Procedures

The Board reviewed its Board Charter alongside the terms of reference for each of the Board Committees. The information was up-to-date with the revised regulatory expectations as well as the expectations of stakeholders for directors to exercise greater vigilance and scepticism in understanding and shaping the direction of the Company. These authoritative documents serve to guide the governance and conduct of the Board and Board Committees.

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

Professional Development of Directors

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Training programmes attended to by the Board members during the financial year ended 31 December 2020 are outlined below:

Name	Programme Title	Date
Dato' Mohammed Bin Haji Che Hussein	Lines of Business [Fixed Income, Currencies, Commodities (FICC)]	13 January 2020
	Corporate Leadership Symposium 2020 – Board Case: How do Companies Drive and Implement Sustainability? of which Dato' Mohammed Bin Haji Che Hussein was one of the speakers	12 February 2020
	Webex	14 April 2020
	Enabling Executive & Board Meeting with Microsoft Teams	5 June 2020
	Corporate Liability for Corruption Offences: The Time Has Come, Are You Ready	12 June 2020
	Sir Howard Davies, RBS	8 July 2020
	Global Information Security (GIS)	28 July 2020
	Banking on Governance, Insuring Sustainability	4 August 2020
	Macro Updates Green Shoots	26 August 2020
	UK Inheritance Tax Planning & How to Protect Your Assets as a UK Property Investor	27 August 2020
	BNM-FIDE Forum Annual Dialogue with the Governor of Bank Negara Malaysia	3 September 2020
	Restructuring Options & Legal Updates	23 September 2020
	LA Blockchain Summit	6 & 8 October 2020
	Tony's Liability Management Course	22 October 2020
	Bursa M&A virtual program	17 November 2020
	Management of Climate-Related Risk	10 December 2020
Datuk Simon Shim Kong Yip, JP	IRB's audit on directors: Do they know more than you?	24 August 2020
	Macro Updates Green Shoots	26 August 2020
Datuk Edward Lee Ming Foo, JP	Healthcare Crisis. Global Recession. How will business change? What next for COVID-19?	13 April 2020
	Dialogue with Finance Minister of Malaysia: Fiscal Priorities and Policy Response under a COVID-19 Economic Landscape	3 June 2020
	Banking on Governance, Insuring Sustainability	4 August 2020
	Macro Updates Green Shoots	26 August 2020
	Demystifying the Future of Work	30 September 2020
Lee Wee Yong	FTSE4Good Bursa Malaysia Index	8 October 2020
	Healthcare Crisis. Global Recession. How will business change? What next for COVID-19?	13 April 2020
	Macro Updates Green Shoots	26 August 2020
	KPMG Tax and Business Summit	18 & 19 November 2020

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Name	Programme Title	Date
Cheah Yee Leng	Thematic Workshop on Corporate Liability Provision	16 July 2020
	IRB's audit on directors: Do they know more than you?	24 August 2020
	Macro Updates Green Shoots	26 August 2020
	Section 117 Capital Reduction	14 September 2020
	Companies Act 2016. Transactions by Directors	28 September 2020
	Allowed Financial Assistance to Directors and Other Parties	30 September 2020
	Demystifying the Future of Work	30 September 2020
	Technical Briefing for Company Secretaries of Listed Issuers 2020	12 October 2020
Au Yong Siew Fah	Macro Updates Green Shoots	26 August 2020
	Alfa Laval CPO Washing Plant	8 September 2020
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	Macro Updates Green Shoots	26 August 2020
Chong Kwea Seng	Macro Updates Green Shoots	26 August 2020
Choy Khai Choon	COVID-19 and Current Economic Reality: Implications for Financial Stability	14 April 2020
	COVID-19: A Wake-Up Call for Technology-Led Transformation & Leadership	4 June 2020
	Risks: A Fresh Look from the Board's Perspective	8 July 2020
	Macro Updates Green Shoots	26 August 2020
	Fraud Risk Management Workshops	4 November 2020
Tan Sri Amirsham Bin A Aziz	Virtual Board Meetings: In an Era of Social Distancing Boards	26 June 2020
	Macro Updates Green Shoots	26 August 2020
Datuk Jasa @ Ismail Bin Rauddah	Macro Updates Green Shoots	26 August 2020
Andrew John Barber	Digitize and Orchestrate your Business Continuity & Pandemic Plan	11 June 2020
	Macro Updates Green Shoots	26 August 2020
	Section 17A - Protecting you and your business with T.R.U.S.T	8 September 2020
	Fraud Risk Management Workshops	2 November 2020

AUDIT COMMITTEE REPORT

Members of the Audit Committee

**Tan Sri Amirsham
Bin A Aziz**
Independent
Non-Executive Director
Chairman
Appointed on 24 February 2020

**Dato' Mohammed Bin
Haji Che Hussein**
Independent
Non-Executive Director

Mr. Choy Khai Choon
Independent
Non-Executive Director

Terms of Reference of the Audit Committee

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 2020, five meetings were held. Details of the attendance of each member of Audit Committee are set out in the Corporate Governance Overview Statement on page 26 of this annual report.

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

Summary of Works of the Audit Committee

The works of the Audit Committee during the financial year ended 31 December 2020 are summarised below:

- Reviewed internal audit plan for the financial year to ensure adequate scope and comprehensive coverage which includes review of operational compliance with established control procedures, management efficiency, risk assessment and reliability of financial records.
- Received and reviewed a total of 14 internal audit reports presented by the internal auditors at the quarterly Audit Committee meetings covering the business processes of the Group and was 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 areas 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.

AUDIT COMMITTEE REPORT

- Reviewed the annual audited financial statements for recommendation to the Board for approval.
- Noted the key audit matters highlighted by the external auditors as disclosed in the independent auditors' report.
- The Audit Committee held two 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 were, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements as well as the By-Laws (on Professional Ethics, Conduct and Practice) of the MIA.
- Reviewed the suitability of the external auditors and was satisfied with the suitability of the external auditors, Messrs KPMG PLT in terms of the quality of audit, performance, competency and sufficiency of resources and recommended to the Board for the reappointment of Messrs KPMG PLT as the external auditors of the Company for the next financial year.
- Reviewed the Group's quarterly unaudited financial results prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 134 "Interim Financial Reporting" and chapter 9 of Main Market Listing Requirements of the Bursa Malaysia Securities Berhad prior to submission to the Board for consideration and approval where the chairman of the Audit Committee will brief the Board on the pertinent points and the recommendations of the Audit Committee.
- Reviewed and considered the disclosure of related party transactions in the financial statements and the recurrent related party transactions in circular to shareholders.
- Received and reviewed the comprehensive risk management report from the risk management committee of the Group and is satisfied with the assessment thereof.
- Reviewed and recommended to the Board the statement on risk management and internal control for approval and inclusion in the annual report.
- Reviewed the whistleblowing procedures.

Summary of Works of the Internal Audit Function

Summary of works of the internal audit function for the financial year ended 31 December 2020 is set out in the Statement on Risk Management and Internal Control on page 40 of this annual report.

NOMINATING COMMITTEE REPORT

Members of the Nominating Committee

The Nominating Committee has been set up since 7 September 2007 and its current members are as follows:

Mr. Chong Kwea Seng
Independent
Non-Executive Director
Chairman

**Dato' Mohammed Bin
Haji Che Hussein**
Independent
Non-Executive Director

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

Terms of Reference of the Nominating Committee

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.

Meeting

During the financial year ended 31 December 2020, one meeting was held and all the Nominating Committee members were present.

Summary of Activities of the Nominating Committee

During the meeting held on 24 February 2021, the member of Nominating Committee had performed activities summarised below for the financial year 2020:

- Evaluated the performance and effectiveness of Board and Board Committees collectively as well as the performance of each member on an annual basis through the self and peer-assessment and was satisfied that all members of the Board and Board Committees were suitably qualified to hold their positions in view of their respective academic and professional qualifications, skills, competencies, experiences, commitment and contribution to the Board and Board Committees.
- Evaluated the independence of each independent director taking into account both the quantitative and qualitative criteria.
- Reviewed the current size and composition of the Remuneration Committee and was satisfied that the Remuneration Committee was effective in the discharge of its function.
- Reviewed the term of office and performance of the Audit Committee and each of its members. The Nominating Committee was satisfied that the Audit Committee and its members had carried out their duties in accordance with their terms of reference.
- Noted that all directors of the Company had received appropriate continuous training programmes in order to keep abreast with developments in the relevant industry to enhance their skills in a dynamic and complex business environment and with changes in the relevant statutory and regulatory requirements.
- Reviewed and assessed the adequacy of the board charter and terms of reference of the Board Committees adopted by the Board.
- Evaluated the performance of the following executive and non-executive directors standing for re-election pursuant to clause 116 of the Company's constitution at the forthcoming AGM:

- (i) Datuk Simon Shim Kong Yip, JP;
- (ii) Datuk Edward Lee Ming Foo, JP;

- (iii) Mr Chong Kwea Seng; and
- (iv) Mr Choy Khai Choon

REMUNERATION COMMITTEE REPORT

Members of the Remuneration Committee

The Remuneration Committee has been set up since 7 September 2007 and its current members are as follows:

**Datuk Amat Asri @ A.Asrie B.Ab
Kadir @ A.Kadir, JP**

Independent
Non-Executive Director
Chairman

**Dato' Mohammed Bin
Haji Che Hussein**

Independent
Non-Executive Director

**Datuk Simon
Shim Kong Yip, JP**

Non-Independent
Non-Executive Director

Terms of Reference of the Remuneration Committee

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 2020, one meeting was held and all the Remuneration Committee members were present.

Summary of Activities of the Remuneration Committee

The activities of the Remuneration Committee during the financial year ended 31 December 2020 are summarised below:

- Reviewed the remuneration policy of the executive directors and senior management as well as the industry forecast for 2020/2021 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 one-off incentive payment to executive directors and senior management for the financial year ended 31 December 2020 and their respective proposed increments for the financial year commencing from 1 January 2021 based on the remuneration policy of the Company and industry forecast for 2020/2021.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is committed to ensure 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 2020 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 to assist the Group to achieve its performance and profitability targets.

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.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management (continued)

Responsibilities of the Group Risk Management Committee include inter-alia the following:

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

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 critical to 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 both the Audit Committee and the Board. 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.

STATEMENT ON RISK MANAGEMENT
AND INTERNAL CONTROL

Internal Control (continued)

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

- Clearly defined delegation of responsibilities to the Board Committees 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 to be approved by the 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 RM1.06 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.

STATEMENT ON RISK MANAGEMENT
AND INTERNAL CONTROL

Internal Audit Function (continued)

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 the meetings conducted by 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 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 33 to 36 in this annual report)

STATEMENT ON RISK MANAGEMENT
AND INTERNAL CONTROL

Other Risks and Control Processes (continued)

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

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

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

CONCLUSION

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2020, 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. The external auditors' report was made solely to the Board of Directors in accordance with the listing requirements of Bursa Malaysia and for no other purpose. As stated in their report, the external auditors do not assume responsibility to any other person other than the Board of Directors for the content of this report.

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

STRENGTHENING OUR SUSTAINABILITY PRACTICES



SUSTAINABILITY HAS BECOME A CRITICAL PART OF ANY SUCCESSFUL BUSINESS, ESPECIALLY WITH THE COVID-19 OUTBREAK. THE PANDEMIC HAS EXPOSED THE GLOBAL WEAKNESSES IN RISK ASSESSMENT AND CONTINGENCY PLANNING. SUSTAINABILITY HAS ALWAYS BEEN AN INTEGRAL PART OF OUR BUSINESS MATRIX AND OPERATIONAL STRATEGIES. WE WERE ONE OF THE EARLY ADOPTERS OF SUSTAINABLE PRACTICES IN SABAH. WE WILL ENDEAVOUR TO PUSH OUR FRONTIERS ON SUSTAINABILITY PERFORMANCE.

2020 was a challenging year due to the COVID-19 pandemic that negatively affected most businesses both domestically and globally. The Malaysian oil palm industry was not spared.

In 2020, we continued to implement our sustainability strategies that were set in motion since we joined the Roundtable Sustainable Palm Oil (RSPO) in 2005. This included adding value to our products by obtaining new accreditation standards while maintaining our existing national and international certifications. We continued to assist our neighbouring outgrowers and smallholders to comply with RSPO and Malaysian Sustainable Palm Oil (MSPO). Measures taken include cost management, exploring mechanization of selective works and improving the safety and health of our employees.

In our efforts to add value to our products, we have obtained the Makanan Selamat Tanggungjawab Industri (MeSTI) certification for all our mills in 2020. This is in addition to maintaining all our existing international and national certifications. These value-added certifications include the annual surveillance audit ("ASA") or the re-certification of the RSPO, MSPO, European Union International Sustainability and Carbon Certification (ISCC EU), the Hazard Analysis & Critical Control Points (HACCP) and HALAL certifications. The audit processes for these re-certifications were held either virtually or physically.

In our journey to meet our traceability target, we managed to help three out of 11 independent local outgrowers and smallholders obtained their RSPO & MSPO certifications and one independent local outgrower achieved the MSPO certification. The inclusion of RSPO certified external fruits from these independent local outgrowers and smallholders since August 2020 have certainly increased the proportion of our oil categorised as fully traceable, segregated and identity preserved. Apart from that, we continued to extend our foliar and soil sampling analysis services to our neighbouring outgrowers and smallholders. This was to help them apply the correct quantity of fertilizers on their palms so as to enable them to optimize the yields of their fresh fruit bunches (FFB).

As we continue with our sustainability agenda, we have accomplished various meaningful milestones and these achievements are reflective of the commitment and steadfast support of all our stakeholders. As always, we are truly indebted to all our stakeholders and continued to look forward in our sustainability journey together.

