
PLANTATIONS

AUTOMOTIVE


QUARRY & BUILDING MATERIALS


FERTILIZERS TRADING


CREDIT FINANCING


TRADING

PROPERTY HOLDING & DEVELOPMENT

ANNUAL REPORT 2015

HAP SENG CONSOLIDATED BERHAD

40th
ANNUAL GENERAL MEETING

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

Thursday,
19 May 2016 at 2pm

INSIDE THIS REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' JORGEN BORNHOFT
Independent Non-Executive Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

LEE WEE YONG
Executive Director

CHEAH YEE LENG
Executive Director

DATUK SIMON SHIM KONG YIP, JP
Non-Independent Non-Executive Director

LT. GEN. (R) DATUK ABDUL AZIZ BIN HASAN
Independent Non-Executive Director

DATO' MOHAMMED BIN HAJI CHE HUSSEIN
Independent Non-Executive Director

CH'NG KOK PHAN
Non-Independent Non-Executive Director

LEOW MING FONG @ LEOW MIN FONG
Independent Non-Executive Director

COMPANY SECRETARIES

Lim Guan Nee (MAICSA 7009321)
Quan Sheet Mei (MIA 6742)

REGISTERED OFFICE

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

PLACE OF INCORPORATION

Malaysia

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7849 0777
Fax : 603-7841 8151 / 8152

AUDITORS

Ernst & Young (AF:0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur

PRINCIPAL BANKERS

Malayan Banking Berhad
HSBC Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad
DBS Bank Ltd
Affin Bank Berhad
Hong Leong Bank Berhad
AmBank (M) Berhad
RHB Bank Berhad
The Bank of Nova Scotia Berhad
OCBC Bank (Malaysia) Berhad

GROUP

Hap Seng Consolidated Berhad
together with its subsidiaries

DIRECTORS' PROFILE

DATO' JORGEN BORNHOFT

Independent Non-Executive Chairman

Dato' Jorgen Bornhoft, a Dane, aged 74, is the independent non-executive chairman of Hap Seng Consolidated Berhad. He was first appointed to the Board as an independent non-executive director on 24 January 2005 and became the chairman on 1 February 2007. He is also the chairman of the Audit Committee, Remuneration Committee and Nominating Committee.

In addition, Dato' Bornhoft is an independent non-executive director of Hap Seng Plantations Holdings Berhad, the Company's subsidiary listed on the Main Market of Bursa Malaysia Securities Berhad. He is a non-independent non-executive director of Fraser & Neave Holdings Bhd and also the vice-chairman of International Beverage Holdings Limited.

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

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

Dato' Bornhoft does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2015.

DIRECTORS' PROFILE

DATUK EDWARD LEE MING FOO, JP

Managing Director

Datuk Edward Lee Ming Foo, JP, a Malaysian, aged 61, is the managing director of Hap Seng Consolidated Berhad. He was first appointed to the Board on 1 November 2000 as a non-independent non-executive director, became an executive director on 25 March 2002 and assumed the current position since 31 March 2005. He is also a member of the Remuneration Committee.

In addition, Datuk Edward Lee is the managing director of both Gek Poh (Holdings) Sdn Bhd (Gek Poh) and Hap Seng Plantations Holdings Berhad. Gek Poh is the holding company of Hap Seng Consolidated 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 the Malaysian Mosaics Sdn Bhd (formerly Malaysian Mosaics Berhad) group of companies in 1980, became the group chief operating officer in 1995 and was the 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 40 to the Financial Statements. He has not been convicted of any offence in the past 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2015.

DIRECTORS' PROFILE

LEE WEE YONG

Executive Director

Lee Wee Yong, a Malaysian, aged 68, is an executive director of Hap Seng Consolidated 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 Plantations Holdings Berhad.

Mr. Lee holds a degree in Bachelor of Commerce and Administration from Victoria University in New Zealand and is a member of the Malaysian Institute of Accountants and Institute of Chartered Accountants of New Zealand. He joined Malaysian Mosaics Sdn Bhd (formerly Malaysian Mosaics Berhad) group of companies in 1992 and was appointed 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 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2015.

DIRECTORS' PROFILE

CHEAH YEE LENG

Executive Director

Cheah Yee Leng, a Malaysian, aged 47, is an executive director of Hap Seng Consolidated Berhad and was appointed to this position on 1 June 2014.

Ms. Cheah joined Hap Seng Consolidated Berhad (HSCB) group of companies in 1997 and is presently the Director of Corporate Affairs and the Legal Counsel of HSCB Group. She is also an executive director and the Group Company Secretary of Hap Seng Plantations Holdings Berhad.

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

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

Ms. Cheah does not have any family relationship with any director and/or major shareholder nor does she have any conflict of interests with the Company. She has not been convicted of any offence in the past 10 years.

She attended all the 4 board meetings held during the financial year ended 31 December 2015.

DIRECTORS' PROFILE

DATUK SIMON SHIM KONG YIP, JP

Non-Independent Non-Executive Director

Datuk Simon Shim Kong Yip, JP, a Malaysian, aged 59, is a non-independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 16 February 1996. He is also a member of the Audit Committee, Remuneration Committee and Nominating Committee.

In addition, Datuk Simon Shim was appointed as a non-independent non-executive director of Hap Seng Plantations Holdings Berhad on 9 August 2007 and became the deputy chairman on 23 February 2015. He is also an independent non-executive director of Lam Soon (Thailand) Public Company Limited, a company listed on the Stock Exchange of Thailand.

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

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

Datuk Simon Shim does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company save for the related party transactions disclosed in Note 40 to the Financial Statements. He has not been convicted of any offence in the past 10 years.

He attended 3 out of the 4 board meetings held during the financial year ended 31 December 2015.

DIRECTORS' PROFILE

LT. GEN. (R) DATUK ABDUL AZIZ BIN HASAN

Independent Non-Executive Director

Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan, a Malaysian, aged 70, is an independent non-executive director of Hap Seng Consolidated Berhad. He was first appointed to the Board on 24 September 2003 as a non-independent non-executive director and was subsequently re-designated as an independent non-executive director on 29 November 2012.

Datuk Abdul Aziz started his career in the Malaysian Army since 1964 and retired in 2001 as Deputy Chief of Army. Upon retirement from 2001 to 2002, he was an executive director of Arsenal Industries (M) Sdn Bhd, a subsidiary of Penang Shipyard and Construction Industries. He was also a director of Jotech Holdings Berhad from 2001 to 2006, Konsortium Muhibbah Engineering/Lembaga Tabung Angkatan Tentera from 2001 to 2007 and Transnational Insurance Brokers Sdn Bhd from 2003 to 2010. He was the chairman of Tien Wah Press Holdings Berhad and its audit committee from 2000 to 2005, the chairman of Tabung Haji Plantations Sdn Bhd and its audit committee from 2002 to 2005 as well as the chairman of Hospital Pusrawi Sdn Bhd and a member of its audit committee from 2008 to 2012.

Currently, Datuk Abdul Aziz is an independent non-executive director of Nam Fatt Corporation Berhad (in liquidation) and Pyrotechnical Ordinance (M) Sdn Bhd, a subsidiary of Boustead Heavy Industries Corporation Berhad. Prior to 21 January 2016, Datuk Abdul Aziz was a non-independent non-executive director of NCB Holdings Berhad.

Datuk Abdul Aziz holds a Bachelor of Social Science degree with Honours from USM (1981), a Masters in Business Administration from UKM (1986) and a Diploma in Islamic Studies from UKM (1987). He also completed the Wolfson Programme in Wolfson College, University of Cambridge in 1992.

Datuk Abdul Aziz does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2015.

DIRECTORS' PROFILE

DATO' MOHAMMED BIN HAJI CHE HUSSEIN

Independent Non-Executive Director

Dato' Mohammed Bin Haji Che Hussein, a Malaysian, aged 65, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 15 July 2008. He is also a member of the Audit Committee and Nominating Committee.

Dato' Mohammed is the independent non-executive chairman of Gamuda Berhad and Danajamin Nasional Berhad. In addition, he is also a director of PNB Commercial Sdn Bhd and a member of the Corporate Debt Resolution Committee sponsored by Bank Negara Malaysia to facilitate resolution and restructuring of major corporate debts. Prior to 31 March 2015, Dato' Mohammed was the non-independent non-executive chairman of Quill Capita Management Sdn Bhd which manages Quill Capita Trust, a real estate investment trust listed on the Main Market of Bursa Malaysia Securities Berhad.

He is also an independent non-executive director of Bank of America Malaysia Berhad and CapitaCommercial Trust Management Ltd which manages CapitaCommercial Trust, a real estate investment trust listed on the Singapore Exchange Securities Trading Limited.

Dato' Mohammed graduated with a degree in Bachelor of Commerce (Accounting) from the University of Newcastle, Australia in 1971 and completed the Harvard Business School Advanced Management Program in Boston, USA in 2003.

During his 31-year career with the Malayan Banking Berhad (Maybank) group, Dato' Mohammed was a member of the senior management team for 20 years which managed the progression of Maybank into Malaysia's leading financial services group. The various senior management positions he held include Head of Corporate Banking, Head of Commercial Banking, Head of Malaysian Operations, Head of Investment Banking Group, Executive Director (Business Group). Prior to his retirement in January 2008, he was the deputy president/executive director/chief financial officer.

Dato' Mohammed does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2015.

DIRECTORS' PROFILE

CH'NG KOK PHAN

Non-Independent Non-Executive Director

Ch'ng Kok Phan, a Malaysian, aged 65, is a non-independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 1 June 2014.

Mr. Ch'ng has over 30 years of senior management experience in the automotive industry and has worked in several Asian countries. He has been with the Lei Shing Hong group of companies for more than 18 years. He is also the chairman of Lei Shing Hong Auto (China) Management Co. Ltd. In addition, Mr. Ch'ng is also an executive director of Lei Shing Hong Limited, a company incorporated in Hong Kong.

Mr. Ch'ng does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2015.

DIRECTORS' PROFILE

LEOW MING FONG @ LEOW MIN FONG

Independent Non-Executive Director

Leow Ming Fong @ Leow Min Fong, a Malaysian, aged 66, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 4 March 2016. He is also a member of the Audit Committee.

Mr. Leow has more than 30 years of experience in the accounting/auditing field. He is a fellow member of the Institute of Chartered Accountants in England & Wales as well as a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Chartered Accountants.

Mr. Leow commenced his articleship with a firm of Chartered Accountants in London, United Kingdom in 1969. He joined KPMG Malaysia upon his return in 1974 and retired as an Audit Partner in 2005. During his 32-year career with KPMG, he had held various senior positions and had been posted to various KPMG branches including carrying out short term assignments in Singapore, British Guinea in South America and Vietnam. In addition, he was also involved in special work for fraud investigation, due diligence for merger and acquisitions, reporting accountant for various corporate exercises for public listed companies. From 1996 to 2000, he was the Partner-in-Charge of KPMG Cambodia and was involved in advisory work for pharmaceutical business operating in the Asean region and foreign investment advisory to explore business opportunities in Cambodia. He is currently a non-executive director of Focus Point Holdings Berhad and KSK Holdings Berhad in Malaysia and Canadia Bank PLC and Sovannaphum Life Assurance PLC in Cambodia.

Mr. Leow does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 10 years.

He did not attend any board meetings held during the financial year ended 31 December 2015 as he was appointed to the board subsequent to the financial year.


MENARA HAP SEN
MSIG

GROUP FINANCIAL HIGHLIGHTS

		FINANCIAL YEAR ENDED 31 DECEMBER				
		2011	2012	2013	2014	**2015**
INCOME (RM'000)						
(i)	Revenue	3,628,380	3,958,899	3,486,747	3,768,049	4,393,338
(ii)	Profit before tax	636,894	681,579	801,581	1,024,625	1,117,596
(iii)	Profit attributable to Owners of the Company	377,497	427,104	588,257	753,467	908,473

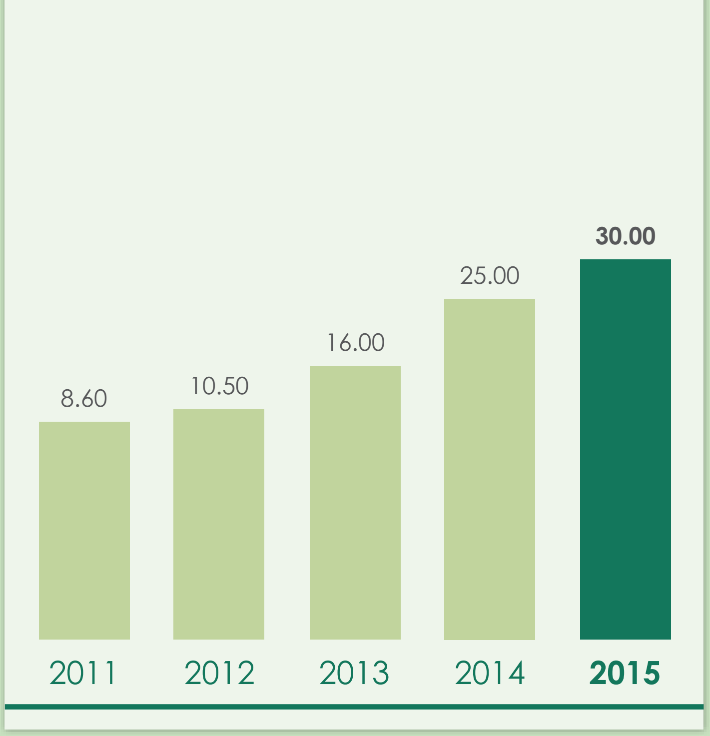
		2011	2012	2013	2014	**2015**
FINANCIAL POSITION (RM'000)						
Key data						
Assets						
(i)	Total tangible assets	6,797,298	6,634,122	7,071,373	7,748,832	9,943,257
(ii)	Net assets	3,300,341	3,410,037	3,353,874	3,951,775	4,242,648
(iii)	Current assets	3,049,349	2,692,028	3,065,574	3,303,173	3,951,443
Liabilities and Shareholders' Funds						
(i)	Current liabilities	1,634,653	1,728,966	2,214,740	2,476,372	3,114,414
(ii)	Paid-up share capital	2,186,357	2,186,364	2,205,709	2,226,779	2,249,731
(iii)	Shareholders' funds	3,300,341	3,410,037	3,353,874	3,951,775	4,242,648
PER SHARE						
(i)	Basic earnings (sen) *	18.94	19.79	28.70	36.67	42.26
(ii)	Net assets (RM) **	1.51	1.61	1.68	1.85	1.97
(iii)	Dividend (sen)	8.60	10.50	16.00	25.00	30.00
	* *Based on weighted average number of shares in issue net of treasury shares ('000)*	*1,993,085*	*2,158,584*	*2,049,324*	*2,054,505*	*2,149,824*
	** *Based on number of shares in issue net of treasury shares ('000)*	*2,180,927*	*2,113,108*	*2,001,678*	*2,137,597*	*2,156,672*
FINANCIAL RATIOS						
(i)	Return on total tangible assets (%)	5.55	6.44	8.32	9.72	9.14
(ii)	Return on shareholders' funds (%)	11.44	12.52	17.54	19.07	21.41
(iii)	Current ratio (times)	1.87	1.56	1.38	1.33	1.27
(iv)	Gearing ratio (times)	0.77	0.66	0.74	0.66	0.99
(v)	Net gearing ratio (times) #	0.57	0.51	0.56	0.54	0.87

Note:

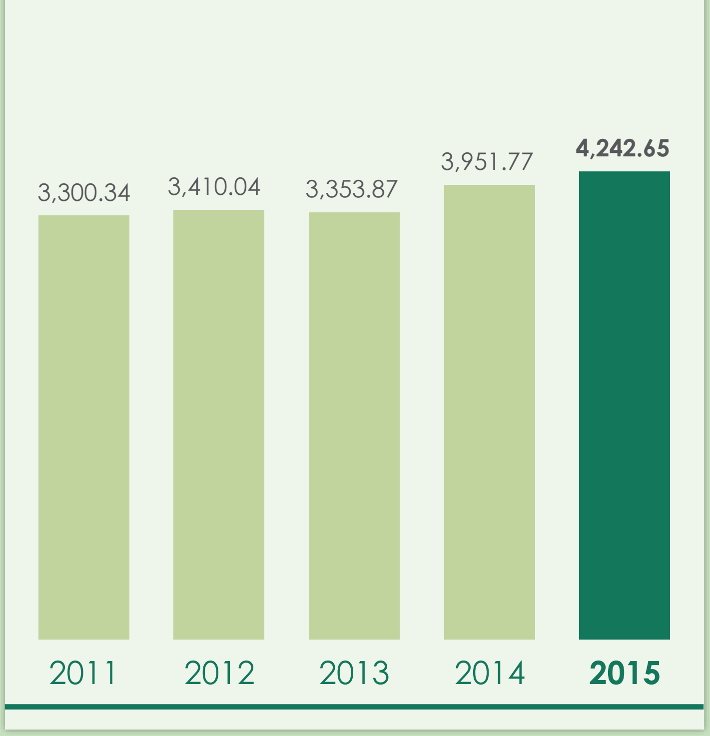
Net gearing ratio is computed after deducting money market deposits and cash and bank balances.

GROUP FINANCIAL HIGHLIGHTS

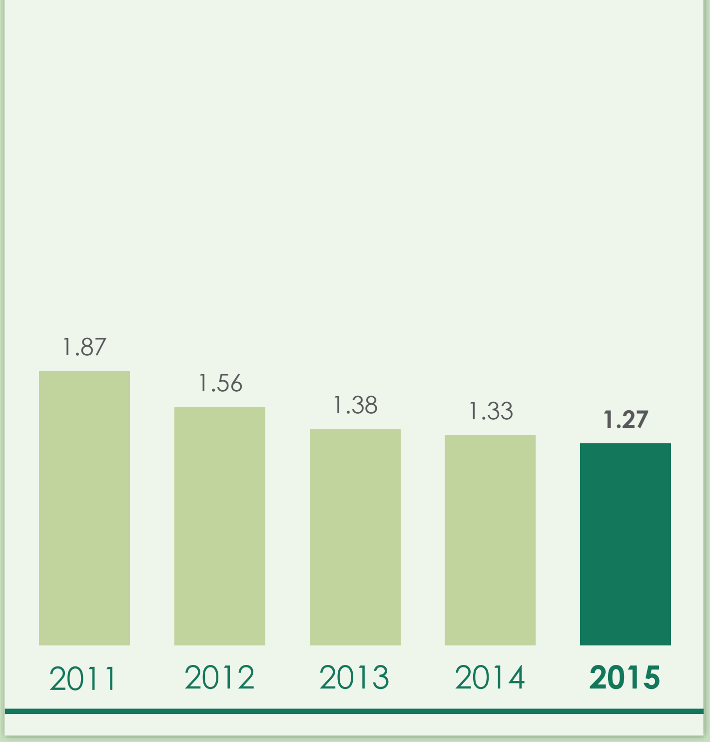
DIVIDEND PER SHARE (sen)



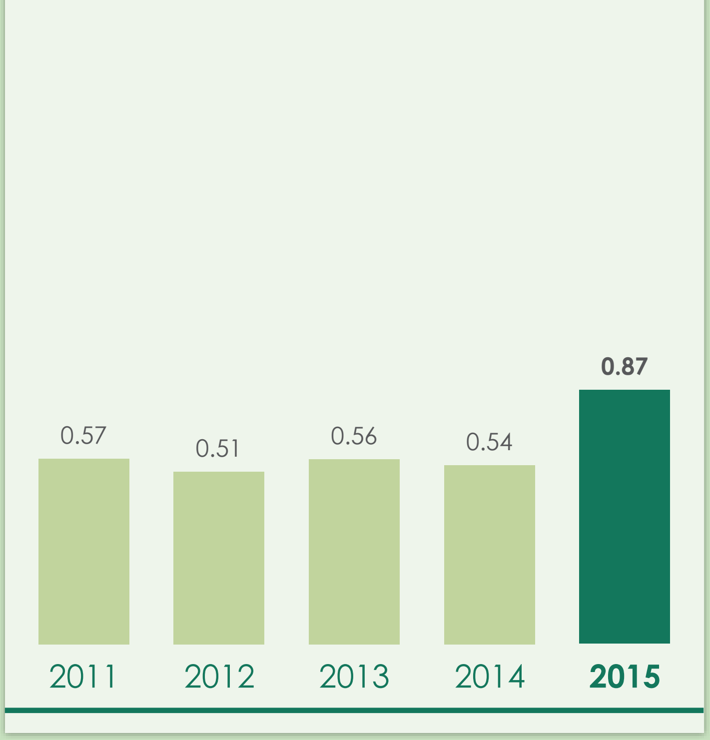
SHAREHOLDERS' FUNDS (RM'Million)



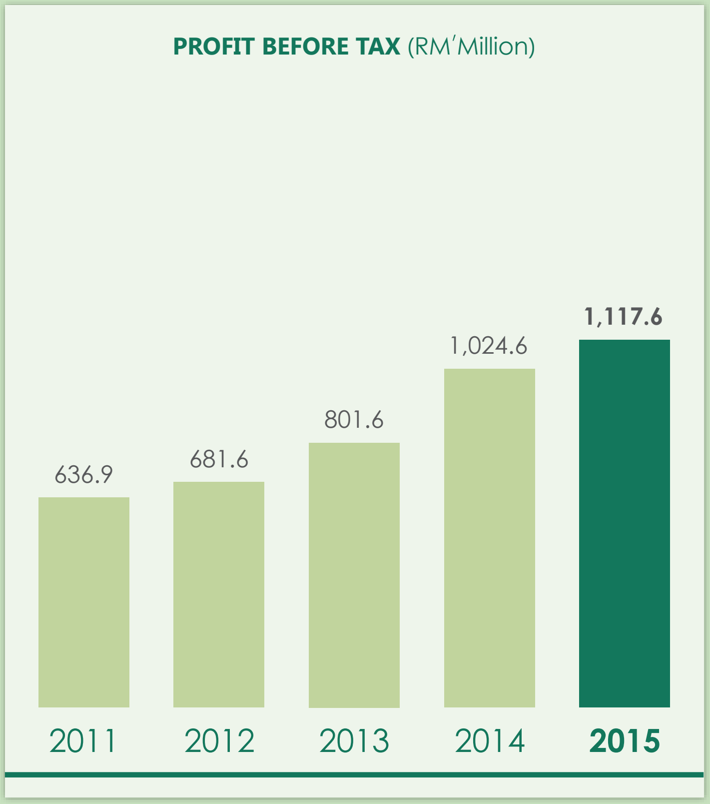
CURRENT RATIO (times)

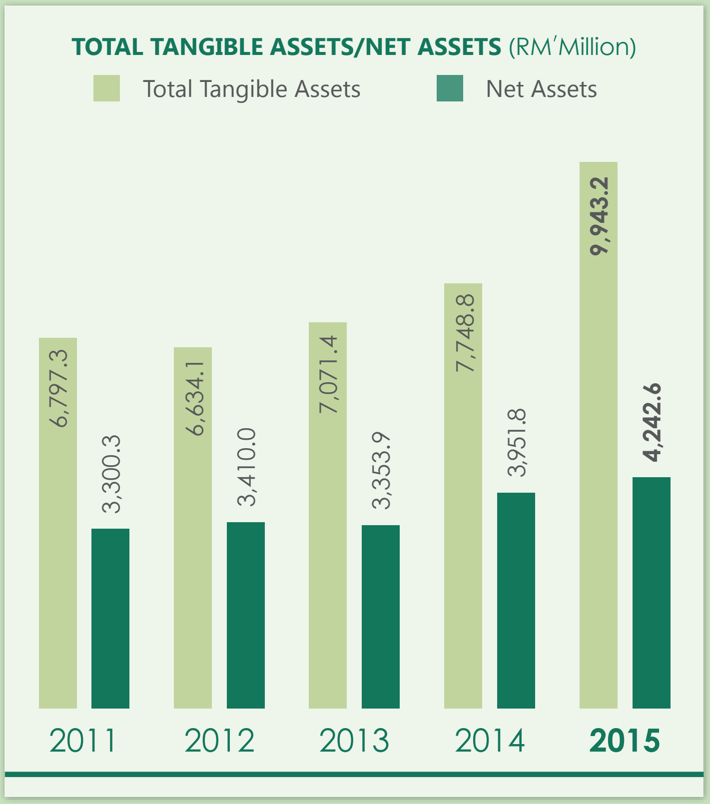


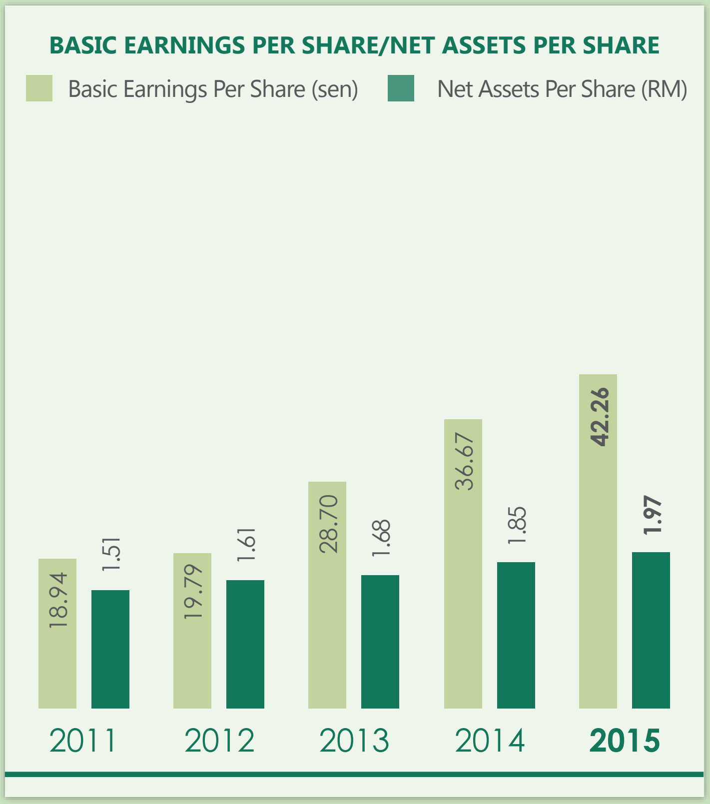
NET GEARING RATIO (times)



GROUP FINANCIAL HIGHLIGHTS







CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I AM VERY PLEASED TO REPORT THAT THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (FY2015) WAS ANOTHER OUTSTANDING YEAR FOR THE GROUP. IN SPITE OF THE CHALLENGING MACROECONOMIC CONDITIONS BOTH LOCALLY AND GLOBALLY, THE GROUP CONTINUED TO RECORD SATISFACTORY PERFORMANCE.

DATO' JORGEN BORNHOFT
Independent Non-Executive Chairman

Profit After Tax
RM969.4 million

Earnings Per Share
42.26 sen

Revenue
RM4,393.3 million

CHAIRMAN'S STATEMENT

The Group's revenue grew by 17% to RM4,393.3 million (2014: RM3,768.0 million) while profit before tax increased by 9% to RM1,117.6 million (2014: RM1,024.6 million). Accordingly, profit after tax increased by 19% to RM969.4 million (2014: RM816.3 million) which resulted in a 15% increase in earnings per share to 42.26 sen (2014: 36.67 sen).

2015 ECONOMIC LANDSCAPE

In 2015, the global economy grew at a slow rate of 2.4%, mainly due to the growth deceleration in China and some major emerging economies. The year also saw the Brent Crude Oil price falling more than 50% due to supply glut amid the sluggish global demand.

In contrast, the US economy strengthened primarily due to strong domestic demand. This prompted the Federal Reserve to increase the US interest rate for the first time since 2006, which resulted in the strengthening of the US dollar vis-a-vis the currencies of most other commodity producing countries. The commodity market was marred by depressed market sentiment with prices weakened across most commodities.

Notwithstanding the lacklustre global economy, Malaysia achieved a 5% GDP growth in 2015, supported mainly by strong domestic consumption and private investments. The implementation of the Goods and Services Tax (GST) since 1 April 2015 has somewhat mitigated the impact of the plummeting crude oil prices and the weakening of Ringgit Malaysia.

2015 FINANCIAL REVIEW

PLANTATIONS

The division's financial performance during the year was impacted by lower realised crude palm oil (CPO) price, reduced fresh fruit bunches (FFB) production as well as higher CPO production cost. Sales volume for CPO declined by 3.9% to 163,849 tonnes (2014: 170,506 tonnes) while palm kernel (PK) sales volume declined by 3.6% to 38,284 tonnes (2014: 39,703 tonnes). Consequently, the division's operating profit declined by 31% to RM123.1 million (2014: RM179.0 million).

CHAIRMAN'S STATEMENT

The division achieved an average CPO price realisation of RM2,168 per tonne (2014: RM2,386 per tonne) and PK price realisation of RM1,600 per tonne (2014: RM1,654 per tonne), exceeding the Sabah average of RM2,134 per tonne and RM1,481 per tonne, respectively. The Group's average FFB yield was 21.89 tonnes per hectare (2014: 23.20 tonne per hectare) as compared to Sabah average FFB production of 19.99 tonnes per hectare.

The Group's average oil extraction rate (OER) also registered higher rate of 22.00% (2014: 21.56%) as compared to Sabah's OER average of 21.57%.

PROPERTY HOLDING & DEVELOPMENT

Despite a generally subdued property market in 2015, the division was able to maintain its revenue from project sales at RM527.8 million (2014: RM526.3 million). However, total revenue and operating profit declined to RM815.9 million (2014: RM932.1 million) and RM360.7 million (2014: RM705.3 million mainly due to sale of certain non-strategic lands which gave rise to a total gain of approximately RM208.6 million), respectively.

The Horizon Residences, our maiden premier service residence in the Klang Valley, was completed during the year. Located next to the Royal Selangor Golf Club, along Jalan Tun Razak, all its units have been fully sold.

Nadi Bangsar Service Residence is another high-end development in the affluent residential suburb of Bangsar. Due to its strategic location and resident-centric features, the project has received excellent take-up rate to date. Nadi Bangsar is slated for completion in 2017.

Other ongoing development projects include the low-density gated and guarded Andana residential development and upscale D'Alpinia Business Park located at Puchong South.

In Sabah, the division continued to register strong demand for its property developments which are in prime locations. Its Kingfisher Inanam and Kingfisher Putatan developments in Kota Kinabalu; Bandar Sri Indah and Ria Heights developments in Tawau; Bandar Sri Perdana in Lahad Datu and Astana Heights in Sandakan were all well received, contributing significantly to the division's revenue.

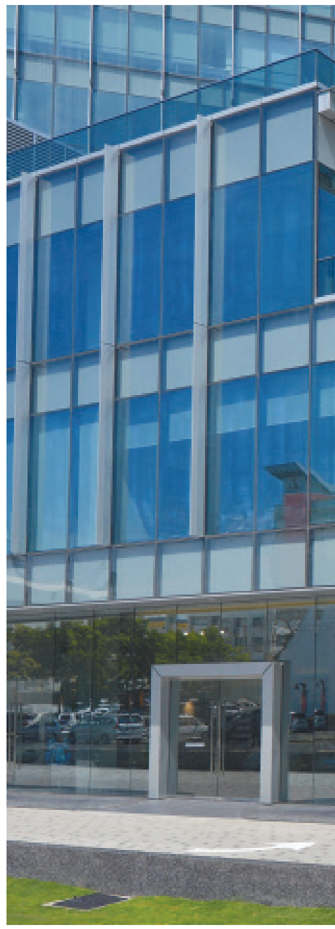
During the year, the division officiated the opening of Plaza Shell, the first commercial building in Sabah to be conferred with the Leadership in Energy and Environmental Design (LEED) certificate. Located in Kota Kinabalu central business district, this 14-storey purpose-built office and retail building is home to multinational corporations such as Shell and Honda.

Menara Hap Seng and Menara Citibank (which is 49.99% held by the Group) recorded an occupancy rate of 94% and 95%, respectively with satisfactory rental yield.

Despite the slowdown in demand for office space, Menara Hap Seng 2, a corporate office and retail building, completed towards the end of 2014, enjoyed an encouraging take-up rate of 70%.

CREDIT FINANCING

The division continued to grow its loan portfolio with particular emphasis on secured term loan. The loan portfolio shift to secured term loans was to counter the softening demand for equipment financing as a result of the recent economic slowdown. This shift was intended to improve yield.



CHAIRMAN'S STATEMENT

On the back of the higher loan base recorded at RM2.1 billion (2014: RM1.9 billion), the division achieved a 25% higher revenue at RM166.5 million (2014: RM133.5 million) and a corresponding higher operating profit at RM129.9 million (2014: RM104.1 million).

The division continued to maintain its stringent risk management processes as evidenced by its low gross non-performing loans (NPL) ratio of 1.05% (0.91% in 2014), which is below the banking industry average of 1.60%.

AUTOMOTIVE

2015 was an exciting year for our automotive division. In June, the division officiated the opening of our new Miri Mercedes-Benz dealership and in November, the division relocated its Kota Kinabalu Mercedes-Benz dealership to Plaza Shell, Kota Kinabalu.

The immense interests in the S400 hybrid introduced in 2014 continued into 2015. This was followed by the launching of the E300 diesel hybrid model and C-Class, both of which were well-received.

Accordingly, the division recorded a 52% growth in sales volume to 3,515 units (2014: 2,310 units), achieving a Mercedes-Benz passenger car market share of 31%.

Revenue increased by 71% to RM1,170.9 million (2014: RM684.0 million) while operating profit grew by 130% to RM24.1 million (2014: RM10.5 million).

Our commitment in excellent after-sales service also saw the division investing in a new body shop in the Balakong dealership to complement the new body and paint centre in our Kinrara dealership. Furthermore, our unwavering commitment to the highest level of service quality had again enabled us to clinch the top service awards from Mercedes-Benz for 2015.

FERTILIZERS TRADING

Although the division recorded a higher revenue at RM894.1 million (2014: RM833.1 million), the operating profit was lower at RM30.3 million compared to the preceding year of RM71.1 million which included gains from sale of non-strategic assets.

CHAIRMAN'S STATEMENT

QUARRY & BUILDING MATERIALS

The division recorded a decline in revenue to RM337.2 million (2014: RM370.4 million) and a decline in operational profit to RM9.3 million (2014: RM16.9 million) due to a slowdown in property market and slower construction activities in East Malaysia.

TRADING

The Group completed the acquisition of 51% equity in Hafary Holdings Limited (Hafary) in February 2015. Hafary is a leading supplier of premium tiles and other related building materials in Singapore. The acquisition has enabled the division to expand its distribution network into Singapore and the regional market.

Accordingly, the division's revenue increased by 74% to RM775.8 million (2014: RM445.3 million) and operational profit increased by more than 100% to RM48.8 million (2014: RM23.9 million), mainly due to the contributions from Hafary.

SIGNIFICANT EVENTS SUBSEQUENT TO 2015

On 1 March 2016, as part of the Group's strategy to strengthen its presence in the building materials segment, the Company has entered into a conditional agreement with its holding company, Gek Poh Holdings Sdn Bhd, to acquire the entire issued and paid-up share capital of Malaysian Mosaics Sdn Bhd, a company which is principally involved in the manufacturing and trading of mosaics and ceramic tiles, for a cash consideration of RM380.0 million.

On even date, the Group also entered into a conditional agreement to dispose of its 51% equity interest in Hap Seng Commercial Vehicle Sdn Bhd to Lei Shing Hong Commercial Vehicles Limited (LSHCV) for a cash consideration of RM382.5 million. Simultaneously, LSHCV has granted a put option to the Group to sell the balance of 49% or part thereof to LSHCV for a cash consideration of up to RM367.5 million. The said transaction is expected to give rise to a gain of approximately RM498.0 million.

Both proposals are deemed related party transactions and are subject to shareholders' approval.

