HAP SENG

Creating
Value
Together

ANNUAL REPORT

2019

HAP SENG CONSOLIDATED BERHAD

ABOUT US

Hap Seng Consolidated Berhad ("HSCB") is a public company listed on the Main Market of Bursa Malaysia Securities Berhad. HSCB is a diversified group with six core businesses namely plantation, property investment & development, credit financing, automotive, trading and building materials.

Progressive and forward-looking, the Group's emphasis on value creation, operational excellence and sustainability has enabled the Group to consistently deliver value to our shareholders.

OUR SIX BUSINESS DIVISIONS

PLANTATION

AUTOMOTIVE

PROPERTY INVESTMENT & DEVELOPMENT

TRADING

CREDIT FINANCING

BUILDING MATERIALS

44TH ANNUAL GENERAL MEETING

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

Date
Thursday, 2 July 2020

Time
10.00 a.m.

MISSION STATEMENTS

To provide quality products and excellent services that differentiates us from others.

To be the preferred partner and promote win-win business relationships.

To achieve sustainable growth and returns for our shareholders over the long term.

To be the employer of choice.

To be a good corporate citizen in harmony with the environment and the communities we serve.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Thomas Karl Rapp
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

Leow Ming Fong @ Leow Min Fong
Independent Non-Executive Director

Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah
Independent Non-Executive Director

Tan Boon Peng
Independent Non-Executive Director

COMPANY SECRETARY

Lim Guan Nee (MAICSA 7009321)
SSM Practising Certificate No.: 202008003410

REGISTERED OFFICE

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

Tel : 603-2172 5228
Fax : 603-2172 5286
E-mail : inquiry@hapseng.com
Website : www.hapseng.com

PLACE OF INCORPORATION

Malaysia

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
Registration No.: 199601006647 (378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan

Tel : 603-7890 4700
Fax : 603-7890 4670

AUDITORS

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela,
Pusat Bandar Damansara
50490 Kuala Lumpur

PRINCIPAL BANKERS

Malayan Banking Berhad
Public Bank Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad
OCBC Bank (Malaysia) Berhad
HSBC Bank Malaysia Berhad
Hong Leong Bank Berhad
CIMB Bank Berhad
AmBank (M) Berhad
Affin Bank Berhad

GROUP

Hap Seng Consolidated Berhad together with its subsidiaries

GROUP FINANCIAL HIGHLIGHTS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2015	2016	2017*	2018	2019
INCOME (RM'000)					
Revenue	4,393,338	4,891,714	5,293,993	6,246,519	**7,096,067**
Profit before interest and tax	1,221,408	1,364,423	1,508,877	1,558,123	**1,710,592**
Profit before tax	1,117,596	1,244,935	1,375,897	1,394,178	**1,476,813**
Profit attributable to owners of the Company	908,473	1,000,960	1,098,923	1,145,608	**1,162,871**
FINANCIAL POSITION (RM'000)					
Assets					
Total assets	10,034,932	11,725,461	13,169,322	15,575,804	**17,372,884**
Net assets	4,242,648	5,490,676	6,137,861	7,025,388	**7,340,166**
Current assets	3,951,443	5,105,674	5,397,418	7,092,661	**7,878,204**
Liabilities					
Current liabilities	3,114,414	3,433,667	3,976,766	3,832,530	**5,022,768**
Borrowings	4,191,936	4,425,247	4,478,875	5,428,983	**6,381,186**
Borrowings (net of money market deposits and cash)	3,678,562	3,386,227	3,739,628	3,788,635	**4,073,624**
Shareholders' Equity					
Paid-up share capital	2,249,731	2,489,682	3,519,554	3,519,554	**3,519,554**
Shareholders' equity	4,242,648	5,490,676	6,137,861	7,025,388	**7,340,166**
Total equity	4,841,394	6,122,455	7,107,201	8,296,743	**8,618,856**
Total equity (excluding intangible assets)	4,749,719	6,037,306	7,070,465	8,243,896	**8,575,053**
Number of shares					
- Weighted average shares in issue net of treasury shares ('000)	2,149,824	2,362,902	2,489,679	2,489,674	**2,489,670**
- Shares in issue net of treasury shares ('000)	2,156,672	2,489,680	2,489,676	2,489,672	**2,489,670**
SHARE INFORMATION					
Per share					
Basic earnings (sen)#	42.26	42.36	44.14	46.01	**46.71**
Net assets (RM)@	1.97	2.21	2.47	2.82	**2.95**
Dividend (sen)	30.00	35.00	35.00	35.00	**35.00**
Share price					
- Year High (RM)	6.70	8.93	9.79	10.20	**10.26**
- Year Low (RM)	3.55	6.40	8.53	8.70	**9.45**
- As at 31 December (RM)	6.48	8.86	9.55	9.85	**9.98**
Market capitalisation (RM'000)	13,975,235	22,058,561	23,776,406	24,523,269	**24,846,907**
Trading volume ('000)	412,039	362,662	101,444	120,484	**102,267**
FINANCIAL RATIOS					
Return on total assets (%)	9.05	8.54	8.34	7.36	**6.69**
Return on shareholders' equity (%)	21.41	18.23	17.90	16.31	**15.84**
Current ratio (times)	1.27	1.49	1.36	1.85	**1.57**
Net Debt-to-Equity ratio (times)^	0.77	0.56	0.53	0.46	**0.48**

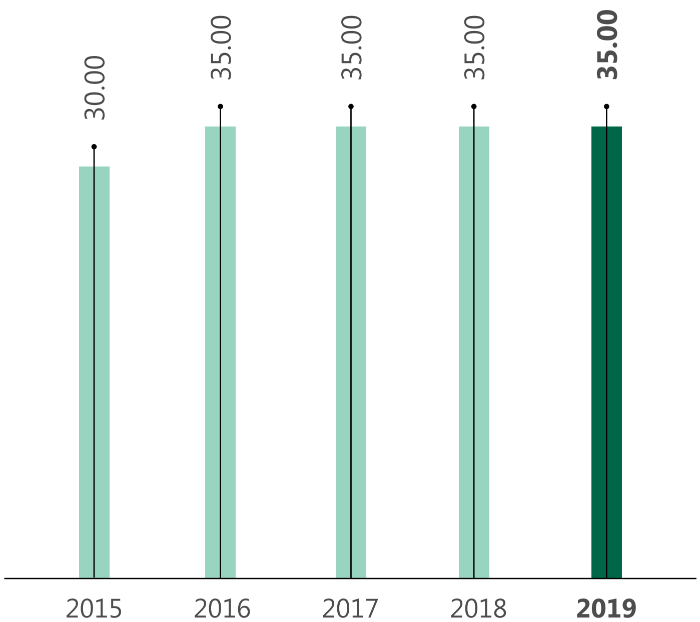
* *The figures for financial year ended 31 December 2017 have been restated to reflect the application of the Malaysian Financial Reporting Standards framework*

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

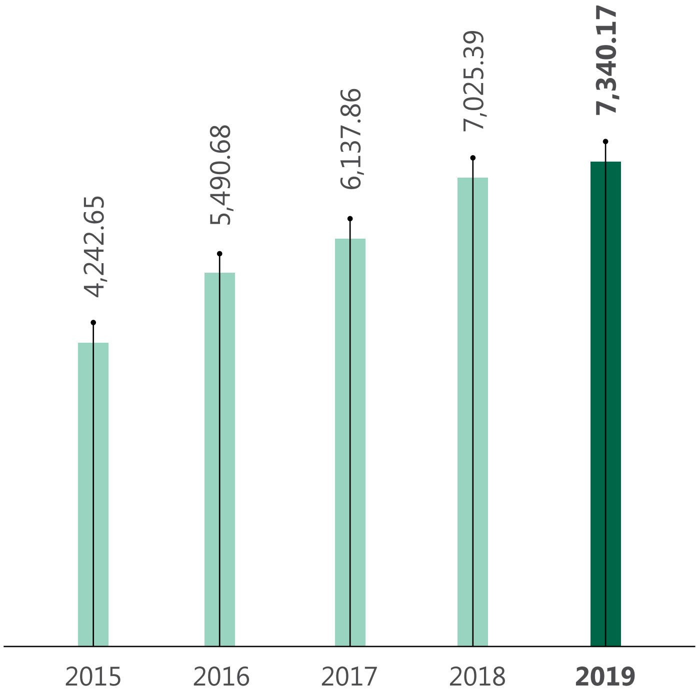
@ *Based on number of shares in issue net of treasury shares ('000)*

^ *Net Debt-to-Equity ratio is computed based on borrowings (net of money market deposits and cash and bank balances) and total equity (excluding intangible assets)*

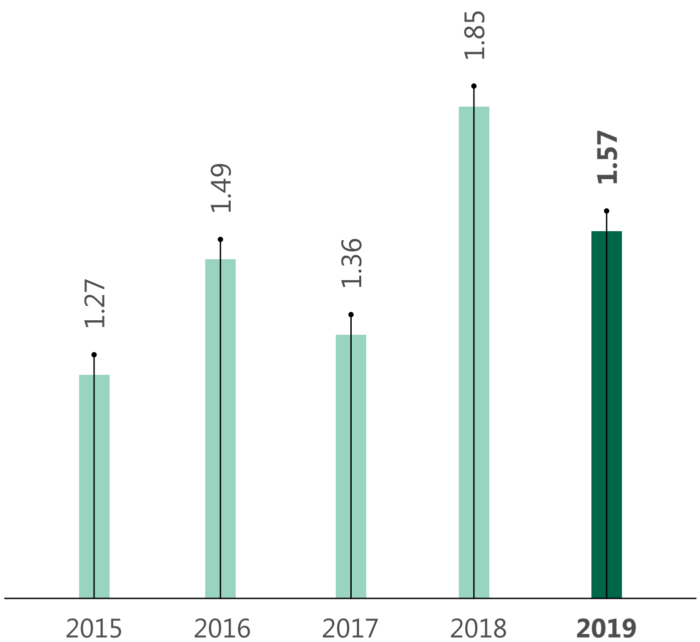
DIVIDEND PER SHARE
(sen)



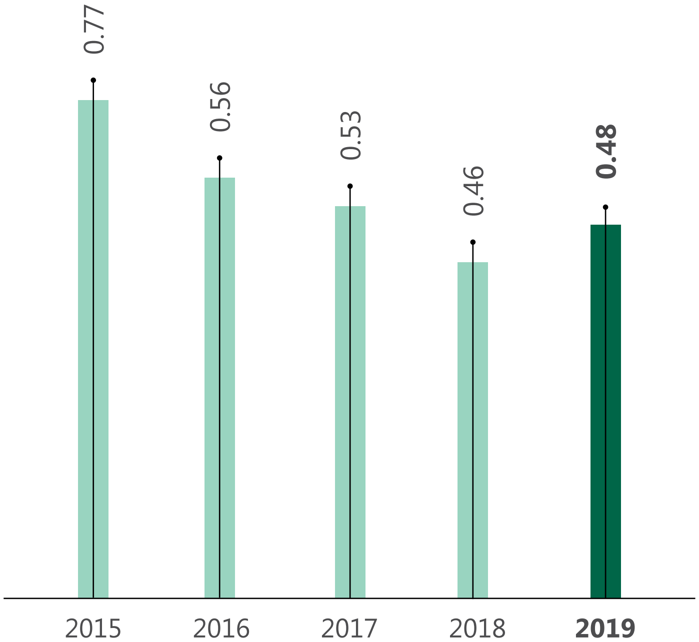
SHAREHOLDERS' EQUITY
(RM'million)



CURRENT RATIO
(times)



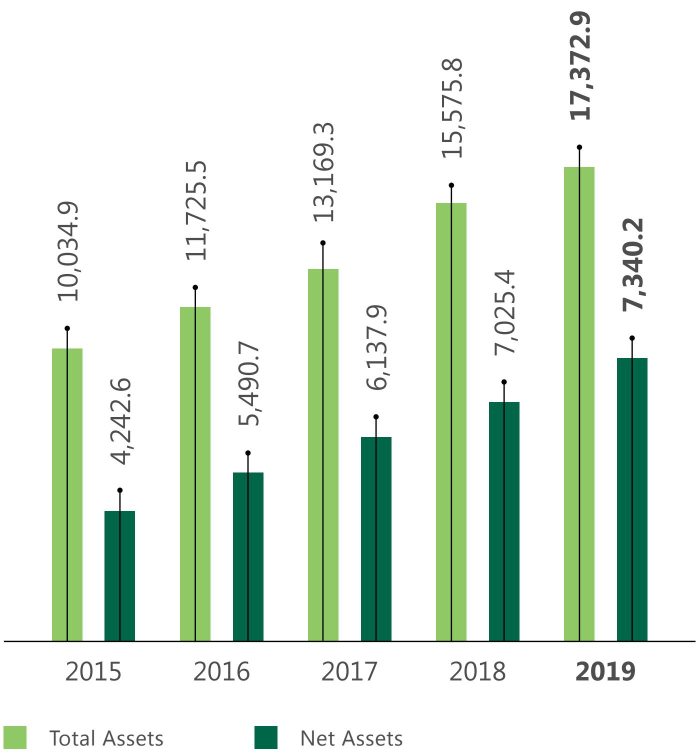
NET DEBT-TO-EQUITY RATIO
(times)



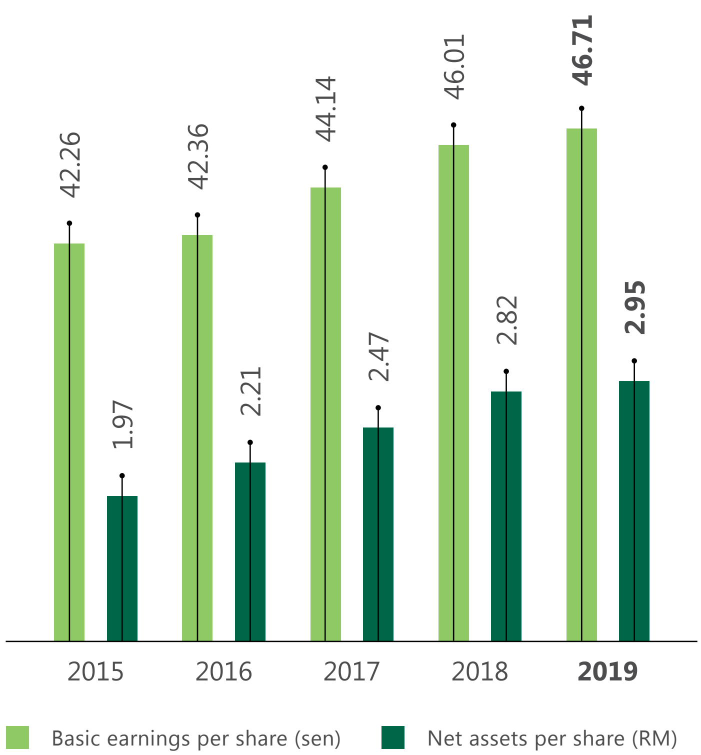
REVENUE
(RM'million)

PROFIT BEFORE TAX
(RM'million)

TOTAL ASSETS/NET ASSETS
(RM'million)



BASIC EARNINGS PER SHARE/ NET ASSETS PER SHARE



MANAGEMENT DISCUSSION & ANALYSIS

Group Financial Information

GROUP REVENUE
RM7,096.1 million

PROFIT BEFORE TAX
RM1,476.8 million

GROUP EARNINGS PER SHARE
46.71 sen

THE GROUP

Hap Seng Consolidated Berhad is a diversified group with six core businesses – plantation, property investment and development, credit financing, automotive, trading and building materials.

The Group's operations are predominantly in Malaysia, with market presence in four overseas countries, namely Singapore, Indonesia, China and the United Kingdom.

VISION

Creating Value Together

The Group strives to create value together with all its stakeholders, including its shareholders, customers, business partners and employees, by fostering partnerships built on trust and confidence.

In the course of undertaking its business operations, the Group endeavours to be in harmony with the environment and communities for a better future.

STRATEGIES IN CREATING VALUE

The Group will continue to build on its six core businesses by leveraging on its competencies and strong market presence. The Group will also continue to seek growth opportunities in new product offerings and markets, either directly or through strategic tie-ups with existing as well as new partnerships.

The Group believes in adhering to industry best practices in its operations and will continue to optimise operational efficiency and effectiveness in order to derive maximum value from its products and services.

A key strength of the Group is the synergistic value of its core businesses. The Group shall continue to leverage on these synergies by capitalising on the extensive business networks and customer base of each core business.

MARKET LANDSCAPE

In 2019, the Malaysian economy recorded a lower Gross Domestic Product (GDP) growth of 4.3% (2018: 4.7%) due to lower output of palm oil, crude oil and natural gas, and a fall in exports amid the US-China trade war.

Private sector spending continued to grow at 6.2% in the 2019 (2018: 7.1%), with private consumption and investment recording a lower growth rate of 7.6% (2018: 8.0%) and 1.5% (2018: 4.3%) respectively. During the year, exports of goods and eservice declined by 1.1% (2018: growth of 2.2%). Headline inflation was stable at 0.7% (2018: 1%) due mainly to policies on retail fuel prices, festive price controls and changes in consumption tax policy in 2018.

Crude oil prices weakened in 2019 with average Brent prices at USD64 per barrel compared to the average price of USD71 per barrel in 2018.

FINANCIAL REVIEW

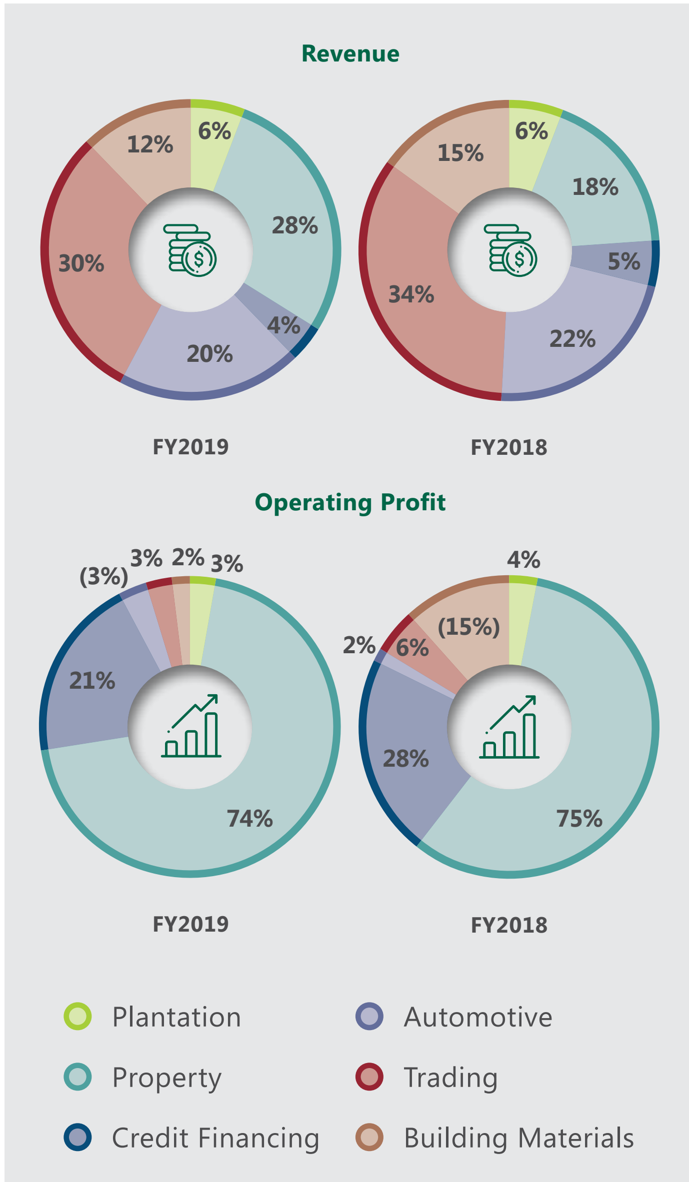
The Group recorded a 14% increase in revenue to RM7,096.1 million (2018: RM6,246.5 million) primarily due to higher contribution from the property investment and development business. The plantation, credit finance and automotive businesses continue to record moderate revenue growth despite the challenging market environment. However, the trading and building material businesses recorded a decline in revenue due to the weak construction market.

Correspondingly, the Group's profit after tax after non-controlling interest for the 2019 financial year grew by 2% to RM1,162.9 million (2018: RM1,145.6 million).

As a result, the Group's earnings per share (EPS) improved by 2% to 46.71 sen (2018: 46.01 sen). In line with the dividend policy of the Group of paying not less than 50% of profit after tax, a total dividend of 35 sen per share for the year (2018: 35 sen per share), representing a pay-out ratio of approximately 75% was declared and paid.

SEGMENTAL PERFORMANCE HIGHLIGHTS

The Group's segmental revenue and operating profit were as follows:



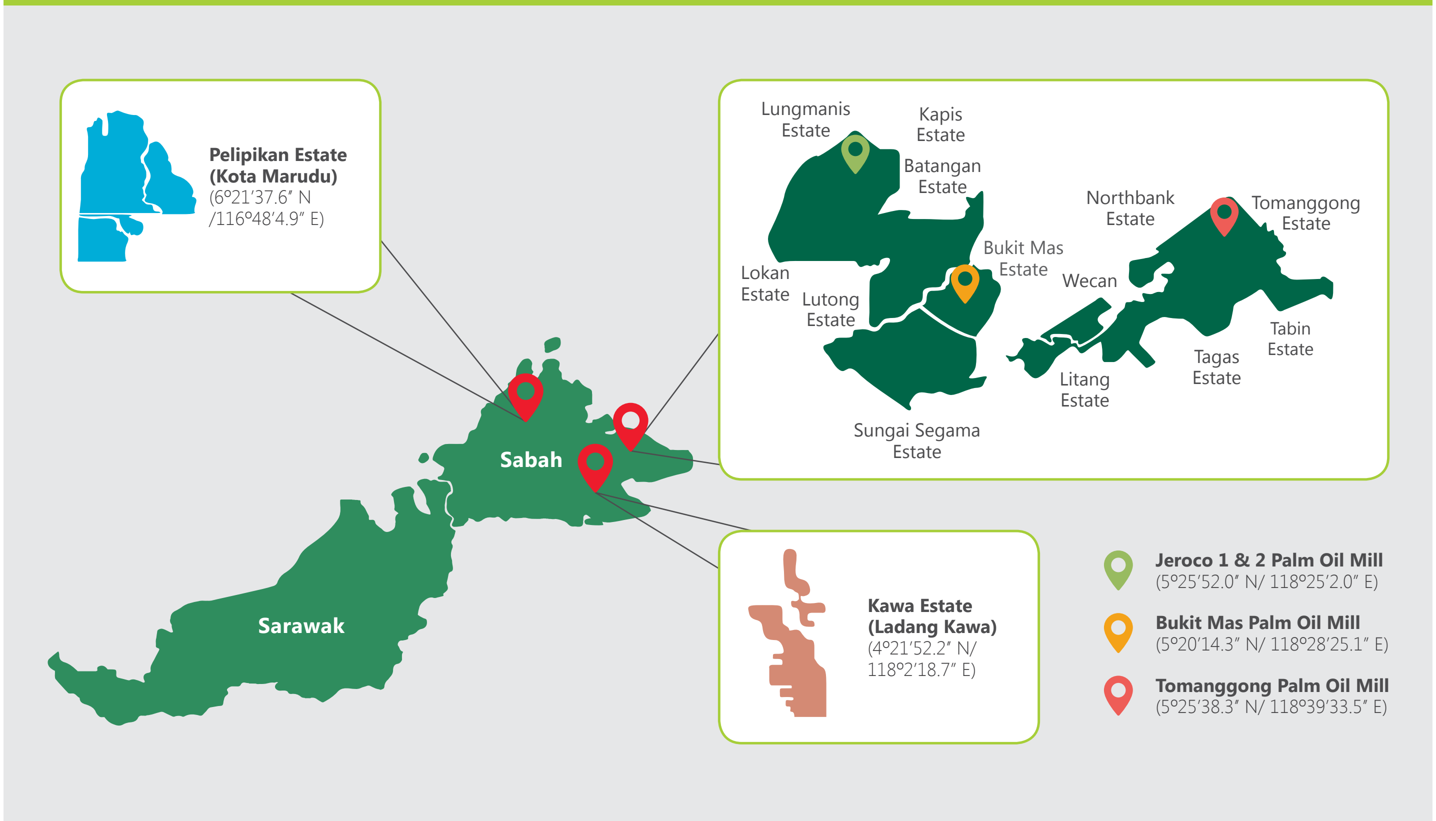
PLANTATION DIVISION

The division is an oil palm plantation company listed on Bursa Malaysia. The division is one of the largest producers of sustainable palm oil in Sabah with a landbank of 40,279 hectares across five estates. These estates are the Jeroco Group of Estates (JGOE), Tomanggong Group of Estates (TMGOE), Sungai Segama Group of Estates (SSGOE), Ladang Kawa Estate, Pelipikan and Kota Marudu Estates, with JGOE, TMGOE and SSGOE being contiguous to each other in Lahad Datu. The division also owns and operates four Roundtable on Sustainable Palm Oil (RSPO) certified palm oil mills.

Revenue
RM418.6
million

Operating Profit
RM39.4
million

PLANTATION OPERATIONS



MARKET CONDITION

Palm oil production for the year fell below market expectation. It was marginally higher by 1.8% to 19.86 million tonnes (2018: 19.52 million tonnes). Palm oil exports were higher for the year at 18.47 million tonnes (2018: 16.49 million tonnes) due to its price competitiveness over other vegetable oils. This led to a lower closing stock at 2.01 million tonnes at the end of 2019 (2018: 3.22 million tonnes).

Crude Palm Oil (CPO) price averaged at RM2,079 per tonne (2018: RM2,232 per tonne). The Sabah average CPO price was RM2,094 per tonne (2018: RM2,174 per tonne). Prices started to rally towards the last quarter of the year on the back of a major slowdown in palm oil production and growing demand.

MANAGEMENT STRATEGIES

Key Market

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

Strategies in Creating Value

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

Benefits of certification amongst others are as follow:

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

2019 FINANCIAL REVIEW

The division's revenue was 7.1% higher at RM418.6 million (2018: RM390.8 million) due to higher sales volume despite the lower average selling price of CPO and Palm Kernel (PK). Operating profit increased by 5.9% to RM39.4 million (2018: RM37.2 million).

Sales volume for CPO and PK was higher by 22% to 170,461 tonnes (2018: 139,691 tonnes) and 4.6% to 36,051 tonnes (2018: 34,452 tonnes) respectively. The division recorded an average realised price of CPO and PK of RM2,143 per tonne and RM1,311 per tonne respectively during the year, which was higher than the Sabah average of RM2,094 per tonne and RM1,175 per tonne respectively.

The division performed better than the plantation industry average for Sabah, recording an average Fresh Fruit Bunches (FFB) production of 20.81 tonnes per hectare (2018: 20.45 tonnes per hectare) compared to Sabah's average FFB production of 17.66 tonnes per hectare.

CPO production cost (excluding amortisation of bearer plant and surplus on fair value of biological assets; and after taking into account PK credits) for the financial year was approximately 3.5% higher at RM1,482 per tonne (2018: RM1,432 per tonne) due to higher labour costs.

OPERATIONAL PERFORMANCE

Planting Operations

As at 31 December 2019, the division had a total planted area of 35,957 hectares (2018: 35,957 hectares) out of a total area of 40,279 hectares. Of the total planted area, approximately 90% or 32,458 hectares (2018: 32,138 hectares) were mature areas, with the average age of 15.8 years (2018: 15.6 years).

	Hectares
Immature	3,499
30 months to 7 years	4,340
> 7 years to 17 years	9,794
> 17 years	18,324
Total planted – oil palm	35,957
Immature – other crops	146
Total planted area	36,103
Reserve plantable	113
Building, road, reserves, etc	4,063
Total Area	40,279

For FY2019, the division had 3,499 hectares of immature of oil palm out of which 1,412 hectares are expected to mature in 2020. The division replanted 1,105 hectares during the 2019 financial year.

Area Statement of the division as of 31 December 2019 is as follows:

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of Mature area
JGOE (i)	14,117	*12,808	11,645	90.9%
TMGOE (ii)	12,806	**11,863	10,807	91.1%
SSGOE (iii)	9,907	8,743	7,317	83.7%
Ladang Kawa	1,276	1,201	1,201	100.0%
Pelipikan	1,365	903	903	100.0%
Kota Marudu	***808	585	585	100.0%
Total	40,279	36,103	32,458	89.9%

(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 is currently under application*

MILLING OPERATIONS

The division's milling operations are undertaken by four mills with a combined milling capacity of 180 FFB tonnes per hour. The division's mills, which include Jeroco Palm Oil Mill 1, Jeroco Palm Oil Mill 2, Tomanggong Palm Oil Mill and Bukit Mas Palm Oil Mill, recorded an average utilisation rate of 69.2% in 2019 (2018: 68.8%).

SUSTAINABILITY AND FOOD SAFETY CERTIFICATION

The division strives to ensure all FFB used in its production, including those derived externally, are certified to be sustainable. To this end, the division targets to ensure all its FFB achieve RSPO certification by 2020.

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

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

At the time of reporting, seven out of the 11 independent local outgrowers and smallholders (64%) participated in obtaining the RSPO and MSPO certification. Four independent local outgrowers and smallholders completed the RSPO and MSPO (Stage 1 and 2) audit in September/ October 2019 while another three independent local outgrowers and smallholders underwent both RSPO and MSPO (Stage 1 and 2) audit in January 2020.

As part of the division's effort to improve its palm products' marketability for food application, all the division's mills are Hazard Analysis and Critical Control Points (HACCP) and HALAL certified.

SHORT & LONG-TERM GOALS

The various certifications obtained on RSPO, HACCP, MSPO, ISCC EU and HALAL are a testament to the division's commitment to be a sustainable palm oil producer in compliance with global sustainability standards for agriculture production.

OUTLOOK FOR 2020

The Malaysian palm oil industry in 2020 is expected to be challenging. High palm oil stock, the EU policy on palm oil, labour shortage, higher wages and fluctuation in USD are expected to be ongoing challenges faced by the plantations industry. The division will continue to optimise operational efficiencies to mitigate the effects of rising production costs.

The division's prospect mostly depends on global macroeconomic factors which affect the palm oil market, weather conditions in major countries producing oil seeds, government policy on biodiesel and the seasonal cropping pattern of FFB. The recent COVID-19 pandemic has also caused a disruption in the global supply chain and affected both the demand and supply of palm oil.

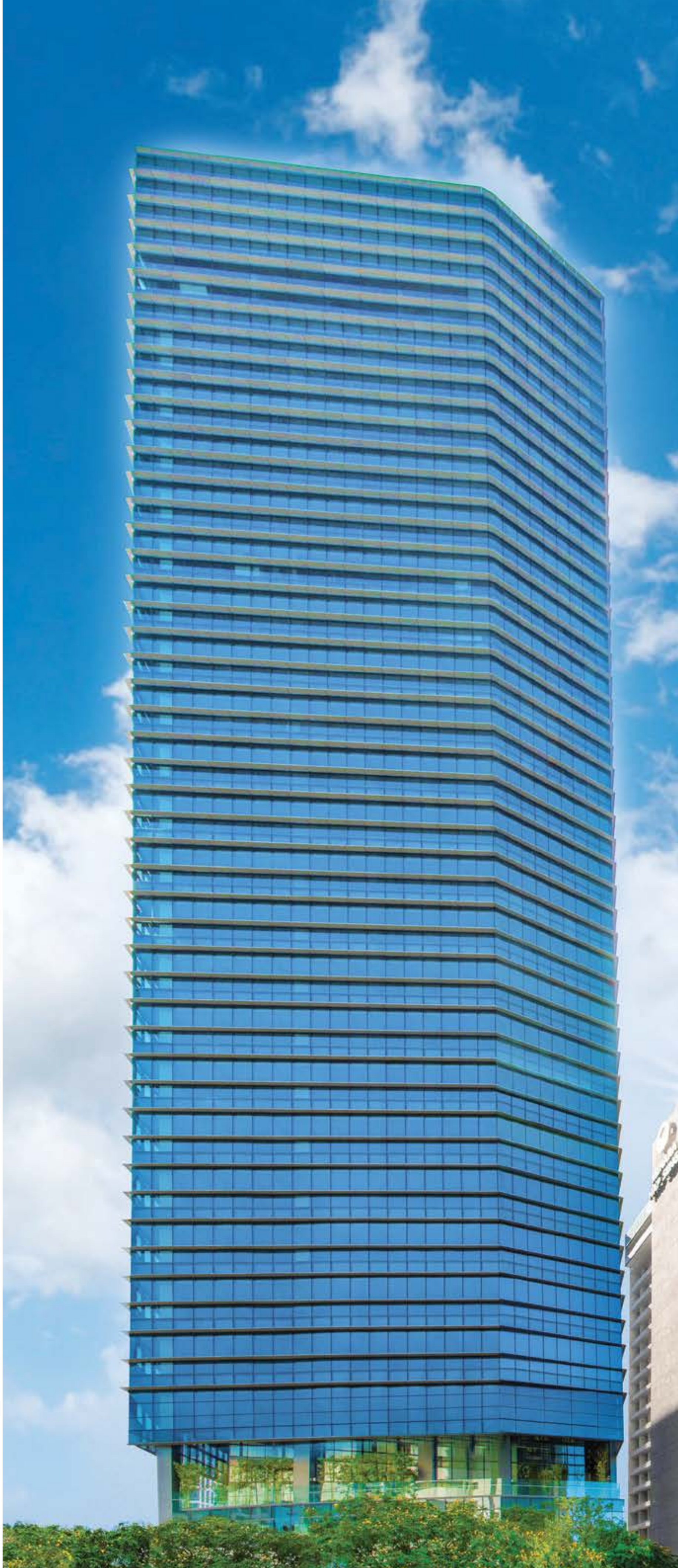
In response to the COVID-19 pandemic, the division has been implementing several measures to comply with the Movement Control Order (MCO) such as social distancing, regular body temperature checks and mandatory 14-day quarantine for all employees returning to the plantation. In addition, the division has been complying with requirements from the Ministry of Primary Industry and Commodities and the Sabah state government in relation to its harvesting and milling operations.

PROPERTY INVESTMENT & DEVELOPMENT

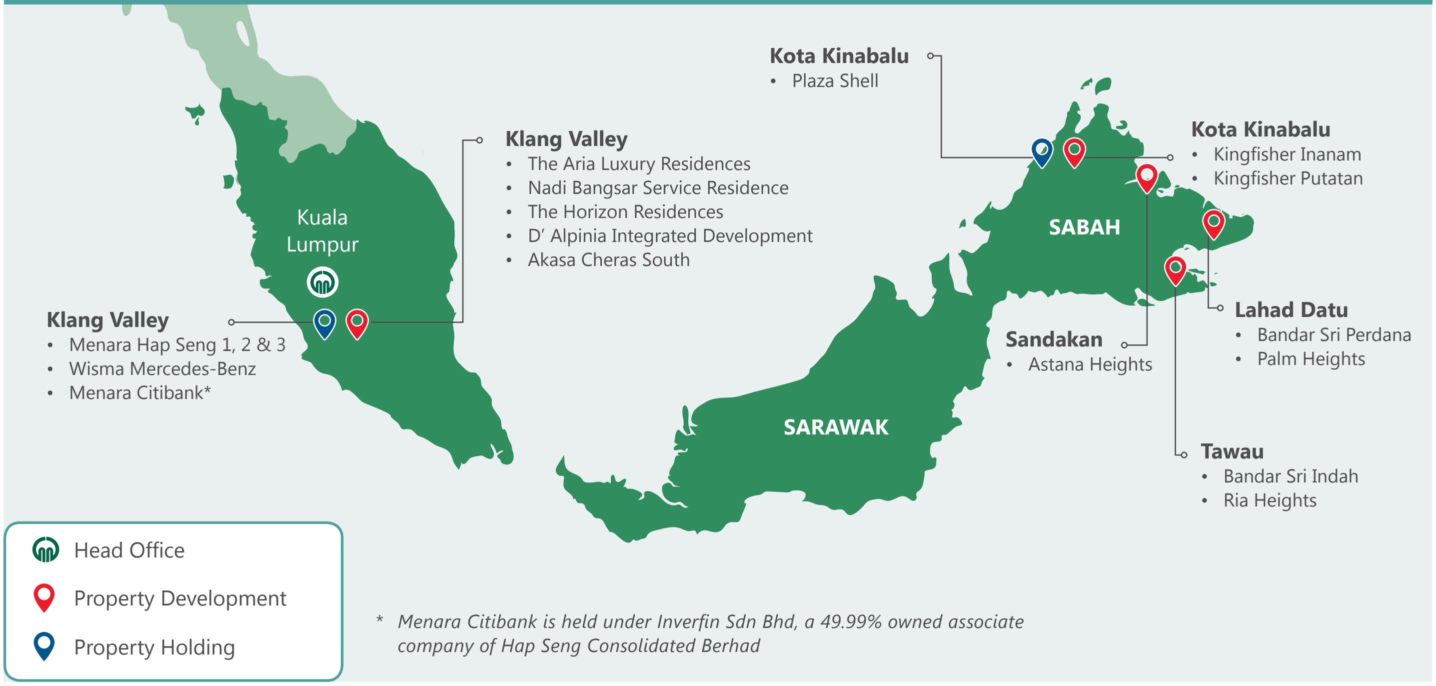
The Property Investment & Development division is an established property developer in both Peninsular Malaysia and Sabah. The division's property developments are located in strategic locations across Sabah and the Klang Valley. The division's property investments are mainly located in the central business districts of Kuala Lumpur (KL) and Kota Kinabalu (KK).

Revenue
RM2,068.4 million

Operating Profit
RM914.8 million



PROPERTY DIVISION'S OPERATION NETWORK



* *Menara Citibank is held under Inverfin Sdn Bhd, a 49.99% owned associate company of Hap Seng Consolidated Berhad*

MARKET CONDITION

The property market in Malaysia has shown slight improvement as evidenced by the increase in the number of residential transactions in the first nine months of 2019 and the marginal decline in the number of overhang residential units.

In the first nine months of 2019, the number of residential transactions in Malaysia increased by 6.3%, with the Klang Valley and Sabah having registered an increase of 7.1% and 9.3% respectively as compared to the corresponding period in 2018. The number of overhang residential units reduced from 32,313 units in 2018 to 31,092 units in the third quarter of 2019.

This improved property market condition was partly attributable to favourable government-driven initiatives including the Home Ownership Campaign, MYHome Scheme and the lowering of minimum selling price threshold for foreign buyers.

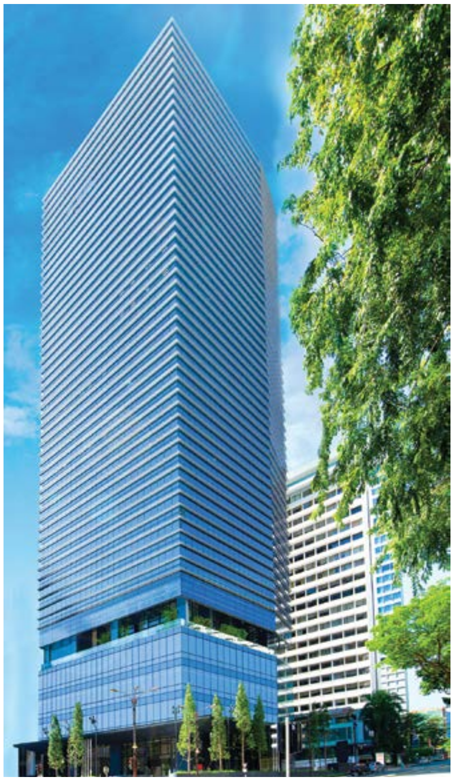
The overall occupancy rate of purpose-built office buildings in KL stood at 77.0%, marginally lower than last year's 78.3% following the completion of more new office space. As at the end of the third quarter of 2019, the total office space available in KL increased to 8.6 million square meters, from 8.3 million square meters in the corresponding period of 2018.

The overall occupancy rate of purpose-built office buildings in KK stood at 86.1%, marginally lower than last year's 88.8%. The total office space available in KK remained at 0.5 million square meters as at the end of the third quarter of 2019.

MANAGEMENT STRATEGIES

The division will focus on property developments in strategic locations, especially in locations with enhanced connectivity and accessibility to encourage home ownership while offering work and leisure mobility. The emphasis shall be on owner-occupied properties in Sabah, taking advantage of government driven initiatives to increase home ownership through an accommodative interest rate environment. At the same time, the division will continue to expand its product range and improve its marketing strategies to achieve higher market penetration. The division will continue to leverage on its Group's extensive business network to sell its properties. At the same time, the division has embarked on various initiatives to manage and contain cost.

The division is on a constant lookout for acquisition opportunities, as well as land banks for development in strategic locations. The division will continue to develop and/or acquire investment properties in strategic areas of the Klang Valley. As part of the diversification of its investment property portfolio, the division has embarked on hotel developments both in the Klang Valley and Sabah.



OPERATIONAL PERFORMANCE

In 2019, the division recorded a 77% increase in revenue to RM2,068.4 million (2018: RM1,171.1 million). The higher revenue achieved included the disposal of non-strategic land held for development, in line with the division's strategy to reposition its property developments in prime locations of the Klang Valley.

The significant increase in revenue was mainly contributed by Aria Luxury Residences, Akasa Cheras South, Pangsapuri Alpinia, Kingfisher Inanam Phase 1, Bandar Sri Indah, Kingfisher Putatan and Ria Heights.

Rental income from our investment properties increased slightly to RM77.7 million (2018: RM72.2million) contributed mainly by improved performance from Menara Hap Seng 2 and the new Mercedes-Benz Certified Pre-Owned Centre in Kinrara, Puchong.

Overall, the division's operating profit increased by 41% to RM914.8 million (2018: RM648.9 million).

PROPERTY DEVELOPMENT

PENINSULAR MALAYSIA

The Aria Luxury Residence

Completed in 2019, The Aria Luxury Residences, an iconic luxurious condominium that is strategically located along Jalan Tun Razak in close proximity to the KL's new financial city, Tun Razak Exchange, Petronas Twin Towers and surrounded by international schools, medical centres, Grade A offices and transport links. It is easily accessible by highways and expressways, and is within walking distance to the proposed KLCC East MRT station. The two elegant blocks of 45-storey condominium comprise 598 freehold residential units with a gross development value (GDV) of RM1.1 billion. The facilities span across 65,000 square feet and include a 50-metre long Olympic-length swimming pool, jacuzzi, hydro gym pool and a full glass-fronted gym overlooking the lush greenery of the Royal Selangor Golf Club. The top two floors of Aria are equipped with a fully functional theatre room, gourmet kitchen, reading lounge and games room, as well as viewing decks of the spectacular KLCC skyline.

Akasa Cheras South

Situated within the thriving Cheras South, 30 minutes from the city centre, Akasa is an integrated freehold development measuring 9.7 acres surrounded with burgeoning neighbourhood completed with shopping malls, medical facilities and international schools, with access to nearby MRT station and KTM station. It is located along SILK Highway with prominent road frontage and opposite one of the largest full-fledged Mercedes-Benz Autohaus in Malaysia.

Akasa Service Residence, with a GDV of RM648 million, comprises three blocks of residential towers with 998 units in total. The service residence has sprawling 150,000 square feet of recreational space to provide chill out facilities similar to resort living including the first man-made beach in Cheras, Olympic-length lap pool, kids entertainment zone, music chamber, games lounge and gourmet kitchen.

Artist Impression

Akasa Business Park is a landmark commercial centre in Cheras South completed with amenities and enjoys massive population catchment from neighbouring townships. Akasa Business Park consists of signature offices and retail spaces ranging from five to eight storeys with an expected GDV of RM200 million. The Akasa Service Residence is slated for completion towards the end of 2020.

UPCOMING NEW PROJECTS IN PENINSULAR MALAYSIA

KL Midtown Mixed Development at KL Metropolis

This modern mixed development, comprising luxury residential, retail, office and hotel components, is located on an 8.95-acre piece of land at KL Metropolis. KL Metropolis is an international trade and exhibition hub hosting the Malaysia International Trade and Exhibition Centre (MITEC) and is strategically located in close proximity to prime established residential and commercial centres such as Mont Kiara, Publika, Damansara Heights and Bukit Tunku. KL Midtown is within walking distance of MITEC and overlooks Metropolis Park, a 5-acre urban park equipped with recreational facilities.

Currently, the division is developing the hotel component of KL Midtown under the Hyatt brand name. To be known as Hyatt Regency KL, this will be the second hotel project in Malaysia by the division. This prestigious project will be designed by the world-renowned Japanese architect, Mr Kengo Kuma.