PERFORMANCE HIGHLIGHTS

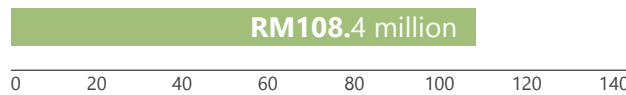


FINANCIAL

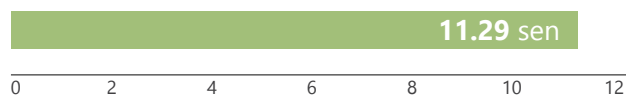
Our Revenue



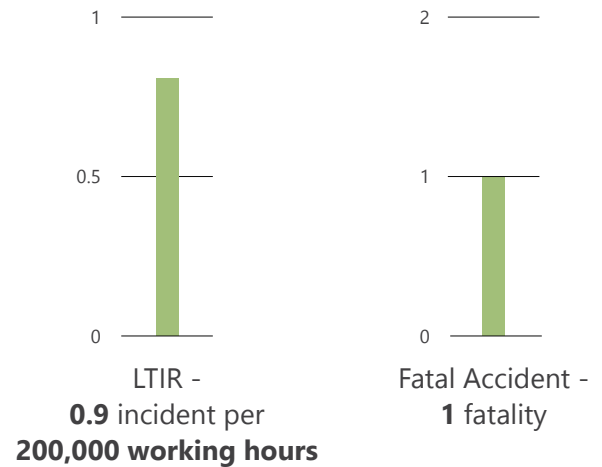
Profit Before Tax



Basic Earnings Per Share

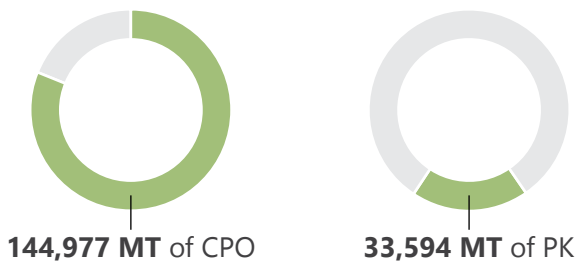


HEALTH & SAFETY



OPERATION

Total Production Volumes



SOCIAL

Best Quality CPO Supplier Award
for Group Category
from its customer
(IOI Edible Oils)

Highest Quantity CPO Supplier Award
(Individual Mill Category)
– **Tomanggong Palm Oil Mill** from its
customer (IOI Edible Oils)



ENVIRONMENT

FFB Processed ▼

72% or 505,497 MT
processed by identity preserved
mills (JPOM 1 and BPOM)

28% or 196,778 MT
processed by mass balance mills
(JPOM 2 and TPOM)

CPO Production ▼

CSPPO

72% or 103,911 MT
from identity preserved mills
(JPOM 1 and BPOM)

CPO

28% or 41,066 MT
from mass balance mills
(JPOM 2 and TPOM)

PK Production ▼

CSPK

73% or 24,571 MT
from identity preserved mills
(JPOM 1 and BPOM)

PK

27% or 9,023 MT
from mass balance mills
(JPOM 2 and TPOM)

2020 SUSTAINABILITY HIGHLIGHTS & ACHIEVEMENTS

Sustainability Achievements – Marketplace; Workplace; Community; Environment

	Achievements	2020 Data
Marketplace		
	Net profit	RM90.3 million
	Market capitalisation	RM1.439 billion
	Fresh fruit bunches production	637,131 tonnes (MT)
	Crude palm oil production	144,977 tonnes (MT)
	Palm kernel production	33,594 tonnes (MT)
	RSPO certification	Maintain 100% certification for all mills
	MSPO certification	Maintain 100% certification for all estates & mills
	MSPO SCCS certification	Maintain 100% certification for all mills
	ISCC EU certification	Maintain 100% certification for all mills
	HACCP certification	Maintain 100% certification for all mills
	MeSTI certification	Obtained certification for all mills
	Halal certification	Maintain 100% certification for all mills
Workplace		
	Total workforce	7137
	Women in workforce	2575
	Hiring rate	1.00%
	Turnover rate	1.35%
	Safety training	673 hours
	Lost time incident rate (LTIR) per 200,000 work hours	0.9
	Fatalities	1
Community		
	Community investment	Programmes & activities: RM2,248,499
	Schools – humana & rural schools	No. of humana schools: 11/RM209,225 Capacity building programmes: RM250,000
	Support independent local outgrowers and smallholders	No. of outgrowers / smallholders: 11
	CSR activities for local communities	Total cost of activities: RM1,964,274
Environment		
	GHG emissions	1.03 tonnes of CO ₂ equivalent per tonne of CPO
	HCV areas	1401.98 Ha
	Riparian buffer areas	1056.74 Ha (Distance 557,453.05m)
	Biogas facilities	3 biogas facilities (JPOM & BPOM)
	Recyclable waste	10.36 tonnes (MT)
	Water intensity	1.46 m ³ per tonne of FFB processed
	BOD discharge level	20 ppm
	COD discharge level	348 ppm

2020 SUSTAINABILITY HIGHLIGHTS & ACHIEVEMENTS

Tracking Progress on Our Commitments

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

RSPO - Roundtable on Sustainable Palm Oil
 MSPO - Malaysian Sustainable Palm Oil
 ISCC - International Sustainability & Carbon Certification
 HACCP - Hazard Analysis & Critical Control Points
 HCV - High Conservation Values
 GHG - Greenhouse Gas
 FFB - Fresh Fruit Bunch

JPOM 1 - Jeroco Palm Oil Mill 1
 JPOM 2 - Jeroco Palm Oil Mill 2
 TPOM - Tomanggong Palm Oil Mill
 BPOM - Bukit Mas Palm Oil Mill
 CPO - Crude Palm Oil
 BOD - Biological Oxygen Demand
 COD - Chemical Oxygen Demand
 PPM - Parts Per Million

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

OUR SUSTAINABILITY AGENDA - MARKETPLACE, WORKPLACE, COMMUNITY AND ENVIRONMENT



Our Sustainability Agenda – Marketplace, Workplace, Community and Environment

Sustainability continues to be a fundamental aspect of our agenda in our operations and business strategies as we strive towards making our business more sustainable and responsible. Our main focus is to continuously strengthen our policies and guidance to our sustainability commitments in all aspects of our palm businesses. Our sustainability framework is derived from the four pillars of sustainability – marketplace, workplace, community and environment.



MARKETPLACE

Responsible business and practices by staying committed to ethical business conduct, responsible agriculture practices, as well as producing safe and quality products.



WORKPLACE

Caring for our people by focusing on uplifting the safety and health, work environment as well as family welfare of our employees.



COMMUNITY

Promoting community advancement by building a mutually beneficial relationship that support the enrichment of the local communities through the provision of a convenient means of transport, business & employment opportunities as well as access to a better quality of life.



ENVIRONMENT

Practise environmental stewardship by focusing on forest preservation and conservation with a long-term plan to enrich the flora biodiversity within the “vacant areas” in Hap Seng Plantations with jungle tree species

MARKETPLACE



RESPONSIBLE BUSINESS AND PRACTICES



RESPONSIBLE AGRICULTURE PRACTICES

Environmental Protection Mechanism

1

Environmental, Health and Safety Committee Meeting – conduct quarterly meetings (MSPO requirement)

3

Proper management of waste achieved – no pollution

2

Estates' administrative managers to execute decisions from the meeting (monitor, prevent & implement)

4

No violation of local regulations on pollution

Monthly Riparian Monitoring Team

Hap Seng Plantations has introduced monthly riparian monitoring to comply with the requirements of the Sabah Water Resources Enactment 1998. For 2021, we are planning to maintain the distance requirement provided by the 1998 Enactment.

To-date, Hap Seng Plantations has created 1,056.74 hectares of riparian buffer area. We have also engaged with an authorised consultant registered with the Environment Protection Department of Sabah to monitor and inspect river quality on a quarterly basis. There have been no significant issues raised by the consultant during the reporting period.

MARKETPLACE – RESPONSIBLE BUSINESS AND PRACTICES

Monitoring Deforestation

Global Forest Watch (GFW) website is an open access website that represents a major step forward in our journey to create a deforestation free supply chain. It enables users to overlay the location of any estates by uploaded the shapefile of the estates into the website. The GFW website links to satellite imagery data that provides more information about what is happening on the ground that related to any deforestation activities.

Despite the challenges posed by the COVID-19 pandemic, we continued to monitor the deforestation activity on a monthly basis as this is part our commitment to our Sustainable Agriculture Policy. The monitoring covers our buffer zone boundary along the forest reserve area.

Fire & Haze Management

Though transboundary haze did not recur in 2020, Hap Seng Plantations continued to strictly abide by the regulations stipulated under the Environmental Quality Act 1974.

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

We monitor fires and fire hotspots using the Global Forest Watch Fire Portal (<https://fires.globalforestwatch.org/home/>) and GeoRSPO website (<https://my.gfw-mapbuilder.org/v1.latest/>). The reports are available on our company website at <https://www.hapsengplantations.com.my/environmental-sustainability.html>. We have recorded zero fire incidents since we began monitoring in 2014.



Soil Management Practices

Hap Seng Plantations adheres to some of the best soil conservation practices so we can manage the nutrient content of our soil as that determine our yield and quality. We employ good agriculture practices by using both cultural and biological methods such as planting leguminous cover crops to reduce soil erosion and improve the physical and chemical composition.

We also construct earth terraces, silt pits and bunds, and maintain natural covers along palm avenues. We do not cultivate on slopes with a gradient of 25 degrees or more. Empty FFB and oil palm trunks and fronds are mulched, composted and recycled as organic materials to maintain soil properties at an optimum level.

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

Hap Seng Plantations' Sustainability Agriculture policy distinctly prescribed "no new development on peat areas regardless of depth" and this has been the practise. Similarly, the seven out of 11 independent local outgrowers and smallholders who have committed to implementing RSPO and MSPO certifications have agreed to adopt the no planting on peat policy as well as best management practices for soils and peat from Hap Seng Plantations as these policies comply with the requirement set by RSPO and MSPO.

MARKETPLACE – RESPONSIBLE BUSINESS AND PRACTICES

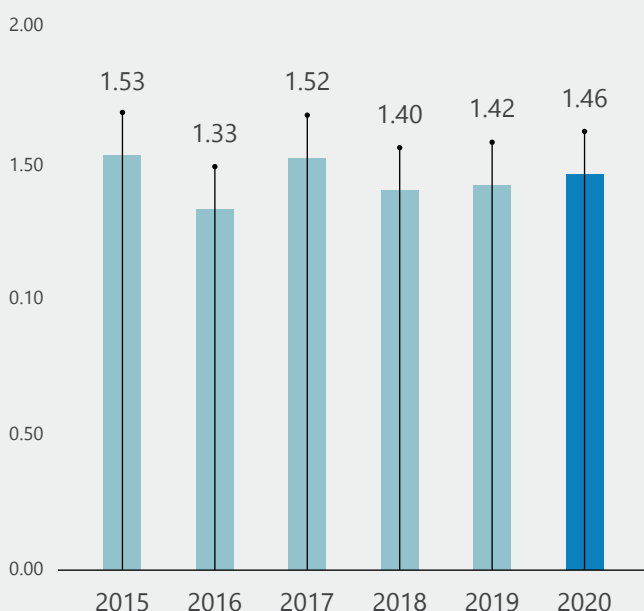
Water Efficiency

Water usage at our mills has remained stable between 2019 and 2020, with relatively low consumption compared to industry standards. In 2020, the total amount of water used for processing FFB in mills remained at 1.4 m³/tonne FFB (2019 usage: 1.42 m³/tonne FFB as against 2020 usage: 1.46 m³/tonne FFB, with a marginal increase of 0.04 m³/tonne FFB). The reason for the relatively low water usage was due to the commissioning of a biogas plant, which generates electricity and reduces our dependence on boilers to kinetically convert steam to electricity.

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

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

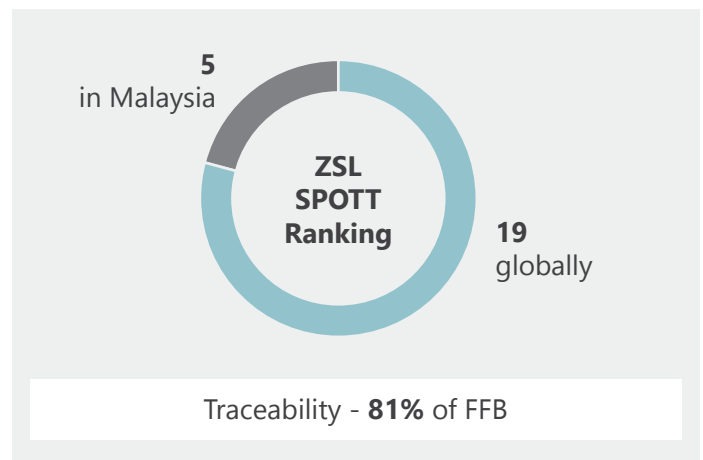
Water Usage in Mills (MT Water/MT FFB)



RESPONSIBLE PRODUCT

Benchmarking Our Practices

Highlights	
Certifications	Facilities
RSPO	All Mills & 82% landbank*
MSPO	All Mills & 100% landbank*
MSPO SCCS	All Mills
ISCC EU	All Mills
HACCP	All Mills
MS ISO/IEC 17025	Plantations Central Laboratory
HALAL	All Mills
MeSTI	All Mills



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

In 2020, Hap Seng Plantations achieved MeSTI certification for all its mills. This is part of our effort to benchmark our best practices against global standards in key sustainable areas of its business. To-date, we have several successes in our quest for international and local certifications, including standards such as RSPO, MSPO, MSPO SCCS, ISCC EU, HACCP, MS ISO/IEC 17025 and HALAL.

MARKETPLACE – RESPONSIBLE BUSINESS AND PRACTICES

International & Local Certification

Type of Certification	Achievement	Date Achieved	Comments
MSPO	100% estates & mills	February 2018	<ul style="list-style-type: none"> Achieved ahead of mandatory deadline of 31 December 2018 2nd Annual Surveillance Audit for Group Certification (SSGOE, Kawa, TMGOE, JGOE) and mills on September 2019 2nd Annual Surveillance Audit for Pelipikan Estate on May 2019 3rd Annual Surveillance Audit for Group Certification (SSGOE, Kawa, TMGOE, JGOE) and mills on November 2020 3rd Annual Surveillance Audit for Pelipikan on May 2020
MSPO SCCS	100%	December 2019	<ul style="list-style-type: none"> Achieved ahead of mandatory deadline of 1st January 2020 1st Annual Surveillance Audit for mills on November 2020
RSPO	82% landbank	As at 2018	<ul style="list-style-type: none"> SSGOE – 2nd Cycle Recertification – 2nd Annual Surveillance Audit included Kawa as supply based on March 2019 JGOE – 2nd Cycle Recertification – 1st Annual Surveillance Audit on July 2019 TMGOE – Recertification Audit on October 2019 SSGOE – 2nd Cycle Recertification – 3rd Annual Surveillance Audit included Kawa as supply based on April 2020 (Remote Audit) and July 2020 (Onsite Audit) JGOE – 2nd Cycle Recertification – 2nd Annual Surveillance Audit on July 2020 TMGOE – 2nd Cycle Recertification – 1st Annual Surveillance Audit on November 2020 (Remote Audit) and April 2021 (Onsite Audit) Compensation: The concept note and Land Use Change Analysis (LUCA) have been submitted to RSPO
	100% mills	2015	<ul style="list-style-type: none"> All mills are RSPO certified
ISCC EU	100% mills	2017	<ul style="list-style-type: none"> 2018 Recertification Audit held on October 2018 and the certificates was obtained on 30 November 2018 2019 Recertification Audit held on September 2019 and the certificates was obtained on 30 November 2019 2020 Recertification Audit held on September 2020 and the certificates was obtained on 13 November 2020

MARKETPLACE – RESPONSIBLE BUSINESS AND PRACTICES

Type of Certification	Achievement	Date Achieved	Comments
HACCP	100% mills	June 2017	<ul style="list-style-type: none"> • Annual Surveillance Audits were passed on 25 June 2018 (JPOM 1 & 2), 28 June 2018 (TPOM) and 31 July 2018 (BPOM) • 1st Cycle – 2nd Annual Surveillance Audit on 17 June 2019 (JPOM 1), 18 June 2019 (JPOM 2) and 19 June 2019 (TPOM) • 2nd Cycle Recertification Audit on 20-21 June 2019 (BPOM) • 2nd Cycle Recertification Audit on 22 June 2020 (JPOM 1), 23 June 2020 (JPOM 2) and 25-26 June 2020 (TPOM) • 2nd Cycle Recertification Audit – 1st Annual Surveillance Audit on 24 June 2020 (BPOM)
MS ISO/IEC 17025	Accredited	October 2018	<ul style="list-style-type: none"> • Plantations Central Laboratory
HALAL	100% mills	September 2019	<ul style="list-style-type: none"> • All mills are HALAL certified
MeSTI	100% of all mills	September 2020	<ul style="list-style-type: none"> • All mills are MeSTI certified.