DIVIDEND AND SHARE BUY-BACK

The Board is committed to create and enhance shareholder value.

In this connection, the Company had, in FY2015, declared and paid a total dividend of 30 sen, a 20% improvement over the preceding year (2014: 25 sen), and reflecting a 71% payout.

The Company is also seeking your approval to renew the share buy-back mandate, which if granted, shall be exercised in the best interests of the Company.

OUTLOOK FOR 2016

We believe 2016 is likely to be a difficult year underlined by weak and uneven global growth as well as heightened volatility in the global financial markets. The slowdown in the economic growth of China, the largest trading partner of Malaysia, may limit the nation's export growth prospects.

Although the expected full-blown El-Nino phenomenon may result in the easing of the high palm oil stockpile, and hence, stronger CPO prices, the overall impact may be somewhat offset by the lower CPO production caused by the extreme dry weather. The increase in the minimum wage with effect from 1 July 2016 will increase labour costs across the plantation industry in Malaysia.

The property sector is expected to be subdued in light of the stringent lending measures and the risks of oversupply in the high-value residential segment. However, the relatively weaker Ringgit may create an opportunity for foreigners to enter the property market in Malaysia at a substantial discount, which we believe will continue to support and shore up demand for high-end residential properties at prime enclaves in the Kuala Lumpur city centre.

Despite the muted property market outlook for 2016, we are confident with the long-term growth trajectory of property developments in prime locations of the Klang Valley.

CHAIRMAN'S STATEMENT

To this end, the Group has continued to build up its land banking in strategic locations such as KL Metropolis and Kuala Lumpur city centre.

The Group expects the automotive division to continue with its improved performance with the anticipated introduction of newer and more exciting models.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to record our appreciation to all the staff and management members of the Group for their concerted and relentless effort to achieve yet another year of strong results. Special thanks also go to all our stakeholders for their continued support and confidence in us.

Mr. Tan Ghee Kiat has resigned from the Board on 24 February 2016 after more than five years of service. We would like to take this opportunity to thank him for his invaluable contributions and guidance during his tenure. We would also like to welcome our recently appointed director, Mr. Leow Ming Fong @ Leow Min Fong, who brings with him a wealth of experience and expertise relevant to the Group's diversified businesses.

Lastly, I would like to thank my fellow members for their continued support and commitment to help navigate and grow the Company over the years.

JORGEN BORNHOFT

PLANTATIONS

Operating Profit	RM123.1 mil
Revenue	RM434.9 mil

REVIEW OF OPERATIONS

PLANTATIONS

HAP SENG PLANTATIONS HOLDINGS BERHAD (PLANTATION DIVISION) IS AN OIL PALM PLANTATION COMPANY LISTED ON BURSA MALAYSIA. THE PLANTATION DIVISION HAS A TOTAL AREA OF 39,803 HECTARES LOCATED ENTIRELY IN SABAH, OF WHICH 36,354 HECTARES ARE LOCATED ON THREE CONTIGUOUS PLOTS OF PLANTATIONS LAND SITUATED BETWEEN LAHAD DATU AND SANDAKAN.

THIS CONTIGUOUS PLOT COMPRISES THE JEROCO GROUP OF ESTATES (JGOE), TOMANGGONG GROUP OF ESTATES (TMGOE) AND SUNGAI SEGAMA GROUP OF ESTATES (SSGOE). THE DIVISION'S OTHER ESTATES ARE THE LADANG KAWA ESTATE IN TAWAU, MEASURING 1,276 HECTARES AND THE PELIPIKAN & KOTA MARUDU ESTATES IN MARUDU, MEASURING 2,173 HECTARES.

REVIEW OF OPERATIONS

PALM OIL INDUSTRY REVIEW

In 2015, crude palm oil (CPO) prices were traded lower by 10% averaging RM2,153 per tonne as reported by the Malaysian Palm Oil Board (MPOB) compared to RM2,383 per tonne in 2014.

The slowing down of the global economy had greatly impacted the demand for palm oil. Inventory of palm oil stocks in Malaysia had grown from 2.02 million tonnes in 2014 to 2.63 million tonnes in 2015, severely dampened palm oil prices.

CPO prices for the year peaked during the first quarter of 2015 at RM2,294 per tonne and trended downward to the low of RM1,970 per tonne during the third quarter of 2015. CPO prices rebounded in the fourth quarter to end at RM2,198 per tonne.

During the year, the government implemented several initiatives to encourage local palm oil offtake by imposing an import ban on palm oil and waiving export duties on CPO.

DIVISION PERFORMANCE

The exceptionally dry weather in 2015 adversely impacted the fresh fruit bunches (FFB) production. FFB yield achieved was 21.89 tonnes per hectare (2014: 23.20 tonnes per hectare).

REVIEW OF OPERATIONS

The average oil extraction rate (OER) of 22.00% (2014: 21.56%) was higher than the Sabah average OER of 21.57%. Consequently, the CPO yield achieved for the year was 4.81 tonnes per hectare as compared to the Sabah average of 4.31 tonnes per hectare.

Sales volume for CPO and palm kernel (PK) was however lower by 3.9% to 163,849 tonnes (2014: 170,506 tonnes) and 3.6% to 38,284 tonnes (2014: 39,703 tonnes), respectively.

During the year, the division achieved an average CPO price of RM2,168 per tonne (2014: RM2,386 per tonne) and a PK price of RM1,600 per tonne (2014: RM1,654 per tonne), compared to the Sabah average price of RM2,134 per tonne and RM1,481 per tonne for CPO and PK, respectively.

CPO production cost (excluding replanting and after taking into account palm kernel credits) for the financial year was approximately 7% higher at RM1,137 per tonne compared to the previous year of RM1,064 per tonne, primarily due to lower FFB production.

As a result, the division's operating profit declined by 31% to RM123.1 million from RM179.0 million in the previous year.

PLANTED & MATURE AREA

As at 31 December 2015, total planted area stood at 35,678 hectares (2014: 35,684 hectares) out of a total area of 39,803 hectares. Of the total planted area, approximately 91% or 32,440 hectares (2014: 31,373 hectares) were mature area, with the average age of 15.5 years.

	Hectares
Immature	3,092
30 months to 7 years	5,599
> 7 years to 17 years	8,480
> 17 years	18,361
Total planted – oil palm	**35,532**
Immature – other crops	146
Total planted area	**35,678**
Reserves plantable	105
Buildings, roads, reserves, etc	4,020
Total Area	**39,803**

AREA STATEMENT OF THE DIVISION AS OF 31 DECEMBER 2015 WAS AS FOLLOWS:

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of Mature area
JGOE (i)	14,117	*12,808	10,565	82.5%
TMGOE (ii)	12,331	**11,426	10,431	91.3%
SSGOE (iii)	9,906	8,755	8,755	100.0%
Ladang Kawa	1,276	1,201	1,201	100.0%
Pelipikan	1,365	903	903	100.0%
Kota Marudu	***808	585	585	100.0%
Total	**39,803**	**35,678**	**32,440**	**90.9%**

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

For 2015, of the 3,092 hectares of immature oil palm, 965 hectares are expected to mature in 2016. The division also replanted 1,021 hectares during the year. For the ensuing year, the planned replanting programme shall cover approximately 1,425 hectares.

MILLING OPERATIONS

The division operates four mills with a combined milling capacity of 175 FFB tonnes per hour. In 2015, the mills achieved an utilisation rate of 76% (2014: 79%) and recorded a higher average OER of 22.00% (2014: 21.56%).

SUSTAINABILITY POLICY

As a responsible palm oil producer and supplier, the division embraces good agriculture practices and has made significant progress in obtaining certification on Roundtable on Sustainable Palm Oil (RSPO) and International Sustainability and Carbon Certification EU (ISCC EU).

Currently, all mills are RSPO and ISCC EU certified. The division's CPO and PK have dual international accreditations which cement its status as a sustainable palm oil producer in compliance with global sustainability standards for agriculture production.

REVIEW OF OPERATIONS

OUTLOOK

The Malaysian palm oil industry, in 2016, is expected to be challenging. The inclement weather in the form of the prolonged El Nino phenomenon is expected to adversely affect the FFB production output in 2016. Palm oil inventories have begun to decline from a high of 2.91 million tonnes in November 2015 to 2.17 million tonnes in February 2016.

The demand for palm oil for biodiesel is also expected to increase the offtake of palm oil stocks. The Malaysian government has moved to B7 since December 2014 and is now considering increasing the biodiesel mandate to B10. Indonesia has also announced its proposal to move to B20 biodiesel mandate in 2016.

The above two factors are expected to contribute to the recovery of palm oil prices in 2016.

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

Overall, the division's prospect for financial year ended 2016 (FY2016) are dependent on the global macroeconomic factors affecting the palm oil market, weather conditions in the major oil seeds producing countries and seasonal cropping pattern of FFB.

The Group will continue its ongoing efforts to improve FFB yields, CPO and PK extraction rates.


ARIA

PROPERTY HOLDING & DEVELOPMENT

Operating Profit
RM360.7 mil

Revenue
RM815.9 mil

REVIEW OF OPERATIONS

PROPERTY HOLDING & DEVELOPMENT

THE PROPERTY DIVISION HAS CLOSE TO 50-YEAR TRACK RECORD AS A LEADING AND ESTABLISHED DEVELOPER IN SABAH AND HAS EXPANDED SIGNIFICANTLY INTO WEST MALAYSIA. IT HAS ESTABLISHED A PIPELINE OF HIGH QUALITY RESIDENTIAL AND COMMERCIAL DEVELOPMENTS. IN ADDITION, THE DIVISION ALSO FOCUSES ON WELL-LOCATED, HIGH QUALITY COMMERCIAL INVESTMENT PROPERTIES IN STRATEGIC AREAS.

REVIEW OF OPERATIONS

WEST MALAYSIA

THE HORIZON RESIDENCES

Completed in 2015, The Horizon Residences, strategically located along Jalan Tun Razak, was the division's first foray into the high rise luxury residential segment in the Kuala Lumpur city centre (KLCC). The 26-storey condominium, with gross development value (GDV) of RM390 million, comprises two blocks of residential towers with 335 units. All units were fully sold.

NADI BANGSAR SERVICE RESIDENCE

Nadi Bangsar Service Residence (Nadi Bangsar) continued to enjoy strong interest among local and overseas buyers due largely to its location in the affluent residential suburb of Bangsar.

Targeted to be completed in 2017, Nadi Bangsar features a block of 38-storey service apartment with 416 units overlooking the bustling busy township of Bangsar on one side, and an unobstructed panoramic view of KLCC skyline on the other.

REVIEW OF OPERATIONS

This freehold service residence offers its residents amenities such as fully-equipped function room including a common gourmet kitchen overlooking the swimming pool, whilst at its highest floor residents can enjoy the sky garden that comes with a jogging track and a sky gymnasium.

The development offers modern city living with easy access to the main commercial hub surrounding KLCC and well served by facilities such as LRT stations and major shopping centres. With a total GDV of RM446 million, the development registered an excellent take-up rate among local and overseas buyers.

D'ALPINIA INTEGRATED DEVELOPMENT

Launched in 2007, the 76-acre gated and guarded development features a self contained lifestyle enclave comprising contemporary and modern themed property built under a 10% - 90% built-then-sell concept.

The development has to date completed 718 units of residential and commercial properties with GDV of RM615 million.

During the year, the division completed the Andana Condominium and Villa, and its upscale D'Alpinia Business Park. Launched in September 2014, these developments registered excellent take-up rate.

The final phase of its upscale Business Park, consists of 10 units of shop offices, located along one of Klang Valleys' busiest highways, the Lebuhraya Damansara Puchong, will be launched in 2016 and has generated strong interest.

Future phases under planning include 472 units of affordable residential homes at D'Alpinia.

The development, when completed, will comprise 1,200 units of mixed development with a total GDV of RM747 million.

REVIEW OF OPERATIONS

UPCOMING NEW PROJECTS IN WEST MALAYSIA

THE ARIA LUXURY RESIDENCES

Following the successful completion of The Horizon Residences, the division embarked on its next high rise luxury residential project known as The Aria Luxury Residences.

The project is strategically located along Jalan Tun Razak, in the KLCC. The 45-storey condominium comprises two blocks of residential towers with 598 freehold residential units.

Apart from luxurious finishes, this development provides its residents with 1.5 acres of custom designed facilities and leisure space, one of the largest in Kuala Lumpur. These facilities are located from mid to high zone levels, and include a hydro gym pool, an Olympic-size pool, indoor and outdoor party places equipped with gourmet kitchen and viewing decks for spectacular vistas of KLCC skyline and the lush greens of the Royal Selangor Golf Club.

Its immediate vicinity are the newly launched Tun Razak Exchange, embassies, international schools, medical centres, shopping, dining and transport links, making it a key address for business, pleasure and investment.

Slated for launch in 2016, the development, with a total GDV of RM1.1 billion, is targeted to be completed in early 2020.

The Aria Luxury Residences has generated strong interest from local and overseas market before its launch.

BALAKONG RESIDENTIAL AND COMMERCIAL DEVELOPMENT

The Balakong residential and commercial development is located opposite the Group's state-of-the-art Mercedes-Benz dealership. It has an estimated GDV of RM800 million and is targeted to be launched in 2016.

REVIEW OF OPERATIONS

SHAH ALAM INDUSTRIAL DEVELOPMENT

This industrial development sits on a 20-acre leasehold land in the midst of a matured industrial hub. It is currently under planning and is targeted to be launched in 2017.

EAST MALAYSIA – SABAH

KOTA KINABALU

Following the successful completion of Kingfisher Park, Kingfisher Plaza, and Kingfisher Sulaman, the division continued its development in Kota Kinabalu with Kingfisher Inanam and Kingfisher Putatan, both of which are high-rise projects.

Kingfisher Inanam, situated within the popular Inanam neighbourhood, is a development currently comprises 739 apartments, with a GDV of RM315 million. Kingfisher Putatan is situated within Putatan, an up-and-coming neighbourhood next to the city of Kota Kinabalu. This development currently comprises 528 apartments, with a GDV of RM213 million. Both projects are expected to be launched in 2016.

TAWAU

Bandar Sri Indah (BSI) is the division's flagship development in Tawau. Launched in 2004, the 1,368-acre mixed development is one of the largest fully integrated township developments in Sabah comprising residential, commercial and industrial components.

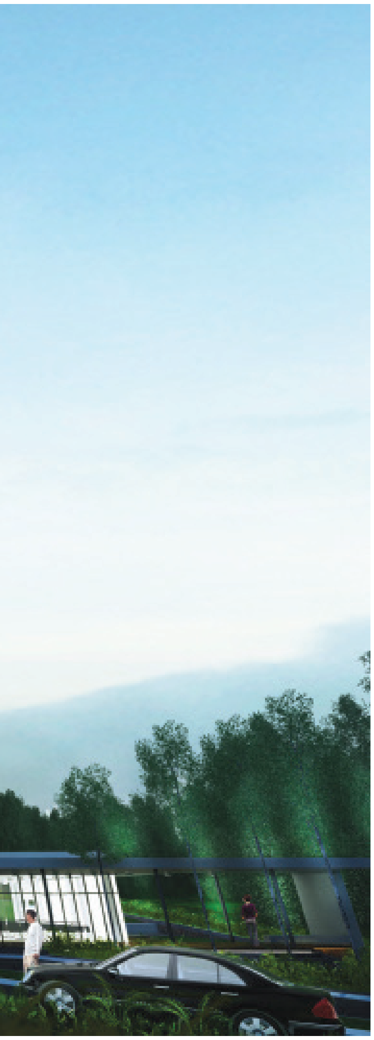
The development encompasses 149 acres of amenities, including an eco-park, schools, hypermarket, community hall, sports centre, religious reserve, bus and taxi terminal, market, security centre and petrol stations. It is envisaged to be an education hub with private schools, universities and colleges offering primary, secondary and tertiary education. Amongst them are University Malaysia Sabah Tawau Campus, Open University Malaysia, Tawau Vision School, Vision International School and Community College, catering to the needs of the community.

2,657 units of residential, commercial and industrial properties, with a GDV of RM851 million, had been completed to date. Approximately 1,800 units of mixed development are presently under planning to meet the growing demand.

Ria Heights is a 100-acre township development located close to the centre of Tawau town and surrounded by matured residential neighbourhoods.

Launched in 2015, the first phase of Ria Heights, comprising 469 units of residential properties, with a GDV of RM180 million, registered excellent take-up rate. Future phases include 675 residential and commercial units, with a GDV of RM200 million.

REVIEW OF OPERATIONS



LAHAD DATU

Bandar Sri Perdana is the largest township development in Lahad Datu, with 1,387 units of mixed development, totalling a GDV of RM545 million launched to date. A further 222 units of residential units has been planned for launch in 2017, with a GDV of RM100 million.

Another 149-acre mixed development is currently under planning comprising approximately 1,192 units, with a GDV of RM596 million.

Palm Heights, another township development in Lahad Datu, will have 788 units of mixed development upon completion, with total GDV of RM318 million.

Launched in 2008, the 90-acre development comprises mainly landed residential units and is expected to be fully developed upon completion of its final phase of 188 residential units.

SANDAKAN

Astana Heights is a 98-acre mixed development project in Sandakan. To date, it has developed 383 units, with a GDV of RM159 million. Following the successful launch of terrace houses in 2014, the division will be launching a further 124 terrace houses in 2016, with an estimated GDV of RM56 million. In addition, approximately 800 apartment units are under planning.

REVIEW OF OPERATIONS

PROPERTY INVESTMENT

During the year, the division's investment properties continued to record healthy occupancy rates. Menara Hap Seng and Menara Citibank[1] recorded an occupancy rate of 94% and 95%, respectively. Currently, Menara Hap Seng 2 registers an occupancy rate of 70% despite the weak office market.

2015 marked another significant milestone for the division with the addition of its latest investment property, Plaza Shell. Located in Kota Kinabalu central business district (CBD), this landmark building is a purpose-built 14-storey office and retail development. It is the first green commercial building in Kota Kinabalu to be conferred the LEED (Silver) certificate.

With the addition of Plaza Shell, the division's premium investment properties provide a net lettable area of approximately 920,000 sq. ft. within prime locations in Malaysia (excluding Menara Citibank).

DIVISION PERFORMANCE

In spite of the challenging environment in 2015, the division's revenue from project sales remained stable at RM527.8 million (2014: RM526.3 million). Total revenue registered at RM815.9 million (2014: RM932.1 million included sale of certain non-strategic land held for development) with an operating profit of RM360.7 million (2014: RM705.3 million).

OUTLOOK

2016 is expected to be a challenging year for the Malaysian economy with consumers remaining cautious after the implementation of GST and the weak Ringgit, significantly affecting local consumers' demand as households adjust to the higher cost of living.

The property market, in general, is expected to be affected by the ongoing prudential lending policies imposed by the banking industry as a whole.

Notwithstanding, the division remains optimistic that the demand for its property developments, which are located in prime and strategic locations, continues to be encouraging.

The Group has announced in January 2016 of its joint-venture with TTDI KL Metropolis Sdn Bhd, a wholly-owned subsidiary of NAZA TTDI Sdn Bhd (70:30), to jointly develop a parcel of land measuring 8.95 acres at the KL Metropolis, a commercial development at a prime location in Kuala Lumpur. This joint-venture will certainly boost the land bank of the property holding & development division and provides an opportunity for the Group to strengthen its presence in the Kuala Lumpur property market.

Note: [1] Held under Inverfin Sdn Bhd, a 49,99% owned associate company of Hap Seng Consolidated Berhad

REVIEW OF OPERATIONS


Hap Seng Credit Sdn Bhd
Your Preferred Financier

CREDIT FINANCING

Operating Profit
RM129.9 mil

Revenue
RM166.5 mil

REVIEW OF OPERATIONS

CREDIT FINANCING

THE CREDIT FINANCING DIVISION'S PRINCIPAL ACTIVITY IS THE PROVISION OF TERM LOANS AND INDUSTRIAL HIRE PURCHASE, PRIMARILY TO SMALL AND MEDIUM ENTERPRISES. OPERATING UNDER HAP SENG CREDIT SDN BHD, THE DIVISION IS A PROMINENT PLAYER IN THE NON-BANK SECTOR AND CONTINUES TO MAINTAIN ITS POSITION AS ONE OF THE TOP THREE CREDIT FINANCING INSTITUTIONS IN THIS SECTOR.

The division has a network of 10 branches nationwide; with five in Peninsular Malaysia, three in Sabah and two in Sarawak.

In recent years, the division has progressively built up its secured term loan portfolio. The loan portfolio shift to secured term loans was to counter the softening demand for equipment financing as a result of the recent economic slowdown. This shift was intended to improve yield arising from floating rate lending as opposed to fixed rate lending under industrial hire purchase. Notwithstanding, the division continues to be active in procuring of industrial hire purchase financing. The pre-selected sectors, including manufacturing, transportation and agriculture, continue to be robust.

During the year, the division underwent an internal reorganisation to streamline its business activities. This will enhance operating efficiency and enable close monitoring of its cost-income ratio. In terms of risk management, the division will continue to tighten its loan collection process.

REVIEW OF OPERATIONS

DIVISION PERFORMANCE

Despite the very competitive operating environment, the division achieved a record operating profit of RM129.9 million (2014: RM104.1 million), an increase of 25% over the preceding year. The loan base grew to RM2.1 billion (2014: RM1.9 billion), a new milestone for the division, with a return on average asset of 2.29% (2014: 1.93%).

The division continued to maintain its stringent and robust risk management processes. This was evident in its low gross non performing loans (NPL) ratio of 1.05% in 2015 (0.91% in 2014), which was significantly below the banking industry average of 1.60%.

OUTLOOK

The division expects the ongoing prudential lending policies in the banking industry to continue in 2016 on the back of cautious business sentiment. Nevertheless, the division believes that this challenging environment may provide added lending opportunities especially in the term loan segment.

The division shall continue to build on its competitive edge and expertise as a preferred financier to our business associates through more efficient services.

CREDIT FINANCING DIVISION'S BRANCH NETWORK


Mercedes-Benz
Hap Seng Star

AUTOMOTIVE

Operating Profit RM24.1 mil

Revenue RM1,170.9 mil

REVIEW OF OPERATIONS

AUTOMOTIVE

THE AUTOMOTIVE DIVISION IS INVOLVED IN THE LUXURY PASSENGER CAR SEGMENT THROUGH THE OPERATION OF MERCEDES-BENZ DEALERSHIPS IN MALAYSIA. IN ADDITION, THE DIVISION ALSO DISTRIBUTES MERCEDES-BENZ AND MITSUBISHI FUSO COMMERCIAL VEHICLES.

The division operates a network of seven Mercedes-Benz passenger car dealerships which are strategically located across the country; with four dealerships in the Klang Valley and three dealerships in East Malaysia - one each in Kuching, Miri and Kota Kinabalu.

The division also operates a network of five commercial vehicle sales outlets located in Kuala Lumpur and Kuantan in Peninsular Malaysia and Kuching, Miri and Kota Kinabalu in East Malaysia.

In 2015, the division officially opened its seventh dealership in Miri. The division also relocated the Kota Kinabalu showroom to Plaza Shell which is located in the central business district of Kota Kinabalu. In Kuala Lumpur, the division also invested in an additional body and paint centre at the Balakong dealership to complement the existing one in the Kinrara dealership to cope with the rising demand.

2015 continued to be an exciting year for the Automotive division. The overwhelming response from the launch of the new flagship S400 Hybrid in 2014 continued in 2015. Mercedes-Benz also introduced the E300 Diesel Hybrid model to the Malaysian market in 2015.

Both hybrid models benefitted from government incentives for hybrid cars and received strong demand due to their attractive features and pricing. In addition, the arrival of the much anticipated new C-Class in the first half of the year also increased the sales of the division.

Consequently, the division achieved record sales in 2015, which saw the division's passenger car sales grew by 52% to 3,515 units (2014: 2,310),

REVIEW OF OPERATIONS

maintaining its Mercedes-Benz passenger car market share. The division's after-sales also recorded a commendable growth of 13%, with 26,545 units of vehicles serviced in 2015 (2014: 23,445 units).

The division's commitment in providing excellent after-sales service to their customers remained steadfast, resulting in the division securing Mercedes-Benz top service award in 2015.

DIVISION PERFORMANCE

With the significant increase in vehicles sold, the division recorded a revenue growth of 71% to RM1,170.9 million (2014: RM684.0 million). Consequently, operating profit increased to RM24.1 million (2014: RM10.5 million).

OUTLOOK

The Malaysian Automotive Industry (MAA) is forecasting a slight reduction in the total industry volume (TIV) in 2016 due to the current difficult economic conditions, a weak exchange rate and lower crude oil prices.

However, the division is projecting slightly higher sales in 2016, supported by the introduction of several new models in 2016, including the new range of SUVs like the GLC, GLE and GLE Coupe which were launched in early 2016. In addition, the launches of the new E-Class and the new A-Class will further support sales in 2016.

As part of our continuous investment and improvement of our dealer network, 2016 will see the relocation of the Kuching dealership to a new 3S outlet. In addition, the Jalan Ipoh dealership in Kuala Lumpur will be upgraded and relocated from a city showroom to a 3S outlet, expanding the division's sales and after-sales capacity.


MOP 60% K20
CANPOTEX

FERTILIZERS TRADING

Operating Profit	RM30.3 mil
Revenue	RM894.1 mil

REVIEW OF OPERATIONS

FERTILIZERS TRADING

THE FERTILIZERS TRADING DIVISION IS A LEADING FERTILIZERS TRADER DEALING WITH A WIDE RANGE OF FERTILIZERS THAT INCLUDE MURIATE OF POTASH (MOP), AMMONIUM SULPHATE, ROCK PHOSPHATE AND OTHER FERTILIZERS WIDELY USED IN THE PLANTATIONS INDUSTRY.

The division operates from 13 strategically located warehouse facilities across Malaysia and Indonesia - eight in Malaysia and five in Indonesia.

2015 had been a very challenging year for the fertilizers industry against a backdrop of weak CPO prices coupled with the strengthening of the US dollar, increasing fertilizers import costs. Consequently, many plantations had managed their costs by deferring fertilizers applications.

REVIEW OF OPERATIONS

FERTILIZERS TRADING DIVISION'S OPERATION NETWORK

Attempts by potash suppliers to increase prices were met with stiff market resistance. Towards the end of 2015, global market prices for potash and other types of fertilizers had started to trend lower. However, fertilizers import costs were adversely impacted by the significant weakness of local currencies.

OPERATIONS IN MALAYSIA

The division had surmounted the challenges posed by the adverse and extremely competitive trading environment to record a growth in sales volume of 14% to 828,000 tonnes (2014: 729,000 tonnes). Consequently, turnover increased 6% to RM772.4 million (2014: RM729.5 million).

The division continued to lead the East Malaysian fertilizers business segment, maintaining a market share of approximately 35% and remained a leading player in the Peninsular Malaysia fertilizers market with a market share of approximately 17%.

REVIEW OF OPERATIONS

OPERATIONS IN INDONESIA

The Indonesian operations expanded its market presence in 2015 after having scaled-down and consolidated its operations in 2014 due to uncertain operating environment posed by the weak Indonesian currency.

As a result, its revenue increased to RM121.7 million (2014: RM103.6 million) on the back of sales volume of 205,000 tonnes (2014: 133,000 tonnes).

DIVISION PERFORMANCE

The division achieved a total revenue growth of 7% to RM894.1 million (2014: RM833.1 million) and recorded an operating profit of RM30.3 million (2014: RM71.1 million which included a one-off gain pertaining to the sales of non-strategic assets). During the year, the operating profit was adversely impacted by compression of margin due to the weakness of local currencies.

REVIEW OF OPERATIONS

OUTLOOK

The fertilizers market will continue to be impacted by the volatility in foreign exchange rates.

However, in recent time, local currencies have somewhat recovered in tandem with the recovery of crude oil prices. Consequently, the fertilizers trading business should benefit somewhat from lower import costs, translating to lower fertilizers prices and thereby increase consumption by the plantations industry, leading to higher fertilizers sales volume. The recent recovery in CPO prices is expected to support the anticipated higher volume of fertilizers application.

QUARRY & BUILDING MATERIALS

Operating Profit
RM9.3 mil

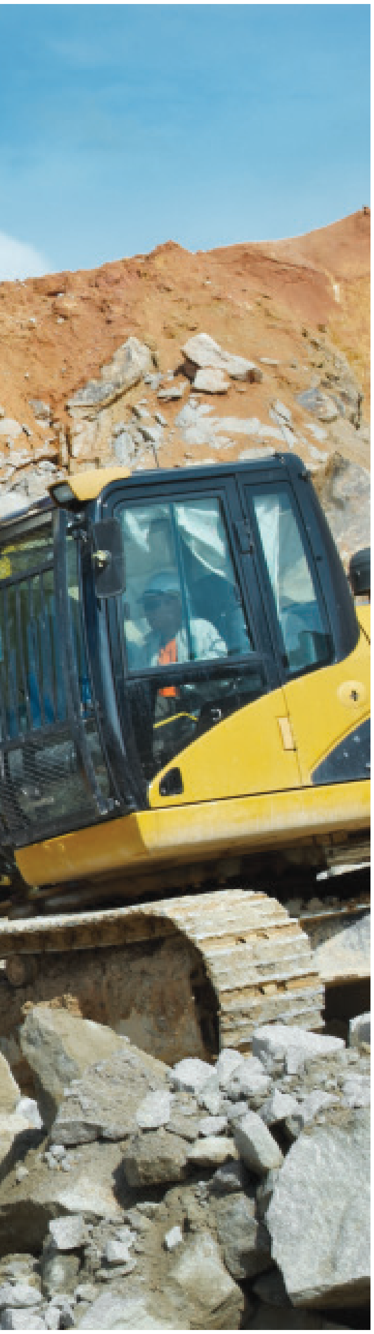
Revenue
RM337.2 mil

REVIEW OF OPERATIONS

QUARRY & BUILDING MATERIALS

THE QUARRY AND BUILDING MATERIALS DIVISION COMPRISES TWO MAIN SEGMENTS COVERING THE QUARRY & ASPHALT OPERATIONS AND THE BRICK OPERATIONS.

REVIEW OF OPERATIONS



QUARRY & ASPHALT OPERATIONS

The division consolidated its position as one of the largest quarry operators in Malaysia as its two new quarries in Batu Pahat, Johor and Jesselton Hill in Kota Kinabalu, Sabah started operations towards the end of the year. The division currently has 13 operating quarries and eight asphalt plants, located in Sabah, Kelantan, Terengganu, Pahang and Johor.

The division recorded aggregate sales of 7.1 million tonnes (2014: 6.9 million tonnes) while asphalt sales increased to 371,000 tonnes from 330,000 tonnes in 2014.

Aggregates sales volume grew in Johor due to additional production from its new Seri Alam quarry, while the sales volume growth from the East Coast of Peninsular Malaysia was marginal. Sabah experienced lower sales due to slower construction activities.

Sales volume of asphalt was higher, supported by rehabilitation works following the massive floods at end of 2014 in the East Coast coupled with strong demand from ongoing projects at Iskandar Malaysia in Johor.

REVIEW OF OPERATIONS

BRICK OPERATIONS

As one of the largest clay brick manufacturers in Malaysia, the division has a total monthly production capacity of about 20 million bricks through its four brick factories – two in Sabah and one each in Johor and Pahang.

The main products are common clay bricks, facing bricks, double bricks and clay pavers which are distributed in both the local and export markets.

During the year, total production declined to 187 million pieces (2014: 193 million pieces) as the division undertook major improvement works for its Kuantan factory resulting in disruption in production.

Sales volume declined to 173 million pieces from 202 million pieces in 2014 primarily due to the slower demand in Sabah and was affected by lower production.

REVIEW OF OPERATIONS

DIVISION PERFORMANCE

The division recorded a revenue of RM337.2 million (2014: RM370.4 million) and operating profit of RM9.3 million (2014: RM16.9 million), impacted by the soft market conditions.

OUTLOOK

The GDP for 2016 is expected to decline from 5% in 2015 to 4.0% - 4.5%, reflecting the continuing economic uncertainty impacted by the weak domestic currency and depressed crude oil prices, in the midst of a slowdown in the economy of China.

However, construction activities emanating from the 11th Malaysia Plan and Economic Transformation Programme are expected to benefit the division. The announced Pan Borneo Highway is expected to significantly benefit the quarry operations in Sabah.

Notwithstanding the challenging environment, the division expects to see modest growth with additional production output from two new quarries which were commissioned towards the end of 2015 and the expected benefit from the major improvement works in the Kuantan brick factory.

QUARRY AND BUILDING MATERIALS DIVISION'S OPERATION NETWORK

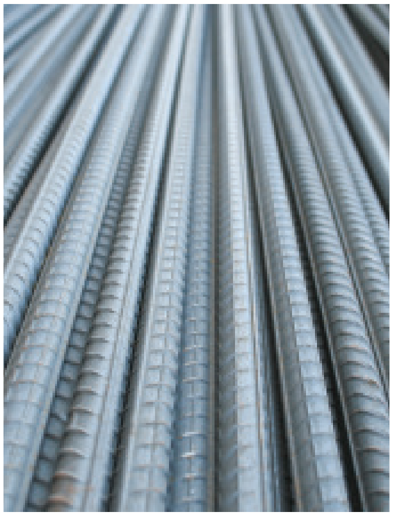
REVIEW OF OPERATIONS

TRADING

Operating Profit	RM48.8 mil
Revenue	RM775.8 mil

THE TRADING DIVISION IS A MAJOR BUILDING MATERIALS TRADER IN MALAYSIA, TRADING IN A DIVERSE PORTFOLIO OF PRODUCTS INCLUDING STEEL BARS, CEMENT, TILES, IRON & METAL, BUILDING CHEMICALS, INTERIOR FITTINGS AND PETROLEUM PRODUCTS. THE DIVISION OPERATES FROM A NETWORK OF SIX BRANCHES, OF WHICH, FOUR ARE LOCATED IN SABAH, ONE IN JOHOR AND A MAIN OFFICE IN PETALING JAYA.

REVIEW OF OPERATIONS



In February 2015, the Group acquired a controlling stake in Hafary Holdings Limited (Hafary) which is listed on the Singapore Stock Exchange. Hafary is a leading building materials supplier in Singapore. This acquisition enabled the division to broaden its coverage into the Singapore and regional market.

DIVISION PERFORMANCE

The division's revenue increased by 74% to RM775.8 million (2014: RM445.3 million) mainly on the back of higher sales of building materials and contributions from Hafary.

Operating profit for the year stood at RM48.8 million (2014: RM23.9 million). Excluding contribution from Hafary, the division registered lower operating profit due to compression of margin from competition.

OUTLOOK

The division expects its operating environment to be impacted by a less robust national economy reflecting the lower GDP growth forecast of 4.0% - 4.5%, in the midst of suppressed commodity prices, weak Ringgit and slower growth in China. Consequently, the current slowdown in the domestic property market is expected to persist.

However, the ongoing construction activities emanating from ongoing 11th Malaysia Plan and Economic Transformation Programme are expected to help support the construction sector.

The Group also recently announced the acquisition of Malaysian Mosaics Sdn Bhd (MMSB), an established and reputable tiles manufacturer under the "MML" brand in Malaysia and the region. This acquisition is expected to benefit and expand the building materials division's range of products.

With the acquisition of MMSB, the division is optimistic on opportunities to grow its revenue with greater market penetration and continued focus on higher margin products to grow its profitability.

STATEMENT ON CORPORATE GOVERNANCE

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

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

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

BOARD OF DIRECTORS

Board Charter

The board has formalised a board charter on 3 April 2013 (Board Charter) to define inter-alia the following:

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

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

Board Responsibilities

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

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

Board Meetings

The directors meet at least 4 times a year. During the financial year ended 31 December 2015, 4 board meetings were held with all the directors having attended at least 50% of the board meetings.