The 450-room hotel in KL Midtown will include four food and beverage destinations such as a market café, Japanese restaurant, bar, Regency Club and lobby bar. It will also feature 2,000 square meters of meeting space, including a 1,000 square meter grand ballroom. Other facilities include an outdoor swimming pool and a fitness centre. The hotel is designed with direct connection to MITEC, the third largest exhibition venue in Southeast Asia. Upon its completion in 2024, the hotel will support and complement MITEC offering world class hospitality to business travellers, event organisers and tourists visiting MITEC.

Jalan Kia Peng Executive Apartment

The Jalan Kia Peng Executive Apartment is a 44-storey executive apartment with 348 freehold units. The executive apartment is strategically located along Jalan Kia Peng and is within walking distance of MRT stations as well as Suria KLCC and Pavilion Kuala Lumpur.

This project is expected to be completed at the end of 2023. It features landscaped terrace design and a rooftop garden.

KOTA KINABALU, SABAH

Artist Impression

Hyatt Centric Kota Kinabalu

The division is currently developing its inaugural hotel, Hyatt Centric Kota Kinabalu, situated in the heart of KK. This five-star hotel is the first Hyatt Centric in Malaysia and will be designed by the world-renowned Japanese architect, Mr Kengo Kuma.

The 22-storey hotel with 220 guestrooms will offer convenient access to neighbouring commercial district, shopping malls, restaurants and other local attractions. The hotel will feature a lounge, restaurant, meeting space, rooftop swimming pool, a fitness centre and a bar with views of the South China Sea. It will also contribute to the robust tourism sector and create job opportunities in KK upon its completion in 2021.

KOTA KINABALU, SABAH

Kingfisher Inanam

Kingfisher Inanam is situated in the established mature neighbourhood of Inanam and is 2 km from the Pan Borneo Highway interchange which is currently under construction.

With an estimated GDV of RM393 million, the three blocks of residential towers of 739 units are nestled amid verdant tropical greens. A total of 239 residential units with a GDV of RM137 million were launched in 2019.

These residential blocks are surrounded by green hills and overlook an 85,000-square-feet skypark with natural green landscaping and integrated with sports amenities such as a swimming pool, gymnasium, jogging track and basketball court. It also has a party lounge and barbeque terrace to offer residents a resort-like retreat.

Kingfisher Putatan

Kingfisher Putatan is located within the established neighbourhood of Putatan and beside the city of Kota Kinabalu. The development enjoys easy accessibility to the Kota Kinabalu International Airport and the Pan Borneo Highway interchange.

Kingfisher Putatan comprises of four blocks of residential towers totalling 528 units with an estimated GDV of RM277 million. The condominium is equipped with facilities such as swimming pools, a sauna room, a basketball court and gardens; and offers a breath-taking view of the Crocker mountain range. Future phases are currently under planning.

TAWAU, SABAH

Bandar Sri Indah

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

Positioned on high ground with ample landscaped spaces surrounded by scenic forest reserves, BSI is a nature inspired self-contained township. It has a 15.5-acre lake with 50 species of orchid providing lush greenery and recreational activities to the community.

BSI offers comprehensive facilities such as schools, supermarket, community sports complex, eateries (including a stand-alone fast food outlet with drive through facility), security centre and intercity bus terminal as well as fully functional petrol station that caters for the community.

The township is also an education hub with private schools, universities and colleges offering primary, secondary and tertiary education. Among them are Open University Malaysia, University Malaysia Sabah Tawau Campus, Tawau Vision School, Vision International School and Community College.

TAWAU, SABAH

Designed with multigenerational living concept, BSI offers a wide range of products from affordable apartments to single storey semi-detached properties. A total of 2,907 units of residential, commercial and industrial properties with a GDV of RM1,034 million have been completed to date.

Future launches will include the South Ville Apartments, comprising 512 units of affordable housing, which bears testament to the division's commitment to providing affordable housing to the local populace. The township's vibrancy has been further enhanced with the completion of 62 industrial units and 130 residential units.

Ria Heights

Ria Heights is a 100-acre development located close to the centre of Tawau town and surrounded by the Bukit Gemok forest reserve. Launched in 2015, the development is an established township with amenities including schools, sports complex, convenience stores, food stalls and clinics.

To date, a total of 473 residential and commercial units with a GDV of RM189 million have been completed.

LAHAD DATU, SABAH

Bandar Sri Perdana

Bandar Sri Perdana is the fastest growing integrated township in Lahad Datu spanning 250 acres. It is a sought-after address in Lahad Datu with a bustling commercial area offering a multitude of amenities such as hypermarket, bank, hotel and fast food chain. It also offers public facilities such as a community college and community hall.

A total of 1,409 units of mixed development with a GDV of RM570 million have been launched to date. In order to meet the continuous demand for housing in this area, the division is currently planning approximately 1,700 residential units for future launches.

SANDAKAN, SABAH


Artist Impression

Astana Heights

Astana Heights, a 98-acre mixed development project in Sandakan, is situated on a hill with nature's tranquility and a panoramic view of the Sulu Sea. It has completed a total of 529 units of residential and commercial properties with a GDV of RM252 million.

In 2019, the division has launched the second block of Kingfisher Sandakan, consisting of 192 units with a GDV of RM75 million. Kingfisher Sandakan is the division's first affordable high-rise development in Astana Heights targeting young families. It offers elevated living with a magnificent sea view.

This gated and guarded condominium is also the first in Sandakan to come with a security system and full facilities such as a swimming pool, wading pool, basketball court, sepak takraw court, playground, recreation area, function hall, sauna room and gymnasium.

Upon completion, Kingfisher Sandakan will have a total of 792 units in four 18-storey apartment blocks.


Menara Citibank

Wisma Mercedes-Benz

PROPERTY INVESTMENT

Despite the soft commercial office leasing market in Malaysia, the division's investment properties continued to record healthy occupancy rates throughout the year. Menara Hap Seng, Menara Hap Seng 2, Plaza Shell and Menara Citibank recorded average occupancy rates of 93%. Menara Citibank is held under Inverfin Sdn Bhd, a 49.99% owned associate company of Hap Seng Consolidated Berhad.

During the year, the division has completed its latest landmark office building, Menara Hap Seng 3, a 26-storey corporate office situated at the prominent KL intersection of Jalan Sultan Ismail and Jalan P Ramlee. It is designed by Skidmore, Owings & Merrill LLP and features Malaysia's first-ever 90-metre high indoor vertical green wall within the internal atriums of the office building that brings in natural daylight to illuminate the internal space of the offices.

The office building is a prime Grade A green building with Green Building Index (GBI) certification, LEED GOLD certification and is located in the MSC zone. It has six levels of basement car park, five storeys of retail podiums, 20 storeys of office space and a roof top food and beverages area that provides a panoramic view of the KL skyline.

Menara Hap Seng 3 connects to Menara Hap Seng and Menara Hap Seng 2, which together form Plaza Hap Seng. Plaza Hap Seng is expected to have a community of over 5,000 people from offices and retail outlets offering food and beverages, banking facilities, fitness centre, auditorium, business incubation centre and convenience stores. In addition, it will house the latest state-of-the-art Mercedes-Benz dealership.

Hap Seng Industrial Hub
Artist Impression

CONSTRUCTION

The division is currently undertaking the construction of an integrated industrial hub. Located on a 20-acre piece of land in Shah Alam, the industrial hub will consist of basement parking, three blocks of detached warehouses, eight blocks of semi-detached warehouses, one block each of body and paint centre, flatted warehouse and office with retail outlets. The industrial park is expected to be completed before the end of 2020.

SHORT AND LONG-TERM GOALS

The division's short-term and long-term goals are to strive for sustainable growth in property development and a yield-accretive portfolio of investment properties. In addition, the division continues to actively engage with and support the government's initiative in promoting home ownership at strategic locations.

As part of its expansion plan, the division will continue its land bank acquisition in strategic locations to sustain its future development plans. The division has also diversified into hotel ownership. The division is committed to offering quality and innovative products and services while taking into consideration sustainability and environmental issues.

OUTLOOK FOR 2020

Residential sector

For the property sector, market sentiment is expected to soften further in 2020. The current property overhang and the COVID-19 pandemic will have an adverse impact on the property market. However, the division is cautiously optimistic of the affordable residential property market due to the accommodative monetary environment.

Commercial office sector

The general commercial property market is confronted with severe headwinds in 2020 with the oversupply of office space in the Klang Valley and the COVID-19 pandemic. However, with a relatively stable tenant portfolio and the launching of our newly completed office building, Menara Hap Seng 3, the division is reasonably confident that its investment properties will remain viable.

CREDIT FINANCING

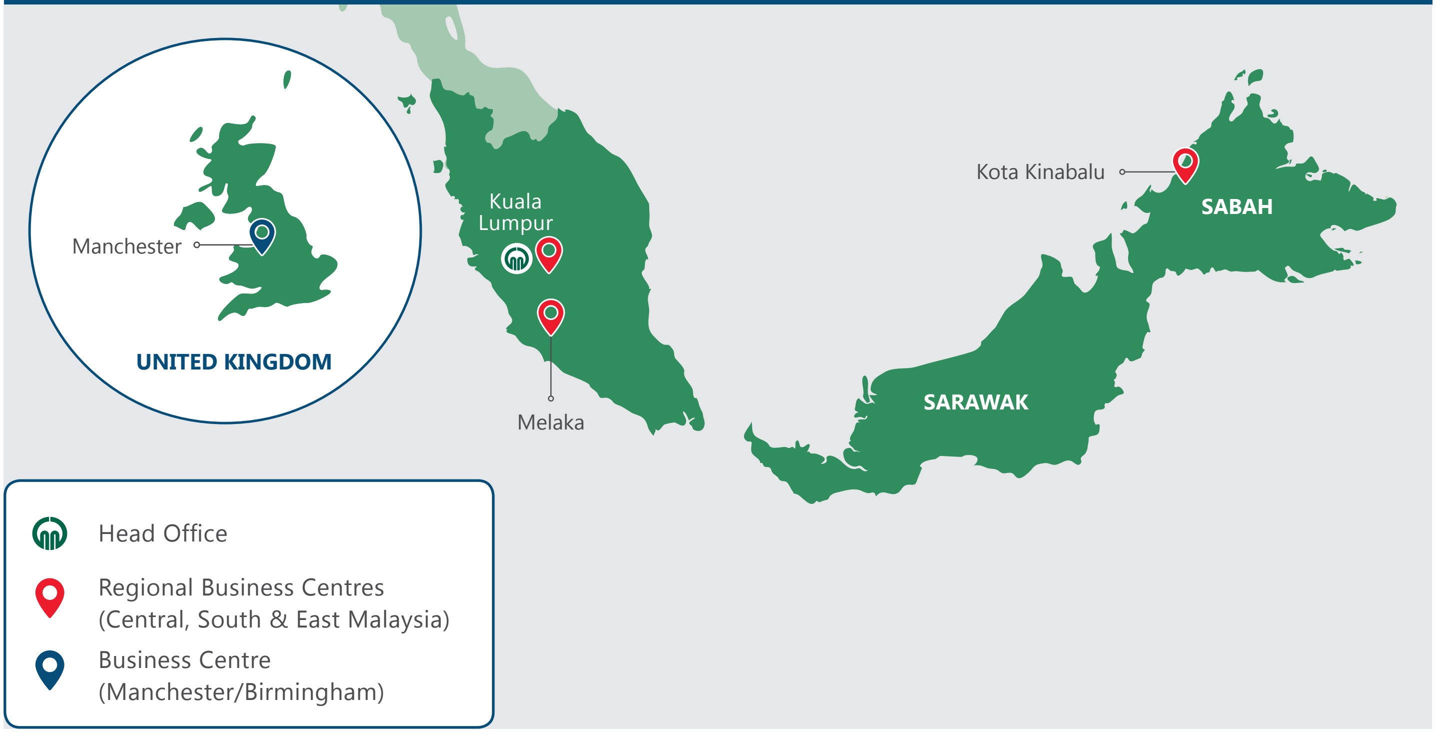
The Credit Financing division's principal activity is the provision of Term Loans and Industrial Hire Purchase, primarily to small and medium enterprises (SMEs). The division has three regional business centres; two in Peninsular Malaysia and one in Sabah. Operating under Hap Seng Credit Sdn Bhd, the division is a leading player in the non-bank sector and continues to maintain its position as one of the top credit financing institutions in this sector.

Revenue
RM315.2
million

Operating Profit
RM259.1
million


Hap Seng Credit Sdn Bhd

CREDIT FINANCING DIVISION'S OPERATION NETWORK



MARKET CONDITIONS

In 2019, the division achieved improved business performance during the financial year under review notwithstanding a very challenging business environment. The Malaysian financing landscape continued to remain highly competitive throughout 2019, dampened by slower economic growth, characterised by lower GDP growth of 4.3% (2018: 4.7%).

MANAGEMENT STRATEGIES

The division will continue to pursue prudent lending by procuring acceptable quality businesses with reasonable return and providing excellent services to its customers. The division will also concentrate on growing its term loan portfolio with innovative product developments tailored to customers' needs. The division will play a pivotal role in co-ordinating synergistic opportunities across all business segments of the Group.

OPERATIONAL PERFORMANCE

The division remained focused on its efforts to build up its term loan portfolio to manage yields while maintaining a sizeable portfolio of industrial hire-purchase business. Continuous emphasis was placed on managing cost of funds and funding requirements to achieve reasonable interest costs. With concerted efforts in credit collections, loan recovery and rehabilitations, the division managed to keep non-performing loans at an acceptable level.

With a combination of higher business volume and stringent cost management practices, the division achieved an operating profit of RM259.1 million (2018: RM246.9 million), an increase of 4.9% over the preceding year. The loan base expanded by 6.5% to RM3.9 billion (2018: RM3.6 billion), with a return on average asset of 3.52% (2018: 3.66%) as compared to the industry average loan base growth and return on average asset of 3.9% and 1.5% respectively.

Gross non-performing loans (NPL) ratio improved to 1.34% in 2019 (2018: 1.67%).

SHORT AND LONG-TERM GOALS

In the short-term, the division will seek to consolidate its loan portfolio in light of the current economic uncertainty. The division will tighten its lending policy, focusing on maintaining a stable and quality loan receivable portfolio while increasing its emphasis on loan receivable management and debt collection.

In the long-term, the division will maintain its efforts to improve portfolio returns and continue expanding its term loan portfolio which will enhance portfolio stability. Human resources are being strengthened with the recruitment of skilled staff while internal training programmes are regularly provided in the areas of technical updates and refresher seminars for relevant staff.

Opportunities are continuously explored to expand both domestically and abroad. This is in pursuit of continuous growth of the division and a diversified market.

OUTLOOK FOR 2020

Malaysia recorded slower economic growth in the last two quarters of 2019, resulting in an annual GDP growth of 4.3% for 2019 (2018: 4.7%). 2020 is expected to be adversely and materially impacted by the COVID-19 pandemic that has substantially slowed down global and domestic economic activities. Amid these unfavourable market conditions, the Credit division will adopt a cautious and guarded approach in developing and building its loan portfolio.

The division would take cognisant of the effect of loan rescheduling and/or restructuring enunciated by the government; the banking industry is required to extend favourably to borrowers amidst the prevailing economic crisis.

AUTOMOTIVE

The Automotive division is involved in the sale of Mercedes-Benz passenger cars and the distribution and sale of Mercedes-Benz and FUSO commercial vehicles in Malaysia. It operates via Hap Seng Star Sdn Bhd (Hap Seng Star), a leading Mercedes-Benz passenger car dealer in Malaysia, Hap Seng Trucks Distribution Sdn Bhd (Hap Seng Trucks Distribution), the sole general distributor of Mercedes-Benz and FUSO commercial vehicles in Malaysia, and Hap Seng Trucks Sdn Bhd (Hap Seng Trucks), an authorised dealer of Hap Seng Trucks Distribution.

The division's passenger car business currently has a network strength of 12 Mercedes-Benz passenger car dealerships strategically located across the country – seven in the Klang Valley and one each in Iskandar, Melaka, Kota Kinabalu, Kuching and Miri. In addition, Hap Seng Star operates two pre-owned centres in Kinrara and Balakong, with the former being the largest Mercedes-Benz certified pre-owned centre in Malaysia.

Hap Seng Trucks Distribution is headquartered in Kinrara whereas the commercial vehicle retail business has a network of eight showrooms and service centres in Malaysia – two in the Klang Valley and one each in Prai, Ipoh, Kuantan, Kota Kinabalu, Kuching and Miri.

Revenue

RM1,494.4
million

Operating Loss

RM34.4
million


S GT 558
S MA 4070
S MA 4073
S MA 4065


FUSO
CANTER

AUTOMOTIVE DIVISION'S OPERATION NETWORK

MARKET CONDITION

In 2019, the Malaysian passenger car market grew by 3.2% with a total industry volume (TIV) of 550,179 units (2018: 533,099 units), which was mostly contributed by the national car segment. Mercedes-Benz Malaysia (MBM) continued its pole position in the premium luxury segment, with a total of 10,020 cars sold in 2019. However, this represented a 23% drop compared to 2018 where it registered total sales of 13,079, primarily due to the slower economy in Malaysia.

In the commercial vehicle market, the total registration for commercial vehicles in 2019 declined by 17.4% to 54,108 units (2018: 65,499 units). Trucks and prime movers made up 27.4% of the national commercial vehicles segment (2018: 26.1%). The total trucks and prime mover sales declined by 13.3% to 14,841 units (2018: 17,109 units).

MANAGEMENT STRATEGIES

In 2019, Hap Seng Star, the leading Mercedes-Benz passenger car dealer in Malaysia, continued to expand its network and upgrade its dealerships. This included the acquisition of an existing Mercedes-Benz dealership in Melaka (October 2019) and the establishment of a standalone Hap Seng Star Body & Paint centre in Shah Alam, slated for completion before the end of 2020.

The division also increased its aftersales works bays progressively in order to meet the demand from the market in the southern region.

Hap Seng Star will relocate its existing KL Showroom to Menara Hap Seng 3 in mid-2020. The KL showroom will feature the first-of-its-kind Mercedes Benz Merchandise Boutique in Southeast Asia. At the same time, Hap Seng Star has begun the construction of two permanent dealerships in Setia Alam and Bukit Tinggi. They are scheduled to be completed by 2021.

For the commercial vehicle segment, Hap Seng Trucks Distribution introduced a new medium duty FUSO model in line with its strategy to expand its product portfolio in Malaysia. In addition, two FUSO dealerships in Perak and Johor were upgraded to 3S operations in December 2019.

Hap Seng Trucks, the authorised 3S dealer for Mercedes-Benz and FUSO trucks in Malaysia, continued its strategy of expanding its network and upgrading its dealerships. In January 2020, a new dealership was opened in Klang and in March 2020, in Prai.

OPERATIONAL PERFORMANCE

Hap Seng Star recorded lower sales in 2019 of 4,929 units (2018: 5,263 units), a 6% decrease over the previous year. Hap Seng Star's aftersales operations however achieved a record throughput of 64,192 units (2018: 53,684 units), a 20% increase over the previous year. Overall, Hap Seng Star recorded a lower turnover of RM1,180.5 million (2018: RM1,385 million) and an operating loss of RM25.5 million (2018: operating profit RM31.4 million), representing a decrease of 181% over the previous year. The operating loss for the financial year is a result of margin compression due to intense competition and a reduction in total volume of the luxury passenger car segment.

In 2019, Mercedes-Benz commercial vehicle attain the market leader in the European heavy-duty truck segment with 39% (2018: 24%) of the market share. Hap Seng Trucks Distribution recorded sales of 2,327 units (2018: 234 units for two months of operation), generating revenue of RM324.6 million (2018: RM37.0 million). Aftersales operations contributed a revenue of RM23.9 million (2018: RM2.9 million). However, it recorded an operating loss of RM8.0 million (2018: operating loss of RM12.2 million) due to substantial establishment costs incurred.

Hap Seng Trucks commenced its business on 1st July 2019. Within six months of operation, the company recorded sales of 443 units of commercial vehicles, with a revenue of RM100.2 million. The company's aftersales operations also contributed a revenue of RM7.7 million.

In total, the division recorded a revenue of RM1,494.4 million (2018: RM1,425.3 million) and an operating loss of RM34.4 million (2018: operating profit of RM19.0 million).

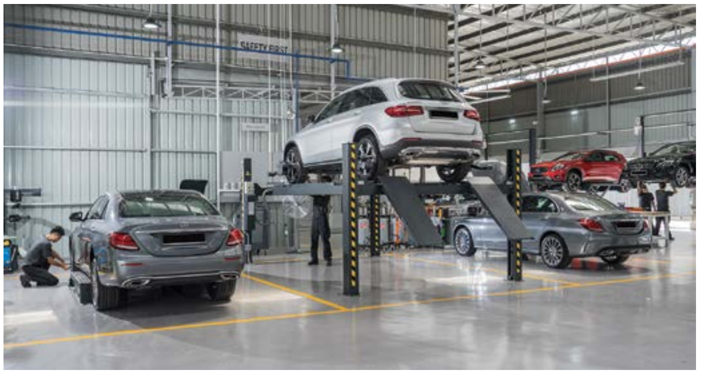
AWARDS AND RECOGNITION

The Dealer of the Year Awards Programme is a testament of MBM's efforts to reward dealerships for operational excellence and commitment to delivering the best customer experience. In 2019, Hap Seng Star once again won the Dealer of the Year Awards, winning the coveted Dealer of The Year – Champion Category for the third consecutive year.

In addition, Hap Seng Star dealerships clinched top positions in eight out of the nine categories as indicated in the table below:

AWARD	CHAMPION	1st RUNNER UP	2nd RUNNER UP
Dealer of the Year 2019	Bukit Tinggi	-	-
Best in Business Excellence 2019	Kuching	Iskandar	-
Best in Financial Services 2019	Bukit Tinggi	Kinrara	-
Best in 2019 CSI - Sales	Balakong	Kinrara	Bukit Tinggi
Best in 2019 CLI	Iskandar	Bukit Tinggi	Kuching
Best in CSI & CLI 2019	Bukit Tinggi	Balakong	Kota Kinabalu
Best in Sales 2019	Bukit Tinggi	-	Jalan Ipoh
Best in Customer Services 2019	-	Puchong South	Bukit Tinggi
Most Improved Dealer	Iskandar	Bukit Tinggi	-

For the commercial vehicle segment, Hap Seng Trucks Distribution was honored with the award "Market of the Year 2019" with the Number 1 in the European Heavy-Duty Truck segment from Daimler in Southeast Asia.



SHORT AND LONG-TERM GOALS

Hap Seng Star's short-term goal is to continue in strengthening the dealership network with focused growth, especially in the southern region of Peninsular Malaysia.

Aftersales operations will continue to focus on customer satisfaction and retention and will introduce various initiatives to enhance and improve customer experience.

As part of Hap Seng Star's efforts to generate a continuous stream of highly qualified and competent technicians, it continues to sponsor students enrolled in the Advanced Modern Apprenticeship (AMA) programme. In addition, Hap Seng Star established an in-house Technical and Vocational Education and Training (TVET) programme, as part of the division's corporate social responsibility initiatives.

The division's long-term goal is to maintain its position as the leading Mercedes-Benz passenger car dealer in Malaysia.

Hap Seng Trucks Distribution will continue to develop a strong commercial vehicle business in the country to drive future growth of Mercedes-Benz and FUSO commercial vehicles. Hap Seng Trucks Distribution will also leverage on social media marketing platform to enhance Mercedes-Benz and FUSO's brand presence and to increase sales and market share.

Hap Seng Trucks will continue to expand its network coverage for better customer service experience. Aftersales operations will focus on labour optimisation to enhance productivity and efficiency at service centres.

OUTLOOK FOR 2020

With the ongoing COVID-19 pandemic, global trade and supply chains continues to be severely disrupted. The situation has been exacerbated by the MCO implemented since 18 March 2020 in Malaysia.

As a result, the division is cautious of the Malaysian automotive industry's performance for both the premium passenger car segment and commercial vehicle segment despite the optimistic outlook by the Malaysian Automotive Association at the beginning of 2020.

TRADING

The Trading division comprises the fertilizers trading operations and general trading operations.

Fertilizers Trading

The fertilizers trading operations supply a wide range of fertilizers to the oil palm plantation industry in Malaysia and Indonesia that include muriate of potash (MOP), ammonium sulphate, rock phosphate, kieserite and other NPK fertilizers.

The fertilizers trading operations trade through Hap Seng Fertilizers Sdn Bhd (HSF) in Malaysia, PT Sasco Indonesia (PTSI) and Sasco (China) Co. Ltd (SCC). These trading entities operate from 14 strategically located warehouses - eight in Malaysia and six in Indonesia. SCC sources for fertilizers in China and globally for exports to regional and global markets.

General Trading

The general trading operations supplies a diverse portfolio of building material products, which include steel bars, cement, tiles, iron & metal, building chemicals, interior fittings, sanitary ware and petroleum products.

The general trading operations serves the construction, housing development and other infrastructure development industries through its network of seven branches - four in Sabah, one in Johor, one in Penang and the main office in Kuala Lumpur.

Revenue

RM2,180.3
million

Operating Profit

RM41.0
million


MURIATE OF POTASH
60% K20
MANUFACTURER :
CANPOTEX
DIIMPOT OLEH :
HAP SENG FERTILIZERS
MENARA HAP SENG,
MANUFACTURER :
50KG


CEMENT

MARKET CONDITION

Fertilizers Trading

The high CPO inventory and soft CPO prices encountered during the second half of 2018 spilled over into most of 2019. The prolonged period of weak CPO prices had an adverse impact on oil palm plantations' profitability and cash flow. Oil palm plantations, especially smaller and medium sized plantations, and those highly geared, deferred fertilizers application to contain costs and preserve cash flow. MOP prices, although having increased in 2018, were weighed down towards the second half of 2019 due to the depressed fertilizers demand.

General Trading

Malaysia's GDP growth declined to 4.3% in 2019 (2018: 4.7%), the lowest growth rate since the global financial crisis in 2009. This was attributed to lower output of palm oil, crude oil and natural gas, as well as a fall in exports amid the US-China trade war.

The construction industry slowdown was much sharper, with an estimated expansion of 0.6% in 2019 (2018: 4.2%). Demand from the housing sector continued to be hampered by the supply overhang. Delay in the various infrastructure projects also contributed to the slowdown in the construction industry.

TRADING DIVISION'S OPERATION NETWORK

MANAGEMENT STRATEGIES

Fertilizers Trading

Fertilizers trading operates in a price-volatile environment, driven by international demand for fertilizers and CPO prices. The division will strive to maintain its market position while minimising its exposure to price volatilities by matching supply with demand.

General Trading

The general trading operations, being one of the leading building materials suppliers in Malaysia, will focus on consolidating its various business segments as well as leveraging on the strength of the Group's synergies.

OPERATIONAL PERFORMANCE

Fertilizers Trading

The fertilizers trading operations recorded a 12% reduction in sales volume to 1,388,000 tonnes (2018: 1,572,000 tonnes) due to weak fertilizers demand from the plantation industry in Malaysia and Indonesia. However, revenue was marginally higher at RM1,409.5 million (2018: RM1,395.7 million) due to higher fertilizers prices. Operating profit declined by 14% to RM34.7 million (2018: RM40.4 million), due to compressed gross margins.

Operations in Malaysia

The fertilizers trading operations maintained its market leadership position in Malaysia with an improved market share of 31% (2018: 27%), albeit in a smaller overall market size from reduced fertilizers demand.

HSF widened its lead in the East Malaysian fertilizers business segment with a market share of 41% (2018: 36%) and maintained its market share in Peninsular Malaysia of 16% (2018: 16%).

Although sales volume declined by 4% to 920,000 tonnes (2018: 958,000 tonnes), turnover increased by 11 % to RM985.3 million (2018: RM883.8 million) due to higher fertilizers prices. Operating profit was lower by 7% at RM30.4 million (2018: RM32.5 million) due to lower gross margins.

Operations in Indonesia

Weak demand for fertilizers reduced PTSI's sales volume by 20% to 323,000 tonnes (2018: 404,000 tonnes). Revenue declined marginally by 1.5% to RM319.4 million (2018: RM324.2 million) because of higher fertilizers prices. Operating profit declined by 29% to RM6.1 million (2018: RM8.6 million) due to lower gross margins.

Operations in China

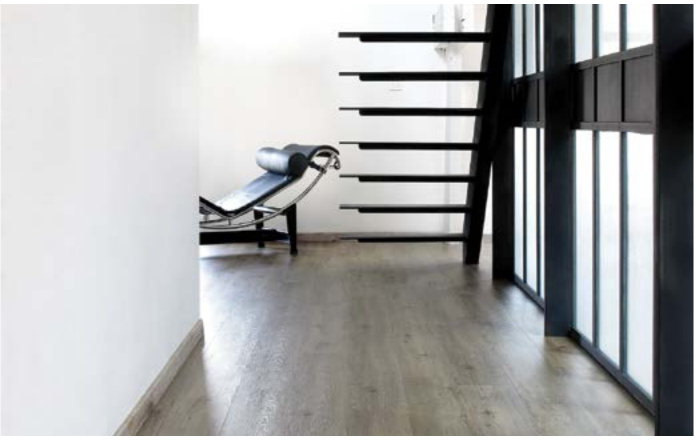
Sales volume and revenue declined by 31% to 145,000 tonnes (2018: 210,000 tonnes) and 44% to RM 104.8 million (2018: RM187.7 million) respectively. Operating loss was recorded at RM1.8 million (2018: operating loss of RM0.7 million).

General Trading

The general trading operations recorded a 7% decline in revenue to RM770.9 million (2018: RM833.0 million) and a 52% decline in operating profit to RM6.3 million (2018: RM13.2 million).

The decline in revenue and operating profit was due to the weak demand for building materials on the back of the slowdown in the construction sector and a compression of margins.

Overall, the trading division recorded a turnover of RM2,180.3 million (2018: RM2,228.6 million) and an operating profit of RM41.0 million (2018: RM53.6 million).



SHORT & LONG-TERM GOALS

Fertilizers Trading

Given the challenging operating environment, the fertilizers trading operations is focused on cost containment and resource optimisation. Vigilance over effective inventory and trade receivables management remains its top priority. Risk of excessive inventory is mitigated through closely matching supply against demand.

Fertilizers trading strive to maintain its market leadership position in Malaysia, and its presence in Indonesia. Continued engagement with key customers and principal suppliers on the establishment of strategic partnerships is a core part of its market development strategy. Alliances with principal suppliers add value to the business as well as to strengthen market positioning. In addition, initiatives are undertaken to further develop the effectiveness and leadership capabilities of the marketing team as one of the primary drivers of the business.

General Trading

The general trading operations' short-term goal is to maintain its position as a major building materials supplier while exercising stringent control to limit credit exposure and leverage on the strength of the Group's synergy.

For the longer term, the general trading operations aims to increase its number of branches, expand regional coverage and expand warehousing facilities to achieve higher market penetration.

OUTLOOK FOR 2020

Fertilizers Trading

COVID-19 pandemic has disrupted global trade and supply chain. Fertilizers producers have registered lower productivity due to transportation disruptions and a shortage of workers, creating an acute shortage of fertilizers. Fertilizer prices are expected to rise in the short term.

The MCO imposed by the government has adversely affected the sale of fertilizers. Deliveries of fertilizers have been affected, particularly in selected areas of Sabah where major oil palm plantations' operations have been stopped due to COVID-19 cases and because the limited business operation hours imposed by the MCO have disrupted the discharge of fertilizer shipments. It is expected to be challenging for sales to catch up once the MCO is lifted.

General Trading

According to Bank Negara Malaysia, the construction sector in Malaysia is forecasted to contract by 1.9% in 2020 due to the economic effects of the COVID-19 pandemic. Although general business conditions are expected to be soft, the anticipated revival of strategic mega projects, construction of affordable homes and ongoing infrastructure projects, such as the Pan Borneo Highway, are expected to partly mitigate the impact of the economic slowdown for the general trading operations.

BUILDING MATERIALS

The division comprises three main operations namely the quarry, asphalt and brick operations, ceramic tiles operations and Singapore trading operations.

Quarry, Asphalt and Bricks

This operation engages in quarrying activities in both Peninsular Malaysia and Sabah with an approximate total capacity of six million tonnes per annum. The quarry operations are complemented by two asphalt plants that provide downstream production and sales of premix for road surfacing. The quarry and asphalt products are distributed mainly to the Malaysian infrastructure and construction industry.

The clay brick manufacturing operates from two factories in Sabah and one factory each in Johor and Pahang, with a total monthly production capacity of approximately 20 million bricks. The main products are common clay bricks, facing bricks, double bricks and clay pavers which are distributed to building materials traders and contractors in both local and export markets.

Ceramic Tiles

Operating under Malaysian Mosaics Sdn Bhd (MMSB), the ceramic tiles operation trades and distributes ceramic tiles under the MML brand name.

Singapore Trading

The Singapore trading operations are carried out by its listed subsidiary in Singapore, Hafary Holdings Limited (Hafary). Hafary supplies a diverse portfolio of products, which includes tiles, stone, mosaic, wood flooring and interior fittings, catering to both the retail and project segments.

Hafary also has presence in China, Myanmar and Vietnam.

Revenue

RM863.0
million

Operating Profit

RM22.1
million


HSBM 117 HE
349D


HAFARY


MML
QUALITY. GUARANTEED.

MARKET CONDITION

The construction sector grew at a marginal pace of 0.1% in 2019 (2018: 4.2%). The growth was weighed down by the subdued activities in the development of residential and commercial properties but was mitigated by support from the civil engineering segment.

In Singapore, the economy grew by 0.7% in 2019 (2018: 3.1%), the slowest growth since the global financial crisis in 2009. Construction expanded by 2.5% (2018: 3.7%).

BUILDING MATERIALS DIVISION'S OPERATION NETWORK

MANAGEMENT STRATEGY

Quarry, Asphalt and Brick

In view of the ongoing Pan Borneo Highway construction, the operation's strategies include the strengthening of Sabah's quarry operations by efficiently utilising its assets and leveraging on the strength of the Group's synergies. The operation will also focus on various cost containment initiatives.

Ceramic Tiles

With a significant local and overseas presence, the MMSB operations will divert resources to its trading business after having downscaled its manufacturing operation.

Singapore Trading

Hafary aims to strengthen its position as the leading building materials supplier in Singapore by increasing its market penetration and by placing emphasis on strengthening its customer service offerings. It will continue to grow its regional presence in China, Myanmar and Vietnam.

OPERATIONAL PERFORMANCE

In 2019, the division recorded revenue of RM863.0 million (2018: RM979.0 million) and operating profit of RM22.1 million (2018: operating loss of RM135.5 million). The 2018 operating loss was attributable to non-operating expenses, which includes fixed asset impairment losses and stock write-down.

The quarry, asphalt and brick operations recorded a decline in revenue to RM272.6 million (2018: RM296.3 million) mainly due to the weaker construction sector and the cost containment exercise undertaken in the latter part of 2018. MMSB's decline in revenue to RM288.6 million (2018: RM368.0 million) was primarily due to the weaker construction sector, which was further compounded by the overcapacity in the tile manufacturing industry. Hafary registered a decline in revenue to RM319.2 million (2018: RM350.1 million) mainly due to the slowdown in renovations and private sector construction activities.

Despite the revenue decline, the division recorded an improved operating profit primarily due to lower non-operating expenses and better profit margins achieved by the quarry, asphalt and brick operations. The quarry, asphalt and brick operations recorded an operating profit of RM1.3 million (2018: operating loss of RM56.4 million). Hafary recorded an operating profit of RM36.2 million (2018: RM40.5 million). MMSB recorded an operating loss of RM15.4 million (2018: operating loss of RM119.6 million).

SHORT AND LONG-TERM GOALS

Quarry, Asphalt and Brick

The operation's short-term goal is to undertake a critical review of its existing operations to determine their viability, including optimisation of its production capacities, exercising stringent cost containment, expanding the operation's product base and leveraging on the strength of the Group's synergies. In the longer term, the operation aims to further strengthen its position in Sabah.

Ceramic Tiles

MMSB's short-term goal is to elevate its product and service capabilities in order to gain a competitive edge. In the longer term, MMSB will continue to broaden its distribution network and brand presence.

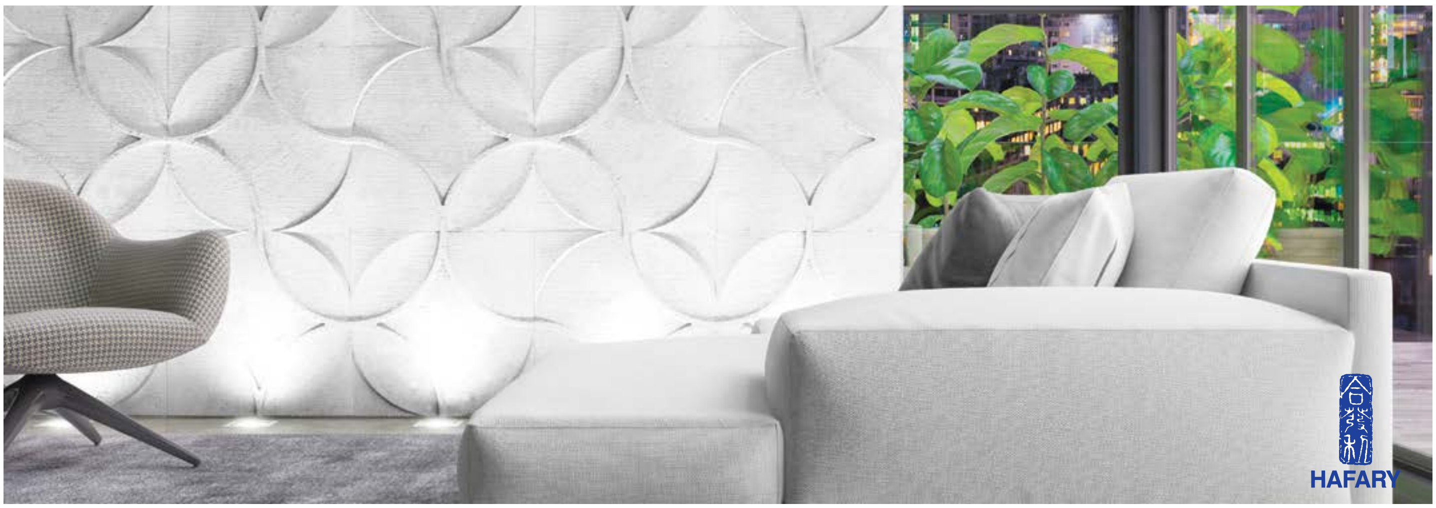
Singapore Trading

Hafary's short-term goals are to grow sales volume, improve operating profits and enhance market leadership. In the longer term, Hafary will continue to build up on its current product competencies and explore overseas opportunities.

OUTLOOK FOR 2020

Malaysia's real GDP in 2020 is anticipated to be adversely impacted by the COVID-19 pandemic and the oil price crash. Similarly, construction sector growth is expected to be negative amid the uncertainties. Demand for the division's products from the ongoing Pan Borneo Highway construction is expected to partly mitigate the adverse impact from the COVID-19 pandemic and oil price crash.

In Singapore, GDP growth is expected to be negative in 2020 due to the ongoing COVID-19 outbreak. The construction demand for 2020 as forecasted by the Building and Construction Authority Singapore of between S$17.5 billion and S$20.5 billion, with 62% to be contributed by the public sector, is likely to be unachievable.



ANTICIPATED OR KNOWN RISKS

The Group has taken a proactive approach to properly manage and mitigate the risks and challenges it faces across its diversified businesses.

With the overall aim of creating sustainable value for our shareholders, the Group will continue to improve operating efficiencies to mitigate financial risks and will remain vigilant on operational risks while leveraging on its synergies.

The plantation division is expected to operate in a more challenging business environment in 2020 with rising cost pressures arising from higher minimum wage and higher fertilizers costs. To optimise operating costs, the division will emphasise on mechanising the harvesting and fertilizer application processes, wherever feasible.

In order to allay the security risk, the Plantation division has implemented and will continue to implement various security measures, including the planned setting up of auxiliary police at the estates and working closely with related government agencies and partners to safeguard its plantations as well as providing a secure working environment for its employees.

The Property Investment and Development division expects the property market sentiment to weaken further in 2020. The property development arm continues to intensify its sales and marketing activities to boost sales such as by introducing a customer referrals programme, a loyalty programme and participating in My Home schemes and Rumah Selangorku programme introduced by the Malaysian government. Meanwhile, the property investment arm continues its sales and marketing efforts to retain existing tenants and attract potential tenants.

The Credit Financing division expects a competitive financing landscape and higher non-performing loans in 2020. To mitigate expectations of higher loan impairment, efforts on credit collection, loan recovery and rehabilitation will be strengthened.

The Automotive division expects the weak premium passenger car market to persist in 2020. Similarly, the division expects the commercial vehicle market to be equally muted. The division will continue to offer attractive sales and after-sales packages with a focus on service excellence to increase its market share, despite the expected intense competition from other brands and dealers in 2020.

The Trading division anticipates 2020 to be a challenging year. The fertilizers trading operations faces pricing risks due to uncertainties surrounding the US-China trade war and volatile CPO prices. In response, the fertilizers trading operations undertake to minimise stock holding and matching stock orders with committed sales to minimise pricing risk. The general trading operations will focus on consolidating its existing customer base and market coverage as it continues to be impacted by the slowdown in construction markets.

The Building Materials division anticipates weak market sentiment in 2020 as the construction and property development markets continue to slow down. The division had carried out business streamlining and rationalisation measures in 2019 to optimise its operating costs. MMSB will focus on tiles trading by growing its OEM sales.


Menara Hap Seng 3

Pursuant to the latest Bursa Malaysia Main Market Listing Requirements and S.17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018, the Group has identified and included corruption risks into the Group's risk profile. The Group is committed to anti-corruption and bribery initiatives and has performed gap analysis on the existing policies and procedures, developed and implemented adequate procedures to mitigate corruption risks within the Group.

MOVING FORWARD

The outbreak of the COVID-19 pandemic has disrupted the global economy, the economic damage of which is unquantifiable at this juncture. In Malaysia, the government has implemented a MCO, which has effectively halted

almost all economic activities except for essential services. As a result, the Malaysian GDP growth is projected to be between –2.0% to 0.5% for 2020.

The ongoing crude oil price war amongst the major oil producers has driven the Brent oil prices down to below USD30 per barrel in the first quarter of 2020 from an average of USD64 per barrel in 2019.

For the Malaysian palm oil industry, the COVID-19 pandemic has disrupted this industry due to the uncertainty surrounding the MCO. In addition, issues of labour and rising wages continue to affect the industry. The division will continue to optimise operational efficiencies in order to mitigate the issues above.

For the property sector, market sentiment is expected to soften further in 2020. The current property overhang and the COVID-19 pandemic will have an adverse impact on the property market. However, the division is cautiously optimistic of the affordable residential property market, which the division concentrates in Sabah, due to the accommodative monetary environment.

The general commercial property market is affected by oversupply of office space in the Klang Valley and COVID-19 pandemic. However, with a relatively stable tenant portfolio and the launching of our newly completed office building, Menara Hap Seng 3, the division is reasonably confident that its investment properties' performance will remain viable.

Credit financing activity is expected to be affected by the slowdown in economic activities in 2020, affecting its non-performing loans. The division will tighten its lending policy, focusing on maintaining a stable and quality loan receivable portfolio while increasing its emphasis on credit control and debt collection. The division continues to play a pivotal role in co-ordinating the Group's synergistic opportunities across all business segment.

The economic effects of the COVID-19 pandemic will lead to a slowdown in demand for premium passenger cars and commercial vehicles. At the same time, the disruption in the global automotive supply chain will have a negative impact on the automotive industry. The division will streamline its operations and will strengthen its stringent cost management measures. However, it will continue its investments in new aftersales facilities to serve our customers even better.

The disruption in the global supply chain and the corresponding slowing global economy are expected to affect fertilizers trading operations. This is also expected to result in a supply-demand imbalance in the regional and global markets. Consequently, this may cause a hike in fertilizer prices resulting in lower sales volume for the year for the division's fertilizers trading operations.

As a result of the COVID-19 outbreak, the construction sector in Malaysia is projected to contract by 1.9% in 2020. The division's general trading operations will seek consolidation in its various business segments.

Although general business conditions are expected to be soft, the anticipated revival of strategic mega projects, construction of affordable homes and ongoing infrastructure projects, such as the Pan Borneo Highway, are expected to partly mitigate the impact of the economic slowdown for the Building Material division.

ACKNOWLEDGEMENTS

The Company would like to express its gratitude and thanks to its Board of Directors and shareholders for their confidence and support. In particular, the Company would like to extend its utmost gratitude to Dato' Jorgen Bornhoft, who stepped down as our Independent Non-Executive Chairman on 26 February 2020, for his invaluable guidance and leadership. The company would also like to thank Dato' Mohammed Bin Haji Che Hussein, who has retired from the board on 30 May 2019, for his dedicated service to the Company and Board.