WORKPLACE

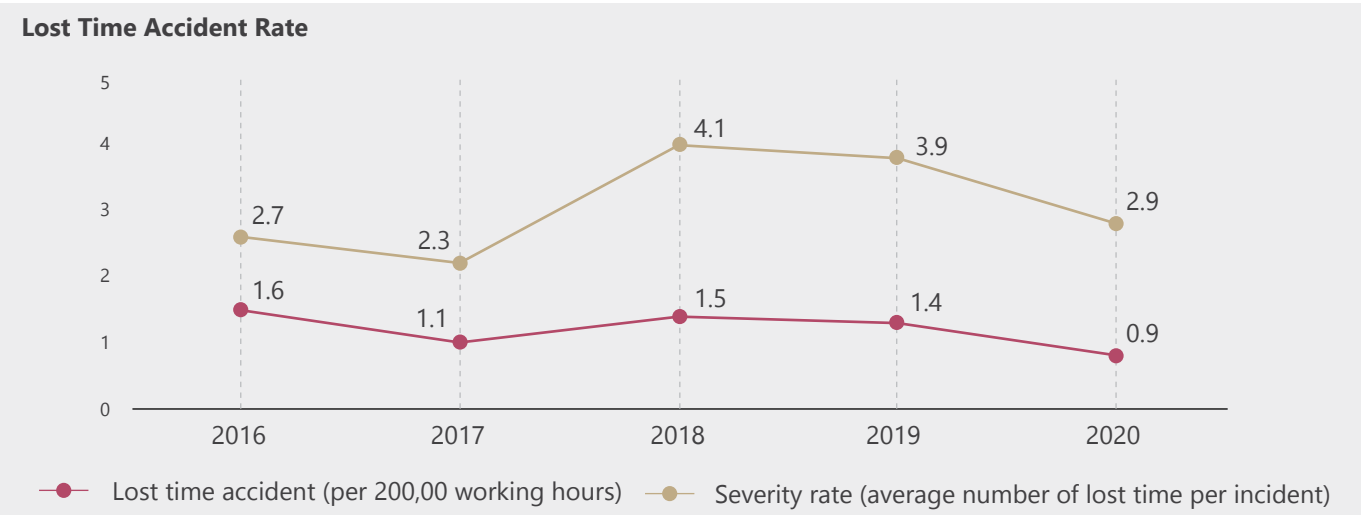


CARING FOR OUR PEOPLE



TOWARDS A ZERO-FATALITY WORKPLACE

One fatality was recorded in 2020 while the lost time accidents (LTA) experienced a decrease by 68%, from 2.8 in 2014 to 0.9 in 2020. The severity rate (average amount of lost time per accident), unfortunately, increased by 4% from 2014 to 2020.



Our SOP requires all accidents to be reported and recorded at our clinic while the OSH committee will conduct a thorough review of the cause of the accident and outline recommendations and actions that need to be taken to prevent future recurrence. The findings of each review are reinforced by safety training and re-training on the use of appropriate protective equipment in order to minimise risks. Investigation reports are kept and maintained at each estate and oil mill.

COMMUNITY



COMMUNITY ADVANCEMENT

BUILDING FACILITIES FOR A BETTER QUALITY OF LIFE

In 2020, Hap Seng Plantations has an estimated 2,651 hectares of land for the development of buildings and infrastructure, including residential buildings, medical clinics, sundry shops and recreational facilities.

Housing is provided to almost all of our 7,137 employees and their families. Workers' quarters are designed to incorporate a sufficient plot of land to cultivate food. In addition, each estate has a shop that is granted permission to operate by the company. These shops operated with controlled prices to ensure that goods remain affordable. At the end of each month, a special two-day bazaar is set up to facilitate the trading and selling of home-grown goods.



Facilities for Both Workers & Nearby Communities



ALL
Housing with garden plots



4
Clinics with wards*



12
Full-time nurses*



3
Visiting doctor*



2
Medical assistants*



4
Ambulance*



18
Shops*



2
X-ray equipment (SSGOE & JGOE)*



117km
of road for nearby villages*

Recreational facilities



4
Clubhouse



6
Other facilities (e.g. hall)



3
Ferry – accessible to nearby villages*

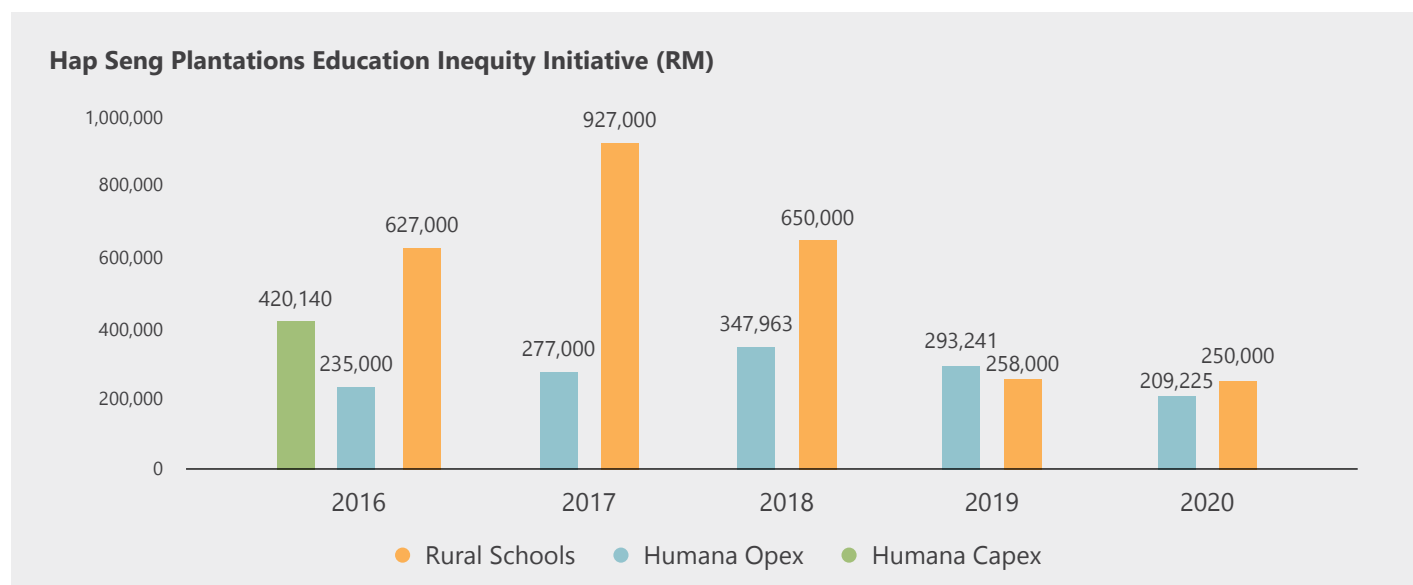
* Accessible to local communities

COMMUNITY - COMMUNITY ADVANCEMENT

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

Items	2020	2019	2018
Workers Welfare	Amount Per Year (RM)		
Housing	685,665.21	1,327,798.26	1,514,571.32
Utilities - electricity	4,130,351.59	5,111,659.35	4,999,792.22
Utilities - water	676,826.54	812,290.71	753,154.43
Training & development	6,194.71	47,037.62	32,428.96
Transport for workers (work purpose)	717,695.60	585,112.07	674,433.71
Clinic - medical for employees & dependents	170,252.17	158,538.34	184,185.44
Upkeep of religious buildings, recreational facilities and amenities	352,873.30	602,071.73	727,557.54
Provision of social amenities	-	-	-
Social contributions	208,433.13	335,575.02	407,947.80
Community			
Ferry service	66,715.19	63,458.99	66,016.25
Road maintenance	815,100.61	2,616,604.67	1,114,025.27
Clinic - medical for employees & dependents	46,702.56	95,820.42	100,366.07
Upkeep of religious buildings, recreational facilities and amenities	2,099.16	552.00	-
Provision of social amenities	-	-	-
Utilities - free electricity	-	-	-
Social contribution	67,889.41	30,727.89	31,118.12
Retailers in Estates			
Subsidies rental	-	15,900.20	15,715.20

Investing in Education for Our Community



COMMUNITY - COMMUNITY ADVANCEMENT



Hap Seng Plantations believes in the role of education in fighting poverty. As such, we invest considerably in education for our community in two areas. Firstly, due to our remote location, and the presence of many undocumented children of foreign workers, one of our key initiatives is to help these children to have access to schools. In this area, we have been working with Humana Child Aid Society, a social non-profit non-government organization (NGO) that provides education for thousands of children who live on plantations and other remote areas far from schools in Sabah.



In 2020, we contributed an estimated RM209,225.00 to fund the Humana Child Aid Society to support its mission to provide education for children in plantations and other remote areas of Borneo. Moreover, we also conduct outreach to other plantation companies in the area to raise awareness about the right to basic education and to encourage them to adopt similar initiatives.

Secondly, our focus is to be a catalyst in improving education in rural areas through capacity building in Higher Order Thinking Skills (HOTS) and English. This year, we continued with our ongoing programmes such as the Tawau Leadership programme while bringing STEM education to 21 Primary Schools in Tawau district. We invested approximately RM250,000.00 in these two main capacity building programmes.



Two Main Capacity Building Programmes In 2020: RM250,000.00

HSG Rise Up! 2020 - Tawau Leadership

- Leadership Development and Character Building.
- Run in virtual format.
- 518 concurrent viewers during the main event – IGNITE Camp via YouTube Live.

HSG Ignite Digital Making in Tawau

- Junior Innovate Programme for 56 teachers from 21 Primary Schools in Tawau.
- Capacity Building for Tanjung Batu Learning Community Center at Pusat e-Desa.

COMMUNITY - COMMUNITY ADVANCEMENT



HSG Tawau Leadership



This is the fourth year we ran the leadership programme for the community in Tawau.

Due to COVID-19 Pandemic in 2020, all engagements were conducted in the virtual format whilst retaining the intended objectives and outcomes. These programmes were run using mediums such as WhatsApp, Google Meets, YouTube Live, and Zoom, by which the medium was matched to the optimal reach and connection stability to its respective audiences.

The first stage of virtual programme kicked off in April 2020 and included:

- 10 G.I.L.A. Days (10 Growing in Leadership Action Days) - 127 students participated.
- G.I.L.A. 2.0 (Growing in Leadership Action 2.0) - 83 students participated.
- In this stage, the students were equipped with Self Developments, Learning Ability, Emotional Intelligence and Fostering Teamwork.

The second stage of virtual programme continued from May - August 2020 included:

- C.A.M.E.L. (Coaching and Mentoring Effective Leaders) - 39 students participated.
- Hap Seng RISE UP! E-Convention - 143 viewers via YouTube Live.

- In this stage, C.A.M.E.L. is a programme designed to spark meaningful conversations using digital means through five sessions, comprising of Companionship, Acceptance, Mindset, Exam Stress and Love.
- The e-Convention serves as a platform to unite students from across Tawau and beyond, for a night of bonding, inspirational sharing sessions, celebration of students work, special performances and fun-filled activities.

The third and final stage of virtual programme (Oct & Nov 2020) included:

- Hap Seng IGNITE Camp 2020 - 518 viewers via YouTube Live.
- Clash of Characters (COC) - 68 students participated.
- In this final stage, during IGNITE Camp the students were taught about Reason: Purpose in Life, Identity, Strategy and Endurance in Surviving the Pandemic.
- Clash of Characters, also known as CoC, serves as an extended programme after the Hap Seng Ignite Camp to wrap up the activities that served the community for the year. Students from various schools in Tawau, who may or may not have joined the Ignite Camp, came together to reminisce the camp once more, as well as learning through interactive activities.

The two main events were Rise Up! E-Convention (8 Aug 2020) and IGNITE Camp 2020 (17 & 18 Oct 2020). Both events were conducted via YouTube Live. The e-Convention received 143 concurrent viewers and the IGNITE Camp received 518 concurrent viewers.

Lastly, the COVID-19 crisis showed that access to mobile devices and internet are now crucial to students' ability to access education, therefore through this event, we have conducted a five weekly challenge for our students and those who completed the challenges from 17 August to 20 September 2020 and achieved the highest scores will stand a chance to win a tablet and internet data.

Total of 70 tablets have been given out to students and schools who completed the challenge with the highest score.

COMMUNITY - COMMUNITY ADVANCEMENT



HSG Ignite Digital Making in Tawau



After the success of HSG IoT Programme in Rural Sabah and Semporna in 2017-2019. We brought the programme to 56 Teachers in Tawau Primary Schools and exposed students with Junior Innovate Competition.

In this programme, we

- Equipped 56 teachers from 21 Primary Schools with the right skillsets:
 - Technical Skills such as Embedded System, Electronics, Coding, Prototyping.
 - Soft Skills such as Mentoring, Pitching, Design Thinking, 21st Century Teaching Methods/ Tools.

- Capacity Building for TLCC at Pusat e-Desa Tanjung Batu, Tawau.
 - With TLCC serving as the Digital Maker Hub (DMH) for the community, series of Mentor Development Programmes and Train-the-trainer to Teachers at the centre were conducted from May to August.
- The right skillsets will motivate teachers to:
 - Coach senior members
 - Apply these skills and platforms in their daily teaching

Teachers received their Arduino kits before Bootcamp Session which was divided into four dates (27-29 July & 5 Aug 2020). During the bootcamp, teachers were explained on the technicality of the Arduino Kits which will be used for Junior Innovate Competition. The bootcamp ended with teachers presenting their projects. Lastly, Cikgu Rita Doreen from SJKC PADA, Tenom shared her experience and learning from Tenom Innovation Center (TIC).

Teachers gathered through Google Meet one last time for the Creative Learning Workshop (1-4 Sept 2020). In this final workshop, they were sessions on Self-directed Learning, Mentoring, Creativity in Children, and end with Group Discussion and Sharing by teachers.

Finally, through this programme, we managed to send five teams from Tawau to the National Level Junior Innovate Competition which were held virtually, with some of teams winning silver and bronze medal.

Silver Medallists Team

- Junior Supreme from SJK(C) Yuk Chin
- Inno Girls SH from SJK(C) Sin Hwa
- S.M.A.R.T. from Sri Al Fateh, Bandar Sri Indah

Bronze Medallists Team

- Goal Diggers from SK Tanjung Batu Keramat
- Transistor from SK Tanjung Batu Keramat

ENVIRONMENT



ENVIRONMENT STEWARDSHIP



PROTECTING OUR ENVIRONMENT

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

As environmental stewards, our focus is on forest preservation and conservation with a long-term plan to enrich the flora and fauna biodiversity within the "vacant areas" in Hap Seng Plantations with both protected plant and animal species.

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



Despite the COVID-19 pandemic, we still managed to carry out the monitoring programmes that were put in place. In 2020, we continued to:

- Conduct monthly monitoring of scheduled waste management at estates and mills by a competent person.
- Improve the recycling programme implemented at estates and mills including workers' housing areas by conducting awareness training to all workers.
- Conduct monthly monitoring of landfill areas at each estate.
- Conduct monthly monitoring of riparian areas at each estate.
- Conduct monthly monitoring of deforestation activity and forest buffer zone at each estate.
- Conduct monthly monitoring of fire hot spots at each estate. The data is available on our company website.
- Engage with accredited external consultant remotely due to COVID-19, in our environmental compliance which include workers housing areas, landfills, river water quality, scheduled waste management, sedimentation and sewerage ponds, riparian zone, forest buffer zone, soil erosion along river banks, replanting activities, air pollution, and water sources.