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

STATEMENT ON CORPORATE GOVERNANCE

Directors' attendance at board meetings held during the financial year ended 31 December 2015 is as follows:

Directors	No. of Meetings Attended
Dato' Jorgen Bornhoft	4/4
Datuk Edward Lee Ming Foo, JP	4/4
Mr. Lee Wee Yong	4/4
Ms. Cheah Yee Leng	4/4
Datuk Simon Shim Kong Yip, JP	3/4
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	4/4
Dato' Mohammed Bin Haji Che Hussein	4/4
Mr. Ch'ng Kok Phan	4/4
Mr. Leow Ming Fong @ Leow Min Fong	-*
Mr. Tan Ghee Kiat (resigned on 24 February 2016)	3/4

* *Appointed to the board as independent non-executive director on 4 March 2016*

Board Composition

As at the date of this annual report, the board has 9 members comprising 3 executive directors and 6 non-executive directors of which 4 or more than 1/3 were independent of management and have no relationships which could interfere with the exercise of their independent judgment.

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

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

Together, the directors have wide-ranging business and financial experience. A brief description of the background of each director is presented on pages 3 to 11 of this annual report.

The board annually examines its size with a view to determine the impact of the number on its effectiveness, provided always that the number of directors shall not exceed 12 as provided under article 82 of the Company's articles of association.

Dato' Jorgen Bornhoft, being an independent non-executive director, assumes the role of senior independent non-executive director to address concern that may be raised by shareholders of the Company.

Board Diversity

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

STATEMENT ON CORPORATE GOVERNANCE

Supply of Information

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

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

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

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

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

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

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

Board Committees

Specific responsibilities are delegated to board committees which comprise the audit committee, nominating committee and remuneration committee which shall report to the board regularly. The board committees are limited to making recommendations to the board as the board is not empowered to delegate its decision-making authorities to the board committees. The primary responsibilities of these board committees are approved by the board and are detailed in pages 77 to 85 of this annual report.

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

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

Appointments to the Board

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

STATEMENT ON CORPORATE GOVERNANCE

The nominating committee has reviewed and is satisfied that:

- the size of the board is optimum for the effective discharge of the board's function and that there is appropriate mix of skills and core competencies in the composition of the board;
- all members of the board are suitably qualified to hold their positions as directors in view of their respective academic and professional qualifications, competencies, experiences, commitment, contribution and performance;
- all the directors at the date of this annual report have updated their knowledge and enhance their skills through appropriate continuing education programmes during the financial year ended 31 December 2015;
- all the independent directors except for Dato' Jorgen Bornhoft as at the date of this annual report have not served for a period exceeding 9 years; and
- Dato' Jorgen Bornhoft is capable of acting objectively in the best interest of the Company and has demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements and has been recommended to the board to continue in office as independent director of the Company.

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

Reappointment and Re-election of Directors

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

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

During the year, the nominating committee had reviewed both the independence and performance of 3 independent and 1 non-independent non-executive directors who are due for reappointment and/or re-election at the forthcoming AGM. Based on the satisfactory outcome of the said review, the nominating committee had made recommendations to the board for their reappointment and/or re-election.

Directors' Training and Education

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

The directors had during the financial year ended 31 December 2015, evaluated their own training needs on a continuous basis and attended the following programmes:

Directors	Training Programme	Duration
Dato' Jorgen Bornhoft	Invest Malaysia Kuala Lumpur	½ day
	Directors Corporate Governance Series Building Effective Finance Function: From Reporting to Analytics to Strategic Input	½ day
	Directors' Continuing Education Programme 2015	1 day
	Amendments to MFRS 141: Agriculture – Bearer Plants Sustainability Reporting	1 hour
	MFRS 15: Revenue from Contracts with Customers – Property Division Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	½ hour
Datuk Edward Lee Ming Foo, JP	CAP 10 ASEAN CEO Summit: Pathways to your ASEAN Prosperity	1 day
	Driving Results – The Importance of Execution	2 hours
	Invest Malaysia Kuala Lumpur	1 ½ days
	Directors Corporate Governance Series Building Effective Finance Function: From Reporting to Analytics to Strategic Input	½ day
	HSBC Forum: RMB and China's Global Future	½ day
	Rabobank's Exclusive Business Forum	½ day
	Amendments to MFRS 141: Agriculture – Bearer Plants Sustainability Reporting	1 hour
	MFRS 15: Revenue from Contracts with Customers – Property Division Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	½ hour
Mr. Lee Wee Yong	Half-day Q & A Session with YBhg Dato' Subromaniam	1 day
	HSBC Forum: RMB and China's Global Future	½ day
	Advocacy Session on Management Discussion and Analysis for Chief Executive Officers and Chief Financial Officers	½ day
	Amendments to MFRS 141: Agriculture – Bearer Plants Sustainability Reporting	1 hour
	MFRS 15: Revenue from Contracts with Customers – Property Division Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	½ hour
Ms. Cheah Yee Leng	Driving Results – The Importance of Execution	2 hours
	Crisis Management & Corporate Governance – Governance Tools to Help Companies Prevent & Manage Crisis	1 day
	Amendments to MFRS 141: Agriculture – Bearer Plants Sustainability Reporting	1 hour
	MFRS 15: Revenue from Contracts with Customers – Property Division Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	½ hour

STATEMENT ON CORPORATE GOVERNANCE

Directors	Training Programme	Duration
Datuk Simon Shim Kong Yip, JP	Amendments to MFRS 141: Agriculture – Bearer Plants Sustainability Reporting	1 hour
	MFRS 15: Revenue from Contracts with Customers – Property Division Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	½ hour
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	International Directors Summit 2015 – inculcating innovation, catalysing growth through Public-Private Partnership	2 days
	Current trends in shareholders activism and predicting financial crime-detection, prevention and remediation	½ day
	YTI Public Lecture Series 2015 Light and Shadow in the Boardroom: Reflections on Board Evaluation and Development	½ day
	Directors Corporate Governance Series Building Effective Financial Function: From Reporting to Analytics to Strategic Input	½ day
	Yayasan Tun Ismail Lecture Series 2015 – Revisiting Islamic Philanthrophy for Sustainable Opportunities Finance	1 day
	Financial Freedom: Growing Dreams by Suze Orman	½ day
	Sustainability Symposium – Responsible Business, Responsible Investing	1 day
	MFRS 15: Revenue from Contracts with Customers – Property Division Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	½ hour
Dato' Mohammed Bin Haji Che Hussein	Nominating Committee Programme Part 2: "Effective Board Evaluations"	1 day
	CG Breakfast Series with Directors: The Board's response in light of rising shareholders engagements	½ day
Mr. Ch'ng Kok Phan	Corporate Governance Director's Workshop: The Interplay between CG, Non-Financial Information (NFI) and Investment Decision	½ day
	MFRS 15: Revenue from Contracts with Customers – Property Division Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	½ hour
	CG Breakfast Series with Directors: "Board Reward & Recognition"	½ day
Mr. Leow Ming Fong @ Leow Min Fong	-*	
Mr. Tan Ghee Kiat	National Tax Conference 2015	2 days
(resigned on 24 February 2016)	Seminar Percukaian Kebangsaan 2015	1 day
	Comparative Analysis of the PERS, MPERS and MFRS Frameworks	2 days

* *Appointed to the board after the financial year ended 31 December 2015*

STATEMENT ON CORPORATE GOVERNANCE

DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration

The board ensures that fair level of remuneration is accorded to attract, retain and motivate directors needed to manage the Company successfully. The component remuneration package for executive directors has been structured to link rewards to corporate and individual performance whilst non-executive directors' remuneration reflects the experience and level of responsibilities undertaken by individual non-executive directors.

Procedure

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

Disclosure

Directors' remuneration and remuneration policy are as follows:

Details of Directors' Remuneration

(i) The aggregate remuneration paid or payable by the Company to the directors of the Company for services in all capacities during the financial year ended 31 December 2015 is as follows:

Category	Fees RM'000	Salaries and Other Emoluments RM'000	Benefits-in-Kind RM'000	Total Remuneration RM'000
Executive	-	6,205	149	6,354
Non-Executive	683	-	-	683

(ii) The number of directors who received remuneration from the Company for the financial year ended 31 December 2015 and their remuneration including benefits-in-kind are tabulated in the following bands below:

Remuneration Range	No. of Directors
Executive Directors	
RM1,400,001 to RM1,450,000	1
RM1,450,001 to RM1,600,000	-
RM1,600,001 to RM1,650,000	1
RM1,650,001 to RM3,300,000	-
RM3,300,001 to RM3,350,000	1
Non-Executive Directors	
RM50,001 to RM100,000	2
RM100,001 to RM150,000	3
RM150,001 to RM200,000	1

STATEMENT ON CORPORATE GOVERNANCE

Remuneration Policy

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

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

(i) Remuneration for Executive Directors

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

- **Basic Salary**

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

- **Annual Bonus**

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

- **Contribution to EPF**

  Contribution to EPF is based on the statutory rate.

- **Benefits-in-kind**

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

(ii) Remuneration for Non-Executive Directors

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

STATEMENT ON CORPORATE GOVERNANCE

SHAREHOLDERS

Dialogue between Company and Investors

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

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

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

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

The Annual General Meeting (AGM)

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

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

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

CODE OF CONDUCT

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

The Code of Conduct covers the following areas:

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

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

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

STRATEGIES FOR SUSTAINABILITY

The board aspires to strengthen its commitment and investment in corporate sustainability to the mutual benefit of both the Company and the public at large. To this end, various initiatives have been undertaken to harness the market's potential for sustainability products and services on one hand and to minimise sustainability costs and risks on the other hand.

Summarised below are the various methodologies undertaken as part of the Group's on-going commitment to sustainability:

- Creating a safe working environment for all our employees, while promoting and implementing all aspects of occupational safety and health policies in the workplace;
- Creating efficient, effective and sustainable human resources by embracing the principle of continuous growth and employee satisfaction;
- Creating a model community which embraces social inclusion and diversity;
- Meeting shareholders' demand for sound financial returns through dividend stream, economic growth, open communication and transparent financial reporting;
- Establishing and complying with high standards of corporate governance and engagement with shareholders;
- Adopting innovative technologies to minimise or control negative impact on the environment in our business operations;
- Helming, supporting and contributing to environmental friendly projects or programmes;
- Taking proactive steps towards reducing our carbon footprint, including engaging measures to improve energy performance of office buildings, better management of energy use for office equipment, raising awareness among employees, customers, suppliers through "reduce, reuse and recycle" campaign; and
- Participating in community involvement programmes by reaching out to the communities.

STATEMENT ON CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

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

Internal Control

The Group's statement on risk management and internal control is set out on pages 72 to 76 of the annual report.

Relationship with Auditors

The audit committee and the board have established formal and transparent arrangements to maintain an appropriate relationship with the Company's auditors as stated on pages 77 to 81 of the annual report.

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

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

DATO' JORGEN BORNHOFT
Independent Non-Executive Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The board is committed to maintaining a sound system of risk management and internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control which outlines the nature of internal control of the Group during the financial year ended 31 December 2015 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.

For the purposes of this statement, associates and joint venture are not dealt with as part of the Group, and therefore not covered by this statement.

Board's Responsibility

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

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

The risk management process and system of internal control which involve every business units and their respective key management, are designed to meet the Group's needs and to manage the risks to which it is exposed.

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

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

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

Risk Management

The group risk management committee takes responsibility for risk management, building upon already established structures and mechanism. The risk assessments approach is in compliance with the guidance on the SRMICG and Recommendation 6.1 of the Code.

Members of the group risk management committee comprise the following:

- 2 executive directors, one being the group managing director;
- group chief operating officer;
- chief financial officer;
- chief executives of the various business units;
- head of group internal audit; and
- senior manager overseeing the risk management function.

The group managing director assumes the role of chairman of the committee while the chief executives lead the risk management function of the various business units.

STATEMENT ON RISK MANAGEMENT & 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 various business units within the Group;
- To develop methodologies to identify, evaluate, prioritise, address and report the various risks of the various business units 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 to each business unit's objectives which are aligned with the Group's strategic objectives are identified and scored for likelihood of the risks occurring and the magnitude of the impact.

A database of strategic risks identified with appropriate controls has been created and the information filtered to produce a detailed risk register/scorecard. The risk profiles of the respective business units are updated every 6 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 executives and managers of the respective business units as part of the assessment of strategic risks affecting the Group.

The risks profile of the relevant business units have been tabled to the group risk management committee highlighting on the key risks, their causes and management action plans thereon.

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

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Internal Control

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

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

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

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Internal Audit Function

The Group has an in-house internal audit department which is independent of the activities or operations of other operating units in the Group, which provides the audit committee and the board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control.

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

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

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

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

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

The activities of the internal audit department that were carried out are as follows:

- Undertook internal audit based on the audit plan that had been reviewed and approved by the audit committee which includes the review of operational and environmental compliance with established internal control procedures, management efficiency, risk assessment and reliability of financial records as well as governance processes.
- Attended business review meetings held regularly by the Group's senior management to keep abreast with the strategic and operational planning and development issues.
- Conducted investigations with regard to various specific areas of concern as directed by the audit committee and the management.
- Attended the meetings conducted by the group risk management committee.
- Assessment of key business risks at each business units which were identified by risk analysis and continuous monitoring of control compliance through data extraction and analysis techniques.
- Issued several internal audit reports to the audit committee on the major business units which encompassed identification and assessment of business risks.

Hafary Holdings Limited ("Hafary"), the Group's 51% subsidiary listed on the Singapore Stock Exchange, outsources its internal audit function to a professional accounting firm, to carry out the review on the system of internal controls and key business processes of Hafary and its subsidiaries ("Hafary group"). The internal auditors, who have unrestricted access to the Hafary group's documents, records, properties and personnel, reports directly to Hafary's audit committee.

The total costs incurred for the internal audit function by the Group in respect of the financial year ended 31 December 2015 was approximately RM3.4 million.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Other Risks and Control Processes

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

The board is also supported by board committees with specific delegated responsibilities. These committees have the authority to examine all matters within their scope and responsibilities, as provided in the Board Charter, and report to the board with their recommendations. (For more details on the various committees, please refer to pages 77 to 85 in this annual report).

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

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

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

CONCLUSION

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2015, and reported to the board that nothing has come to their attention that cause them to believe that the Statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate. The external auditors' report was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purpose or parties. As stated in their report, the external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon.

BOARD COMMITTEES

AUDIT COMMITTEE

Members of the Audit Committee

Dato' Jorgen Bornhoft	*(Independent Non-Executive Director) – Chairman*
Datuk Simon Shim Kong Yip, JP	*(Non-Independent Non-Executive Director)*
Dato' Mohammed Bin Haji Che Hussein	*(Independent Non-Executive Director)*
Mr. Leow Ming Fong @ Leow Min Fong	*(Independent Non-Executive Director)* *- appointed on 4 March 2016*
Mr. Tan Ghee Kiat	*(Independent Non-Executive Director)* *- resigned on 24 February 2016*

Terms of Reference of Audit Committee

Membership

- The committee shall be appointed by the board from amongst the directors of the Company on the recommendation of the nominating committee and shall consist of not less than 3 members. All the audit committee members must be non-executive directors with a majority of them being independent directors.

- A member shall not have any family relationship with any executive director or any related company or relationship which would interfere with his/her independent judgment.

- Independent director shall be one who fulfills the requirement as provided in the Listing Requirements.

- At least one member of the audit committee shall be a member of the Malaysian Institute of Accountants or a person approved under section 15.09(1)(c)(ii) and (iii) of the Listing Requirements.

- No alternate director shall be appointed as a member of the audit committee.

- The chairman of the committee who shall be an independent director shall be elected by the members of the committee.

- In the event the number of audit committee members are less than the required number of 3 due to resignation or for any reason ceases to be a member, the board shall within 3 months appoint new member(s) to fill up the vacancy. All members of audit committee shall hold office until otherwise determined by the board or until they cease to be a director of the Company.

Attendance at Meetings

- The quorum necessary for the transaction of business shall be 2 members.

- The company secretary shall act as the secretary of the committee.

Frequency of Meetings

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

BOARD COMMITTEES

During the financial year ended 31 December 2015, 4 meetings were held. The details of directors' attendance at these meetings are as follows:

Directors	No. of Meetings
Dato' Jorgen Bornhoft	4/4
Datuk Simon Shim Kong Yip, JP	3/4
Dato' Mohammed Bin Haji Che Hussein	4/4
Mr. Leow Ming Fong @ Leow Min Fong (appointed on 4 March 2016)	-*
Mr. Tan Ghee Kiat (resigned on 24 February 2016)	3/4

** Appointed as member of the audit committee subsequent to the financial year ended 2015*

The details of training programmes attended by the above directors are tabulated on pages 64 and 65 of the annual report.

Proceedings of Meetings

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

Scope of Authority

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

BOARD COMMITTEES

Primary Responsibilities of the Audit Committee

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

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

BOARD COMMITTEES

Primary Responsibilities of the Audit Committee (continued)

- To review with the external auditors, the audit plan, their evaluation of the system of internal controls, the audit report and any issues arising from the audit.

- To meet regularly with the external auditors, at least twice a year, without the presence of the management, to discuss their remit and any issues arising from the audit, including the adequacy of the assistance given by the employees of the Company to the external auditors.

- To review the quarterly and year end financial statements before tabling to the board focusing particularly on:
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit and other unusual events (if any);
  - compliance with accounting standards, relevant legislative framework and other legal requirements; and
  - compliance with the Listing Requirements and all other applicable rules and regulations.

Review of the Audit Committee

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

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

Reporting Procedures

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

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

Reporting of Breaches to the Exchange

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

BOARD COMMITTEES

Summary of Audit Committee Activities during the financial year ended 31 December 2015

The activities of the audit committee during the financial year ended 31 December 2015 are summarised below:

- Reviewed internal audit plan for the financial year which includes review of operational compliance with established control procedures, management efficiency, risk assessment and reliability of financial records.
- Received and reviewed several internal audit reports covering the processes of the Group's business units and is satisfied with the recommendations and actions by the management in addressing the issues highlighted.
- Reviewed annual audit plans of the Group and Company with the external auditors and recommendation of their audit fees to the board.
- Discussed the annual audited financial statements of the Group with the external auditors and noted the salient features and key findings from the external auditors.
- Reviewed the annual audited financial statements and recommended to the board for approval.
- The audit committee held 2 separate independent meetings with the external auditors in the absence of the executive board members and management representatives during which the external auditors informed that they had received full co-operation from the management as well as unrestricted access to all information required for purpose of their audit and there were no special audit concerns to be highlighted to the audit committee.
- Reviewed the suitability and independence of external auditors and have received written assurance from external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- Reviewed the Group's quarterly report prepared in compliance with Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" and chapter 9 of the Listing Requirements prior to submission to the board for consideration and approval where the chairman of the audit committee will brief the board on the pertinent points and the recommendations of the audit committee.
- Reviewed and considered the disclosure of related party transactions in the financial statements and the recurrent related party transactions circular to shareholders.
- Received and reviewed the comprehensive risk management report from the group risk management committee and is satisfied with the assessment therein.
- Reviewed and recommended to the board the statement on risk management and internal control for approval and inclusion in the annual report.

BOARD COMMITTEES

REMUNERATION COMMITTEE

The remuneration committee was set up on 27 March 2001 and presently its members are as follows:

Dato' Jorgen Bornhoft	*(Independent Non-Executive Director) – Chairman*
Datuk Edward Lee Ming Foo, JP	*(Executive Director)*
Datuk Simon Shim Kong Yip, JP	*(Non-Independent Non-Executive Director)*

Terms of Reference of Remuneration Committee

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

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

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

Proceeding of Meetings

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

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

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

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

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

BOARD COMMITTEES

Primary Responsibilities of Remuneration Committee

- To determine and agree with the board, the broad policy for the remuneration of the executive directors of the Company, after taking into account all relevant factors to ensure that the executive directors are adequately incentivized and remunerated to encourage enhanced performance.

- To constantly review the ongoing appropriateness and relevance of the remuneration policy.

- Within the terms of the agreed policy and in consultation with the chairman, to determine the total individual remuneration package of each executive director including bonuses and yearly increment.

Summary of Activities

- To review and note the remuneration policy of the Group together with the industry forecast for 2015/2016 for the average salary increment; and

- To recommend to the board, the proposed bonus of the executive directors for the financial year ended 31 December 2015 and their respective proposed increments for the financial year commencing from 1 January 2016.

BOARD COMMITTEES

NOMINATING COMMITTEE

The nominating committee was set up on 27 March 2001 and presently its members are as follows:

Dato' Jorgen Bornhoft	*(Independent Non-Executive Director) – Chairman*
Datuk Simon Shim Kong Yip, JP	*(Non-Independent Non-Executive Director)*
Dato' Mohammed Bin Haji Che Hussein	*(Independent Non-Executive Director)*

Terms of Reference of Nominating Committee

Membership

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

Frequency of Meetings

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

Attendance at Meetings

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

Proceeding of Meetings

- The committee shall have access to sufficient resources to facilitate the carrying out of its duties, including obtaining, at the Company's expense, outside legal or other professional advice on any matters within its term of reference.
- In the absence of the chairman, the nominating committee shall appoint one of the independent non-executive members present to chair the meeting.
- Questions arising at any meeting where a quorum is present shall be decided by a majority of votes of the members present, each member having 1 vote.

Reporting Procedure

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

Scope of Authority

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

Primary Responsibilities of Nominating Committee

- To consider and recommend candidates onto the board and board committees and guided by the selection criteria which include, amongst others, integrity and professionalism, expertise and experience, independence and objectivity, personal attributes, dedication and commitment and board diversity. Details of the selection criteria are set out in the Board Charter.
- To annually evaluate performance of the board and board committees collectively as well as performance of members individually.
- To facilitate board induction and training programmes.

BOARD COMMITTEES

Primary Responsibilities of Nominating Committee (continued)

- Assessing directors' training needs periodically and devising relevant professional development programmes based on such assessment for recommendation to the board.
- To develop a proper succession plan for the board so as to ensure a smooth transition when directors leave the board, and that positions are filled and skill gaps addressed.
- To monitor and recommend the functions to be undertaken by the various board committees.
- To review and reassess the adequacy of the Board Charter and Code of Conduct annually.
- To evaluate the independence of each independent director on a yearly basis. In this regard, the committee is guided by the criteria as set out in the Board Charter.
- To recommend directors for reappointment or re-election subject to satisfactory outcome of the evaluation of their performance.

Summary of Activities

- Reviewed the current size and composition of the audit committee and was of the view that the members were aptly qualified to discharge their respective duties and responsibilities after taking into account their professional qualifications and experiences.
- Reviewed the current size and composition of the remuneration committee and was satisfied that the remuneration committee was effective in the discharge of its function.
- Evaluated the performance of each board and board committees collectively as well as the performance of members individually and was satisfied that all members of the board are suitably qualified to hold their positions as directors in view of their respective academic and professional qualifications, competencies, experiences, commitment and contribution to the board.
- Reviewed and assessed the adequacy of the Board Charter and the Code of Conduct adopted by the board.
- Reviewed that all directors of the Company had received appropriate continuous training programmes in order to keep abreast with developments in the relevant industry to enhance their skills in a dynamic and complex business environment and with changes in the relevant statutory and regulatory requirements.
- Evaluated the independence of each independent director taking into account both the quantitative and qualitative criterion. In addition, all the independent directors at the date of this annual report have served in the board with a tenure less than the term of 9 years except for Dato' Jorgen Bornhoft.
- Evaluated that Dato' Jorgen Bornhoft is capable of acting objectively in the best interests of the Company, and has demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements despite having served as an independent director for more than 9 years.
- Evaluated the performance of the following non-executive directors standing for reappointment and/or re-election at the forthcoming annual general meeting (AGM):
  (i) Dato' Jorgen Bornhoft on his reappointment pursuant to section 129(6) of the Companies Act, 1965;
  (ii) Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan on his reappointment pursuant to section 129(6) of the the Companies Act, 1965; and
  (iii) Datuk Simon Shim Kong Yip, JP on his re-election pursuant to article 97 of the Company's articles of association.
- Recommended the appointment of Mr. Leow Ming Fong @ Leow Min Fong as an independent non-executive director of the Company on 4 March 2016. Subject to the approval of the board, Mr. Leow Ming Fong @ Leow Min Fong shall be eligible for re-election at the forthcoming AGM pursuant to article 103 of the Company's articles of association.

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

AS A PROGRESSIVE AND WELL-ESTABLISHED PUBLIC LISTED COMPANY WITH DIVERSIFIED BUSINESSES IN MAJOR SEGMENTS OF THE MALAYSIAN ECONOMY, HAP SENG CONSOLIDATED BERHAD (HAP SENG GROUP) CONTINUES TO BE COMMITTED TO DELIVERING SUSTAINABLE VALUE TO SOCIETY.

A notable milestone during the year under review, Hap Seng Plantations Holdings Berhad, a business division of Hap Seng Group, successfully published its inaugural stand-alone sustainability report that covers the company's sustainability performance based on the financial year ended December 2014.

The report is based on the Global Reporting Initiative G4 (GRI4) guidelines and includes important data and information on the division's sustainability governance framework, strategy, practices and performances in preceding years that have significant consequences to how the division operate today.

This initiative allows for data based internal learning as well as continuous improvement in all areas that are material to the plantation group, especially when they are benchmarked against global players in the same industry.

CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENT

Hap Seng Group recognises the importance of long-term sustainability and has adopted key principles in balancing development and the preservation of our environment while creating value for our stakeholders, which is to the Group, a win-win situation.

Hap Seng Land's Green Developments

The purchase of Plaza Shell, Sabah, in 2015 marked the inclusion of a new silver Leadership in Energy and Environmental Design (LEED) accredited green building into the Group's property investment portfolio. The building is the first LEED commercial building in Sabah.

This building has been conceptualised, designed and constructed as a resource-efficient, high-performing, healthy and cost-effective building, in tandem with the desire to provide a healthy and productive working environment. It also promotes healthy lifestyle to the tenants and guests with its green ambiance, featuring among others, the purpose-built bicycle parking bays and shower facilities in the building that encourage tenants to cycle to work. This is also in line with one of the city's highly popular initiatives; the Kota Kinabalu bicycle track that runs along the scenic Likas Bay.

In Peninsular Malaysia, specifically Klang Valley, Hap Seng Land's strategy is synchronised with the Kuala Lumpur City Structure Plan 2020, which is aimed at transforming Kuala Lumpur into a green city by 2020. As a responsible developer, Hap Seng Land has embraced DBKL's vision of making Kuala Lumpur a world-class city, by playing its part in reducing our carbon footprint in the city. All new developments by the Group in the Klang Valley will comply with recognised sustainability certification such as Malaysia's Green Building Index (GBI).

CORPORATE SOCIAL RESPONSIBILITY

Global Sustainable Accreditation for Hap Seng Plantations

Sustainable practices have always been part of our plantation division's priority and we have been working to realign our business operation to internationally recognised sustainability framework.

All mills were RSPO certified in 2015, latest being Ladang Kawa Estate. Three mills were also ISCC EU certified in 2015, ahead of the target of 2016, starting with Bukit Mas Palm Oil Mill (BPOM) in January 2015, followed by Jeroco Palm Oil Mill 1 & 2 (JPOM) in November and the latest was Tomanggong Palm Oil Mill (TPOM) that was certified in January 2016.

COMMUNITY

As a member of the community, Hap Seng Group always believes in working towards building a stronger bond with its stakeholders and the community it operates in. This is consistent with one of the Group's Corporate Missions – "To be a good corporate citizen in harmony with the environment and the communities we serve."

Educational Initiative

Hap Seng Group's educational initiative is now emphasising on empowering and capacity building especially among schools in rural areas. The goal is to assist in reducing the education inequity and narrowing the urban vs rural performance and opportunity gap.

Hap Seng Group D-Code

Hap Seng Group D-Code is a programme that involves a 4-day coding camp that provides a platform for students to learn computer programming (coding) skills using an inexpensive micro-computer called the Raspberry Pi.

This coding programme is a vehicle to help students build confidence, promote logical thinking and problem solving skills. It also cultivates leadership and good team player traits. These skill sets and attributes are consistent with the aspiration of the Malaysian Education Blueprint.

This programme was targeted at school children aged from 13 to 15 years old. Students were placed in a learning environment where they can also learn to identify and frame a problem, think through a solution and present the solution creatively through web programming. This is done through various exercises using the basic math of logic with an open system called Linux.

CORPORATE SOCIAL RESPONSIBILITY

All in all, the students are exposed and immersed in the higher order thinking activities through technology.

The project, which was rolled out in July 2015 and will be ongoing for a period of two years, targets to benefit more than 1,000 students from 212 secondary schools in 24 Pejabat Pendidikan Daerah (PPDs) throughout Sabah. In total, 25 coding camps will be held covering all government secondary schools in Sabah with the camp finale to be conducted in Kota Kinabalu in 2016. In 2015, a total of eight camps were held, touching the lives of some 385 students and 77 teachers from 77 schools.

Programme for Kids at Kg Tg Batu, Tawau

This is the fifth year that Hap Seng Group had sponsored tuition programme to assist 10 to 12 years old students from four villages in Tanjung Batu, Tawau to prepare for their UPSR examination.

What started as an English tuition for a group of 30 pupils when it was first introduced has expanded to include two other subjects, Maths and Science, with the increased participation to 50 pupils. This is due to overwhelming request from the community. The number of participants is constrained by

CORPORATE SOCIAL RESPONSIBILITY

the capacity available in the tuition centre. As such pre-selection by the community and high commitment from both students and parents were imposed.

School in Hospital Project

In 2015, Hap Seng Group was one of the donors that funded the renovation of a classroom facility that is complemented by a library at a hospital in Tawau. The 'School in a Hospital' project is aimed at benefiting school-age children who are undergoing prolonged treatments at the hospital.

Malaysian Collective Impact Initiative (MCII)

Hap Seng Group is one of the founding partners of MCII, a Public-Private Partnership initiative.

The target geographical area is Klang district and the agenda is education intervention from cradle to career. Two parallel target outcome is envisioned, a long-term systemic change in education and specific tactical outcomes.

Raising the Spirit of Volunteerism

"To be an employer of choice" is another aspect of the Group's mission statement. With that in mind, it is translated in CSR's theme of "Caring Employer & Caring Employee".

To encourage caring employee, Hap Seng Group focuses in encouraging its employees to play a more proactive and participatory role via the 3Ts in volunteerism, namely, Time or Talent or Treasure (Money).

This activity will directly help to build empathy by exposing our employees to the less fortunate. This will aid in the building of a new culture of proactivity in lending a helping hand while forging a stronger bond with our communities in areas we live and operate.

2015 saw Hap Seng Group teaming up with Kechara Soup Kitchen, whereby the Group's employees volunteered to prepare food for the less fortunate. This programme, themed "Building Empathy", was a 20-week programme, taking place every Wednesday starting from the 23 September 2015 until 24 February 2016.

CORPORATE SOCIAL RESPONSIBILITY

Through this programme, the volunteers were exposed to the less fortunate and hopefully, through this exposure, they are able to empathise with others' different life experiences and circumstances. Building empathy plays a crucial role in innovation and problem solving. The ability to apply empathy and to understand what others are feeling helps to guide one's actions in building successful teams, resolving problems, leading effectively and driving positive change.

Volunteering Treasure – Help Raise Fund

Help Raise Fund campaign is an annual event where tenants and staff of Menara Hap Seng and Menara Hap Seng 2 donate their pre-loved items. The non-govermental organisations (NGOs) recipients for the latest campaign were Reachout Malaysia and the Islamic Relief Malaysia.

A total of five big bags of clothes and toys, along with seven boxes of books and several other household items were collected. These items will be given to Rohingya refugees and sold at the NGOs shop to raise fund for their charitable activities.

Volunteering Time – Books Donation Programme

The CSR team volunteered in the Red Readerhood programme at the Big Bad Wolf 2015 Booksale in December. In appreciation, the organiser donated 1,089 books to the Group.

These books will be donated to selected schools in Tawau in conjunction with the Group's Community Investment Programme.

Lending a helping Hand to the Kelantan Flood Victims

In December 2014, Kelantan was hit by one of the worst floods in decades. Thousands were affected throughout the state and victims struggled to get back on their feet.

This is especially heartbreaking for the parents who were committed to ensure that their children could continue living a cheerful life, going to school where they can learn and play around with friends.

CORPORATE SOCIAL RESPONSIBILITY

In respond to a request for help by HRH Sultan Muhammad V of Kelantan Darul Naim, Hap Seng Group rallied its employees, their families as well as friends to provide support to these unfortunate victims.

Within three weeks, the Group was able to collect more than RM500,000. The money collected was donated in the form of a RM50 cash payment per month to 1,778 poor school children, from eight schools for six months.

The RM50 per month is for these unfortunate students to use for their basic necessities, especially their daily school needs, while reducing the financial burden on their parents who were trying to get back on their feet.

This not only alleviates the financial strain on their parents, it also allowed them to focus on recovery as most of their homes had been totally destroyed by the flood.

July 2015 marked the final month of the monetary distribution to the school children in the Kelantan Flood Relief effort.

WORKPLACE

Hap Seng Group continued with its safety and health focus in 2015. The goal is to entrench a positive safety culture in the organisation. Beside in-house safety and health activities, Hap Seng Group also collaborated with state and national safety and health agencies to affect positive change.

An organisation with a strong safety culture typically experience few at-risk behaviours and as a consequence, they also experience low incident rate, low turnover, low absenteeism and high productivity. These are usually the companies that excel in all aspects of business.

Hap Seng Building Materials (QBM) division, which is in a safety, health and environment (SHE) sensitive industry, has 13 operating quarries with localised SHE practices. The QBM team has identified Seri Alam quarry to be the SHE model site, in which it will adopt the industry's best practices as a benchmark for the rest.

The focus in 2015 was enhancing awareness, training on good practices, identifying gaps and strategic planning. An improvement programme is scheduled to be rolled-out in 2016. QBM also conducted a series of safety awareness trainings in Tawau, Sabah.

In 2015, the Corporate Office Safety Committee comprising representatives from all divisions and departments that are housed in the corporate office was formed. As it is a new initiative, the focus was to build capacity in SHE and at the same time, create fellowship amongst colleagues. The following initiatives were conducted by the committee:

CORPORATE SOCIAL RESPONSIBILITY

- *Surviving the Urban Jungle:* A 1-hour per week for five weeks programme that targets employees who take public transport to work. The programme involves the learning of basic self-defence skills and increasing their level of awareness and attentiveness in their surroundings.

- *OSH awareness programmes:* Various programmes such as OSHA awareness talks, Safety & Health Week, Exhibition on NCD (non-communicable disease) were coordinated throughout 2015.

The Hap Seng Land CSR Committee is focused on issues affecting their tenants, energy and water savings as well as recycling activities.

Throughout 2015, the committee coordinated the provision of filtered water for their outsourced service providers. It also organised CPR training session and fire prevention seminars. The provision of reserved parking lots for pregnant ladies was also a very progressive CSR initiative by the team.

The Group worked together with the National Institute of Occupational Safety and Health (NIOSH) Sabah, Department of Occupational Safety and Health (DOSH) Kuala Lumpur, Institut Jantung Negara (IJN) as well as the National Blood Bank to bring about both safety and health awareness to its employees. Safety and health seminar and health talks were conducted in both Sabah and at the Group's corporate office in Kuala Lumpur.

Intelligent Defensive Driving Course for employees:

As part of the health and safety theme, the Group organised a 1-day programme entitled 'Intelligent Defensive Driving Course' to further enhance the driving skills of our drivers by exposing them to the safety features of the cars they were handling apart from on the road safety tips.