The Company would also like to warmly welcome Mr Thomas Karl Rapp, who joined the Board as the Independent Non-Executive Chairman, and Mr Tan Boon Peng, who joined the Board as an Independent Non-Executive Director, on 26 February 2020.

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

BOARD OF DIRECTORS

Sitting from left to right

1 **CHEAH YEE LENG**
Executive Director

2 **DATUK EDWARD LEE MING FOO, JP**
Managing Director

3 **THOMAS KARL RAPP**
Independent Non-Executive Chairman

4 **LEE WEE YONG**
Executive Director

Standing from left to right

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

6 **DATO' WAN MOHD FADZMI BIN CHE WAN OTHMAN FADZILAH**
Independent Non-Executive Director

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

8 **TAN BOON PENG**
Independent Non-Executive Director

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

THOMAS KARL RAPP

Independent Non-Executive Chairman

Thomas Karl Rapp, male, a German, aged 63, is the independent non-executive chairman of Hap Seng Consolidated Berhad. He was appointed to the Board as an independent non-executive chairman on 26 February 2020. He is also a member of the Audit Committee and Nominating Committee and the chairman of the Remuneration Committee.

Mr. Thomas Karl Rapp joined Hap Seng Consolidated Berhad (HSCB) Group on 1 July 2006 as the executive chairman of the property holding and development division. He then became the CEO and chairman of Malaysian Mosaics Sdn Bhd (formerly Malaysian Mosaics Berhad) (MMSB) from 1 February 2007 to 1 December 2008.

Prior to him joining HSCB Group and MMSB, Mr. Thomas Karl Rapp had held various senior positions within the worldwide Mercedes-Benz Group from 1986 to 2006 in Europe and South East Asia. He was the general director of Mercedes-Benz Vietnam Ltd in Ho Chi Minh City and chief representative of Daimler in Hanoi / Vietnam from 2002 to 2006.

Since 2009 Mr. Thomas Karl Rapp is the managing director of TKR Consulting Sdn Bhd.

Mr. Thomas Karl Rapp graduated with a Degree in Business Economics from Chamber of Commerce Stuttgart, Germany.

Mr. Thomas Karl Rapp does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

He did not attend any board meetings held during the financial year ended 31 December 2019 as he was appointed to the board subsequent to the financial year end.

DATUK EDWARD LEE MING FOO, JP

Managing Director

Datuk Edward Lee Ming Foo, JP, male, a Malaysian, aged 65, 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.

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 44 to the Financial Statements. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

He attended all the 7 board meetings held during the financial year ended 31 December 2019.

LEE WEE YONG

Executive Director

Lee Wee Yong, male, a Malaysian, aged 72, 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 Chartered Accountants Australia and 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 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

He attended 6 out of the 7 board meetings held during the financial year ended 31 December 2019.

CHEAH YEE LENG

Executive Director

Cheah Yee Leng, female, a Malaysian, aged 51, is an executive director of Hap Seng Consolidated Berhad and was appointed to this position on 1 June 2014.

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

Ms. Cheah joined Hap Seng Consolidated Berhad (HSCB) group of companies in 1997 and 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.

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

Ms. Cheah does not have any family relationship with any director and/or major shareholder nor does she have any conflict of interests with the Company. She has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

She attended all the 7 board meetings held during the financial year ended 31 December 2019.

DATUK SIMON SHIM KONG YIP, JP

Non-Independent Non-Executive Director

Datuk Simon Shim Kong Yip, JP, male, a Malaysian, aged 63, 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 a non-independent non-executive director of Lam Soon (Thailand) Public Company Limited, a company listed on the Stock Exchange of Thailand.

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

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

Datuk Simon Shim does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company save for the related party transactions disclosed in Note 44 to the Financial Statements. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

He attended 5 out of the 7 board meetings held during the financial year ended 31 December 2019.

LT GEN (R) DATUK ABDUL AZIZ BIN HASAN

Independent Non-Executive Director

Lt Gen (R) Datuk Abdul Aziz Bin Hasan, male, a Malaysian, aged 74, 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). 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 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

He attended all the 7 board meetings held during the financial year ended 31 December 2019.

LEOW MING FONG @ LEOW MIN FONG

Independent Non-Executive Director

Leow Ming Fong @ Leow Min Fong, male, a Malaysian, aged 70, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 4 March 2016. He is also the chairman of the Audit Committee and a member of the Remuneration Committee.

In addition, Mr. Leow is the independent non-executive chairman of Focus Point Holdings Berhad. He is also an independent non-executive director of KSK Group Berhad and Jawala Inc, a company incorporated in Labuan and listed in the Singapore Exchange Securities Trading Limited as well as an independent non-executive director of Canadia Bank PLC, Sovannaphum Life Assurance PLC and Dara Insurance PLC in Cambodia.

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 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.

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 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

He attended all the 7 board meetings held during the financial year ended 31 December 2019.

DATO' WAN MOHD FADZMI BIN CHE WAN OTHMAN FADZILAH

Independent Non-Executive Director

Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah, male, a Malaysian, aged 54, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 23 November 2017. He is also the chairman of the Nominating Committee.

In addition, Dato' Wan Mohd Fadzmi is an independent non-executive director of Chemical Company of Malaysia Berhad, Sumitomo Mitsui Banking Corporation Malaysia Berhad and Bank Pembangunan Malaysia Berhad.

Dato' Wan Mohd Fadzmi holds a Bachelor of Construction Economics from RMIT University, Melbourne, Australia and attended the Advanced Management Program at The Wharton Business School, University of Pennsylvania, USA and the Senior Executive Finance Program at University of Oxford, United Kingdom. He is a Chartered Banker (Asian Institute of Chartered Bankers) and a Fellow of Institute of Corporate Directors Malaysia.

Dato' Wan Mohd Fadzmi has extensive experience in domestic and international banking. During his 22 years career in the Malayan Banking Berhad, Dato' Wan Mohd Fadzmi held various senior management positions including the chief executive and country heads for the bank's operations in London, New York and Hong Kong. In addition, he was director of Global Financial Banking strategic business group at RHB Bank Berhad from July 2010 to June 2011 before assuming the position as the president/chief executive officer at Bank Pertanian Malaysia Berhad (Agrobank) from July 2011 to August 2017.

Dato' Wan Mohd Fadzmi does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

He attended all the 7 board meetings held during the financial year ended 31 December 2019.

TAN BOON PENG

Independent Non-Executive Director

Tan Boon Peng, male, a Malaysian, aged 53, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 26 February 2020.

Mr. Tan was formerly the Regional Head of Equity Capital Markets at the CIMB Group where he had held various positions over a span of more than 13 years until 2016. Mr. Tan was a Sime Darby Scholar and began his professional career as a factory manager/engineer with the Sime Darby Group before venturing into financial services. He was an equity research analyst, over time holding various positions at several Malaysian and international stockbroking institutions including being Head of Research; and thereafter joined the CIMB Group.

Currently, Mr. Tan is an independent non-executive director of CapitaLand Malaysia Mall REIT Management Sdn Bhd which manages CapitaLand Malaysia Mall Trust, a real estate investment trust listed on the Main Market of Bursa Malaysia Securities Berhad.

Mr. Tan graduated with a Master of Arts and Bachelor of Arts (Hons) in Engineering from the University of Cambridge, United Kingdom.

Mr. Tan does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

He did not attend any board meetings held during the financial year ended 31 December 2019 as he was appointed to the board subsequent to the financial year end.

SENIOR MANAGEMENT TEAM'S PROFILE

Sitting from left to right

1 **HARALD UWE BEHREND**
Group Chief Operating Officer & Chief Executive
AUTOMOTIVE DIVISION

2 **CHEAH YEE LENG**
Director of Corporate Affair & Group Legal Counsel

3 **DATUK EDWARD LEE MING FOO, JP**
Group Managing Director

4 **LEE WEE YONG**
Group Finance Director

5 **CHONG CHEE WOOI**
Deputy Group Finance Director

Standing from left to right

6 **ANDREW TALLING**
Chief Operating Officer
QUARRY, ASPHALT AND BRICKS BUSINESS

7 **VOON THAU VUI**
Chief Executive
TRADING DIVISION

8 **KHOR SOO BENG**
Chief Operating Officer
PROPERTY INVESTMENT & DEVELOPMENT DIVISION

9 **PUAN CHEN KECK**
Chief Executive
CREDIT FINANCING DIVISION

10 **AU SIEW LOON**
Chief Financial Officer

11 **AU YONG SIEW FAH**
Chief Executive
PLANTATION DIVISION

12 **YONG TEAK JAN@ YONG TECK JAN**
Chief Operating Officer
BUILDING MATERIALS / TRADING OPERATIONS BUSINESS

HARALD UWE BEHREND

Group Chief Operating Officer & Chief Executive - Automotive Division

Harald Uwe Behrend, male, a German, aged 59, is the group chief operating officer of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 2 January 2013.

In addition, Mr. Behrend was appointed as chief executive of the automotive division of HSCB on 1 January 2014. He commenced his career with Mercedes-Benz AG in Germany in 1989. During his 24-year career with the German company Daimler AG, he held various senior positions in several countries including Mainland China, Hong Kong and South Korea. He also had short-term assignments in the United States of America and Japan. Prior to him joining HSCB group of companies, he was the president and chief executive officer of Mercedes-Benz Korea Limited and Daimler Trucks Korea Limited.

Mr. Behrend holds a Bachelor of Business Management Degree (Diplom-Betriebswirt) from University Pforzheim, in Germany, an Executive Master in Consulting and Coaching for Change from INSEAD in Singapore and a Master (Staatsexamen) in History and English as well as German literature and linguistics from Pedagogical University Freiburg, Germany.

Mr. Behrend does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

CHONG CHEE WOOI

Deputy Group Finance Director

Chong Chee Wooi, male, a Malaysian, aged 48, is the deputy group finance director of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 30 May 2019.

Mr. Chong was attached to the Lei Shing Hong Ltd Group of Companies (LSH Group) for 11 years where he held various senior positions in the automotive, credit and property businesses. His last position in LSH Group was as the group financial controller of Lei Shing Hong Properties Co. Ltd based in Hong Kong. Prior to him joining the LSH Group, Mr. Chong had held various senior finance and management positions in companies spanning pharmaceutical, petrochemical and specialty chemical industries covering the Asia Pacific region for 15 years.

Mr. Chong holds a Bachelor of Commerce Degree majoring in Accounting from University of Newcastle, New South Wales, Australia. He is a Fellow member of the Institute of Singapore Chartered Accountants.

Mr. Chong does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ending 31 December 2019.

AU SIEW LOON

Chief Financial Officer

Au Siew Loon, male, a Malaysian, aged 58, is the chief financial officer of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 3 September 2012.

Mr. Au commenced his articleship with Ernst and Young, Malaysia in 1981 and was seconded to Ernst and Young, London in 1986 for a period of 18 months. He left the profession in 1989. Prior to him joining the HSCB group of companies, he had held various senior management positions in companies involved in the financial services, insurance and food and beverage industries. He spent more than two decades in QSR Brands Sdn Bhd, a large fast food operator and food processor/manufacturer, and had held various senior positions in the areas of internal audit, finance, upstream and downstream operations of the group.

Mr. Au is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

Mr. Au does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

AU YONG SIEW FAH

Chief Executive – Plantation Division

Au Yong Siew Fah, male, a Malaysian, aged 69, is the chief executive of the plantations division of Hap Seng Consolidated Berhad (HSCB), Hap Seng Plantations Holdings Berhad (HSP), and was appointed to this position on 12 February 2001. Thereafter he was appointed an executive director of HSP on 31 July 2007.

Mr. Au Yong started his career as a cadet planter with Yule Catto Plantations Sdn Bhd in Kluang, Johor in 1969 after attending the Royal Military College. He has more than 50 years of extensive experience in all aspects of management of large plantations for major crops such as oil palm, rubber, cocoa and coconuts, development of plantation land from initial acquisition of jungle land, establishment of palm oil mills and marketing of produce. Prior to him joining HSCB Group, he was the General Manager of United Malacca Berhad from 1997 to 2001.

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

Currently, Mr. Au Yong holds 291,600 HSCB shares and 180,000 HSP shares.

Mr. Au Yong does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

PUAN CHEN KECK

Chief Executive – Credit Financing Division

Puan Chen Keck, male, a Malaysian, aged 62, is the chief executive of the credit financing division of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 7 April 2014.

Mr. Puan joined HSCB group of companies in 2003 as the general manager of the credit financing division and was later promoted to deputy chief executive before assuming the present position. He has more than 35 years of experience in credit and finance sector. Prior to this, he was the head of retail banking of Affin-ACF Finance Berhad (now known as Affin Bank Berhad).

Mr. Puan is a member of the Chartered Institute of Management Accountants in United Kingdom.

Currently, Mr. Puan holds 8,000 HSCB shares and 32,500 Hap Seng Plantations Holdings Berhad shares.

Mr. Puan does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

VOON THAU VUI

Chief Executive – Trading Division

Voon Thau Vui, male, a Malaysian, aged 57, is the chief executive of the trading division of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 1 September 2013.

Mr. Voon has over 20 years of senior management experience in the commodities trading industry in Asia. Prior to him joining HSCB group of companies, he was the executive director of Lei Shing Hong Trading (China) Co. Ltd. from March 2006 to August 2013 and was responsible for the overall business performance of the company covering both China and Asia Pacific region.

Mr. Voon holds an Executive MBA in International Marketing from Berne University of Applied Sciences Switzerland and a Postgraduate Diploma in Marketing from Chartered Institute of Marketing in United Kingdom. He is a Fellow of the Chartered Institute of Marketing in United Kingdom.

Mr. Voon does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

KHOR SOO BENG

Chief Operating Officer
– Property Investment & Development Division

Khor Soo Beng, male, a Malaysian, aged 57, is the chief operating officer of the property investment & development division of Hap Seng Consolidated Berhad and was appointed to this position on 9 December 2013.

Prior to this, Mr. Khor was the chief operating officer of the property development of UOA Group. During his 18-year career with UOA Group, he was primarily involved in the development of the Bangsar South Mixed Development. In addition, he was also involved in the listing of UOA Real Estate Investment Trust (UOA REIT) and UOA Development Berhad. He then joined Paramount Corporation Berhad to be its chief operating officer of the property division.

Mr. Khor holds a Bachelor of Science (Hon) degree in Building from University of Ulster in United Kingdom. He is a member of The Chartered Institute of Building (CIOB) United Kingdom, Building Management Association of Malaysia (BMAM) and Malaysian Institute of Property and Facility Managers (MIPFM).

Mr. Khor does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

YONG TEAK JAN @ YONG TECK JAN

Chief Operating Officer
- Building Materials / General Trading Business

Yong Teak Jan @ Yong Teck Jan, male, a Malaysian, aged 49, is the chief operating officer of building materials – trading operations business of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 7 November 2017.

Mr. Yong is a non-independent non-executive director of Hafary Holdings Limited, a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited. He is currently the chief operating officer of Malaysian Mosaics Sdn Bhd, which trades and distributes ceramic tiles under the "MML" brand name, one of Malaysia's leading brands in ceramic tiles with more than five decades in the market. Concurrently, Mr Yong is also the director of operations (East Malaysia) for the quarry, asphalt and brick business of HSCB. Mr. Yong has more than 25 years of experience in the building material and engineering industry in Malaysia and Singapore. He had held various positions such as business development, sales and marketing and export, manufacturing and procurement in Eastech Steel Mill Services (M) Sdn Bhd and Salcon Limited.

Mr. Yong holds a Bachelor of Science with Honours in Chemistry from the University of Malaya.

Mr. Yong does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

ANDREW TALLING

Chief Operating Officer
– Quarry, Asphalt and Bricks Business

Andrew Talling, male, British, aged 55, is the chief operating officer of the quarry, asphalt and bricks business of Hap Seng Consolidated Berhad and was appointed to this position on 18 December 2017.

Mr. Talling has more than 30 years of international experience in heavy building material industries, including quarries, asphalt, concrete and brick. Prior to this, he had held various senior positions in global building material multinationals including Hanson Quarry Products (Thailand) Ltd and Insee Aggregates division of Siam City Concrete Co. Ltd which was part of Holcim Group.

Mr. Talling holds a Master in Business Administration from the University of Lincoln and Humberside in United Kingdom and an Honours Degree in Mining Engineering from Imperial College, London, United Kingdom. He is also a Fellow of the Institute of Quarrying.

Mr. Talling does not have any family relationship with any director and/or major shareholder nor does he have any conflicts of interests with the Company. He has not been convicted of any offense in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The CG Statement is supplemented by a Corporate Governance Report ("CG Report"), based on the prescribed format of paragraph 15.25(2) of the Main Market Listing Requirements. This is to provide a detailed articulation on the application of the Company's corporate governance practices vis-à-vis the Malaysian Code on Corporate Governance ("MCCG"). The CG Report is available on the Company's website, *www.hapseng.com* as well as via an announcement on the website of Bursa Securities.

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

Corporate Governance Approach

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

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

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

Given the commitment of the Board to good corporate governance, the Board continues to drive efforts to promote meaningful and thoughtful application of good corporate governance practices. This includes monitoring local and global developments of corporate governance and assessing their implications. In 2017, Malaysia witnessed a range of regulatory reforms including the coming into effect of Companies Act 2016, release of the new MCCG by Securities Commission Malaysia as well as the amendments to Main Market Listing Requirements which were augmented with the issuance of the Corporate Governance Guide (3^{rd} Edition) by Bursa Securities.

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

During the financial year under review, the Company has also taken steps designed to harmonise corporate governance standards throughout the HSCB group of companies. This effort is focused, amongst others, on standardising, to the extent practicable, principles relating to various corporate governance matters including Board composition, directors' independence criteria, roles and terms of reference of Board Committees, and directors' remuneration framework.

Summary of Corporate Governance Practices

The Company has applied all the Practices encapsulated in MCCG for the financial year ended 31 December 2019 except for the following:

- Practice 4.5 (Board to comprise 30% women directors);
- Practice 4.6 (Sourcing of candidates for directorships using independent sources);
- Practice 7.2 (Disclosure of the top five senior management's remuneration on a named basis);
- Practice 11.2 (Adoption of integrated reporting for large companies); and
- Practice 12.3 (Use of technology to facilitate remote shareholders' participation during general meetings)

The Company has provided explanations for the departures from the said Practices which are accompanied by alternative measures that seek to achieve the Intended Outcome of the departed Practices, measures that the Company has taken or intends to take to adopt Practices as well as timeframe for adoption of the departed Practices. Further details on the Company's application of each Practice of MCCG are available on the Company's CG Report on the Company's website as well as on Bursa Securities' website.

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

Responsibilities of the Board

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

The Board has established three Board Committees, namely, Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") to assist it in discharging its oversight function. At all times, the Board retains collective oversight over the Board Committees. These Board Committees have been constituted with clear terms of reference and they are actively engaged to ensure that the Company is in adherence with good corporate governance.

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

The Board and Board Committees meet regularly to deliberate on matters under their respective purview. During the year, the Board has deliberated on business strategies and critical issues concerning the Company, including business plan, annual budget, financial results, risk management status report and sustainability report. Attendance of the Board meetings and Board Committees meetings during the financial year ended 31 December 2019 is outlined below:

Director	Board	AC	RC	NC
Thomas Karl Rapp[1 & 2]	-*	-*	-*	-*
Dato' Jorgen Bornhoft[7]	7/7	6/6	1/1	2/2
Lt Gen (R) Datuk Abdul Aziz Bin Hasan	7/7			
Leow Ming Fong @ Leow Min Fong[3]	7/7	6/6	1/1	
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah[4 & 5]	7/7			-*
Datuk Simon Shim Kong Yip	5/7	4/6	0/1	2/2
Tan Boon Peng[6]	-*			
Dato' Mohammed Bin Haji Che Hussein[8]	2/2	2/2		2/2
Datuk Edward Lee Ming Foo	7/7			
Lee Wee Yong	6/7			
Cheah Yee Leng	7/7			

● Board/Board Committee Chairman ● Member

[1] *Appointed as chairman of the Board w.e.f. 26 February 2020.*
[2] *Appointed as chairman of RC and a member of AC & NC w.e.f. 26 February 2020.*
[3] *Redesignated as chairman of the AC w.e.f. 30 May 2019.*
[4] *Appointed as chairman of the NC w.e.f. 30 May 2019.*
[5] *Appointed as the senior independent director w.e.f. 30 May 2019.*
[6] *Appointed to the Board w.e.f. 26 February 2020.*
[7] *Resigned on 26 February 2020.*
[8] *Resigned on 30 May 2019.*
* *There were no meetings held subsequent to his appointment.*

There is a clear demarcation of responsibilities between Board and Management. While the Board directs and governs Management, it does not unduly usurp the operational and implementation role of Management. The chairman is responsible to spearhead the Board while the managing director is responsible for the efficient and effective management and operation of the Company, in accordance with the strategic direction of the Board.

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

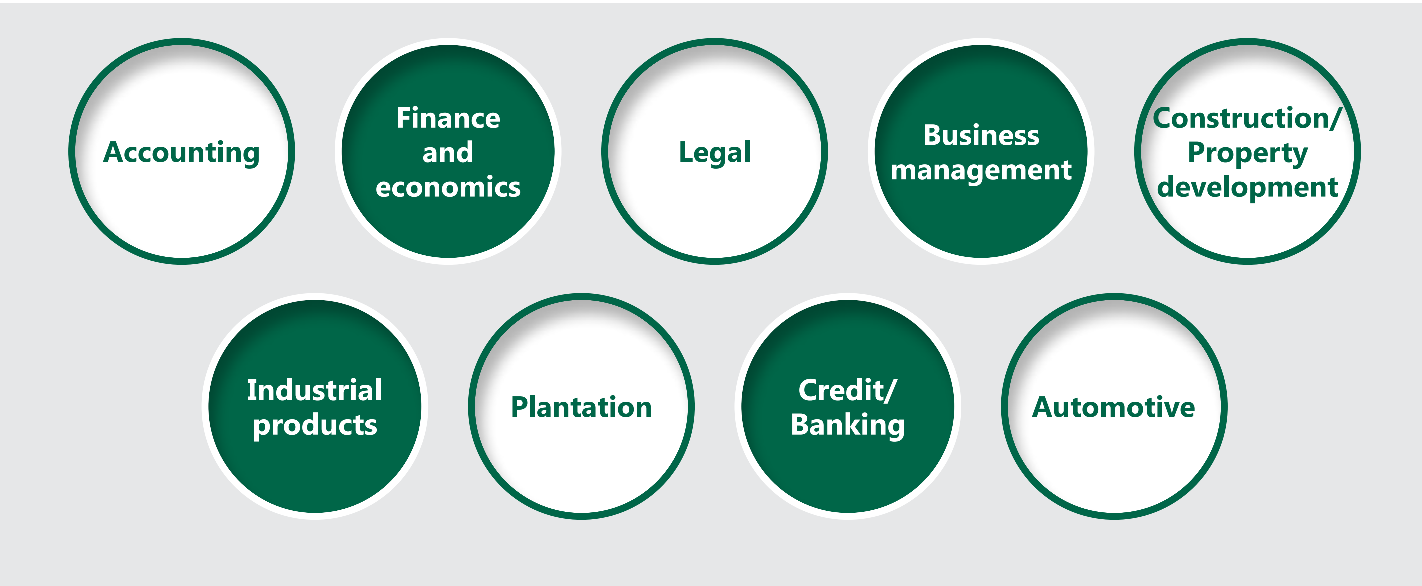
In discharging its responsibilities, the Board is assisted by a qualified and competent company secretary that act as a counsel on corporate governance matters. Management provides directors with adequate and timely information prior to meetings to enable them to make informed decisions.

A Code of Conduct and Whistleblowing Policy has been put in place to foster an ethical culture and allow legitimate ethical concerns to be raised in confidence without the risk of reprisal. The Code of Conduct and Whistleblowing Policy is reviewed periodically by the Board and published on the Company's website.

Board Composition

Recognising that the Company is a diversified conglomerate with six core businesses – plantations, property investment & development, credit financing, automotive, trading and building materials, the Board ensures that it has an appropriate mix of skills, experience and diversity to discharge its role and responsibilities effectively based on the Group's nature of business. The Board from time to time undertakes a review of its composition to identify areas of strength and improvement opportunities.

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



In terms of independence, the Board is currently made up of five independent non-executive directors, one non-independent non-executive director and three executive directors including a managing director. The presence of majority independent directors allows the Board to apply heightened professional vigilance and challenge management in an unbiased manner and prevent dominance and complacency in the boardroom.

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

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

Appointments to the Board are made via a formal, rigorous and transparent process, premised on meritocracy and after taking into account the skills, experience and diversity needed on the Board in the context of the Company's strategic direction. In terms of gender diversity, the Board currently comprises one female director, namely, Ms. Cheah Yee Leng and the Board is taking steps to improve women representation on the Board by broadening its sourcing and nomination process. The Company also has strong female representation at the Management level which can form the pipeline of candidates available for directorships and senior management roles.

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

Remuneration

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

Audit Committee

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

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

During the year the AC held 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 AC.

Risk Management and Internal Control Framework

The Board is cognisant that a robust risk management and internal control framework helps the Group to achieve its value-creation targets by providing risk information to enable better formulation of the Group's strategies and decision-making. The Group's risk management and internal control framework covers not only financial controls but also operational, environmental and compliance controls as well as corporate liability as set out under Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("MACC Amendment Act 2018"). The Group Risk Management Committee ("Risk Management Committee") takes responsibility for risk management, building upon already established structures and mechanisms to implement the processes for identifying, evaluating, monitoring and reporting of risks as well as to take appropriate and timely corrective actions as required. The managing director assumes the role of chairman of the Risk Management Committee while the chief executives lead the risk management function of the various business units. An annual comprehensive risk management report and a half yearly update on salient changes to the key risk profile are tabled to the AC to facilitate timely assessment.

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

The Group has developed the anti-bribery and corruption policy ("Anti-Bribery and Corruption Policy") to establish, maintain, enforce and review the anti-corruption compliance programme periodically to adequately address the corruption risks pursuant to Section 17A of the MACC Amendment Act 2018. This would help to prevent acts of bribery and corruption throughout the organization and parties who work for and associated with the HSCB Group. The Anti-Bribery and Corruption Policy is available on the Company's website.

Communication with Stakeholders

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

Conduct of General Meetings

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

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

The Company had yet to facilitate the shareholders' participation and voting remotely during the 43rd AGM held on 30 May 2019 as the Board was of the view that a physical shareholders' meeting was more effective and conducive to forge an in-person engagement with shareholders and proxies.

As part of the Company's commitment to adhere strictly the social distancing rules, the forthcoming AGM will be conducted by way of a full virtual meeting. Pursuant to clause 77 of the Company's constitution, general meetings may be held at more than one venue using any technology that enables the members to participate and to exercise the members' rights to speak and vote at the meeting. Shareholders can therefore participate in the AGM remotely, including submission of questions for response prior to remote voting. The cast votes during the AGM will be validated by the appointed scrutineer, GovernAce Advisory & Solutions Sdn Bhd at the AGM.

As recommended by MCCG, the notice to the upcoming AGM alongside relevant accompanying materials have been provided more than 28 days in advance to enable shareholders to make adequate preparation.

Focus Areas on Corporate Governance

Areas which gained prominence from the Board during the financial year ended 31 December 2019 are as follows:

Independence of the Board and Board Committees

During the year, Dato' Mohammed Bin Haji Che Hussein, an independent non-executive director resigned from the Board upon conclusion of the AGM held on 30 May 2019 as he had served to the Board for more than 9 years. Subsequently, Mr. Leow Ming Fong @ Leow Min Fong was redesignated as chairman of the AC and Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah was then appointed chairman of the NC and senior independent director.

The Board welcomed Mr. Thomas Karl Rapp as the new independent non-executive chairman following the resignation of Dato' Jorgen Bornhoft on 26 February 2020. Dato' Jorgen Bornhoft served as the non-executive chairman for more than 12 years. Mr. Tan Boon Peng was also appointed to the Board as an independent non-executive director on 26 February 2020. The appointment of Mr. Tan Boon Peng allowed the Board to have a higher proportion of independent directors, thus, in compliance with Practice 4.1 of MCCG that the board comprising of a majority of independent directors which allows for more effective oversight of management.

None of the independent directors of the Company have held the position for a term exceeding 9 years.

Review of Board and Board Committees' policies and procedures

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

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

Professional development of directors

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

The list of training programmes were attended by the Board members during the financial year ended 31 December 2019 are outlined below:

Name	Programme Title	Date
Dato' Jorgen Bornhoft (Resigned on 26 February 2020)	MIA's Engagement Session with Audit Committee Members on Integrated Reporting	30 April 2019
	Mid-Year Outlook 2019 – Establishing New Altitudes	4 July 2019
	Transfer Pricing: Next Phase in Malaysia	9 July 2019
	Say on Pay: What do Boards Need to Know?	13 August 2019
	Raising Defences: Section 17A, MACC Act	27 August 2019
	Malaysia Macro and Equity Outlook	29 August 2019
	Post Budget 2020 - Outlook and Perspectives for the Economy & Capital Market Businesses	18 October 2019
	MACC Act (Section 17A)	20 November 2019
Datuk Edward Lee Ming Foo	Global Outlook Amidst Clashing Economic Tectonic Plates	8 August 2019
	Malaysia Macro and Equity Outlook	29 August 2019
	MACC Act (Section 17A)	20 November 2019
Lee Wee Yong	MFRS 16, Leases (Run 8)	19 September 2019
	Tax and Business Summit 2019	30 October 2019
	Budget 2020 Proposals Briefing	14 November 2019
	MACC Act (Section 17A)	20 November 2019
Cheah Yee Leng	2nd Annual General Counsel and Company Secretary	18-19 July 2019
	Listing Requirements Chapter 10 Transactions – Tackling Practical Issues	1 August 2019
	Malaysia Macro and Equity Outlook	29 August 2019
	MIA's Directors' Dialogue with Jonathan Labrey on Integrated Reporting	11 September 2019
	Briefing on Corporate Liability under the Malaysian Anti-Corruption Commission Act 2009, Adequate Procedures and ISO 37001 Anti-Bribery Management System Certification	21 October 2019
	Corporate Governance & Anti-Corruption	31 October 2019
	MACC Act (Section 17A)	20 November 2019
Datuk Simon Shim Kong Yip	Malaysia Macro and Equity Outlook	29 August 2019
	The 37th Cambridge International Symposium on Economic Crimes of which Datuk Simon was one of the speakers	1 - 8 September 2019

Name	Programme Title	Date
Lt Gen (R) Datuk Abdul Aziz Bin Hasan	Ring the Bell for Gender Equality – Empower Women for Sustainable Results	14 March 2019
	Global Business Insight Series (LEAP) – How to thrive in a world where everything can be copied	23 April 2019
	CG Watch: How does Malaysia Rank?	3 May 2019
	Adding Confidence to Captives: Managing Volatility via Self Insurance	7 August 2019
	Demystifying the Diversity Conundrum: The Road to Business Excellence	14 August 2019
	Malaysia Macro and Equity Outlook	29 August 2019
	Post Budget 2020 - Outlook and Perspectives for the Economy & Capital Market Businesses	18 October 2019
	Corporate Governance & Anti-Corruption	31 October 2019
	Executive Talk on Integrity & Governance: The Corporate Liability Provision, the "Adequate Procedures" & The Implementation of the National Anti-Corruption Plan	7 November 2019
	MACC Act (Section 17A)	20 November 2019
	Introduction to Corporate Liability under Section 17A MACC Act 2009	23 December 2019
Leow Ming Fong @ Leow Min Fong	MFRS 15 Revenue from Contracts with Customers & Application to Construction Contracts and Property Development Activities	28 January 2019
	Analytical Procedures for Audits of which Mr Jimmy was the trainer	1 February 2019
	MFRS 9, Financial Instruments – A Comprehensive Review and Analysis	14 May 2019
	Sustainability Reporting Training for Jawala Inc.	20 June 2019
	MFRS Conference 2019 – Applications in Your Practice	25 June 2019
	Independent Directors' Programme: "The Essence of Independence"	27 June 2019
	Malaysia Macro and Equity Outlook	29 August 2019
	MACC Act (Section 17A)	20 November 2019

Name	Programme Title	Date
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	Permodalan Nasional Berhad Leadership Forum 2019	5 March 2019
	Powertalk – Revisiting the Misconception of Board Remuneration	13 March 2019
	Bank Negara Malaysia – Financial Institutions Directors' Education (FIDE) Forum Dialogue with the Deputy Governor on the Draft Risk Management in Tech Policy	8 April 2019
	Audit Committee Conference 2019	15 April 2019
	CG Watch: How does Malaysia Rank?	3 May 2019
	Demystifying the Diversity Conundrum: The Road to Business Excellence	12 June 2019
	Permodalan Nasional Berhad Leadership Forum 2019 Series 2	25 June 2019
	2nd Perbadanan Insurans Deposit Malaysia (PIDM) – FIDE Forum Annual Dialogue with the CEO of PIDM	12 July 2019
	The Board of Directors of the 21st Century – When Disruption Meets Tradition	6 August 2019
	Raising Defences – Section 17A MACC Act	27 August 2019
	Malaysia Macro and Equity Outlook	29 August 2019
	International Directors Summit 2019	15 October 2019
	Leadership in a Disruptive World – The Changing Role of Boards	17 October 2019
	Permodalan Nasional Berhad – PNB Summit	30 October 2019
	Sustainable Development Goals – SDG Summit 2019 by Ministry of Economic Affairs Malaysia	6 November 2019
	Permodalan Nasional Berhad – PNB Lecture Series	18 November 2019
	Shaping the Boards of Tomorrow – Institute of Corporate Directors Malaysia	2 December 2019
Dato' Mohammed Bin Haji Che Hussein (Resigned on 30 May 2019)	Permodalan Nasional Berhad Leadership Forum 2019	5 March 2019
	Handling Media during a Crisis – Role of Board in Corporate Communications	14 March 2019
	Bank of America Berhad Board of Directors - Global Information Security (GIS)	27 March 2019
	Financial Institutions Directors' Education Forum Programme: Understanding Liquidity Risk Management in Banking	18 April 2019
	Malaysian Institute of Accountants' Engagement Session with Audit Committee Members on Integrated Reporting	30 April 2019
	CG Watch: How does Malaysia Rank?	3 May 2019
	Invest Asia 2019	9 & 10 May 2019
	Lee Hishammuddin Allen & Gledhill Thursday Talk Series: Navigating Unchartered Waters: Avoiding Pitfalls with International Disputes in Civil Law Countries	23 May 2019

Corporate Governance Priorities (2020 and Beyond)

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

Short term plan (one year)

Sourcing of Directors

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

Long term plan (three years)

Board Diversity

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

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

Corporate Reporting

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

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

Members of the Audit Committee

Mr. Leow Ming Fong @ Leow Min Fong	(Independent Non-Executive Director) - Chairman - Redesignated as Chairman on 30 May 2019
Mr. Thomas Karl Rapp	(Independent Non-Executive Director) - Appointed on 26 February 2020
Datuk Simon Shim Kong Yip, JP	(Non-Independent Non-Executive Director)
Dato' Mohammed Bin Haji Che Hussein	(Independent Non-Executive Director) - Chairman - Resigned on 30 May 2019
Dato' Jorgen Bornhoft	(Independent Non-Executive Director) - Resigned on 26 February 2020

Terms of Reference of Audit Committee

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

Meetings

During the financial year ended 31 December 2019, 6 meetings were held. Details of the attendance of each member of Audit Committee are set out in the Corporate Governance Overview Statement on page 66 of this annual report.

The executive directors, deputy finance director, chief financial officer and general manager of group finance were invited to all Audit Committee meetings to facilitate direct communication and provide clarification on financial and audit issues as well as business or operations. The head of the internal audit attended all the Audit Committee meetings to table and brief the committee members on the internal audit reports.

Summary of Works of the Audit Committee

The works of the Audit Committee during the financial year ended 31 December 2019 are summarised below:

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

- Received and reviewed a total of 23 internal audit reports presented by the internal auditors at the quarterly Audit Committee meetings covering the processes of the Group's business units and is satisfied with the recommendations and actions taken by the management in addressing the issues highlighted.

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

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

- Reviewed the annual audited financial statements and recommended to the Board for approval.

- Noted the key audit matters that were highlighted by the external auditors as disclosed in the Independent Auditors' Report.

- The Audit Committee held 2 separate independent meetings with the external auditors in the absence of the executive board members and management representatives during which the external auditors informed that they had received full co-operation from the management as well as unrestricted access to all information required for purpose of their audit and there were no special audit concerns to be highlighted to the Audit Committee.

- The external auditors also confirmed that during the audit process, they were not aware of any relationships or matters that, in their professional judgment, would impact their independence in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA").

- Reviewed the independence of the external auditors and have received written assurance from external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements as well as the By-Laws (on Professional Ethics, Conduct and Practice) of the MIA.

- Reviewed the suitability of the external auditors and was satisfied with the suitability of the external auditors, Messrs Ernst & Young PLT in terms of the quality of audit, performance, competency and sufficiency of resources and recommended to the Board for the reappointment of Messrs Ernst & Young PLT as the external auditors of the Company for the next financial year.

- Reviewed the Group's quarterly unaudited financial results prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 134 "Interim Financial Reporting" and chapter 9 of Main Market Listing Requirements of the Bursa Malaysia Securities Berhad prior to submission to the Board for consideration and approval where the chairman of the Audit Committee will brief the Board on the pertinent points and the recommendations of the Audit Committee.

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

- Received and reviewed the comprehensive risk management report from the group risk management committee and is satisfied with the assessment therein.

- Reviewed and recommended to the Board the statement on risk management and internal control for approval and inclusion in the annual report.

- Reviewed the whistleblowing procedures.

Summary of Works of the Internal Audit Function

Summary of works of the internal audit function for the financial year ended 31 December 2019 are set out in the Statement on Risk Management and Internal Control on pages 80 to 86 of this annual report.

NOMINATING COMMITTEE REPORT

Members of the Nominating Committee

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

Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	(Independent Non-Executive Director) - Chairman - Appointed on 30 May 2019
Mr. Thomas Karl Rapp	(Independent Non-Executive Director) - Appointed on 26 February 2020
Datuk Simon Shim Kong Yip, JP	(Non-Independent Non-Executive Director)
Dato' Mohammed Bin Haji Che Hussein	(Independent Non-Executive Director) - Chairman - Resigned on 30 May 2019
Dato' Jorgen Bornhoft	(Independent Non-Executive Director) - Resigned on 26 February 2020

Terms of Reference of Nominating Committee

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

Meetings

During the financial year ended 31 December 2019, 2 meetings were held and all the Nominating Committee members were present.

Summary of Activities of the Nominating Committee

The activities of the Nominating Committee for the financial year 2019 are summarised below:

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

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

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

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

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

- Reviewed and assessed the adequacy of the Board Charter and Terms of Reference of the Board Committees adopted by the Board.

- Reviewed and recommended to the Board on the redesignation of Mr. Leow Ming Fong @ Leow Min Fong as chairman of Audit Committee in place of Dato' Mohammed Bin Haji Che Hussein.

- Reviewed and recommended to the Board on the appointment of Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah as chairman of Nominating Committee and the senior independent director in place of Dato' Mohammed Bin Haji Che Hussein.

The activities carried out by the Nominating Committee during the meeting held on 26 February 2020 are summarised below:

- Reviewed and recommended to the Board on the appointment of Mr. Thomas Karl Rapp as an independent non-executive director and chairman and Mr. Tan Boon Peng as independent non-executive director after taking into consideration their experience, competency, skill, time commitment and potential contribution to the Company. Pursuant to clause 122 of the Company's constitution, Mr. Thomas Karl Rapp and Mr. Tan Boon Peng would stand for re-election at the forthcoming annual general meeting ("AGM").

- Reviewed and recommended to the Board on the appointment of Mr. Thomas Karl Rapp as chairman of Remuneration Committee and member of the Audit Committee and Nominating Committee in place of Dato' Jorgen Bornhoft.

- Evaluated the performance of the following executive and non-executive directors standing for re-election pursuant to clause 116 of the Company's constitution at the forthcoming AGM:

  (i) Datuk Simon Shim Kong Yip; and
  (ii) Ms. Cheah Yee Leng.

REMUNERATION COMMITTEE REPORT

Members of the Remuneration Committee

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

Mr. Thomas Karl Rapp	(Independent Non-Executive Director) - Chairman - Appointed on 26 February 2020
Mr. Leow Ming Fong @ Leow Min Fong	(Independent Non-Executive Director)
Datuk Simon Shim Kong Yip, JP	(Non-Independent Non-Executive Director)
Dato' Jorgen Bornhoft	(Independent Non-Executive Director) - Chairman - Resigned on 26 February 2020

Terms of Reference of Remuneration Committee

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

Meetings

During the financial year ended 31 December 2019, 1 meeting was held. Details of the attendance of each member of Remuneration Committee are set out in the Corporate Governance Overview Statement on page 66 of this annual report.

Summary of Activities of the Remuneration Committee

The activities of the Remuneration Committee during the financial year ended 31 December 2019 are summarised below:

- Reviewed the remuneration policy of the executive directors and senior management as well as the industry forecast for 2019/2020 for the average salary increment after taking into account the Company's operating results, individual performance and comparable market statistic to ensure that the executive directors and senior management personnel are adequately incentivised and remunerated to encourage enhanced performance.

- Reviewed and recommended to the Board, the proposed bonus of the executive directors and senior management for the financial year ended 31 December 2019 and their respective proposed increments for the financial year commencing from 1 January 2020 based on the remuneration policy of the Company and industry forecast for 2019/2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is committed to maintaining a sound system of risk management and internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control which outlines the nature of internal control of the Group during the financial year ended 31 December 2019 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.

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.

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.

Risk Management (Continued)

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

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

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

Any major changes to risks or emerging significant risk 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.

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 achieving the Group's objectives.

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

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

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

Internal Audit Function

The Group has an 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.

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

- Undertook internal audit based on the audit plan that had been reviewed and approved by the Audit Committee which includes the review of operational and environmental compliance with established internal control procedures, management efficiency, risk assessment and reliability of financial records as well as governance processes.
- Attended business review meetings held regularly by the Group's senior management to keep abreast with the strategic and operational planning and development issues.
- Conducted investigations with regard to various specific areas of concern as directed by the Audit Committee and the management.
- Attended the meetings conducted by the Group Risk Management Committee.
- Assessment of key business risks at each business unit 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.

Internal Audit Function (Continued)

Hafary Holdings Limited ("Hafary"), the Group's 50.82% subsidiary listed on the Singapore Stock Exchange, outsources its internal audit function to a professional advisory 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 2019 was approximately RM4.05 million.

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 75 to 79 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 collectively by the group managing director, group finance director and chief financial officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management model adopted by the Group.

CONCLUSION

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2019, and reported to the board that nothing has come to their attention that cause them to believe that the Statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the SRMICG or is factually inaccurate. The external auditors' report was made solely 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.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

OUR SUSTAINABILITY STATEMENT (102-1)

ABOUT THIS STATEMENT

In 2019, Hap Seng Consolidated Berhad ("the Group") focused on operationalising sustainability across the Group to create long-term value for our stakeholders. In our statement, we demonstrate our purpose in action and report on how these activities have positively impacted our value chain. Highlights include the reassessment of our material sustainability matters with input from all our business divisions and, introducing our value creation in the context of the six capitals.

SCOPE AND BOUNDARY
(102-2, 102-3, 102-4, 102-46, 103-1)

This statement addresses the sustainability performance of these five business divisions in Malaysia, namely, Property Investment and Development ("Property"), Credit Financing, Automotive, Trading and Building Materials as well as our corporate headquarters located in the city of Kuala Lumpur. Our disclosures are limited to the Group's operations in Malaysia as it constitutes 80% of the Group's revenue.

Property Investment & Development	Hap Seng Land Development Sdn. Bhd.
	Hap Seng Properties Development Sdn. Bhd.
	Hap Seng Land Sdn. Bhd.
Credit Financing	Hap Seng Credit Sdn. Bhd.
Automotive	Hap Seng Star Sdn. Bhd.
	Hap Seng Trucks Distribution Sdn. Bhd.
	Hap Seng Trucks Sdn Bhd
Trading	Hap Seng Trading (BM) Sdn. Bhd.
	Hap Seng Fertilizers Sdn. Bhd.
	Hap Seng Chemicals Sdn. Bhd.
	Hap Seng (Oil & Transport) Sdn. Bhd.
Building Materials	Hap Seng Clay Products Sdn. Bhd.
	Malaysian Mosaics Sdn. Bhd. ("MMSB")*
	Quarry Operations and Asphalt Plants

* As MMSB is currently restructuring towards becoming a trading company with no manufacturing operations, only selected data has been disclosed for this company

The Group's plantation division, Hap Seng Plantations Holdings Berhad ("Hap Seng Plantations"), is a public-listed entity and therefore publishes its own sustainability report. A summary of the division's performance is provided in this statement as part of the Group's disclosures. The full sustainability report is available at *https://www.hapsengplantations.com.my/sustainability-report.html.* Similarly, Hafary Holdings Limited., which is listed on the Singapore Exchange Ltd, reports its sustainability performance within its Annual Report.