ENVIRONMENT – ENVIRONMENT STEWARDSHIP

Safeguard Our Water Resources

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

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



Managing POME Discharge in Water Sources

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

Hap Seng Plantations' effort in reducing BOD at all four mills was halted in 2020 as it was only able to maintain the 20 ppm average as in 2019. The commissioning of a new biogas facility and Polishing Plant at BPOM in February 2020 is set to improve the BOD level. Moreover, one additional biogas facility is scheduled to be built at TPOM in 2022. This new addition is expected to greatly reduce the BOD level further.

We are making good progress in meeting our 20 ppm target for all mills. To support our work in line with this goal, we have established a dedicated committee (the 20 ppm and Biogas Project Committee) to monitor BOD levels on a daily basis.

BOD Discharged Level

Mills	BOD Level (PPM)			
	2020	2019	2018	2017
BPOM	29	31	33	41
JPOM 1	12	12	13	20
JPOM 2	16	19	21	20
TPOM	22	19	23	19
Total Average	20	20	23	25

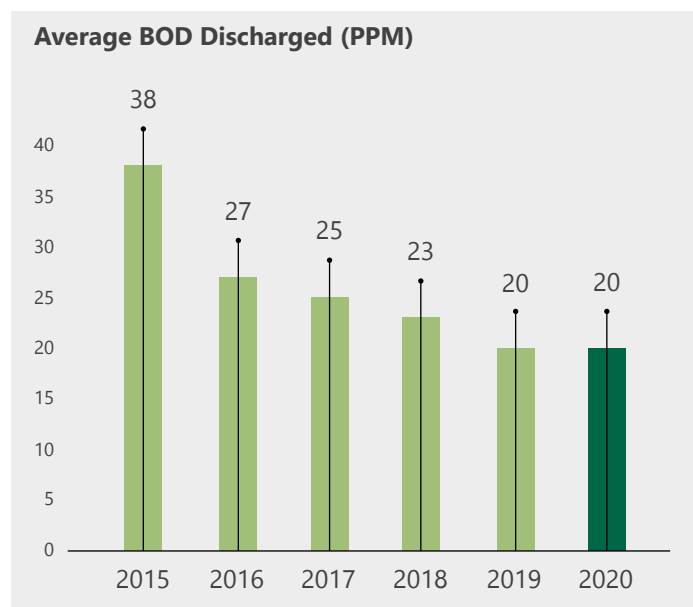
Even though there is no requirement by the Department of Environment (DOE) to report Chemical Oxygen Demand (COD), Hap Seng Plantations took the effort to monitor on the COD discharge level from our mills. Hap Seng Plantations has also taken the initiative to set a target of 70% reduction by 2021 from the baseline figure established in 2018 at 276 ppm.

The level of COD discharge at our mills are as follow:

COD Discharged Level

Mills	COD Level (PPM)		
	2020	2019	2018
BPOM	456	373	442
JPOM 1	295	342	214
JPOM 2	295	342	214
TPOM	347	272	232
Total Average	348	332	276

ENVIRONMENT – ENVIRONMENT STEWARDSHIP



Carbon Management - Action on GHG Emissions

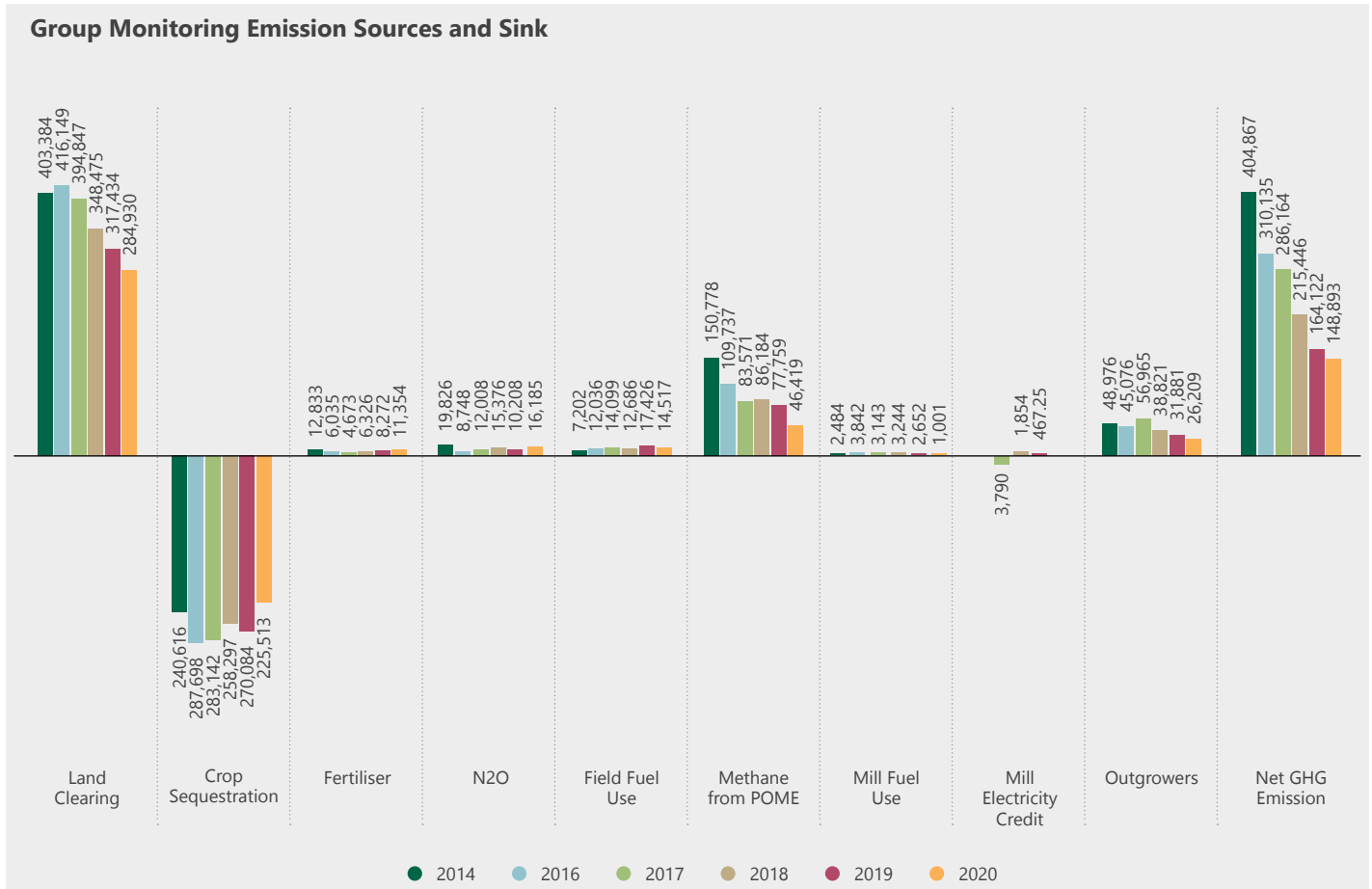
Hap Seng Plantations recognises that climate change is a major threat to our planet, and we are committed to monitoring and reducing our global carbon emissions. We established our GHG emissions baseline in 2014 by using the RSPO PalmGHG Calculator v2.1.1. RSPO introduced the new PalmGHG Calculator v4.0 and in 2019 and since then, we have calculated our data using this version.

In 2020, our net carbon emission and our footprint per tonne of CPO was further reduced by 5% as compared to 2019. The drastic reduction can be attributed to the commissioning of the new biogas facilities at BPOM.

Mill	MT CO ₂ e/MT CPO					
	2014	2016	2017	2018	2019	2020
JPOM 1	1.61	0.99	0.50	0.40	0.56	0.17
JPOM 2	1.07	1.49	1.19	1.92	1.62	1.54
BPOM	3.18	1.45	2.09	2.06	1.44	0.41
TPOM	1.85	2.35	1.99	1.80	1.34	2.80
Group average	2.35	2.00	1.89	1.45	1.08	1.03

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

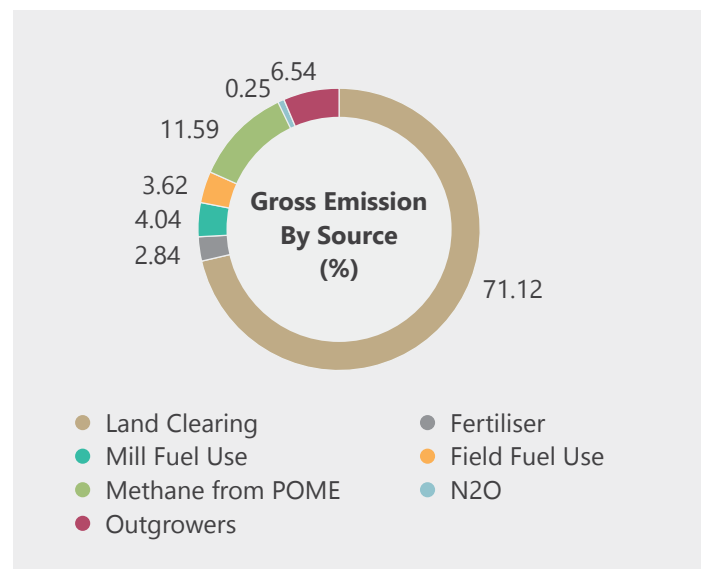
ENVIRONMENT – ENVIRONMENT STEWARDSHIP



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

We do use direct energy from fossil fuels (diesel fuel and petrol fuel) to operate mechanised equipment and for vehicles that transport FFB from our estates to the mills. We also use fossil fuels to start FFB processing in mills, as fuel for vehicles transporting CPO from the mills to ports or our customers, and to provide power to our employees' housing – except in our Batangan and Kapis estates, where electricity is supplied by the JPOM biogas facilities. In 2020, our estates recorded 61,634 litres of petrol usage which were mainly used for transportation.

With the commissioning of our third biogas facility at BPOM, this means that fossil fuel usage will be further reduced in our plantation's operations. We are now focusing in building another biogas facility at TPOM for electricity generation.



GHG Graph Percentages

SUSTAINING THE FUTURE



SUSTAINING THE FUTURE



RENEWABLES AT HAP SENG PLANTATIONS

In 2020, the biogas facility at Bukit Mas Palm Oil Mill (BPOM) was commissioned. With this new facility, we have met our target of utilising renewable energy for BPOM.

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

Thus, in line with our sustainable goal of reducing both our GHG and BOD levels, we have resort to the

commissioning of biogas plants to capture methane from POME and convert them into electricity. Not only does this process reduce the amount of methane released to the environment, it also reduces our reliance on fossil fuels for energy generation. Moreover, the nutrient-rich by products from our biogas plant can be used to replace costly fertilisers, thereby further improving our carbon footprint and benefitting our company economically.

The electricity produced by our biogas plants is now powering our three mills at Jeroco and Bukit Mas. It also lights up our Kapis estate, Batangan estate, Bukit Mas estate, Sungai Segama estate, Plantation Central Office (PCO) and Plantations Central Laboratory including SK Jeroco local school.

SUSTAINING THE FUTURE

Year commissioned	Biogas Facility (quantity)	Energy Produced (kW)	Mill	Beneficiary
2017	Two	2017 – 5,988,804 2018 – 6,930,471 2019 – 8,390,010 2020 – 8,424,527 Total = 29,733,812	JPOM 1 JPOM 2	Workers housing at JPOM 1, JPOM 2, Kapis Estate and Batangan Estate. SK Jeroco. Office area. Mill 1 and 2 operation.
2020	One	5,042,263	BPOM	Office area, BPOM operation, Plantation Central Office (PCO), Plantations Central Laboratory and workers housing (BME & SSE).
2022	One	NA	TPOM	Workers housing.



WASTE MANAGEMENT PROGRAMME – RECYCLING

In 2020, we managed to recycle about 10.36 MT of recyclable wastes as compared to 23.01 MT in 2019. The reason for the decline was due to the COVID-19 pandemic as strict SOP that was put in place restricted both non-essential movements and activities.

Hap Seng Plantations understands that poor waste management is detrimental to the environment and poses risks for societal health and wellbeing. It is also increases the cost of doing business.

As a responsible planter, and in line with our goal for better waste management, Hap Seng Plantations has introduced a waste management programme to collect plastic bottles, glass bottles, paper and aluminium. Storage facilities for recycling waste were built at JGOE, SSGOE and TMGOE for the purpose. Two further storage units are currently under construction at our Kawa and Pelipikan estates. To support the project, workers have been educated about the importance of waste recycling as part of their environmental sustainability training.

These efforts are in accordance with both state and national laws that seek to minimise the discharge of waste into the environment, and through them we are compliant with regulations under the Environmental Quality Act 1974. In 2019, two representatives from our mills and PCO attended a scheduled waste management course organised by the DOE in Labuan. Both representatives have passed their competent person certificate after submitted and presented their Field Training Report to the Environmental Institute of Malaysia (EiMAS), DOE.

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



For the complete 2020 Hap Seng Plantations Sustainability Report, please download it at:
<https://www.hapsengplantations.com.my/sustainability-report.html>

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company are responsible for ensuring that the annual audited financial statements of the Group and of the Company are prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

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

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

FINANCIAL STATEMENTS

Directors' Report	66
Statements of Financial Position	72
Statements of Profit or Loss and Other Comprehensive Income	73
Statements of Changes in Equity	74
Statements of Cash Flows	76
Notes to the Financial Statements	79
Statement by Directors	133
Statutory Declaration	134
Independent Auditors' Report	135

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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

HOLDING COMPANIES

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

SUBSIDIARIES

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	90,296	41,018

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.

DIRECTORS' REPORT

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 2019 as reported in the Directors' report of that year:
 - a second interim dividend of 2 sen per ordinary share under the single-tier system totalling RM15,993,704 declared on 24 February 2020 and paid on 24 March 2020; and
- (ii) In respect of the financial year ended 31 December 2020:
 - a first interim dividend of 1.5 sen per ordinary share under the single-tier system totalling RM11,995,277 declared on 26 August 2020 and paid on 24 September 2020.

On 24 February 2021, the Board of Directors approved a second interim dividend of 5.5 sen per ordinary share under the single-tier system in respect of the financial year ended 31 December 2020, amounting to a total of RM43,982,686 and was paid on 24 March 2021. 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 2021.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2020.

DIRECTORS OF THE COMPANY

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

Dato' Mohammed Bin Haji Che Hussein
Datuk Simon Shim Kong Yip, JP
Datuk Edward Lee Ming Foo, JP**
Lee Wee Yong**
Cheah Yee Leng**
Au Yong Siew Fah**
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP**
Chong Kwea Seng
Choy Khai Choon
Tan Sri Amirsham Bin A Aziz
Datuk Jasa @ Ismail Bin Rauddah
Andrew John Barber

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

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

Tuan Haji Pondren Bin Nawa (Resigned on 9 February 2021)

DIRECTORS' REPORT

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 1.1.2020	Bought	Sold	At 31.12.2020
Interest in the immediate holding company: Hap Seng Consolidated Berhad				
Au Yong Siew Fah	291,600	-	-	291,600
Dato’ Mohammed Bin Haji Che Hussein	20,000	-	(20,000)	-
Interest in the Company: Hap Seng Plantations Holdings Berhad				
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000
Cheah Yee Leng	31,200	10,000	-	41,200
Au Yong Siew Fah	180,000	-	-	180,000
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	1,000	-	-	1,000

None of the other Directors of the Company holding office at 31 December 2020 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 15 in the financial statements or the fixed salary of a full time employee of the Company or of related corporation) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in Note 23 to the financial statements.