The programme, led by professional driving instructors, was held at Hap Seng Star's Balakong dealership. The positive feedback received for the programme had led to its extension to Hap Seng Star in Sabah, involving staff who travel frequently especially the sales team.

"This training has improved my driving in terms of safety and cautiousness."

Sazali Mansor

"Now, I actually understand the car better, its functions and systems and how to use them the right way."

Murugan

"Through this course, I learn about ethics in driving. It is a good course to develop employees, I will definitely attend again."

Mohammad Hassan

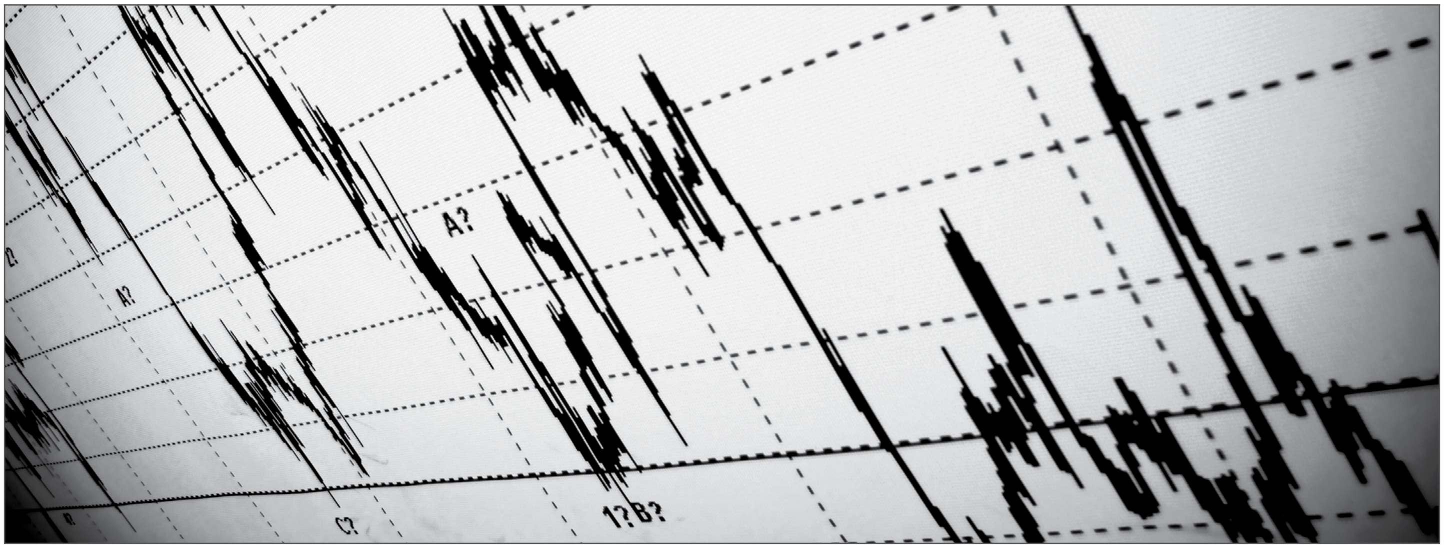
This is also consistent with the statistics from SOCSO where most occupational accidents occur during commuting to and from work or travelling in the capacity of work.

Workplace Financial Education

In cognisance of the increasing cost of living, Hap Seng Group introduced a new programme in 2015 that was aimed at enhancing financial literacy amongst its employees.

The programme targeted executives and staff, offered comprehensive financial education modules that included basic money management skills as well as retirement planning.

The programme, a Hap Seng Credit Sdn Bhd and Agensi Kaunseling & Pengurusan Kredit (AKPK) partnership, conducted road shows in the Group's offices nationwide with more than 20 training sessions. More than 1,400 employees attended the sessions which was held in staggered throughout the year.



FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the subsidiaries, associates and joint venture are disclosed in Notes 8, 9 and 10 to the financial statements, respectively. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

The results of the Group and of the Company for the financial year ended 31 December 2015 are as follows:

	Group RM'000	Company RM'000
Profit before tax	1,117,596	652,996
Tax expense	(148,211)	(7,184)
Profit for the year	969,385	645,812
Attributable to:		
Owners of the Company	908,473	645,812
Non-controlling interests	60,912	-
Profit for the year	969,385	645,812

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the effects arising from the disposal of subsidiaries as disclosed in Note 26 to the financial statements.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

There were no changes in the authorised, issued and paid-up share capital of the Company except for the issuance of shares pursuant to the exercise of warrants as disclosed below.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

WARRANTS

The warrants are constituted by the deed poll dated 6 July 2011 ["Deed Poll"].

On 15 August 2011, the 364,392,900 warrants issued free by the Company pursuant to the Rights Issue with Warrants Exercise on the basis of one (1) warrant for every one (1) rights share subscribed were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad ["Bursa Securities"].

Salient features of the warrants are as follows:

(a) Each warrant entitles the registered holder thereof ["Warrantholder(s)"] to subscribe for one (1) new ordinary share of RM1.00 in the Company at the exercise price of RM1.65 during the 5-year period expiring on 9 August 2016 ["Exercise Period"], subject to the adjustments as set out in the Deed Poll;

(b) At the expiry of the Exercise Period, warrants which have not been exercised shall automatically lapse and cease to be valid for any purpose;

(c) Warrantholders must exercise the warrants in accordance with the procedures set out in the Deed Poll and shares allotted and issued upon such exercise shall rank pari passu in all respects with the then existing shares of the Company, and shall be entitled for any dividends, rights, allotments and/or other distributions after the issue and allotment thereof;

(d) For purpose of trading on Bursa Securities, a board lot for the warrants shall be one hundred (100) or such other number of units as may be prescribed by Bursa Securities from time to time and the trading thereof shall be governed by the provisions of the Securities Industry (Central Depositories) Act, 1991 (including any amendment or re-enactment thereof) and the rules of the Bursa Malaysia Depository Sdn Bhd; and

(e) The Deed Poll and accordingly the warrants, are governed by and shall be construed in accordance with the laws of Malaysia.

Movement in the warrants is as follows:

	Number of warrants
As of 1 January 2015	263,970,819
Exercised during the year	(22,951,656)
As of 31 December 2015	241,019,163
Exercised subsequent to 31 December 2015	(86,803,809)
As of 20 April 2016	154,215,354

During the financial year, a total of 22,951,656 warrants were exercised and the issued and paid-up share capital of the Company increased to RM2,249,731,137 comprising 2,249,731,137 ordinary shares of RM1.00 each. As of 31 December 2015, 241,019,163 warrants remained unexercised.

Subsequent to the end of the financial year and up to the date of this report, 86,803,809 warrants were exercised which resulted in 86,803,809 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Bursa Securities. Consequently, the issued and paid-up share capital of the Company increased to RM2,336,534,946 comprising 2,336,534,946 ordinary shares of RM1.00 each. As of 20 April 2016, 154,215,354 warrants remained unexercised.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

TREASURY SHARES

During the extraordinary general meeting of the Company held on 4 June 2015, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 12,495,200 shares at the cost of RM68,355,062. All repurchases of shares were financed by the Company's internally generated funds.

During the financial year, 8,618,700 treasury shares were resold at an average net resale price of RM6.17 per share including transaction costs. The total net consideration received from the resale was RM53,154,516.

As at 31 December 2015, the Company held 93,058,900 treasury shares.

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
As of 1 January 2015	89,182,400	247,806,456	2.78
Repurchased during the year	12,495,200	68,355,062	5.47
Resold during the year	(8,618,700)	(26,257,731)	3.05
As of 31 December 2015	93,058,900	289,903,787	3.12
Resold subsequent to 31 December 2015	(7,987,700)	(24,884,082)	3.12
As of 20 April 2016	85,071,200	265,019,705	3.12

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

Subsequent to the end of the financial year and up to the date of this report, the Company resold another 7,987,700 shares, thereby reducing the total treasury shares held by the Company to 85,071,200 shares.

MATERIAL LITIGATIONS

Details of material litigations are disclosed in Note 36 to the financial statements.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events are disclosed in Note 41 to the financial statements.

SUBSEQUENT EVENTS

Subsequent events other than those detailed in the directors' report are disclosed in Note 42 to the financial statements.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

DIVIDENDS

During the financial year, the following dividends were declared by the Company:

	RM'000
In respect of the financial year ended 31 December 2015:	
- First interim dividend of 10 sen per share under the single tier system approved by the Board of Directors on 26 May 2015 and paid on 23 June 2015	215,318
- Special interim dividend of 10 sen per share under the single tier system approved by the Board of Directors on 26 August 2015 and paid on 30 September 2015	214,948
- Second interim dividend of 10 sen per share under the single tier system approved by the Board of Directors on 25 November 2015 and paid on 22 December 2015	215,664
	645,930

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2015.

No dividend is payable for treasury shares held or cancelled.

DIRECTORS

The directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Jorgen Bornhoft	
Datuk Edward Lee Ming Foo, JP	
Lee Wee Yong	
Cheah Yee Leng	
Datuk Simon Shim Kong Yip, JP	
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	
Dato' Mohammed Bin Haji Che Hussein	
Ch'ng Kok Phan	
Leow Ming Fong @ Leow Min Fong	(Appointed on 4 March 2016)
Tan Ghee Kiat	(Resigned on 24 February 2016)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and warrants in the Company and its related corporations during the financial year were as follows:

Name of director	Number of ordinary shares of RM1.00 each As at 1.1.2015	Acquired	Sold	As at 31.12.2015
Hap Seng Consolidated Berhad				
Dato' Jorgen Bornhoft	130,000	-	(80,000)	50,000
Dato' Mohammed Bin Haji Che Hussein	136,000	-	(100,000)	36,000
Hap Seng Plantations Holdings Berhad, a listed subsidiary				
Dato' Jorgen Bornhoft	10,000	-	-	10,000
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	5,000	-	-	5,000
Cheah Yee Leng	5,000	26,200	-	31,200

None of the other directors in office at the end of the financial year had any interest in shares and warrants in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the conversion of warrants in the Company by a director.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 29 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, other than as disclosed in Note 40 to the financial statements.

HOLDING COMPANY

The immediate and ultimate holding company is Gek Poh (Holdings) Sdn Bhd, a company incorporated in Malaysia.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision for doubtful debts had been made for trade and other receivables; and

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

   (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

   (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 20 April 2016.

DATO' JORGEN BORNHOFT | **DATUK EDWARD LEE MING FOO, JP**

STATEMENT BY DIRECTORS

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

We, **DATO' JORGEN BORNHOFT** and **DATUK EDWARD LEE MING FOO, JP**, being two of the directors of **HAP SENG CONSOLIDATED BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 106 to 229 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended.

The information set out in Note 43 to the financial statements on page 230 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 20 April 2016.

DATO' JORGEN BORNHOFT

DATUK EDWARD LEE MING FOO, JP

STATUTORY DECLARATION

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

I, **LEE WEE YONG**, being the director primarily responsible for the financial management of **HAP SENG CONSOLIDATED BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 106 to 230 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovementioned **LEE WEE YONG**
at Kuala Lumpur in the Federal Territory
on 20 April 2016

LEE WEE YONG

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HAP SENG CONSOLIDATED BERHAD (INCORPORATED IN MALAYSIA)

Report on the financial statements

We have audited the financial statements of Hap Seng Consolidated Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss, 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 a summary of significant accounting policies and other explanatory notes, as set out on pages 106 to 229.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HAP SENG CONSOLIDATED BERHAD (INCORPORATED IN MALAYSIA)

Report on other legal and regulatory requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 43 to the financial statements on page 230 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

H'ng Boon Keng
No. 3112/08/16(J)
Chartered Accountant

Kuala Lumpur, Malaysia
20 April 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current assets					
Property, plant and equipment	4	1,250,005	1,071,865	755	1,391
Prepaid lease payments	5	336,234	-	-	-
Biological assets	6	442,104	441,031	-	-
Investment properties	7	1,461,522	1,011,578	-	-
Investment in subsidiaries	8	-	-	2,610,519	2,121,143
Investment in associates	9	420,875	381,597	73,930	73,930
Investment in joint venture	10	965	-	-	-
Land held for property development	11	674,049	368,200	-	-
Intangible assets	12	91,675	36,736	-	-
Trade and other receivables	13	1,276,833	1,111,992	-	-
Other non-current financial assets	14	109,709	46,802	-	-
Deferred tax assets	21	19,518	12,594	-	-
		6,083,489	4,482,395	2,685,204	2,196,464
Current assets					
Inventories	15	960,781	533,890	-	-
Property development costs	16	584,407	658,616	-	-
Trade and other receivables	13	1,778,446	1,527,807	332,620	802,885
Tax recoverable		13,027	17,224	-	-
Other current financial assets	14	101,408	64,878	-	-
Money market deposits	37b(ii)	98,636	183,690	-	72,456
Cash and bank balances	17	414,738	317,068	134,600	60,854
		3,951,443	3,303,173	467,220	936,195
Total assets		10,034,932	7,785,568	3,152,424	3,132,659

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Equity attributable to owners of the Company					
Share capital	22	2,249,731	2,226,779	2,249,731	2,226,779
Reserves	23	2,282,821	1,972,802	1,188,991	1,147,294
		4,532,552	4,199,581	3,438,722	3,374,073
Less: Treasury shares	22	(289,904)	(247,806)	(289,904)	(247,806)
		4,242,648	3,951,775	3,148,818	3,126,267
Non-controlling interests	8(a)	598,746	433,867	-	-
Total equity		4,841,394	4,385,642	3,148,818	3,126,267
Non-current liabilities					
Other payables	18	2,033	5,249	-	-
Provisions	19	12,000	-	-	-
Borrowings	20	1,860,147	735,070	-	-
Deferred tax liabilities	21	204,944	183,235	20	23
		2,079,124	923,554	20	23
Current liabilities					
Trade and other payables	18	738,730	526,624	2,816	4,511
Provisions	19	9,734	2,955	-	-
Tax payable		34,161	62,991	770	1,858
Borrowings	20	2,331,789	1,883,802	-	-
		3,114,414	2,476,372	3,586	6,369
Total liabilities		5,193,538	3,399,926	3,606	6,392
Total equity and liabilities		10,034,932	7,785,568	3,152,424	3,132,659

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Revenue	24	4,393,338	3,768,049	107,648	403,113
Cost of sales	24	(3,341,231)	(2,682,148)	-	-
Gross profit		1,052,107	1,085,901	107,648	403,113
Other operating income		90,566	323,511	59,410	32,230
Distribution costs		(165,335)	(100,157)	-	-
Administrative expenses		(247,482)	(198,891)	(19,858)	(16,696)
Other operating expenses		(37,869)	(20,217)	(467)	(661)
		691,987	1,090,147	146,733	417,986
Finance costs	25	(116,752)	(79,958)	-	-
Other gain/(loss) items	26	506,637	-	506,263	(86,395)
Share of results of associates	9	35,133	14,436	-	-
Share of results of joint venture	10	591	-	-	-
Profit before tax	27	1,117,596	1,024,625	652,996	331,591
Tax expense	30	(148,211)	(208,299)	(7,184)	(7,156)
Profit for the year		969,385	816,326	645,812	324,435
Profit attributable to:					
Owners of the Company		908,473	753,467	645,812	324,435
Non-controlling interests	8(a)	60,912	62,859	-	-
		969,385	816,326	645,812	324,435
Earnings per share (sen)					
Basic	31	42.26	36.67		
Diluted	31	39.28	34.30		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit for the year	969,385	816,326	645,812	324,435
Other comprehensive income/(expense), net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	31,281	5,388	-	-
Share of foreign currency translation differences of associates	7,930	3,077	-	-
Share of foreign currency translation differences of joint venture	64	-	-	-
Change in fair value of cash flow hedge	(254)	4,155	-	-
Foreign currency translation differences for foreign operations reclassified to profit or loss	(11,600)	-	-	-
	27,421	12,620	-	-
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment upon transfer of properties to investment properties	3,750	13,251	-	-
Total other comprehensive income for the year, net of tax	31,171	25,871	-	-
Total comprehensive income for the year, net of tax	1,000,556	842,197	645,812	324,435
Total comprehensive income attributable to:				
Owners of the Company	922,282	779,338	645,812	324,435
Non-controlling interests	78,274	62,859	-	-
	1,000,556	842,197	645,812	324,435

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to Owners of the Company							
		Reserves						
	Share capital RM'000	Non-distributable RM'000	Distributable Retained profits RM'000	Total RM'000	Treasury shares RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group								
At 1 January 2014	2,205,709	122,809	1,404,091	1,526,900	(378,735)	3,353,874	414,913	3,768,787
Profit for the year	-	-	753,467	753,467	-	753,467	62,859	816,326
Foreign currency translation differences for foreign operations	-	5,388	-	5,388	-	5,388	-	5,388
Share of foreign currency translation differences of associates	-	3,077	-	3,077	-	3,077	-	3,077
Change in fair value of cash flow hedge	-	4,155	-	4,155	-	4,155	-	4,155
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	13,251	-	13,251	-	13,251	-	13,251
Total other comprehensive income for the year	-	25,871	-	25,871	-	25,871	-	25,871
Total comprehensive income for the year	-	25,871	753,467	779,338	-	779,338	62,859	842,197
Exercise of warrants	81,070	52,697	-	52,697	-	133,767	-	133,767
Changes in ownership interest in subsidiaries	-	-	(233)	(233)	-	(233)	6,335	6,102
Purchase of treasury shares	-	-	-	-	(283,756)	(283,756)	-	(283,756)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	-	(728)	(728)
Resale of treasury shares	-	192,920	-	192,920	299,449	492,369	-	492,369
Cancellation of treasury shares	(60,000)	34,958	(90,194)	(55,236)	115,236	-	-	-
Dividends (Note 32)	-	-	(523,584)	(523,584)	-	(523,584)	-	(523,584)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(49,512)	(49,512)
At 31 December 2014	2,226,779	429,255	1,543,547	1,972,802	(247,806)	3,951,775	433,867	4,385,642
	Note 22			Note 23	Note 22			

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to Owners of the Company							
		Reserves						
	Share capital RM'000	Non-distributable RM'000	Distributable Retained profits RM'000	Total RM'000	Treasury shares RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group								
At 1 January 2015	2,226,779	429,255	1,543,547	1,972,802	(247,806)	3,951,775	433,867	4,385,642
Profit for the year	-	-	908,473	908,473	-	908,473	60,912	969,385
Foreign currency translation differences for foreign operations	-	14,795	-	14,795	-	14,795	16,486	31,281
Share of foreign currency translation differences of associates	-	7,085	-	7,085	-	7,085	845	7,930
Share of foreign currency translation differences of joint venture	-	33	-	33	-	33	31	64
Change in fair value of cash flow hedge	-	(254)	-	(254)	-	(254)	-	(254)
Foreign currency translation differences for foreign operation reclassified to profit or loss	-	(11,600)	-	(11,600)	-	(11,600)	-	(11,600)
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	3,750	-	3,750	-	3,750	-	3,750
Total other comprehensive income for the year	-	13,809	-	13,809	-	13,809	17,362	31,171
Total comprehensive income for the year	-	13,809	908,473	922,282	-	922,282	78,274	1,000,556
Share-based payments by a subsidiary	-	184	-	184	-	184	177	361
Exercise of warrants	22,952	14,918	-	14,918	-	37,870	-	37,870
Changes in ownership interest in subsidiaries	-	-	(8,332)	(8,332)	-	(8,332)	(5,620)	(13,952)
Acquisition of subsidiary	-	-	-	-	-	-	128,322	128,322
Purchase of treasury shares	-	-	-	-	(68,355)	(68,355)	-	(68,355)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	-	(10)	(10)
Resale of treasury shares	-	26,897	-	26,897	26,257	53,154	-	53,154
Dividends (Note 32)	-	-	(645,930)	(645,930)	-	(645,930)	-	(645,930)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(36,264)	(36,264)
At 31 December 2015	2,249,731	485,063	1,797,758	2,282,821	(289,904)	4,242,648	598,746	4,841,394
	Note 22			Note 23	Note 22			

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

		Reserves							
		Non-distributable				Distributable			
	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Warrant reserve RM'000	Other reserve RM'000	Retained profits RM'000	Total RM'000	Treasury shares RM'000	Total equity RM'000
Company									
At 1 January 2014	2,205,709	15,191	66,267	46,580	(30,973)	1,058,997	1,156,062	(378,735)	2,983,036
Profit for the year	-	-	-	-	-	324,435	324,435	-	324,435
Exercise of warrants	81,070	63,641	-	(10,944)	-	-	52,697	-	133,767
Purchase of treasury shares	-	-	-	-	-	-	-	(283,756)	(283,756)
Resale of treasury shares	-	192,920	-	-	-	-	192,920	299,449	492,369
Cancellation of treasury shares	(60,000)	(25,042)	60,000	-	-	(90,194)	(55,236)	115,236	-
Dividends (Note 32)	-	-	-	-	-	(523,584)	(523,584)	-	(523,584)
At 31 December 2014/ 1 January 2015	2,226,779	246,710	126,267	35,636	(30,973)	769,654	1,147,294	(247,806)	3,126,267
Profit for the year	-	-	-	-	-	645,812	645,812	-	645,812
Exercise of warrants	22,952	18,016	-	(3,098)	-	-	14,918	-	37,870
Purchase of treasury shares	-	-	-	-	-	-	-	(68,355)	(68,355)
Resale of treasury shares	-	26,897	-	-	-	-	26,897	26,257	53,154
Dividends (Note 32)	-	-	-	-	-	(645,930)	(645,930)	-	(645,930)
At 31 December 2015	2,249,731	291,623	126,267	32,538	(30,973)	769,536	1,188,991	(289,904)	3,148,818
	Note 22						Note 23	Note 22	

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from operating activities				
Profit before tax	1,117,596	1,024,625	652,996	331,591
Adjustments for:				
Depreciation of property, plant and equipment	92,407	82,712	467	661
Amortisation of prepaid lease payments	10,759	-	-	-
Amortisation of intangible assets	6,526	-	-	-
Property, plant and equipment written off	1,561	975	-	-
Share-based payment expense	361	-	-	-
Investment properties written off	335	124	-	-
Biological assets written off	182	460	-	-
Loss on held for trading equity instruments at fair value	4,359	1,565	-	-
Gains from fair value adjustments of investment properties	(22,739)	(189,437)	-	-
Impairment loss on investment in an associate	2,161	-	-	4,737
Impairment loss on investment in subsidiaries	-	-	5,351	81,658
Net inventories written down	7,557	4,275	-	-
Net impairment loss on trade and other receivables	12,805	5,608	-	-
Reversal of provisions	-	(2,486)	-	-
(Gain)/loss on disposal of property, plant and equipment	(697)	(96,284)	119	-
Gain on disposal of investment properties	-	(760)	-	-
Gain on disposal of held for trading equity instruments	(283)	-	-	-
Gain on disposal of subsidiaries	(508,798)	-	(511,614)	-
Interest expense	116,752	79,958	-	-
Interest income	(12,940)	(12,360)	(39,381)	(29,129)
Dividend income	(7,415)	(4,243)	(107,972)	(405,422)
Share of results of associates	(35,133)	(14,436)	-	-
Share of results of joint venture	(591)	-	-	-
Operating profit/(loss) before changes in working capital	784,765	880,296	(34)	(15,904)
Changes in working capital:				
Inventories	(308,283)	(39,753)	-	-
Property development costs	153,823	20,291	-	-
Loan receivables	(510,103)	(231,289)	-	-
Receivables	(238,673)	(73,073)	470,265	(80,403)
Payables	345,882	65,174	(1,695)	620
Provisions	17,003	-	-	-
Cash flows generated from/(used in) operations	244,414	621,646	468,536	(95,687)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows generated from/(used in) operations	244,414	621,646	468,536	(95,687)
Income tax paid	(201,593)	(192,596)	(8,275)	(6,138)
Income tax refunded	8,095	10,265	-	-
Interest paid	(147,341)	(104,501)	-	-
Interest received	12,940	12,360	39,381	29,129
Additions to land held for property development	(367,386)	(58,091)	-	-
Net cash flows (used in)/generated from operating activities	(450,871)	289,083	499,642	(72,696)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	7,182	147,905	60	-
Proceeds from disposal of investment properties	-	6,658	-	-
Proceeds from disposal of held for trading equity instruments	31,034	-	-	-
Disposal of subsidiaries (Note 8(b))	635,593	-	639,340	-
Proceeds from issuance of shares to non-controlling interests	-	6,100	-	-
Redemption of preference shares by subsidiaries	-	-	-	6,000
Dividends received from subsidiaries	-	-	103,744	399,445
Dividends received from associates	13,532	12,168	3,904	3,668
Dividends received from joint venture	185	-	-	-
Dividends received from available-for-sale equity instruments	-	1,200	-	-
Dividends received from held for trading equity instruments	2,114	-	-	-
Dividends received from money market deposits	4,101	3,043	324	2,309
Purchase of property, plant and equipment	(199,182)	(129,534)	(10)	-
Purchase of held for trading equity instruments	(720)	(34,577)	-	-
Purchase of available-for-sale equity instruments	-	(12)	-	-
Acquisition of subsidiaries (Note 8(c))	(127,328)	-	-	-
Acquisition of non-controlling interests	(13,952)	-	-	-
Additions to biological assets	(1,255)	(5,461)	-	-
Additions to prepaid lease payments	(920)	-	-	-
Additions to investment properties	(485,486)	(124,790)	-	-
Decrease/(increase) in money market deposits	85,054	(133,494)	72,456	(22,260)
Increase in investment in subsidiaries	-	-	(622,453)	(152,596)
Net cash flows (used in)/generated from investing activities	(50,048)	(250,794)	197,365	236,566

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from financing activities				
Dividends paid	(645,930)	(684,018)	(645,930)	(684,018)
Dividends paid to non-controlling interests	(36,264)	(49,512)	-	-
Shares repurchased at cost	(68,365)	(284,484)	(68,355)	(283,756)
Proceeds from issuance of shares pursuant to the exercise of warrants	37,870	133,767	37,870	133,767
Proceeds from resale of treasury shares	53,154	492,369	53,154	492,369
Net drawdown of borrowings	1,252,953	92,877	-	-
Net cash flows generated from/(used in) financing activities	593,418	(299,001)	(623,261)	(341,638)
Net increase/(decrease) in cash and cash equivalents	92,499	(260,712)	73,746	(177,768)
Effects on exchange rate changes on cash and cash equivalents	3,854	956	-	-
Cash and cash equivalents as at 1 January	313,792	573,548	60,854	238,622
Cash and cash equivalents as at 31 December (Note 17)	410,145	313,792	134,600	60,854

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

1. CORPORATE INFORMATION

The Company is an investment holding company.

The principal activities of the subsidiaries, associates and joint venture are disclosed in Notes 8, 9 and 10, respectively. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia.

The immediate and ultimate holding company is Gek Poh (Holdings) Sdn Bhd which is incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20 April 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ["RM"] and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Effects of adopting new and amended Financial Reporting Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the changes arising from the adoption of the following FRSs, Interpretations and amendments that are mandatory for annual periods beginning on or after 1 July 2014.

Effective for annual periods beginning on or after 1 July 2014

- Amendments to FRS 119: Defined Benefit Plans: Employee Contributions
- Amendments to FRS contained in the document entitled "Annual Improvements to FRSs 2010 – 2012 Cycle"
- Amendments to FRS contained in the document entitled "Annual Improvements to FRSs 2011 – 2013 Cycle"

The adoption of the above FRSs, Interpretations and amendments have no significant impact to the financial statements of the Group and of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

The Group and the Company have not adopted the following FRSs, Interpretations and amendments which have been issued by the Malaysian Accounting Standards Board ["MASB"] but are only effective for future financial periods:

Effective for annual periods beginning on or after 1 January 2016
- Amendments to FRS 10: Consolidated Financial Statements, FRS 12: Disclosure of Interests in Other Entities and FRS 128: Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception
- Amendments to FRS 11: Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
- FRS 14: Regulatory Deferral Accounts
- Amendments to FRS 101: Presentation of Financial Statements – Disclosure Initiative
- Amendments to FRS 116: Property, Plant and Equipment and FRS 138: Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to FRS 127: Separate Financial Statements – Equity Method in Separate Financial Statements
- Amendments to FRS contained in the document entitled "Annual Improvements to FRSs 2012 – 2014 Cycle"

Effective for annual periods beginning on or after 1 January 2017
- Amendments to FRS 107: Statement of Cash Flows - Disclosure Initiative
- Amendments to FRS 112: Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018
- FRS 9 Financial Instruments (2014)

Effective for a date yet to be confirmed
- Amendments to FRS 10: Consolidated Financial Statements and FRS 128: Investments in Associates and Joint Ventures – Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial periods. The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application except as discussed below:

Amendments to FRS 10, Consolidated Financial Statements, FRS 12, Disclosure of Interests in Other Entities and FRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception

The amendments to FRS 10, FRS 12 and FRS 128 require an investment entity parent to fair value a subsidiary providing investment-related services that is itself an investment entity, an intermediate parent owned by an investment entity group can be exempt from preparing consolidated financial statements and a non-investment entity investor can retain the fair value accounting applied by its investment entity associate or joint venture.

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

FRS 9 Financial Instruments

In November 2014, MASB issued the final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Retrospective application is required, but comparative information is not compulsory. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

Malaysian Financial Reporting Standards ["MFRS"]

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

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

The Group has not completed its quantification of the financial effects arising from the change from FRS to MFRS. Accordingly, the consolidated financial statements for the years ended 31 December 2014 and 2015 could be different if prepared under the MFRS framework.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders of other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full. Intra-group losses may indicate an impairment that requires recognition in the consolidated financial statements. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of FRS 139, it is measured in accordance with the appropriate FRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.13(a).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable directly or indirectly to owners of the Company, are presented separately in consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ["the functional currency"]. The consolidated financial statements are presented in RM, which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange difference arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency (continued)

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost of property, plant and equipment comprises their purchase price and any directly attributable costs including interest costs capitalised in bringing the property, plant and equipment to working condition. When a major inspection is performed, its cost is recognised in the carrying amount of the assets as a replacement if the recognition criteria are satisfied and the carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

The carrying amount of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation

Freehold land and assets under construction are not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, except for quarry infrastructure which included in roads and infrastructure is depreciated based on the production volume method. The estimated useful lives are:

Leasehold land	59 to 999 years
Buildings	10 to 50 years
Roads and infrastructure	10 to 33 years
Plant and equipment	
- Plant and machinery	4 to 20 years
- Office equipment, furniture, fixtures and fittings	3 to 10 years
- Motor vehicles	4 to 7 years

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (continued)

Disposal of property, plant and equipment

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the revaluation surplus included in the revaluation reserve in respect of the asset is transferred directly to retained profits.

2.8 Biological assets

In accordance with paragraph 54 of FRS 101, the Group has presented plantation development expenditure as biological assets.

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

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

Plantation development expenditure is not amortised as the estate is maintained through replanting programmes and replanting expenditure is written off to profit or loss during the year when it is incurred.

2.9 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is determined based on valuations performed by registered independent valuers and/or internally appraised. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Subsequent expenditure is included in the investment property's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment properties (continued)

Reclassification to/from investment property

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or inventories, the property's deemed cost for subsequent accounting is the fair value at the date of change in use.

For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use. Where the fair value of the property is higher than its carrying amount, the increase will be recognised in profit or loss to the extent that it reverses a previous impairment loss. Any remaining part of the increase is recognised in other comprehensive income and increases the revaluation surplus within equity. On subsequent disposal of the investment property, the revaluation surplus included in equity may be transferred to retained profits. The transfer from revaluation surplus to retained profits is not made through profit or loss.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

Investment property under construction ["IPUC"]

IPUC is measured at fair value (when the fair value is reliably determinable). The fair values of IPUC were determined based on the opinion of a qualified independent valuer and/or internally appraised. Fair value is arrived at by reference to market evidence of transaction prices for similar properties. Each IPUC is individually assessed.

IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

2.10 Investment in subsidiaries

A subsidiary is an entity over which the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment in associates and joint venture

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment and is not tested for impairment individually. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture. Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. The Group determine at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

When the Group ceases to have significant influence over an associate or joint control over the joint venture, any retained interest in the former associate or joint venture at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate or a joint venture decreases but does not result in a loss of significant influence or joint control, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs (classified within current assets) when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Land held for property development comprises costs associated with the acquisition of land and all costs incurred subsequent to the acquisition but prior to the transfer to property development costs on activities necessary to prepare the land for its intended use.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where the Group had previously recorded the land at revalued amount, it continues to retain this amount as its surrogate cost as allowed by FRS $201_{2004.}$

2.13 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment at each reporting date and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

(b) Customer relationship

Customer relationship being the cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, it is carried at cost less accumulated amortisation and any accumulated impairment losses.

The amortisation period and the amortisation method are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Amortisation is recognised in profit or loss on a straight line basis over its estimated useful lives of five years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ["CGU"]).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.15 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit and loss, directly attributable transaction costs.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised 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.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group or the Company determines the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (continued)

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's or the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined principally as follows:

Properties held for sale	- specific identification method
Raw materials	- weighted average cost method
Produce inventories	- weighted average cost method
Work-in-progress	- weighted average cost method
Finished goods	
- vehicle and equipment	- specific identification method
- others	- weighted average cost method

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Inventories (continued)

Properties held for sale include costs of land, construction and appropriate development overheads.

Cost of produce inventories includes estate production costs, processing and transport charges.

Costs of work-in-progress and finished goods produced by the Group include costs of direct materials, labour and a proportion of production overheads.

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

2.18 Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within trade payables.

2.19 Money market deposits

Money market deposits are placements made in financial institutions which are designated upon initial recognition as financial assets at fair value through profit or loss.

2.20 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and deposits with licensed banks with maturity of three months or less which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.22 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Dividend income

Dividend income is recognised when the right to receive payment is established.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Sale of goods and services

Revenue from the sale of goods is measured at fair value of the consideration received or receivable net of returns, allowance and trade discounts. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably.

Revenue from services is recognised when the services is rendered.

(d) Rental income

Rental income is accounted for on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

(e) Hire purchase, finance lease and loan receivables

Income on hire purchase and finance leases is recognised using the effective interest rate method. Interest income on term loans is accounted for on an accrual basis by reference to rest periods as stipulated in the loan agreements, which are either daily or monthly. Where the repayment of an account is in arrears for three months or more, the uncollected interest from that account is suspended until it is realised on a cash basis.

(f) Sale of properties

Revenue from sale of properties under development is accounted for by the stage of completion method as described in Note 2.18.

Revenue from sale of completed properties held for resale is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Government grant

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. A grant in recognition of specific expenses is recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis. A grant related to depreciable assets is allocated to income over the period in which such assets are used in the project subsidised by the grant. A government grant related to assets, including non-monetary grants at fair value, is presented in the statement of financial position by setting up the grant as deferred income.

2.24 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by the employees of the Group. Short term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Group's contributions to statutory pension funds are charged to profit or loss in the period to which the related service is performed.

2.25 Share-based payments

Benefits to employees are also provided in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The fair value of the employee services rendered is measured by reference to the fair value of the shares awarded or rights granted, excluding the impact of any non-market vesting conditions. These are fair valued based on the market price of the entity's shares (or an estimated market price, if the entity's shares are not publicly traded). This fair value amount is charged to profit or loss over the vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of the charge is adjusted in profit or loss over the remainder of the vesting period to reflect expected and actual quantities vesting, with the corresponding adjustment made in equity. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

2.26 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(a) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (continued)

(b) Group as a lessee

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability.