REFERENCES & GUIDELINES

Legal Requirements

- Bursa Malaysia Securities' Berhad Main Market Listing Requirements ("MMLR")

Guidelines

- Bursa Malaysia's Sustainability Reporting Guide 2nd Edition

Reporting Framework

- Global Reporting Initiative ("GRI") Standards - Core Option

Throughout this statement, the relevant GRI indicator has been denoted against the corresponding material matter section and has also been indicated in the GRI Content Index available on page 103 to 106 and 137 to 139 respectively.

REPORTING PERIOD (102-50)

- 1 January to 31 December 2019 ("FY2019")

FEEDBACK (102-53)

We are fully committed to our stakeholders and thus welcome any feedback on this statement and any aspect of our sustainability performance.

The HTML and PDF of this statement is made available at our corporate website at *https://www.hapseng.com.my/en/sustainability-statement.html*

For any queries, suggestions or comments on the contents of this statement, kindly address it to the contact details below:

Ting Choon Kiong
Senior Manager
Corporate Social Responsibility
Email: tingck@hapseng.com

KEY SUSTAINABILITY ACHIEVEMENTS FY2019

Embedding Sound Governance

ZERO
incident of corruption

ZERO
Whistleblowing cases

Principle of
CODE OF CONDUCT

Strengthening Our Economic Growth

A minimum of
THREE QUOTATIONS
are obtained in contract tendering process at Building Materials. Automotive and Property divisions

100%
of procurement on Malaysian suppliers within Property and Trading divisions

78%
of financial service assistance is provided to Small and Medium Enterprises ("SMEs")

Our Environmental Responsibility

SOLAR PANEL PROJECT
at Kinrara Autohaus achieved a reduction of **62%** in consumption since FY2017

ZERO-WASTEWATER
approach is underpinned at Automotive division

6.5% reduction in virgin raw materials usage in bricks manufacturing from replacement with waste materials

Of the **4.7 MILLION** rejected bricks produced, **48%** were reused in bricks production, **18%** sold as byproducts and the rest were used for the repair of kiln chambers and landfill

Over **50%** of non-scheduled wastes were recycled at Automotive and Property divisions

Enriching Our People and Community

At least **35%**
female employees

Over **4,000**
total training hours for employees

Over **3,000**
units of affordable homes launched

NAGA SCHOLARSHIP funding programme has helped **356** students from the Sabah Chinese High School and **687** students from the Vision Schools since 2011

SUSTAINABILITY HIGHLIGHTS FOR HAP SENG PLANTATIONS FY2019

In 2019, Hap Seng Plantations' sustainability focus was on strengthening its internal systems while continuously improve on our performance.

This can be seen with the introduction of new and updated policies such as the equal opportunity, freedom of association and collective bargaining, Malaysian Sustainable Palm Oil ("MSPO") as well as the Sustainable Agriculture Policy.

Significant efforts and resources were also invested in external outreach. This effort to support the independent local out growers and smallholders within our supply chain to achieve Roundtable on Sustainable Palm Oil ("RSPO") and MSPO certifications were largely positive. At the time of reporting, we were able to convince seven out of the 11 independent local out growers and smallholders (64%) to participate in obtaining the RSPO and MSPO certifications.

Another significant milestone in our sustainability journey was the acknowledgement accorded by the EU-Malaysia Chamber of Commerce and Industry ("EUMCCI") on us for the Best Sustainability Reporting on 28 November 2019. The EUMCCI stated that the awards was its effort to recognise companies that have shown exemplary business excellence in the field of sustainability and contributed to the long term benefit of Malaysian society and economy. Our sustainability achievements for FY2019 are as follows:

2019

Launched of **HALAL** Policy

ZERO fatalities

Obtained **HALAL certification** for all mills

50% reduction in lost time accidents since 2014

LAUNCHED of updated Sustainable Agriculture Policy, Equal Opportunity Policy, Freedom of Association and Right to Collective Bargaining Policy, Labour Policy for Foreign Workers and MSPO Policy

Assisted **two neighbouring independent local outgrowers/ smallholders** to obtain **RSPO and MSPO certifications**

Reduced GHG emissions intensity of **1.08 tonnes CO_2e/tonne Crude Palm Oil**, ahead of target timeline of 2021

Amongst earliest to obtain **MSPO Supply Chain Certification Standard ("MSPO SCCS") for all mills**

Recognition by **EUMCCI** for **Best Sustainability Reporting** at the **EUROPA Awards 2019**

AWARDS & RECOGNITIONS FY2019

The Group has earned numerous awards and recognitions that reflects its commitment to sustainability and the quality of the services we deliver to our customers.

Hap Seng Plantations Holdings Berhad bagged the Best Sustainability Reporting Award at the Europa Awards for Sustainability 2019. The award ceremony was organised by the EUMCCI.

Hap Seng Star Sdn Bhd was presented the MRCA Billion Dollar Club Award by the Malaysia Retail Chain Association ("MRCA") in recognition of its achievement in registering revenue of over billion Ringgit by sales turnover for FY2018.

Mercedes-Benz Malaysia Dealer of the Year Award

Hap Seng Star's Bukit Tinggi dealership was presented with the coveted, Mercedes-Benz Dealer of the Year 2019 Award. This was in recognition of its excellent achievement in the overall performance including sales, after-sales, customer satisfaction index, customer loyalty index, business excellence and financial services.

OUR EXPANDING PARTNERSHIP AND MEMBERSHIP (102-13)

We maintained our participation in several associations and affiliations in industry trade groups to ensure active engagement with various stakeholders, while keeping abreast with best industry practices.

Our Business Sectors	Associations	Information
Hap Seng Consolidated Berhad – Member	Federation of Public Listed Companies ("FPLC")	FPLC provides the Group with a platform to interact and organise dialogues with the public as well as regulatory and other bodies such as the Minority Shareholders Watchdog Group.
Hap Seng Consolidated Berhad – Member	Malaysia-German Chamber of Commerce ("MGCC")	MGCC organises dialogues with representatives from the German government as well as companies based in the country for networking purposes and to explore opportunities in the Malaysian-German business community.
Hap Seng Plantations Holdings Berhad – Member	Roundtable on Sustainable Palm Oil ("RSPO")	The RSPO act as platforms for engagement on certified sustainable palm oil matters.
Hap Seng Plantations Holdings Berhad – Member	Malaysian Palm Oil Association ("MPOA")	MPOA to inspire the adoption of sustainable practices in oil palm plantations for long term profitability.

Our Business Sectors	Associations	Information
Malaysian Mosaics Sdn Bhd • **Council Member** • **Chairman – FMM Malaysian Ceramic Industrial Group ("FMM MCIG")** • **Committee member – Construction Industry Transformation Programme ("CITP") initiative Group on Materials Standards**	Federation of Malaysian Manufacturers ("FMM")	The FMM acts as a voice for the manufacturing and industrial service industry; it is a key focal point for those seeking links with Malaysian manufacturers for investment, trade and services.
Hap Seng Star Sdn Bhd – Treasurer – General	Malaysia Retail Chain Association ("MRCA")	A platform for Hap Seng Star to participate in regular dialogues with members and the government for better cooperation, networking and ideation in a concerted effort to promote healthy growth of the retail industry in Malaysia and abroad.
Hap Seng Star Sdn Bhd – Commerce Committee	Chinese Chamber of Commerce & Industry of Kuala Lumpur & Selangor ("KLSCCCI")	Act as channel of communication between government and the private sector. It also promotes and enhances economic activities of Malaysia
Hap Seng Star Sdn Bhd – Member	Malaysian Automotive Association ("MAA")	MAA assists and advises members regarding matters pertaining to the automotive industry and generally promotes, fosters aa well as protects the interests of its members.
Hap Seng Fertilizers Sdn Bhd – Committee Member	Fertiliser Industry Association of Malaysia ("FIAM")	FIAM works to promote Malaysian fertilisers, foster close cooperation between the government and other authorities; enhance trade facilities, improve product quality and standards and provide industry-related services.
Hap Seng Land Development (Puchong) Sdn Bhd – Member	Real Estate and Housing Developers' Association ("REHDA") Malaysia	REHDA is recognised as the leading representative body for private property developers, primarily involved in advocacy and governance.
Hap Seng Properties Development Sdn Bhd – Member	Sabah Housing and Real Estate Developers Associations ("SHAREDA")	SHAREDA brings together developers, pooling their expertise and resources to ensure that the industry takes up and plays its role as a key mover of the economy.
Hap Seng Land Sdn Bhd – Member	International Real Estate Federation ("FIABCI") Malaysia	FIABCI Malaysia has grown since 1975 with its objective to foster goodwill and understanding with international organisations and promote progress in developments through better systems.
Malaysian Mosaics Sdn Bhd/ Hap Seng Trading (BM) Sdn Bhd – Member	Building Materials Distributors Association of Malaysia ("BMDAM")	BMDAM is a national association for companies engaging in the supply and distribution of locally manufactured and imported building materials.
Malaysian Mosaics Sdn Bhd/ Hap Seng Trading (BM) Sdn Bhd – Member	Master Builders Association Malaysia ("MBAM")	MBAM was founded in 1954, to represent the construction industry and service sectors in Malaysia. It is dedicated towards promoting and developing the construction industry.
Malaysian Mosaics Sdn Bhd/ Hap Seng Trading (BM) Sdn Bhd – Member	Malaysia Steel Association ("MSA")	MSA works to promote the development of the Malaysia Steel Industry.

OUR COMMITMENT TO SUSTAINABILITY

CORPORATE VISION AND MISSION (102-16)

As a conglomerate, the Group is guided by our vision and mission statements as well as our core values which are integrated into our business strategy.

Vision

CREATING VALUE TOGETHER. TO A BETTER FUTURE

Mission

- To provide quality products and excellent services that differentiates us from others.
- To be the preferred partner and promote win-win business relationships.
- To achieve sustainable growth and returns for our shareholders over the long-term.
- To be the employer of choice.
- To be a good corporate citizen in harmony with the environment and the communities we serve.

Core Values

Honesty and Integrity

The success of our business is built upon the fundamental institution of trust and confidence. We value upholding the highest level of personal professionalism in all our business interactions and decisions with all our stakeholders.

Responsible Conduct

Our business success is dependent on our stakeholders and environment and as such, we value our stakeholders - customers, employees, shareholders, the overall community and the environment in which we operate in. Our business success is to ensure a responsible and sustainable business practices are put in place that benefits all our stakeholders.

Enterprising and Entrepreneurial

The ability to identify opportunity and seize it with speed and determination is one of the cornerstones of our business value. We value creativity and innovative solutions in setting new levels of productivity and profitability for our businesses.

Innovative Excellence

We pride ourselves as an innovative organisation that has set new benchmarks through our resolve to achieve outstanding results for our personnel as we as our profitability. We value our ability to symbiotically combine both innovation and excellence in strategic alignment to our business goal.

OUR SUSTAINABILITY JOURNEY

2016

- First materiality assessment was conducted and 11 material sustainability matters were identified and approved by the Executive Directors.
- Classification of material sustainability matters into three pillars; Economic, Environment and Social.
- No UN SDGs adopted.
- No identification GRI indicator numbers.

2017

- Materiality assessment was conducted and 13 material sustainability matters were identified.
- Classification of material sustainability matters into three pillars; Economic, Environment and Social.
- No UN SDGs adopted.
- No identification GRI indicator numbers.

2018

- Materiality assessment was conducted and 26 material sustainability matters were identified.
- Classification of material sustainability matters into three pillars; Economic, Environment and Social.
- Eight UN SDGs adopted.
- No identification GRI indicator numbers.

2019

- Materiality assessment was conducted and 23 material sustainability matters were identified.
- Inclusion of new Governance Pillar and its material sustainability matters: Ethics and Integrity, Regulatory Compliance, Anti-Corruption and Risk Management.
- Nine UN SDGs adopted.
- GRI indicator denoted against the corresponding material matter section.
- Six Capitals of Value Creation: Financial Capital, Manufactured Capital, Human Capital, Social and Relationship Capital, Intellectual Capital and Natural Capital were introduced.

OUR CONTRIBUTION TOWARDS UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The United Nations' 17 Sustainable Development Goals ("SDGs") define sustainable development priorities and aspirations for 2030, and seek to mobilise global efforts around a common set of goals and targets. These SDGs' call for worldwide action among governments, business and civil society to end poverty and create a life of dignity and opportunity for all. In line with the aspirations of the United Nations, the Government of Malaysia has adopted these goals for inclusion in its national development plans.

As part of our contribution, in FY2018, we selected eight SDGs that were relevant to our operations (SDG 1: No Poverty, SDG 4: Quality Education, SDG 6: Clean Water and Sanitation, SDG 8: Decent Work and Economic Growth, SDG 9: Industry, Innovation and Infrastructure, SDG 11: Sustainable Cities and Communities, SDG 12: Sustainable Consumption and Production and SDG 13: Climate Action). This year, we included SDG 16: Peace, Justice and Strong Institution to signify our commitment to ethical business practices.

In the table below, we have mapped the nine SDGs with our corresponding initiatives, activities, targets, policies and/or performance.

SDGs	Related Targets Number	Initiatives by the Group
1 NO POVERTY	**SDG 1: No Poverty**	• Hap Seng Credit supported a total of 4,949 customers of which 78% comprised SMEs customers this year. • Hap Seng Credit partnered with SimplyGiving.com and supported five social entrepreneurs namely Foodabox, AnB Agro, Batik Boutique, Women of Will and XUsed with credit financing value of RM 60,000. • Since 2011, our Property division launched over 3,000 units of affordable homes.
4 QUALITY EDUCATION	**SDG 4: Quality Education**	• Hap Seng Star collaborated with the Dreamcatcher organisation to provide Technical and Vocational Education and training for 25 underprivileged youths. • Hap Seng Fertilizers offered the funding of Naga Scholarship for 10 top Sabah Chinese High School students who achieved academic excellence in their Junior and Senior Malaysian Independent Chinese High School Unified Examination. • The Naga Scholarship is also offered to the Vision schools by providing students with monetary incentives for every Grade "A" scored in each subject paper in the UPSR, PT3, SPM, Checkpoints and International General Certification of Secondary Education ("IGCSE") examinations. • The Group collaborated with RITE Education to organise the EngagED programme for 29 teachers and trainers within the Pejabat Pendidikan Daerah ("PPD") Keningau, Sabah. The programme focused on improving teaching and learning through strategies that ensure improved student engagement. • The Group as an active member of Malaysian Collective Impact Initiative ("MCII") contributed RM 50,000 to 14 primary and secondary schools in Klang for educational needs. • The Group collaborated with Play United PLT to build a toy library at Kampung Tanjung Batu, Tawau, with the aim of early childhood care and education ("ECCE") for children including those with special needs.

SDGs	Related Targets Number	Initiatives by the Group
6 CLEAN WATER AND SANITATION	**SDG 6: Clean Water and Sanitation**	• Zero-wastewater approach is underpinned at Automotive division. • About 77% of the water used by quarry, asphalt and brick operations were from surface water. • Rainwater harvesting is installed at Hap Seng Star and the collection of rainwater is used for washing of vehicles.
8 DECENT WORK AND ECONOMIC GROWTH	**SDG 8: Decent Work and Economic Growth**	• Invested a total of 4,276 training hours for four employment levels, namely Senior Management, Management, Executives and Non-Executives. • Organised festive events including Chinese New Year, Hari Raya, Deepavali and Christmas to celebrate multicultural background in Malaysia. • Safety, Health and Environmental Policy was established to ensure safety and health of employees throughout Trading and Property operations.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**SDG 9: Industry, Innovation and Infrastructure**	• Bricks operations produced approximately 141.8 million bricks of which 59.0 million or 42% used waste materials. • Of the 4.7 million rejected bricks produced, 48% were reused in bricks production, 18% sold as byproducts and the rest were for our own use for landfill and repair of kiln chambers. • Bricks operations saved approximately RM 0.66 million through the use of 0.83 million litres of recycled fuel oil for the firing of bricks. • Hap Seng Star and Hap Seng Land have allocated 47 electric and hybrid car friendly parking facilities across Malaysia. • Installation of solar panel at Kinrara dealership by Hap Seng Star achieved a cost saving of RM 393,119 this year. • Property division emphasised the use of Industrialised Building System ("IBS") in its construction.
11 SUSTAINABLE CITIES AND COMMUNITIES	**SDG 11: Sustainable Cities and Communities**	• Property division increased the number of home owners through our affordable housing scheme that ensures safe and comfortable development through eco-solution, green development and resource efficiency. • Property division achieved Leadership in Energy and Environmental Design ("LEED") and/or Green Building Index ("GBI") certifications for its five projects.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**SDG 12: Responsible Consumption and Production**	• Achieved 6.5% reduction in virgin raw materials usage in bricks manufacturing from replacement with waste materials. • Over 50% of our non-scheduled wastes were recycled at Automotive and Property divisions.

SDGs	Related Targets Number	Initiatives by the Group
	**SDG 13: Climate Action**	• Total electricity consumption reduced by 7% at the Group level. • Solar Panel Project at Kinrara dealership by Hap Seng Star achieved a reduction of 62% in consumption since FY2017. • Property division encouraged biodiversity in its housing developments which includes the Orchid Garden which was set up as a part of the overall 15 acres Southern Lake Garden at Bandar Sri Indah, Tawau.
	**SDG 16: Peace, Justice and Strong Institutions**	• Established Code of Conduct and Whistleblowing Policy. • Zero whistleblowing cases reported.

SUSTAINABILITY GOVERNANCE (102-20, 102-32)

The Board of Directors ("BOD") is the ultimate decision-making authority to determine the sustainability direction of the Group.

The Chief Executives from each business division, are responsible for managing sustainability issues within their business operations, who in turn will report to the Group Managing Director ("GMD") on both sustainability and operational issues.

CREATING VALUE FOR OUR STAKEHOLDERS (102-40,102-43,102-44)

Stakeholders are groups that our business has a significant impact on and those with vested interest in our operations. Key stakeholders include the shareholders, investors and analysts, employees, customers and suppliers. Other groups include regulators and government bodies, communities and media. Through the various engagement channels, we seek to understand their views, communicate effectively with them and respond to their concerns.

Stakeholder Groups	Area of Interests	Engagement Channels	Frequency of Engagements
Shareholders, Investors and Analysts	• Financial performance • Risk management • Good business conduct • Corporate values and compliance	Press releases	As and when required
		Analyst briefing	Quarterly and as and when required
		Annual general meeting	Annually
Employees	• Employee safety and health • Talent development • Attractive remuneration benefits	Internal meetings, Communications	As and when required
		Performance review	Annually
		Conference	As and when required
		Interviews	As and when required

Stakeholder Groups	Area of Interests	Engagement Channels	Frequency of Engagements
Customers	• Quality of product and services • Engagement opportunities and experience	Suggestion box	Daily
		Social media	Daily
		Newsletters	As and when required
		Visitation	As and when required
		Feedback survey or complaints	As and when required
Suppliers	• Legal compliance • Fair procurement practices • Quality of goods • Continuous collaboration	Meetings	As and when required
		Phone calls and messages	As and when required
		Surveys	Biannual
Regulators and Government Bodies	• Compliance to laws, regulations and guidelines	Conference	As and when required
		Meetings	As and when required
		Briefings	As and when required
		In-house seminar	As and when required
		Professional courses	Annual
		Site visit by officers	As and when required
		Surveys	As and when required
Communities	• Local community development and investment • Impacts of the Group's operations on the surrounding communities	Community development programmes	Monthly
		Press releases	As and when required
		Philanthropy	As and when required
		Seminar	As and when required
		Conference	As and when required
		Meetings	As and when required
Media	• Business reputation • Product offerings • Market presence • Corporate responsibility	Press release	Annual
		Advertisement	As and when required

DEFINING OUR MATERIAL SUSTAINABILITY MATTERS (102-46, 102-47, 103-1)

At the Group, defining our material sustainability matters ("material matters") forms an integral part of our strategic planning process. We define our material matters as Economic, Environmental and Social ("EES") matters that influence our ability to create value in the short-, medium- and long-term and, to develop our strategy, manage risks and maximise opportunities.

Our first materiality assessment was conducted in FY2016 where 11 material matters were identified and approved by the Chief Executives. The material matters were then reviewed in FY2017 and two additional material matters, i.e. Supporting Local Suppliers and Construction Waste Management were included. In FY2018, a reassessment was conducted and 26 material matters were selected for disclosure.

This year, we refined the material matters to 23 matters by soliciting internal feedback from all our business divisions. The process involved analysing the macro-environment, our operating context, the resources we rely on and the needs of our external stakeholders.

REVIEW AND UPDATE OF MATERIAL MATTERS

Material matters were reviewed and updated based on its relevance to the respective business divisions in line with the current market condition and industry trend.

PRIORITISATION AND RANKING OF MATERIAL MATTERS

Assessment meetings were held with respective business divisions to discuss on the material matters and to rank them based on their significance to the business operation.

CONSOLIDATION OF MATERIAL MATTERS RANKINGS

The rankings of material matters obtained from respective business divisions were consolidated to represent as material matters for the Group.

To ensure we deliver sustained value to all our eight stakeholder groups, we have disclosed our sustainability performance by grouping the 23 material matters under our four pillars, namely Embedding Sound Governance, Strengthening Our Economic Growth, Our Environmental Responsibility and Enriching Our People and Community.

MATERIAL SUSTAINABILITY MATTERS FY2019

Embedding Sound Governance

- Ethics and Integrity
- Regulatory Compliance
- Anti-Corruption
- Risk Management

Strengthening Our Economic Growth

- Economic Performance
- Supply Chain Management
- Supporting SMEs
- Supporting Local Suppliers/Service Providers

Our Environmental Responsibility

- Climate Change
- Water Consumption Management
- Waste Management
- Noise Monitoring
- Air Quality
- Biodiversity
- Eco-Solutions

Enriching Our People and Community

- Product Quality and Customer Services
- Product Stewardship
- Affordable Housing
- Data Protection
- Diversity and Inclusion
- Employee Engagement
- Occupational Safety and Health
- Empowering Local Community

Of the 23 material matters, nine (Ethics and Integrity, Regulatory Compliance, Anti-Corruption, Risk Management, Economic Performance, Data Protection, Diversity and Inclusion, Employee Engagement and Empowering Local Community) are common to all five business divisions, while the remaining material matters are relevant to certain divisions as shown below.

Automotive

- Supply Chain Management
- Climate Change
- Air Quality
- Waste Management
- Water Consumption Management
- Eco-Solutions
- Occupational Safety and Health

Building Materials

- Supply Chain Management
- Supporting Local Suppliers/Service Providers
- Climate Change
- Air Quality
- Water Consumption
- Waste Management
- Eco-Solutions
- Noise Monitoring
- Occupational Safety and Health

Credit Financing

- Supporting SMEs

Property

- Supply Chain Management
- Supporting Local Suppliers/Service Providers
- Waste Management
- Eco-Solutions
- Biodiversity
- Affordable Housing
- Product Quality and Customer Services
- Occupational Safety and Health

Trading

- Supporting Local Suppliers/Service Providers
- Product Stewardship
- Occupational Safety and Health

THE SIX FORMS OF CAPITALS

The Group creates value for its stakeholders by transforming its capital inputs into tangible and non-tangible outcomes in line with the Group's vision. In this reporting year, we have described our value creation within the context of six forms of capital in accordance with the Integrated Reporting Framework. The illustration below represents the relationship between the six capitals and our sustainability pillars:

OUR BUSINESS INPUT

Financial Capital
Revenue generated from business operations.

Manufactured Capital
Business structure includes property investment and development, building materials, automotive, trading and credit financing. Our manufactured capital also consists of operational processes and management system to ensure smooth business flow and supports customers' needs.

Human Capital
Workplace of diverse employees with various skillsets and experiences at all levels of the business operations.

Social and Relationship Capital
Strong engagement and trust built with our key stakeholders including employees, communities, customers and suppliers.

Intellectual Capital
Innovative solution to promote resource efficiency for material manufacturing.

Natural Capital
Consumptions of natural resources such as raw materials, energy, water, and metals throughout our business operation.

OUR BUSINESS OUTPUT/VALUE CREATED

Embedding Sound Governance
- Zero whistlesblowing cases and ethical breaches.

Strengthening Our Economic Growth
- Spent 100% of procurement on local suppliers within Property and Trading divisions.
- 78% of financial service assistance was provided to SMEs.

Our Environmental Responsibility
- Total electricity consumption reduced by 7%.
- Over 50% of non-scheduled wastes were recycled at Automotive and Property divisions.
- Virgin raw material usage for bricks production reduced by 6.5% from replacement with waste materials.
- Of the 4.7 million rejected bricks produced, 48% were reused in bricks production, 18% sold as byproducts and the rest were for our own use for landfill, repair of kiln chambers.

Enriching Our People and Community
- Over 3,000 units of affordable houses were launched.
- Workforce diversity
  - Male: 65%
  - Female: 35%
- Average training hours per employee was 1.5 hour.
- Total of 436 new hires.
- Staff turnover rate of 17.5%.

MAPPING OUR MATERIAL SUSTAINABILITY MATTERS

Understanding the relationship between our material matters and our stakeholder groups as well as the corresponding SDG is important to ensure the initiatives put in place are specific to the stakeholder concerned and meaningfully contribute to the SDGs.

No.	Material Sustainability Matters	GRI Indicators	Stakeholder Groups	SDGs
Embedding Sound Governance				
1.	**Ethics and Integrity**	102-16 Values, principles, standards, and norms of behaviour 102-17: Mechanisms for advice and concerns about ethics 103-2: Management approach	• Shareholders, investors and analysts • Employees • Regulators and government bodies • Suppliers	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
2.	**Regulatory Compliance**	103-2: Management approach 103-3: Evaluation of the management approach	• Shareholders, investors and analysts • Regulators and government bodies	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
3.	**Anti - Corruption**	103-2: Management approach 205-1: Operations assessed for risks related to corruption	• Employees • Regulators and government bodies • Shareholders, investors and analysts • Suppliers	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
4.	**Risk Management**	102-29: Identifying and managing economic, environmental and social impacts 103-2: Management approach	• Shareholders, investors and analysts • Employees	8 DECENT WORK AND ECONOMIC GROWTH 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Strengthening Our Economic Growth				
5.	**Economic Performance**	103-2: Management approach	• Shareholders, investors and analysts • Suppliers • Media	8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES
6.	**Supply Chain Management**	102-9: Supply chain management 103-2: Management approach	• Suppliers	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

No.	Material Sustainability Matters	GRI Indicators	Stakeholder Groups	SDGs
Strengthening Our Economic Growth				
7.	**Supporting SMEs**	103-2: Management approach 203-2: Significant indirect economic impacts	• Customers • Communities	1 NO POVERTY 8 DECENT WORK AND ECONOMIC GROWTH
8.	**Supporting Local Suppliers/ Service Provider**	103-2: Management approach 203-2: Significant indirect economic impacts 204-1: Proportion of spending on local suppliers	• Suppliers • Communities	1 NO POVERTY 8 DECENT WORK AND ECONOMIC GROWTH
Our Environmental Responsibility				
9.	**Climate Change**	103-2: Management approach 103-3: Evaluation of the management approach 302-1: Energy consumption with organisation 302-4: Reduction of energy consumption	• Regulators and government bodies • Employees	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
10.	**Water Consumption Management**	103-2: Management approach 103-3: Evaluation of the management approach 303-5: Water consumption	• Regulators and government bodies • Employees	6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
11.	**Waste Management**	103-2: Management approach 306-2: Waste by type and disposal method	• Regulators and government bodies • Employees • Communities	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION

No.	Material Sustainability Matters	GRI Indicators	Stakeholder Groups	SDGs
Our Environmental Responsibility				
12.	**Noise Monitoring**	103-2: Management approach	• Regulators and government bodies • Employees • Communities	8 DECENT WORK AND ECONOMIC GROWTH
13.	**Air Quality**	103-2: Management approach 305-7: Nitrogen oxides, sulphur oxides and other significant air emissions	• Regulators and government bodies • Employees • Communities	13 CLIMATE ACTION
14.	**Biodiversity**	103-2: Management approach 304-3: Habitats protected and restored	• Regulators and government bodies • Employees • Communities	8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES
15.	**Eco-Solutions**	103-2: Management approach 301-2: Recycled input materials used	• Communities • Media	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Enriching Our People and Community				
16.	**Product Quality and Customer Service**	102-43: Approach to stakeholder engagement 103-2: Management approach 103-3: Evaluation of the management approach	• Shareholders, investors and analysts • Regulators and government bodies • Customers • Suppliers	8 DECENT WORK AND ECONOMIC GROWTH
17.	**Product Stewardship**	103-2: Management approach	• Customers	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
18.	**Affordable Housing**	103-2: Management approach	• Communities • Customers	11 SUSTAINABLE CITIES AND COMMUNITIES
19.	**Data Protection**	103-2: Management approach	• Employees • Customers	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

No.	Material Sustainability Matters	GRI Indicators	Stakeholder Groups	SDGs
Enriching Our People and Community				
20.	**Diversity and Inclusion**	102-7: Scale of the organisation 103-2: Management approach 401-1: New employee hires and employee turnover 405-1: Diversity of governance bodies and employees	• Employees	8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES
21.	**Employee Engagement**	102-43: Approach to stakeholder engagement 103-2: Management approach	• Employees	8 DECENT WORK AND ECONOMIC GROWTH
22.	**Occupational Safety and Health**	103-2: Management approach 403-1: Occupational health and safety management system 403-2: Hazard identification, risk assessment, and incident investigation (HIRARC) 403-4: Worker participation, consultation, and communication on occupational health and safety 403-5: Worker training on occupational health and safety 403-9: Work-related injuries 403-10: Work-related ill health	• Employees • Regulators and government bodies	8 DECENT WORK AND ECONOMIC GROWTH
23.	**Empowering Local Community**	103-2: Management approach 413-1: Operations with local community engagement	• Employees • Communities	1 NO POVERTY 4 QUALITY EDUCATION 11 SUSTAINABLE CITIES AND COMMUNITIES 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

EMBEDDING **SOUND GOVERNANCE**

SDG 8 DECENT WORK AND ECONOMIC GROWTH · 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

As a responsible corporate citizen, we strive to demonstrate transparency, responsibility and the highest ethical standards to enable the Group to prosper while safeguarding our stakeholders.

ETHICS AND INTEGRITY (102-16, 102-17, 103-2)

Ethical business practices are the foundation of a successful conglomerate as it builds reputation and strengthens stakeholders' trust. We actively manage our brand and reputation, driving accountability through our values, ethics and mindful governance principles.

Code of Conduct

We are guided by our Code of Conduct ("CoC") which comprises five principles and highlights the Group's expectations on ethical practices and standards of conduct.

5 Principles of Code of Conduct

1	2	3	4	5
Honesty and Integrity	Confidentiality	Compliance with Laws	Whistle-Blowing	Conflict of Interests

The CoC is available on our website at *https://www.hapseng.com.my/en/governance.html* and it is communicated to our employees at the headquarters either during the employee induction or orientation programme or as refresher courses.

Whistleblowing Policy

Our Whistleblowing policy encourages employees to disclose any malpractice or misconduct that they may be aware of without fearing any reprisal. All reports are treated with confidentiality and employees who report such an alleged malpractice or misconduct are protected. In FY2019, there were no whistleblowing cases reported.

ANTI – CORRUPTION (103-2, 205-1)

We continue to manage the Group's exposure to corruption risks by applying and emphasising good corporate governance, business ethics and transparency. As outlined under our CoC, any case of corruption or bribery is to be reported promptly to the chief executive of the relevant business division.

REGULATORY COMPLIANCE (103-2, 103-3)

We ensure that all our operating divisions adhere to all applicable rules, laws and regulations and do not deviate from the Group's policies. The regulations we adhere to, include but are not limited to the following;

- The Companies Act 2016;
- Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") together with the Corporate Governance Guide ("CG Guide");
- The Malaysian Code on Corporate Governance ("MCCG");
- The Capital Markets and Services Act 2007; and
- The Constitution of the Company.

Our aim is to mutually benefit the Group and its valued stakeholders.

RISK MANAGEMENT (102-29, 103-2)

To ascertain if the Group is exposed to risks that may have a material effect on its business, we conduct risk assessments annually which are led by the Group Risk Management Committee. The key risks related to sustainability include unfavourable economic factors, corruption risk, regulatory risks, environmental, health and safety risks and information and cyber security as illustrated in the table below. Based on the extent and severity of these risks, control measures were formulated to ensure our risks are mitigated to achieve sustainable growth.

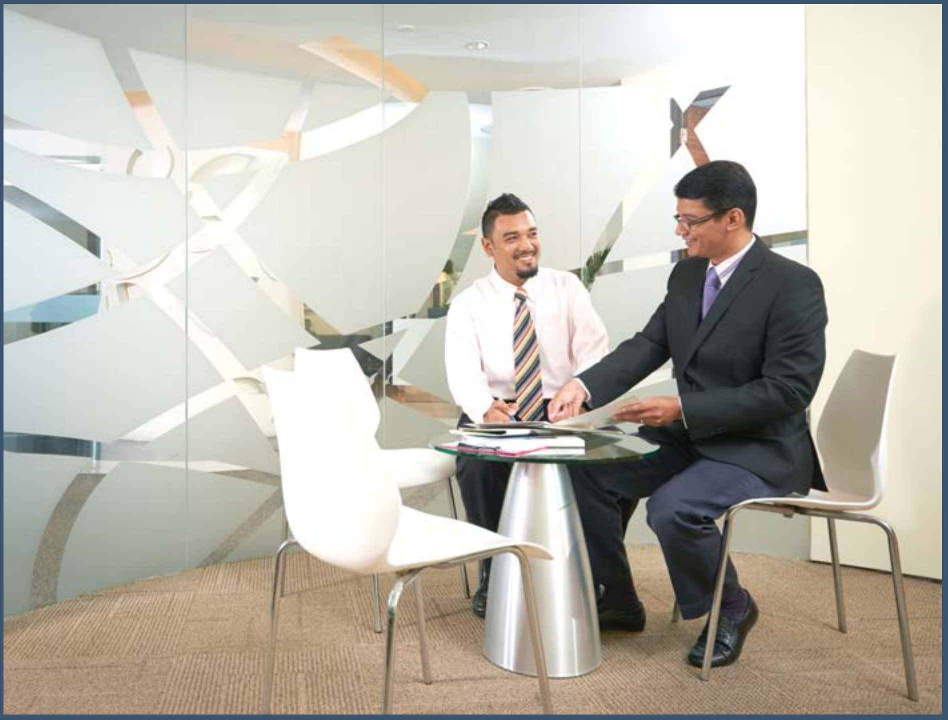
Risks	Control Measures
Unfavourable Economic Factors • Slowdown of the economy	• To conduct regular research and analyse industry-related data to detect the trend and changes in the market. • To adjust overall strategies and execution.
Corruption Risk • Due to giving and accepting bribery and corruption	• To keep abreast with latest guidelines and regulations on anti-corruptions. • Timely investigation of any reported cases on bribery or corruption.
Regulatory Risk • Non-compliance to the applicable laws and regulations	• Perform regular internal checks. • Ensure regular audit.
Environment, Health and Safety Risk • Poses financial impacts and business disruption from safety risk during operations	• Adherence to health and safety measures issued by Department of Occupational Safety and Health Malaysia ("DOSH").
Information and Cyber Security • Issues of data breach	• Annual Security Audit by external Cyber Security companies. • Constant monitoring of security network for any potential threats.

Please refer to page 80 to 86 of this report for full details on our Risk Management and Internal Control Framework section.

STRENGTHENING **OUR ECONOMIC GROWTH**

SDG

The Group strives to deliver sustainable returns to our shareholders and investors, by strengthening the Group's diverse businesses and by leveraging on growth opportunities. We are also committed towards contributing to local economic developments in areas where we operate.



ECONOMIC PERFORMANCE (103-2)

The Group strives to generate sustainable economic and financial returns to create value for stakeholders. As an established conglomerate, we understand that we have a large impact on our stakeholders, including the communities that we operate in.

Please refer to page 3 to 5 of this report for full details on our financial highlights.

SUPPLY CHAIN MANAGEMENT (102-9, 103-2)

It is the Group's aim to lead our supply chain in a customer-focused, cost-saving and environmentally friendly manner to achieve long-term business values. We have put in place responsible sourcing practices across our Automotive, Building Materials and Property divisions where in each tender process, a minimum of three quotations are obtained.

Procurement Policy by Hap Seng Truck Distribution

Serves to facilitate procurement practices at the most competitive terms without compromising the quality of goods and services.

Standard Operating Procedure ("SOP") for Contract Tendering Process by Building Materials division

A key document that ensure fairness and integrity in contracts tendering process.

Contractor Selection at Property division

Selection is in accordance with the minimum requirements decided by the Malaysian Construction Industry Development Board ("CIDB").

We conduct pre-assessments on suppliers to evaluate their compliance, business experience, workmanship, and quality of services prior to inviting them to the tender process. This is to avoid potential business disruptions that may result from supplier non-compliance with statutory requirements.

At these divisions, we also evaluate, monitor and assess the supplier performance annually based on a set of pre-determined criteria including product and service quality, cost and performance.

SUPPORTING LOCAL SUPPLIERS/SERVICE PROVIDERS (103-2, 203-2, 204-1)

We maintain partnerships with a variety of local suppliers to develop mutually-beneficial and long-term business relationships which will lessen risks and promote supply chain excellence across our diverse operations. This year, the Group is pleased to announce that 100% of our procurement budget was spent on local suppliers within our Property and Trading divisions. By procuring locally, we not only contributed to the domestic economy but also reduced our carbon footprint.

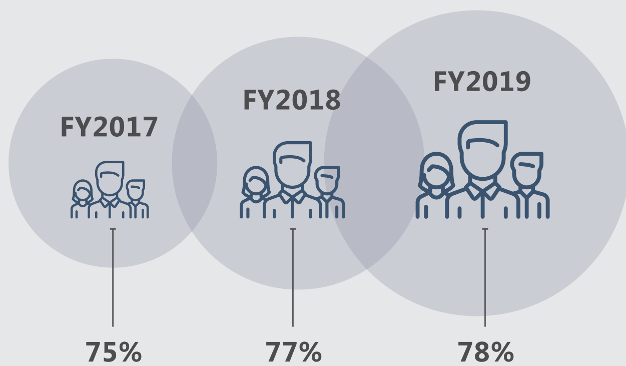
SUPPORTING SMALL TO MEDIUM ENTERPRISES (103-2, 203-2)

Apart from large corporations, SMEs play a significant role in driving Malaysia's economic growth by contributing to the national revenue and offering employment opportunities. However, SMEs are most exposed to financial challenges during their launching and initial stages of establishing their enterprises. Our Credit Financing division, Hap Seng Credit offers alternative financial service schemes in the form of Industrial Hire Purchase, Leasing and Term Loans, primarily aimed at SMEs.

With our strong market presence in the industry since 1982, we are able to serve a wide range of sectors from manufacturing, transportation and logistics to property and agriculture.

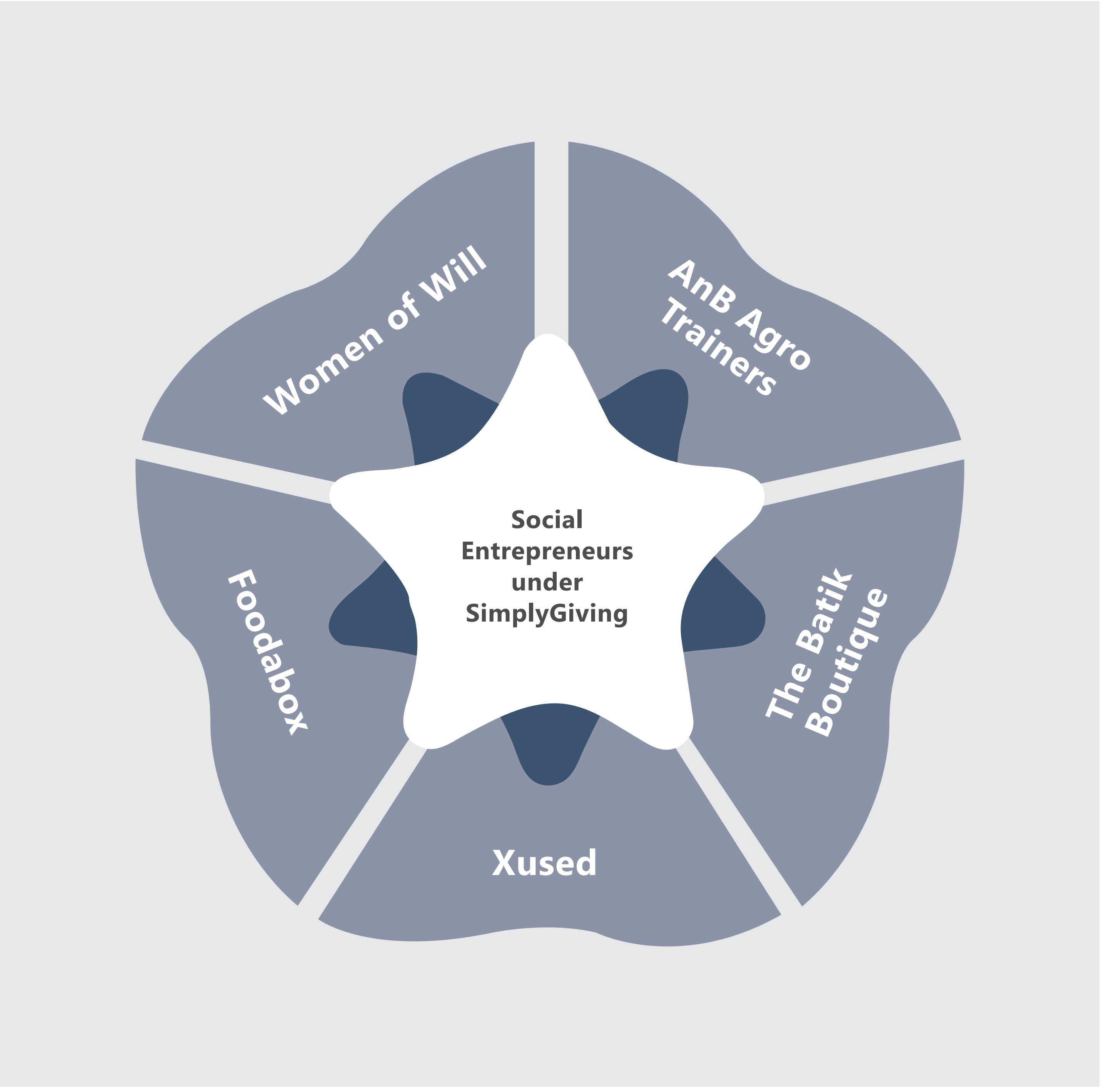
The division supported a total of
4,949 customers
of which 78% comprised SMEs this year.

Percentage of SME Customers



In addition to our credit financing service, Hap Seng Credit partnered with an online crowdfunding platform, SimplyGiving.com, and offered social enterprises with working capitals. We supported five social entrepreneurs namely Foodabox, AnB Agro, Batik Boutique, Women of Will and XUsed under this social lending programme with a credit financing value of RM60,000.

This year, we received 50% of loan repayment from the supported entrepreneurs. Further details on the impact of our contribution to the social entrepreneurs is explained in the Empowering Local Community section.



OUR ENVIRONMENTAL RESPONSIBILITY

SDG

The Group is committed to environmental initiatives. Across our operations, we regularly monitor our performance to ensure compliance to regulatory requirements and our internal targets.

CLIMATE CHANGE

(103-2, 103-3, 302-1, 302-4)

The Group recognises the scientific consensus linking greenhouse gas emissions and climate change. As a responsible corporate citizen, we constantly engage with our business divisions to take proactive steps in reducing our carbon footprints.

Energy Management

The Group monitors the electricity usage across our five divisions and the data for the last three consecutive years is presented below.