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

DIRECTORS' REPORT

ISSUE OF SHARES

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

TREASURY SHARES

During the annual general meeting of the Company held on 1 July 2020, shareholders of the Company renewed the existing authorisation to the Company to repurchase its own shares. During the financial year, the Company did not purchase any of its own shares.

As at 31 December 2020, the Company held a total of 314,800 ordinary shares as treasury shares.

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

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

MATERIAL LITIGATIONS

Details of material litigations are disclosed in Note 24 to the financial statements.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events are disclosed in Note 26 to the financial statements.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT

AUDITORS

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

The auditors' remuneration is disclosed in Note 14 to the financial statements.

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

Datuk Edward Lee Ming Foo, JP
Director

Au Yong Siew Fah
Director

Kuala Lumpur

20 April 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Assets					
Property, plant and equipment	3	1,801,508	1,894,871	279	521
Investment in subsidiaries	4	-	-	1,585,513	1,591,142
Total non-current assets		1,801,508	1,894,871	1,585,792	1,591,663
Inventories	5	54,286	50,790	-	-
Biological assets	6	33,889	25,049	-	-
Receivables	7	31,852	30,017	50,132	46,744
Current tax assets		1,373	3,628	22	23
Money market deposits		195,322	84,027	72,292	53,057
Cash and cash equivalents	8	63,655	49,317	69	4,635
Total current assets		380,377	242,828	122,515	104,459
Total assets		2,181,885	2,137,699	1,708,307	1,696,122
Equity					
Share capital	9	1,475,578	1,475,578	1,475,578	1,475,578
Merger reserves	9	(1,347,761)	(1,347,761)	-	-
Retained earnings		1,587,850	1,525,543	232,140	219,111
		1,715,667	1,653,360	1,707,718	1,694,689
Less: Treasury shares	9	(841)	(841)	(841)	(841)
Total equity		1,714,826	1,652,519	1,706,877	1,693,848
Liabilities					
Deferred tax liabilities	10	373,180	384,325	9	14
Lease liabilities		45,610	50,492	-	-
Total non-current liabilities		418,790	434,817	9	14
Payables	11	33,230	38,580	1,421	2,260
Current tax liabilities		5,434	2,520	-	-
Lease liabilities		9,605	9,263	-	-
Total current liabilities		48,269	50,363	1,421	2,260
Total liabilities		467,059	485,180	1,430	2,274
Total equity and liabilities		2,181,885	2,137,699	1,708,307	1,696,122

The notes on pages 79 to 132 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	12	467,595	418,598	48,936	27,930
Cost of sales		(311,316)	(321,518)	-	-
Gross profit		156,279	97,080	48,936	27,930
Other operating income		34,456	19,731	1,161	1,328
Distribution expenses		(30,876)	(27,163)	-	-
Administrative expenses		(28,749)	(29,639)	(3,239)	(4,326)
Other operating expenses		(20,184)	(20,658)	(5,835)	(12,714)
Operating profit		110,926	39,351	41,023	12,218
Finance costs	13	(2,526)	(2,792)	-	-
Profit before tax	14	108,400	36,559	41,023	12,218
Tax expense	16	(18,104)	(5,110)	(5)	(3)
Profit for the year representing total comprehensive income for the year		90,296	31,449	41,018	12,215
Basic earnings per ordinary share (sen)	17	11.29	3.93		

The notes on pages 79 to 132 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Attributable to owners of the Company				Total equity RM'000
		Non-Distributable Share capital RM'000	Merger reserves RM'000	Distributable Retained earnings RM'000	Treasury shares RM'000	
Group						
At 1 January 2019		1,475,578	(1,347,761)	1,506,089	(838)	1,633,068
Total comprehensive income for the year		-	-	31,449	-	31,449
Purchase of treasury shares	9	-	-	-	(3)	(3)
Dividends	18	-	-	(11,995)	-	(11,995)
At 31 December 2019/ 1 January 2020		1,475,578	(1,347,761)	1,525,543	(841)	1,652,519
Total comprehensive income for the year		-	-	90,296	-	90,296
Dividends	18	-	-	(27,989)	-	(27,989)
At 31 December 2020		1,475,578	(1,347,761)	1,587,850	(841)	1,714,826
		Note 9	Note 9		Note 9	

The notes on pages 79 to 132 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	← Attributable to owners of the Company →			Total equity RM'000
		Non-Distributable	Distributable	Treasury shares	
		Share capital RM'000	Retained earnings RM'000	RM'000	
Company					
At 1 January 2019		1,475,578	218,891	(838)	1,693,631
Total comprehensive income for the year		-	12,215	-	12,215
Purchase of treasury shares	9	-	-	(3)	(3)
Dividends	18	-	(11,995)	-	(11,995)
At 31 December 2019/1 January 2020		1,475,578	219,111	(841)	1,693,848
Total comprehensive income for the year		-	41,018	-	41,018
Dividends	18	-	(27,989)	-	(27,989)
At 31 December 2020		1,475,578	232,140	(841)	1,706,877
		Note 9		Note 9	

The notes on pages 79 to 132 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities					
Profit before tax		108,400	36,559	41,023	12,218
Adjustments for:					
Depreciation of property, plant and equipment	3	87,652	88,389	104	181
Dividend income		(3,417)	(2,468)	(50,051)	(29,144)
Interest income		(906)	(939)	(46)	(114)
Interest expense		2,526	2,792	-	-
Impairment loss on investment in subsidiaries		-	-	5,629	12,444
Net (gain)/loss on disposal of property, plant and equipment		(12,783)	(1,395)	102	89
Net gain from fair value adjustments of biological assets		(8,840)	(9,277)	-	-
Property, plant and equipment written off		572	240	-	-
Operating profit/(loss) before changes in working capital					
		173,204	113,901	(3,239)	(4,326)
Change in inventories		(3,496)	32,088	-	-
Change in receivables		(1,835)	(14,754)	-	5
Change in payables		(5,350)	(3,445)	(839)	(910)
Cash generated from/(used in) operations					
		162,523	127,790	(4,078)	(5,231)
Interest received		906	939	46	114
Interest paid		(2,526)	(2,792)	-	-
Tax paid		(26,631)	(9,838)	(32)	(47)
Tax refunded		2,551	9,852	23	445
Net cash from/(used in) operating activities		136,823	125,951	(4,041)	(4,719)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from investing activities					
Balances with subsidiaries		-	-	(3,388)	(5,474)
Dividends received from money market deposits		3,417	2,509	1,115	1,255
Dividends received from subsidiaries		-	-	48,936	27,930
Increase in money market deposits		(111,295)	(17,509)	(19,235)	(7,255)
Proceeds from disposal of property, plant and equipment		77,573	5,153	566	1,267
Acquisition of property, plant and equipment	3	(54,664)	(86,301)	(530)	(1,195)
Net cash (used in)/from investing activities		(84,969)	(96,148)	27,464	16,528
Cash flows from financing activities					
Dividends paid	18	(27,989)	(11,995)	(27,989)	(11,995)
Shares repurchased at cost		-	(3)	-	(3)
Payment of lease liabilities		(9,527)	(8,799)	-	-
Net cash used in financing activities		(37,516)	(20,797)	(27,989)	(11,998)
Net change in cash and cash equivalents		14,338	9,006	(4,566)	(189)
Cash and cash equivalents at 1 January		49,317	40,311	4,635	4,824
Cash and cash equivalents at 31 December	8	63,655	49,317	69	4,635

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

Cash outflows for leases as a lessee:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Included in net cash from operating activities:				
Interest paid in relation to lease liabilities	2,526	2,792	-	-
Included in net cash from financing activities:				
Payment of lease liabilities	9,527	8,799	-	-
Total cash outflows for leases	12,053	11,591	-	-

Changes in liabilities arising from financing activities:

	At 1	Cash flows	Addition of	At 31
	January	RM'000	new lease	December
	RM'000		RM'000	RM'000
Group				
2020				
Lease liabilities	59,755	(9,527)	4,987	55,215
2019				
Lease liabilities	65,431	(8,799)	3,123	59,755

The notes on pages 79 to 132 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 2020 comprise the Company and its subsidiaries.

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

The immediate holding company is Hap Seng Consolidated Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad and the ultimate holding company is Gek Poh (Holdings) Sdn. Bhd.. Both companies are incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 20 April 2021.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

Standards/Amendments	Effective date
Amendment to MFRS 16, <i>Leases – COVID-19 - Related Rent Concessions</i>	1 June 2020
Amendments to MFRS 9, <i>Financial Instruments</i> , MFRS 139, <i>Financial Instruments: Recognition and Measurement</i> , MFRS 7, <i>Financial Instruments: Disclosures</i> , MFRS 4, <i>Insurance Contracts</i> and MFRS 16, <i>Leases – Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
Amendments to MFRS 16, <i>Leases – COVID-19 - Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)</i>	1 January 2022

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

Standards/Amendments	Effective date
Amendments to MFRS 3, <i>Business Combinations – Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 9, <i>Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)</i>	1 January 2022
Amendments to MFRS 116, <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 141, <i>Agriculture (Annual Improvements to MFRS Standards 2018–2020)</i>	1 January 2022
MFRS 17, <i>Insurance Contracts</i> and Amendments to MFRS 17, <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101, <i>Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Yet to be confirmed

The Group and the Company plan to adopt the abovementioned accounting standards or amendments, where applicable when they become effective in the respective financial periods. The Group and the Company do not expect material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

Note 3(b) - Extension options and discount rate in relation to leases

Note 3(e) - Impairment of property, plant and equipment

Note 4 - Impairment on investment in subsidiaries

Note 6 - Biological assets

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

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

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

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

(iii) Acquisition from entities under common control

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

(iv) Loss of control

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

(v) Transactions eliminated on consolidation

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency transactions

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

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

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

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

(c) Financial instruments

(i) Recognition and initial measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

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

(a) *Amortised cost*

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

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

(b) *Fair value through other comprehensive income*

(i) *Debt investments*

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial assets (continued)

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

(ii) *Equity investments*

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

(c) *Fair value through profit or loss*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial liabilities

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

(a) Fair value through profit or loss

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial liabilities (continued)

(b) Amortised cost

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

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

(iii) Regular way purchase or sale of financial assets

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

Trade date accounting refers to:

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

Settlement date accounting refers to:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iv) Financial guarantee contracts

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

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

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

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

(v) Derecognition

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

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

(vi) Offsetting

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases

(i) Definition of a lease

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

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

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

(ii) Recognition and initial measurement

(a) As a lessee

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

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

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

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

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

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

(b) As a lessor

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

(iii) Subsequent measurement

(a) As a lessee

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

Rented land	60 years
Motor vehicles	5 years

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

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

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

(b) As a lessor

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Biological assets

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

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

(g) Inventories

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

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

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

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

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

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

(h) Receivables

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

(i) Money market deposits

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Cash and cash equivalents

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

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

(k) Impairment

(i) Financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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

(m) Employee benefits

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

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

(n) Revenue and other income

(i) Revenue

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

The Group or the Company transfers control of a good or service at a point in time.

(ii) Dividend income

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

(iii) Interest income

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax

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

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

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

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

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

(p) Earnings per ordinary share

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

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

(q) Contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Operating segments

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

(s) Fair value measurement

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

	Road and infrastructure RM'000	Buildings RM'000	Plant, machinery and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work in progress RM'000	Bearer plants RM'000	Right-of- use assets RM'000	Total RM'000
Group								
Cost								
At 1 January 2019	220,876	278,294	294,328	19,101	17,799	704,746	1,296,762	2,831,906
Additions	-	63	8,211	867	53,478	23,682	3,123	89,424
Disposals	-	-	(14,398)	-	-	-	-	(14,398)
Written off	-	(172)	(7,758)	(78)	-	(177,390)	-	(185,398)
Reclassifications	20,399	14,672	7,822	1,216	(44,109)	-	-	-
At 31 December 2019/ 1 January 2020	241,275	292,857	288,205	21,106	27,168	551,038	1,299,885	2,721,534
Additions	-	89	4,136	1,083	27,347	22,009	4,987	59,651
Disposals	(1,498)	(6,120)	(3,828)	(1,389)	-	(2,518)	(64,950)	(80,303)
Written off	(142)	(409)	(4,434)	(24)	-	-	-	(5,009)
Reclassifications	17,340	1,770	25,688	343	(35,208)	-	(9,933)	-
At 31 December 2020	256,975	288,187	309,767	21,119	19,307	570,529	1,229,989	2,695,873

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Road and infrastructure RM'000	Buildings RM'000	Plant, machinery and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work in progress RM'000	Bearer plants RM'000	Right-of- use assets RM'000	Total RM'000
Group								
Accumulated depreciation								
At 1 January 2019	54,804	126,035	194,647	14,399	-	466,751	77,436	934,072
Charge for the year	8,449	13,277	17,874	1,367	-	20,434	26,988	88,389
Disposals	-	-	(10,640)	-	-	-	-	(10,640)
Written off	-	(101)	(7,589)	(78)	-	(177,390)	-	(185,158)
At 31 December 2019/ 1 January 2020	63,253	139,211	194,292	15,688	-	309,795	104,424	826,663
Charge for the year	9,215	13,468	17,571	1,408	-	19,437	26,553	87,652
Disposals	(409)	(3,919)	(2,080)	(851)	-	(2,249)	(6,005)	(15,513)
Written off	(142)	(141)	(4,130)	(24)	-	-	-	(4,437)
Reclassifications	746	-	-	-	-	-	(746)	-
At 31 December 2020	72,663	148,619	205,653	16,221	-	326,983	124,226	894,365
Carrying amounts								
At 31 December 2019	178,022	153,646	93,913	5,418	27,168	241,243	1,195,461	1,894,871
At 31 December 2020	184,312	139,568	104,114	4,898	19,307	243,546	1,105,763	1,801,508

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM59,651,000 (2019: RM89,424,000) which are satisfied by the following:

	Group	
	2020	2019
	RM'000	RM'000
Cash payments on purchase of property, plant and equipment	54,664	86,301
Additions of right-of-use assets by way of lease commitment	4,987	3,123
	59,651	89,424

- (b) Right-of-use assets

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

	Leasehold land RM'000	Rented land RM'000	Motor vehicles RM'000	Total RM'000
Group				
Carrying amount				
1 January 2019	1,159,261	30,692	29,373	1,219,326
Additions	-	-	3,123	3,123
Depreciation charge for the year	(17,527)	(612)	(8,849)	(26,988)
At 31 December 2019/1 January 2020	1,141,734	30,080	23,647	1,195,461
Additions	-	-	4,987	4,987
Disposals	(58,945)	-	-	(58,945)
Depreciation charge for the year	(16,560)	(612)	(9,381)	(26,553)
Reclassifications	(9,187)	-	-	(9,187)
At 31 December 2020	1,057,042	29,468	19,253	1,105,763

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (c) The title of the Group's leasehold land with carrying amount of RM29,158,000 (2019: RM29,614,000) 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.
- (d) Private caveat was entered by third parties on the Group's leasehold land with carrying amount of RM67,443,000 (2019: RM68,313,000) as disclosed in Note 24(a) to the financial statements.
- (e) The Group has evaluated whether the underlying property, plant and equipment of certain subsidiaries are stated in excess of their recoverable amounts. The recoverable amounts of the assets are based on their estimated fair values, which are determined by a professional valuation firm by reference to the sales transactions values for similar assets as comparison and after taking into account the age and physical condition of the assets. The carrying amounts of these assets are not impaired as at year end as their recoverable amount is higher than their carrying amounts.