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

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis. Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2.27 Income tax

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Income tax (continued)

(b) Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2.9, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amount at the reporting date unless the property is depreciable and is held within the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and/or the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities held for trading include derivatives entered into that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(b) Other financial liabilities

Other financial liabilities include trade payables, other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2.29 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying assets if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. Capitalisation of borrowing costs shall cease when substantially all the activities to prepare the asset for its intended use or sale are completed.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Hedge accounting

The Group uses derivatives to manage its exposure to foreign exchange risk and interest rate risk and applies hedge accounting for certain hedging relationships which qualify for hedge accounting. Such derivatives including forward currency contracts and cross currency interest rate swaps, are initially recognised at fair value on the date of which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit and loss.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flow and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as fair value hedges and cash flow hedges.

<u>Fair value hedges</u>

The change in the fair value of a foreign exchange derivative is recognised in the profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Fair value hedge accounting is discontinued if the hedging instrument expires or sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

<u>Cash flow hedges</u>

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income into cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss as other operating expenses.

Amounts recognised in other comprehensive income previously are reclassified from equity to profit or loss when the hedged transaction affects profit or loss, such as when the hedged interest income or interest expense is recognised or when a forecast sale occurs. Where the hedged item is a non-financial asset or a non-financial liability, the amounts recognised previously in other comprehensive income are removed and included in the initial carrying amount of the non-financial asset or liability. The Group has elected not to apply basis adjustments to hedges of forecast transactions that result in the recognition of a non-financial asset or a non-financial liability.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Hedge accounting (continued)

Derivatives that are not designated or do not qualify for hedge accounting

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are directly recognised in profit or loss.

2.31 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.32 Treasury shares

When issued shares of the Company are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares that have not been cancelled are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in share premium.

2.33 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.34 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.35 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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

2.36 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset is current when it is:

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within twelve months after the reporting period; or
(iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within twelve months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.37 Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

(i)	Disclosures for valuation methods, significant estimates and assumptions	-	Note 3, 37(a) and 37(b)
(ii)	Financial instruments (including those carried at amortised cost)	-	Note 37(a)
(iii)	Quantitative disclosures of fair value measurement hierarchy	-	Note 37(b)

Fair value is 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company and the fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement as to whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease) the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(b) Material litigations

The Group determines whether a present obligation in relation to a material litigation exists at the reporting date by taking into account all available evidence, including the opinion of its solicitors and subsequent events after the reporting date. On the basis of such evidence, the Group evaluates if a provision needs to be recognised in the financial statements. Further details of the material litigations involving the Group are disclosed in Note 36.

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The cost of property, plant and equipment except quarry infrastructure is depreciated on a straight-line basis over the assets' estimated economic useful lives. The estimated useful lives of these property, plant and equipment is disclosed in Note 2.7. These are common life expectancies applied in the industries that the subsidiaries are operating in. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the reporting date is disclosed in Note 4.

(b) Fair value on investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged independent valuation specialist to assess fair value and/or internally appraised for investment properties. Fair value is arrived at using comparison method or in the absence of comparable market data, depreciated replacement cost method or investment method is used. Where fair value is arrived at by reference to market evidence of transaction prices for similar properties, adjustments are made to account for factors such as differences in location, age, size and type of property. Under the depreciated replacement cost method, depreciation due to age and obsolescence is deducted from the estimated gross current replacement cost in arriving at the market value. Under the investment method, the net rental income is capitalised at an appropriate rate of return to arrive at its market value.

(c) Write-down of inventories

A review is made periodically on inventory for excess inventory obsolescence and declines in net realisable value below cost and a reversal or an allowance is recorded against the inventory balance for any such excess or declines. Possible changes in these estimates would result in revisions to the valuation of inventory.

(d) Property development

The Group recognises property development revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the property development costs. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. The carrying amounts of assets and liabilities of the Group arising from property development activities are disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(e) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 13. As at 31 December 2015, the allowance for impairment of the Group is RM30,791,000 (2014: RM18,382,000).

(f) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount of timing of future taxable income. Given the variety of businesses in various countries, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As of 31 December 2015, the Group has deferred tax assets of RM19,518,000 (2014: RM12,594,000).

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Roads and infrastructure RM'000	Plant and equipment RM'000	Assets under construction RM'000	Total RM'000
Group							
At cost							
At 1 January 2014	128,527	197,871	404,669	196,258	635,347	39,702	1,602,374
Additions	297	-	11,926	22,298	59,549	36,283	130,353
Reclassifications	12,622	(12,622)	5,399	1,484	23,758	(30,641)	-
Transfer from investment properties							
- Revaluation of property transferred out	13,732	-	-	-	-	-	13,732
- Transfer of carrying amount (Note 7)	12,122	-	3,738	-	-	-	15,860
Disposals	-	(21,290)	(36,325)	(76)	(10,926)	-	(68,617)
Written off	-	-	(571)	(72)	(3,306)	-	(3,949)
Exchange differences	-	-	-	-	25	-	25
At 31 December 2014/ 1 January 2015	167,300	163,959	388,836	219,892	704,447	45,344	1,689,778
Acquisition of subsidiaries	-	-	-	-	24,786	-	24,786
Disposal of subsidiaries	-	-	-	-	(423)	-	(423)
Additions	685	58	2,465	11,757	44,087	141,189	200,241
Reclassifications	(14,000)	14,863	6,624	11,118	28,961	(47,566)	-
Transfer to prepaid lease payments (Note 5)	-	(15,591)	-	-	-	-	(15,591)
Transfer (to)/from investment properties							
- Revaluation of properties transferred out	3,581	169	-	-	-	-	3,750
- Transfer of carrying amount (Note 7)	(3,061)	24,337	40,633	-	-	-	61,909
Transfer from property development cost (Note 16)	-	-	-	-	-	10,258	10,258
Disposals	-	-	-	-	(14,899)	-	(14,899)
Written off	(65)	(751)	(4,843)	-	(2,582)	-	(8,241)
Exchange differences	-	-	-	-	3,485	-	3,485
At 31 December 2015	154,440	187,044	433,715	242,767	787,862	149,225	1,955,053

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Roads and infrastructure RM'000	Plant and equipment RM'000	Assets under construction RM'000	Total RM'000
Group (continued)							
Accumulated depreciation							
At 1 January 2014	-	35,439	124,435	60,751	334,521	-	555,146
Depreciation charge for the year (Note 27)	-	521	13,958	13,040	55,193	-	82,712
Disposals	-	(2,801)	(6,124)	(60)	(8,011)	-	(16,996)
Written off	-	-	(449)	(30)	(2,495)	-	(2,974)
Exchange differences	-	-	-	-	25	-	25
At 31 December 2014/ 1 January 2015	-	33,159	131,820	73,701	379,233	-	617,913
Transfer to prepaid lease payments (Note 5)	-	(4,615)	-	-	-	-	(4,615)
Acquisition of subsidiaries	-	-	-	-	12,595	-	12,595
Disposal of subsidiaries	-	-	-	-	(36)	-	(36)
Depreciation charge for the year (Note 27)	-	2,681	14,079	14,210	61,437	-	92,407
Disposals	-	-	-	-	(8,414)	-	(8,414)
Written off	-	(179)	(4,199)	-	(2,302)	-	(6,680)
Exchange differences	-	-	-	-	1,878	-	1,878
At 31 December 2015	-	31,046	141,700	87,911	444,391	-	705,048
Net carrying amount							
At 31 December 2014	167,300	130,800	257,016	146,191	325,214	45,344	1,071,865
At 31 December 2015	154,440	155,998	292,015	154,856	343,471	149,225	1,250,005

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

The carrying amount of motor vehicles held under finance lease at the reporting date was RM2,696,000 (2014: Nil) as disclosed in Note 34(b).

Assets under construction amounting to RM94,802,000 (2014: Nil) were pledged as security for borrowings obtained by a foreign subsidiary as disclosed in Note 20.

Included in additions was interest expense capitalised of RM1,059,000 (2014: RM819,000).

(a) The title of the Group's long term leasehold land with carrying amount of RM3,742,000 (2014: RM3,796,000) stipulated that not less than 30% of the undivided share of the said land or not less than 30% of the equity of the subsidiary being the registered owner of the said land, shall be transferred to/held by/registered in the name of native(s) on or before July 2012 ["Native Condition"]. In year 2012, the Land and Survey Department in Kota Kinabalu had granted further extension up to July 2017 to comply with the Native Condition.

(b) Private caveat was entered by third parties on the Group's long term leasehold land with carrying amount of RM3,036,000 (2014: RM3,079,000) as disclosed in Note 36(b) to the financial statements.

(c) In year 2012, caveats by the Assistant Collector of Land Revenue were lodged over parcels of native titles which a subsidiary had subleased from natives. The sublease is accounted for as leasehold land with unexpired period of less than 50 years and with carrying amount of RM17,544,000 (2014: RM17,870,000).

	Buildings RM'000	Plant and equipment RM'000	Total RM'000
Company			
At cost			
At 1 January 2014/31 December 2014	187	4,738	4,925
Additions	-	10	10
Disposals	-	(630)	(630)
At 31 December 2015	187	4,118	4,305
Accumulated depreciation			
At 1 January 2014	161	2,712	2,873
Charge for the year (Note 27)	4	657	661
At 31 December 2014/1 January 2015	165	3,369	3,534
Charge for the year (Note 27)	4	463	467
Disposals	-	(451)	(451)
At 31 December 2015	169	3,381	3,550
Net carrying amount			
At 31 December 2014	22	1,369	1,391
At 31 December 2015	18	737	755

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5. PREPAID LEASE PAYMENTS

	Leasehold land RM'000	Leasehold properties RM'000	Total RM'000
Group			
At cost			
At 1 January 2014/31 December 2014	-	-	-
Transfer from property, plant and equipment (Note 4)	15,591	-	15,591
Acquisition of subsidiaries	13,749	291,734	305,483
Additions	31	889	920
Exchange differences	1,958	40,593	42,551
At 31 December 2015	31,329	333,216	364,545
Accumulated amortisation			
At 1 January 2014/31 December 2014	-	-	-
Transfer from property, plant and equipment (Note 4)	4,615	-	4,615
Acquisition of subsidiaries	343	10,759	11,102
Amortisation for the year (Note 27)	1,006	9,753	10,759
Exchange differences	76	1,759	1,835
At 31 December 2015	6,040	22,271	28,311
Net carrying amount			
At 31 December 2014	-	-	-
At 31 December 2015	25,289	310,945	336,234

Leasehold properties include land and buildings in foreign subsidiaries.

Leasehold properties amounting to RM171,687,000 (2014: Nil) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 20.

6. BIOLOGICAL ASSETS

	Group	
	2015 RM'000	2014 RM'000
At cost		
At 1 January	441,031	436,030
Additions	1,255	5,461
Written off (Note 27)	(182)	(460)
At 31 December	442,104	441,031

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7. INVESTMENT PROPERTIES

Investment properties owned by the Group comprise completed investment properties and IPUC. Completed investment properties include land that are held for a currently undetermined future use or held for long term capital appreciation.

	Completed investment properties RM'000	IPUC RM'000	Total RM'000
Group			
At 1 January 2014	439,902	272,174	712,076
Additions from acquisition	21,724	-	21,724
Additions from subsequent expenditure	1,078	109,145	110,223
Reclassification	373,236	(373,236)	-
Transfer (to)/from property, plant and equipment (Note 4)	(36,081)	20,221	(15,860)
Disposal	(5,898)	-	(5,898)
Written off	(124)	-	(124)
Gains from fair value adjustments recognised in profit or loss (Note 27)	189,437	-	189,437
At 31 December 2014/1 January 2015	983,274	28,304	1,011,578
Additions from acquisition	403,456	-	403,456
Additions from subsequent expenditure	1,591	80,439	82,030
Transfer from/(to):			
- property, plant and equipment (Note 4)	(61,909)	-	(61,909)
- property development costs (Note 16)	-	1,195	1,195
- inventories	2,768	-	2,768
Written off	(335)	-	(335)
Gains from fair value adjustments recognised in profit or loss (Note 27)	12,181	10,558	22,739
At 31 December 2015	1,341,026	120,496	1,461,522

	2015 RM'000	2014 RM'000
Represented by:		
Freehold land and buildings	788,722	700,740
Long term leasehold land and buildings	672,800	310,838
	1,461,522	1,011,578

Included in previous financial year's additions from subsequent expenditure for IPUC was interest expense capitalised of RM7,157,000.

8. INVESTMENT IN SUBSIDIARIES

	Company 2015 RM'000	2014 RM'000
Quoted shares in Malaysia, at cost	820,811	806,860
Unquoted shares, at cost		
- In Malaysia	1,875,765	1,268,215
- Outside Malaysia	952	127,726
	1,876,717	1,395,941
	2,697,528	2,202,801
Less: Impairment losses – unquoted shares	(87,009)	(81,658)
	2,610,519	2,121,143
Market value of quoted shares	1,018,040	1,051,313

Details of subsidiaries as of 31 December 2015 are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2015	2014
Held by the Company:				
* Hap Seng Plantations Holdings Berhad ["HSP"]	Investment holding	Malaysia	53.04	52.38
Hap Seng Land Sdn Bhd	Property development, investment holding and provision of management services	Malaysia	100	100
* Hap Seng Credit Sdn Bhd	Provision of financial services	Malaysia	100	100
* Hap Seng Automotive Acceptance Sdn Bhd	Provision of financial services	Malaysia	100	100
# Hap Seng Capital Pte Ltd	Provision of financial services	Singapore	-	100
* Hap Seng Auto Sdn Bhd	Trading in motor vehicles and spare parts, servicing of motor vehicles and investment holding	Malaysia	100	100
Hap Seng Fertilizers Sdn Bhd	Trading and distribution of fertilisers and agro-chemicals	Malaysia	100	100

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8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2015	2014
Held by the Company: (continued)				
Macro Arch (M) Sdn Bhd	Investment holding	Malaysia	100	100
Palms Edge (M) Sdn Bhd	Investment holding	Malaysia	100	100
Hap Seng Building Materials Holdings Sdn Bhd	Investment holding	Malaysia	100	100
Hap Seng Trading Holdings Sdn Bhd	Investment holding	Malaysia	100	100
Hap Seng Management Sdn Bhd	Investment holding	Malaysia	100	100
# Hap Seng Investment Holdings Pte Ltd	Investment holding	Singapore	100	100
Hap Seng Management Services Sdn Bhd	Provision of management services	Malaysia	100	100
Hap Seng Logistics Sdn Bhd *(formerly known as Hap Seng Agrotech Sdn Bhd)*	Provision of logistic services	Malaysia	100	100
Hap Seng Equity Sdn Bhd	Trading in marketable securities	Malaysia	100	100
Held by HSP:				
* Jeroco Plantations Sdn Bhd	Cultivation of oil palm and processing of fresh fruit bunches	Malaysia	100	100
* Hap Seng Plantations (River Estates) Sdn Bhd	Cultivation of oil palm, processing of fresh fruit bunches and investment holding	Malaysia	100	100
* Hap Seng Plantations (Kota Marudu) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100

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8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2015	2014
Held by HSP: (continued)				
* Pelipikan Plantation Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
* Hap Seng Edible Oils Sdn Bhd	Dormant	Malaysia	100	100
Held by Hap Seng Plantations (River Estates) Sdn Bhd:				
* Hap Seng Plantations (Wecan) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
* Hap Seng Plantations (Tampilit) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
* Hap Seng Plantations (Ladang Kawa) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
Held by Hap Seng Land Sdn Bhd:				
* Hap Seng Land Development Sdn Bhd	Investment holding	Malaysia	100	100
Hap Seng Realty Sdn Bhd	Property investment and investment holding	Malaysia	100	100
Held by Hap Seng Land Development Sdn Bhd:				
* Hap Seng Properties Development Sdn Bhd	Property development and investment holding	Malaysia	100	100
* Hap Seng Land Development (Kluang) Sdn Bhd	Property development	Malaysia	100	100
Hap Seng Land Development (Puchong) Sdn Bhd	Property development	Malaysia	100	100
Hap Seng Land Development (JTR) Sdn Bhd	Property development	Malaysia	100	100

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8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2015	2014
Held by Hap Seng Land Development Sdn Bhd: (continued)				
* Hap Seng Land Development (Jesselton Hill) Sdn Bhd	Property development	Malaysia	100	100
* Hap Seng Land Development (PJ) Sdn Bhd	Property development	Malaysia	100	100
Richmore Development Sdn Bhd	Property development	Malaysia	100	100
Pacific Emerald Properties Sdn Bhd	Property development	Malaysia	100	100
Hap Seng Properties Services (Sabah) Sdn Bhd	Property management and property maintenance	Malaysia	100	100
Euro-Asia Brand Holding Company Sdn Bhd	Dormant	Malaysia	100	100
Hap Seng Land Development (Bangsar) Sdn Bhd	Property development	Malaysia	80	80
Hap Seng Land Development (Balakong) Sdn Bhd	Property development	Malaysia	80	80
Hap Seng Land Development (JTR 2) Sdn Bhd (40% (2014: 40%) nominal equity interest is held through Hap Seng Land Development Sdn Bhd whilst the other 40% (2014: 40%) is held through the Company)	Property development	Malaysia	80	80
Hap Seng Land Development And JCA Sdn Bhd	Property development	Malaysia	60	60

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8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2015	2014
Held by Hap Seng Properties Development Sdn Bhd:				
* Hap Seng Commercial Development Sdn Bhd	Property development	Malaysia	100	100
* Hap Seng Land Development (KK) Sdn Bhd	Property development	Malaysia	100	100
Held by Hap Seng Realty Sdn Bhd:				
Menara Hap Seng Sdn Bhd	Property investment	Malaysia	100	100
Hap Seng Realty (Autohaus) Sdn Bhd	Property investment	Malaysia	100	100
Hap Seng Property Investment Sdn Bhd	Property investment	Malaysia	100	100
Hap Seng Realty (Auto) Sdn Bhd	Property investment	Malaysia	100	100
Hap Seng Realty (KK I) Sdn Bhd	Property investment	Malaysia	100	100
Prosperity Projections Sdn Bhd	Property investment	Malaysia	100	100
Lakaran Warisan Sdn Bhd	Property investment	Malaysia	100	100
Hap Seng Leisure Sdn Bhd	Providing recreational facilities and services	Malaysia	100	100
Hap Seng Realty (KL City) Sdn Bhd	Investment holding	Malaysia	100	100
Desa Alam Mewah Sdn Bhd	Property investment	Malaysia	80	80
Held by Hap Seng Credit Sdn Bhd:				
* Hap Seng Credit (Australia) Pty Ltd	Dormant	Australia	100	-

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8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2015	Equity interest held (%) 2014
Held by Hap Seng Capital Pte Ltd:				
# Hap Seng Credit Pte Ltd	Dormant	Singapore	-	100
Held by Hap Seng Auto Sdn Bhd:				
* Hap Seng Star Sdn Bhd	Trading in motor vehicles, spare parts and servicing of motor vehicles	Malaysia	100	100
* SKI Segar Sdn Bhd	Trading in motor vehicles	Malaysia	100	100
Held by Hap Seng Star Sdn Bhd:				
* Hap Seng Commercial Vehicle Sdn Bhd *(formerly known as Hap Seng Industrial Sdn Bhd)* (previously held by Hap Seng Auto Sdn Bhd)	Trading in commercial vehicles, spare parts and servicing of commercial vehicles	Malaysia	100	100
# Hap Seng Star Vietnam Limited	De-registered	Hong Kong	-	100
Held by Hap Seng Fertilizers Sdn Bhd:				
Hap Seng Chemicals Sdn Bhd	Manufacture and sale of agro-chemicals	Malaysia	70	70
Held by Macro Arch (M) Sdn Bhd:				
# PT. Sasco Indonesia (90% (2014: 90%) nominal equity interest is held through Macro Arch (M) Sdn Bhd whilst the remaining 10% (2014: 10%) is held through Palms Edge (M) Sdn Bhd)	Trading in fertilisers	Indonesia	100	100

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8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2015	2014
Held by Hap Seng Building Materials Holdings Sdn Bhd:				
Hap Seng Building Materials Sdn Bhd	Operation of stone quarries and asphalt plants, manufacture and trading of bricks	Malaysia	100	100
Hap Seng Clay Products Sdn Bhd	Manufacture and trading of clay products	Malaysia	100	100
# Hap Seng Building Materials Marketing Pte Ltd	Trading in building materials	Singapore	100	100
Hap Seng Seri Alam Sdn Bhd	Operation of stone quarry	Malaysia	70	70
* HS Mining Services Holdings (Thailand) Co., Ltd	In liquidation	Thailand	100	49
Held by Hap Seng Clay Products Sdn Bhd:				
Kao Fu Bricks Sdn Bhd	Dormant	Malaysia	100	100
Held by HS Mining Services Holdings (Thailand) Co., Ltd:				
* HS Mining Services (Thailand) Co., Ltd	In liquidation	Thailand	100	100
Held by Hap Seng Trading Holdings Sdn Bhd:				
Hap Seng Trading (BM) Sdn Bhd	Trading in building materials	Malaysia	100	100
Hap Seng (Oil & Transport) Sdn Bhd	Trading in petroleum products	Malaysia	100	100

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8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2015	2014
Held by Hap Seng Investment Holdings Pte Ltd:				
* Hafary Holdings Limited ["Hafary"]	Investment holding	Singapore	51	-
Held by Hafary:				
* Hafary Pte Ltd	Importer and dealer of building materials	Singapore	100	-
Held by Hafary Pte Ltd:				
* Surface Project Pte Ltd	Distribute and wholesale of building materials	Singapore	70	-
* Surface Stone Pte Ltd	Dealer of stones for home furnishing	Singapore	90	-
* Wood Culture Pte Ltd	Dealer of wood for home furnishing	Singapore	100	-
* Hafary Centre Pte Ltd	Investment holding	Singapore	100	-
* Hafary Vietnam Pte Ltd	Investment holding	Singapore	100	-
* Hafary International Pte Ltd	Importing and distribution of building materials	Singapore	100	-
* Hafary Trademarks Pte Ltd	Intellectual property holding and management	Singapore	100	-
* Marble Trends Pte Ltd	Dealer of stones for home furnishing	Singapore	100	-
* World Furnishing Hub Pte Ltd	Investment holding	Singapore	46	-
Held by Hafary International Pte Ltd:				
* Foshan Hafary Trading Co., Limited	Importing, exporting and distribution of building materials	People's Republic of China	100	-

* Audited by firms other than Ernst & Young
# Audited by member firms of Ernst & Young Global in the respective countries

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ["NCI"] are as follows:

	HSP and its subsidiaries RM'000	Hafary and its subsidiaries RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
2015				
NCI percentage of ownership interest and voting interest	46.96%	49.00%		
Carrying amount of NCI	426,076	152,815	19,855	598,746
Profit attributable to NCI	45,377	12,983	2,552	60,912
Summarised financial information before intra-group elimination:				
As at 31 December:				
Non-current assets	1,975,363	338,473		
Current assets	256,228	311,405		
Non-current liabilities	(187,763)	(201,126)		
Current liabilities	(63,821)	(282,400)		
Net assets	1,980,007	166,352		
NCI	-	(12,177)		
Net assets attributable to owners of subsidiaries	1,980,007	154,175		
Less: Adjustments on net assets upon consolidation	(1,072,788)	132,840		
Adjusted net assets	907,219	287,015		
Year ended 31 December:				
Revenue	434,875	302,099		
Profit for the year	96,448	32,972		
Total comprehensive income	96,448	33,185		
Net cash flows from:				
- operating activities	89,841	35,442		
- investing activities	(40,225)	(79,702)		
- financing activities	(63,986)	54,955		
Net (decrease)/increase in cash and cash equivalents	(14,370)	10,695		
Dividends paid to NCI	(30,233)	(6,031)		

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests in subsidiaries (continued)

	HSP and its subsidiaries RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
2014			
NCI percentage of ownership interest and voting interest	47.62%		
Carrying amount of NCI	416,589	17,278	433,867
Profit attributable to NCI	62,133	726	62,859

Summarised financial information before intra-group elimination:

	HSP and its subsidiaries RM'000
As at 31 December:	
Non-current assets	1,949,143
Current assets	255,913
Non-current liabilities	(196,282)
Current liabilities	(61,229)
Net assets	1,947,545
Less: Adjustments on net assets upon consolidation	(1,072,696)
Adjusted net assets	874,849
Year ended 31 December:	
Revenue	495,566
Profit for the year representing total comprehensive income	128,312
Net cash flows from:	
- operating activities	166,616
- investing activities	(157,578)
- financing activities	(104,690)
Net decrease in cash and cash equivalents	(95,652)
Dividends paid to NCI	(49,512)

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8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Disposal of subsidiaries

During the financial year, the Company disposed its entire equity interest in Hap Seng Capital Pte Ltd ["HS Capital"] for total cash consideration of SGD240 million which is equivalent to RM640.8 million as disclosed in Note 41(c).

The disposal has the following effects on the financial position and results of the Group and the Company:

	2015 RM'000
Group	
Property, plant and equipment	(387)
Loan receivables	(446,722)
Other receivables	(120)
Cash and bank balances	(3,747)
Trade and other payables	196,270
Tax payable	631
Borrowings	112,132
Net assets of HS Capital and its subsidiary	(141,943)
Transfer from foreign exchange reserve	11,401
	(130,542)
Cash consideration	640,800
	510,258
Expenses on disposal	(1,460)
Gain on disposal to the Group	508,798
Cash inflow arising from disposals:	
Cash consideration	640,800
Expenses on disposal	(1,460)
Cash and cash equivalents of subsidiaries disposed	(3,747)
Net cash inflow on disposal	635,593
Company	
Cash consideration	640,800
Expenses on disposal	(1,460)
Net cash inflow on disposal	639,340
Cost of investment	(127,726)
Gain on disposal to the Company	511,614

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisition of subsidiaries

During the financial year, the Group made a voluntary conditional cash partial offer to acquire 51% of the ordinary shares [the "Offer Shares"] in the issued share capital of Hafary Holdings Limited ["Hafary"] at a cash consideration of SGD 0.24 per Offer Share as disclosed in Note 41(b).

The fair values and carrying amounts of the identifiable assets and liabilities of Hafary and its subsidiaries as at the date of acquisition and the effect of the acquisition on the financial position of the Group are as follows:

Group	2015 Fair value RM'000	2015 Carrying amount RM'000
Property, plant and equipment	12,191	12,191
Prepaid lease payment	294,381	182,055
Investment in associate	11,908	11,908
Investment in joint venture	495	495
Other non-current financial assets	9,078	9,078
Intangible assets	39,149	-
Inventories	112,544	112,544
Trade and other receivables	90,758	90,758
Other current financial assets	106	106
Cash and bank balances	12,374	12,374
Trade and other payables	(33,884)	(33,884)
Provisions	(1,556)	(1,556)
Tax payable	(4,994)	(4,994)
Borrowings	(262,847)	(262,847)
Other current financial liabilities	(258)	(258)
Deferred tax liabilities	(26,946)	(1,195)
Non-controlling interests	(9,014)	(9,014)
Fair values/carrying amounts of net identifiable assets	243,485	117,761
Cash consideration paid	139,702	
Fair value of net identifiable assets acquired	(124,177)	
Goodwill	15,525	
Cash consideration paid	139,702	
Cash and cash equivalents of subsidiaries acquired	(12,374)	
Net cash outflow on acquisition	127,328	

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) Acquisition of non-controlling interests

During the financial year,

(i) the Company acquired additional 5,333,500 ordinary shares of RM1.00 each representing approximately 0.66% of equity interest in Hap Seng Plantations Holdings Berhad ["HSP"] via the open market of Bursa Malaysia Securities Berhad, for total cash consideration of RM13,951,000, thereby increasing its shareholding in HSP from 52.38% to 53.04%. The difference between the consideration and the carrying amount of the equity interest acquired of RM8,304,000 at the Group is recognised in equity.

(ii) the Group acquired the remaining 51% equity interest in HS Mining Services Holdings (Thailand) Co., Ltd. which does not have any material effect on the financial position and results of the Group.

9. INVESTMENT IN ASSOCIATES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Quoted shares, at cost				
- In Malaysia	52,921	49,711	49,711	49,711
- Outside Malaysia	35,621	31,622	26,030	26,030
	88,542	81,333	75,741	75,741
Unquoted shares, at cost				
- In Malaysia	274,010	274,010	28,000	28,000
- Outside Malaysia	11,908	-	-	-
	285,918	274,010	28,000	28,000
	374,460	355,343	103,741	103,741
Share of post-acquisition reserves	74,761	60,369	-	-
	449,221	415,712	103,741	103,741
Exchange differences	7,521	(409)	-	-
	456,742	415,303	103,741	103,741
Less: Accumulated impairment losses - quoted shares	(35,867)	(33,706)	(29,811)	(29,811)
	420,875	381,597	73,930	73,930
Market value of quoted shares	91,542	85,992	91,542	85,992

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9. INVESTMENT IN ASSOCIATES (CONTINUED)

Details of associates as of 31 December 2015 are as follows:

Name of associates	Principal activities	Country of incorporation	Financial year end	Equity interest held (%) 2015	2014
Held by the Company:					
* Paos Holdings Berhad	Investment holding	Malaysia	31 May	24.96	24.96
# Lam Soon (Thailand) Public Company Limited ["LST"]	Manufacture and distribution of palm oil	Thailand	31 December	20.00	20.00
Vintage Heights Sdn Bhd	Property development and operation of oil palm estate	Malaysia	30 June	20.00	20.00
Held by Hap Seng Realty (KL City) Sdn Bhd:					
* Inverfin Sdn Bhd ["Inverfin"]	Property investment, office and food court management	Malaysia	31 December	49.99	49.99
Held by Hafary Vietnam Pte Ltd:					
* Viet Ceramics International Joint Stock Company	Importer and dealer of building materials	Vietnam	31 December	49.00	-

* Audited by firms other than Ernst & Young
# Audited by member firm of Ernst & Young Global in the respective countries

The financial statements of the above associates are coterminous with those of the Group, except for Paos Holdings Berhad and Vintage Heights Sdn Bhd whose financial year end on 31 May and 30 June respectively are coterminous with their respective holding companies' financial year end. For the purpose of applying the equity method of accounting, the latest available financial information have been used and appropriate adjustments have been made for the effects of significant transactions between the dates of the latest available financial information and 31 December 2015.

9. INVESTMENT IN ASSOCIATES (CONTINUED)

The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates.

		Inverfin RM'000	LST RM'000	Other individually immaterial associates RM'000	Total RM'000
	2015				
(i)	Summary of financial information				
	As at 31 December:				
	Non-current assets	692,201	335,017	324,836	1,352,054
	Current assets	53,769	322,776	96,131	472,676
	Non-current liabilities	(184,317)	(26,982)	(54,620)	(265,919)
	Current liabilities	(13,148)	(275,663)	(31,156)	(319,967)
	Net assets	548,505	355,148	335,191	1,238,844
	NCI	-	(36,410)	-	(36,410)
	Net assets attributable to owner of associates	548,505	318,738	335,191	1,202,434
	Year ended 31 December:				
	Revenue	51,417	819,049	136,435	1,006,901
	Profit for the year	34,326	30,481	12,400	77,207
(ii)	Reconciliation of net assets to carrying amount as at 31 December				
	Group's share of net assets	274,252	63,747	82,476	420,475
	Harmonisation of accounting policy	-	3,999	3,210	7,209
	Goodwill	954	318	27,786	29,058
	Impairment losses	-	-	(35,867)	(35,867)
	Carrying amount in statement of financial position	275,206	68,064	77,605	420,875
(iii)	Group's share of results of associates	17,163	10,095	7,875	35,133
(iv)	Dividends received from associates	8,950	3,151	1,431	13,532

9. INVESTMENT IN ASSOCIATES (CONTINUED)

		Inverfin RM'000	LST RM'000	Other individually immaterial associates RM'000	Total RM'000
	2014				
(i)	Summary of financial information				
	As at 31 December:				
	Non-current assets	693,815	263,349	317,059	1,274,223
	Current assets	44,571	293,657	41,105	379,333
	Non-current liabilities	(192,715)	(21,960)	(43,569)	(258,244)
	Current liabilities	(13,593)	(225,277)	(11,311)	(250,181)
	Net assets	532,078	309,769	303,284	1,145,131
	NCI	-	(36,785)	-	(36,785)
	Net assets attributable to owner of associates	532,078	272,984	303,284	1,108,346
	Year ended 31 December:				
	Revenue	47,269	799,888	74,516	921,673
	Profit/(loss) for the year	21,704	24,525	(6,755)	39,474
(ii)	Reconciliation of net assets to carrying amount as at 31 December				
	Group's share of net assets	266,039	54,597	65,609	386,245
	Goodwill	954	318	27,786	29,058
	Impairment losses	-	-	(33,706)	(33,706)
	Carrying amount in statement of financial position	266,993	54,915	59,689	381,597
(iii)	Group's share of results of associates	10,852	4,904	(1,320)	14,436
(iv)	Dividends received from associates	8,500	2,914	754	12,168

10. INVESTMENT IN JOINT VENTURE

	Group 2015 RM'000	Group 2014 RM'000
Unquoted shares outside Malaysia, at cost	495	-
Share of post-acquisition reserves	406	-
Exchange differences	64	-
At 31 December	965	-

Details of joint venture as of 31 December 2015 are as follows:

Name of joint venture	Principal activities	Country of incorporation	Financial year end	Equity interest held (%) 2015	Equity interest held (%) 2014
Held by Hafary Pte Ltd:					
* Melmer Stoneworks Pte Ltd	Cutting, shaping and finishing of stone	Singapore	31 December	50.00	-

* Audited by a firm other than Ernst & Young

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10. INVESTMENT IN JOINT VENTURE (CONTINUED)

The following table summarises the information of the Group's joint venture.

		Group	
		2015 RM'000	2014 RM'000
(i)	Summary of financial information		
	As at 31 December:		
	Non-current assets	1,075	-
	Current assets	4,900	-
	Non-current liabilities	(61)	-
	Current liabilities	(3,983)	-
	Net assets	1,931	-
	Year ended 31 December:		
	Revenue	10,831	-
	Profit for the year	1,182	-
(ii)	Group's share of net assets/carrying amount in statement of financial position	965	-
(iii)	Group's share of results of joint venture	591	-
(iv)	Dividends received from joint venture	185	-

11. LAND HELD FOR PROPERTY DEVELOPMENT

	Group 2015 RM'000	Group 2014 RM'000
Cost:		
At 1 January	368,200	358,301
Additions	372,195	58,091
Transfer to property development costs (Note 16)	(66,346)	(48,192)
At 31 December	674,049	368,200
Represented by:		
Freehold land	138,907	18,443
Leasehold land	417,200	258,481
Land development expenditure	117,942	91,276
	674,049	368,200

Included in additions was interest expense capitalised of RM4,809,000 (2014: Nil).

12. INTANGIBLE ASSETS

	Goodwill RM'000	Customer relationship RM'000	Total RM'000
Group			
At cost			
At 1 January 2014/31 December 2014	36,736	-	36,736
Acquisition of subsidiary	15,525	39,149	54,674
Exchange differences	2,189	5,523	7,712
At 31 December 2015	54,450	44,672	99,122
Accumulated depreciation			
At 1 January 2014/31 December 2014	-	-	-
Amortisation for the year (Note 27)	-	6,526	6,526
Exchange differences	-	921	921
At 31 December 2015	-	7,447	7,447
Net carrying amount			
At 31 December 2014	36,736	-	36,736
At 31 December 2015	54,450	37,225	91,675

12. INTANGIBLE ASSETS (CONTINUED)

During the financial year, additional goodwill and cost of customer relationship arose from the acquisition of a foreign subsidiary as disclosed in the Note 41(b). The goodwill in the previous financial year arose from the acquisition of additional shares in HSP.

(a) Goodwill

Goodwill has been allocated to the Group's CGUs identified according to business segments and tested for impairment at each of the reporting period.

	Group	
	2015 RM'000	**2014 RM'000**
Plantation	36,736	36,736
Trading	15,525	-
Exchange differences	2,189	-
	54,450	36,736

The recoverable amount of the plantation CGU has been determined based on the fair value less costs to sell, where the fair value is measured using quoted price.