	Electricity Consumptions (kWh)		
Business Divisions	FY2017	FY2018	FY2019
Building Materials	26,068,099	25,034,231	**21,219,884**
Property	15,502,762	15,608,451	**15,261,970**
Automotive	4,027,139	3,815,106	**4,526,355**
Trading	643,040	642,413	**848,814**
Credit Financing	381,645	335,469	**326,530**

Property

Covers Menara Hap Seng, Menara Hap Seng 2 and Plaza Shell

Credit Financing

Covers all Malaysian branches

Building Materials

Covers quarry, brick and asphalt operations

Automotive

Covers Hap Seng Star, while assembly and manufacturing operations at Hap Seng Truck Distribution are contracted out to DRB Heavy Industries Corporation of Malaysia Berhad (HICOM)

Trading

Covers Hap Seng Chemical, Hap Seng Fertilizers, Hap Seng Trading and Hap Seng (Oil & Transport)

AUTOMOTIVE

Division

At our Automotive division, we regularly monitor our electricity consumption at the showrooms to ensure optimum usage. The division experienced an increase of 19% in total electricity usage as compared to last year. This is due to the inclusion of electricity usage at the newly established Kinrara pre-owned centre and new Setia Alam Branch as well as the high business volume Body and Paint centre at Balakong Branch in Selangor region.

However, the division has implemented a solar panel project to reduce reliance on electricity supply from the grid.

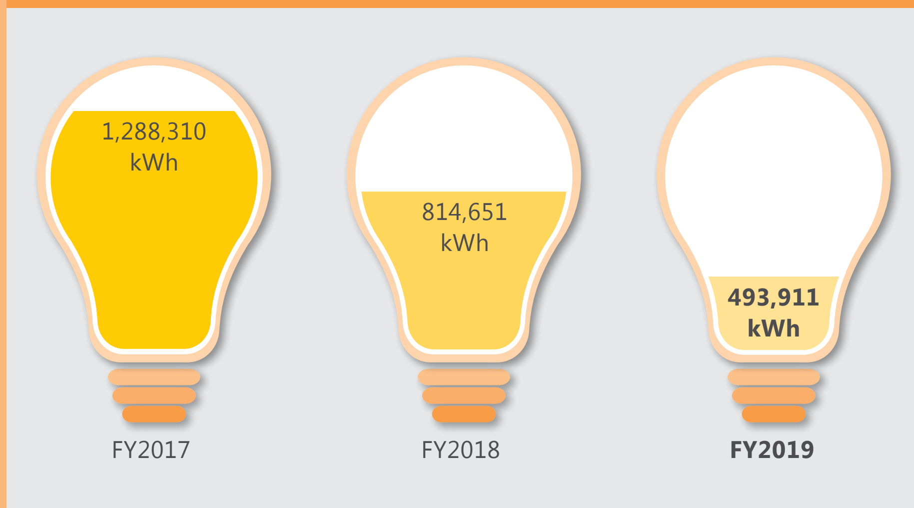
Solar Panel Project at Kinrara Dealership

In May 2017, Hap Seng Star implemented the Solar Panel Project for Kinrara Dealership in order to minimise electricity usage from the national grid (non-renewable source). The solar panel generates up to **840,000** kWh of clean and renewable electricity annually. Kinrara Dealership experienced a downward trend in electricity consumption with a reduction rate of **62%** since FY2017. This enabled a total savings of **RM393,119**

MOVING FORWARD

Hap Seng Star intends to install solar panels at Balakong and future Shah Alam Body and Paint centres to reduce our dependency on electricity from non-renewable sources.

Total Electricity Consumption At Kinrara Autohaus



AIR QUALITY (103-2, 305-7)

Monitoring our air emissions and maintaining the quality of indoor air at our workplace are vital for us to minimise adverse impacts on the surrounding natural environment and to provide safe and healthy working environment for our employees.

BUILDING MATERIALS Division

One of the primary factors to air pollution is dust or suspended particulate matters arising from the quarry operations as well as from the asphalt and bricks plants. We ensure compliance with the permissible limits prescribed in the Environmental Quality (Clean Air) Regulations 2014 and the Malaysia Ambient Air Quality Standards (MAAQS) 2000. The division has engaged an accredited laboratory to conduct periodic tests on the emission of dust at its operating plants. Based on the data obtained, the average emission of particulates was 47.3 ppm for our quarry operations and 12.6 ppm for our asphalt operations. These concentrations are within the regulatory permissible limits. Mitigation measures that we have put in place at some quarries include enclosed conveyors and dust suppression systems as well as periodical surface dampening to trap airborne dust.

AUTOMOTIVE Division

Hap Seng Star conducts air emission monitoring biannually at its service centres. The monitoring locations include the body and paint work areas to monitor air emission. We observed that the total particulate matter and gaseous substances emitted at Hap Seng Star are within the permissible limits of Environmental Quality (Clean Air) Regulations 2014.

In addition, we performed inspection of the bay exhaust vents at the workplace according to the Occupational Safety and Health (Use and Standards of Exposure of Chemicals Hazardous to Health) Regulations 2000. This is important to protect our employees from exposure to hazardous substances including vapour, mist, dust and other airborne contamination at the work areas.

WATER CONSUMPTION MANAGEMENT (103-2, 103-3, 303-5)

The Group continues to monitor its water usage to ensure responsible consumption. Our water usage data across the five divisions for the last three consecutive years is presented below.

Water Consumption (m³) by Division

	Water Consumptions (m³)		
Business Divisions	**FY2017**	**FY2018**	**FY2019**
Building Materials	216,405	237,415	**215,500**
Property	188,547	166,594	**182,818**
Automotive	49,810	37,229	**51,446**
Trading	9,457	16,351	**14,055**
Credit Financing	1,995	889	**688**

Property

Covers Menara Hap Seng, Menara Hap Seng 2 and Plaza Shell

Credit Financing

Covers all Malaysian branches

Building Materials

Covers quarry, brick and asphalt operations

Automotive

Covers Hap Seng Star, while assembly and manufacturing operations at Hap Seng Truck Distribution are contracted out to DRB Heavy Industries Corporation of Malaysia Berhad (HICOM)

Trading

Covers Hap Seng Chemical, Hap Seng Fertilizers, Hap Seng Trading and Hap Seng (Oil & Transport)

BUILDING MATERIALS Division

Water is used for various activities at our quarry sites, asphalt operations, bricks manufacturing and for dust suppression. We keep track of our water consumption to manage water resource efficiently. About 77% of the water used by quarry, asphalt and brick operations were from surface water. This has reduced our dependency on piped supply for our operations.

AUTOMOTIVE Division

At Hap Seng Star, we underpin the zero-wastewater approach and regularly monitor our water consumption at showrooms as well as service centres. This year, we experienced an increase of 38% in our consumption since FY2018 due to the inclusion of water usage data at the newly established Kinrara Pre-owned centre, Setia Alam, Klang as well as the service centre at Balakong, Selangor.

As part of our efforts in efficient water consumption, we installed rainwater harvesting to collect rainwater which is used for washing of vehicles at our service centres.

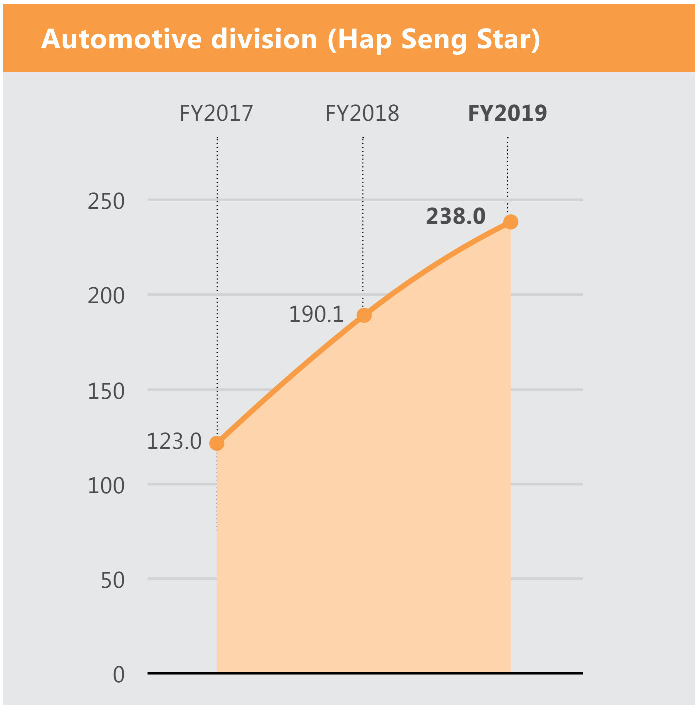
WASTE MANAGEMENT (103-2, 306-2)

Waste management is integral to the Group especially in the manufacturing, construction, mining, trading and office work which unavoidably generate solid wastes that require disposal. As a responsible conglomerate, we comply with the relevant regulations pertaining to waste management practices.

Scheduled Waste

Scheduled waste management at our Automotive division which includes waste labelling, storage and disposal is strictly in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005. The scheduled waste is collected by contractors licensed by the Department of Environment ("DOE") for treatment and recovery.

Total Amount of Scheduled Waste (tonnes)



At Hap Seng Star, we generated scheduled wastes which include SW 305 (spent lubricating oil), SW102 (lead acid batteries) and SW 307 (spent mineral oil-water emulsion) from vehicles routine maintenance and service. Hap Seng Star continues to expand its dealership network from year to year, resulting in the setting up of new dealerships in Selangor and Kuala Lumpur regions. In FY2019, waste generated significantly increased by 93% (since FY2017) due to the contribution from these new dealerships.

Non-Scheduled Waste

The Automotive and Property divisions have implemented measures to minimise non-scheduled waste generation wherever possible in their respective operations. One of the common initiatives implemented by these divisions is the segregation of non-scheduled wastes into recycled and non-recycled wastes prior to disposal. We provide several recycling bins in our operations to store the recycled waste. Waste segregation is important to minimise the extraction of virgin resources and to reduce pressure on landfills.

Total amount of non-scheduled waste generated at Automotive and Property divisions were 16,596.9 and 818.7 tonnes respectively in FY2019. We are pleased to note that over 50% of this waste was recycled.

Total Amount of Recycled Waste (tonnes) by Divisions

	Automotive*	Property**
FY2017	13.5	541.0
FY2018	21,134.0	639.0
FY2019	**16,596.9**	**430.3**

* *Data encompasses waste generated at Hap Seng Star which include scrap metal, carton box, oil drum and paper.*

** *Data covers waste at the construction sites of The Aria Luxury Residences, Menara Hap Seng 3, Akasa Cheras South and Kuala Lumpur Midtown. Construction wastes consists of steel/metal, timber and rebar.*

For Property division, we established a Waste Data Collection Report comprising waste data recorded from operations in Peninsular Malaysia which documents both amount of recycled and non-recycled waste. From our analysis, the total construction waste generated for this year was 818.7 tonnes, of which 53% and 47% were recycled and non-recycled waste respectively. At our project sites, we also practice reuse of waste such as concrete waste which was reused as ground slabs for the guard house and to stabilise walkways near the entrance, while rebar was used to make garbage bag holders.

ECO-SOLUTIONS (103-2, 301-2)

In the era of natural resource scarcity, companies are introducing improved products or processes that reduce or overcome the usage of natural resource. In light of this, business divisions at the Group, notably the Building Materials, Automotive and Property divisions have implemented several green innovation efforts in their products and services.

BUILDING MATERIALS

Division

Building Materials division of the Group ensures material resource efficiency in the manufacturing of bricks that uses fewer virgin raw materials while delivering similar product quality and performance.

Green Efforts for Bricks Manufacturing

We incorporated several green solutions in our brick production process. Our bricks manufactured at the Sedenak Brick Factory in Johor uses waste materials. This method enabled us to see a 6.5% reduction in virgin raw materials usage this year.

We continue to use coffee waste in the bricks manufacturing. Coffee waste requires less fuel to fire the bricks due to its calorific value. The company produced approximately 141.8 million bricks of which 59.0 million or 42% used waste materials. Of the 4.7 million rejected bricks produced, 48% were reused in bricks production, 18% sold as byproducts and the rest were for our own use for landfill and repair of kiln chambers. In addition, we saved approximately RM0.66 million cost through the use of 0.8 million litres of recycled fuel oil for the firing of bricks.

AUTOMOTIVE & PROPERTY

Divisions

With the growing concern over environmental degradation and climate change, Hap Seng Star and Hap Seng Land have both built hybrid car charging stations at our dealerships and property investment buildings, enabling greater customers' accessibility. Thus far, we have allocated 47 electric and hybrid car friendly parking facilities across Malaysia.

Our Commitments at Automotive Industry	
MS ISO 9001: 2015	MS ISO 14001: 2015
Quality Management Systems	Environmental Management Systems

PROPERTY

Division

Green Building

Today, green buildings are the solution to minimising the carbon footprint of the property sector. Our buildings in Kuala Lumpur are certified to the standards of the LEED scheme and GBI certification requirements. Thus far, the division achieved the GBI/LEED certification for a total of five of its development projects.

Industrialised Building System ("IBS")

Apart from green buildings, we emphasise on the use of IBS for construction. Some of our projects that utilise IBS include the following three projects.

Three of our development projects

1	2	3
The Aria Luxury Residences	**Menara Hap Seng 3**	**Mixed Development at KL Metropolis Plot 5A**

NOISE MONITORING (103-2)

Sound management of noise is essential to ensure health of our workers and compliance with regulatory requirements. Our noise abatement initiatives at the Building Materials division are illustrated below.

Installation of bund walls to creating barriers between quarry sites and the noise sensitive areas, where required

Quarterly assessments of quarries' noise generation in line with the compliance to regulatory requirements of Malaysian Minerals and Geoscience Department as well as limits of EIA regulations

Periodic audiometric test for workers

Warning sirens are sounded prior to blasting activities to ensure that the surrounding communities are alerted accordingly

BIODIVERSITY (103-2, 304-3)

Our Property division commits not to operate within biodiversity critical sites or areas of high conservation. We acknowledge the importance of protecting the natural environment and encouraging biodiversity in our housing developments. For example, an orchid garden was set up as part of the overall 15 acres Southern Lake Garden at Bandar Sri Indah, Tawau. The Southern Lake Garden is a park featured with a man-made lake and filled with lush greenery, shady trees, shrubs and flowers. It also has recreational facilities including jogging and cycling paths and children's playground. Our orchid garden is located at the side entrance of the park. It serves as a recreational garden and possesses an array of botanical and horticultural features with more than 50 orchid plants, collection of Borneo Island.

ENRICHING **OUR PEOPLE AND COMMUNITY**

SDG

- 1 NO POVERTY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

We recognise our responsibility to our people and the communities where we operate. In a bid to uplift the societal development, we undertook a number of measures such as promoting healthy lifestyle to our employees, organising donation drives, safety campaigns and providing education and employment opportunities for the local communities.

PRODUCT QUALITY AND CUSTOMER SERVICES

(102-43, 103-2, 103-3)

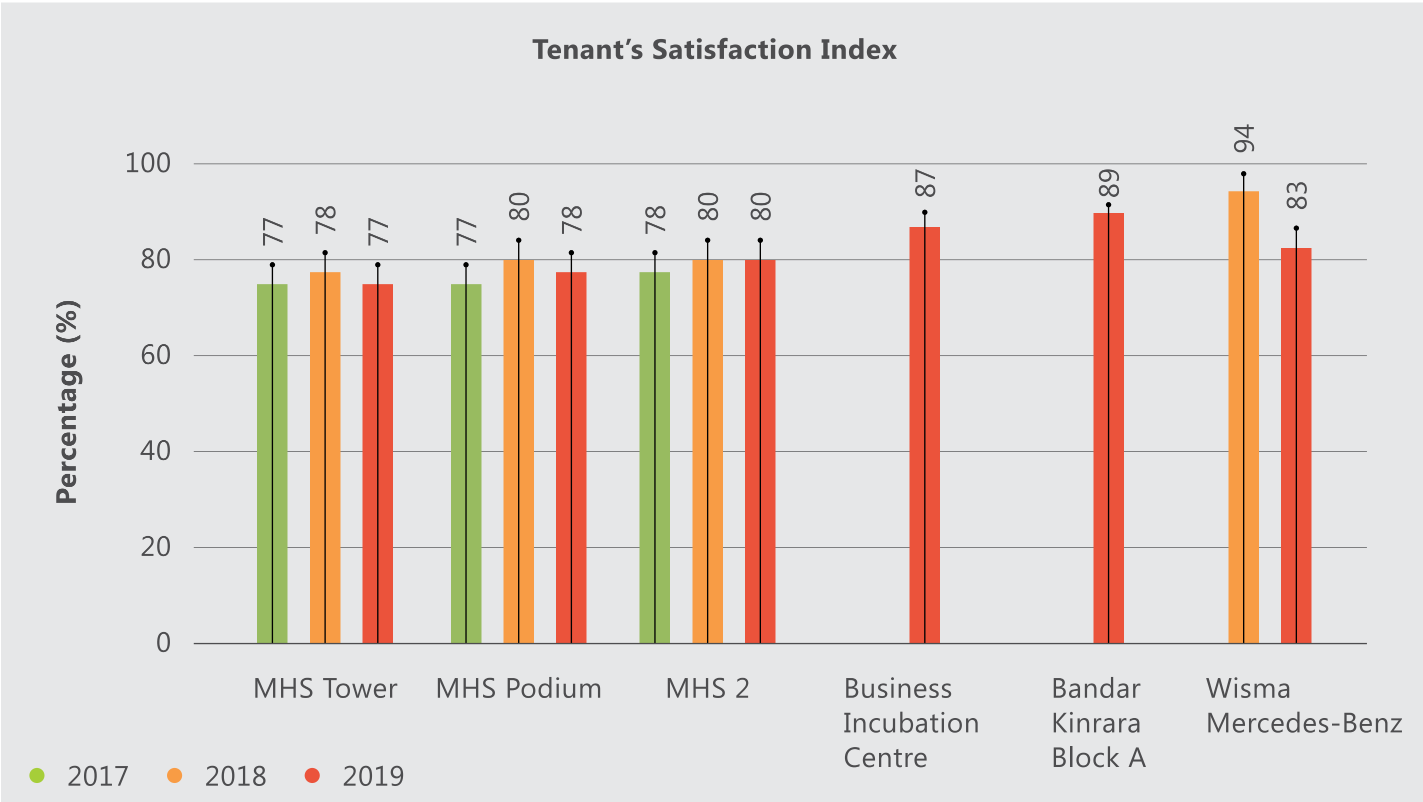
PROPERTY Division

Product quality and customer satisfaction continue to be our core focus to remain competitive in the industry. In ensuring product quality and best customer service, we have implemented an internal Quality Management System.

Customer satisfaction surveys are conducted regularly for both our property investment and property development arms. Our customer survey for property investment focuses on five key areas which are:

a) Appearance, Condition and Features of Property
b) Leasing and Management team
c) Customer Service team
d) Building and Maintenance team
e) Security and Safety team

The results of customer satisfaction survey for this year are tabulated in the graph below.



	MHS Tower	MHS Podium	MHS 2	Business Incubation Centre	Bandar Kinrara Block A	Wisma Mercedes-Benz
2017	77	77	78	-	-	-
2018	78	80	80	-	-	94
2019	**77**	**78**	**80**	**87**	**89**	**83**

Customer Service Excellence (102-43, 103-2)

AUTOMOTIVE

Division

Hap Seng Star is continuously improving its quality services to meet customer's increasing expectations. Customer Satisfaction Index ("CSI") assessment is conducted annually since FY2016 to measure our service performance based on customers' experience.

This will help us identify gaps for improvements in our work, maintain service excellence, and ensure customer satisfaction and loyalty. Our results on the CSI assessment for this year are as tabulated below.

Indicators	FY2017	FY2018	FY2019
Average CSI result (%)	96.0	97.0	**97.0**
After-sales CSI (%)	91.0	94.9	**94.3**
Customer Loyalty Index	83.0	86.0	**86.0**

Note: Data covers all branches

Mercedes-Benz Malaysia organises an annual Dealer of the Year Award Programme to recognise and reward its 35 dealerships nationwide for their operational and customer service excellence.

It is a great honour for us to announce that Hap Seng Star's Bukit Tinggi dealership was presented with the most coveted, Dealer of the Year 2019 Award during the award programme. The award is in recognition of its excellent achievement in the overall performance including sales, after-sales, customer satisfaction index, customer loyalty index, business excellence and financial services.

Other dealerships of Hap Seng Star including Iskandar, Kuching, and Balakong dealerships have also won top positions for eight other categories as listed in the table below.

Awards	Champion	1st Runner Up	2nd Runner Up
Dealer of the Year 2019	Bukit Tinggi	-	-
Best in Business Excellence 2019	Kuching	Iskandar	-
Best in Financial Services 2019	Bukit Tinggi	Kinrara	-
Best in 2019 Customer Satisfaction Index – Sales	Balakong	Kinrara	Bukit Tinggi
Best in 2019 Customer Loyalty Index	Iskandar	Bukit Tinggi	Kuching
Best in Customer Satisfaction Index and Customer Loyalty Index 2019	Bukit Tinggi	Balakong	Kota Kinabalu
Best in Sales 2019	Bukit Tinggi	-	Jalan Ipoh
Best in Customer Service 2019	-	Puchong South	Bukit Tinggi
Most Improved Dealer	Iskandar	Bukit Tinggi	-

PRODUCT STEWARDSHIP (103-2)

TRADING
Division

At our fertiliser trading operations, in our effort to ensure that our customers are able to make the most out of our products, we are willing to customise special programmes that would specifically benefit them.

For example, we specifically customised several Fertibor (Boron) talks in FY2019 and held the knowledge sharing session in major hotels and in plantation offices throughout Sabah and Sarawak. In some instances, we even provided hands-on field demonstration of Fertibor application to many medium and small sizes oil palm smallholders.

PROPERTY
Division

AFFORDABLE HOUSING (103-2)

The involvement of the private sector in offering affordable housing is vital in meeting the needs of an increasing population in the country. As a responsible property developer, we strive to develop affordable housing for families in the low-income group, in support of the Government's agenda for Malaysians to own a decent and comfortable home.

Since 2011, we have launched over 3,000 units of affordable homes. In 2019, Phase 5c Block 2A of the Astana Height development in Sabah was launched to cater to this market segment.

DATA PROTECTION (103-2)

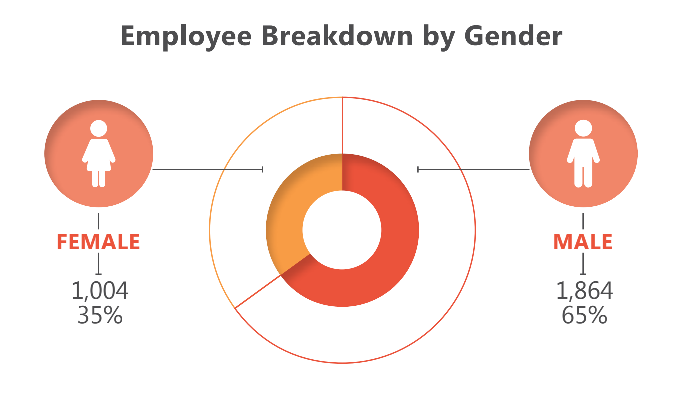
Data protection is one of our top priorities. The Group safeguards the information provided by customers in accordance with the requirements of the Personal Data Protection Act 2010 ("PDPA").

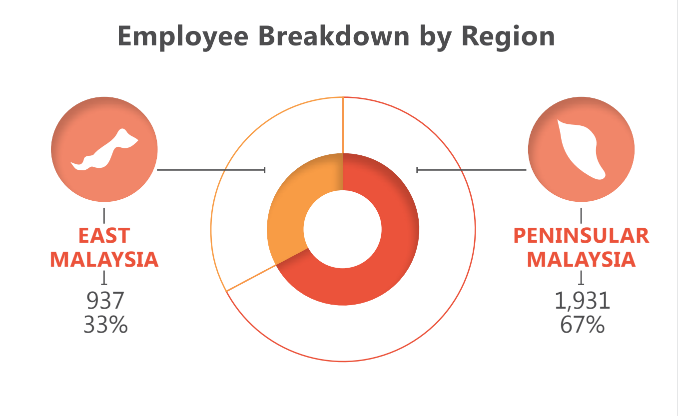
We ensure confidentially in information relating to our customers and employees and strictly follow guidelines for the protection and management of their personal data. To ensure the safety of our customers' data, a PDPA committee was established in 2013. We have also revised our Personal Data Protection Management system in 2017, in which the manual outlines the roles and responsibilities of the PDPA Committee. Our Privacy Policy and Notice can be found in Bahasa Malaysia and English at our website, *hapseng.com.my/en/privacy-policy.html*.

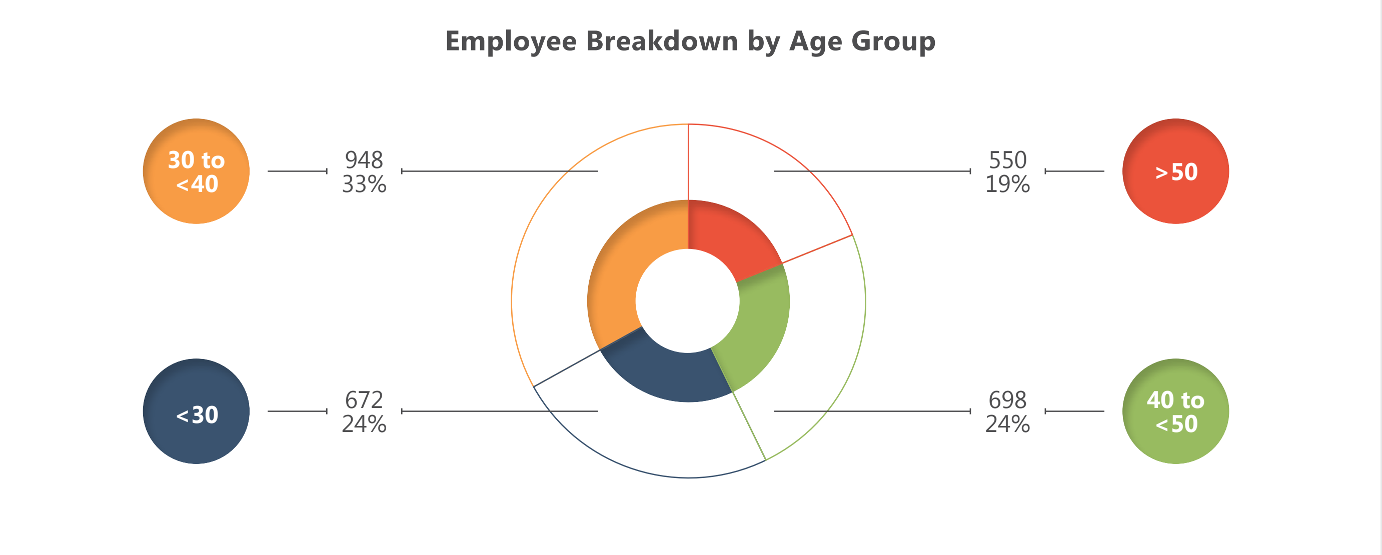
This guideline is in place to ensure zero incidents of non-compliance or breach of confidentiality.

DIVERSITY AND INCLUSION (102-7, 103-2, 401-1, 405-1)

Employees are the backbone of the Group's business operations. Our employees come from various backgrounds, race, age and religions as we believe a diverse workforce gives us a competitive advantage. We promote a workplace that is inclusive, fair and foster mutual respect among employees.

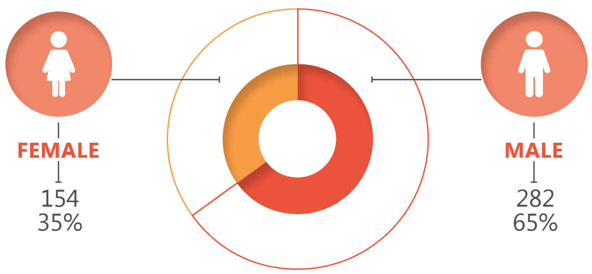




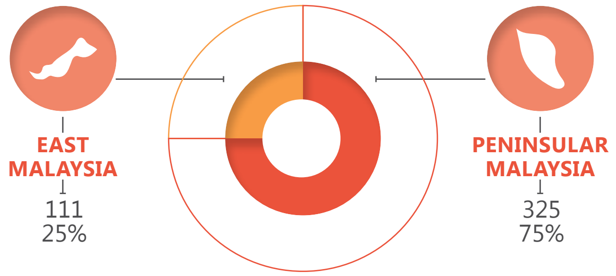


During the year under review, we recorded a total of 436 new hires with a turnover rate of 17.5%. The breakdown of the new hires by gender, region and age group are as shown below:

New Hires by Gender



New Hires by Region



New Hires by Age Group

Embracing Diversity

Malaysia is a multicultural country populated by various ethnic groups which include Malays, Chinese, Indians and other minority ethnic groups.

In light of this, the Group creates a multicultural workforce and fosters an inclusive environment where there is mutual respect for diversities in ethnicity, culture, custom and religion. We organise annual festive celebrations such as Hari Raya, Chinese New Year, Deepavali and Christmas.

Celebrating the Holy Month of Ramadan

Ramadan stalls selling Muslim delicacies at the lobby of Menara Hap Seng from 27 to 28 May 2019.

Ketupat weaving contest participated by employees of diverse background at Menara Hap Seng.

Hari Raya potluck gathering with Hap Seng Star and Logistics Department of Hap Seng Group on 14 June 2019.

Distribution of Ramadan gift bags containing assorted desserts to all Muslim employees and Muslim tenants at Menara Hap Seng.

Celebrating the Hari Raya

Apart from employees, the Group spread the Raya cheer and celebrated diversity among our customers. Hap Seng Land Sabah organised Raya Open House and Hari Raya event to showcase its appreciation to loyal customers while fostering unity among them.

Performance by customers during the Hari Raya event at Astana Heights on 9 June 2019.

Raya Open House held at Bandar Sri Indah Tawau was attended by 200 customers.

Christmas Celebration

Christmas Lunch and Gift Exchange was organised by Hap Seng Land on 17 December 2017 for employees to share the Christmas tradition of fellowship and giving.

A Christmas gathering was hosted for tenants of Plaza Shell, employees of Hap Seng Group, close family and friends on 6 December 2019 at Plaza Shell.

Festival Of Lights Celebration

About 80 Deepavali gift bags containing assorted sweets were distributed to all our Indian employees and tenants on 23 October 2019.

Summary of FY2017-FY2019 Performance Data: Diversity and Inclusion

	FY2017	FY2018	FY2019
Total Number of Employees	3,486	2,786	**2,868**
Employee Breakdown by Gender, Region and Age Group			
(a) By Gender			
Male	2,355	1,798	**1,864**
Female	1,131	988	**1,004**
(b) By Region			
Peninsular Malaysia	2,536	1,827	**1,931**
East Malaysia	950	952	**937**
(c) By Age Group			
< 30	1,005	667	**672**
30 – 40	1,082	919	**948**
40 – 50	841	674	**698**
> 50	558	526	**550**
Total Number of New Hires	856	563	**436**
(a) By Gender			
Male	617	382	**282**
Female	293	181	**154**
(b) By Region			
Peninsular Malaysia	695	356	**325**
East Malaysia	161		**111**
(c) By Age Group			
< 30	613	324	**217**
30 – 40	150	142	**127**
40 – 50	65	69	**57**
> 50	28	28	**35**
Turnover Rate	19.7%	39.5%	**17.5%**

Training and Development (103-2, 404-1, 404-2)

A conducive workplace is intrinsic to the Group. We are committed towards investing in our employees' training as we believe that this will improve productivity. The respective business divisions provide both soft skills and technical training that are relevant to specific job functions to improve competencies and provide exposure to employees.

4,276 total training hours with an average training hour of **1.5** per employee

Automotive Division
New Model Familiarisation Training at Daimler India Commercial Vehicles ("DICV") India
External Trainings at Worth plant, Germany and MFTBC, Japan
Soft Skill and Specialized Training: Customs Regulations
Building Materials Division (Quarry, Alsphalt and Brick Operations)
Built Environment and Property Prospects Seminar 2019
Monitoring Noise Exposure
Optimisation of Quarry Operations
Crushing and Screening Course
Environmental Management Course
Quarry Planning and Development
Safe and Efficient Blasting in Quarries
Rock Tool Equipment and Drilling Product Briefing
Understanding, Evaluating, and Implementing Effective HIRARC at Workplace
ORICA Safe and Efficient Blasting Course
Seminar Pengurusan Buangan Terjadual
Strategic Rock Blast Trouble Shooting Course
Property Division
Road Safety Campaign
IBS Conference
Green Build Conference
Tax and Business Summit 2019

Hap Seng Land's CSR team collaborated with Jabatan Keselamatan Jalan Raya ("JKJT") in launching a Road Safety Campaign conducted at Menara Hap Seng on 29 August 2019.

EMPLOYEE ENGAGEMENT (102-43, 103-2)

Apart from talent development, we also encourage active engagements including events, teambuilding and festive celebrations among our employees.

Throughout FY2019, we organised a variety of engagement activities at our business divisions. At Automotive, we organised quarterly team lunches, birthday celebrations among employees and monthly meetings where employees were briefed the latest developments of the division's performance. On 4 August 2019, 100 employees from our Automotive division participated in the 60th Anniversary IEM Engineering Run 2019.

To inculcate the importance of eating a balanced diet, Hap Seng's Property division sponsored the distribution of fruits in the office every month.

Plant Cartridge Green Office Programme ("PCGO"), a programme subscribed by Hap Seng Property for a weekly delivery of "live" SAFE produce grown using modern farming technology. The programme was held on 17 June 2019

OCCUPATIONAL SAFETY AND HEALTH

(103-2, 403-1, 403-2, 403-4, 403-5, 403-9)

The Group is committed to safeguarding the safety and health of employees, customers, suppliers and contractors, local communities and other relevant stakeholders. We strive to achieve zero accidents at all our divisions, through continuous monitoring and corrective actions.

We have demonstrated our commitment to Occupational Safety and Health ("OSH") through the establishment of OSH committee, comprising employer and employee representatives from business divisions with high risk work factors such as Property, Automotive, Trading and Building Materials. Our OSH committee provides a forum for employees and management to work together to address safety and health issues with a view to eliminate accidents at the workplace.

Guided by our Safety, Health and Environmental Policy, the Property and Trading divisions underlined their respective policies through effective management systems and continuous efforts to enhance the relevant processes and procedures in their operations. The Automotive division complies with HICOM's BS OHSAS 18001:2007: Occupational Health and Safety Management Systems requirements. These policies are reviewed regularly to ensure that they remain relevant and are always aligned with our business objectives.

We provide safe and healthy workplace environment for employees. We have conducted Hazard Identification, Risk Assessment and Risk Control ("HIRARC"). Employees are empowered to stop work if there is a threat to self, equipment or the environment. The HIRARC is reviewed and assessed annually or whenever there are changes in the work process or in cases where accidents occur.

In accordance with the Occupational Safety and Health (Use and Standard of Exposure of Chemicals Hazardous to Health) Regulation 2000, we conduct Chemical Health Risks Assessment ("CHRA") every five years for fertilizers and other chemicals. This is to monitor the health and any potential health risks of our employees due to chemical exposure.

Lost Time Injury Frequency Rate ("LTIFR")

LTIFR refers to the amount of lost time injuries occurring in the workplace per one million man-hours worked. The table below summarises our LTIFR at our Building Materials division for three consecutive years.

LTIFR (per 1 million man-hours worked) at Quarry, Asphalt and Bricks Operations

Operations at this division have high potential to hazardous risks. Hence, our safety measures are further strengthened by inculcating safety knowledge through safety and health training to address potential safety and health risks.

The key safety and health training conducted at respective divisions are as follows:

Building Materials Division (Quarry & Asphalt)
Monthly Safety Briefing
Workplace Quarterly Safety Audit
HIRARC Training
Work Instruction for Off Road Truck
Emergency Response Plan Review
Safety Data Sheet ("SDS") Training
Property Division
Road Safety Campaign
Healthy Lifestyle Cartridge

EMPOWERING LOCAL COMMUNITY (103-2, 413-1)

The Group supports the development of local communities where we operate in terms of enriching their lives and uplifting their socio-economic status. To achieve this, the Group engages with the local communities regularly and provides them with job opportunities and education initiatives.

Simply Giving

Hap Seng Credit contributed to various projects that includes programmes that help single mothers, low income backgrounds and start-up projects that aim to help people make a difference in their lives.

AnB Agro Trainers: Creating livelihood for Single Mothers

To date, we made changes in the lives of 57 ladies by creating livelihood via agriculture for single mothers and single breadwinners.

Batik Boutique: Fair fashion, home goods and gifts that empower the people behind each product

Hap Seng Credit contributed RM 15,000 to the award-winning social enterprise that train women from low-income backgrounds to product gifts and fashion accessories made from batik, a traditional Malaysian fabric.

Xused Global Solutions: Creating a marketplace for recycled waste

The Group assisted Xused in its start-up costs to implement projects in schools, "Earn to Learn @ School". This programme helps students, teachers and schools gain financial benefits from recycling waste.

Teach for Malaysia

Partnering with Teach for Malaysia ("TFM"), an independent, non-profit organisation that is known for its mission to give all children in Malaysia the opportunity to attain an excellent education, we supported the placement of four promising fellows to teach the English subject in four secondary schools in Semporna, Sabah.

Toy Library in Kampung Tanjung Batu, Tawau

The Group with Play United PLT built a toy library at Kg Tanjung Batu, Tawau. The objective behind this initiative was early childhood care and education ("ECCE"), which would enable all children, including those with special needs, to play and interact in a safe and child-friendly environment.

Digital Making: Internet of Things ("IoT")

To ignite the Digital Making culture in primary schools and among teachers, we partnered with Chumbaka in selecting teachers and students from 12 primary schools in Sabah between FY2018 and FY2019. The three events conducted; Junior Innovate Tenom on 21 September 2019, Junior Innovate Kota Kinabalu on 28 September 2019 and Young Innovate Sabah State Level on 12 October 2019 served as a platform for students and teachers for the exposure of technology.

Wordpower KK

We partnered with SPARKS for a three-day creative communications forum in Kota Kinabalu, Sabah besides organising a team-building day for the Hap Seng Group East Malaysia synergy team. The events were organised and facilitated by a locally and internationally experienced Theatre for Development practitioner, Ms. Susan Bansin and writer, editor and trainer, Ms. Sylvia Howe.

Tanjung Batu Learning Community

The Group since 2015 has been an active member of MCII, a registered NGO aimed at achieving systematic educational and social change in Malaysia through cross sector partnerships. The programme focused on educational needs and creating a collective impact in schools and the community in an identified area.

The Group in Malaysian Collective Impact Initiative ("MCII")

We continued our commitment to supporting learning and development of youths and adults in Kampung Tanjung Batu, Tawau, via our partnership with Science of Life Studies 24/7 ("SOLS 24/7"), a humanitarian organisation. This programme which began in FY2017 aims to teach the community English language besides practicing Higher Order Thinking Skills ("HOTS").

Contributed **RM50,000** to **14** primary and secondary schools in Klang

Global School Leadership

Partnership with YTL Foundation to promote the Global School Leadership with a focus on school leaderships at 10 MCII schools in Klang. The school leaders were trained by Global School Leaders ("GSL") Malaysia on a monthly basis with workshops and coaching sessions. The sessions have been customised to increase the students' leadership skills and improve overall school performance.

Hap Seng Star's Technical and Vocational Education and Training ("TVET")

Partnering with DreamCatcher, we followed the journey of 25 SPM leavers working on the TVET programmes at three Hap Seng Star's centres. This programme aims to train the underprivileged youth and give them a second chance at higher education and a better future.

This TVET programme provides Malaysian Skills Certification ("SKM") Level 2 and 3 certifications in a span of 18 months. It comprises 20% - 30% learning of theory in the classroom and 70% - 80% practical during on-the-job training.

The Group in Supporting Education in Tawau

The **Naga Scholarship Fund** is an award scheme sponsored by Hap Seng Fertilizers aimed at forging a strategic relationship between the Group and the Tawau community via education aid.

Objective: To support and motivate students to excel in their studies.

This scholarship fund is offered to **10 top Sabah Chinese High School students** with academic excellence in their Junior and Senior Malaysian Independent Chinese High School Unified Examination.

For the Vision Schools, a **monetary incentive** is given to students for every Grade "A" scored in each subject paper in the *Ujian Pencapaian Sekolah Rendah* ("UPSR"), *Pentaksiran Tingkatan Tiga* ("PT3"), *Sijil Pelajaran Malaysia* ("SPM"), Checkpoints and International General Certificate of Secondary Education ("IGCSE") examinations.

Since 2001, the Naga Scholarship funding programme has helped **356** students from the Sabah Chinese High School and **687** students from the Vision Schools since 2011.

Tawau Leadership Programme by the Group

Partnering with Leaderonomics, we strive to deliver a leadership development programme that involves training parents, members of the community and our employees to become leadership mentors for youth in Tawau. The programme fits well with our ultimate goal of building a self-sustaining community in Tawau that generates and sustains a positive social impact.

EngagED

We collaborated with RITE Education to organise a programme called EngagED, a capacity building programme that focuses on improving teaching and learning through strategies that ensure improved student engagement.

This programme which is in line with the Ministry of Education's emphasis on 21st Century Learning, is designed for teachers' trainers called School Improvement Specialist Coaches Plus ("SISC+") to coach selected teachers within the Pejabat Pendidikan Daerah ("PPD") Keningau, Sabah.

The year-long programme that included 29 teachers and teachers trainers ("SISC+") also focused on student engagement through Cooperative Learning ("CL") strategies, Positive Behaviour Management ("PBM") techniques and Assessment for Learning strategies ("AFL").

Other relevant Corporate Social Responsibilities ("CSR") programmes include:

Property Division
Merdeka Blood Drive
Toy donation drive
Donation drive for OKU centre
Zakat booth and Ramadhan Bazaar
Christmas Bazaar
Back to School campaign
Building Materials Division
CSR Ulu Choh Temple Dinner
CSR Kg. Ulu Choh Basketball Competition
Kampung Binaung Baru Community Kaamatan Festival
CSR Kampung Baru Cina Minyak Beku – Program Merentas Desa
CSR Bukit Mor Temple Chinese New Year Dinner
CSR Kuan Tee Kong Temple Bukit Mor Anniversary Dinner
Donation to Balai Polis Kampung Babagon
Donation of 800mt of Quarry Waste to Unit Pembangunan Masyarakat N.20 Moyong
Donation of 3/4 aggregates and stone dust to The Basel Christian Church of Malaysia, Penampang
Cash donation to Kampung Madsiang Harvest Festival Celebration
Donation of 1500mt of quarry waste to Astenpave Sdn Bhd
Cash donation to Kampung Babagon Harvest Festival Celebration
Donation of 3/8" chipping and 3/4" aggregates to S.K. Babagon
NIOSH Safety and Health In Community
Donation of two pallets of bricks for "Zero Crime Project" at SMK Bugaya Semporna

MOVING FORWARD

The Group recognises the rapid changes in global trends and industry specific issues. We are committed to addressing the evolving sustainability key material matters as well as our risks while strengthening our sustainability commitments. We will continue to prioritise the management of economic, environmental and social risks.

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DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company are responsible for ensuring that the annual audited financial statements of the Group and of the Company are prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

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

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

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 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the subsidiaries, associates and joint ventures are disclosed in Notes 7, 8 and 9 to the financial statements, respectively.

Other information relating to the subsidiaries, associates and joint ventures are disclosed in Notes 7, 8 and 9 to the financial statements, respectively.

RESULTS

The results of the Group and of the Company for the financial year ended 31 December 2019 are as follows:

	Group RM'000	Company RM'000
Profit before tax	1,476,813	1,177,169
Tax expense	(257,388)	(790)
Profit for the year	1,219,425	1,176,379
Attributable to:		
Owners of the Company	1,162,871	1,176,379
Non-controlling interests	56,554	-
Profit for the year	1,219,425	1,176,379

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 as disclosed in 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 issued share capital of the Company during the financial year.

TREASURY SHARES

During the annual general meeting of the Company held on 30 May 2019, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares.

TREASURY SHARES (CONTINUED)

During the financial year, the Company repurchase 2,000 shares at the total cost of RM19,972 which were held as treasury shares. All repurchases of shares were financed by the Company's internally generated funds.

As at 31 December 2019, the Company held 12,000 treasury shares.

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
As of 1 January 2019	10,000	93,096	9.31
Repurchased during the year	2,000	19,972	9.99
As of 31 December 2019	12,000	113,068	9.42

MATERIAL LITIGATIONS

Details of material litigations are disclosed in Note 40 to the financial statements.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events are disclosed in Note 45 to the financial statements.

SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 46 to the financial statements.