	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
Company			
Cost			
At 1 January 2019	197	908	1,105
Additions	3	1,192	1,195
Disposals	-	(1,520)	(1,520)
At 31 December 2019/1 January 2020	200	580	780
Additions	-	530	530
Disposals	-	(814)	(814)
At 31 December 2020	200	296	496
Accumulated depreciation			
At 1 January 2019	187	55	242
Charge for the year	7	174	181
Disposals	-	(164)	(164)
At 31 December 2019/1 January 2020	194	65	259
Charge for the year	3	101	104
Disposals	-	(146)	(146)
At 31 December 2020	197	20	217
Carrying amounts			
At 31 December 2019	6	515	521
At 31 December 2020	3	276	279

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT IN SUBSIDIARIES

	Company	
	2020	2019
	RM'000	RM'000
Unquoted shares, at cost	1,622,051	1,622,051
Less: Impairment loss	(36,538)	(30,909)
	1,585,513	1,591,142

Details of the subsidiaries as at 31 December 2020 which are all incorporated and have their principal place of business in Malaysia are as follows:

Name of subsidiaries	Principal activities	Effective ownership interest and voting interest (%)	
		2020	2019
Jeroco Plantations Sdn. Bhd.	Cultivation of oil palm and processing of fresh fruit bunches	100	100
Hap Seng Plantations (River Estates) Sdn. Bhd. and its subsidiaries	Cultivation of oil palm, processing of fresh fruit bunches and investment holding	100	100
Hap Seng Plantations (Ladang Kawa) Sdn. Bhd.	Cultivation of oil palm	100	100
Hap Seng Plantations (Wecan) Sdn. Bhd.	Cultivation of oil palm	100	100
Hap Seng Plantations (Tampilit) Sdn. Bhd.	Cultivation of oil palm	100	100
Hap Seng Plantations (Kota Marudu) Sdn. Bhd. [#]	Cultivation of oil palm	100	100
Pelipikan Plantation Sdn. Bhd. [#]	Cultivation of oil palm	100	100
Hap Seng Edible Oils Sdn. Bhd.	Livestock farming (ceased operations)	100	100

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

NOTES TO THE FINANCIAL STATEMENTS

5. INVENTORIES

	Group	
	2020	2019
	RM'000	RM'000
At cost:		
Consumables stores	35,184	35,972
Planting materials	5,037	5,184
Produce stocks	14,065	9,634
	54,286	50,790
Recognised in profit or loss:		
Inventories recognised as cost of sales	284,291	286,512

6. BIOLOGICAL ASSETS

Fair value

	Group
	RM'000
At 1 January 2019	15,772
Net gain from fair value adjustments recognised in profit or loss	9,277
At 31 December 2019/1 January 2020	25,049
Net gain from fair value adjustments recognised in profit or loss	8,840
At 31 December 2020	33,889

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

As at 31 December 2020, the estimated quantity of unharvested FFB of the Group included in the fair value of FFB was 88,000 tonnes (2019: 98,000 tonnes).

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

NOTES TO THE FINANCIAL STATEMENTS

6. BIOLOGICAL ASSETS (CONTINUED)

Sensitivity analysis for FFB

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

	← 2020 →		← 2019 →	
		Increase/ (Decrease) in fair value of biological assets and profit before tax for the year RM'000		Increase/ (Decrease) in fair value of biological assets and profit before tax for the year RM'000
	Increase/ (Decrease) in price and volume		Increase/ (Decrease) in price and volume	
Selling price	10%	6,482	10%	5,411
	(10%)	(6,482)	(10%)	(5,411)
Production volume	10%	3,377	10%	2,519
	(10%)	(3,377)	(10%)	(2,519)

Risk management strategy related to agriculture activities

(a) Regulatory and environmental risk

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

(b) Supply and demand risk

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

(c) Climate and other risk

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

NOTES TO THE FINANCIAL STATEMENTS

7. RECEIVABLES

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade					
Trade receivables from contracts with customer	a	29,572	26,630	-	-
Non-trade					
Other receivables	b	1,722	1,973	3	3
Prepayment		484	573	10	10
Goods and Services Tax ("GST") recoverable		-	841	-	-
Amount due from subsidiaries	b	-	-	50,119	46,731
Amount due from associate of immediate holding company	b	74	-	-	-
		2,280	3,387	50,132	46,744
		31,852	30,017	50,132	46,744

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

Included in other receivables of the Group for the previous financial year are balances of RM5,000 relating to a company connected to a major shareholder of the immediate holding company.

The amount due from subsidiaries and associate of immediate holding company are unsecured, interest free and repayable on demand.

8. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits with licensed banks with maturities less than 3 months	39,910	41,910	-	4,200
Cash and bank balances	23,745	7,407	69	435
	63,655	49,317	69	4,635

NOTES TO THE FINANCIAL STATEMENTS

9. CAPITAL AND RESERVES

	Group/Company		
	Number of shares '000	2020 Amount RM'000	2019 Amount RM'000
Ordinary shares			
Issued and fully paid shares with no par value classified as equity instruments			
At 1 January/31 December	800,000	1,475,578	1,475,578

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

Merger reserves

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

Treasury shares

During the annual general meeting of the Company held on 1 July 2020, shareholders of the Company renewed the existing authorisation to the Company to repurchase its own shares. During the financial year, the Company did not purchase any of its own shares. In the previous financial year, the Company repurchased 2,000 shares at the total cost of RM3,243 which were held as treasury shares. All the repurchases of shares were financed by the Company's internal funds.

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

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
At 1 January 2019	312,800	837,823	2.68
Repurchased during the year	2,000	3,243	1.62
At 31 December 2019/1 January 2020/31 December 2020	314,800	841,066	2.67

NOTES TO THE FINANCIAL STATEMENTS

10. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	At 1.1.2019 RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2019/ 1.1.2020 RM'000	Recognised in profit or loss (Note 16) RM'000	At 31.12.2020 RM'000
Group					
Property, plant and equipment	385,466	(7,153)	378,313	(13,266)	365,047
Biological assets	3,785	2,227	6,012	2,121	8,133
	389,251	(4,926)	384,325	(11,145)	373,180
Company					
Property, plant and equipment	14	-	14	(5)	9

Unrecognised deferred tax assets

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

	Group 2020 RM'000	2019 RM'000
Other temporary differences	(14,333)	(15,589)
Unabsorbed capital and agriculture allowances	36,503	35,468
Unutilised tax losses	55,384	52,568
	77,554	72,447

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

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

NOTES TO THE FINANCIAL STATEMENTS

10. DEFERRED TAX LIABILITIES (CONTINUED)

Unrecognised deferred tax assets (continued)

The abovementioned deferred tax assets do not expire under the current tax legislation except for the unutilised tax losses as shown below:

	Group	
	2020	2019
	RM'000	RM'000
Year of assessment in which unutilised tax losses will expire:		
- 2025	48,131	48,131
- 2026	4,558	4,437
- 2027	2,695	-
	55,384	52,568

11. PAYABLES

		Group		Company	
	Note	2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Trade					
Trade payables		3,746	3,408	-	-
Amount due to related companies		7,445	9,752	298	503
	a	11,191	13,160	298	503
Non-trade					
Other payables	b	22,039	25,408	1,123	1,757
Amount due to related companies		-	12	-	-
		22,039	25,420	1,123	1,757
		33,230	38,580	1,421	2,260

Note a

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

Note b

Included in other payables of the Group for the previous financial year are balances of RM17,000 relating to a company connected to a major shareholder of the immediate holding company and RM7,000 relating to a firm connected to a Director of the Company.

NOTES TO THE FINANCIAL STATEMENTS

12. REVENUE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from contracts with customer				
Sales of plantation produce	467,595	418,598	-	-
Other revenue				
Gross dividend income	-	-	48,936	27,930
	467,595	418,598	48,936	27,930

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

13. FINANCE COSTS

	Group	
	2020 RM'000	2019 RM'000
Interest expense on lease liabilities	2,526	2,792

NOTES TO THE FINANCIAL STATEMENTS

14. PROFIT BEFORE TAX

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration:				
- Statutory audit				
- KPMG PLT	313	313	72	72
- Other services				
- KPMG PLT	15	64	15	30
- Affiliates of KPMG PLT	89	102	8	8
Material expenses/(income)				
Depreciation of property, plant and equipment	87,652	88,389	104	181
Equipment hiring charges	4,073	5,346	-	-
Hire of motor vehicles	89	84	-	-
Impairment loss on investment in subsidiaries	-	-	5,629	12,444
Loss on disposal of property, plant and equipment	102	89	102	89
Net gain from fair value adjustments of biological assets	(8,840)	(9,277)	-	-
Management fees	4,074	4,045	95	85
Personnel expenses (including key management personnel)				
- Contributions to Employees' Provident Fund	4,577	4,446	183	232
- Wages, salaries and others	142,610	137,495	1,587	1,988
Property, plant and equipment written off	572	240	-	-
Rental expenses	385	341	34	36
Dividend income from money market deposits	(3,417)	(2,468)	(1,115)	(1,214)
Dividend income from subsidiaries				
- unquoted shares	-	-	(48,936)	(27,930)
Gain on disposal of property, plant and equipment	(12,885)	(1,484)	-	-
Hiring income	(264)	-	-	-
Insurance claim received	(728)	(533)	-	-
Interest income	(906)	(939)	(46)	(114)
Plantation management fee income	(571)	(455)	-	-
Rental income from properties	(294)	(375)	-	-

NOTES TO THE FINANCIAL STATEMENTS

15 KEY MANAGEMENT PERSONNEL COMPENSATIONS

The key management personnel compensations are as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Directors of the Company:				
- Fees	672	662	648	638
- Remuneration	2,889	2,755	1,231	1,175
- Other short term employee benefits *	56	61	-	-
	3,617	3,478	1,879	1,813
Directors of subsidiaries:				
- Fees	24	46	-	-
- Other emoluments	-	102	-	-
	24	148	-	-
	3,641	3,626	1,879	1,813
Other key management personnel:				
- Remuneration	8,345	9,265	-	470
- Other short term employee benefits *	341	517	-	17
	8,686	9,782	-	487

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

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

NOTES TO THE FINANCIAL STATEMENTS

16. TAX EXPENSE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current tax expense				
- Current year provisions	29,754	10,424	10	24
- Over provision in prior years	(505)	(388)	-	(21)
Total current tax recognised in profit or loss	29,249	10,036	10	3
Deferred tax expense				
- Origination and reversal of temporary differences	(11,614)	1,952	(5)	-
- Under/(Over) provision in prior years	469	(6,878)	-	-
Total deferred tax recognised in profit or loss	(11,145)	(4,926)	(5)	-
Total income tax expense	18,104	5,110	5	3
Reconciliation of tax expense				
Profit before tax	108,400	36,559	41,023	12,218
Tax calculated using Malaysian tax rate of 24% (2019: 24%)	26,016	8,774	9,846	2,932
Effect of gain taxed at Real Property Gains Tax rate	(10,518)	-	-	-
Non-deductible expenses	2,598	3,193	2,175	4,088
Non-taxable income	(1,182)	(1,162)	(12,016)	(6,996)
Deferred tax assets not recognised during the year	1,226	1,571	-	-
	18,140	12,376	5	24
Over provision of current tax expense in prior years	(505)	(388)	-	(21)
Under/(Over) provision of deferred tax expense in prior years	469	(6,878)	-	-
	18,104	5,110	5	3

NOTES TO THE FINANCIAL STATEMENTS

17. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

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

	Group	
	2020	2019
Profit attributable to owners of the Company (RM'000)	90,296	31,449
Weighted average number of ordinary shares ('000)		
Issued ordinary shares net of treasury shares at 1 January	799,685	799,687
Effect of shares buyback during the year	-	(1)
Weighted average number of ordinary shares at 31 December	799,685	799,686
Basic earnings per ordinary share (sen)	11.29	3.93

18. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2020			
Second interim 2019 ordinary	2.0	15,994	24 March 2020
First interim 2020 ordinary	1.5	11,995	24 September 2020
Total amount	3.5	27,989	
2019			
Second interim 2018 ordinary	1.0	7,997	27 March 2019
First interim 2019 ordinary	0.5	3,998	27 September 2019
Total amount	1.5	11,995	

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.

NOTES TO THE FINANCIAL STATEMENTS

18. DIVIDENDS (CONTINUED)

On 24 February 2021, the Board of Directors approved a second interim dividend of 5.5 sen per ordinary share under the single-tier system in respect of the financial year ended 31 December 2020, amounting to a total of RM43,982,686 and was paid on 24 March 2021. 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 2021.

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2020.

19. CAPITAL COMMITMENTS

	Group	
	2020	2019
	RM'000	RM'000
Capital expenditure commitments		
Contracted but not provided for		
Property, plant and equipment	25,053	46,675

NOTES TO THE FINANCIAL STATEMENTS

20. SEGMENTAL REPORTING

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

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

Geographical area information

The following information is based on geographical location of customer:

	Group	
	2020	2019
	RM'000	RM'000
Revenue		
Malaysia	432,816	256,344
Singapore	34,779	162,254
	467,595	418,598

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	
	2020	2019
	RM'000	RM'000
All common control companies of		
Customer A	110,472	100,449
Customer B	117,547	65,139
Customer C	34,779	162,254
Customer D	156,056	-

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS

21.1 Categories of financial instruments

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

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

	← Group →			← Company →		
	Carrying amount RM'000	FVTPL RM'000	AC RM'000	Carrying amount RM'000	FVTPL RM'000	AC RM'000
2020						
Financial assets						
Receivables	31,368	-	31,368	50,122	-	50,122
Money market deposits	195,322	195,322	-	72,292	72,292	-
Cash and cash equivalents	63,655	-	63,655	69	-	69
	290,345	195,322	95,023	122,483	72,292	50,191
Financial liabilities						
Payables	(33,230)	-	(33,230)	(1,421)	-	(1,421)
2019						
Financial assets						
Receivables	28,603	-	28,603	46,734	-	46,734
Money market deposits	84,027	84,027	-	53,057	53,057	-
Cash and cash equivalents	49,317	-	49,317	4,635	-	4,635
	161,947	84,027	77,920	104,426	53,057	51,369
Financial liabilities						
Payables	(38,580)	-	(38,580)	(2,260)	-	(2,260)

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONTINUED)

21.2 Net gains arising from financial instruments

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Gains on:				
Amortised cost	906	939	46	114
Fair value through profit or loss	3,417	2,468	1,115	1,214
	4,323	3,407	1,161	1,328

21.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

21.4 Credit risk

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

Trade receivables from contract with customers

Risk management objectives, policies and processes for managing the risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONTINUED)

21.4 Credit risk (continued)

Trade receivables from contract with customers (continued)

Exposure to credit risk, credit quality and collateral

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

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

Concentration of credit risk

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

	Group	
	2020	2019
	RM'000	RM'000
Malaysia	29,572	20,112
Singapore	-	6,518
	29,572	26,630

Recognition and measurement of impairment losses

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

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

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONTINUED)

21.4 Credit risk (continued)

Inter-company advances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Recognition and measurement of impairment loss

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

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

The following table provides information about the exposure to credit risk for subsidiaries' advances as at 31 December 2020.