The recoverable amount of trading CGU has been determined based on value-in-use method using cash flow projections based on financial budgets prepared by the management covering a five-year period, extrapolated using the growth rate of 1.5% and discounted at the rate of 7% which reflects the risks specific to the CGU. The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budgeted year, increased for the expected efficiency improvements.

Management believes that any reasonably possible change in any of the above key assumptions would not cause the carrying value of goodwill to materially exceed the recoverable amount.

During the financial year, no impairment loss was recognised as the recoverable amounts of both the CGUs are more than their carrying amounts.

(b) Customer relationship

The cost of customer relationship with definite useful life is amortised over a period of 5 years.

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13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current				
Trade receivables				
Lease receivables	4,059	10,420	-	-
Hire purchase receivables	512,117	566,318	-	-
Loan receivables	814,605	577,626	-	-
	1,330,781	1,154,364	-	-
Less: Allowance for impairment	(10,218)	(5,575)	-	-
Advances received	(43,730)	(36,797)	-	-
	1,276,833	1,111,992	-	-
Current				
Trade receivables				
Third parties	799,224	526,883	-	-
Lease receivables	7,579	8,058	-	-
Hire purchase receivables	455,532	493,943	-	-
Loan receivables	215,932	266,237	-	-
Accrued billings	38,971	178,530	-	-
Amounts due from related companies	1,303	884	-	-
Amounts due from associates	75	17	-	17
Amounts due from joint venture	914	-	-	-
	1,519,530	1,474,552	-	17
Less: Allowance for impairment	(20,573)	(12,807)	-	-
Interest in suspense	(9,270)	(7,979)	-	-
Advances received	(32,094)	(29,425)	-	-
	1,457,593	1,424,341	-	17

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Current *(continued)*				
Other receivables				
Sundry receivables	286,350	66,755	209,043	979
Prepayments	27,684	36,701	184	9,226
Amounts due from subsidiaries	-	-	123,363	792,653
Amounts due from associates	4,439	10	30	10
Amounts due from joint venture	2,380	-	-	-
	320,853	103,466	332,620	802,868
	1,778,446	1,527,807	332,620	802,885
Total trade and other receivables (current and non-current)	3,055,279	2,639,799	332,620	802,885
Less: Accrued billings	(38,971)	(178,530)	-	-
Prepayments	(27,684)	(36,701)	(184)	(9,226)
Add: Cash and bank balances (Note 17)	414,738	317,068	134,600	60,854
Total loans and receivables	3,403,362	2,741,636	467,036	854,513

(a) Trade receivables

(i) Third parties

These amounts are non-interest bearing. The Group's normal trade credit term ranges from 30 to 90 days (2014: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

(ii) Lease receivables and hire purchase receivables

Lease receivables and hire purchase receivables consist of the following:

Group	Gross receivables RM'000	Unearned interest RM'000	Net receivables RM'000
2015			
Less than 1 year	515,694	(52,583)	463,111
Between 1 and 5 years	556,706	(40,530)	516,176
	1,072,400	(93,113)	979,287
2014			
Less than 1 year	559,101	(57,100)	502,001
Between 1 and 5 years	608,694	(32,261)	576,433
More than 5 years	10,327	(10,022)	305
	1,178,122	(99,383)	1,078,739

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

(iii) Amounts due from related companies

Amounts due from related companies are non-interest bearing and repayable in accordance with the normal credit terms disclosed in Note 13(a)(i).

(iv) Amounts due from associates and joint venture

Amounts due from associates and joint venture are non-interest bearing and repayable in accordance with the normal credit terms disclosed in Note 13(a)(i).

Ageing analysis of trade receivables

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total trade receivables:				
- Current	1,519,530	1,474,552	-	17
- Non-current	1,330,781	1,154,364	-	-
	2,850,311	2,628,916	-	17
Less: Accrued billings	(38,971)	(178,530)	-	-
	2,811,340	2,450,386	-	17

The ageing analysis of trade receivables is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Neither past due nor impaired	1,131,706	1,086,688	-	17
Past due but not impaired:				
- Past due 1 - 30 days	381,660	157,888	-	-
- Past due 31 - 90 days	237,607	95,865	-	-
- Past due more than 90 days	64,696	34,438	-	-
	683,963	288,191	-	-
Assessed for individual impairment	33,171	28,651	-	-
Assessed for collective impairment	962,500	1,046,856	-	-
Total trade receivables	2,811,340	2,450,386	-	17

Impairment losses in respect of trade receivables are recorded as allowance. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

The movement in the allowance for impairment account is as follows:

	Group	
	2015 RM'000	2014 RM'000
At 1 January	18,382	17,761
Allowance for impairment losses (Note 27)	16,937	11,658
Reversal of impairment losses (Note 27)	(4,132)	(6,050)
Written off	(5,084)	(4,990)
Acquisition of subsidiaries	3,982	-
Exchange differences	706	3
At 31 December	30,791	18,382

<u>Receivables that are neither past due nor impaired</u>

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

<u>Receivables that are past due but not impaired</u>

The Group has trade receivables of RM683,963,000 (2014: RM288,191,000) that are past due at the reporting date but not impaired.

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13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Receivables that are assessed for individual impairment

The Group's trade receivables that are assessed for individual impairment at the reporting date are as follows:

	Group 2015 RM'000	Group 2014 RM'000
Trade receivables – nominal amounts	33,171	28,651
Less: Allowance for impairment	(23,662)	(14,352)
	9,509	14,299

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in financial difficulties and have defaulted on payments. More than 53% (2014: 69%) of these receivables are secured by collateral. The main types of collateral held by the Group to mitigate credit risk are commercial and residential properties, machineries and motor vehicles.

Receivables that are assessed for collective impairment

This is in respect of hire purchase receivables which have been assessed for collective impairment as follows:

	Group 2015 RM'000	Group 2014 RM'000
Not Past Due	789,366	868,749
Past Due 1 - 30 Days	89,551	116,133
Past Due 31 - 90 Days	83,583	61,974
Total assessed for collective impairment		
- nominal amounts	962,500	1,046,856
Less: Allowance for impairment	(7,129)	(4,030)
	955,371	1,042,826

All the above receivables are secured by collateral and the main types of collateral held by the Group to mitigate credit risk are machineries and motor vehicles.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Other receivables

Included in other receivables is an amount denominated in SGD of RM208,338,000 (2014: Nil) which is due from a former subsidiary. This amount is unsecured, repayable on demand and bears interest at rate of 5% (2014: Nil) per annum. The amount has been fully settled subsequent to the end of the financial year.

(i) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, interest bearing and repayable on demand. During the financial year, interest is charged at 4% (2014: 4%) per annum.

(ii) Amounts due from associates and joint venture

Amounts due from associates and joint venture are unsecured, non-interest bearing and repayable on demand except for an amount due from associate of RM4,293,000 for the Group and bears interest at rate of 3.5% (2014: Nil) per annum.

Included in trade and other receivables of the Group and of the Company are amounts denominated in foreign currencies (currencies other than the respective functional currencies of the Group entities) as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
United States Dollar ["USD"]	14,105	2,302	-	-
Indonesian Rupiah ["IDR"]	-	18,466	-	-
Singapore Dollar ["SGD"]	208,338	-	208,338	-
Vietnamese Dong ["VND"]	33	-	-	-
	222,476	20,768	208,338	-

14. OTHER FINANCIAL ASSETS

	Group	
	2015 RM'000	2014 RM'000
Non-current		
Available-for-sale financial assets		
- Equity instruments (unquoted in Malaysia) at cost	30,012	30,012
- Equity instruments (unquoted outside Malaysia) at cost	6,609	-
	36,621	30,012
Derivatives – designated as hedging instrument		
- Cross currency interest rate swaps – cash flow hedges	70,678	16,790
Financial assets at fair value through profit and loss		
- Held for trading equity instruments (quoted outside Malaysia)	2,410	-
	109,709	46,802
Current		
Financial assets at fair value through profit or loss		
- Held for trading equity instruments (quoted in Malaysia)	-	33,012
Derivatives – designated as hedging instrument		
- Forward currency contracts – fair value hedges	534	5
- Cross currency interest rate swaps – cash flow hedges	100,738	31,861
	101,272	31,866
Derivatives – not designated as hedging instrument		
- Forward currency contracts	136	-
	101,408	64,878

14. OTHER FINANCIAL ASSETS (CONTINUED)

Derivatives

(i) Forward currency contracts

The Group uses forward currency contracts to manage the foreign currency exposures arising from its receivables, payables, borrowings and firm commitments denominated in USD and EURO for which existed at the reporting date, extending to June 2016 (2014: March 2015). Hedges of foreign currency risk which meet the strict criteria for hedge accounting have been accounted for as a fair value hedge. Other hedges of foreign currency risk that have not been accounted for as a fair value hedge or those that do not qualify for hedge accounting, have been designated at fair value through profit or loss.

(ii) Cross currency interest rate swaps

The Group entered into and designated cross currency interest rate swaps as hedging instruments in a cash flow hedge of the borrowings denominated in SGD and USD and bearing interest at floating rates. These contracts are entered into for periods consistent with the foreign currency and floating interest rate exposures. As a result, the Group pays a fixed rate of interest for the borrowings. The terms of the cross currency interest rate swaps match the terms of the borrowings and the cash flow hedge have been assessed as highly effective. No hedge ineffectiveness has arisen requiring recognition through profit or loss.

15. INVENTORIES

	Group	
	2015 RM'000	**2014 RM'000**
Cost		
Properties held for sale	182,911	58,245
Raw materials	63,458	63,081
Produce inventories	30,474	18,593
Work-in-progress	4,936	3,320
Finished goods	580,923	290,064
	862,702	433,303
Net realisable value		
Raw materials	6,178	7,334
Finished goods	91,901	93,253
	98,079	100,587
	960,781	533,890
Recognised in profit or loss		
Inventories recognised as cost of sales	2,866,242	2,107,488

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16. PROPERTY DEVELOPMENT COSTS

	Land RM'000	Development costs RM'000	Accumulated costs charged to profit or loss RM'000	Total RM'000
Group				
At 1 January 2014	504,256	604,441	(494,549)	614,148
Transfer from land held for property development (Note 11)	26,648	21,544	-	48,192
Costs incurred during the year	-	367,337	-	367,337
Costs charged to profit or loss	-	-	(371,061)	(371,061)
Reversal of completed projects	(30,429)	(107,965)	138,394	-
At 31 December 2014/1 January 2015	500,475	885,357	(727,216)	658,616
Transfer from/(to):				
- land held for property development (Note 11)	39,950	26,396	-	66,346
- investment properties (Note 7)	-	(1,195)	-	(1,195)
- property, plant and equipment (Note 4)	(4,104)	(6,154)	-	(10,258)
- inventories	(11,806)	(124,827)	-	(136,633)
Costs incurred during the year	-	378,362	-	378,362
Costs charged to profit or loss	-	-	(370,831)	(370,831)
Reversal of completed projects	(175,092)	(767,676)	942,768	-
At 31 December 2015	349,423	390,263	(155,279)	584,407

Included in the property development costs incurred during the financial year were interest expense capitalised of RM24,721,000 (2014: RM16,567,000).

17. CASH AND BANK BALANCES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash at banks and on hand	223,012	156,393	11,165	1,464
Deposits with licensed banks	191,726	160,675	123,435	59,390
Cash and bank balances	414,738	317,068	134,600	60,854
Less: Bank overdrafts (Note 20)	(4,593)	(3,276)	-	-
Cash and cash equivalents	410,145	313,792	134,600	60,854

Included in cash at banks of the Group are amounts totalling RM47,864,000 (2014: RM21,642,000), the utilisation of which is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2015 and the Housing Developers (Project Account) Rules 1995.

Included in cash and bank balances of the Group are amounts denominated in foreign currencies (currencies other than the respective functional currencies of the Group entities) as follows:

	Group	
	2015 RM'000	2014 RM'000
USD	9,079	773
IDR	-	9,701
VND	647	-
	9,726	10,474

Other information on financial risks of cash and cash equivalents are disclosed in Note 38.

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18. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current				
Other payables				
Deposits from lessees	2,033	5,249	-	-
Current				
Trade payables				
Third parties	437,146	287,320	-	-
Amounts due to subsidiaries	-	-	-	468
Amounts due to related companies	604	126	-	-
Amounts due to joint venture	1,154	-	-	-
	438,904	287,446	-	468
Other payables				
Accruals	215,014	153,157	2,672	3,930
Sundry payables	84,812	86,021	29	113
Amounts due to subsidiaries	-	-	115	-
	299,826	239,178	2,816	4,043
	738,730	526,624	2,816	4,511
Total trade and other payables (current and non-current)	740,763	531,873	2,816	4,511
Add: Borrowings (Note 20)	4,191,936	2,618,872	-	-
Total financial liabilities carried at amortised cost	4,932,699	3,150,745	2,816	4,511

18. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade payables

(i) Third parties

These amounts are non-interest bearing. The normal credit terms granted to the Group range from 30 to 90 days (2014: 30 to 90 days).

(ii) Amounts due to subsidiaries

Amounts due to subsidiaries are non-interest bearing and are payable in accordance with the normal credit terms disclosed in Note 18(a)(i).

(iii) Amounts due to related companies

Amounts due to related companies are non-interest bearing and are payable in accordance with the normal credit terms disclosed in Note 18(a)(i).

(iv) Amounts due to joint venture

Amounts due to joint venture are non-interest bearing and are payable in accordance with the normal credit terms disclosed in Note 18(a)(i).

(b) Sundry payables

These amounts are non-interest bearing and payable in accordance with the normal trade terms.

Included in trade and other payables of the Group are amounts denominated in foreign currencies (currencies which are other than the respective functional currencies of the Group entities) as follows:

	Group	
	2015 RM'000	2014 RM'000
USD	46,129	-
EURO	1,618	-
IDR	-	915
	47,747	915

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19. PROVISIONS

	Property development obligations RM'000	Foreseeable losses RM'000	Rebates RM'000	Total RM'000
Group				
At 1 January 2014	5,441	-	-	5,441
Provision reversed during the year	(2,486)	-	-	(2,486)
At 31 December 2014/ 1 January 2015	2,955	-	-	2,955
Acquisition of subsidiaries	-	-	1,556	1,556
Provision made during the year	5,185	12,000	1,594	18,779
Provision utilised during the year	-	-	(1,776)	(1,776)
Exchange differences	-	-	220	220
At 31 December 2015	8,140	12,000	1,594	21,734

	2015 RM'000	2014 RM'000
Current	9,734	2,955
Non-current	12,000	-
	21,734	2,955

The provision for property development obligations relates to infrastructure works of completed projects undertaken by certain subsidiaries. The provision is estimated based on historical data associated with similar property development projects.

The provision for foreseeable losses relates to development of affordable housing by a subsidiary.

The provision for rebates relates to rebates given by a foreign subsidiary to customers for settlement of account within credit terms.

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20. BORROWINGS

	Group 2015 RM'000	Group 2014 RM'000
Non-current		
Secured:		
Term loans	198,982	-
Finance leases	981	-
	199,963	-
Unsecured:		
Term loans	504,898	277,052
Foreign currency loans	1,155,286	458,018
	1,660,184	735,070
	1,860,147	735,070
Current		
Secured:		
Term loans	7,793	-
Revolving credits	80,449	-
Trust receipts	13,643	-
Finance leases	883	-
Foreign currency loans	72,619	-
	175,387	-
Unsecured:		
Term loans	178,117	207,487
Revolving credits	1,109,523	1,074,046
Bankers' acceptances	149,769	158,596
Foreign currency loans	714,400	440,397
Bank overdrafts	4,593	3,276
	2,156,402	1,883,802
	2,331,789	1,883,802
Total borrowings	4,191,936	2,618,872

The secured borrowings are in respect of foreign subsidiaries' borrowings which are secured against their assets under construction and leasehold properties as disclosed in Note 4 and Note 5.

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20. BORROWINGS (CONTINUED)

The remaining maturities of the borrowings are as follows:

	Group	
	2015 RM'000	2014 RM'000
Within one year	2,331,789	1,883,802
More than 1 year and less than 2 years	790,737	511,886
More than 2 years and less than 5 years	918,055	223,184
More than 5 years	151,355	-
	4,191,936	2,618,872

Included in borrowings are amounts denominated in foreign currencies (currencies which are other than the respective functional currencies of the Group entities) as follows:

	Group	
	2015 RM'000	2014 RM'000
SGD	585,941	529,180
USD	1,333,412	369,235
EURO	22,952	-
	1,942,305	898,415

Other information on financial risks of borrowings are disclosed in Note 38.

21. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	170,641	163,381	23	13
Recognised in profit or loss (Note 30)	(15,691)	6,780	(3)	10
Recognised in equity	-	481	-	-
Acquisition of subsidiaries	26,946	-	-	-
Exchange differences	3,530	(1)	-	-
At 31 December	185,426	170,641	20	23
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	204,944	183,235	20	23
Deferred tax assets	(19,518)	(12,594)	-	-
	185,426	170,641	20	23

The components and movements of deferred tax liabilities during the financial year are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital and agriculture allowances RM'000	Revaluation of assets RM'000	Others RM'000	Total RM'000
At 1 January 2015	155,245	53,612	3,828	212,685
Recognised in profit or loss	(6,427)	2,533	931	(2,963)
Acquisition of subsidiaries	1,363	25,751	-	27,114
Exchange differences	221	3,367	-	3,588
At 31 December 2015	150,402	85,263	4,759	240,424
Less: Deferred tax assets offset				(35,480)
Deferred tax liabilities recognised				204,944
At 1 January 2014	151,667	50,631	1,521	203,819
Recognised in profit or loss	3,578	2,500	2,308	8,386
Recognised in equity	-	481	-	481
Exchange differences	-	-	(1)	(1)
At 31 December 2014	155,245	53,612	3,828	212,685
Less: Deferred tax assets offset				(29,450)
Deferred tax liabilities recognised				183,235

21. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (CONTINUED)

The components and movements of deferred tax assets during the financial year are as follows:

Deferred tax assets of the Group:

	Unabsorbed capital allowances RM'000	Tax losses RM'000	Others RM'000	Total RM'000
At 1 January 2015	(17,951)	(16,323)	(7,770)	(42,044)
Recognised in profit or loss	(6,526)	2,516	(8,718)	(12,728)
Acquisition of subsidiaries	-	-	(168)	(168)
Exchange differences	-	5	(63)	(58)
At 31 December 2015	(24,477)	(13,802)	(16,719)	(54,998)
Offset against deferred tax liabilities				35,480
Deferred tax assets recognised				(19,518)
At 1 January 2014	(20,380)	(15,422)	(4,636)	(40,438)
Recognised in profit or loss	2,429	(901)	(3,134)	(1,606)
At 31 December 2014	(17,951)	(16,323)	(7,770)	(42,044)
Offset against deferred tax liabilities				29,450
Deferred tax assets recognised				(12,594)

21. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (CONTINUED)

Deferred tax liabilities of the Company:

	2015 RM'000	2014 RM'000
Accelerated capital allowances		
At 1 January	23	13
Recognised in profit or loss	(3)	10
At 31 December	20	23

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2015 RM'000	2014 RM'000
Unutilised tax losses	201,065	245,571
Unabsorbed capital and agriculture allowances	16,818	13,382
Other temporary differences	8,370	4,839
	226,253	263,792

The above unutilised tax losses, unabsorbed capital and agriculture allowances are subject to agreement with the Inland Revenue Board. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

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

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22. SHARE CAPITAL, WARRANTS AND TREASURY SHARES

(a) Share capital

	Number of ordinary shares of RM1.00 each		Amount	
	2015 '000	2014 '000	2015 RM'000	2014 RM'000
Authorised:				
At 1 January/31 December	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully paid:				
At 1 January	2,226,779	2,205,709	2,226,779	2,205,709
Exercise of warrants	22,952	81,070	22,952	81,070
Cancellation of treasury shares	-	(60,000)	-	(60,000)
At 31 December	2,249,731	2,226,779	2,249,731	2,226,779

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

During the financial year, 22,951,656 (2014: 81,070,561) ordinary shares were issued pursuant to the exercise of warrants as disclosed in Note 22(b) below and in the previous year, 60,000,000 treasury shares were cancelled as disclosed in Note 22(c). Consequently, the Company's issued and paid-up share capital increased to RM2,249,731,137 (2014: RM2,226,779,481) comprising 2,249,731,137 (2014: 2,226,779,481) ordinary shares of RM1.00 each, with 93,058,900 (2014: 89,182,400) ordinary shares thereof being held as treasury shares.

22. SHARE CAPITAL, WARRANTS AND TREASURY SHARES (CONTINUED)

(b) Warrants

The warrants are constituted by the deed poll dated 6 July 2011 ["Deed Poll"].

On 15 August 2011, the 364,392,900 warrants issued free by the Company pursuant to the Rights Issue with Warrants Exercise on the basis of one (1) warrant for every one (1) rights share subscribed were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad ["Bursa Securities"].

Salient features of the warrants are as follows:

(i) Each warrant entitles the registered holder thereof ["Warrantholder(s)"] to subscribe for one (1) new ordinary share of RM1.00 in the Company at the exercise price of RM1.65 during the 5-year period expiring on 9 August 2016 ["Exercise Period"], subject to the adjustments as set out in the Deed Poll;

(ii) At the expiry of the Exercise Period, warrants which have not been exercised shall automatically lapse and cease to be valid for any purpose;

(iii) Warrantholders must exercise the warrants in accordance with the procedures set out in the Deed Poll and shares allotted and issued upon such exercise shall rank pari passu in all respects with the then existing shares of the Company, and shall be entitled for any dividends, rights, allotments and/or other distributions after the issue and allotment thereof;

(iv) For purpose of trading on Bursa Securities, a board lot for the warrants shall be one hundred (100) or such other number of units as may be prescribed by Bursa Securities from time to time and the trading thereof shall be governed by the provisions of the Securities Industry (Central Depositories) Act, 1991 (including any amendment or re-enactment thereof) and the rules of the Bursa Malaysia Depository Sdn Bhd; and

(v) The Deed Poll and accordingly the warrants, are governed by and shall be construed in accordance with the laws of Malaysia.

Movement in the warrants is as follows:

	Number of warrants
As of 1 January 2014	345,041,380
Exercised during the year	(81,070,561)
As of 31 December 2014/1 January 2015	263,970,819
Exercised during the year	(22,951,656)
As of 31 December 2015	241,019,163
Exercised subsequent to 31 December 2015	(86,803,809)
As of 20 April 2016	154,215,354

During the financial year, a total of 22,951,656 (2014: 81,070,561) warrants were exercised and the issued and paid-up share capital of the Company increased to RM2,249,731,137 (2014: RM2,226,779,481) comprising 2,249,731,137 (2014: 2,226,779,481) ordinary shares of RM1.00 each. As of 31 December 2015, 241,019,163 (2014: 263,970,819) warrants remained unexercised.

Subsequent to the end of the financial year and up to the date of this report, 86,803,809 warrants were exercised which resulted in 86,803,809 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Bursa Securities. Consequently, the issued and paid-up share capital of the Company increased to RM2,336,534,946 comprising 2,336,534,946 ordinary shares of RM1.00 each. As of 20 April 2016, 154,215,354 warrants remained unexercised.

22. SHARE CAPITAL, WARRANTS AND TREASURY SHARES (CONTINUED)

(c) Treasury shares

During the extraordinary general meeting of the Company held on 4 June 2015, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 12,495,200 (2014: 80,300,100) shares at the cost of RM68,355,062 (2014: RM283,756,178). All repurchases of shares were financed by the Company's internally generated funds.

During the financial year, 8,618,700 (2014: 135,148,800) treasury shares were resold at average net resale price of RM6.17 (2014: RM3.64) per share including transaction costs. Total net consideration received from the resale was RM53,154,516 (2014: RM492,369,195). In the previous year, 60,000,000 treasury shares at the cost of RM115,236,000 were cancelled.

At 31 December 2015, the Company held 93,058,900 (2014: 89,182,400) treasury shares.

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
As of 1 January 2014	204,031,100	378,735,474	1.86
Repurchased during the year	80,300,100	283,756,178	3.53
Cancelled during the year	(60,000,000)	(115,236,000)	1.92
Resold during the year	(135,148,800)	(299,449,196)	2.22
As of 31 December 2014/1 January 2015	89,182,400	247,806,456	2.78
Repurchased during the year	12,495,200	68,355,062	5.47
Resold during the year	(8,618,700)	(26,257,731)	3.05
As of 31 December 2015	93,058,900	289,903,787	3.12
Resold subsequent to 31 December 2015	(7,987,700)	(24,884,082)	3.12
As of 20 April 2016	85,071,200	265,019,705	3.12

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

Subsequent to the end of the financial year and up to the date of this report, the Company resold another 7,987,700 shares, thereby reducing the total treasury shares held by the Company to 85,071,200 shares.

23. RESERVES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(a) Non-distributable reserves	485,063	429,255	419,455	377,640
(b) Distributable reserves				
- Retained profits	1,797,758	1,543,547	769,536	769,654
	2,282,821	1,972,802	1,188,991	1,147,294

23. RESERVES (CONTINUED)

(a) Non-distributable reserves

	Share premium RM'000	Capital reserve RM'000	Cash flow hedge reserve RM'000	Foreign exchange reserve RM'000	Revaluation reserve RM'000	Capital redemption reserve RM'000	Warrant reserve RM'000	Other reserve RM'000	Total non-distributable reserves RM'000
Group									
At 1 January 2014	15,191	35,038	(13,221)	2,751	1,176	66,267	46,580	(30,973)	122,809
Foreign currency translation differences for foreign operations	-	-	-	5,388	-	-	-	-	5,388
Share of foreign currency translation differences of associates	-	-	-	3,077	-	-	-	-	3,077
Change in fair value of cash flow hedge	-	-	4,155	-	-	-	-	-	4,155
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	-	-	-	13,251	-	-	-	13,251
Total other comprehensive income for the year	-	-	4,155	8,465	13,251	-	-	-	25,871
Exercise of warrants	63,641	-	-	-	-	-	(10,944)	-	52,697
Resale of treasury shares	192,920	-	-	-	-	-	-	-	192,920
Cancellation of treasury shares	(25,042)	-	-	-	-	60,000	-	-	34,958
At 31 December 2014	246,710	35,038	(9,066)	11,216	14,427	126,267	35,636	(30,973)	429,255

23. RESERVES (CONTINUED)

(a) Non-distributable reserves (continued)

	Share premium RM'000	Capital reserve RM'000	Cash flow hedge reserve RM'000	Foreign exchange reserve RM'000	Revaluation reserve RM'000	Capital redemption reserve RM'000	Share option reserve RM'000	Warrant reserve RM'000	Other reserve RM'000	Total non-distributable reserves RM'000
Group										
At 1 January 2015	246,710	35,038	(9,066)	11,216	14,427	126,267	-	35,636	(30,973)	429,255
Foreign currency translation differences for foreign operations	-	-	-	14,795	-	-	-	-	-	14,795
Share of foreign currency translation differences of:										
- associates	-	-	-	7,085	-	-	-	-	-	7,085
- joint venture	-	-	-	33	-	-	-	-	-	33
Change in fair value of cash flow hedge	-	-	(254)	-	-	-	-	-	-	(254)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	-	-	(11,600)	-	-	-	-	-	(11,600)
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	-	-	-	3,750	-	-	-	-	3,750
Total other comprehensive income for the year	-	-	(254)	10,313	3,750	-	-	-	-	13,809
Share-based payments by a subsidiary	-	-	-	-	-	-	184	-	-	184
Exercise of warrants	18,016	-	-	-	-	-	-	(3,098)	-	14,918
Resale of treasury shares	26,897	-	-	-	-	-	-	-	-	26,897
At 31 December 2015	291,623	35,038	(9,320)	21,529	18,177	126,267	184	32,538	(30,973)	485,063

23. RESERVES (CONTINUED)

(a) Non-distributable reserves (continued)

The movements on the Company's non-distributable reserves are set out in the Company's statements of changes in equity.

The nature and purpose of each category of reserve are as follows:

(i) Share premium

Share premium represents the premium paid on subscription of shares in the Company over and above the par value of the shares and gain arising from the re-sale of treasury shares.

(ii) Capital reserve

Capital reserve in respect of a subsidiary of RM34,397,000 (2014: RM34,397,000) represents the revaluation reserve which was capitalised for bonus issue by a subsidiary whilst capital reserve in respect of an associate of RM641,000 (2014: RM641,000) represents the revaluation reserve of an associate.

(iii) Cash flow hedge reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships as at the reporting date relates to the cross currency interest rate swaps entered by the Group to limit its exposure to foreign currency risk on its foreign currency loan.

(iv) Foreign exchange reserve

The foreign exchange reserve arises from translation of financial statements of foreign subsidiaries and share of foreign currency translation differences of associates.

(v) Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment immediately prior to its reclassification as investment properties.

(vi) Capital redemption reserve

This reserve represents the amount equivalent to the nominal value of the shares repurchased which was cancelled by the Company.

(vii) Share option reserve

This reserve relates to performance shares awarded by a foreign subsidiary to its employees pursuant to the performance share plan.

(viii) Warrant reserve/Other reserve

These reserves arose from the Rights Issue with Warrants Exercise undertaken by the Company.

23. RESERVES (CONTINUED)

(b) Distributable reserve - Retained profits

The Company may distribute dividend out of its entire retained profits as at 31 December 2015 under the single tier system.

24. REVENUE AND COST OF SALES

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Dividend income:				
- From subsidiaries	-	-	103,743	399,445
- From associates	-	-	3,905	3,668
Sale of plantation produce	434,875	495,566	-	-
Sale of goods and services	3,021,461	2,222,276	-	-
Interest income from provision of financial services	159,087	129,435	-	-
Property development	714,426	846,435	-	-
Sale of completed properties	30,829	48,998	-	-
Property rental	32,660	25,339	-	-
	4,393,338	3,768,049	107,648	403,113

Cost of sales represents cost directly attributable to the generation of the above revenue except for dividend income and interest income from provision of financial services.

Segment information on revenue, operating profit, assets and liabilities of the Group is analysed in Note 35.

NOTES TO THE FINANCIAL STATEMENTS

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25. FINANCE COSTS

	Group	
	2015 RM'000	2014 RM'000
Interest expense on:		
Bank borrowings	139,956	94,015
Borrowings from other institutions	7,385	10,486
	147,341	104,501
Less: Interest expense capitalised in:		
- Property, plant and equipment (Note 4)	(1,059)	(819)
- Investment properties – IPUC (Note 7)	-	(7,157)
- Land held for property development (Note 11)	(4,809)	-
- Property development costs (Note 16)	(24,721)	(16,567)
	116,752	79,958

26. OTHER GAIN/(LOSS) ITEMS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Gain on disposal of subsidiaries	508,798	-	511,614	-
Impairment loss on investment in subsidiaries	-	-	(5,351)	(81,658)
Impairment loss on investment in an associate	(2,161)	-	-	(4,737)
	506,637	-	506,263	(86,395)

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27. PROFIT BEFORE TAX

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration:				
- current year				
- Ernst & Young	432	355	95	85
- overseas member firms of Ernst & Young	209	122	-	-
- other auditors	825	425	-	-
- under/(over) provision in prior years				
- Ernst & Young	42	1	5	-
- overseas member firms of Ernst & Young	7	(23)	-	-
- other auditors	-	33	-	-
Non audit fees for services rendered by				
- Ernst & Young	258	10	253	10
- local member firms of Ernst & Young	619	494	27	26
- overseas member firms of Ernst & Young	152	67	-	-
Operating lease – minimum lease payments on:				
- land and buildings	27,210	12,046	-	157
- plant and machinery	23,756	23,668	-	-
- motor vehicles	-	-	774	605
Depreciation of property, plant and equipment (Note 4)	92,407	82,712	467	661
Amortisation of prepaid lease payments (Note 5)	10,759	-	-	-
Amortisation of intangible assets (Note 12)	6,526	-	-	-
Property, plant and equipment written off	1,561	975	-	-
Replanting expenditure	17,242	16,663	-	-
Share-based payment expense	361	-	-	-
Biological assets written off (Note 6)	182	460	-	-
Investment properties written off (Note 7)	335	124	-	-
Allowance for impairment losses				
- trade receivables (Note 13)	16,937	11,658	-	-
Inventories written down	7,557	8,778	-	-
Employee benefits expenses (Note 28)	303,782	226,280	8,998	7,380
Direct operating expenses arising from investment properties – rental generating properties	17,321	13,350	-	-
Loss on held for trading equity instruments at fair value	4,359	1,565	-	-

NOTES TO THE FINANCIAL STATEMENTS

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27. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before tax is arrived at after charging/(crediting):				
Net foreign exchange (gains)/losses	(23,373)	611	(19,580)	(261)
(Gain)/loss on disposal of property, plant and equipment	(697)	(96,284)	119	-
Gain on disposal of investment properties	-	(760)	-	-
Gain on disposal of held for trading equity instruments	(283)	-	-	-
Gains from fair value adjustments of investment properties (Note 7)	(22,739)	(189,437)	-	-
Dividend income from available-for-sale equity instruments	(1,200)	(1,200)	-	-
Dividend income from held for trading equity instruments	(2,114)	-	-	-
Dividend income from money market deposits	(4,101)	(3,043)	(324)	(2,309)
Reversal of inventories written down	-	(4,503)	-	-
Reversal of impairment losses				
- trade receivables (Note 13)	(4,132)	(6,050)	-	-
Reversal of provisions	-	(2,486)	-	-
Recovery of bad debts	(1,587)	(500)	-	-
Rental income from properties	(7,144)	(1,526)	(10)	(10)
Interest income from:				
- third parties	(12,940)	(12,360)	(8,133)	(4,321)
- subsidiaries	-	-	(31,248)	(24,808)

28. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Salaries and other staff related expenses	282,679	211,158	8,014	6,569
Pension costs – defined contribution plans	21,103	15,122	984	811
	303,782	226,280	8,998	7,380

Included in employee benefits expenses of the Group and of the Company were executive directors' remuneration of RM23,560,000 (2014: RM18,594,000) and RM6,205,000 (2014: RM4,424,000) respectively as further disclosed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

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29. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Executive directors' remuneration:				
Fees				
- Directors of the Company	142	-	-	-
Other emoluments				
- Directors of the Company	7,223	5,638	6,205	4,424
- Other directors	16,195	12,956	-	-
	23,560	18,594	6,205	4,424
Non-executive directors' remuneration:				
Fees				
- Directors of the Company	840	785	683	645
- Other directors	1,376	1,004	-	-
	2,216	1,789	683	645
Total directors' remuneration	25,776	20,383	6,888	5,069
Other key management personnel compensation	44,088	36,663	2,602	2,750
	69,864	57,046	9,490	7,819

Included in key management personnel compensation of the Group and of the Company were contributions to statutory pension funds of RM6,558,000 (2014: RM5,699,000) and RM979,000 (2014: RM794,000) respectively.

The estimated monetary value of directors' benefits-in-kind in respect of the Group and of the Company, which have not been included in the above key management personnel compensation, are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors of the Company	149	287	149	251
Other directors	398	346	-	-
Other key management personnel	1,388	1,280	70	65
	1,935	1,913	219	316

NOTES TO THE FINANCIAL STATEMENTS

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30. TAX EXPENSE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysian income tax:				
- Current income tax	158,656	200,575	7,266	7,118
- (Over)/under provision in prior year	(3,677)	927	(79)	28
	154,979	201,502	7,187	7,146
Foreign income tax:				
- Current income tax	7,939	8	-	-
- Under provision in prior year	984	9	-	-
	8,923	17	-	-
Total income tax	163,902	201,519	7,187	7,146
Deferred tax (Note 21):				
- Relating to origination and reversal of temporary differences	(5,861)	9,572	(3)	(4)
- Effect of change in statutory tax rate	(5,963)	-	-	-
- (Over)/under provision in prior year	(3,867)	(2,792)	-	14
Total deferred tax	(15,691)	6,780	(3)	10
Total tax expense	148,211	208,299	7,184	7,156

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25% effective year of assessment 2016.