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2019:	
- First interim dividend of 15 sen per share under the single tier system approved by the Board of Directors on 31 May 2019 and paid on 26 June 2019	373,450
- Second interim dividend of 20 sen per share under the single tier system approved by the Board of Directors on 21 November 2019 and paid on 18 December 2019	497,934
	871,384

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2019.

No dividend is payable for treasury shares held or cancelled.

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Thomas Karl Rapp	(Appointed on 26 February 2020)
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	
Leow Ming Fong @ Leow Min Fong	
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	
Tan Boon Peng	(Appointed on 26 February 2020)
Dato' Jorgen Bornhoft **	(Resigned on 26 February 2020)
Dato' Mohammed Bin Haji Che Hussein **	(Resigned on 30 May 2019)

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

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Andrew Talling
Au Siew Loon
Au Yong Siew Fah
Bacho Bin Masdukir
Calvin Yeo Chong Lok
Chan Kien Ming
Cheng Yue Kay, Michael
Cheong Shan Shi
Chong Kwea Seng
Chow Wen Kwan, Marcus
Choy Khai Choon
Dato' John Chee Shi Tong
Datuk Amat Asri @ A.Asrie B.Ab Kadir @ A.Kadir
Datuk Chia Lui Meng
Eugene Lee Chin Jin
Harald Uwe Behrend
Khoo Thian Shyang
Khor Soo Beng
Lee Tsan Kau
Lew Kee Ek @ Liew Kew Ik

DIRECTORS (CONTINUED)

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are: (continued)

Low Kok Ann	
Low See Ching	
Ng Boon Kong	
Ng Hock Hooi	
Ong Beng Chye	
Paul Gregory Betar	
Puan Chen Keck	
Sheikh Mohd Faliq Bin Sheikh Mohamad Nasimuddin Kamal	
Stanley Chee Tze Yuan	
Terrance Tan Kong Hwa	
Thai Chong Yim	
Tong Chin Hen	
Tuan Haji Pondren Bin Nawa	
Voon Thau Vui	
Yap Chai Soon	
Yong Teak Jan @ Yong Teck Jan	
Rosmin Bin Wan Mohamed	(Appointed on 7 March 2019)
Sulastika	(Appointed on 29 April 2019)
Dato' Mohammed Bin Haji Che Hussein	(Appointed on 31 May 2019)
Datuk Jasa @ Ismail Bin Rauddah	(Appointed on 5 July 2019)
Tan Sri Amirsham Bin A Aziz	(Appointed on 5 July 2019)
Chin Szu Chiang @ Edward Chin	(Appointed on 24 September 2019)
Andrew John Barber	(Appointed on 24 February 2020)
Datuk Yong Foo San	(Appointed on 26 February 2020)
Idzham Mohd Hashim B Zahrain Mohd Hashim	(Resigned on 7 March 2019)
Heng Chin Tung	(Resigned on 19 March 2019)
Dionysius Angkasa	(Resigned on 29 April 2019)
Tan Kok Aun	(Resigned on 29 April 2019)
Tan Sri Ahmad Bin Mohd Don	(Resigned on 29 May 2019)
Tan Sri Abdul Hamid Egoh	(Resigned on 1 June 2019)
Chan Yee Hing	(Resigned on 31 August 2019)
Puan Sri Maimon Md. Arif	(Resigned on 11 September 2019)
Tan Duo Zer	(Resigned on 24 September 2019)
Tan Sri Datuk Seri Panglima Richard Allan Lind	(Resigned on 30 November 2019)
Tai Ah Chai	(Resigned on 11 February 2020)
Tuan Haji Mohd Aris @ Nik Ariff Bin Nik Hassan	(Deceased on 24 November 2019)

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
Name of director	**As at 1.1.2019**	**Acquired**	**Sold**	**As at 31.12.2019**
Hap Seng Consolidated Berhad				
Dato' Jorgen Bornhoft	5,000	-	-	5,000
Hap Seng Plantations Holdings Berhad, a listed subsidiary				
Dato' Jorgen Bornhoft	10,000	-	-	10,000
Cheah Yee Leng	31,200	-	-	31,200
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000
Lt Gen (R) Datuk Abdul Aziz Bin Hasan	5,000	-	-	5,000

None of the other directors of the Company in office at the end of the financial year had any interest in shares 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.

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 33 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 44 to the financial statements.

INDEMNITY AND INSURANCE COSTS

The directors and officers of the Company are covered by Directors and Officers Liability Insurance which is maintained on a group basis by the Company in respect of liabilities arising from acts committed in their respective capacity as, inter alia, directors and officers of the Group subject to the terms of the policy. The total amount of Directors and Officers Liability Insurance effected for the directors and officers of the Group during the year was RM100 million whilst the total amount of premium paid was RM128,000.

HOLDING COMPANY

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

OTHER STATUTORY INFORMATION

(a) Before the statements of financial position, statements of profit or loss and statements of comprehensive income 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.

OTHER STATUTORY INFORMATION (CONTINUED)

(f) In the opinion of the directors:

(i) no contingent 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 AND AUDITORS' REMUNERATION

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

Auditors' remuneration is disclosed in Note 31 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 May 2020.

DATUK EDWARD LEE MING FOO, JP	**LEE WEE YONG**

STATEMENT BY DIRECTORS

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

We, **DATUK EDWARD LEE MING FOO, JP** and **LEE WEE YONG**, 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 159 to 311 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 May 2020.

DATUK EDWARD LEE MING FOO, JP | **LEE WEE YONG**

STATUTORY DECLARATION

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

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 159 to 311 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**, MIA CA 7492
at Kuala Lumpur in the Federal Territory
on 15 May 2020.

LEE WEE YONG

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HAP SENG CONSOLIDATED BERHAD

(INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hap Seng Consolidated Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 159 to 311.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Key audit matters (continued)

(a) Property development revenue and profit recognition

Revenue from property development activities during the year amounted to RM908 million, which represented 13% of the Group's total revenue for the financial year ended 31 December 2019 is recognised based on the percentage of completion method ("POC") which is derived based on the extent of actual costs incurred to the total estimated development costs to derive the percentage of completion.

We identified revenue and cost of sales from property development activities as areas requiring audit focus as significant management's judgement and estimates are involved in estimating the total property development costs which include the common infrastructure costs (which is used to determine the percentage of completion and gross profit margin of the property development activities undertaken by the Group).

In addressing this area of focus for the Group's property development projects of subsidiaries audited by us, we performed, amongst others, the following procedures:

- We obtained an understanding of the internal controls pertaining to the project budgeting process;
- We read samples of sales and purchase agreements entered into with customers and obtained an understanding of the significant performance obligations, terms and conditions to be satisfied;
- We read significant construction agreements entered into with contractors, to obtain an understanding of the significant terms and conditions;
- We agreed significant actual costs incurred during the current financial year to supporting documents;
- We examined project documentation and discussed the status of ongoing projects under construction with management, finance personnel and relevant project officials. We assessed whether the estimates made in respect of gross development cost are reasonable, taking into consideration the information obtained during those discussions and the results of our audit procedures. We also considered the historical accuracy of management's estimates, identified and analysed changes in assumptions from prior periods, and assessed the consistency of assumptions across all projects; and
- We assessed the mathematical accuracy of the revenue and profit based on percentage of completion calculations and considered the implications of identified errors and changes in estimates.

In addition, in respect of the Group's property development projects of subsidiaries not audited by us, we reviewed the procedures performed by the component auditors in addressing this area of focus.

The notes relating to property development costs are disclosed in Notes 2.18, 3.2(d), 15 and 28 to the financial statements.

Key audit matters (continued)

(b) Valuation of investment properties

As at 31 December 2019, the carrying amount of investment properties of the Group is RM1.9 billion, which represented 20% of the total non-current assets of the Group. The Group carries its investment properties at fair value as disclosed in Note 6 to the financial statements. The management uses independent valuers to support its determination of the fair value of the investment properties annually.

We identified the valuation of the investment properties as an area of audit focus as such valuation involves significant judgement and estimates that are highly subjective.

The key judgement and estimates used in the valuation of investment properties are rental rate, discount rate and reversionary rate.

The Group recognised a net gain from changes in fair value of RM26 million for the financial year ended 31 December 2019 as disclosed in Note 6 to the financial statements.

In addressing this area of focus, we performed, amongst others, the following procedures:

- We assessed the valuers' independence, competency, capability and objectivity;
- We obtained an understanding of the valuation methodologies used by the valuers in determining the fair values of investment properties and assessed whether the valuation methodologies are consistent with those used in prior year and whether it is commonly used for the type of investment property being valued; and
- We evaluated the significant assumptions used in respect of the rental rate, discount rate and reversionary rate used by comparing them to the underlying lease agreement and industry data.

In addition, we also evaluated the adequacy of the disclosures of each key judgement and estimate to which the fair value is most sensitive, as disclosed in Note 6 to the financial statements.

The notes relating to investment properties are disclosed in Notes 2.9, 6 and 41(b) to the financial statements.

(c) Recognition of contingent consideration

In the financial year ended 31 December 2016, the Company completed the acquisition of the entire issued and paid up share capital of Malaysian Mosaics Sdn. Bhd. ("MMSB") and as part of the Shares Sale Agreement ("Agreement") on the acquisition of MMSB from Gek Poh (Holdings) Sdn. Bhd. ("the seller"), the seller irrevocably and unconditionally undertook a continuing obligation in the form of profit guarantee to the Company for 5 financial years commencing from financial year ended 31 December 2016, as disclosed in Note 12(b) to the financial statements.

Key audit matters (continued)

(c) Recognition of contingent consideration (continued)

MMSB did not achieve the guaranteed profit after tax for the current financial year. Accordingly, management has reassessed the projected profit for the remaining profit guarantee year to determine the fair value of the contingent consideration, if any, to be recognised for the potential right to the return of previously transferred consideration.

We identified the valuation of this contingent consideration as an area of audit focus as such valuation involves significant judgement and estimates that are highly subjective.

The key judgement and estimates used in the assessment of contingent consideration are sales growth, gross profit margin, discount rate and probability for meeting the profit guarantee for the remaining profit guarantee year.

Arising from management's reassessment, the contingent consideration has decreased by RM27.9 million. The contingent consideration balance as at 31 December 2019 is RM76.4 million.

In addressing this area of focus, we performed, amongst others, the following procedures:

- We challenged management's key assumptions such as expected selling prices, sales growth, gross profit margin and production capacity by comparing them to the historical performance of MMSB and external market analysis;

- We assessed the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset; and

- We recomputed the contingent consideration recognised arising from the shortfall of project profit for the remaining profit guarantee year.

In addition, we also evaluated the adequacy of the disclosures of the contingent consideration in the financial statements.

The notes relating to contingent consideration are disclosed in Notes 3.2(g), 12(b) and 30(b) to the financial statements.

Key audit matters (continued)

(d) Expected credit losses on hire purchase receivables and loan receivables

The carrying amount of hire purchase receivables and loan receivables arising from the credit financing segment of the Group as at reporting date were RM1.3 billion and RM1.7 billion respectively. MFRS 9 'Financial instruments' requires the Group's impairment losses for trade receivables to be based on expected credit loss ("ECL") model which takes into account reasonable and supportable forward-looking information rather than an incurred loss model. The Group has put in place controls over the estimation of ECL for these trade receivables.

The assessment of ECL on hire purchase receivables and loan receivables is significant to our audit as the assessment involved significant judgement and estimates and the uncertainty inherent in the estimation process.

The key management-determined judgement and estimates used in the calculation of the ECL are:

- criteria to determine a significant increase in credit risk ("SICR");
- techniques used in determining the probability of defaults ("PD") and loss given default ("LGD"); and
- forward looking assumptions.

There is also an added layer of complexity in the judgement and estimates as the use of hindsight by management is not permitted, which can be difficult to apply in practice. Furthermore, there is a significant increase in the data used in the estimates in the ECL impairment model which increases the risk that the data used is not complete or accurate.

As at 31 December 2019, the Group has recognised RM8.4 million in allowance for expected credit losses for hire purchase receivables and loan receivables.

We have reviewed the following procedures performed by the component auditor in respect of the assessment of ECL for hire purchase receivables and loan receivables:

- evaluation of the controls over the implementation of the MFRS 9;
- evaluation on the methodologies, inputs and assumptions used by management in the calculation of the ECL model;
- evaluation on the appropriateness of the determination of SICR in accordance with the standard and the resultant basis for classification of various exposures into various stages;
- evaluation on the techniques used in the calculation of PD and LGD; and
- assessment on whether the financial statements disclosures appropriately reflect the Group's exposure to credit risk.

The notes relating to the ECL for hire purchase receivables and loan receivables are disclosed in Notes 2.16 and 12 to the financial statements.

Information other than the financial statements and auditors' report thereon

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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

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

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

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

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

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

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

Auditors' responsibilities for the audit of the financial statements (continued)

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

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other matters

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

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ng Kim Ling
No. 03236/04/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
15 May 2020

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current assets					
Property, plant and equipment	4	**3,529,565**	3,157,916	**961**	1,380
Prepaid lease payments	5	**-**	180,323	**-**	-
Investment properties	6	**1,851,957**	1,600,502	**-**	-
Investment in subsidiaries	7	**-**	-	**4,524,858**	4,159,640
Investment in associates	8	**469,185**	440,587	**70,764**	70,538
Investment in joint ventures	9	**8,760**	7,522	**-**	-
Land held for property development	10	**1,311,767**	1,070,354	**-**	-
Intangible assets	11	**43,803**	52,847	**-**	-
Trade and other receivables	12	**2,187,918**	1,907,341	**-**	52,204
Other financial assets	13	**21,091**	30,282	**-**	-
Deferred tax assets	25	**70,634**	35,469	**-**	-
		9,494,680	8,483,143	**4,596,583**	4,283,762
Current assets					
Inventories	14	**1,779,121**	1,724,276	**-**	-
Property development costs	15	**1,084,535**	1,243,440	**-**	-
Biological assets	16	**25,714**	16,437	**-**	-
Trade and other receivables	12	**2,104,925**	2,210,942	**172,284**	228,025
Contract assets	17	**461,935**	201,405	**-**	-
Tax recoverable		**32,577**	51,354	**4,750**	4,015
Other financial assets	13	**81,835**	4,459	**-**	-
Money market deposits	18	**1,217,369**	1,026,716	**893,874**	819,188
Cash and bank balances	19	**1,090,193**	613,632	**160,253**	175,062
		7,878,204	7,092,661	**1,231,161**	1,226,290
Total assets		**17,372,884**	15,575,804	**5,827,744**	5,510,052

		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Equity attributable to owners of the Company					
Share capital	26	**3,519,554**	3,519,554	**3,519,554**	3,519,554
Reserves	27	**3,820,725**	3,505,927	**1,984,727**	1,679,732
		7,340,279	7,025,481	**5,504,281**	5,199,286
Less: Treasury shares	26	**(113)**	(93)	**(113)**	(93)
		7,340,166	7,025,388	**5,504,168**	5,199,193
Non-controlling interests	7(a)	**1,278,690**	1,271,355	**-**	-
Total equity		**8,618,856**	8,296,743	**5,504,168**	5,199,193
Non-current liabilities					
Trade and other payables	20	**180,061**	145,700	**-**	-
Employee benefits	22	**4,054**	3,297	**-**	-
Borrowings	23	**2,953,537**	2,810,553	**-**	-
Lease liabilities	24	**111,134**	-	**-**	-
Other financial liabilities	13	**2,267**	3,026	**-**	-
Deferred tax liabilities	25	**480,207**	483,955	**15**	15
		3,731,260	3,446,531	**15**	15
Current liabilities					
Trade and other payables	20	**1,273,077**	1,099,999	**323,561**	310,844
Contract liabilities	17	**42,177**	-	**-**	-
Provisions	21	**146,770**	45,236	**-**	-
Tax payable		**91,630**	64,925	**-**	-
Borrowings	23	**3,427,649**	2,618,430	**-**	-
Lease liabilities	24	**27,189**	-	**-**	-
Other financial liabilities	13	**14,276**	3,940	**-**	-
		5,022,768	3,832,530	**323,561**	310,844
Total liabilities		**8,754,028**	7,279,061	**323,576**	310,859
Total equity and liabilities		**17,372,884**	15,575,804	**5,827,744**	5,510,052

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

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	28	**7,096,067**	6,246,519	**1,171,063**	923,908
Cost of sales	28	**(5,392,192)**	(4,778,263)	**-**	-
Gross profit		**1,703,875**	1,468,256	**1,171,063**	923,908
Other operating income		**154,543**	107,042	**23,504**	17,899
Distribution costs		**(249,618)**	(260,233)	**-**	-
Administrative expenses		**(302,517)**	(321,095)	**(27,878)**	(24,075)
Other operating expenses		**(147,143)**	(165,009)	**(18,280)**	(440)
		1,159,140	828,961	**1,148,409**	917,292
Finance costs	29	**(262,349)**	(186,071)	**(9,496)**	(8,766)
Other gain items	30	**578,023**	750,420	**92,077**	859,954
Other loss items	30	**(27,886)**	(24,134)	**(53,821)**	(48,055)
Share of results of associates	8	**30,386**	26,626	**-**	-
Share of results of joint ventures	9	**(501)**	(1,624)	**-**	-
Profit before tax	31	**1,476,813**	1,394,178	**1,177,169**	1,720,425
Tax expense	34	**(257,388)**	(207,316)	**(790)**	(1,320)
Profit for the year		**1,219,425**	1,186,862	**1,176,379**	1,719,105
Profit attributable to:					
Owners of the Company		**1,162,871**	1,145,608	**1,176,379**	1,719,105
Non-controlling interests	7(a)	**56,554**	41,254	**-**	-
		1,219,425	1,186,862	**1,176,379**	1,719,105
Earnings per share (sen)					
Basic	35	**46.71**	46.01		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the year	**1,219,425**	1,186,862	**1,176,379**	1,719,105
Other comprehensive income/(expense), net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	**10,024**	(3,555)	**-**	-
Share of foreign currency translation differences of associates	**5,917**	2,194	**-**	-
Share of foreign currency translation differences of joint ventures	**(208)**	(258)	**-**	-
Foreign currency translation differences for foreign operations reclassified to profit or loss	**13,285**	17,796	**-**	-
Change in fair value of cash flow hedge	**2,312**	1,404	**-**	-
	31,330	17,581	**-**	-
Items that will not be reclassified subsequently to profit or loss				
Remeasurement loss on defined benefit liabilities	**(64)**	(13)	**-**	-
	(64)	(13)	**-**	-
Total other comprehensive income for the year, net of tax	**31,266**	17,568	**-**	-
Total comprehensive income for the year, net of tax	**1,250,691**	1,204,430	**1,176,379**	1,719,105
Total comprehensive income attributable to:				
Owners of the Company	**1,194,782**	1,164,380	**1,176,379**	1,719,105
Non-controlling interests	**55,909**	40,050	**-**	-
	1,250,691	1,204,430	**1,176,379**	1,719,105

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	← 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 2018	3,519,554	69,814	2,548,547	2,618,361	(54)	6,137,861	969,340	7,107,201
Profit for the year	-	-	1,145,608	1,145,608	-	1,145,608	41,254	1,186,862
Foreign currency translation differences for foreign operations	-	(2,769)	-	(2,769)	-	(2,769)	(786)	(3,555)
Share of foreign currency translation differences of associates	-	2,174	-	2,174	-	2,174	20	2,194
Share of foreign currency translation differences of joint ventures	-	(131)	-	(131)	-	(131)	(127)	(258)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	17,796	-	17,796	-	17,796	-	17,796
Change in fair value of cash flow hedge	-	1,715	-	1,715	-	1,715	(311)	1,404
Remeasurement loss on defined benefit liabilities	-	-	(13)	(13)	-	(13)	-	(13)
Total other comprehensive income for the year	-	18,785	(13)	18,772	-	18,772	(1,204)	17,568
Total comprehensive income for the year	-	18,785	1,145,595	1,164,380	-	1,164,380	40,050	1,204,430
Changes in ownership interest in subsidiaries	-	57	594,514	594,571	-	594,571	310,846	905,417
Transfer to retained profits	-	30,973	(30,973)	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	(39)	(39)	-	(39)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	-	(9)	(9)
Dividends (Note 36)	-	-	(871,385)	(871,385)	-	(871,385)	-	(871,385)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(48,872)	(48,872)
At 31 December 2018	3,519,554	119,629	3,386,298	3,505,927	(93)	7,025,388	1,271,355	8,296,743
	Note 26			Note 27	Note 26			

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	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 (continued)								
At 1 January 2019								
- As previously stated	3,519,554	119,629	3,386,298	3,505,927	(93)	7,025,388	1,271,355	8,296,743
- Effect of adoption of MFRS 16	-	-	(8,600)	(8,600)	-	(8,600)	(3,035)	(11,635)
- As restated	3,519,554	119,629	3,377,698	3,497,327	(93)	7,016,788	1,268,320	8,285,108
Profit for the year	-	-	1,162,871	1,162,871	-	1,162,871	56,554	1,219,425
Foreign currency translation differences for foreign operations	-	10,125	-	10,125	-	10,125	(101)	10,024
Share of foreign currency translation differences of associates	-	6,124	-	6,124	-	6,124	(207)	5,917
Share of foreign currency translation differences of joint ventures	-	(106)	-	(106)	-	(106)	(102)	(208)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	13,285	-	13,285	-	13,285	-	13,285
Change in fair value of cash flow hedge	-	2,547	-	2,547	-	2,547	(235)	2,312
Remeasurement loss on defined benefit liabilities	-	-	(64)	(64)	-	(64)	-	(64)
Total other comprehensive income for the year	-	31,975	(64)	31,911	-	31,911	(645)	31,266
Total comprehensive income for the year	-	31,975	1,162,807	1,194,782	-	1,194,782	55,909	1,250,691
Purchase of treasury shares	-	-	-	-	(20)	(20)	-	(20)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	-	(3)	(3)
Dividends (Note 36)	-	-	(871,384)	(871,384)	-	(871,384)	-	(871,384)
Dividends paid/payables to non-controlling interests	-	-	-	-	-	-	(45,536)	(45,536)
At 31 December 2019	3,519,554	151,604	3,669,121	3,820,725	(113)	7,340,166	1,278,690	8,618,856
	Note 26			Note 27	Note 26			

		← Reserves	→			
	Share capital RM'000	**Non-distributable Other reserve RM'000**	**Distributable Retained profits RM'000**	**Total RM'000**	**Treasury shares RM'000**	**Total equity RM'000**
Company						
At 1 January 2018	3,519,554	(30,973)	862,985	832,012	(54)	4,351,512
Profit for the year	-	-	1,719,105	1,719,105	-	1,719,105
Transfer to retained profits	-	30,973	(30,973)	-	-	-
Purchase of treasury shares	-	-	-	-	(39)	(39)
Dividends (Note 36)	-	-	(871,385)	(871,385)	-	(871,385)
At 31 December 2018/ 1 January 2019	**3,519,554**	**-**	**1,679,732**	**1,679,732**	**(93)**	**5,199,193**
Profit for the year	**-**	**-**	**1,176,379**	**1,176,379**	**-**	**1,176,379**
Purchase of treasury shares	**-**	**-**	**-**	**-**	**(20)**	**(20)**
Dividends (Note 36)	**-**	**-**	**(871,384)**	**(871,384)**	**-**	**(871,384)**
At 31 December 2019	**3,519,554**	**-**	**1,984,727**	**1,984,727**	**(113)**	**5,504,168**
	Note 26			Note 27	Note 26	

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities				
Profit before tax	**1,476,813**	1,394,178	**1,177,169**	1,720,425
Adjustments for:				
Depreciation of property, plant and equipment	**209,102**	178,987	**428**	440
Amortisation of prepaid lease payments	**-**	8,421	**-**	-
Amortisation of intangible assets	**9,044**	17	**-**	-
Property, plant and equipment written off	**6,078**	18,642	**-**	-
Investment properties written off	**318**	-	**-**	-
Bad debts written off	**129**	628	**-**	-
Employee benefits	**852**	(2,594)	**-**	-
Loss on equity investment at fair value through profit or loss	**8,348**	78	**-**	-
Net gains from fair value adjustments of investment properties	**(25,566)**	(1,490)	**-**	-
(Gain)/loss on fair value of biological assets	**(9,277)**	3,113	**-**	-
(Gain)/loss on money market deposits at fair value	**(9)**	(3,592)	**278**	(2,045)
(Reversal of impairment loss)/impairment loss on investment in associates	**(14,138)**	24,134	**(226)**	3,392
Impairment loss on investment in a subsidiary	**-**	-	**25,935**	44,663
Impairment loss on property, plant and equipment	**3,920**	42,033	**-**	-
Reversal of impairment loss on intangible assets	**-**	(10,404)	**-**	-
Net inventories written down	**22,434**	28,807	**-**	-
Net impairment loss on trade and other receivables	**20,808**	13,006	**-**	-
Reversal of provisions	**-**	(4,918)	**-**	-
Gain on disposal of property, plant and equipment	**(5,545)**	(1,839)	**(95)**	(70)
Gain on disposal of subsidiaries	**(472,034)**	(516,019)	**-**	-
Gain on disposal of 20% equity interest in a subsidiary	**-**	-	**-**	(635,957)
Interest expense	**262,349**	186,071	**9,496**	8,766
Interest income	**(28,570)**	(22,126)	**(2,742)**	(7,212)
Dividend income	**(32,389)**	(8,705)	**(1,185,303)**	(928,497)
Profit guarantee shortfall receivable from holding company	**(91,851)**	(175,307)	**(91,851)**	(175,307)
Contingent consideration	**27,886**	(48,690)	**27,886**	(48,690)
Share of results of associates	**(30,386)**	(26,626)	**-**	-
Share of results of joint ventures	**501**	1,624	**-**	-
Unrealised foreign exchange loss/(gain)	**17,544**	(8,007)	**17,574**	(5,696)
Operating profit/(loss) before changes in working capital	**1,356,361**	1,069,422	**(21,451)**	(25,788)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Operating profit/(loss) before changes in working capital	**1,356,361**	1,069,422	**(21,451)**	(25,788)
Changes in working capital:				
Inventories	**266,192**	(205,956)	**-**	-
Property development costs	**(165,078)**	(344,939)	**-**	-
Loan receivables	**(389,598)**	(665,242)	**-**	-
Receivables	**(33,810)**	208,392	**(3,414)**	92,911
Contract assets	**(253,329)**	(28,830)	**-**	-
Payables	**177,810**	369,054	**12,472**	(220,709)
Contract liabilities	**42,177**	-	**-**	-
Provisions	**101,527**	43,200	**-**	-
Cash flows generated from/(used in) operations	**1,102,252**	445,101	**(12,393)**	(153,586)
Income tax paid	**(279,726)**	(241,958)	**(1,525)**	(3,780)
Income tax refunded	**33,311**	851	**-**	-
Interest paid	**(287,583)**	(214,241)	**(9,251)**	(8,964)
Interest received	**17,783**	17,454	**2,759**	7,505
Net changes in land held for property development	**(219,885)**	(455,620)	**-**	-
Net cash flows generated from/(used in) operating activities	**366,152**	(448,413)	**(20,410)**	(158,825)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	**19,175**	9,329	**95**	72
Proceeds from disposal of equity investment at fair value through profit or loss	**117,163**	14,633	**-**	-
Proceeds from redemption of equity investment at fair value through other comprehensive income	**3,000**	-	**-**	-
Disposal of subsidiaries (Note 7(b))	**606,210**	737,509	**-**	-
Disposal of 20% equity interest in a subsidiary (Note 7(c))	**-**	905,417	**-**	905,417
Dividends received from subsidiaries	**-**	-	**1,165,326**	920,138
Dividends received from associates	**21,843**	12,049	**5,737**	3,770
Dividends received from a joint venture	**74**	44	**-**	-
Dividends received from equity investment at fair value through other comprehensive income	**1,080**	720	**-**	-
Dividends received from equity investment at fair value through profit or loss	**9,229**	-	**-**	-
Dividends received from money market deposits	**22,490**	7,944	**14,240**	4,589

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from investing activities (continued)				
Profit guarantee shortfall received from holding company	**175,307**	35,578	**175,307**	35,578
Purchase of property, plant and equipment	**(265,087)**	(194,404)	**(9)**	(809)
Purchase of equity investment at fair value through profit or loss	**(204,674)**	(14,217)	**-**	-
Acquisition of a joint venture	**(1,900)**	(15)	**-**	-
Acquisition of business	**-**	(83,928)	**-**	-
Additions to investment properties	**(231,415)**	(104,198)	**-**	-
Increase in money market deposits	**(190,644)**	(932,134)	**(92,985)**	(808,530)
Increase in investment in subsidiaries	**-**	-	**(391,153)**	(287,684)
Capital reduction in a subsidiary	**-**	-	**-**	248,514
Net cash flows generated from investing activities	**81,851**	394,327	**876,558**	1,021,055
Cash flows from financing activities				
Dividends paid	**(871,384)**	(871,385)	**(871,384)**	(871,385)
Dividends paid to non-controlling interests	**(26,936)**	(48,872)	**-**	-
Shares repurchased at cost	**(23)**	(48)	**(20)**	(39)
Net drawdown of borrowings (Note 23)	**967,074**	939,770	**-**	-
Payment of lease liabilities	**(35,648)**	-	**-**	-
Net cash flows generated from/(used in) financing activities	**33,083**	19,465	**(871,404)**	(871,424)
Net increase/(decrease) in cash and cash equivalents	**481,086**	(34,621)	**(15,256)**	(9,194)
Effects on exchange rate changes on cash and cash equivalents	**(4,525)**	(4)	**447**	(682)
Cash and cash equivalents as at 1 January	**613,632**	648,257	**175,062**	184,938
Cash and cash equivalents as at 31 December (Note 19)	**1,090,193**	613,632	**160,253**	175,062

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

1. CORPORATE INFORMATION

The Company is an investment holding company.

The principal activities of the subsidiaries, associates and joint ventures are disclosed in Notes 7, 8 and 9, 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 15 May 2020.

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 Malaysian Financial Reporting Standards ["MFRS"], International Financial Reporting Standards and the Companies Act 2016 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 Malaysian 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 MFRS, Interpretations and amendments that are mandatory for annual periods beginning on or after 1 January 2019.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Effects of adopting new and amended Malaysian Financial Reporting Standards (continued)

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)
- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)
- Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

The adoption of the above MFRS, Interpretations and amendments have no significant impact to the financial statements of the Group and of the Company except as disclosed below:

MFRS 16, Leases

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

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. The right-of-use asset is depreciated in accordance with the principle in MFRS 116, Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in profit or loss. A lessor continues to classify all leases as either operating leases or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Effects of adopting new and amended Malaysian Financial Reporting Standards (continued)

MFRS 16, Leases (continued)

The Group applied the available practical expedients wherein it:

(i) Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
(ii) Relied on its assessment of whether leases are onerous immediately before the date of initial application;
(iii) Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
(iv) Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
(v) Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The effects of adoption of MFRS 16 as at 1 January 2019 are as follows:

	Increase/ (Decrease) RM'000
Property, plant and equipment – Leasehold land	(1,260,267)
Property, plant and equipment – Right-of-use assets	1,617,751
Prepaid lease payments	(180,323)
Trade and other receivables	(5,580)
Borrowings	(2,218)
Lease liabilities	185,434
Retained profits	(8,600)
Non-controlling interests	(3,035)

Reconciliation for the differences between operating lease commitments disclosed as at 31 December 2018 and lease liabilities recognised at the date of initial application of 1 January 2019 is as follows:

	Group RM'000
Operating lease commitments at 31 December 2018	248,738
Discounted using the lessee's incremental borrowing rate at the date of initial application	183,799
Recognition exemption for short-term leases	(583)
Finance lease liabilities recognised at 31 December 2018	2,218
	185,434

The incremental borrowing rates of the Group applied to the lease liabilities as at 1 January 2019 ranges between 3.08% to 4.73%.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

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

Standards/Amendments/Interpretations	Effective date
Amendments to MFRS 3, Business Combinations – Definition of a Business	1 January 2020
Amendments to MFRS 101, Presentation of Financial Statements (Definition of Material)	1 January 2020
Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)	1 January 2020
Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform	1 January 2020
MFRS 17, Insurance Contracts	1 January 2021
Amendments to MFRS 101, Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)	1 January 2022
Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Asset between an Investor and its Associates or Joint Venture	Yet to be confirmed

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

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 Group controls an investee if and only if the Group 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

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

(i) The size of the Group'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 Group, other vote holders of other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Group 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.

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 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. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

Business combinations (continued)

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 remeasured 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).

2.5 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency (continued)

(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.

(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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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 is not depreciated. Depreciation commences when bearer plants mature and when assets under construction are ready for their intended use. 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 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 (except quarry infrastructure)	10 to 100 years
Plant and equipment	
- Plant and machinery	4 to 30 years
- Office equipment, furniture, fixtures and fittings	3 to 10 years
- Motor vehicles	4 to 7 years
Bearer plants	22 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

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

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

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. 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 valuation performed by registered independent valuer. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment in associates and joint ventures

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 a 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 determines 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 and joint ventures 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment in associates and joint ventures (continued)

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 remeasured. 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.

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 lower of cost and net realisable value.

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 MFRS 15.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Intangible assets (continued)

(a) Goodwill (continued)

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 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 its 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.

(c) Distributor rights

Distributor rights being the cost of intangible assets acquired in a business combination is its 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 fifteen years.

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"]).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of non-financial assets (continued)

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

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15 (refer to the accounting policies in Note 2.22 revenue from contracts with customers).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ["SPPI"] on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

(i) Financial assets at amortised cost (debt instruments)

(ii) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

(iii) Financial assets at fair value through profit and loss

Financial assets at amortised cost (debt instruments)

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

(i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ["EIR"] method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include receivables (excluding prepayments and advances paid to the suppliers), deposits and cash and bank balances.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (continued)

Financial assets designated at fair value through OCI ["FVOCI"]

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

This category includes derivative instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above. Debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's or the Company's statement of financial position) when:

(i) The rights to receive cash flows from the asset have expired; or

(ii) The Group and the Company have transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group or the Company has transferred substantially all the risks and rewards of the asset, or (b) the Group or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

2.16 Impairment of financial assets

For trade receivables, the Group applies a simplified approach in calculating expected credit losses ["ECL"]. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

<u>Definition of default and credit-impaired financial assets</u>

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of financial assets (continued)

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(ii) Individual assessment

Trade and other receivables that are in default or credit impaired are assessed individually.

Further disclosures relating to impairment of financial assets are also provided in the following notes:

(i) Disclosures for significant assumptions in Note 3

(ii) Trade receivables in Note 12

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

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 contract assets in relation to property development and the excess of billings to purchasers over revenue recognised in profit or loss is classified as contract liabilities in relation to property development.

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 and the Company's cash management.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue and other income

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services. The Group and the Company have generally concluded that it is the principal in its revenue arrangements (unless otherwise stated below) because it typically controls the goods or services before transferring them to the customer.

The Group and the Company consider whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, non-cash consideration and consideration payable to the customer, if any). Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at the point in time or over time.

If the consideration in a contract includes a variable amount, the Group and the Company estimate the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts relating to property development allow for customers to deduct as liquidated damages from the consideration payable to the Group, in the event of delays in the supply of goods. Liquidated damages give rise to variable consideration.

Generally, if the Group and the Company receive short-term advances from its customers. Using the practical expedient in MFRS 15, the Group and the Company do not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(a) Sale of plantation produce

Revenue from sale of plantation produce are derived from sales of crude palm oil, palm kernel and fresh fruit bunches. Revenue from sale of plantation produce is recognised at a point in time when control of the goods is transferred to the customer.

(b) Sale of goods and services

The Group or the Company transfers control of a goods or service at a point in time unless one of the following overtime criteria is met:

(i) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(ii) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(iii) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue and other income (continued)

Revenue from contracts with customers (continued)

(c) Sale of properties under development

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

(d) Sale of land and completed properties

Revenue from sale of land and 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.

Revenue from other sources

(a) Dividend income

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

(b) 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.

(c) 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.

Interest income

Interest income is recognised using the effective interest method.

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 participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Employee benefits (continued)

(c) Defined benefit plans (continued)

Net interest expense and other expenses relating to defined benefits plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after reporting date are discounted to present value.

2.25 Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained profits at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, Leases and related interpretations.

<u>Current financial year</u>

(i) Definition of a lease

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (continued)

Current financial year (continued)

(i) Definition of a lease (continued)

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

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

(ii) Recognition and initial measurement

(a) As a lessee

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

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

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

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

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

(b) As a lessor

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

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

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

The Group recognises assets held under a finance lease in its statements of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (continued)

Current financial year (continued)

(iii) Subsequent measurement

(a) As a lessee

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

Leasehold land	59 to 999 years
Prepaid lease payments	12 to 87 years
Rented land	2 to 60 years
Buildings	1 to 10 years
Plant and equipment	
- Office equipment, furniture, fixtures and fittings	1 to 6 years
- Motor vehicles	1 to 5 years
Roads and infrastructure	5 to 10 years

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (continued)

Current financial year (continued)

(iii) Subsequent measurement (continued)

(b) As a lessor

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

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group’s net investment in the lease. The Group aims to allocate the finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment.

Previous financial year

(a) 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (continued)

Previous financial year (continued)

(b) 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.

2.26 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 taxable 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)

2.26 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Financial liabilities

Initial recognition and subsequent measurement

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

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

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

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

(i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Financial liabilities (continued)

(b) Amortised cost

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

Interest expense and foreign exchange gains and losses are recognised in the profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.28 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset 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.

2.29 Derivative financial instrument and 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 remeasured 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.

For the purpose of hedge accounting, hedges are classified as:

(i) Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment

(ii) Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Derivative financial instrument and hedge accounting (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it 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, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

(i) There is 'an economic relationship' between the hedged item and the hedging instrument.

(ii) The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.

(iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate ["EIR"] method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Derivative financial instrument and hedge accounting (continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised as other expense and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses. Refer to Note 13 for more details.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

2.30 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 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 reserves.

2.32 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 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.33 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.

2.34 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.35 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 equivalents unless restricted from being exchanged or used to settle a liability for at least twelve 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 twelve 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.

2.36 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 3.2(c), 6 and 13
(ii)	Financial instruments (including those carried at amortised cost)	- Note 41(a)
(iii)	Quantitative disclosures of fair value measurement hierarchy	- Note 41(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 Group 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.36 Fair value measurement (continued)

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.

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 MFRS 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 40.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ["DCF"] model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(i) Property, plant and equipment

During the financial year, the Group has recognised impairment loss on property, plant and equipment. The key assumptions used to determine the recoverable amount for the different CGUs, including sensitivity analysis, are disclosed in Note 4.

(ii) Investment in subsidiaries

During the financial year, the Company has recognised impairment loss on investment in a subsidiary as disclosed in Note 7.

(b) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ["IBR"] to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(c) 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 for investment properties. Fair value is arrived at using comparison method, cost method or investment method and the key assumptions used to determine the fair value of the properties and sensitivity analysis are disclosed in Note 6.

(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 15.

(e) Provision of expected credit loss of trade and other receivables

The Group and the Company assess the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition on an individual basis. To determine whether there is a significant increase in credit risk, 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.

Where there is significant increase in credit risk, the Group and the Company determine the lifetime expected credit loss by considering the loss given default and the probability of default assigned to each counterparty customer. The financial assets are written off either partially or full when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-offs.

The carrying amounts of the trade and other receivables are disclosed in Note 12.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(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 2019, the Group has deferred tax assets of RM70,634,000 (2018: RM35,469,000).

(g) Contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability or a financial asset, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. Further information pertaining to the profit guarantee and probability of meeting each performance target are disclosed in Notes 12(b)(i) and 12(b)(ii).

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	Bearer plants RM'000	Right-of-use assets RM'000	Total RM'000
Group									
At cost									
At 1 January 2018	119,968	1,298,794	1,045,347	331,263	1,341,574	17,921	688,096	-	4,842,963
Acquisition of business	-	-	-	-	7,833	-	-	-	7,833
Disposal of a subsidiary	-	-	-	-	(96)	-	-	-	(96)
Additions	-	28,145	11,915	12,365	81,333	38,330	23,516	-	195,604
Reclassifications	-	-	4,183	13,941	10,601	(28,725)	-	-	-
Transfer from investment properties (Note 6)	32,774	1,931	9,322	-	-	-	-	-	44,027
Disposals	-	-	-	-	(29,967)	-	-	-	(29,967)
Written off	-	-	(464)	(50,059)	(22,448)	-	(1,318)	-	(74,289)
Exchange differences	-	-	(770)	-	(211)	-	-	-	(981)
At 31 December 2018/ 1 January 2019									
- As previously stated	**152,742**	**1,328,870**	**1,069,533**	**307,510**	**1,388,619**	**27,526**	**710,294**	**-**	**4,985,094**
- Effect of adoption of MFRS 16	**-**	**(1,328,870)**	**-**	**-**	**-**	**-**	**-**	**1,802,880**	**474,010**
- As restated	**152,742**	**-**	**1,069,533**	**307,510**	**1,388,619**	**27,526**	**710,294**	**1,802,880**	**5,459,104**
Disposal of a subsidiary	**-**	**-**	**-**	**-**	**(19)**	**-**	**-**	**-**	**(19)**
Additions	**-**	**-**	**78,845**	**5,853**	**50,098**	**86,015**	**23,682**	**37,270**	**281,763**
Reclassifications	**-**	**-**	**14,672**	**20,399**	**19,413**	**(54,484)**	**-**	**-**	**-**
Transfer from investment properties (Note 6)	**2,237**	**-**	**3,006**	**-**	**-**	**-**	**-**	**-**	**5,243**
Modifications	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(38,715)**	**(38,715)**
Derecognition	**-**	**-**	**(42)**	**-**	**(12,376)**	**-**	**-**	**(8,073)**	**(20,491)**
Disposals	**-**	**-**	**(135)**	**(217)**	**(62,357)**	**-**	**-**	**-**	**(62,709)**
Written off	**-**	**-**	**(484)**	**-**	**(27,280)**	**-**	**(179,723)**	**(1,800)**	**(209,287)**
Exchange differences	**-**	**-**	**351**	**-**	**(205)**	**-**	**-**	**254**	**400**
At 31 December 2019	**154,979**	**-**	**1,165,746**	**333,545**	**1,355,893**	**59,057**	**554,253**	**1,791,816**	**5,415,289**

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	Bearer plants RM'000	Right-of-use assets RM'000	Total RM'000
Group (continued)									
Accumulated depreciation/ impairment loss									
At 1 January 2018	-	49,946	224,159	126,827	836,695	-	446,686	-	1,684,313
Disposal of a subsidiary	-	-	-	-	(23)	-	-	-	(23)
Depreciation charge for the year (Note 31)	-	18,657	35,512	15,747	87,654	-	21,417	-	178,987
Reclassifications	-	-	(13,850)	-	13,850	-	-	-	-
Impairment loss for the year	-	-	-	1,181	40,852	-	-	-	42,033
Disposals	-	-	-	-	(22,477)	-	-	-	(22,477)
Written off	-	-	(333)	(34,896)	(20,222)	-	(196)	-	(55,647)
Exchange differences	-	-	(1)	-	(7)	-	-	-	(8)
At 31 December 2018/ 1 January 2019									
- As previously stated	**-**	**68,603**	**245,487**	**108,859**	**936,322**	**-**	**467,907**	**-**	**1,827,178**
- Effect of adoption of MFRS 16	**-**	**(68,603)**	**-**	**-**	**-**	**-**	**-**	**185,129**	**116,526**
- As restated	**-**	**-**	**245,487**	**108,859**	**936,322**	**-**	**467,907**	**185,129**	**1,943,704**
Disposal of a subsidiary	**-**	**-**	**-**	**-**	**(6)**	**-**	**-**	**-**	**(6)**
Depreciation charge for the year (Note 31)	**-**	**-**	**38,045**	**16,089**	**78,864**	**-**	**20,862**	**55,242**	**209,102**
Reclassifications	**-**	**-**	**-**	**(1,181)**	**1,181**	**-**	**-**	**-**	**-**
Impairment loss for the year	**-**	**-**	**-**	**-**	**2,325**	**-**	**-**	**1,595**	**3,920**
Modifications	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,547)**	**(10,547)**
Derecognition	**-**	**-**	**(24)**	**-**	**(5,639)**	**-**	**-**	**(2,601)**	**(8,264)**
Disposals	**-**	**-**	**(58)**	**(217)**	**(48,804)**	**-**	**-**	**-**	**(49,079)**
Written off	**-**	**-**	**(286)**	**-**	**(24,010)**	**-**	**(177,983)**	**(930)**	**(203,209)**
Exchange differences	**-**	**-**	**41**	**-**	**(4)**	**-**	**-**	**66**	**103**
At 31 December 2019	**-**	**-**	**283,205**	**123,550**	**940,229**	**-**	**310,786**	**227,954**	**1,885,724**

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	Bearer plants RM'000	Right-of-use assets RM'000	Total RM'000
Group (continued)									
Net carrying amount									
At 31 December 2018	152,742	1,260,267	824,046	198,651	452,297	27,526	242,387	-	3,157,916
At 31 December 2019									
- Own use	**142,680**	**-**	**822,854**	**209,995**	**396,798**	**59,057**	**243,467**	**1,563,862**	**3,438,713**
- Held under operating lease	**12,299**	**-**	**59,687**	**-**	**18,866**	**-**	**-**	**-**	**90,852**
	154,979	**-**	**882,541**	**209,995**	**415,664**	**59,057**	**243,467**	**1,563,862**	**3,529,565**

(a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM281,763,000 (2018: RM195,604,000) which are satisfied by the following:

	Group 2019 RM'000	Group 2018 RM'000
Cash payments on purchase of property, plant and equipment	**265,087**	194,404
Finance by way of lease arrangement	**-**	1,200
Additions of right-of-use assets by way of lease commitment	**16,676**	-
	281,763	195,604

The carrying amount of plant and equipment held under finance lease in the previous financial year was RM4,379,000 as disclosed in Note 38(b).