	Gross carrying amount RM'000	Impairment loss allowances RM'000	Net balance RM'000
Company			
2020			
Low credit risk	50,119	-	50,119
2019			
Low credit risk	46,731	-	46,731

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

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONTINUED)

21.4 Credit risk (continued)

Cash and cash equivalents and money market deposits

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

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

Other receivables

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

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

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

21.5 Liquidity risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONTINUED)

21.5 Liquidity risk (continued)

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
2020							
Group							
<i>Non-derivative financial liabilities</i>							
Payables	33,230	-	33,230	33,230	-	-	-
Lease liabilities	55,215	3.80 - 4.65	108,103	11,875	7,368	11,310	77,550
Company							
<i>Non-derivative financial liabilities</i>							
Payables	1,421	-	1,421	1,421	-	-	-
2019							
Group							
<i>Non-derivative financial liabilities</i>							
Payables	38,580	-	38,580	38,580	-	-	-
Lease liabilities	59,755	3.80 - 4.65	114,463	11,705	10,741	12,667	79,350
Company							
<i>Non-derivative financial liabilities</i>							
Payables	2,260	-	2,260	2,260	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONTINUED)**21.6 Market risk**

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

21.6.1 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	39,910	41,910	-	4,200

Interest rate risk sensitivity analysis

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

21.6.2 Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONTINUED)

21.7 Fair value of financial instruments

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

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

	Fair value of financial instruments carried at fair value Level 2 RM'000	Total fair value RM'000	Carrying amount RM'000
2020			
Group			
Financial assets			
Money market deposits	195,322	195,322	195,322
Company			
Financial assets			
Money market deposits	72,292	72,292	72,292
2019			
Group			
Financial assets			
Money market deposits	84,027	84,027	84,027
Company			
Financial assets			
Money market deposits	53,057	53,057	53,057

Level 2 fair value

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

Transfers between Level 1 and Level 2 fair values

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

NOTES TO THE FINANCIAL STATEMENTS

22. CAPITAL MANAGEMENT

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

23. RELATED PARTIES

Identity of related parties

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

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

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

Significant related party transactions

Related party transactions except for dividend received and disposal of property, plant and equipment have been entered into in the normal course of business. The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 15), are shown below. The balances related to the below transactions are disclosed in Note 7 and 11.

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Firm in which				
Datuk Simon Shim Kong Yip, JP,				
a Director of the Company, has interest:				
Shim Pang & Co				
Legal fee	(30)	(70)	-	-
Firm connected to				
Datuk Edward Lee Ming Foo, JP,				
a Director of the Company:				
Corporated International Consultants				
Project consultancy fee	(13)	(786)	-	-

NOTES TO THE FINANCIAL STATEMENTS

23. RELATED PARTIES (CONTINUED)

Significant related party transactions (continued)

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Company connected to				
Tan Sri Datuk Seri Panglima				
Lau Cho Kun @ Lau Yu Chak,				
a major shareholder of the				
immediate holding company:				
Lei Shing Hong Limited Group				
- Sales of used commercial vehicles	-	1,303	-	-
- Purchase of motor vehicles and spare parts	(31)	(1,283)	-	-
- Rental expenses	(16)	(22)	(16)	(22)
- Rental of commercial vehicles	(6,414)	(6,401)	-	-
Subsidiaries				
Dividend received	-	-	48,936	27,930
Related companies				
Blasting and crushing of rock aggregates	(4,047)	(1,684)	-	-
Hire of motor vehicles	(89)	(84)	-	-
Hiring income	264	-	-	-
Insurance expenses	(2,509)	(2,314)	(29)	(29)
Management fees	(4,074)	(4,045)	(95)	(85)
Plantation management fee income	314	198	-	-
Purchase of building materials	(2,829)	(3,724)	-	-
Purchase of diesel, petrol and lubricant	(15,037)	(21,068)	-	-
Purchase of fertilizers and chemicals	(39,313)	(26,170)	-	-
Purchase of fresh fruit bunches	(4,873)	(1,236)	-	-
Purchase of stones and sand	(5,933)	(18,435)	-	-
Purchase of tyre and tube	(727)	(685)	-	-
Purchase of vehicles and spare parts	(3,571)	(4,692)	(545)	(1,227)
Rental expenses	(369)	(316)	(18)	(14)
Rental of commercial vehicles	(3,892)	(3,460)	-	-
Rental of skid tank	-	(3)	-	-
Disposal of property, plant and equipment	75,987	-	-	-
Rental income	6	8	-	-
Sales of used vehicles	1,587	3,712	566	1,267
Utilities charges	1	5	-	-
Associate of immediate holding company				
Plantation management fee income	257	257	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

24. MATERIAL LITIGATIONS

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

24. MATERIAL LITIGATIONS (CONTINUED)

(a) (continued)

On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB's application ["Consolidated RESB Suit"]. The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018, 7 to 11 January 2019, 28 February 2019, 8 March 2019, 19 September 2019 and 7 February 2020. The Consolidated RESB Suit has been fixed for continued hearing from 14 June to 25 June 2021.

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

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

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

SYC is claiming for the following in the KK Suit:

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

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

The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018, 7 to 11 January 2019, 28 February 2019, 8 March 2019, 19 September 2019 and 7 February 2020. The Consolidated RESB Suit has been fixed for continued hearing from 14 June to 25 June 2021.

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

NOTES TO THE FINANCIAL STATEMENTS

25. CONTINGENT LIABILITY - UNSECURED

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

26. SIGNIFICANT EVENTS DURING THE YEAR

- (a) As announced on 27 May 2020 ["said date"], Hap Seng Plantations (Ladang Kawa) Sdn Bhd ["HSP (LK)"], a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement on even date to dispose of the following eight (8) parcels of agricultural land situated at Jalan Bukit Quion, District of Tawau, State of Sabah planted with oil palm trees together with buildings, main structures and infrastructures erected thereon to Future Golden Development Sdn Bhd [the "Purchaser"], a wholly-owned subsidiary of Hap Seng Consolidated Berhad ["HSCB"], for a cash consideration of RM75,987,000.00 ["Proposed HSP (LK) Disposal"]:-

No.	Title Number	Approximate Area (Hectares)
1.	CL 105319775	185.95
2.	CL 105350909	105.46
3.	CL 105334049	80.85
4.	CL 105343762	13.95
5.	PL 106260833	36.82
6.	PL 106261349	34.05
7.	PL 106261330	60.27
8.	CL 105246179	34.95
	Total	552.30

The Proposed HSP (LK) Disposal was deemed a related party transaction. As at the said date, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was a director and a 56.00% major shareholder of Gek Poh (Holdings) Sdn Bhd ["Gek Poh"]. Gek Poh was the holding company of HSCB with an aggregate shareholding of 60.83%, comprising 54.63% direct shareholding and 6.20% indirect shareholding through Hap Seng Insurance Services Sdn Bhd ["HSIS"], a wholly-owned subsidiary of Gek Poh. HSCB was a major shareholder holding 424,183,300 shares constituting 53.04% of shareholding in the Company. Hence, Tan Sri Lau, Gek Poh, HSIS and HSCB were deemed interested in the Proposed HSP (LK) Disposal.

As at the said date, Datuk Edward Lee Ming Foo was the managing director of the Company, HSCB and Gek Poh. Mr Lee Wee Yong was an executive director of the Company and HSCB as well as a director of Gek Poh. Ms Cheah Yee Leng was an executive director of both the Company and HSCB. Premised on the aforesaid, they were deemed interested in the Proposed HSP (LK) Disposal. As such, they had abstained from all board deliberations and voting in respect of the Proposed HSP (LK) Disposal.

NOTES TO THE FINANCIAL STATEMENTS

26. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(a) (continued)

As at the said date, Datuk Simon Shim Kong Yip was the non-independent non-executive deputy chairman of the Company and a non-independent non-executive director of HSCB. Premised on Datuk Simon Shim Kong Yip's common directorship in the Company and HSCB, he was deemed interested in the Proposed HSP (LK) Disposal. As such, he had abstained from all board deliberations and voting in respect of the Proposed HSP (LK) Disposal.

The Proposed HSP (LK) Disposal was completed on 1 June 2020 upon payment of the full purchase consideration by the Purchaser resulting in a gain of approximately RM12.9 million to the Group.

(b) The COVID-19 pandemic has resulted in business disruptions and various negative macro-economic impact. The rapid spread of the virus has weakened the global economic outlook and the unprecedented lockdowns in many countries have also caused severe demand shrinkage and disruption to supply chain networks.

The Group has performed an assessment of the overall impact of the pandemic to the Group's operations, including the recoverability of the carrying amounts of assets and liabilities and concluded that there is no material adverse effect on the financial statements for the financial year ended 31 December 2020.

As the pandemic continues to evolve subsequent to the financial year ended 31 December 2020, the Group is unable to reasonably estimate the full extent and duration of the impact on its operations and financial performance. However, the Group shall continue to monitor the development of the event and put in place stringent measures to mitigate the impact to its operations.

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 72 to 132 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2020 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

20 April 2021

STATUTORY DECLARATION

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

I, **Lee Wee Yong**, the Director primarily responsible for the financial management of Hap Seng Plantations Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 72 to 132 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 20 April 2021.

Lee Wee Yong

Before me:

KAPT (B) JASNI BIN YUSOFF

(W 465)

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HAP SENG PLANTATIONS HOLDINGS BERHAD

Registration No. 200701011957 (769962-K) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hap Seng Plantations Holdings Berhad, which comprise the statements of financial position as at 31 December 2020, of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 72 to 132.

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 2020, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

1. Impairment on property, plant and equipment

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

The key audit matter

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HAP SENG PLANTATIONS HOLDINGS BERHAD
Registration No. 200701011957 (769962-K) (Incorporated in Malaysia)

Key Audit Matters (continued)

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

The key audit matter (continued)

During the year, two subsidiaries of the Group continued to incur losses due to low production from its oil palm plantations; hence leading to an indication of impairment on the carrying amounts of their property, plant and equipment. The carrying amounts of the aforementioned assets as at 31 December 2020 amounted to RM106 million. The Directors have carried out an impairment assessment involving an independent external valuer to determine the estimated recoverable amount.

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

How our audit addressed the key audit matter

Our procedures included, amongst others:

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HAP SENG PLANTATIONS HOLDINGS BERHAD
Registration No. 200701011957 (769962-K) (Incorporated in Malaysia)

Key Audit Matters (continued)

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HAP SENG PLANTATIONS HOLDINGS BERHAD
Registration No. 200701011957 (769962-K) (Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HAP SENG PLANTATIONS HOLDINGS BERHAD
Registration No. 200701011957 (769962-K) (Incorporated in Malaysia)

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

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

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

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

Other Matter

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

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Lee Hean Kok
Approval Number: 02700/12/2021 J
Chartered Accountant

20 April 2021

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 2020 was RM104,000 as disclosed in Note 14 to the Financial Statements.

(iii) MATERIAL CONTRACT

Material contract of the Company's subsidiary involving directors' and major shareholders' interest is disclosed in Note 26(a) to the Financial Statements.

Other than that disclosed in Note 26(a), there were no other material contracts of the Company and its subsidiaries involving the interests of the directors, chief executive who is not a director or major shareholders, subsisting as at 31 December 2020, and/or entered into since 31 December 2019.

(iv) RECURRENT RELATED PARTY TRANSACTIONS

Pursuant to Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the recurrent related party transactions of a revenue or trading in nature which were entered into by the Company and its subsidiaries with the related parties during the financial year ended 31 December 2020 are as disclosed in Note 23 to the Financial Statements.

The Company will be seeking new or renewed shareholders' mandate for recurrent related party transactions at the annual general meeting to be convened on 24 May 2021.

ADDITIONAL INFORMATION

2. OTHERS

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

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

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

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

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

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

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

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

PARTICULARS OF GROUP'S PROPERTIES

Location	Area (hectares)	Description	Date of revaluation	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2020 RM'000
SABAH							
KINABATANGAN, LAHAD DATU							
Tomanggong Estate	4,890	Oil palm plantation and buildings Tomanggong Palm Oil Mill	January 2017	Leasehold 99 years/ 999 years	2067/2094/ 2894	1 - 52	853,579
Tabin Estate	3,055	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2067/2076/ 2093/2096/ 2097/2098	1 - 35	
Tagas Estate	2,010	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2067/2076	2 - 44	
Litang Estate	1,571	Oil palm plantation and buildings	January 2017	Leasehold 99 years/ 999 years	2076/2091/ 2887/2900	2 - 35	
Sungai Segama Estate	5,174	Oil palm plantation and buildings Plantation Central Office and Clubhouse	January 2017	Leasehold 99 years	2089	2 - 25	
Bukit Mas Estate	4,733	Oil palm plantation and buildings Bukit Mas Palm Oil Mill	January 2017	Leasehold 99 years/ 999 years	2089/2887	2 - 25	
Wecan Estate	1,078	Oil palm plantation	January 2017	Leasehold 99 years	2084	-	46,609
Tampilit Estate	202	Oil palm plantation	January 2017	Leasehold 99 years	2084	-	6,760

PARTICULARS OF GROUP'S PROPERTIES

Location	Area (hectares)	Description	Date of revaluation	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2020 RM'000
SABAH							
KINABATANGAN, LAHAD DATU (continued)							
Batangan Estate	3,633	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	2 - 38	563,979
Lutong Estate	2,448	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078/2098/ 2099	5 - 29	
Lokan Estate	3,155	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	5 - 24	
Kapis Estate	2,681	Oil palm plantation and buildings Jeroco Palm Oil Mill I and II	January 2017	Leasehold 99 years	2078	1 - 34	
Lungmanis Estate	2,200	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	5 - 23	
TAWAU							
Muul Hill Estate	724	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2062/2063/ 2065/2068/ 2071/2072/ 2073	2 - 38	77,818
KOTA MARUDU							
Pelipikan Estate, Kg Natu	808*	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2101/2102	2 - 21	32,469
Pelipikan Estate, Kg Natu	1,365	Oil palm plantation and buildings	January 2017	Leasehold 30 years	2039	8 - 16	72,722
Total	39,727						1,653,936