NOTES TO THE FINANCIAL STATEMENTS

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30. TAX EXPENSE (CONTINUED)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before tax	1,117,596	1,024,625	652,996	331,591
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	279,399	256,156	163,249	82,898
Effect of different tax rates in other countries	(1,774)	412	-	-
Effect of change in tax rate on deferred tax	(5,963)	-	-	-
Effect of gains taxed at Real Property Gains Tax rate	(2,294)	(59,803)	-	-
Income not subject to tax	(139,450)	(7,552)	(162,142)	(101,504)
Expenses not deductible for tax purposes	31,271	25,885	6,156	25,720
Effect of share of results of associates	(7,818)	(3,609)	-	-
Effect of share of results of joint-venture	(100)	-	-	-
Deferred tax assets not recognised/(utilisation of previously unrecognised deferred tax assets)	1,500	(1,334)	-	-
(Over)/under provision in prior year				
- income tax	(2,693)	936	(79)	28
- deferred tax	(3,867)	(2,792)	-	14
Tax expense for the year	148,211	208,299	7,184	7,156

31. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year excluding treasury shares held by the Company, calculated as follows:

	Group	
	2015	**2014**
Profit attributable to owners of the Company (RM'000)	908,473	753,467
Weighted average number of ordinary shares ('000)		
Issued ordinary shares net of treasury shares at 1 January	2,137,597	2,001,678
Effect of warrants exercised during the year	14,386	45,018
Effect of shares resale during the year	1,627	47,724
Effect of shares buyback during the year	(3,786)	(39,915)
Weighted average number of ordinary shares at 31 December	2,149,824	2,054,505
Basic earnings per share (sen)	42.26	36.67

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year after adjustment for the effects of dilutive potential ordinary shares, calculated as follows:

	Group	
	2015	**2014**
Profit attributable to owners of the Company (RM'000)	908,473	753,467
Weighted average number of ordinary shares for basic earnings per share computation ('000)	2,149,824	2,054,505
Dilutive potential ordinary shares		
- Assumed exercise of warrants	162,882	142,217
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	2,312,706	2,196,722
Diluted earnings per share (sen)	39.28	34.30

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements other than the exercise of 86,803,809 warrants which resulted in 86,803,809 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Bursa Securities.

32. DIVIDENDS

	Group/Company	
	2015 RM'000	2014 RM'000
Recognised during the year:		
Dividends paid in respect of financial year ended 31 December 2014:		
- first interim (10.0 sen per share under single tier system)	-	199,984
- second interim (15.0 sen per share under single tier system)	-	323,600
Dividends paid in respect of financial year ended 31 December 2015:		
- first interim (10.0 sen per share under single tier system)	215,318	-
- special interim (10.0 sen per share under single tier system)	214,948	-
- second interim (10.0 sen per share under single tier system)	215,664	-
	645,930	523,584

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2015.

No dividend is payable for treasury shares held or cancelled.

33. CAPITAL COMMITMENTS

	Group	
	2015 RM'000	2014 RM'000
Capital expenditure:		
Contracted but not provided for		
- Property, plant and equipment	136,405	60,118
- Biological assets	692	2,485
- Investment properties	85,034	120,389
	222,131	182,992
Approved but not contracted for		
- Property, plant and equipment	104,300	214,028
- Biological assets	-	1,906
	104,300	215,934
	326,431	398,926

34. LEASE COMMITMENTS

(a) Operating lease commitments

(i) Group as lessor

The Group has entered into operating leases on its investment properties portfolio consisting of land and buildings. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Within one year	39,420	25,862
After one year but not more than five years	48,695	33,173
After five years	16,092	1,412
	104,207	60,447

(ii) Group as lessee

The Group has entered into operating leases on certain land and buildings and plant and machinery. Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Within one year	21,934	7,837
After one year but not more than five years	33,517	14,138
After five years	48,107	3,912
	103,558	25,887

34. LEASE COMMITMENTS (CONTINUED)

(b) Finance lease commitments

The Group has entered into finance leases on motor vehicles. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2015	
	Minimum payments RM'000	Present value of payments RM'000
Group		
Within one year	926	883
After one year but not more than five years	1,011	981
Total minimum lease payments	1,937	1,864
Less: amounts representing finance charges	(73)	-
Present value of minimum lease payments	1,864	1,864
Net book value of motor vehicles under finance leases		2,696
Fixed rate of interest per annum		1.10% - 2.28%

35. SEGMENT INFORMATION

For management purposes, the Group is organised into business units according to their nature of activities and has seven reportable operating segments as follows:

(i) Plantation - Cultivation of oil palm and processing of fresh fruit bunches
(ii) Property - Property investment and property development
(iii) Credit financing - Provision of financial services
(iv) Automotive - Trading in motor vehicles, spare parts and servicing of motor vehicles
(v) Fertilizer trading - Trading and distribution of fertilizers and agro-chemical
(vi) Quarry and building materials - Operation of stone quarries and asphalt plants, manufacture of bricks
(vii) Trading - Trading of general building materials and petroleum products

Segment accounting policies are the same as the policies described in Note 2, Significant Accounting Policies. All inter-segment transactions have been entered in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with third parties.

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group financing are not allocated to operating segments.

35. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizer trading RM'000	Quarry and building materials RM'000	Trading RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
2015										
Revenue										
External revenue	434,875	777,973	159,087	1,164,573	852,482	284,255	720,093	-	-	4,393,338
Inter-segment revenue	-	37,899	7,413	6,291	41,597	52,976	55,720	45	(201,941)	-
Total revenue	434,875	815,872	166,500	1,170,864	894,079	337,231	775,813	45	(201,941)	4,393,338
Results										
Operating profit	123,112	360,723	129,878	24,108	30,326	9,306	48,837	4,225	(38,528)	691,987
Finance costs										(116,752)
Other gain/(loss) items										506,637
Share of results of associates										35,133
Share of results of joint venture										591
Profit before tax										1,117,596
Tax expense										(148,211)
Profit for the year										969,385
Non-controlling interests										(60,912)
Profit attributable to owners of the Company										908,473
Assets and liabilities										
Segment assets	1,112,382	3,447,267	2,014,945	482,610	466,447	617,428	978,759	460,709	-	9,580,547
Investment in associates										420,875
Investment in joint venture										965
Deferred tax assets										19,518
Tax recoverable										13,027
Total assets										10,034,932
Segment liabilities	29,613	740,203	1,657,174	115,033	276,378	64,802	722,522	1,348,708	-	4,954,433
Deferred tax liabilities										204,944
Tax payable										34,161
Total liabilities										5,193,538
Other information										
Additions to non-current assets	58,102	865,552	2,085	7,836	1,073	24,261	100,049	1,139	-	1,060,097
Depreciation and amortisation	26,949	2,320	667	5,745	549	52,395	19,680	1,387	-	109,692

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35. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizer trading RM'000	Quarry and building materials RM'000	Trading RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
2014										
Revenue										
External revenue	495,566	920,794	129,435	677,281	796,409	363,195	385,369	-	-	3,768,049
Inter-segment revenue	-	11,321	4,025	6,749	36,719	7,228	59,958	-	(126,000)	-
Total revenue	495,566	932,115	133,460	684,030	833,128	370,423	445,327	-	(126,000)	3,768,049
Results										
Operating profit/(loss)	178,954	705,336	104,097	10,529	71,077	16,881	23,914	(13,907)	(6,734)	1,090,147
Finance costs										(79,958)
Share of results of associates										14,436
Profit before tax										1,024,625
Tax expense										(208,299)
Profit for the year										816,326
Non-controlling interests										(62,859)
Profit attributable to owners of the Company										753,467
Assets and liabilities										
Segment assets	1,083,204	2,599,889	1,896,567	367,165	413,475	638,846	129,672	245,335	-	7,374,153
Investment in associates										381,597
Deferred tax assets										12,594
Tax recoverable										17,224
Total assets										7,785,568
Segment liabilities	27,981	617,222	1,238,242	42,153	296,443	93,284	133,274	705,101	-	3,153,700
Deferred tax liabilities										183,235
Tax payable										62,991
Total liabilities										3,399,926
Other information										
Additions to non-current assets	48,691	191,692	684	19,869	768	62,282	727	1,139	-	325,852
Depreciation and amortisation	26,284	2,063	629	4,737	1,112	45,544	569	1,774	-	82,712

35. SEGMENT INFORMATION (CONTINUED)

Additions to non-current assets consist of the following:

	Group	
	2015 RM'000	2014 RM'000
Property, plant and equipment	200,241	130,353
Prepaid lease payments	920	-
Biological assets	1,255	5,461
Investment properties	485,486	131,947
Land held for property development	372,195	58,091
	1,060,097	325,852

Geographical Segments

The Group's geographical segments are based on the location of the customers and the assets.

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysia	3,810,109	3,597,732	3,943,137	2,929,016
Indonesia	123,574	103,648	32	50
Singapore	450,701	66,669	284,340	344
Others	8,954	-	28,080	-
	4,393,338	3,768,049	4,255,589	2,929,410

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2015 RM'000	2014 RM'000
Property, plant and equipment	1,250,005	1,071,865
Prepaid lease payments	336,234	-
Biological assets	442,104	441,031
Investment properties	1,461,522	1,011,578
Land held for property development	674,049	368,200
Intangible assets	91,675	36,736
	4,255,589	2,929,410

36. MATERIAL LITIGATIONS

(a) A writ of summon ["said Writ"] was filed by certain natives of Sabah ["Plaintiffs"] claiming native customary rights ["NCR"] over all that parcel of land held under Title No. CL095330724 situated in Sungai Tongod, District of Kinabatangan, Sandakan ["Tongod Land"] or part thereof in the High Court in Sabah and Sarawak at Kota Kinabalu ["Tongod Suit and KKHC"] naming the Company as the first defendant, Genting Plantations Berhad ["GPB"] and its subsidiary Genting Tanjung Bahagia Sdn Bhd ["GTB"] as the second and third defendants, Director of Department of Lands and Surveys, Sabah as the fourth defendant, the Government of the State of Sabah as the fifth defendant, Assistant Collector of Land Revenues, Tongod as the sixth defendant, the Registrar of Titles as the seventh defendant and the Assistant Collector of Land Revenues, Kota Kinabatangan as the eighth defendant. The Company had on 9 May 2002 completed its disposal of the Tongod Land to GTB.

On 13 June 2003, the deputy registrar of the KKHC dismissed the Company's application to strike out the said Writ ["Striking-out Application"] and the Company appealed against the said dismissal ["said Striking-out Appeal"].

The Plaintiffs had earlier filed an application for injunction restraining the second and the third defendants from carrying out, inter-alia, planting activities on the Tongod Land or part thereof ["Injunction Application"]. On 20 June 2008 during the hearing of the Injunction Application, the KKHC upheld the defendants' preliminary objection to the KKHC's jurisdiction to determine NCR and the Tongod Suit was dismissed with costs awarded to the defendants ["PO Decision"]. Although the Plaintiffs' initial appeal against the PO Decision was also dismissed by the Court of Appeal on 9 June 2011 ["said Dismissal Decision"], the Federal Court allowed the Plaintiffs' further appeal on 24 November 2011 and set aside both the PO Decision and said Dismissal Decision. The Federal Court further ordered that the said Striking-out Appeal be remitted to the KKHC.

On 21 March 2012, the KKHC dismissed the said Striking-out Appeal with costs awarded to the Plaintiffs which decision was upheld by the Court of Appeal on 9 May 2013 upon the defendants' appeal. On 7 June 2013, the defendants filed a motion for leave to appeal to the Federal Court against the said decision of the Court of Appeal ["said Leave Application"]. On 25 February 2014, the Federal Court dismissed the said Leave Application with costs awarded to the Plaintiffs.

On 23 September 2013, the KKHC dismissed the preliminary objection raised by the Company during the trial of the Tongod Suit on KKHC's jurisdiction in hearing and deciding matters relating to NCR ["PO Dismissal Decision"]. On 16 October 2013, the Company filed a notice of appeal to the Court of Appeal appealing against the PO Dismissal Decision which was subsequently withdrawn by the Company on 31 March 2014.

The Tongod Suit was part-heard from 26 to 29 November 2012, 14 to 18 January 2013, 18 to 22 February 2013, 11 to 15 March 2013, 8 to 11 July 2013, 23 to 24 September 2013, 2 to 13 December 2013, 27 to 28 January 2014, 27 to 28 March 2014, 2 to 6 June 2014, 11 to 14 August 2014, 29 September to 3 October 2014, 7 to 10 October 2014, 18 to 21 November 2014, 15 to 19 December 2014, 10 to 13 February 2015, 23 March to 2 April 2015, 18 to 29 May 2015, 29 to 30 June 2015, 1 to 10 July 2015, 3 to 6 August 2015, 26 to 30 October 2015 and 14 to 18 December 2015.

On 22 March 2016, a consent judgment was recorded before the KKHC whereby the Tongod Suit has been discontinued with no order as to costs and without liberty to file afresh, pursuant to the terms and conditions of the Settlement Agreement entered into among the parties on 10 March 2016.

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36. MATERIAL LITIGATIONS (CONTINUED)

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

RESB is claiming for the following in the KL RESB Suit ["said Reliefs"]:

(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 KL RESB Suit; and
(vii) Such further or other relief as the Court deems fit and just.

Upon the 1st Defendant's application, the KL RESB Suit was transferred to the High Court of Sabah & Sarawak at Kota Kinabalu on 10 August 2012, subject to the KL Ad Interim Injunction continuing to be in effect. With the transfer, RESB is currently represented by the law firm of Messrs Jayasuriya Kah & Co. in Kota Kinabalu.

On 7 April 2016, the Federal Court in deciding on a question of law referred to it by way of a special case stated for the opinion of 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. The effect of this decision is that the KL RESB Suit continues to exist and remains effective.

On 8 April 2016, RESB filed a fresh writ of summon and an application for interlocutory injunction ["KK Interlocutory Injunction Application"] against the 1st and 2nd Defendants praying for the said Reliefs through its solicitors in Sabah, Messrs Jayasuriya Kah & Co. in the High Court of Sabah & Sarawak at Kota Kinabalu ["KKHC"] vide civil suit no. BKI-22NCvC-39/4-2016 ["KK RESB Suit"].

36. MATERIAL LITIGATIONS (CONTINUED)

(b) (continued)

On 11 April 2016, the KKHC has granted an ex-parte injunction in favour of RESB ["KK Ad Interim Injunction"], subject to RESB's undertaking to pay damages to the 1st and 2nd Defendants should they suffer any damages arising from the KK Ad Interim Injunction. The KKHC has fixed 25 April 2016 for the inter-partes hearing of the KK Interlocutory Injunction Application.

In light of the KK RESB Suit, the Company's solicitors in Kuala Lumpur, Messrs Wong Kian Kheong will take the necessary steps to discontinue the KL RESB Suit.

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

(c) Chee Ah Nun @ Sia Yi Chan (NRIC No. 550808-12-5663) ["SYC" or the "Plaintiff"] has filed a separate legal suit against RESB in respect of the said Land in the High Court of Sabah & Sarawak at Kota Kinabalu ["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.

The application by RESB to convert the KK Suit into a writ action ["Conversion Application"] was heard on both 23 October 2012 and 26 November 2012 and is currently pending decision.

Consistent with the KL RESB Suit stated in Note 36(b) above, the KK Suit was stayed pending determination by the Federal Court on the constitutionality of the transfer of civil suits from the High Court of Malaya to the High Court of Sabah and Sarawak and vice versa. On 7 April 2016, the Federal Court in deciding on a question of law referred to it by way of a special case stated for the opinion of the Federal Court held that, the High Court of Malaya has no jurisdiction to transfer a civil suit filed in the High Court of Malaya to the High Court of Sabah and Sarawak.

The KK Suit has been fixed for further mention before KKHC on 11 May 2016.

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

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36. MATERIAL LITIGATIONS (CONTINUED)

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

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

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

On 15 May 2015, the parties in the said Suit recorded the following terms by way of a consent order before the KKHC:

(i) that the claims filed under the said Suit by the Plaintiffs be and are struck off;
(ii) that the Plaintiffs are not entitled to possession of the said 113 Titles;
(iii) that the first, second and third defendants are absolutely entitled to quiet enjoyment and possession of the said 113 Titles;
(iv) that the Plaintiffs are not entitled to legal and beneficial ownership of the said 113 Titles;
(v) that the registration of transfer of the said 113 Titles in favour of Sikit is valid and of full legal effect;
(vi) that the registration of transfer of the said 113 Titles by Sikit in favour of the first and second defendants is valid and of full legal effect;
(vii) that the registration of the sublease of the said 113 Titles by Sikit in favour of the third defendant is valid and of full legal effect;
(viii) that the claim for an order directing the first, second and third defendants to give vacant possession of the said 113 Titles to the Plaintiffs is dismissed;
(ix) that the claim for an order directing the Assistant Collector of Land Revenue, Kota Marudu, Sabah to remove and delete forthwith the registration of the transfer of the said 113 Titles effected in favour of Sikit and the first and second defendants is dismissed;
(x) that the claim for an order directing the Assistant Collector of Land Revenue, Kota Marudu, Sabah to remove and delete forthwith the registration of the sublease of the said 113 Titles effected by Sikit in favour of the third defendant be and is dismissed;

36. MATERIAL LITIGATIONS (CONTINUED)

(d) (continued)

(xi) an injunction be and is hereby granted restraining the Plaintiffs, their agents, servants, representatives or anyone claiming under them from interfering in any way whatsoever with the quiet enjoyment and possession by the first, second and third defendants of the said 113 Titles;
(xii) that there shall be no order as to costs;
(xiii) an order be and is hereby granted directing the Assistant Collector of Land Revenue, Kota Marudu, Sabah to remove and delete forthwith the Collector's Caveats affecting the said 113 Titles;
(xiv) that the Plaintiffs shall assist and support any applications by the first, second and third defendants to the Assistant Collector of Land Revenue, Kota Marudu, Sabah to remove and delete forthwith the Collector's Caveats affecting the said Lands; and
(xv) the Plaintiffs shall assist, support and protect the interests of the first, second and third defendants in respect of the said Lands.

37. FAIR VALUE MEASUREMENT

(a) Fair value of financial instruments

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

It is not practicable to estimate the fair value of the Group's investment in unquoted equity instruments (Note 14) due to lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The carrying amount of non-current receivables and payables which are based on principal amounts outstanding representing approximately the cash flow receivables discounted at their effective yield, closely approximate their fair values.

The carrying amount of non-current borrowings which bear fixed and floating interest rates are expected to approximate fair values and would not be significantly different from the values that would eventually be settled.

(b) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities for which fair value is measured.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

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37. FAIR VALUE MEASUREMENT (CONTINUED)

(b) Fair value hierarchy (continued)

Fair value measurement hierarchy for assets/(liabilities):

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group				
2015				
Assets measured at fair value				
Investment properties (Note 7)	1,461,522	-	-	1,461,522
Held for trading equity instruments (Note 14)	2,410	2,410	-	-
Money market deposits	98,636	-	98,636	-
Derivative financial assets (Note 14)				
Forward currency contracts	670	-	670	-
Cross currency interest rate swaps	171,416	-	171,416	-
2014				
Assets measured at fair value				
Investment properties (Note 7)	1,011,578	-	-	1,011,578
Held for trading equity instruments (Note 14)	33,012	33,012	-	-
Money market deposits	183,690	-	183,690	-
Derivative financial assets (Note 14)				
Forward currency contracts	5	-	5	-
Cross currency interest rate swaps	48,651	-	48,651	-

The Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation at the end of each reporting period. There have been no transfers between Level 1 and Level 2 during the financial year.

37. FAIR VALUE MEASUREMENT (CONTINUED)

(b) Fair value hierarchy (continued)

(i) The fair value of investment properties was determined based on valuations performed by registered independent valuers and/or internally appraised. Fair value is arrived at using either comparison method, depreciated replacement cost method or investment method. Where fair value is arrived at by reference to market evidence of transaction prices for similar properties, adjustments are made to account for factors such as differences in location, age, size and type of property. Under the depreciated replacement cost method, depreciation due to age and obsolescence is deducted from the estimated gross current replacement cost in arriving at the market value. Under the investment method, the net rental income is capitalised at an appropriate rate of return to arrive at its market value.

(ii) 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.

(iii) The fair value of forward currency contracts is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the reporting date applied to a contract of similar quantum and maturity portfolio.

The fair value of cross currency interest rate swaps is estimated using valuation techniques with observable inputs, which uses present value calculations, incorporate various input including foreign exchange spot and interest rate curves.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, liquidity risk, credit risk and market price risk.

The Group operates within clearly defined guidelines and it is the Group's policy not to engage in speculative transactions. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

(a) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to fixed deposits and borrowings with banks and other financial institutions. The Group manages interest costs using a prudent mix of fixed and floating rate bank facilities.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed rate instruments				
Financial assets				
Amount due from subsidiaries	-	-	123,363	792,653
Sundry receivables	208,338	-	208,338	-
Lease receivables	11,638	18,478	-	-
Hire purchase receivables	967,649	1,060,261	-	-
Deposits with licensed banks	191,726	160,675	123,435	59,390
	1,379,351	1,239,414	455,136	852,043
Financial liabilities				
Term loans	(333,455)	(210,252)	-	-
Finance leases	(1,864)	-	-	-
	(335,319)	(210,252)	-	-
	1,044,032	1,029,162	455,136	852,043

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk (continued)

Exposure to interest rate risk (continued)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Floating rate instruments				
Financial assets				
Loan receivables	1,030,537	843,863	-	-
Financial liabilities				
Term loans	(556,335)	(274,287)	-	-
Revolving credits	(1,189,972)	(1,074,046)	-	-
Trust receipts	(13,643)	-	-	-
Bankers' acceptances	(149,769)	(158,596)	-	-
Foreign currency loans	(1,942,305)	(898,415)	-	-
Bank overdrafts	(4,593)	(3,276)	-	-
	(3,856,617)	(2,408,620)	-	-
	(2,826,080)	(1,564,757)	-	-

The weighted average effective interest rates of deposits with licensed banks as at 31 December 2015 for the Group and the Company were 3.13% (2014: 3.19%) and 3.09% (2014: 3.05%) respectively and will mature within 3 months (2014: 3 months).

Cash flow sensitivity analysis for floating rate instruments

A change of 100 basis points ["bp"] in interest rates for the borrowings at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group	
	100 bp increase RM'000	100 bp decrease RM'000
2015		
Floating rate instruments	(7,611)	7,611
2014		
Floating rate instruments	(4,919)	4,919

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by subsidiaries in currencies other than their functional currencies. The Group is also exposed to currency risk in respect of its foreign investments in subsidiaries, associates and joint venture. The Group uses forward currency contracts and cross currency interest rate swaps to limit its exposure on foreign currency receivables, payables and borrowings, and on cash flows generated from anticipated transactions denominated in foreign currencies.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in the respective functional currencies of the Group entities are as follows:

	Net unhedged financial assets/(liabilities) Held in non-functional currencies					
	USD RM'000	**SGD RM'000**	**VND RM'000**	**EURO RM'000**	**IDR RM'000**	**Total RM'000**
Group						
Functional currency of Group Entities						
2015						
RM	10,141	208,338	-	-	-	218,479
IDR	(1,289)	-	-	-	-	(1,289)
SGD	(48,880)	-	680	(24,569)	-	(72,769)
	(40,028)	208,338	680	(24,569)	-	144,421
2014						
RM	3,075	-	-	-	-	3,075
USD	-	-	-	-	27,252	27,252
	3,075	-	-	-	27,252	30,327

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

	Net unhedged financial assets/(liabilities) Held in non-functional currencies					
	USD RM'000	**SGD RM'000**	**VND RM'000**	**EURO RM'000**	**IDR RM'000**	**Total RM'000**
Company						
Functional currency of the Company						
2015						
RM	-	208,338	-	-	-	208,338
2014						
RM	-	-	-	-	-	-

Currency risk sensitivity analysis

A 5% strengthening of the below foreign currencies against the functional currencies of the Group and of the Company at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		**Company**	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
USD	(1,697)	115	-	-
SGD	7,813	-	7,813	-
VND	28	-	-	-
EURO	(1,020)	-	-	-
IDR	-	973	-	-

A 5% weakening of the above foreign currencies against the functional currencies of the Group and of the Company at the end of the reporting period would have had equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

Hedging activities

At the reporting date, the Group had entered into forward currency contracts and cross currency interest rate swaps with the following notional amounts and maturities:

	Currency	Within 1 year RM'000	1 - 3 years RM'000	Notional amount RM'000	Fair value Assets RM'000	Fair value (Liabilities) RM'000
Group						
2015						
Designated as fair value through profit or loss						
Firm commitment hedge	USD	140	-	140	3	-
Borrowings hedge	USD	38,541	-	38,541	88	-
Borrowings hedge	EURO	12,001	-	12,001	45	-
		50,682	-	50,682	136	-
Designated as fair value hedges						
Firm commitment hedge	USD	130,429	-	130,429	477	-
Payables hedge	USD	47,249	-	47,249	57	-
		177,678	-	177,678	534	-
Designated as cash flow hedges						
Foreign currency loan hedge	SGD	247,322	250,000	497,322	84,090	-
Foreign currency loan hedge	USD	296,174	890,413	1,186,587	87,326	-
		543,496	1,140,413	1,683,909	171,416	-
		771,856	1,140,413	1,912,269	172,086	-

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

Hedging activities (continued)

	Currency	Within 1 year RM'000	1 - 3 years RM'000	Notional amount RM'000	Fair value Assets RM'000	Fair value (Liabilities) RM'000
Group						
2014						
Designated as fair value through profit or loss						
Firm commitment hedge	USD	1,892	-	1,892	-	-
Receivables hedge	USD	46,001	-	46,001	-	-
		47,893	-	47,893	-	-
Designated as fair value hedges						
Firm commitment hedge	USD	153,175	-	153,175	5	-
Payables hedge	USD	58	-	58	-	-
		153,233	-	153,233	5	-
Designated as cash flow hedges						
Foreign currency loan hedge	SGD	247,322	247,323	494,645	26,933	-
Foreign currency loan hedge	USD	157,000	189,053	346,053	21,718	-
		404,322	436,376	840,698	48,651	-
		605,448	436,376	1,041,824	48,656	-

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk

As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash equivalents and adequate amounts of credit facilities to meet its working capital requirements. In addition, the Group strives to maintain flexibility in funding by keeping its credit lines available at a reasonable level. As far as possible, the Group raises funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Maturity analysis

The table below summarises the maturity profile of the Group'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	Within 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2015							
Non-derivative financial liabilities							
Borrowings							
Term loans	889,790	2.18 - 5.20	1,000,385	212,997	261,244	350,191	175,953
Finance lease	1,864	1.10 - 2.28	1,937	926	1,011	-	-
Revolving credits	1,189,972	2.51 - 12.0	1,198,360	1,198,360	-	-	-
Bankers' acceptances	149,769	4.05 - 4.37	149,843	149,843	-	-	-
Trust receipts	13,643	1.95	13,643	13,643	-	-	-
Foreign currency loans	1,942,305	1.87 - 5.38	2,065,192	853,006	591,834	620,352	-
Bank overdrafts	4,593	6.85 - 7.60	4,593	4,593	-	-	-
Trade and other payables (excluding progress billings)	740,763	-	740,763	738,730	1,199	834	-
	4,932,699		5,174,716	3,172,098	855,288	971,377	175,953

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
Group						
2014						
Non-derivative financial liabilities						
Borrowings						
Term loans	484,539	3.95 - 5.03	521,989	222,961	165,106	133,922
Revolving credits	1,074,046	1.86 - 4.69	1,076,484	1,076,484	-	-
Bankers' acceptances	158,596	4.14 - 4.37	158,596	158,596	-	-
Foreign currency loans	898,415	3.58 - 5.38	950,335	473,067	372,016	105,252
Bank overdrafts	3,276	7.60	3,276	3,276	-	-
Trade and other payables (excluding progress billings)	531,873	-	531,873	526,624	3,582	1,667
	3,150,745		3,242,553	2,461,008	540,704	240,841

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the maturity profile of 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
Company				
2015				
Non-derivative financial liabilities				
Trade and other payables	2,816	-	2,816	2,816
2014				
Non-derivative financial liabilities				
Trade and other payables	4,511	-	4,511	4,511

(d) Credit risk

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit worthiness review is regularly performed for new customers and existing customers who trade on credit, to mitigate exposure on credit risk. Where appropriate, the Group requires its customers to provide collateral before approvals are given to trade on credit.

The Group does not have any significant exposure to any individual customer or counterparty, nor does it have any major concentration of credit risk related to any financial instruments. The maximum exposure to credit risk is represented by the carrying amount of these financial assets.

Financial guarantees

The Company provides unsecured financial guarantees to banks and other institutions in respect of facilities granted to certain subsidiaries. The Company monitors on an on-going basis the results of the subsidiaries and repayments made by the subsidiaries.

Corporate guarantees with a nominal amount of RM3,816,586,000 (2014: RM2,618,872,000) were provided by the Company to the banks and other institutions in respect of facilities of its subsidiaries.

As at the reporting date, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised as their fair values on initial recognition are insignificant.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to market price risk arising from its investment in quoted equity instruments and placement in money market deposits. The instruments are classified as financial assets at fair value through profit or loss.

To manage its market price risk, the Group manages its portfolio in accordance with established guidelines and policies.

Sensitivity analysis

At the reporting date, if the instruments had been 2% higher/lower, with all other variables held constant, the Group's profit and loss would have increased/(decreased) by RM1,501,000 (2014: RM3,210,000) arising as a result of changes in the fair value of the financial assets classified as fair value through profit and loss.

39. 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 investors, creditors and market confidence and to sustain future development of the business. The directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

There were no changes in the Group's approach to capital management during the year. The debt-to-equity ratios as at the end of the reporting period were as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Borrowings (Note 20)	4,191,936	2,618,872
Cash and bank balances (Note 17)	(414,738)	(317,068)
Net debt	3,777,198	2,301,804
Total equity	4,841,394	4,385,642
Debt-to-equity ratio	0.78	0.52

NOTES TO THE FINANCIAL STATEMENTS

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40. RELATED PARTIES

(a) Related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year.

Related parties	Transactions	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Directors of the Company:					
Dato' Jorgen Bornhoft	Sale of motor vehicle	-	198	-	-
Datuk Edward Lee Ming Foo, JP	Sale of property	714	-	-	-
	Rental expenses	(100)	(116)	-	-
Datuk Simon Shim Kong Yip, JP	Sale of property	3,000	-	-	-
	Rental expenses	(40)	(36)	-	-
Firm connected to Datuk Edward Lee Ming Foo, JP, a director of the Company:				-	-
Corporated International Consultants	Project consultancy fee payable	(6,995)	(4,374)	-	-
Firm in which Datuk Simon Shim Kong Yip, JP, a director of the Company, has interest:					
Shim, Pang & Co	Legal fees	(951)	(800)	(600)	(526)
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company ^	Advisory fees	(2,900)	(2,475)	(2,900)	(2,475)
Foundation connected to Datuk Edward Lee Ming Foo, JP, a director of the Company:					
Lau Gek Poh Foundation #	Donation	(1,070)	(200)	(1,070)	(200)
	Rental expenses	(20)	-	(20)	-

^ Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak is a major shareholder of the Company by virtue of his substantial shareholding in Gek Poh (Holdings) Sdn Bhd, the holding company of the Company.

An organisation principally involved in charitable activities.

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40. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Companies connected to Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company:					
Glenealy Plantations (Malaya) Berhad Group	Sale of products	26,972	20,310	-	-
Lingui Developments Berhad Group	Sale of products	-	20,256	-	-
Samling Strategic Corporation Sdn Bhd Group	Sale of products	6,448	1,457	-	-
Lei Shing Hong Limited Group	Acquisition of land and building	(395,000)	-	-	-
	Disposal of 100% equity interest in a subsidiary	640,800	-	640,800	-
	Sale of products	34,753	2,232	-	-
	Management fees	60	330	-	-
	Project management fees	-	2,505	-	-
	Servicing of motor vehicles	15	15	-	-
	Financial services	-	5,192	-	-
	Administration fees	115	95	-	-
	Rental income	538	957	-	-
	Utilities and maintenance charges	57	-	-	-
	Purchase of products	(93,063)	(139,530)	-	-
	Rental expenses	(5,905)	(1,835)	-	(99)
	Administrative charges	(36)	(107)	-	-
	Interest income	4,727	-	4,727	-
	Interest expense	(653)	-	-	-

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40. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Company in which Tong Chin Hen, a director of a subsidiary, has interest:					
Imaspro Resources Sdn Bhd	Purchase of products	(117)	(150)	-	-
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	Management fees	300	30	-	-
	Rental income	793	231	-	-
	Sale of products	2,668	1,193	-	-
	Purchase of products	(15,631)	(234)	-	-
	Insurance premium*	(12,720)	(12,083)	(98)	(269)
	Utility charges	459	-	-	-
	Servicing of motor vehicles	49	-	-	-
	Handling charges	(542)	-	-	-
	Handling fees	925	-	-	-
	Car usage	(132)	-	-	-
Associates	Management fees received	175	175	175	175
	Rental income	10	10	10	10
	Sale of products	627	773	-	-
	Interest income	134	-	-	-
Joint venture	Sale of products	701	-	-	-
	Rental income	1,257	-	-	-
	Other income	179	-	-	-
	Receiving of services	(3,567)	-	-	-
Subsidiaries	Servicing of motor vehicles	-	-	(111)	(31)
	Rental expenses	-	-	(17)	(70)
	Management fees	-	-	(316)	(402)
	Car usage	-	-	(774)	(605)
	Purchase of products	-	-	(11)	(17)

* This relates to insurance premiums paid/payable via a related company acting as an insurance agent.

Compensation to key management personnel is as disclosed in Note 29.

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40. RELATED PARTIES (CONTINUED)

(b) Balances with related parties

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Amount due from/(to)				
Corporated International Consultants	(1,002)	(805)	-	-
Shim, Pang & Co	(19)	3	-	-
Glenealy Plantations (Malaya) Berhad Group	10,197	3,728	-	-
Lingui Developments Berhad Group	3,289	13,541	-	-
Samling Strategic Corporation Sdn Bhd Group	5,887	1,457	-	-
Lei Shing Hong Limited Group	(30,764)	5,319	-	-
Imaspro Resources Sdn Bhd	-	(37)	-	-
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	699	758	-	-
Director of the Company	2,000	-	-	-
Associates	75	17	-	17
Joint venture	(240)	-	-	-
Subsidiaries	-	-	(115)	(468)

The above balances arose from recurrent related party transactions of revenue or trading nature.

NOTES TO THE FINANCIAL STATEMENTS

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41. SIGNIFICANT EVENTS DURING THE YEAR

(a) On 30 January 2015, Hap Seng Star Vietnam Limited ["HSSVL"], an indirect wholly-owned subsidiary of the Company, had been successfully de-registered from the Companies Registry of Hong Kong. HSSVL was incorporated in Hong Kong as a private limited company on 22 December 2008 and had ceased business since 31 December 2012. Prior to the de-registration, HSSVL had an issued and paid-up capital of HKD16,000,000 comprising 16,000,000 ordinary shares of HKD1.00 each.