(b) During the financial year, certain subsidiaries that engaged in operation of stone quarry and asphalt plants, manufacture and trading of bricks, manufacturing of clay products, manufacture and sale of porcelain and ceramic tiles carried out reviews of the recoverable amounts of their property, plant and equipment due to indication of impairment. The recoverable amounts of these property, plant and equipment were arrived at based on the higher of fair value less cost to sale ["FVLCS"] and value-in-use ["VIU"] method and were determined on the CGU level using pre-tax discount rates of 12% (2018: 12%).

Based on the impairment assessment, the Group recorded total impairment loss of RM3,920,000 (2018: RM42,033,000) on the basis that the carrying amounts exceeded recoverable amounts based on the FVLCS method.

(c) Buildings amounting to RM201,948,000 (2018: RM210,341,000) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 23.

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

(d) Right-of-use assets

	Leasehold land RM'000	Prepaid lease payments RM'000	Rented land RM'000	Buildings RM'000	Roads and infrastructure RM'000	Plant and equipment RM'000	Total RM'000
Group							
1 January 2019							
- As previously stated	-	-	-	-	-	-	-
- Effect of adoption of MFRS 16	1,260,267	180,323	92,037	60,673	323	24,128	1,617,751
- As restated	1,260,267	180,323	92,037	60,673	323	24,128	1,617,751
Additions	20,594	-	452	15,924	-	300	37,270
Depreciation charge for the year	(11,905)	(8,516)	(6,730)	(20,746)	(67)	(7,278)	(55,242)
Modifications	-	-	(587)	(26,674)	-	(907)	(28,168)
Impairment loss for the year	-	-	(1,595)	-	-	-	(1,595)
Derecognition	-	-	(5,472)	-	-	-	(5,472)
Written off	-	(870)	-	-	-	-	(870)
Exchange differences	-	105	78	3	-	2	188
At 31 December 2019	1,268,956	171,042	78,183	29,180	256	16,245	1,563,862

(i) The title of the Group's leasehold land with carrying amount of RM37,356,000 (2018: RM37,931,000) stipulated that not less than 30% of the undivided share of the said land or not less than 30% of the equity of the subsidiary being the registered owner of the said land, shall be transferred to/held by/registered in the name of native(s) on or before July 2012 ["Native Condition"]. In year 2017, the Land and Survey Department in Kota Kinabalu had granted further extension up to July 2022 to comply with the Native Condition.

(ii) Private caveat was entered by third parties on the Group's leasehold land with carrying amount of RM68,313,000 (2018: RM69,183,000) as disclosed in Note 40(a).

(iii) Prepaid lease payments amounting to RM78,047,000 (2018: Nil) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 23.

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

(e) Property, plant and equipment held under operating lease

The Group leases some of its property, plant and equipment to third parties and a joint venture. The lease entered with a joint venture commences from August 2019 with free rental for the first six months. Subsequent renewals are negotiated with the lessee.

The following are recognised in profit or loss:

	Group	
	2019 RM'000	**2018 RM'000**
Lease income	**1,372**	-
Variable lease income that do not depend on an index or a rate	**57**	-

The operating lease payments to be received are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Less than one year	**4,820**	-
One to two years	**4,280**	-
Two to three years	**960**	-
Total undiscounted lease payments	**10,060**	-

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RM'000	Plant and equipment RM'000	Total RM'000
Company			
At cost			
At 1 January 2018	187	5,049	5,236
Additions	-	809	809
Disposals	-	(962)	(962)
At 31 December 2018/1 January 2019	**187**	**4,896**	**5,083**
Additions	**-**	**9**	**9**
Disposals	**-**	**(1,523)**	**(1,523)**
At 31 December 2019	**187**	**3,382**	**3,569**
Accumulated depreciation			
At 1 January 2018	176	4,047	4,223
Depreciation charge for the year (Note 31)	4	436	440
Disposals	-	(960)	(960)
At 31 December 2018/1 January 2019	**180**	**3,523**	**3,703**
Depreciation charge for the year (Note 31)	**3**	**425**	**428**
Disposals	**-**	**(1,523)**	**(1,523)**
At 31 December 2019	**183**	**2,425**	**2,608**
Net carrying amount			
At 31 December 2018	7	1,373	1,380
At 31 December 2019	**4**	**957**	**961**

5. PREPAID LEASE PAYMENTS

	Leasehold land	
	2019	**2018**
	RM'000	**RM'000**
Group		
At cost		
At 1 January	**222,708**	223,612
Transfer to property, plant and equipment (Note 4)		
- Effect of adoption of MFRS 16	**(222,708)**	-
Exchange differences	**-**	(904)
At 31 December	**-**	222,708
Accumulated amortisation		
At 1 January	**42,385**	33,974
Transfer to property, plant and equipment (Note 4)		
- Effect of adoption of MFRS 16	**(42,385)**	-
Amortisation for the year (Note 31)	**-**	8,421
Exchange differences	**-**	(10)
At 31 December	**-**	42,385
Net carrying amount	**-**	180,323

In the previous financial year, leasehold land amounting to RM81,281,000 were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 23.

The prepaid lease payments were classified as right-of-use assets upon the adoption of MFRS 16 on 1 January 2019.

6. 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 2018	1,434,848	104,022	1,538,870
Additions from acquisition	27,280	-	27,280
Additions from subsequent expenditure	887	76,031	76,918
Transfer to property, plant and equipment (Note 4)	(44,027)	-	(44,027)
Net gains from fair value adjustments recognised in profit or loss (Note 31)	1,490	-	1,490
Exchange differences	(29)	-	(29)
At 31 December 2018/1 January 2019	**1,420,449**	**180,053**	**1,600,502**
Additions from acquisition	**28,439**	**28,439**	**56,878**
Additions from subsequent expenditure	**2,273**	**172,264**	**174,537**
Transfer to property, plant and equipment (Note 4)	**(5,243)**	**-**	**(5,243)**
Net gains from fair value adjustments recognised in profit or loss (Note 31)	**25,566**	**-**	**25,566**
Written off	**(318)**	**-**	**(318)**
Exchange differences	**35**	**-**	**35**
At 31 December 2019	**1,471,201**	**380,756**	**1,851,957**

	2019 RM'000	2018 RM'000
Represented by:		
Freehold land and buildings	**1,284,044**	1,056,717
Right-of-use assets – Long term leasehold land and buildings	**567,913**	543,785
	1,851,957	1,600,502

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Investment properties amounting to RM12,994,000 (2018: RM12,959,000) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 23.

Rental and direct operating expenses arising from investment properties are disclosed in Note 28 and Note 31 respectively.

6. INVESTMENT PROPERTIES (CONTINUED)

The fair value of investment properties was determined based on valuations performed by registered independent valuers using the following methods:

(a) Comparison method

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.

(b) Cost method

Fair value is arrived at based on the estimated cost of construction and prevailing building costs of building of the same type and design and making allowance for depreciation, age and obsolescence of design, if any.

(c) Investment method

This method considers the present value of net rental income to be generated from the property, taking into account the expected rental growth rate, occupancy rate and lease incentive. This net rental income is discounted at a risk-adjusted discount rate to arrive at its present value. The key inputs to valuation of investment properties are as follows:

	Range	
Significant unobservable inputs	**2019**	**2018**
Estimated rental value per square foot per month	**RM2 - RM20**	RM2 - RM20
Discount rate	**4% - 10%**	4% - 10%
Reversionary rate	**5.75% - 10%**	4.75% - 10%

An increase/(decrease) in estimated rental value in isolation would result in a higher/(lower) fair value of the properties. An increase/(decrease) in the discount rate and reversionary rate in isolation would result in a lower/(higher) fair value.

During the financial year, the Group recognised a net gain on fair value adjustments amounting to RM25,566,000 (2018: RM1,490,000).

7. INVESTMENT IN SUBSIDIARIES

	Company 2019 RM'000	Company 2018 RM'000
Quoted shares in Malaysia, at cost	**820,811**	820,811
Unquoted shares, at cost		
- In Malaysia	**3,840,923**	3,461,931
- Outside Malaysia	**58,009**	45,848
	3,898,932	3,507,779
	4,719,743	4,328,590
Less: Impairment losses – unquoted shares	**(194,885)**	(168,950)
	4,524,858	4,159,640
Market value of quoted shares	**903,510**	695,661

Details of subsidiaries as of 31 December 2019 are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2019	Equity interest held (%) 2018
Held by the Company:				
* Hap Seng Plantations Holdings Berhad ["HSP"]	Investment holding	Malaysia	**53.04**	53.04
Hap Seng Land Sdn Bhd	Property development and investment holding	Malaysia	**100**	100
* Hap Seng Credit Sdn Bhd	Provision of financial services	Malaysia	**80**	80
* Sunrise Addition Sdn Bhd	Investment holding	Malaysia	**100**	100
HSC International Limited	Investment holding	Labuan, Malaysia	**100**	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 fertilizers and agro-chemicals	Malaysia	**100**	100
Macro Arch (M) Sdn Bhd	Investment holding	Malaysia	**100**	100
Palms Edge (M) Sdn Bhd	Investment holding	Malaysia	**100**	100
Hap Seng Trading Holdings Sdn Bhd	Investment holding	Malaysia	**100**	100
Hap Seng Building Materials Holdings Sdn Bhd	Investment holding	Malaysia	**100**	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2019	Equity interest held (%) 2018
Held by the Company: (continued)				
Hap Seng Management Sdn Bhd	Centralised treasury management function	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 Equity Sdn Bhd	Trading in marketable securities	Malaysia	**100**	100
+ Sasco Company Ltd	Investment holding	British Virgin Islands	**100**	100
* Malaysian Mosaics Sdn Bhd ["MMSB"]	Investment holding, manufacture and sale of porcelain and ceramic tiles	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
* Pelipikan Plantation Sdn Bhd	Cultivation of oil palm	Malaysia	**100**	100
* Hap Seng Edible Oils Sdn Bhd	Livestock farming (ceased operations)	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

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2019	2018
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
Hap Seng Land Services Sdn Bhd	Provision of management services	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 and construction	Malaysia	**100**	100
Hap Seng Land Development (JTR) Sdn Bhd	Property development	Malaysia	**100**	100
* 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	Provision of management services	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	Property development	Malaysia	**100**	100
Hap Seng Construction Sdn Bhd	Construction activities	Malaysia	**100**	100
Sunpoint Resources Sdn Bhd	Property development	Malaysia	**100**	100
Positive Tropical Sdn Bhd	Construction activities	Malaysia	**100**	100
Positive Harmony Sdn Bhd	Operating grocery stores and food and beverage business	Malaysia	**100**	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2019	2018
Held by Hap Seng Land Development Sdn Bhd: (continued)				
^ Sierra Ventures Sdn Bhd	To carry out food and beverage business	Malaysia	**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% (2018: 40%) equity interest is held by Hap Seng Land Development Sdn Bhd whilst the other 40% (2018: 40%) is held by the Company)	Property development	Malaysia	**80**	80
KL Midtown Sdn Bhd	Property development	Malaysia	**70**	70
Hap Seng Land Development And JCA Sdn Bhd	Property development	Malaysia	**60**	60
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

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2019	2018
Held by Hap Seng Realty Sdn Bhd: (continued)				
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
* Sunhill Ventures Sdn Bhd	Investment in hotel development and operation	Malaysia	**100**	100
Desa Alam Mewah Sdn Bhd	Property development	Malaysia	**80**	80
Held by Sunrise Addition Sdn Bhd:	Property development	Malaysia	**60**	60
* Hap Seng Automotive Acceptance Sdn Bhd	Provision of financial services and operating leasing of vehicles	Malaysia	**100**	100
* Hap Seng Trucks Sdn Bhd	Dealing in commercial vehicles, spare parts and servicing of commercial vehicles	Malaysia	**-**	100
Held by HSC International Limited:				
+ HSC Manchester Holding Limited	Investment holding	Labuan, Malaysia	**100**	100
HSC Birmingham Holding Limited	Investment holding	Labuan, Malaysia	**100**	100
# HSC Melbourne Holding Pte Ltd	Investment holding	Singapore	**100**	100
# HSC Brisbane Holding Pte Ltd	Investment holding	Singapore	**100**	100
^ HSC Manchester Holding Pte Ltd	Investment holding	Singapore	**100**	-
Held by HSC Manchester Holding Limited:				
HSC Melbourne Pty Ltd	Deregistered	Australia	**-**	100
+ HS Credit (Manchester) Ltd	Dormant	United Kingdom	**-**	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2019	Equity interest held (%) 2018
Held by HSC Birmingham Holding Limited:				
HSC Brisbane Pty Ltd	Deregistered	Australia	**-**	100
* HS Credit (Birmingham) Ltd	Provision of financial services	United Kingdom	**100**	100
Held by HSC Melbourne Holding Pte Ltd:				
* HS Credit (Melbourne) Pty Ltd (*now known as LSH Credit (Melbourne) Pty Ltd*)	Provision of financial services	Australia	**-**	100
Held by HSC Brisbane Holding Pte Ltd:				
+ HS Credit (Brisbane) Pty Ltd	Dormant	Australia	**100**	100
Held by HSC Manchester Holding Pte Ltd:				
+ HS Credit (Manchester) Ltd	Dormant	United Kingdom	**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
* Hap Seng CarFleet Sdn Bhd	General trading (has not commenced operations)	Malaysia	**100**	100
* Hap Seng Trucks Distribution Sdn Bhd	Wholesale, distribution of trucks and vans and sales of respective spare parts including importation and assembly	Malaysia	**100**	100
* Hap Seng Trucks Sdn Bhd	Dealing in commercial vehicles, spare parts and servicing of commercial vehicles	Malaysia	**100**	-
Held by Hap Seng Fertilizers Sdn Bhd:				
Hap Seng Chemicals Sdn Bhd	Manufacture and sale of agro-chemicals	Malaysia	**70**	70

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2019	Equity interest held (%) 2018
Held by Macro Arch (M) Sdn Bhd:				
# PT. Sasco Indonesia (90% (2018: 90%) equity interest is held by Macro Arch (M) Sdn Bhd whilst the remaining 10% (2018: 10%) is held by Palms Edge (M) Sdn Bhd)	Trading and distribution of fertilizers	Indonesia	**100**	100
Held by Sasco Company Ltd:				
* Sasco (China) Co., Ltd	Trading of plywood and wholesale, import and export of fertilizers	People's Republic of China	**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
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
Held by Hap Seng Clay Products Sdn Bhd:				
Kao Fu Bricks Sdn Bhd	In liquidation	Malaysia	**100**	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2019	2018
Held by Hap Seng Investment Holdings Pte Ltd:				
* Hafary Holdings Limited ["Hafary"]	Investment holding	Singapore	**50.82**	50.82
Held by Hafary:				
* Hafary Pte Ltd	Importer and dealer of building materials	Singapore	**100**	100
Held by Hafary Pte Ltd:				
* Surface Project Pte Ltd	Distribution and wholesale of building materials	Singapore	**70**	70
* Surface Stone Pte Ltd	Dealer of stones for home furnishing	Singapore	**90**	90
* Wood Culture Pte Ltd	Dealer of wood for home furnishing	Singapore	**100**	100
* Hafary Centre Pte Ltd	Investment holding	Singapore	**100**	100
* Hafary Vietnam Pte Ltd	Investment holding	Singapore	**100**	100
* Hafary International Pte Ltd	Importing and distribution of building materials	Singapore	**100**	100
* Hafary Trademarks Pte Ltd	Intellectual property holding and management	Singapore	**100**	100
* Marble Trends Pte Ltd	Dealer of stones for home furnishing	Singapore	**100**	100
* Hafary Building Materials Pte Ltd	Investment holding	Singapore	**100**	100
* World Furnishing Hub Pte Ltd	Investment holding	Singapore	**46**	46
* Gres Universal Pte Ltd	Distribution and wholesale of building materials	Singapore	**56**	56
* Hafary Balestier Showroom Pte Ltd	Investment holding	Singapore	**51**	51
* Hafary W+S Pte Ltd	Storage and warehousing of furniture and related products	Singapore	**100**	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2019	Equity interest held (%) 2018
Held by Hafary International Pte Ltd:				
*Foshan Hafary Trading Co., Limited	Importing, exporting and distribution of building materials	People's Republic of China	**100**	100
Held by MMSB:				
* MML Marketing Sdn Bhd ["MMLM"]	Trading and distribution of mosaic and ceramic tiles (ceased operations)	Malaysia	**100**	100
* MML Marketing Pte Ltd	Trading and distribution of porcelain and ceramic tiles	Singapore	**100**	100
* MML (Shanghai) Trading Co., Ltd	Trading and distribution of porcelain and ceramic tiles	People's Republic of China	**100**	100
* PT. MML Ceramic Indonesia (90% (2018:90%) equity interest is held by MMSB whilst the remaining 10% (2018:10%) is held by MMLM)	Trading and distribution of porcelain and ceramic tiles	Indonesia	**100**	100
* MML Ceramic (Thailand) Co., Ltd (99.8% (2018: 99.8%) equity interest is held by MMSB whilst the remaining 0.2% (2018: 0.2%) is held by MMLM and MML Marketing Pte Ltd equally of 0.1% (2018: 0.1%) respectively)	Dormant	Thailand	**100**	100

* *Audited by firms other than Ernst & Young PLT*
\# *Audited by member firms of Ernst & Young Global in the respective countries*
\+ *There is no statutory requirement for the financial statements to be audited*
^ *Newly incorporated during the financial year and the first set of financial statements will be for the period ending 31 December 2020*

7. 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	Hap Seng Credit Sdn Bhd RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
2019					
NCI percentage of ownership interest and voting interest	**46.96%**	**49.18%**	**20.00%**		
Carrying amount of NCI	**776,062**	**149,699**	**321,577**	**31,352**	**1,278,690**
Profit attributable to NCI	**14,768**	**8,624**	**25,039**	**8,123**	**56,554**
Summarised financial information before intra-group elimination:					
As at 31 December:					
Non-current assets	**1,894,871**	**424,986**	**2,599,475**		
Current assets	**242,828**	**301,150**	**1,144,467**		
Non-current liabilities	**(434,817)**	**(268,809)**	**(718,246)**		
Current liabilities	**(50,363)**	**(241,631)**	**(1,417,813)**		
Net assets	**1,652,519**	**215,696**	**1,607,883**		
NCI	**-**	**(6,147)**	**-**		
Net assets attributable to owners of subsidiaries	**1,652,519**	**209,549**	**1,607,883**		
Less: Adjustments on net assets upon consolidation	**-**	**82,369**	**-**		
Adjusted net assets	**1,652,519**	**291,918**	**1,607,883**		
Year ended 31 December:					
Revenue	**418,598**	**319,182**	**290,995**		
Profit for the year	**31,449**	**30,412**	**125,193**		
Total comprehensive income	**31,449**	**28,800**	**124,020**		
Net cash flows from:					
- operating activities	**125,951**	**68,230**	**(191,476)**		
- investing activities	**(96,148)**	**(1,324)**	**2,906**		
- financing activities	**(20,797)**	**(62,296)**	**195,211**		
Net increase in cash and cash equivalents	**9,006**	**4,610**	**6,641**		
Dividends paid to NCI	**(5,632)**	**(6,674)**	**(14,630)**		

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests in subsidiaries (continued)

The Group's subsidiaries that have material non-controlling interests ["NCI"] are as follows: (continued)

	HSP and its subsidiaries RM'000	Hafary and its subsidiaries RM'000	Hap Seng Credit Sdn Bhd RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
2018					
NCI percentage of ownership interest and voting interest	46.96%	49.18%	20.00%		
Carrying amount of NCI	769,449	148,611	311,466	41,829	1,271,355
Profit attributable to NCI	13,670	15,726	14,497	(2,639)	41,254
Summarised financial information before intra-group elimination:					
As at 31 December:					
Non-current assets	1,837,769	399,608	2,466,616		
Current assets	232,286	316,956	926,509		
Non-current liabilities	(389,251)	(253,507)	(490,546)		
Current liabilities	(42,370)	(262,459)	(1,345,251)		
Net assets	1,638,434	200,598	1,557,328		
NCI	-	(6,619)	-		
Net assets attributable to owners of subsidiaries	1,638,434	193,979	1,557,328		
Less: Adjustments on net assets upon consolidation	-	94,742	-		
Adjusted net assets	1,638,434	288,721	1,557,328		
Year ended 31 December:					
Revenue	390,756	350,103	165,593		
Profit for the year	29,109	30,337	72,484		
Total comprehensive income	29,109	29,009	72,484		
Net cash flows from:					
- operating activities	101,500	45,662	(279,417)		
- investing activities	(45,977)	(13,877)	(1,044)		
- financing activities	(59,986)	(31,594)	275,513		
Net (decrease)/increase in cash and cash equivalents	(4,463)	191	(4,948)		
Dividends paid to NCI	(28,163)	(7,143)	(13,566)		

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Disposal of subsidiaries

During the financial year, the Group disposed of entire equity interest in HS Credit (Melbourne) Pty Ltd (*now known as LSH Credit (Melbourne) Pty Ltd*) ["HCMPL"] for total cash consideration of USD175.5 million, equivalent to RM728,764,000 as disclosed in Note 45(f).

In the previous financial year, HSC International Limited, a wholly-owned subsidiary of the Company, disposed its entire equity interest in HSC Sydney Holding Limited (*now known as LSHC Sydney Holding Limited*) ["HSH"] for total cash consideration of USD196.5 million, equivalent to RM780,793,000.

The disposals have the following effects on the financial position and results of the Group and of the Company:

	2019 **RM'000** *HCMPL* 100%	**2018** **RM'000** *HSH* 100%
Group		
Property, plant and equipment	**(13)**	(73)
Trade and other receivables	**(125,888)**	(298,947)
Cash and bank balances	**(121,938)**	(42,701)
Trade and other payables	**860**	92,141
Tax payable	**4,150**	3,185
Net assets	**(242,829)**	(246,395)
Transfer from foreign exchange reserve	**(13,285)**	(17,796)
	(256,114)	(264,191)
Cash consideration	**728,764**	780,793
Net assets disposed	**(256,114)**	(264,191)
Expenses on disposal	**(616)**	(583)
Gain on disposal to the Group	**472,034**	516,019
Cash inflow arising from disposals:		
Cash consideration	**728,764**	780,793
Expenses on disposal	**(616)**	(583)
Cash and cash equivalents of subsidiaries disposed	**(121,938)**	(42,701)
Net cash inflow on disposal	**606,210**	737,509

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Disposal of 20% equity interest in a subsidiary

In the previous financial year, the Company disposed 20% of the issued share capital of Hap Seng Credit Sdn Bhd ["HSCSB"] for total cash consideration of RM906 million.

The disposals have the followings effects on the results of the Group and the Company:

	Group 2018 RM'000	Company 2018 RM'000
Cash consideration	906,000	906,000
Expenses on disposal	(583)	(583)
Net cash inflow on disposal	905,417	905,417
Net assets disposed/Cost of investment	(310,846)	(269,460)
Effects on changes in ownership/Gain on disposal	594,571	635,957

The Group recorded total impairment loss on investment in a subsidiary of RM25,935,000 (2018: RM44,663,000 on the basis that the carrying amounts exceeded recoverable amounts based on the FVLCS method.

8. INVESTMENT IN ASSOCIATES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Quoted shares, at cost				
- In Malaysia	**49,711**	49,711	**49,711**	49,711
- Outside Malaysia	**31,622**	31,622	**26,030**	26,030
	81,333	81,333	**75,741**	75,741
Unquoted shares, at cost				
- In Malaysia	**274,010**	274,010	**28,000**	28,000
- Outside Malaysia	**11,908**	11,908	**-**	-
	285,918	285,918	**28,000**	28,000
	367,251	367,251	**103,741**	103,741
Share of post-acquisition reserves	**130,439**	121,896	**-**	-
	497,690	489,147	**103,741**	103,741
Exchange differences	**19,304**	13,387	**-**	-
	516,994	502,534	**103,741**	103,741
Less: Accumulated impairment losses - quoted shares	**(47,809)**	(61,947)	**(32,977)**	(33,203)
	469,185	440,587	**70,764**	70,538
Market value of quoted shares	**125,856**	93,121	**125,856**	93,121

8. INVESTMENT IN ASSOCIATES (CONTINUED)

Details of associates as of 31 December 2019 are as follows:

Name of associates	Principal activities	Country of incorporation	Financial year end	Equity interest held (%) 2019	2018
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
GLM Emerald (Sepang) 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	Socialist Republic of Vietnam	31 December	49.00	49.00

* *Audited by firms other than Ernst & Young PLT*
\# *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 GLM Emerald (Sepang) Sdn Bhd whose financial year end are 31 May and 30 June respectively which 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 2019.

8. 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
2019				
(i) Summary of financial information				
As at 31 December:				
Non-current assets	**694,420**	**386,517**	**317,729**	**1,398,666**
Current assets	**38,964**	**341,776**	**205,523**	**586,263**
Non-current liabilities	**(206,072)**	**(21,961)**	**(28,423)**	**(256,456)**
Current liabilities	**(9,148)**	**(144,639)**	**(52,141)**	**(205,928)**
Net assets	**518,164**	**561,693**	**442,688**	**1,522,545**
NCI	**-**	**(40,952)**	**-**	**(40,952)**
Net assets attributable to owner of associates	**518,164**	**520,741**	**442,688**	**1,481,593**
Year ended 31 December:				
Revenue	**39,883**	**788,506**	**451,749**	**1,280,138**
Profit for the year	**16,511**	**64,609**	**9,610**	**90,730**
(ii) Reconciliation of net assets to carrying amount as at 31 December				
Group's share of net assets	**259,081**	**104,148**	**124,707**	**487,936**
Goodwill	**954**	**318**	**27,786**	**29,058**
Impairment losses	**-**	**-**	**(47,809)**	**(47,809)**
Carrying amount in statement of financial position	**260,035**	**104,466**	**104,684**	**469,185**
(iii) Group's share of results of associates	**8,256**	**12,923**	**9,207**	**30,386**
(iv) Dividends received from associates	**14,000**	**5,013**	**2,830**	**21,843**

8. INVESTMENT IN ASSOCIATES (CONTINUED)

	Inverfin RM'000	LST RM'000	Other individually immaterial associates RM'000	Total RM'000
2018				
(i) Summary of financial information				
As at 31 December:				
Non-current assets	692,600	365,473	341,479	1,399,552
Current assets	53,184	309,814	156,186	519,184
Non-current liabilities	(205,883)	(23,032)	(9,529)	(238,444)
Current liabilities	(10,248)	(162,662)	(48,206)	(221,116)
Net assets	529,653	489,593	439,930	1,459,176
NCI	-	(40,084)	-	(40,084)
Net assets attributable to owner of associates	529,653	449,509	439,930	1,419,092
Year ended 31 December:				
Revenue	40,578	887,368	963,090	1,891,036
(Loss)/Profit for the year	(2,847)	39,833	65,321	102,307
(ii) Reconciliation of net assets to carrying amount as at 31 December				
Group's share of net assets	264,825	89,900	118,751	473,476
Goodwill	954	318	27,786	29,058
Impairment losses	-	(13,605)	(48,342)	(61,947)
Carrying amount in statement of financial position	265,779	76,613	98,195	440,587
(iii) Group's share of results of associates	(1,424)	7,964	20,086	26,626
(iv) Dividends received from associates	7,000	3,408	1,641	12,049

9. INVESTMENT IN JOINT VENTURES

	Group 2019 RM'000	Group 2018 RM'000
Unquoted shares, at cost		
- In Malaysia	**1,900**	-
- Outside Malaysia	**9,880**	9,880
	11,780	9,880
Share of post-acquisition reserves	**(2,554)**	(2,100)
Exchange differences	**(466)**	(258)
At 31 December	**8,760**	7,522

Details of the joint ventures as of 31 December 2019 are as follows:

Name of joint ventures	Principal activities	Country of incorporation	Financial year end	Equity interest held (%) 2019	Equity interest held (%) 2018
Held by Hafary Pte Ltd:					
* Melmer Stoneworks Pte Ltd	Cutting, shaping and finishing of stone	Singapore	31 December	**50.00**	50.00
* Hafary Myanmar Investment Pte Ltd	Investment holding	Singapore	31 December	**33.33**	33.33
Held by Hafary Building Materials Pte Ltd:					
* Guangdong ITA Element Building Materials Co., Limited	Production and distribution of tiles	People's Republic of China	31 December	**50.00**	50.00
Held by MMSB:					
# Sino Ceramics Sdn Bhd *(formerly known as MMSB2 Factory Sdn Bhd)*	Manufacture and sale of porcelain and ceramics tiles	Malaysia	31 March	**19.00**	-

* *Audited by a firm other than Ernst & Young PLT*

\# *The unaudited management financial statements at 31 December 2019 of joint venture have been used for equity accounting purpose*

9. INVESTMENT IN JOINT VENTURES (CONTINUED)

The financial statements of the above joint ventures are coterminous with those of the Group, except for Sino Ceramics Sdn Bhd *(formerly known as MMSB2 Factory Sdn Bhd)* whose financial year end is 31 March. 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 2019.

The following table summarises the information of the Group's joint ventures, which are individually immaterial.

	Group	
	2019 **RM'000**	**2018** **RM'000**
(i) Summary of financial information		
As at 31 December:		
Non-current assets	**10,777**	2,124
Current assets	**60,395**	32,769
Non-current liabilities	**(8,464)**	-
Current liabilities	**(41,501)**	(19,823)
Net assets	**21,207**	15,070
Year ended 31 December:		
Revenue	**42,739**	23,394
Loss for the year	**(3,925)**	(3,278)
(ii) Group's share of net assets/carrying amount in statement of financial position	**8,760**	7,522
(iii) Group's share of results of joint ventures	**(501)**	(1,624)
(iv) Dividends received from a joint venture	**74**	44

10. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	2019	**2018**
	RM'000	**RM'000**
Cost:		
At 1 January	**1,070,354**	779,460
Additions	**489,234**	584,918
Transfer to property development costs (Note 15)	**(22)**	(184,787)
Costs charged to profit or loss	**(247,799)**	(109,237)
At 31 December	**1,311,767**	1,070,354
Represented by:		
Freehold land	**519,445**	310,184
Right-of-use assets – Leasehold land	**497,816**	530,967
Land development expenditure	**294,506**	229,203
	1,311,767	1,070,354

Included in additions was interest expense capitalised of RM21,550,000 (2018: RM20,061,000).

11. INTANGIBLE ASSETS

	Goodwill RM'000	Customer relationship RM'000	Distributor rights RM'000	Total RM'000
Group				
At cost				
At 1 January 2018	100,962	39,149	-	140,111
Acquisition of business	4,201	-	1,523	5,724
Exchange differences	-	5,445	-	5,445
At 31 December 2018/1 January 2019/ 31 December 2019	**105,163**	**44,594**	**1,523**	**151,280**
Accumulated amortisation/ impairment loss				
At 1 January 2018	64,226	39,149	-	103,375
Amortisation	-	-	17	17
Reversal of impairment loss	-	(10,404)	-	(10,404)
Exchange differences	-	5,445	-	5,445
At 31 December 2018/1 January 2019	**64,226**	**34,190**	**17**	**98,433**
Amortisation	**-**	**8,942**	**102**	**9,044**
At 31 December 2019	**64,226**	**43,132**	**119**	**107,477**
Net carrying amount				
At 31 December 2018	40,937	10,404	1,506	52,847
At 31 December 2019	**40,937**	**1,462**	**1,404**	**43,803**

(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 2019 RM'000	Group 2018 RM'000
Plantation	**36,736**	36,736
Automotive	**4,201**	4,201
	40,937	40,937

(i) The recoverable amount of the plantation CGU has been determined based on the fair value less costs to sell of its non-current assets.

11. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill (continued)

(ii) The recoverable amount of the automotive CGU has been determined based on VIU method using the cash flow projections budgets prepared by the management covering a five-year period, discounted at the rate of 12% which reflects the risks specific to the CGU.

(b) Customer relationship

The cost of customer relationship with definite useful life is amortised over a period of 5 years.

(c) Distributor rights

The cost of distributor rights with definite useful life is amortised over a period of 15 years.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-current				
Trade receivables				
Lease receivables	**-**	181	**-**	-
Hire purchase receivables	**777,424**	745,605	**-**	-
Loan receivables	**1,493,543**	1,190,927	**-**	-
	2,270,967	1,936,713	**-**	-
Less: Allowance for impairment	**(18,300)**	(15,277)	**-**	-
Advances received	**(77,175)**	(69,305)	**-**	-
	2,175,492	1,852,131	**-**	-
Non-trade receivables				
Contingent consideration	**-**	52,204	**-**	52,204
Other receivables	**416**	3,006	**-**	-
Net investment in lease	**12,010**	-	**-**	-
	12,426	55,210	**-**	52,204
	2,187,918	1,907,341	**-**	52,204

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current				
Trade receivables				
Third parties	**1,062,880**	1,024,035	**-**	-
Lease receivables	**1,079**	1,176	**-**	-
Hire purchase receivables	**533,309**	495,162	**-**	-
Loan receivables	**254,552**	342,833	**-**	-
Amounts due from other related companies	**1,271**	1,251	**-**	-
Amounts due from associates	**93**	-	**-**	-
Amounts due from joint ventures	**662**	164	**-**	-
	1,853,846	1,864,621	**-**	-
Less: Allowance for impairment	**(51,570)**	(38,641)	**-**	-
Interest in suspense	**(14,255)**	(11,662)	**-**	-
Advances received	**(42,307)**	(36,459)	**-**	-
	1,745,714	1,777,859	**-**	-
Non-trade receivables				
Other receivables	**112,813**	103,030	**641**	616
Prepayments	**37,513**	59,046	**19**	31
Goods and Services Tax ("GST") recoverable	**28,164**	33,860	**-**	-
Profit guarantee shortfall due from holding company	**91,851**	175,307	**91,851**	175,307
Contingent consideration	**76,388**	52,070	**76,388**	52,070
Net investment in lease	**78**	-	**-**	-
Amounts due from subsidiaries	**-**	-	**3,385**	1
Amounts due from an associate	**-**	4,179	**-**	-
Amounts due from joint ventures	**12,404**	5,591	**-**	-
	359,211	433,083	**172,284**	228,025
	2,104,925	2,210,942	**172,284**	228,025
Total trade and other receivables (current and non-current)	**4,292,843**	4,118,283	**172,284**	280,229
Less: Prepayments	**(37,513)**	(59,046)	**(19)**	(31)
GST recoverable	**(28,164)**	(33,860)	**-**	-
Add: Cash and bank balances (Note 19)	**1,090,193**	613,632	**160,253**	175,062
Total financial assets at amortised cost	**5,317,359**	4,639,009	**332,518**	455,260

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(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 (2018: 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:

	Gross receivables RM'000	Unearned interest RM'000	Net receivables RM'000
Group			
2019			
Less than 1 year	**605,850**	**(71,462)**	**534,388**
Between 1 and 5 years	**839,883**	**(62,561)**	**777,322**
After 5 years	**104**	**(2)**	**102**
	1,445,837	**(134,025)**	**1,311,812**
2018			
Less than 1 year	565,672	(69,334)	496,338
Between 1 and 5 years	808,265	(62,479)	745,786
	1,373,937	(131,813)	1,242,124

(iii) Amounts due from other related companies

Amounts due from other related companies are non-interest bearing and repayable in accordance with the normal credit terms disclosed in Note 12(a)(i).

(iv) Amounts due from associates and joint ventures

Amounts due from associates and a joint venture are non-interest bearing and repayable in accordance with the normal credit terms disclosed in Note 12(a)(i).

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Ageing analysis of trade receivables

	Group 2019 RM'000	Group 2018 RM'000
Total trade receivables:		
- Current	**1,853,846**	1,864,621
- Non-current	**2,270,967**	1,936,713
	4,124,813	3,801,334

The ageing analysis of trade receivables is as follows:

	Group 2019 RM'000	Group 2018 RM'000
Neither past due nor impaired	**258,088**	340,220
Past due but not impaired:		
- Past due 1 – 30 days	**42,538**	134,514
- Past due 31 – 90 days	**32,683**	103,959
- Past due more than 90 days	**50,185**	96,824
	125,406	335,297
Assessed individually	**89,597**	96,593
Assessed collectively	**3,651,722**	3,029,224
Total trade receivables	**4,124,813**	3,801,334

The movement in the allowance for impairment loss is as follows:

	Group 2019 RM'000	Group 2018 RM'000
At 1 January	**53,918**	45,130
Allowance for impairment losses (Note 31)	**29,481**	25,315
Reversal of impairment losses (Note 31)	**(8,673)**	(12,309)
Written off	**(4,025)**	(2,976)
Disposal of subsidiaries	**(835)**	(1,037)
Exchange differences	**4**	(205)
At 31 December	**69,870**	53,918

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Non-trade receivables

(i) Profit guarantee to purchase price

In the acquisition of Malaysian Mosaics Sdn Bhd ["MMSB"] in the financial year 2016, the Company entered into a share sale agreement with Gek Poh (Holdings) Sdn Bhd ["Gek Poh"], whereby as an integral basis and component to the purchase price, Gek Poh has provided a guarantee that the consolidated profit after tax ["PAT"] of MMSB shall not be less than the amount as set out below for the 5 financial years commencing from financial year ended 31 December 2016 ["Guaranteed PAT"].

The Guaranteed PAT and the audited PAT/loss after tax ["LAT"] up to the year ended 31 December 2019 are as follows:

	Guaranteed PAT RM'000	PAT/LAT RM'000	Surplus/ (shortfall) RM'000
31 December 2016	30,710	*30,826	116
31 December 2017	40,927	**5,233	(35,694)
31 December 2018	53,897	*(121,410)	(175,307)
31 December 2019	67,523	*(24,328)	(91,851)
31 December 2020	81,973	^	^
Total	275,030	(109,679)	(302,736)

* *audited PAT/LAT*
** *audited PAT, excluding the net gain from disposal of land and buildings of approximately RM60.33 million*
^ *information is not available yet as this pertains to the future*

Based on the audited results of MMSB for the financial year ended 31 December 2019, the Guaranteed PAT for the financial year ended 31 December 2019 has not been fulfilled, therefore, Gek Poh has an obligation to pay the shortfall of RM91,851,000 (2018: RM175,307,000) to the Company. Accordingly, the Group and the Company have recognised the aforesaid profit guarantee shortfall in the profit or loss as disclosed in Note 30(a).

(ii) Contingent consideration

The Group and the Company have reassessed the projected profits for each of the remaining profit guarantee years to determine the fair value of contingent asset, if any, to be recognised for the potential right to the return of previously transferred consideration. A reversal of contingent asset of RM27,886,000 has been recognised in the profit or loss as disclosed in Note 30(b). In the previous financial year, an additional contingent consideration of RM48,690,000 due from Gek Poh has been recognised in the profit or loss as disclosed in Note 30(a).

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Non-trade receivables (continued)

(iii) Net investment in lease

	Group 2019 RM'000
At 1 January	-
Addition	**11,972**
Interest income	**816**
Lease payment received	**(700)**
At 31 December	**12,088**

The lease payments to be received are as follows:

	Group 2019 RM'000
Less than one year	1,310
One to two years	1,440
Two to three years	1,440
Three to four years	1,440
Four to five years	1,440
More than five years	21,120
Total undiscounted lease payments	28,190
Unearned interest income	(16,102)
Net investment in lease	12,088

The following are recognised in profit or loss:

	Group 2019 RM'000
Loss for new finance lease entered into	**(255)**
Variable lease income that do not depend on an index or a rate	**44**

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Non-trade receivables (continued)

(iv) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

(v) Amounts due from an associate

In the previous financial year, amounts due from an associate is unsecured and repayable on demand and bears interest at rate of 3.5% per annum.

(vi) Amounts due from joint ventures

Amounts due from joint ventures are unsecured, non-interest bearing and repayable on demand except for an amount due from joint venture of RM6,229,000 for the Group bears interest at rate of 4% 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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
United States Dollar ["USD"]	**27,638**	29,918	**-**	-
Pound Sterling ["GBP"]	**-**	-	**3,385**	-
Singapore Dollar ["SGD"]	**4,973**	10,320	**-**	-
Chinese Renminbi ["RMB"]	**17,129**	15,770	**-**	-
Euro	**-**	31	**-**	-
	49,740	56,039	**3,385**	-

13. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

	Group	
	2019	**2018**
	RM'000	**RM'000**
OTHER FINANCIAL ASSETS		
Non-current		
Financial assets at fair value through other comprehensive income		
- Equity investments (unquoted in Malaysia)	**15,012**	18,012
Derivatives - designated as hedging instrument		
- Cross currency interest rate swaps - cash flow hedges	**4,493**	10,988
Financial assets at fair value through profit or loss		
- Equity investments (quoted outside Malaysia)	**1,586**	1,282
	21,091	30,282
Current		
Derivatives - designated as hedging instrument		
- Forward currency contracts - cash flow hedges	**-**	214
- Cross currency interest rate swaps - cash flow hedges	**2,920**	4,114
	2,920	4,328
Derivatives - not designated as hedging instrument		
- Forward currency contracts	**50**	131
Financial assets at fair value through profit or loss		
- Equity investments (quoted in Malaysia)	**78,865**	-
	81,835	4,459
OTHER FINANCIAL LIABILITIES		
Non-current		
Derivatives - designated as hedging instrument		
- Cross currency interest rate swaps - cash flow hedges	**2,267**	3,026
Current		
Derivatives - designated as hedging instrument		
- Forward currency contracts - cash flow hedges	**4,413**	324
- Cross currency interest rate swaps - cash flow hedges	**6,449**	646
	10,862	970
Derivatives - not designated as hedging instrument		
- Forward currency contracts	**3,414**	2,970
	14,276	3,940

13. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES (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, Euro and RMB which existed at the reporting date, extending to June 2020 (2018: June 2019). 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.

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.

(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 USD (2018: 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.

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.

14. INVENTORIES

	Group	
	2019 **RM'000**	**2018** **RM'000**
Cost		
Properties held for sale	**441,832**	221,246
Raw materials	**100,061**	95,203
Produce inventories	**14,818**	5,329
Work-in-progress	**15,810**	13,198
Finished goods	**799,703**	1,002,492
	1,372,224	1,337,468
Net realisable value		
Raw materials	**25,764**	12,376
Produce inventories	**-**	40,661
Finished goods	**381,133**	333,771
	406,897	386,808
	1,779,121	1,724,276
Recognised in profit or loss		
Inventories recognised as cost of sales	**4,348,518**	4,368,678

15. 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 2018	323,144	712,426	(205,080)	830,490
Transfer from/(to):				
- land held for property development (Note 10)	129,090	55,697	-	184,787
- inventories	(4,267)	(121,322)	-	(125,589)
Costs incurred during the year	1,329	583,448	-	584,777
Costs charged to profit or loss	-	-	(231,025)	(231,025)
Reversal of completed projects	(1,508)	(9,493)	11,001	-
At 31 December 2018/ 1 January 2019	**447,788**	**1,220,756**	**(425,104)**	**1,243,440**
Transfer from/(to):				
- land held for property development (Note 10)	**-**	**22**	**-**	**22**
- inventories	**(73,058)**	**(265,180)**	**-**	**(338,238)**
Costs incurred during the year	**-**	**569,064**	**-**	**569,064**
Costs charged to profit or loss	**-**	**-**	**(389,753)**	**(389,753)**
Reversal of completed projects	**(102,490)**	**(389,404)**	**491,894**	**-**
At 31 December 2019	**272,240**	**1,135,258**	**(322,963)**	**1,084,535**

Included in the property development costs incurred during the financial year was interest expense capitalised of RM14,233,000 (2018: RM8,813,000).