* 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				
	2020	2019	2018	2017	2016
CROP PRODUCTION - TONNES					
FFB	637,131	675,587	657,259	655,957	662,774
PROCESSED - TONNES					
FFB - own	623,169	659,427	640,737	640,507	643,731
FFB - purchased	79,106	66,356	80,746	85,006	91,707
Palm Oil	144,977	152,017	148,651	150,695	154,682
Palm Kernel	33,594	35,402	34,802	35,183	35,872
EXTRACTION RATE - %					
Palm Oil	20.64	20.95	20.60	20.77	21.03
Palm Kernel	4.78	4.88	4.82	4.85	4.88
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	5,040	4,340	4,491	5,615	5,626
> 7 years to 17 years	10,196	9,794	8,522	6,839	7,246
> 17 years onwards	17,050	18,324	19,125	19,569	19,502
Total mature area	32,286	32,458	32,138	32,023	32,374
AVERAGE YIELD - TONNES/ HECTARE					
FFB yield per mature hectare	19.73	20.81	20.45	20.48	20.47
Oil per mature hectare	4.07	4.36	4.21	4.25	4.31
AVERAGE SELLING PRICE RM/TONNE					
FFB	510	371	396	536	521
Palm Oil	2,788	2,143	2,300	2,885	2,643
Palm Kernel	1,681	1,311	1,825	2,560	2,564
TAXES APPLICABLE TO PLANTATION INDUSTRY RM'000					
MPOB cess	2,030	1,984	1,948	1,962	2,011
Sabah sales tax	30,026	27,163	23,207	32,609	29,466
Windfall tax	850	-	-	329	161
Total taxes paid	32,906	29,147	25,155	34,900	31,638

PLANTATION STATISTICS

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2020

	River Estates Group	Jeroco Group	* Kota Marudu	Pelipikan	Total
Oil Palm					
Mature	18,935	11,863	585	903	32,286
Immature	2,289	859	-	-	3,148
Total Oil Palm	21,224	12,722	585	903	35,434
Other crop	60	86	-	-	146
Total planted area	21,284	12,808	585	903	35,580
Reserves	27	5	81	-	113
Buildings, roads etc	2,126	1,304	142	462	4,034
Total	23,437	14,117	808	1,365	39,727

Conversion Rate : 1 Hectare = 2.4710 acres

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

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2021

Total number of issued shares	: 800,000,000 (including 314,800 treasury shares)
Class of shares	: ordinary share
Voting rights	: one vote per ordinary share
Number of shareholders	: 8,087

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Shares
1 to 99	129	1.60	2,476	#
100 to 1,000	2,444	30.22	1,831,365	0.23
1,001 to 10,000	4,262	52.70	18,649,488	2.33
10,001 to 100,000	1,100	13.60	31,880,036	3.99
100,001 to less than 5% of issued shares	149	1.84	77,673,835	9.71
5% & above of issued shares	3	0.04	669,648,000	83.74
Total	8,087	100.00	799,685,200	100.00

* The number of 799,685,200 ordinary shares which was arrived at after deducting 314,800 treasury shares held by the Company from its issued shares of 800,000,000 ordinary shares.

Negligible

LIST OF 30 LARGEST SHAREHOLDERS

No.		Shareholding	% ⁽³⁾
1.	Hap Seng Consolidated Berhad	478,911,400	59.89
2.	Innoprise Corporation Sdn Bhd	119,978,000	15.00
3.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	70,758,600	8.85
4.	John Chia Sin Tet	8,635,400	1.08
5.	Amanahraya Trustees Berhad - Amanah Saham Malaysia 2 - Wawasan	8,279,900	1.04
6.	Amanahraya Trustees Berhad - Amanah Saham Malaysia	6,112,000	0.76
7.	Chinchoo Investment Sdn. Berhad	5,499,900	0.69
8.	Key Development Sdn. Berhad	4,282,200	0.54
9.	Gan Teng Siew Realty Sdn. Berhad	3,143,066	0.39
10.	HSBC Nominees (Tempatan) Sdn Bhd - Exempt An For Credit Suisse (SG BR-TST-TEMP)	1,593,300	0.20
11.	Mikdavid Sdn Bhd	1,352,000	0.17
12.	Amanahraya Trustees Berhad - Public Islamic Treasures Growth Fund	1,061,700	0.13

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2021

No.		Shareholding	% ⁽³⁾
13.	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Commerce Trustee Berhad for Maybank Malaysia Smallcap Fund	1,000,000	0.13
14.	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Fong Siling (CEB)	1,000,000	0.13
15.	Gemas Bahru Estates Sdn. Bhd.	810,000	0.10
16.	Chan Kwai Chee	755,700	0.09
17.	Permodalan Nasional Berhad	682,300	0.09
18.	Teuh Chin Yap	663,000	0.08
19.	Cheong Meng Soon @ Chong Sai Yan	655,000	0.08
20.	Cheah Yaw Song	644,900	0.08
21.	Gan Kai San	600,000	0.08
22.	Mohd Aris @ Nik Ariff Bin Nik Hassan	590,000	0.07
23.	Chinchoo Investment Sdn. Berhad	500,000	0.06
24.	RHB Capital Nominees (Tempatan) Sdn Bhd - Bien Chin Hwa (T-471150)	500,000	0.06
25.	SCQ Industries Berhad	472,000	0.06
26.	HLIB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Yap Qwee Beng	466,900	0.06
27.	Chan Wan Choon	450,900	0.06
28.	Tan Sing Kah	421,800	0.05
29.	Lee Chee Hai	420,000	0.05
30.	Amanahraya Trustees Berhad - Public Advantage Growth Equity Fund	416,600	0.05
Total		720,656,566	90.12

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2021

SUBSTANTIAL SHAREHOLDERS

	Direct Shareholding		Indirect Shareholding	
	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽³⁾
Hap Seng Consolidated Berhad	478,911,400	59.89	-	-
Innoprise Corporation Sdn Bhd	119,978,000	15.00	-	-
Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	70,758,600	8.85	-	-
Gek Poh (Holdings) Sdn Bhd	-	-	478,911,400 ⁽¹⁾	59.89
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	478,911,400 ⁽²⁾	59.89

Notes:

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

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

⁽³⁾ For purpose of computing the percentage of shareholding above, the number of ordinary shares used was 799,685,200 which was arrived at after deducting 314,800 treasury shares held by the Company from its issued shares of 800,000,000 ordinary shares.

DIRECTORS' SHAREHOLDINGS

AS AT 31 MARCH 2021

Company	Direct Shareholding		Indirect Shareholding	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Hap Seng Plantations Holdings Berhad ("HSP")				
Datuk Simon Shim Kong Yip, JP	180,000	0.023	-	-
Cheah Yee Leng	41,200	0.005	-	-
Au Yong Siew Fah	180,000	0.023	-	-
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir, JP	1,000	#	-	-

Related Corporation	Direct Shareholding		Indirect Shareholding	
	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
Hap Seng Consolidated Berhad ("HSCB")				
Au Yong Siew Fah	291,600	0.012	-	-

Notes:

⁽¹⁾ For purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,685,200 which was arrived at after deducting 314,800 treasury shares held by the Company from its issued shares of 800,000,000 ordinary shares.

⁽²⁾ For purpose of computing the percentage of HSCB shareholding above, the number of ordinary shares used was 2,489,669,583 which was arrived at after deducting 12,000 treasury shares held by HSCB from its issued shares of 2,489,681,583 ordinary shares.

Negligible

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 14th annual general meeting of Hap Seng Plantations Holdings Berhad will be conducted by way of a fully virtual meeting with its broadcast venue at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Monday, 24 May 2021 at 10am to transact the following:-

AGENDA

ORDINARY BUSINESS

1. To table the audited financial statements for the financial year ended 31 December 2020 together with the reports of directors and auditors. *Note 1*

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

2. To re-elect the following directors who shall retire by rotation in accordance with clause 116 of the Company's constitution and being eligible, have offered themselves for re-election:- *Notes 2 & 3*

(a) Datuk Simon Shim Kong Yip, JP

Resolution 1

(b) Datuk Edward Lee Ming Foo, JP

Resolution 2

(c) Mr. Chong Kwea Seng

Resolution 3

(d) Mr. Choy Khai Choon

Resolution 4

3. To approve the payment of directors' fees of the Company and its subsidiaries amounting to RM696,197.00 for the financial year ended 31 December 2020. *Note 4*

Resolution 5

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

Resolution 6

SPECIAL BUSINESS

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

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

"That subject always to the approvals of the relevant authorities, the directors of the Company be and are hereby empowered pursuant to section 75 of the Companies Act 2016 to allot shares in the Company at any time upon such terms and conditions, and for such purposes as the directors of the Company may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." *Note 6*

Resolution 7

NOTICE OF ANNUAL GENERAL MEETING

6. Proposed renewal of 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 26 April 2021, which are necessary for the day-to-day operations of the Company and/or its subsidiaries and are carried out in the ordinary course of business, at arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

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

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

whichever is the earlier;

and that the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the proposed renewal of shareholders' mandate." Note 7

Resolution 8

7. Proposed renewal of share buy-back authority

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

- (a) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed 10% of the total number of issued shares of the Company;
- (b) the maximum funds allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, based on the Company's audited financial statements for the financial year ended 31 December 2020; and

NOTICE OF ANNUAL GENERAL MEETING

(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 part thereof as treasury shares and cancel the remainder; and/or
- (iii) 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
- (iv) transfer the treasury shares or any of the said shares as purchase consideration; and/or
- (v) in any other manner as prescribed by the Companies Act 2016,

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 8

Resolution 9

By order of the Board

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

Kuala Lumpur
26 April 2021

NOTICE OF ANNUAL GENERAL MEETING

Explanatory notes to the Agenda:-

1. Pursuant to section 340(1) and (2) of the Companies Act 2016 ("Act"), the directors shall lay before the Company at its annual general meeting ("AGM") its audited financial statements made up to a date not more than 6 months before the date of the AGM. This agenda 1 is meant for discussion only and will not be put forward for voting.
2. Pursuant to clause 116 of the Company's constitution, at least one-third of the directors of the Company for the time being shall retire from office at every AGM and be eligible for re-election.
3. Based on the satisfactory outcome of its review, the nominating committee had made recommendations to the board of directors that these directors be eligible to stand for re-election.
4. Pursuant to section 230(1) of the Act, the Company shall at every AGM approve the fees of the directors of the Company and its subsidiaries.
5. Pursuant to section 271(4) 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.
6. The proposed resolution 7 is to authorise the Company to allot shares pursuant to section 75 of the Act. This proposed resolution 7, if passed, will empower the directors of the Company to allot ordinary shares in the Company up to 10% of the total number of issued shares of the Company for the time being, subject to compliance with all other regulatory requirement and this authority will enable the Company to finance investment projects, working capital and/or acquisitions by issuing new shares as and when the need arises without delay or incurring costs in convening a separate general meeting. This authority, unless revoked or varied at an earlier general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this notice of AGM, the Company has not issued any new shares pursuant to the authority granted by the shareholders at the last AGM held on 1 July 2020, which the authority shall lapse at the conclusion of this AGM.

7. The proposed resolution 8 is to authorise the Company and its subsidiaries to enter into recurrent related party transactions ("RRPT") which are necessary for day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not detrimental to the minority shareholders of the Company. This would eliminate the need to make regular announcements to Bursa Malaysia Securities Berhad or convene separate general meetings from time to time to seek shareholders' approval as and when RRPT arise, thereby reducing substantial administrative time and expenses in convening such meetings.

Further information on the said RRPT is set out in Part A of the Circular/Statement to shareholders dated 26 April 2021 which is issued together with the Company's Annual Report 2020.

8. The proposed resolution 9 is to authorise the Company to purchase its own shares of up to 10% of the total number of issued shares of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of next AGM of the Company. Further information on the proposed renewal of share buy-back authority is set out in Part B of the Circular/Statement to shareholders dated 26 April 2021 which is issued together with the Company's Annual Report 2020.

NOTICE OF ANNUAL GENERAL MEETING

Notes to the notice of AGM:-

1. *In view of the official guidance issued by the Malaysian government vis-a-viz the COVID-19 pandemic, the AGM will be conducted by way of a fully virtual meeting through live streaming and online remote voting via the remote participation and electronic voting facilities ("RPEV") which is available on the online portal of Boardroom Share Registrars Sdn Bhd at <https://web.lumiagm.com>. Please follow the procedures provided in the administrative guide for the AGM in order to register, participate and vote remotely via RPEV.*
2. *The chairman of the AGM will be at the broadcast venue in compliance with section 327(2) of the Act. No shareholder/proxy shall be physically present at the meeting venue.*
3. *A depositor shall not be regarded as a member entitled to participate and vote thereat unless his/her name appears in the register of record of depositors as at 17 May 2021.*
4. *Subject to note 5 below, a member entitled to participate and vote at this AGM is entitled to appoint a proxy or proxies to participate and vote in his/her stead. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. The proxy or proxies need not be a member of the Company and there shall be no restriction as to the qualification of the proxy or proxies.*
5. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit on the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
6. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing, or if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised. Such duly executed instrument appointing a proxy must either (a) be physically deposited at Reception Counter, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur; or (b) be electronically deposited through the Boardroom Smart Investor Online Portal at <https://www.boardroomlimited.my>, not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof.*



HAP SENG PLANTATIONS

Hap Seng Plantations Holdings Berhad 200701011957 (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 14th annual general meeting of the Company to be conducted by way of a fully virtual meeting with its broadcast venue at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Monday, 24 May 2021 at 10am or at any adjournment thereof in the manner as indicated below:-

Agenda

- To table the audited financial statements for the financial year ended 31 December 2020 together with the reports of directors and auditors.

ORDINARY BUSINESS		FOR	AGAINST
2. To re-elect Datuk Simon Shim Kong Yip, JP as director of the Company.	Resolution 1		
3. To re-elect Datuk Edward Lee Ming Foo, JP as director of the Company.	Resolution 2		
4. To re-elect Mr. Chong Kwea Seng as director of the Company.	Resolution 3		
5. To re-elect Mr. Choy Khai Choon as director of the Company.	Resolution 4		
6. To approve the payment of directors' fees.	Resolution 5		
7. To reappoint Messrs KPMG PLT as auditors of the Company.	Resolution 6		

SPECIAL BUSINESS		FOR	AGAINST
8. Authority to allot shares pursuant to section 75 of the Companies Act 2016.	Resolution 7		
9. To approve renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	Resolution 8		
10. To approve renewal of share buy-back authority.	Resolution 9		

Please indicate with a "✓" in the spaces above on how you wish your votes to be cast. In the absence of specific instructions, the proxy will vote or abstain at his/her discretion.

Signed this _____ day of _____ 2021

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

Notes:-

1. *In view of the official guidance issued by the Malaysian government vis-a-viz the COVID-19 pandemic, the annual general meeting ("AGM") will be conducted by way of a fully virtual meeting through live streaming and online remote voting via the remote participation and electronic voting facilities ("RPEV") which is available on the online portal of Boardroom Share Registrars Sdn Bhd at <https://web.lumiagm.com>. Please follow the procedures provided in the administrative guide for the AGM in order to register, participate and vote remotely via RPEV.*
2. *The chairman of the AGM will be at the broadcast venue in compliance with section 327(2) of the Companies Act 2016. No shareholder/proxy shall be physically present at the meeting venue.*
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Fold here

Postage

THE COMPANY SECRETARY
HAP SENG PLANTATIONS HOLDINGS BERHAD
Registration No. 200701011957 (769962-K)
Reception Counter, Ground Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

Fold here

www.hapsengplantations.com.my

HAP SENG PLANTATIONS HOLDINGS BERHAD

Registration No. 200701011957 (769962-K)

21st Floor, Menara Hap Seng

Jalan P. Ramlee

50250 Kuala Lumpur

Malaysia

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