(b) On 16 January 2015, Maybank Kim Eng Securities Pte Ltd, for and on behalf of *Hap Seng Investment Holdings Pte Ltd ["HSIH"], made a voluntary conditional cash partial offer to acquire 51% of the ordinary shares [the "Offer Shares"] in the issued share capital of Hafary Holdings Limited ["Hafary"], a company incorporated in Singapore and listed on the Main Board of the Singapore Exchange Securities Trading Limited, at 5.00 p.m. (Singapore time) on 30 January 2015, other than those already owned, controlled or agreed to be acquired by HSIH and parties acting in concert with it as at such date, at a cash consideration of SGD0.24 per Offer Share [the "Partial Offer"].

The Partial Offer closed at 5.30 p.m. (Singapore time) on 13 February 2015 and was duly completed on 23 February 2015 upon settlement of the consideration for the Offer Shares acquired by HSIH on even date. Accordingly, Hafary became a 51% owned subsidiary of HSIH.

(c) On 16 June 2015, the Company completed the disposal of its 49,600,000 ordinary shares representing the entire issued and paid-up capital of Hap Seng Capital Pte Ltd to Lei Shing Hong Limited ["LSH"] at a cash consideration of SGD240.00 million which is equivalent to RM640.80 million (based on the agreed currency exchange rate of SGD1.00 to RM2.67) [the "Disposal"].

On even date, *Hap Seng Realty (KK I) Sdn Bhd completed the acquisition of a purpose-built fourteen (14)-storey retail and office tower block now known as Plaza Shell in the district of Kota Kinabalu, Sabah from Akal Megah Sdn Bhd, a wholly-owned subsidiary of LSH, at a cash consideration of RM395.00 million [the "Acquisition"].

The Disposal and the Acquisition are collectively referred to as the "Proposals".

The Proposals were deemed related party transactions. As at the date of completion hereof, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] is a 37.68% major shareholder of LSH and also a 56% major shareholder and director of Gek Poh (Holdings) Sdn Bhd ["Gek Poh"]. Gek Poh is the holding company of the Company and a 12.42% major shareholder of LSH. Lei Shing Hong Investment Ltd ["LSHI"], a wholly-owned subsidiary of LSH, is also a 16.93% major shareholder of the Company. Hence, both Tan Sri Lau and LSHI were deemed interested in the Proposals.

The Disposal resulted in a gain of approximately RM508.80 million to the Group.

41. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(d) On 8 July 2015, *Hap Seng Auto Sdn Bhd transferred 2,000,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Hap Seng Commercial Vehicle Sdn Bhd *(formerly known as Hap Seng Industrial Sdn Bhd)* ["HSCV"] to *Hap Seng Star Sdn Bhd for a cash consideration of RM3,093,000.

(e) On 6 November 2015, *Hap Seng Credit Sdn Bhd ["HSC"] incorporated a wholly-owned subsidiary in Australia, Hap Seng Credit (Australia) Pty Ltd ["HSCA"]. HSCA has an issued and paid-up share capital of AUD100.00 comprising 100 ordinary shares and is currently dormant.

(f) During the financial year, the Company had acquired total additional 5,333,500 ordinary shares of RM1.00 each representing approximately 0.66% equity interest in Hap Seng Plantations Holdings Berhad ["HSP"] via the open market, thereby increasing its shareholding in HSP to 53.04%. HSP is the Company's subsidiary listed on Bursa Malaysia Securities Berhad.

* *These are the Company's wholly-owned subsidiaries.*

42. SUBSEQUENT EVENTS

Subsequent events other than those detailed elsewhere in the financial statements are as follows:

(a) On 20 January 2016, *Hap Seng Land Development Sdn Bhd ["HSLD"] acquired the entire issued and paid-up share capital of Golden Suncity Sdn Bhd ["GSSB"] comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.00. On 29 January 2016, HSLD entered into a shareholders' agreement ["SHA"] with TTDI KL Metropolis Sdn Bhd ["TTDI KL"], a wholly-owned subsidiary of Naza TTDI Sdn Bhd, and GSSB to regulate their relationship inter-se as shareholders of GSSB based on a shareholding proportion of 70:30.

Simultaneous with the execution of the SHA, GSSB has entered into a development rights agreement ["DRA"] with TTDI KL, pursuant to which TTDI KL as the registered and beneficial proprietor of all that parcel of a leasehold land held under PN52352, Lot 80928, Mukim Batu, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan KL measuring 8.95 acres (approximately 389,862 square feet) [the "Land"] has agreed to grant to GSSB, the exclusive rights to develop the Land at the consideration of RM467,834,400.

42. SUBSEQUENT EVENTS (CONTINUED)

(a) (continued)

The DRA is currently pending fulfilment of the following conditions precedent ["CPs"] within twelve (12) months from the date of the DRA:

(i) TTDI KL having obtained the relevant approval and consent from the relevant authorities for the relocation of the existing suction tank and pump house from the Land;

(ii) TTDI KL having obtained the approval from the State Authority for the charge of the Land in favour of GSSB's financier;

(iii) TTDI KL having completed the construction of the main sewerage reticulation lines for GSSB to connect from the agreed tapping points to the Land; and

(iv) GSSB having submitted the application for the development order and shall not have received any material adverse conditions.

The DRA shall become unconditional on the date of the last of the CPs is obtained or waived ["Unconditional Date"] and is expected to be completed within 10 years from the Unconditional Date.

(b) On 22 January 2016, the Company completed the acquisition of 2,000,000 ordinary shares representing the entire issued and paid-up share capital in Lei Shing Hong Wood Products Limited from Lei Shing Hong Trading Limited, a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], at a cash consideration of USD3,215,401 [the "Proposed Acquisition"].

The Proposed Acquisition was deemed a related party transaction. As at the date of completion thereof, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was a 37.68% major shareholder of LSH and a 56.00% major shareholder and director of Gek Poh (Holdings) Sdn Bhd ["Gek Poh"]. Gek Poh held 12.42% shares of LSH and was also the holding company of HSCB with an aggregate shareholding of 59.17%, comprising 53.99% direct shareholding and 5.18% indirect shareholding via Hap Seng Insurance Services Sdn Bhd ["HSIS"]. Lei Shing Hong Investment Ltd ["LSHI"], a wholly-owned subsidiary of LSH, was a 13.89% major shareholder of HSCB. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH and LSHI were deemed interested in the Proposed Acquisition.

(c) On 5 February 2016, Hafary Pte Ltd ["HPL"], a wholly-owned subsidiary of Hafary Holdings Limited which is a 51% owned subsidiary of *Hap Seng Investment Holdings Pte Ltd, became a 51% shareholder of Hafary Balestier Showroom Pte Ltd ["HBSPL"], a joint venture company incorporated in Singapore on even date with an issued and paid-up capital of SGD100 comprising 100 ordinary shares. HBSPL is principally involved in investment holding, including but not limited to the holding of properties.

42. SUBSEQUENT EVENTS (CONTINUED)

(d) On 1 March 2016, *Hap Seng Star Sdn Bhd ["HSS"] entered into a shares sale agreement ["SSA"] with Lei Shing Hong Commercial Vehicles Limited ["LSHCV"], pursuant to which:

(i) HSS has agreed to dispose of its 51% equity interest in Hap Seng Commercial Vehicle Sdn Bhd *(formerly known as Hap Seng Industrial Sdn Bhd)* ["HSCV"] comprising 127,500,000 ordinary shares of RM1.00 each ["HSCV Shares"] ["Sale Shares"] to LSHCV and LSHCV has agreed to acquire the Sale Shares from HSS at a cash consideration of RM382.50 million [the "Proposed Disposal"]; and

(ii) LSHCV has granted a put option to HSS to sell the balance of 49% or part thereof of the equity interest in HSCV comprising 122,500,000 HSCV Shares ["Option Shares"] to LSHCV for a cash consideration of up to RM367.50 million ["Exercise Price"] [the "Put Option"]. The Exercise Price is to be pro-rated according to the actual number of Option Shares put to LSHCV. The Put Option is exercisable for a period of 5 years only after the completion of the Proposed Disposal [the "Proposed Option Shares Disposal"].

Concurrently on 1 March 2016, the Company entered into a SSA with Gek Poh (Holdings) Sdn Bhd ["Gek Poh"], pursuant to which Gek Poh has agreed to sell, and the Company has agreed to purchase 158,599,450 ordinary shares of RM1.00 each in Malaysian Mosaics Sdn Bhd ["MMSB Shares"], representing the entire issued and paid-up capital of MMSB, for a cash consideration of RM380.00 million [the "Proposed Acquisition"].

(The Proposed Disposal, the Proposed Option Shares Disposal and the Proposed Acquisition are collectively referred to as the "Proposals").

The Proposals are deemed related party transactions. As at the date hereof, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] is a 37.68% major shareholder of LSH and a 56.00% major shareholder and director of Gek Poh. Gek Poh holds 12.42% shares of LSH and is also the holding company of the Company with an aggregate shareholding of 60.41% in HSCB, comprising 55.45% direct shareholding and 4.96% indirect shareholding via Hap Seng Insurance Services Sdn Bhd ["HSIS"]. Lei Shing Hong Investment Ltd ["LSHI"], a wholly-owned subsidiary of LSH, is a 13.31% major shareholder of HSCB. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH and LSHI are deemed interested in the Proposals.

The Proposals are subject to the shareholders' approval to be obtained at the extraordinary general meeting of the Company to be convened.

(e) On 20 April 2016, HPL became a 56% shareholder of Gres Universal Pte Ltd ["GUPL"] which was incorporated in Singapore on even date with an issued and paid-up capital of SGD500,000 comprising 500,000 ordinary shares. GUPL is principally involved in distribution and wholesaling of building materials.

* *These are the Company's wholly-owned subsidiaries.*

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43. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group and of the Company into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained profits of the Company and its subsidiaries				
- Realised	2,979,943	2,640,815	750,132	769,677
- Unrealised	259,349	196,646	19,404	(23)
	3,239,292	2,837,461	769,536	769,654
Total share of retained profits from associates and joint venture				
- Realised	9,618	17,708	-	-
- Unrealised	39,123	18,318	-	-
- Breakdown unavailable *	26,647	23,702	-	-
	3,314,680	2,897,189	769,536	769,654
Less: Consolidation adjustments	(1,516,922)	(1,353,642)	-	-
Total retained profits as per financial statements	1,797,758	1,543,547	769,536	769,654

* This represents the share of retained profits of Lam Soon (Thailand) Public Company Limited ["LST"], an associate which is listed in the Stock Exchange of Thailand. The information required by Bursa Securities was not made available by LST due to the requirement to comply with the Guideline on Disclosure of Information of Listed Companies issued by the Stock Exchange of Thailand.

ADDITIONAL INFORMATION

The following additional information are provided in accordance with Paragraph 9.25 Appendix 9C of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

On 16 June 2015, the Company completed the disposal of its 49,600,000 ordinary shares representing the entire issued and paid-up capital of Hap Seng Capital Pte Ltd to Lei Shing Hong Limited ["LSH"] at cash consideration of SGD240.00 million which is equivalent to RM640.80 million (based on the agreed currency exchange rate of SGD1.00 to RM2.67) [the "Proposed Disposal"].

On even date, Hap Seng Realty (KK 1) Sdn Bhd completed the acquisition of purpose-built fourteen (14)-storey retail and office tower block now known as Plaza Shell in the district of Kota Kinabalu, Sabah from Akal Megah Sdn Bhd, a wholly-owned subsidiary of LSH, at the cash consideration of RM395 million [the "Proposed Acquisition"].

The proceeds from the Proposed Disposal have been fully utilised in the current financial year ended 31 December 2015 as follows:

		← As at 31.12.2015 →		
Purpose	**Proposed Utilisation RM'Million**	**Utilisation RM'Million**	**Balance Utilisation RM'Million**	**Intended timeframe for Utilisation**
Proposed Acquisition	395.00	395.00	-	-
General working capital:				
(i) Loan disbursement of credit financing division	97.76	97.76	-	-
(ii) Purchase of inventories, such as fertilisers, automobiles and building materials which include steel bars, wire mesh and cement	48.88	48.88	-	-
(iii) Properties development costs such as construction costs and consultancy fees	48.88	48.88	-	-
(iv) Payment of trade and other payables	48.88	48.82	#	-
	244.40	244.34	-	-
Estimated fees and expenses	1.40	1.46	#	-
	640.80	**640.80**	**-**	**-**

The over spent in fees and expenses were covered by the proceeds earmarked for payment of trade and other payables.

ADDITIONAL INFORMATION

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year under review, 22,951,656 warrants were exercised with a balance of 241,019,163 warrants unexercised as at 31 December 2015. These warrants are constituted by the deed poll dated 6 July 2011.

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

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

4. PARTICULARS OF SANCTIONS AND/OR PENALTIES IMPOSED

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2015.

5. 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 2015 was RM1,029,000 as disclosed in Note 27 to the Financial Statements.

6. VARIATION IN RESULTS

There were no material variances in the Company's audited consolidated financial results for the financial year ended 31 December 2015 and the unaudited results for the same period previously released in the quarterly report to Bursa Malaysia Securities Berhad on 24 February 2016.

7. PROFIT GUARANTEES

There was no profit guarantee given by the Company during the financial year ended 31 December 2015.

8. MATERIAL CONTRACTS

Information regarding material contracts of the Company and its subsidiaries involving directors' and major shareholders' interest are disclosed in Note 41(c) to the Financial Statements.

Other than those disclosed in Note 41(c), there were no other material contracts of the Company and its subsidiaries involving directors' and major shareholders' interest, which still subsisted as at 31 December 2015, or entered into since 31 December 2014 save for the following:

- Related party transactions in the ordinary course of business on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority interests, which were entered into during the financial year ended 31 December 2015 as disclosed in Note 40 to the Financial Statements.

The Company will be seeking new or renewed shareholders' mandate for recurrent related party transactions at the extraordinary general meeting to be convened on 19 May 2016 immediately after the conclusion of the annual general meeting to be held on the same date.

PARTICULARS OF TOP TEN PROPERTIES OF THE GROUP

Location	Area	Description	Date of Acquisition	Tenure	Year of Expiry	Approximate Age of Buildings (Years)	Net book value at 31/12/2015 RM'000
MALAYSIA							
KUALA LUMPUR							
Lot 593 & 594, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur	7,436 m^2	Menara Hap Seng 22-storey office building for rental	June 2004	Freehold	-	43	279,948
Lot 11383, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur	4,376 m^2	Menara Hap Seng 2 31-storey office building for rental	March 2010	Freehold	-	2	380,235
Lot 234, Seksyen 63, Jalan Kia Peng, Kuala Lumpur	3,796 m^2	Land held for development	August 2015	Freehold	-	-	127,288
SELANGOR							
H.S.(D) 296690 & 296691, Seksyen 23, Bandar Shah Alam, Petaling	81,860 m^2	Land held for development	March/ September 2015	Leasehold 99 years	2098	-	148,097
H.S.(D) 288475, Kinrara Industrial Park, Puchong	30,255 m^2	2-storey Mercedes-Benz 3S centre and 6-storey commercial building under construction	August 2005/ November 2008	Freehold	-	3 - 9	144,565
SABAH							
KOTA KINABALU							
TL017529341, Jalan Tunku Abdul Rahman & Jalan Laiman Diki, District of KK.	8,741 m^2	Plaza Shell 14-storey office building for rental	June 2015	Leasehold 99 years	2073	1	395,119

PARTICULARS OF TOP TEN PROPERTIES OF THE GROUP

Location	Area	Description	Date of Acquisition	Tenure	Year of Expiry	Approximate Age of Buildings (Years)	Net book value at 31/12/2015 RM'000
SABAH							
KINABATANGAN, LAHAD DATU							
Batangan Estate	3,633 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	10 - 33	273,693
Lutong Estate	2,488 ha	Oil palm plantation & buildings	July 1996/ July 2003	Leasehold 99 years	2078/ 2098/ 2099	1 - 24	
Lokan Estate	3,155 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	1 - 20	
Kapis Estate	2,681 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	1 - 28	
Lungmanis Estate	2,200 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	2 - 18	
Tomanggong Estate	4,890 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years/ 999 years	2067/ 2094/ 2894	3 - 45	325,168
Tabin Estate	2,579 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years	2067/ 2076/ 2093/ 2097	3 - 30	
Tagas Estate	2,010 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years	2067/ 2076	1 - 39	
Litang Estate	1,571 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years/ 999 years	2076/ 2091/ 2887/ 2900	3 - 30	
Sungai Segamas Estate	5,174 ha	Oil palm plantation & buildings	December 1990	Leasehold 99 years	2089	1 - 23	
Bukit Mas Estate	4,733 ha	Oil palm plantation & buildings	December 1990	Leasehold 99 years/ 999 years	2089/ 2887	2 - 21	
SINGAPORE							
105, Eunos, Avenue 3, Hafary Centre, Singapore, 409836.	4,978 m^2	6-storey light industrial building	February 2015	Leasehold 60 years	2039	3	134,950
18, Sungei Kadut Street 2, Singapore, 729236.	9,920 m^2	Under redevelopment into a 7-storey industrial building	February 2015	Leasehold 34 years	2043	-	121,062

PLANTATION STATISTICS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2011	2012	2013	2014	2015
CROP PRODUCTION - TONNES					
FFB	738,969	665,812	704,241	727,937	709,984
PROCESSED - TONNES					
FFB - own	693,901	620,770	662,452	680,741	667,504
FFB - purchased	107,623	105,469	116,490	121,673	107,829
Palm Oil	168,025	154,595	116,202	172,980	170,546
Palm Kernel	37,050	34,587	36,554	38,778	38,087
EXTRACTION RATE - %					
Palm Oil	20.96	21.29	21.34	21.56	22.00
Palm Kernel	4.62	4.76	4.69	4.83	4.91
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	2,289	2,788	2,525	4,089	5,599
> 7 years to 17 years	16,009	13,332	10,981	10,122	8,480
> 17 years onwards	12,770	14,335	17,164	17,162	18,361
Total mature area	**31,068**	**30,455**	**30,670**	**31,373**	**32,440**
AVERAGE YIELD - TONNES/HECTARE					
FFB yield per mature hectare	23.79	21.86	22.96	23.20	21.89
Oil per mature hectare	4.99	4.65	4.90	5.00	4.81
AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE					
FFB	697	560	470	491	433
Palm Oil	3,226	2,773	2,343	2,386	2,168
Palm Kernel	2,200	1,494	1,288	1,654	1,600

PLANTATION STATISTICS

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2015

	River Estates Group	Jeroco	* HSP (Kota Marudu)	Pelipikan Plantation	Total Plantation Division
Oil Palm					
Mature	20,387	10,565	585	903	32,440
Immature	935	2,157	-	-	3,092
Total Oil Palm	21,322	12,722	585	903	35,532
Other crop	60	86	-	-	146
Total planted area	21,382	12,808	585	903	35,678
Reserves	584	312	81	330	1,307
Buildings, roads etc	1,547	997	142	132	2,818
Grand Total	**23,513**	**14,117**	**808**	**1,365**	**39,803**

Conversion Rate : 1 Hectare = 2.4710 acres

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

SHARE BUY-BACKS SUMMARY

Month (2015)	No. of shares bought back and retained as treasury shares	Lowest price paid per share (RM)	Highest price paid per share (RM)	Average cost per share (RM)	Total consideration paid (RM'000)	No. of treasury shares resold	Lowest resale price per share (RM)	Highest resale price per share (RM)	Average resale price per share (RM)	Total consideration received (RM'000)
January	-	-	-	-	-	-	-	-	-	-
February	-	-	-	-	-	-	-	-	-	-
March	-	-	-	-	-	-	-	-	-	-
April	-	-	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-	-	-
June	2,000	4.94	4.94	4.98	10	-	-	-	-	-
July	-	-	-	-	-	-	-	-	-	-
August	8,808,700	5.18	5.31	5.30	46,718	-	-	-	-	-
September	1,622,500	5.29	5.55	5.52	8,954	-	-	-	-	-
October	-	-	-	-	-	8,048,700	6.04	6.34	6.15	49,465
November	200,000	6.08	6.15	6.14	1,228	570,000	6.47	6.59	6.47	3,689
December	1,862,000	6.02	6.25	6.15	11,445	-	-	-	-	-
Total	**12,495,200**	**4.94**	**6.25**	**5.47**	**68,355**	**8,618,700**	**6.04**	**6.59**	**6.17**	**53,154**

During the financial year, 12,495,200 shares were bought back and 8,618,700 treasury shares were resold on the open market. Consequently, the balance cumulative treasury shares held as at 31 December 2015 were 93,058,900.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2016

Authorised share capital	: RM5,000,000,000
Issued and fully paid-up capital	: RM2,336,261,498
Class of shares	: ordinary share of RM1.00 each
Voting rights	: one vote per ordinary share
Number of shareholders	: 9,268

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Capital
1 to 99	448	4.83	7,566	#
100 to 1,000	1,188	12.82	836,213	0.04
1,001 to 10,000	4,637	50.03	22,485,367	1.00
10,001 to 100,000	2,580	27.84	76,959,719	3.43
100,001 to less than 5% of issued shares	412	4.45	564,264,073	25.15
5% & above of issued shares	3	0.03	1,578,649,660	70.38
Total	**9,268**	**100.00**	**2,243,202,598**	**100.00**

* *The number of 2,243,202,598 ordinary shares was arrived at after deducting 93,058,900 treasury shares held by the Company from the original issued and paid-up share capital of 2,336,261,498 ordinary shares of the Company.*

\# *Negligible*

LIST OF 30 LARGEST SHAREHOLDERS

	Shareholding	% [3]
1. Gek Poh (Holdings) Sdn Bhd	855,177,100	38.12
2. Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients Account)	430,138,560	19.18
3. RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Gek Poh (Holdings) Sdn Bhd	293,334,000	13.08
4. Malaysia Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for Gek Poh (Holdings) Sdn Bhd (01-00850-00)	100,000,000	4.46
5. Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Phillip Securities (Hong Kong) Ltd (Clients' Account)	90,813,000	4.05
6. Hap Seng Insurance Services Sdn Bhd	66,705,580	2.97
7. RHB Nominees (Tempatan) Sdn Bhd - Hap Seng Insurance Services Sdn Bhd	45,000,000	2.01
8. Chinchoo Investment Sdn Berhad	13,595,380	0.61
9. Gan Teng Siew Realty Sdn Berhad	12,308,600	0.55
10. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West CLT OD67)	11,863,400	0.53

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2016

	Shareholding	% [3]
11. Key Development Sdn Berhad	11,008,800	0.49
12. Cartaban Nominees (Asing) Sdn Bhd - GIC Private Limited for Government of Singapore (C)	8,609,600	0.38
13. Mikdavid Sdn Bhd	8,320,600	0.37
14. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	8,215,700	0.37
15. H'ng Poh Gin	6,663,800	0.30
16. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.S.A)	6,655,000	0.30
17. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	4,874,840	0.22
18. Rengo Malay Estate Sendirian Berhad	4,032,000	0.18
19. Bidor Tahan Estates Sdn Bhd	3,780,000	0.17
20. HSBC Nominees (Asing) Sdn Bhd - BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	3,296,600	0.15
21. HSBC Nominees (Asing) Sdn Bhd - HSBC BK Plc for Abu Dhabi Investment Authority (AGUS)	3,107,100	0.14
22. CIMB Commerce Trustee Berhad - Public Focus Select Fund	3,090,200	0.14
23. Maybank Nominees (Tempatan) Sdn Bhd - Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	2,595,800	0.12
24. HSBC Nominees (Asing) Sdn Bhd - HSBC BK Plc for Abu Dhabi Investment Authority (TRANG)	2,501,500	0.11
25. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Liew Jew Fook (E-PDG)	2,258,000	0.10
26. Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	2,255,640	0.10
27. Gemas Bahru Estates Sdn Bhd	2,243,000	0.10
28. Citigroup Nominees (Asing) Sdn Bhd - Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)	2,110,325	0.09
29. DB (Malaysia) Nominee (Asing) Sdn Bhd - BNYM SA/NV for People's Bank of China (SICL Asia EM)	2,094,000	0.09
30. Chinchoo Holdings (S) Private Limited	2,041,200	0.09
Total	**2,008,689,325**	**89.55**

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2016

SUBSTANTIAL SHAREHOLDERS

	Shareholding			
	Direct	% [3]	Indirect	% [3]
Gek Poh (Holdings) Sdn Bhd	1,248,511,100	55.66	111,705,580 [1]	4.98
Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients A/C for Lei Shing Hong Investment Limited)	299,564,660	13.35	-	-
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	1,659,781,340 [2]	73.99

Notes:

[1] *Deemed interests through its wholly-owned subsidiary, Hap Seng Insurance Services Sdn Bhd, pursuant to section 6A(4) of the Companies Act, 1965 (the "Act").*

[2] *Deemed interests by virtue of his direct and/or indirect substantial interests in Gek Poh (Holdings) Sdn Bhd and Lei Shing Hong Investment Limited pursuant to section 6A(4) of the Act.*

[3] *For purpose of computing the percentage of shareholding above, the number of ordinary shares used was 2,243,202,598 which was arrived at after deducting 93,058,900 treasury shares held by the Company from its issued and paid-up share capital of 2,336,261,498 ordinary shares.*

ANALYSIS OF WARRANTHOLDINGS

AS AT 31 MARCH 2016

Total warrants issued : 364,392,900
Less: Total warrants exercised : 209,927,799
Balance of warrants unexercised : 154,465,101

DISTRIBUTION OF WARRANTHOLDERS

Size of Warrantholdings	No. of Warrantholders	% of Warrantholders	No. of Warrants Held	% of Warrantholdings
1 to 99	132	5.83	7,323	#
100 to 1,000	637	28.12	343,991	0.22
1,001 to 10,000	1,305	57.62	4,045,159	2.62
10,001 to 100,000	181	7.99	4,005,062	2.60
100,001 to less than 5% of issued warrants	8	0.35	1,254,244	0.81
5% & above of issued warrants	2	0.09	144,809,322	93.75
Total	**2,265**	**100.00**	**154,465,101**	**100.00**

Negligible

LIST OF 30 LARGEST WARRANTHOLDERS

		Warrantholding	%
1.	Gek Poh (Holdings) Sdn Bhd	111,583,442	72.24
2.	Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients A/C)	33,225,880	21.51
3.	Soon Khiat Voon	318,000	0.21
4.	Ong Hsieh Yin	200,000	0.13
5.	Ng Chin Siu & Sons Rubber Estates Sdn Bhd	140,620	0.09
6.	Geoffrey Lim Fung Keong	140,024	0.09
7.	Amanahraya Trustees Berhad - PB China Asean Equity Fund	120,000	0.08
8.	Teh Kee Peng	120,000	0.08
9.	Liew Lee Kuen	109,900	0.07
10.	Affin Hwang Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Lee Teck Heng	105,700	0.07
11.	Wong Wai Hoe	100,000	0.06
12.	Cimsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Soon Thiam Yew (Ampang-CL)	77,500	0.05
13.	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for Wong Cha Yee (M57018)	73,700	0.05
14.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Keng Chin Eng (E-SGM)	66,800	0.04
15.	Soon Khiat Voon	62,000	0.04

ANALYSIS OF WARRANTHOLDINGS

AS AT 31 MARCH 2016

	Warrantholding	%
16. Chua Holdings Sdn Bhd	60,000	0.04
17. Lai Ming Chun @ Lai Poh Lin	60,000	0.04
18. Sow Tiap	60,000	0.04
19. Ewe Poh Kim	59,613	0.04
20. HLIB Nominees (Tempatan) Sdn Bhd - Hong Leong Bank Bhd for Ngu Teck Ping	51,000	0.03
21. Cheang Wai Kett	50,000	0.03
22. Chong You Yeong	50,000	0.03
23. Goh Lai Huat	48,000	0.03
24. Agnes Cheok Hwee Fang @ Agnes Cheok Hwee Hong	44,200	0.03
25. Koh Gah Hwee	42,600	0.03
26. Alpha Banyan Holdings Sdn Bhd	42,000	0.03
27. Khoo Loon See	42,000	0.03
28. Kiet Loong Goldsmith Sdn. Berhad	42,000	0.03
29. HLIB Nominees (Tempatan) Sdn Bhd - Hong Leong Bank Bhd for Soo Lai Huang	41,300	0.03
30. Tan Beng Sim	40,600	0.03
Total	**147,176,879**	**95.28**

DIRECTORS' SHAREHOLDINGS

AS AT 31 MARCH 2016

	Direct Shareholding		Indirect Shareholding	
Company:	**No. of Shares**	**% (1)**	**No. of Shares**	**% (1)**
Hap Seng Consolidated Berhad (HSCB)				
Dato' Jorgen Bornhoft	50,000	0.0022	-	-
Dato' Mohammed Bin Haji Che Hussein	36,000	0.0016	-	-
Related Corporation:	**No. of Shares**	**% (2)**	**No. of Shares**	**% (2)**
Hap Seng Plantations Holdings Berhad (HSP)				
Dato' Jorgen Bornhoft	10,000	0.0013	-	-
Ms. Cheah Yee Leng	31,200	0.0039	-	-
Datuk Simon Shim Kong Yip, JP	180,000	0.0225	-	-
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	5,000	0.0006	-	-

Notes:

(1) *For purpose of computing the percentage of HSCB shareholding above, the number of ordinary shares used was 2,243,202,598 which was arrived at after deducting 93,058,900 treasury shares held by HSCB from its issued and paid-up share capital of 2,336,261,498 ordinary shares.*

(2) *For purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,699,200 which was arrived at after deducting 300,800 treasury shares held by HSP from its issued and paid-up share capital of 800,000,000 ordinary shares.*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 40th annual general meeting of Hap Seng Consolidated Berhad will be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 19 May 2016 at 2pm to transact the following:-

AGENDA

ORDINARY BUSINESS

1. To table the audited financial statements for the financial year ended 31 December 2015 together with the reports of directors and auditors. Note 1

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

2. To reappoint Dato' Jorgen Bornhoft pursuant to section 129(6) of the Companies Act, 1965 as director of the Company to hold office until the conclusion of the next annual general meeting of the Company. Note 2 **Resolution 1**

3. To reappoint Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan pursuant to section 129(6) of the Companies Act, 1965 as director of the Company to hold office until the conclusion of the next annual general meeting of the Company. Note 2 **Resolution 2**

4. To re-elect Datuk Simon Shim Kong Yip, JP who shall retire in accordance with article 97 of the Company's articles of association and being eligible, has offered himself for re-election. Note 3 **Resolution 3**

5. To re-elect Mr. Leow Ming Fong @ Leow Min Fong who shall retire in accordance with article 103 of the Company's articles of association and being eligible, has offered himself for re-election. Note 4 **Resolution 4**

6. To approve the payment of directors' fees of the Company amounting to RM682,500.00 for the financial year ended 31 December 2015. **Resolution 5**

7. To reappoint Messrs Ernst & Young as auditors of the Company to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the directors of the Company. Note 6 **Resolution 6**

SPECIAL BUSINESS

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

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

   "That subject always to the approvals of the relevant authorities, the directors of the Company be and are hereby empowered pursuant to section 132D of the Companies Act, 1965 to issue shares in the Company at any time upon such terms and conditions, and for such purposes as the directors of the Company may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being and that the directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." Note 7 **Resolution 7**

NOTICE OF ANNUAL GENERAL MEETING

9. **Continuation of independent non-executive chairman**

   "That subject to Resolution 1 above being passed and pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, Dato' Jorgen Bornhoft be and is hereby authorised to continue in office as the independent non-executive chairman of the Company until the conclusion of the next annual general meeting." Note 8 **Resolution 8**

By order of the Board

Lim Guan Nee (MAICSA 7009321)
Quan Sheet Mei (MIA 6742)
Company Secretaries

Kuala Lumpur
28 April 2016

Explanatory notes to the Agenda:-

1. *Pursuant to section 169(1) of the Companies Act, 1965 (Act), the directors shall lay before the Company at its annual general meeting its annual financial statements made up to a date not more than 6 months before the date of the meeting. There will be no resolution to be passed on this item 1.*

2. *Pursuant to section 129(2) of the Act, the office of a director of a public company or of a subsidiary of a public company shall become vacant at the conclusion of the annual general meeting commencing next after he attains the age of seventy years. However, section 129(6) of the Act states that a person of or over the age of seventy years may by a resolution of which no shorter notice than that required to be given to the members of the company of an annual general meeting has been duly given, passed by a majority of not less than three-fourths of such members of the company as being entitled so to do vote in person or, where proxies are allowed, by proxy, at a general meeting of that company, be appointed or reappointed as a director of that company to hold office until the next annual general meeting of the company.*

3. *Pursuant to article 97 of the Company's articles of association and paragraph 7.26(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), at least one-third of the directors of the Company for the time being shall retire from office at every annual general meeting, but shall be eligible for re-election.*

4. *Pursuant to article 103 of the Company's articles of association and paragraph 7.22 of the Listing Requirements, any director so appointed shall hold office only until the next annual general meeting of the company, and shall then be eligible for re-election.*

5. *Based on the satisfactory outcome of its review, the Nominating Committee had made recommendations to the Board for these directors to be re-elected or reappointed, as the case may be.*

6. *Pursuant to section 172(2) of the Act, the Company shall at every annual general meeting appoint its auditors who shall hold office until the conclusion of the next annual general meeting.*

NOTICE OF ANNUAL GENERAL MEETING

7. *This section 132D authority, if approved, will empower the directors of the Company to issue ordinary shares in the Company up to 10% of the issued and paid-up share capital of the Company for the time being, subject to compliance with all other regulatory requirements and this will enable the Company to finance investments projects, working capital and/or acquisitions by issuing new shares as and when the need arises without delay or incurring costs in convening a separate general meeting. This authority, unless revoked or varied at an earlier general meeting, will expire at the conclusion of the next annual general meeting of the Company.*

   As at the date of this notice of annual general meeting, the Company has not issued any new shares pursuant to the existing section 132D authority obtained during the last annual general meeting held on 4 June 2015, which authority shall lapse at the conclusion of this annual general meeting.

8. *Despite having served as an independent director for more than nine years, the Board, upon the assessment and recommendation of the Nominating Committee, is of the opinion that Dato' Jorgen Bornhoft is capable of acting objectively in the best interests of the Company, and has demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements.*

Notes to the notice of annual general meeting:-

1. *A depositor shall not be regarded as a member entitled to attend this general meeting, to speak and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 12 May 2016 (which is not less than 3 market days before the date of this meeting) issued by Bursa Malaysia Depository Sdn Bhd (Bursa Depository) upon the Company's request in accordance with the rules of the Bursa Depository.*

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

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

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

HAP SENG CONSOLIDATED BERHAD (26877-W)

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 Consolidated 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 40th annual general meeting of the Company to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 19 May 2016 at 2pm or at any adjournment thereof in the manner as indicated below:-

Agenda

1 To table the audited financial statements for the financial year ended 31 December 2015 together with the reports of directors and auditors.

ORDINARY BUSINESS		**FOR**	**AGAINST**
2 To reappoint Dato' Jorgen Bornhoft as director of the Company.	**Resolution 1**		
3 To reappoint Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan as director of the Company.	**Resolution 2**		
4 To re-elect Datuk Simon Shim Kong Yip, JP as director of the Company.	**Resolution 3**		
5 To re-elect Mr. Leow Ming Fong @ Leow Min Fong as director of the Company.	**Resolution 4**		
6 To approve the payment of directors' fees.	**Resolution 5**		
7 To reappoint Messrs Ernst & Young as auditors of the Company.	**Resolution 6**		
SPECIAL BUSINESS		**FOR**	**AGAINST**
8 Authority to allot and issue shares pursuant to section 132D of the Companies Act, 1965.	**Resolution 7**		
9 To approve the continuation of Dato' Jorgen Bornhoft as the independent non-executive chairman of the Company.	**Resolution 8**		

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 __________________ 2016

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

Notes:-

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Fold here

Postage

THE COMPANY SECRETARY
HAP SENG CONSOLIDATED BERHAD
(Company No. 26877-W)
21st Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

Fold here

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