The property development costs included contract costs assets as follows:

	Group	
	2019 RM'000	2018 RM'000
Contract cost assets		
Costs to obtain contracts with customers	**10,122**	23,610
Costs to fulfil contracts	**24,081**	56,883
	34,203	80,493

16. BIOLOGICAL ASSETS

	Group 2019 RM'000	Group 2018 RM'000
At 1 January	**16,437**	19,550
Net gain/(loss) from fair value adjustments recognised in profit or loss (Note 31)	**9,277**	(3,113)
At 31 December	**25,714**	16,437

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

As at 31 December 2019, the estimated quantity of unharvested FFB of the Group included in the fair value of FFB was 98,000 tonnes (2018: 132,000 tonnes).

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

Sensitivity analysis for FFB

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

	2019		2018	
	Increase/ (Decrease) in price and volume	Increase/ (Decrease) in fair value of biological assets and profit before tax for the year RM'000	Increase/ (Decrease) in price and volume	Increase/ (Decrease) in fair value of biological assets and profit before tax for the year RM'000
Selling price	**10%**	**5,411**	10%	4,494
	(10%)	**(5,411)**	(10%)	(4,494)
Production volume	**10%**	**2,519**	10%	1,519
	(10%)	**(2,519)**	(10%)	(1,519)

17. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2019 RM'000	**2018 RM'000**
Contract assets		
Current		
- Property development	**461,935**	201,405
Contract liabilities		
Current		
- Property development	**(20,117)**	-
- Goods and services	**(22,060)**	-
	(42,177)	-

(a) Property development

Movement of contract assets and contract liabilities in relation to property development is analysed as follows:

	Group	
	2019 RM'000	**2018 RM'000**
At 1 January		
- Contract assets	**201,405**	172,422
Add: Property development revenue recognised during the year	**907,565**	421,148
Add: Interest income recognised during the year	**7,201**	153
Less: Progress billings during the year	**(674,353)**	(392,318)
At 31 December	**441,818**	201,405
Analysed as follows:		
- Contract assets	**461,935**	201,405
- Contract liabilities	**(20,117)**	-
	441,818	201,405

The remaining contractual billings to customers from property development activities amounted to RM788,195,000 (2018: RM1,190,119,000) and will be billed progressively upon fulfilment of contractual milestone not withstanding if control of the assets has not been transferred to the customers. The contractual billings period for property development ranges within 1 year to 2 years (2018: within 1 year to 3 years).

(b) Goods and services

The contract liabilities arising from sales of goods and services are the incentives to be claimed by dealers and considerations received from customers for services and obligations that are to be delivered and to be recognised as revenue over the next 1 year to 3 years.

18. 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.

Included in money market deposits of the Group and of the Company at reporting date are amounts of RM1,133,342,000 (2018: RM819,188,000) and RM893,874,000 (2018: RM819,188,000) respectively denominated in USD. Other information on financial risks of money market deposits are disclosed in Note 42.

19. CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Cash at banks and on hand	586,305	362,962	468	5,762
Deposits with licensed banks	503,888	250,670	159,785	169,300
Cash and bank balances	1,090,193	613,632	160,253	175,062

Included in cash at banks of the Group are amounts totalling RM72,221,000 (2018: RM45,283,000), the utilisation of which is subject to the Housing Developers (Housing Development Account) Regulations 1991 and the Housing Developers (Project Account) Rules 1995.

Included in cash at banks of the Group and of the Company are amounts totalling RM219,142,000 (2018: RM78,921,000) and RM350,000 (2018: RM5,643,000) respectively which earned interest at floating rates of 1.00% to 3.15% (2018: 1.00% to 3.00%) per annum for the Group and 2.60% to 3.00% (2018: 2.60% to 3.00%) per annum for the Company.

Included in cash and bank balances 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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
USD	15,440	8,818	323	237
SGD	159,849	169,146	159,468	169,063
Vietnamese Dong ["VND"]	5,193	3,118	-	-
Euro	100	11	-	-
RMB	528	6	-	-
	181,110	181,099	159,791	169,300

Other information on financial risks of cash and cash equivalents are disclosed in Note 42.

20. TRADE AND OTHER PAYABLES

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current				
Trade payables				
Accruals	**165,278**	132,653	**-**	-
Non-trade payables				
Advance received	**625**	618	**-**	-
Deferred lease income	**1,072**	897	**-**	-
Deposits received	**13,086**	11,532	**-**	-
	14,783	13,047	**-**	-
	180,061	145,700	**-**	-
Current				
Trade payables				
Third parties	**716,765**	705,941	**-**	-
Accruals	**201,591**	88,937	**-**	-
Amounts due to other related companies	**158**	2,602	**-**	-
Amounts due to associates	**-**	109	**-**	-
Amounts due to a joint venture	**447**	433	**-**	-
	918,961	798,022	**-**	-
Non-trade payables				
Accruals	**197,188**	154,642	**3,055**	2,999
Other payables	**146,357**	137,725	**172**	40
Advance received	**23**	123	**-**	-
Deferred lease income	**519**	425	**-**	-
Deposits received	**10,029**	9,039	**-**	-
GST payable	**-**	23	**-**	-
Amounts due to subsidiaries	**-**	-	**320,334**	307,805
	354,116	301,977	**323,561**	310,844
	1,273,077	1,099,999	**323,561**	310,844
Total trade and other payables (current and non-current)	**1,453,138**	1,245,699	**323,561**	310,844
Less: GST payable	**-**	(23)	**-**	-
Deferred lease income	**(1,591)**	(1,322)	**-**	-
Add: Borrowings (Note 23)	**6,381,186**	5,428,983	**-**	-
Lease liabilities (Note 24)	**138,323**	-	**-**	-
Total financial liabilities carried at amortised cost	**7,971,056**	6,673,337	**323,561**	310,844

20. 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 (2018: 30 to 90 days).

(ii) Amounts due to other related companies

Amounts due to other related companies are non-interest bearing and are payable in accordance with the normal credit terms disclosed in Note 20(a)(i).

(iii) Amounts due to associates and a joint venture

Amounts due to associates and a joint venture are non-interest bearing and are payable in accordance with the normal credit terms disclosed in Note 20(a)(i).

(b) Non-trade payables

(i) Other payables

These amounts are non-interest bearing and payable in accordance with the normal credit terms except for an amount of RM38,772,000 (2018: RM38,772,000) for the Group which relates to a company connected to Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company, is unsecured, repayable on demand and bears interest at rate of 4% (2018: 4%) per annum.

(ii) Amounts due to subsidiaries

Amounts due to subsidiaries are unsecured, non-interest bearing and payable in accordance with the normal credit terms except for an amount of RM316,050,000 (2018: RM307,000,000) which bears interest at rate of 4.49% (2018: 4.68%) per annum.

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		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
USD	**159,595**	142,295	**-**	-
Euro	**1,112**	1,274	**-**	-
SGD	**283**	793	**-**	-
RMB	**11,594**	3,635	**-**	-
GBP	**-**	-	**3,352**	-
	172,584	147,997	**3,352**	-

21. PROVISIONS

	Property development obligations RM'000	Rebates RM'000	Land conversion premium obligations RM'000	Assets retirement obligations RM'000	Warranties RM'000	Total RM'000
	(i)	(ii)	(iii)	(iv)	(v)	
Group						
At 1 January 2018	4,975	1,983	-	-	-	6,958
Reversal during the year	(4,918)	-	-	-	-	(4,918)
Provision made during the year	-	2,700	42,536	-	-	45,236
Provision utilised during the year	(57)	(1,979)	-	-	-	(2,036)
Exchange differences	-	(4)	-	-	-	(4)
At 31 December 2018/ 1 January 2019	**-**	**2,700**	**42,536**	**-**	**-**	**45,236**
Provision made during the year	**1,020**	**1,932**	**93,696**	**4,398**	**4,349**	**105,395**
Provision utilised during the year	**-**	**(2,707)**	**-**	**-**	**(1,161)**	**(3,868)**
Exchange differences	**-**	**7**	**-**	**-**	**-**	**7**
At 31 December 2019	**1,020**	**1,932**	**136,232**	**4,398**	**3,188**	**146,770**

(i) 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.

(ii) The provision for rebates relates to rebates given by a foreign subsidiary to customers for settlement of account within credit terms.

(iii) The provision for land conversion premium obligations relates to obligation to pay the conversion premium for the land sold.

(iv) Provisions for asset retirement obligations relates to obligation to restore the leased land to its original state after the tenure of the lease. The provision is recognised as part of the cost of property, plant and equipment and is amortised over the tenure period of the lease.

(v) Provision for warranties relates to warranties given to customers for commercial vehicles sold. The provision is based on estimates made from historical warranty data associated with similar products and services.

22. EMPLOYEE BENEFITS

Retirement benefits

	Group	
	2019	**2018**
	RM'000	**RM'000**
Defined benefit obligation	**4,054**	3,297

Certain subsidiaries of the Group have unfunded defined benefit plan that provides pension for employees upon retirement. The plan entitles a retired employee to receive an annual payment equal to 6.5% (2018: 6.5%) of final salary for each year of service that the employee provided.

Movement in defined benefit obligation

The following table shows a reconciliation from the opening balance to the closing balance for defined benefit obligation and its components.

	Group	
	2019	**2018**
	RM'000	**RM'000**
At 1 January	**3,297**	6,155
Exchange differences	**9**	(13)
	3,306	6,142
Included in profit or loss:		
Service cost	**726**	376
Interest cost	**179**	325
Past service cost	**(53)**	(3,295)
	852	(2,594)
Included in other comprehensive income:		
Remeasurement loss arising from financial assumptions	**64**	13
Others:		
Benefits paid	**(171)**	(264)
Exchange differences	**3**	-
At 31 December	**4,054**	3,297

Plan assets

There are no assets which qualify as plan assets because the plan is not a funded arrangement.

22. EMPLOYEE BENEFITS (CONTINUED)

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	Group	
	2019	**2018**
	%	**%**
Discount rate	**5.40 – 7.20**	5.40 – 8.25
Future salary growth	**6.00 – 8.00**	6.00 – 8.00

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Group			
	2019		**2018**	
	Increase RM'000	**Decrease RM'000**	**Increase RM'000**	**Decrease RM'000**
Defined benefit obligation				
Discount rate (1% movement)	(359)	424	(306)	389
Future salary growth (1% movement)	198	(177)	159	(119)

Although the analysis does not account to the full distribution of cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

23. BORROWINGS

	Group	
	2019	**2018**
	RM'000	**RM'000**
Non-current		
Secured:		
Term loans	**236,009**	250,804
Finance leases	**-**	991
	236,009	251,795
Unsecured:		
Term loans	**1,027,528**	1,468,758
Medium term notes	**1,690,000**	1,090,000
	2,717,528	2,558,758
	2,953,537	2,810,553
Current		
Secured:		
Term loans	**15,548**	13,446
Revolving credits	**104,524**	90,915
Finance leases	**-**	1,227
	120,072	105,588
Unsecured:		
Term loans	**995,401**	574,156
Revolving credits	**1,831,221**	1,628,566
Trust receipts	**47,990**	77,126
Bankers' acceptances	**432,965**	222,994
Commercial papers	**-**	10,000
	3,307,577	2,512,842
	3,427,649	2,618,430
Total borrowings	**6,381,186**	5,428,983

The secured borrowings are in respect of foreign subsidiaries' borrowings which are secured against their buildings and prepaid lease payment as disclosed Note 4 and Note 5, and investment properties as disclosed in Note 6.

23. BORROWINGS (CONTINUED)

On 30 July 2018, Hap Seng Management Sdn Bhd ["HSM"], a wholly-owned subsidiary of the Company lodged with the Securities Commission Malaysia to establish an unrated medium term notes ["MTN"] programme of up to RM5.0 billion in nominal value ["MTN Programme"] and an unrated commercial papers ["CP"] programme of up to RM1.0 billion in nominal value ["CP Programme"], which have a combined limit of RM5.0 billion in nominal value. The tenures of the MTN and CP Programmes are 20 years and 7 years respectively from the date of first issuance on 29 August 2018. The MTN Programme and the CP Programme are collectively referred to as the Programmes.

The proceeds from the Programmes will be utilised by HSM for advancing to the Group for general corporate purposes and working capital.

The remaining maturities of the borrowings are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Within one year	**3,427,649**	2,618,430
More than 1 year and less than 2 years	**1,075,127**	779,024
More than 2 years and less than 5 years	**1,684,072**	1,777,964
More than 5 years	**194,338**	253,565
	6,381,186	5,428,983

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	
	2019 RM'000	**2018 RM'000**
USD	**1,103,985**	965,494
Euro	**17,894**	28,835
	1,121,879	994,329

Other information on financial risks of borrowings are disclosed in Note 42.

23. BORROWINGS (CONTINUED)

Changes in liabilities arising from financing activities:

	1 January RM'000	Effect of adoption of MFRS 16	Cash flows RM'000	Other changes RM'000	31 December RM'000
Group					
2019					
Term loans	**2,307,164**	**-**	**(20,775)**	**(11,903)**	**2,274,486**
Revolving credits	**1,719,481**	**-**	**217,190**	**(926)**	**1,935,745**
Trust receipts	**77,126**	**-**	**(25,711)**	**176**	**51,591**
Finance leases	**2,218**	**(2,218)**	**-**	**-**	**-**
Bankers' acceptances	**222,994**	**-**	**206,370**	**-**	**429,364**
Commercial papers	**10,000**	**-**	**(10,000)**	**-**	**-**
Medium term notes	**1,090,000**	**-**	**600,000**	**-**	**1,690,000**
	5,428,983	**(2,218)**	**967,074**	**(12,653)**	**6,381,186**
Lease liabilities	**-**	**185,434**	**(35,648)**	**(11,463)**	**138,323**
Total liabilities from financing activities	**5,428,983**	**183,216**	**931,426**	**(24,116)**	**6,519,509**
2018					
Term loans	2,446,680	-	(138,862)	(654)	2,307,164
Revolving credits	1,731,332	-	(21,747)	9,896	1,719,481
Trust receipts	72,938	-	4,283	(95)	77,126
Finance leases	2,512	-	(1,485)	1,191	2,218
Bankers' acceptances	225,413	-	(2,419)	-	222,994
Commercial papers	-	-	10,000	-	10,000
Medium term notes	-	-	1,090,000	-	1,090,000
Total liabilities from financing activities	4,478,875	-	939,770	10,338	5,428,983

24. LEASE LIABILITIES

	Group 2019 RM'000
At 1 January	**-**
Effect of adoption of MFRS 16	**185,434**
Additions	**16,676**
Accretion of interest	**5,968**
Modifications	**(28,230)**
Payments	**(41,616)**
Exchange differences	**91**
At 31 December	**138,323**
Non-current	**111,134**
Current	**27,189**
	138,323

25. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At 1 January	**448,486**	460,019	**15**	15
Recognised in profit or loss (Note 34)	**(38,954)**	(11,905)	**-**	-
Acquisition of business	**-**	366	**-**	-
Exchange differences	**41**	6	**-**	-
At 31 December	**409,573**	448,486	**15**	15
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	**480,207**	483,955	**15**	15
Deferred tax assets	**(70,634)**	(35,469)	**-**	-
	409,573	448,486	**15**	15

25. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (CONTINUED)

The components and movements of deferred tax liabilities and deferred tax assets during the financial year are as follows:

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000	Investment properties RM'000	Others RM'000	Total RM'000
At 1 January 2019	**471,862**	**60,441**	**9,501**	**541,804**
Recognised in profit or loss	**(7,946)**	**10,317**	**(5,061)**	**(2,690)**
Exchange differences	**47**	**-**	**-**	**47**
At 31 December 2019	**463,963**	**70,758**	**4,440**	**539,161**
Less: Deferred tax assets offset				**(58,954)**
Deferred tax liabilities recognised				**480,207**
At 1 January 2018	499,224	43,116	4,538	546,878
Recognised in profit or loss	(27,302)	17,325	4,597	(5,380)
Acquisition of business	-	-	366	366
Exchange differences	(60)	-	-	(60)
At 31 December 2018	471,862	60,441	9,501	541,804
Less: Deferred tax assets offset				(57,849)
Deferred tax liabilities recognised				483,955

25. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (CONTINUED)

Deferred tax assets of the Group:

	Unabsorbed capital and reinvestment allowances RM'000	Tax losses RM'000	Others RM'000	Total RM'000
At 1 January 2019	**(43,507)**	**(17,754)**	**(32,057)**	**(93,318)**
Recognised in profit or loss	**9,753**	**(6,141)**	**(39,876)**	**(36,264)**
Exchange differences	**-**	**(2)**	**(4)**	**(6)**
At 31 December 2019	**(33,754)**	**(23,897)**	**(71,937)**	**(129,588)**
Offset against deferred tax liabilities				**58,954**
Deferred tax assets recognised				**70,634**
At 1 January 2018	(54,613)	(18,387)	(13,859)	(86,859)
Recognised in profit or loss	11,106	632	(18,263)	(6,525)
Exchange differences	-	1	65	66
At 31 December 2018	(43,507)	(17,754)	(32,057)	(93,318)
Offset against deferred tax liabilities				57,849
Deferred tax assets recognised				(35,469)

Deferred tax liabilities of the Company:

	2019 RM'000	2018 RM'000
Property, plant and equipment		
At 1 January/31 December	**15**	15

25. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (CONTINUED)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2019 RM'000	**2018 RM'000**
Unutilised tax losses	**163,187**	128,723
Unabsorbed capital and agriculture allowances	**159,048**	152,692
Unabsorbed reinvestment allowances	**150,453**	130,126
Other temporary differences	**69,029**	43,452
	541,717	454,993

The above unutilised tax losses, unabsorbed capital, agriculture and reinvestment 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.

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

26. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Number of ordinary shares		Amount	
	2019 '000	**2018 '000**	**2019 RM'000**	**2018 RM'000**
Issued and fully paid:				
At 1 January/ 31 December	**2,489,682**	2,489,682	**3,519,554**	3,519,554

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.

26. SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

(b) Treasury shares

During the annual general meeting of the Company held on 30 May 2019, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 2,000 (2018: 4,000) shares at the cost of RM19,972 (2018: RM39,567). All repurchases of shares were financed by the Company's internally generated funds.

At 31 December 2019, the Company held 12,000 (2018: 10,000) treasury shares.

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
As of 1 January 2018	6,000	53,529	8.92
Repurchased during the year	4,000	39,567	9.89
As of 31 December 2018/1 January 2019	**10,000**	**93,096**	**9.31**
Repurchased during the year	**2,000**	**19,972**	**9.99**
As of 31 December 2019	**12,000**	**113,068**	**9.42**

27. RESERVES

		Group		Company	
		2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
(a)	Non-distributable reserves	**151,604**	119,629	**-**	-
(b)	Distributable reserve				
	- Retained profits	**3,669,121**	3,386,298	**1,984,727**	1,679,732
		3,820,725	3,505,927	**1,984,727**	1,679,732

27. RESERVES (CONTINUED)

(a) Non-distributable reserves

	Capital reserve RM'000	Cash flow hedge reserve RM'000	Foreign exchange reserve RM'000	Revaluation reserve RM'000	Other reserve RM'000	Total non-distributable reserves RM'000
Group						
At 1 January 2018	35,038	(13,439)	5,174	74,014	(30,973)	69,814
Foreign currency translation differences for foreign operations	-	-	(2,769)	-	-	(2,769)
Share of foreign currency translation differences of:						
- associates	-	-	2,174	-	-	2,174
- joint ventures	-	-	(131)	-	-	(131)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	-	17,796	-	-	17,796
Change in fair value of cash flow hedge	-	1,715	-	-	-	1,715
Total other comprehensive income for the year	-	1,715	17,070	-	-	18,785
Changes in ownership interest in subsidiaries	-	57	-	-	-	57
Transfer to retained profits	-	-	-	-	30,973	30,973
At 31 December 2018	35,038	(11,667)	22,244	74,014	-	119,629

27. RESERVES (CONTINUED)

(a) Non-distributable reserves (continued)

	Capital reserve RM'000	Cash flow hedge reserve RM'000	Foreign exchange reserve RM'000	Revaluation reserve RM'000	Total non-distributable reserves RM'000
Group (continued)					
At 1 January 2019	**35,038**	**(11,667)**	**22,244**	**74,014**	**119,629**
Foreign currency translation differences for foreign operations	**-**	**-**	**10,125**	**-**	**10,125**
Share of foreign currency translation differences of:					
- associates	**-**	**-**	**6,124**	**-**	**6,124**
- joint ventures	**-**	**-**	**(106)**	**-**	**(106)**
Foreign currency translation differences for foreign operations reclassified to profit or loss	**-**	**-**	**13,285**	**-**	**13,285**
Change in fair value of cash flow hedge	**-**	**2,547**	**-**	**-**	**2,547**
Total other comprehensive income for the year	**-**	**2,547**	**29,428**	**-**	**31,975**
At 31 December 2019	**35,038**	**(9,120)**	**51,672**	**74,014**	**151,604**

The movements on the Company's non-distributable reserves are set out in the Company's statements of changes in equity.

27. RESERVES (CONTINUED)

(a) Non-distributable reserves (continued)

The nature and purpose of each category of reserve are as follows:

(i) Capital reserve

Capital reserve in respect of a subsidiary of RM34,397,000 (2018: 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 (2018: RM641,000) represents the revaluation reserve of an associate.

(ii) 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 forward currency contracts and cross currency interest rate swaps entered by the Group to limit its exposure to foreign currency risk on its foreign currency loan.

(iii) 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 and joint ventures.

(iv) Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment immediately prior to its reclassification as investment properties.

(v) Other reserve

This reserve arose from the Rights Issue with Warrants Exercise undertaken by the Company.

(b) Distributable reserve - Retained profits

The Company may distribute dividend out of its entire retained profits as at 31 December 2019 under the single tier system.

28. REVENUE AND COST OF SALES

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Revenue from contract with customers				
- Sale of plantation produce	**418,598**	390,756	**-**	-
- Sale of goods and services	**4,389,805**	4,471,909	**-**	-
- Sale of properties under development	**907,565**	421,148	**-**	-
- Sale of completed properties	**153,366**	21,405	**-**	-
- Sale of lands	**926,672**	655,091	**-**	-
	6,796,006	5,960,309	**-**	-
Revenue from other sources:				
- Dividend income:				
- From subsidiaries	**-**	-	**1,165,326**	920,138
- From associates	**-**	-	**5,737**	3,770
- Interest income from provision of financial services	**240,999**	228,289	**-**	-
- Property rental	**59,062**	57,921	**-**	-
	300,061	286,210	**1,171,063**	923,908
	7,096,067	6,246,519	**1,171,063**	923,908
Timing and recognition:				
- At a point in time	**5,852,747**	5,488,787	**-**	-
- Over time	**943,259**	471,522	**-**	-
	6,796,006	5,960,309	**-**	-

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 39.

29. FINANCE COSTS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Interest expense on:				
Bank borrowings	**262,902**	196,969	**-**	-
Borrowings from other institutions	**12,678**	14,995	**-**	-
Amount due to a related party	**1,551**	2,277	**-**	-
Amount due to a subsidiary	**-**	-	**9,496**	8,766
Lease liabilities	**5,968**	-	**-**	-
Others	**15,033**	704	**-**	-
	298,132	214,945	**9,496**	8,766
Less: Interest expense capitalised in:				
- Land held for property development (Note 10)	**(21,550)**	(20,061)	**-**	-
- Property development costs (Note 15)	**(14,233)**	(8,813)	**-**	-
	262,349	186,071	**9,496**	8,766

30. OTHER GAIN/(LOSS) ITEMS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) Other gain items				
Gain on disposal of subsidiaries	**472,034**	516,019	**-**	-
Gain on disposal of 20% equity interest in a subsidiary	**-**	-	**-**	635,957
Profit guarantee shortfall receivable from holding company (Note 12(b)(i))	**91,851**	175,307	**91,851**	175,307
Contingent consideration	**-**	48,690	**-**	48,690
Reversal of impairment loss in associates	**14,138**	-	**226**	-
Reversal of impairment loss on intangible assets				
- customer relationship	**-**	10,404	**-**	-
	578,023	750,420	**92,077**	859,954
(b) Other loss items				
Impairment loss on investment in a subsidiary	**-**	-	**(25,935)**	(44,663)
Impairment loss on investment in associates	**-**	(24,134)	**-**	(3,392)
Contingent consideration (Note 12(b)(ii))	**(27,886)**	-	**(27,886)**	-
	(27,886)	(24,134)	**(53,821)**	(48,055)

31. PROFIT BEFORE TAX

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit before tax is arrived at after charging/ (crediting):				
Auditors' remuneration:				
- current year				
- Ernst & Young PLT	**721**	628	**155**	130
- overseas member firms of Ernst & Young	**228**	222	**-**	-
- other auditors	**1,937**	1,626	**-**	-
- under/(over) provision in prior years				
- Ernst & Young PLT	**94**	78	**25**	-
- other auditors	**15**	(6)	**-**	-
Non audit fees for services rendered by				
- Ernst & Young PLT	**39**	175	**35**	100
- local member firms of Ernst & Young PLT	**307**	622	**22**	121
- overseas member firms of Ernst & Young	**121**	59	**27**	25
Operating lease payments on:				
- land and buildings	**-**	42,245	**-**	23
- plant and machinery	**-**	32,667	**-**	-
- motor vehicles	**-**	6,151	**-**	1,039
Short term, low value and variable lease expenses	**45,514**	-	**1,056**	-
Depreciation of property, plant and equipment (Note 4)	**209,102**	178,987	**428**	440
Amortisation of prepaid lease payments (Note 5)	**-**	8,421	**-**	-
Amortisation of intangible assets (Note 11)	**9,044**	17	**-**	-
Property, plant and equipment written off	**6,078**	18,642	**-**	-
Investment properties written off	**318**	-	**-**	-
(Gain)/loss on fair value of biological assets	**(9,277)**	3,113	**-**	-
Bad debts written off	**129**	628	**-**	-
Allowance for impairment losses				
- trade receivables (Note 12)	**29,481**	25,315	**-**	-
Net inventories written down	**22,434**	28,807	**-**	-
Employee benefits expenses (Note 32)	**439,360**	449,605	**12,100**	10,834

31. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit before tax is arrived at after charging/ (crediting): (continued)				
Direct operating expenses arising from investment properties – rental generating properties	**30,465**	29,209	**-**	-
Loss on equity investment at fair value through profit or loss	**8,348**	78	**-**	-
Net foreign exchange loss/(gains)	**19,044**	(4,761)	**11,212**	(3,959)
Gain on disposal of property, plant and equipment	**(5,545)**	(1,839)	**(95)**	(70)
(Gain)/loss on money market deposits at fair value	**(9)**	(3,592)	**278**	(2,045)
Net gains from fair value adjustments of investment properties (Note 6)	**(25,566)**	(1,490)	**-**	-
Impairment loss on property, plant and equipment	**3,920**	42,033	**-**	-
Dividend income from equity investment at fair value through other comprehensive income	**(670)**	(720)	**-**	-
Dividend income from equity investment at fair value through profit or loss	**(9,229)**	-	**-**	-
Dividend income from money market deposits	**(22,490)**	(7,985)	**(14,240)**	(4,589)
Dividend income				
- from subsidiaries	**-**	-	**(1,165,326)**	(920,138)
- from associates	**-**	-	**(5,737)**	(3,770)
Reversal of impairment losses				
- trade receivables (Note 12)	**(8,673)**	(12,309)	**-**	-
Reversal of provisions	**-**	(4,918)	**-**	-
Recovery of bad debts	**(769)**	(898)	**-**	-
Rental income from properties	**(13,118)**	(11,203)	**-**	-
Interest income from:				
- deposits with licensed banks	**(15,570)**	(15,237)	**(2,742)**	(3,432)
- discounting on retention sum	**(2,770)**	(3,964)	**-**	-
- subsidiaries	**-**	-	**-**	(3,780)
- significant financing component (Note 17)	**(7,201)**	(153)	**-**	-
- others	**(3,029)**	(2,772)	**-**	-

32. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Salaries and other staff related expenses	**403,395**	413,442	**10,797**	9,669
Pension costs – defined contribution plans	**35,965**	36,163	**1,303**	1,165
	439,360	449,605	**12,100**	10,834

Included in employee benefits expenses of the Group and of the Company were executive directors' remuneration of RM29,731,000 (2018: RM30,182,000) and RM11,012,000 (2018: RM10,477,000) respectively as further disclosed in Note 33.

33. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Executive directors' remuneration:				
Fees				
- Directors of the Company	**182**	179	**-**	-
Other emoluments				
- Directors of the Company	**8,056**	7,793	**6,881**	6,672
- Directors of subsidiaries	**21,493**	22,210	**4,131**	3,805
	29,731	30,182	**11,012**	10,477
Non-executive directors' remuneration:				
Fees				
- Directors of the Company	**886**	950	**687**	780
- Directors of subsidiaries	**1,148**	1,260	**-**	-
Other emoluments				
- Director of subsidiaries	**638**	678	**-**	-
	2,672	2,888	**687**	780
Total directors' remuneration	**32,403**	33,070	**11,699**	11,257
Other key management personnel compensation	**54,780**	51,999	**724**	-
	87,183	85,069	**12,423**	11,257

33. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel includes all the directors of the Group and certain members of senior management of the Group.

Included in key management personnel compensation of the Group and of the Company were contributions to statutory pension funds of RM7,888,000 (2018: RM7,488,000) and RM1,303,000 (2018: RM1,165,000) 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Company	**131**	120	**131**	120
Directors of subsidiaries	**588**	640	**133**	133
Other key management personnel	**1,719**	1,552	**3**	-
	2,438	2,312	**267**	253

34. TAX EXPENSE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysian income tax:				
- Current income tax	**284,286**	219,583	**663**	1,190
- Under/(over) provision in prior year	**1,256**	(10,546)	**127**	130
	285,542	209,037	**790**	1,320
Foreign income tax:				
- Current income tax	**10,187**	10,548	**-**	-
- Under/(over) provision in prior year	**613**	(364)	**-**	-
	10,800	10,184	**-**	-
Total income tax	**296,342**	219,221	**790**	1,320
Deferred tax (Note 25):				
- Relating to origination and reversal of temporary differences	**(31,832)**	(31,568)	**-**	-
- (Over)/under provision in prior year	**(7,122)**	4,034	**-**	-
- Change in Real Property Gains Tax rate	**-**	15,629	**-**	-
Total deferred tax	**(38,954)**	(11,905)	**-**	-
Total tax expense	**257,388**	207,316	**790**	1,320

34. TAX EXPENSE (CONTINUED)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit before tax	**1,476,813**	1,394,178	**1,177,169**	1,720,425
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	**354,435**	334,603	**282,521**	412,902
Effect of different tax rates in other countries	**(812)**	(1,876)	**-**	-
Effect of change in Real Property Gains Tax rate	**-**	15,629	**-**	-
Effect of gains taxed at Real Property Gains Tax rate	**(3,579)**	(288)	**-**	-
Income not subject to tax	**(149,275)**	(198,966)	**(307,022)**	(429,601)
Expenses not deductible for tax purposes	**49,434**	52,166	**25,164**	17,889
Effect of share of results of associates	**(7,011)**	(5,708)	**-**	-
Effect of share of results of joint ventures	**146**	276	**-**	-
Deferred tax assets not recognised	**19,303**	18,356	**-**	-
Under/(over) provision in prior year				
- income tax	**1,869**	(10,910)	**127**	130
- deferred tax	**(7,122)**	4,034	**-**	-
Tax expense for the year	**257,388**	207,316	**790**	1,320

35. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year 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	
	2019	**2018**
Profit attributable to owners of the Company (RM'000)	**1,162,871**	1,145,608
Weighted average number of ordinary shares ('000)		
Issued ordinary shares net of treasury shares at 1 January	**2,489,672**	2,489,676
Effect of shares buyback during the year	**(2)**	(2)
Weighted average number of ordinary shares at 31 December	**2,489,670**	2,489,674
Basic earnings per share (sen)	**46.71**	46.01

36. DIVIDENDS

	Group/Company	
	2019 RM'000	**2018 RM'000**
Recognised during the year:		
Dividends paid in respect of financial year ended 31 December 2018:		
- first interim (15.0 sen per share under single tier system)	**-**	373,451
- second interim (20.0 sen per share under single tier system)	**-**	497,934
Dividends paid in respect of financial year ended 31 December 2019:		
- first interim (15.0 sen per share under single tier system)	**373,450**	-
- second interim (20.0 sen per share under single tier system)	**497,934**	-
	871,384	871,385

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2019.

No dividend is payable for treasury shares held or cancelled.

37. CAPITAL COMMITMENTS

	Group	
	2019	**2018**
	RM'000	**RM'000**
Capital expenditure:		
Contracted but not provided for		
- Property, plant and equipment	**67,500**	36,504
- Investment properties	**52,073**	286,621
	119,573	323,125

38. 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	
	2019	**2018**
	RM'000	**RM'000**
Within one year	**51,355**	51,388
After one year but not more than five years	**63,775**	62,742
After five years	**8,270**	18,296
	123,400	132,426

(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:

	2018
	RM'000
Within one year	30,819
After one year but not more than five years	68,217
After five years	149,702
	248,738

38. LEASE COMMITMENTS (CONTINUED)

(b) Finance lease commitments

The Group has entered into finance leases on plant and equipment. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. In the previous financial year, future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2018	
	Minimum payments RM'000	Present value of payments RM'000
Group		
Within one year	1,284	1,227
After one year but not more than five years	1,052	991
Total minimum lease payments	2,336	2,218
Less: amounts representing finance charges	(118)	-
Present value of minimum lease payments	2,218	2,218
Carrying amount of plant and equipment under finance leases		4,379

39. SEGMENT INFORMATION

For management purposes, the Group is organised into business units according to their nature of activities and the six reportable operating segments are 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)	Trading	-	Trading and distribution of fertilizers and agro-chemical and trading of general building materials and petroleum products
(vi)	Building materials	-	Operation of stone quarries and asphalt plants, manufacture of bricks and tiles

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 finance costs are not allocated to operating segments.

39. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
2019									
Revenue									
External revenue	418,598	2,046,665	245,554	1,489,256	2,108,680	787,314	-	-	7,096,067
Inter-segment revenue	-	21,752	69,695	5,166	71,615	75,682	-	(243,910)	-
Total revenue	418,598	2,068,417	315,249	1,494,422	2,180,295	862,996	-	(243,910)	7,096,067
Results									
Operating profit	39,351	914,849	259,097	(34,392)	40,992	22,141	(12,481)	(70,417)	1,159,140
Finance costs									(262,349)
Other gain items									578,023
Other loss items									(27,886)
Share of results of associates									30,386
Share of results of joint ventures									(501)
Profit before tax									1,476,813
Tax expense									(257,388)
Profit for the year									1,219,425
Non-controlling interests									(56,554)
Profit attributable to owners of the Company									1,162,871

39. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Consolidated RM'000
2019 (continued)								
Assets and liabilities								
Segment assets	2,159,884	6,121,778	3,458,129	1,104,434	850,378	1,711,949	1,385,176	16,791,728
Investment in associates								469,185
Investment in joint ventures								8,760
Deferred tax assets								70,634
Tax recoverable								32,577
Total assets								17,372,884
Segment liabilities	72,617	1,666,731	2,094,327	441,823	783,205	762,439	2,361,049	8,182,191
Deferred tax liabilities								480,207
Tax payable								91,630
Total liabilities								8,754,028
Other information								
Additions to non-current assets	86,301	747,136	7,212	15,119	10,362	135,371	911	1,002,412
Depreciation and amortisation	77,385	9,926	6,765	20,088	7,214	91,805	2,101	215,284
Impairment losses	-	-	-	-	-	3,920	-	3,920
Reversal of impairment losses	-	-	-	-	-	-	(14,138)	(14,138)

39. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
2018									
Revenue									
External revenue	390,756	1,155,565	231,400	1,420,230	2,132,959	915,609	-	-	6,246,519
Inter-segment revenue	-	15,512	60,412	5,101	95,684	63,424	-	(240,133)	-
Total revenue	390,756	1,171,077	291,812	1,425,331	2,228,643	979,033	-	(240,133)	6,246,519
Results									
Operating profit	37,151	648,921	246,936	18,963	53,585	(135,474)	(2,980)	(38,141)	828,961
Finance costs									(186,071)
Other gain items									750,420
Other loss items									(24,134)
Share of results of associates									26,626
Share of results of joint ventures									(1,624)
Profit before tax									1,394,178
Tax expense									(207,316)
Profit for the year									1,186,862
Non-controlling interests									(41,254)
Profit attributable to owners of the Company									1,145,608

39. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Consolidated RM'000
2018 (continued)								
Assets and liabilities								
Segment assets	2,084,732	5,234,840	2,795,266	884,664	1,017,887	1,802,335	1,221,148	15,040,872
Investment in associates								440,587
Investment in joint ventures								7,522
Deferred tax assets								35,469
Tax recoverable								51,354
Total assets								15,575,804
Segment liabilities	21,022	1,394,281	1,829,101	223,100	833,261	742,445	1,686,971	6,730,181
Deferred tax liabilities								483,955
Tax payable								64,925
Total liabilities								7,279,061
Other information								
Additions to non-current assets	76,882	727,540	17,281	18,668	316	40,132	3,901	884,720
Depreciation and amortisation	77,473	8,413	5,023	9,883	1,222	84,126	1,285	187,425
Impairment losses	-	-	-	-	-	42,033	24,134	66,167
Reversal of impairment losses	-	-	-	-	-	(10,404)	-	(10,404)

39. SEGMENT INFORMATION (CONTINUED)

Additions to non-current assets consist of the following:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Property, plant and equipment	**281,763**	195,604
Investment properties	**231,415**	104,198
Land held for property development	**489,234**	584,918
	1,002,412	884,720

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	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**5,973,729**	4,968,077	**6,266,054**	5,602,289
Other Asian countries	**1,081,815**	1,195,429	**470,978**	459,643
Others	**40,523**	83,013	**60**	10
	7,096,067	6,246,519	**6,737,092**	6,061,942

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2019	**2018**
	RM'000	**RM'000**
Property, plant and equipment	**3,529,565**	3,157,916
Prepaid lease payments	**-**	180,323
Investment properties	**1,851,957**	1,600,502
Land held for property development	**1,311,767**	1,070,354
Intangible assets	**43,803**	52,847
	6,737,092	6,061,942

40. MATERIAL LITIGATIONS

(a) Hap Seng Plantations (River Estates) Sdn Bhd ["RESB"], a 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 commenced a legal suit ["KL RESB Suit"] vide a writ of summon at Kuala Lumpur High Court ["KLHC"] against EISB ["1st Defendant"] and HCH was added as the second defendant ["2nd Defendant"] to the KL RESB Suit on 16 June 2012.

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

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

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

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

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

40. MATERIAL LITIGATIONS (CONTINUED)

(a) (continued)

On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit (see Note 40(b) below) upon RESB's application ["Consolidated RESB Suit"]. The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018, 7 to 11 January 2019, 28 February 2019, 8 March 2019, 19 September 2019 and 7 February 2020. Due to the Restriction of Movement Order which took effect on 18 March 2020, the hearing dates of the Consolidated RESB Suit on 26 and 27 March 2020 had been adjourned to further dates to be fixed.

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

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

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

SYC is claiming for the following in the KK Suit:

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

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

The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018, 7 to 11 January 2019, 28 February 2019, 8 March 2019, 19 September 2019 and 7 February 2020. Due to the Restriction of Movement Order which took effect on 18 March 2020, the hearing dates of the Consolidated RESB Suit on 26 and 27 March 2020 had been adjourned to further dates to be fixed.

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

41. 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.

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

Fair value measurement hierarchy for assets/(liabilities):

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group				
2019				
Assets measured at fair value				
Investment properties (Note 6)	**1,851,957**	**-**	**-**	**1,851,957**
Equity investments (Note 13)	**95,463**	**80,451**	**-**	**15,012**
Money market deposits (Note 18)	**1,217,369**	**-**	**1,217,369**	**-**
Derivative financial assets (Note 13)				
Forward currency contracts	**50**	**-**	**50**	**-**
Cross currency interest rate swaps	**7,413**	**-**	**7,413**	**-**
Derivative financial liabilities (Note 13)				
Forward currency contracts	**(7,827)**	**-**	**(7,827)**	**-**
Cross currency interest rate swaps	**(8,716)**	**-**	**(8,716)**	**-**

41. FAIR VALUE MEASUREMENT (CONTINUED)

(b) Fair value hierarchy (continued)

Fair value measurement hierarchy for assets/(liabilities): (continued)

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group (continued)				
2018				
Assets measured at fair value				
Investment properties (Note 6)	1,600,502	-	-	1,600,502
Equity investments (Note 13)	19,294	1,282	-	18,012
Money market deposits (Note 18)	1,026,716	-	1,026,716	-
Derivative financial assets (Note 13)				
Forward currency contracts	345	-	345	-
Cross currency interest rate swaps	15,102	-	15,102	-
Derivative financial liabilities (Note 13)				
Forward currency contracts	(3,294)	-	(3,294)	-
Cross currency interest rate swaps	(3,672)	-	(3,672)	-

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, Level 2 and Level 3 during the financial year.

42. 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.

42. 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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Fixed rate instruments				
Financial assets				
Lease receivables	**1,079**	1,357	**-**	-
Hire purchase receivables	**1,310,733**	1,240,767	**-**	-
Deposits with licensed banks	**503,888**	250,670	**159,785**	169,300
	1,815,700	1,492,794	**159,785**	169,300
Financial liabilities				
Sundry payables	**(38,772)**	(38,772)	**-**	-
Amount due to a subsidiary	**-**	-	**(316,050)**	(307,000)
Term loans	**(457,835)**	(429,162)	**-**	-
Finance leases	**-**	(2,218)	**-**	-
Lease liabilities	**(138,323)**	-	**-**	-
	(634,930)	(470,152)	**(316,050)**	(307,000)
	1,180,770	1,022,642	**(156,265)**	(137,700)
Floating rate instruments				
Financial assets				
Loan receivables	**1,748,095**	1,533,760	**-**	-
Financial liabilities				
Term loans	**(1,816,651)**	(1,878,002)	**-**	-
Revolving credits	**(1,935,745)**	(1,719,481)	**-**	-
Commercial papers	**-**	(10,000)	**-**	-
Medium term notes	**(1,690,000)**	(1,090,000)	**-**	-
Trust receipts	**(47,990)**	(77,126)	**-**	-
Bankers' acceptances	**(432,965)**	(222,994)	**-**	-
	(5,923,351)	(4,997,603)	**-**	-
	(4,175,256)	(3,463,843)	**-**	-

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk (continued)

The weighted average effective interest rates of deposits with licensed banks as at 31 December 2019 for the Group and the Company were 1.69% (2018: 1.78%) and 1.40% (2018: 1.20%) respectively and will mature within 3 months (2018: 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**
2019		
Floating rate instruments	**(23,696)**	**23,696**
2018		
Floating rate instruments	(19,444)	19,444

42. 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 ventures. 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**	**RMB RM'000**	**Total RM'000**
Group						
Functional currency of Group entities						
2019						
RM	**763,190**	**164,539**	**-**	**(270)**	**8,284**	**935,743**
Indonesian Rupiah ["IDR"]	**361**	**-**	**-**	**-**	**-**	**361**
SGD	**249,094**	**-**	**5,193**	**(18,636)**	**(2,221)**	**233,430**
RMB	**579**	**-**	**-**	**-**	**-**	**579**
	1,013,224	**164,539**	**5,193**	**(18,906)**	**6,063**	**1,170,113**
2018						
RM	710,574	178,673	-	(285)	12,141	901,103
IDR	(65)	-	-	11	-	(54)
SGD	(1,498)	-	3,118	(29,793)	-	(28,173)
RMB	6,618	-	-	-	-	6,618
	715,629	178,673	3,118	(30,067)	12,141	879,494

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

The net unhedged financial assets and financial liabilities of the Company that are not denominated in the functional currency of the Company are as follows:

	Net unhedged financial assets held in non-functional currencies			
	USD RM'000	**SGD RM'000**	**GBP RM'000**	**Total RM'000**
Company				
Functional currency of the Company				
2019				
RM	**894,197**	**159,468**	**33**	**1,053,698**
2018				
RM	819,425	169,063	-	988,488

<u>Currency risk sensitivity analysis</u>

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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
USD	**39,374**	27,186	**33,979**	31,138
SGD	**6,252**	6,790	**6,060**	6,424
VND	**216**	129	**-**	-
Euro	**(783)**	(1,247)	**-**	-
GBP	**-**	-	**1**	-
RMB	**252**	504	**-**	-

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 had equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

42. 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 - 5 years RM'000	Notional amount RM'000	Fair value Assets RM'000	Fair value (Liabilities) RM'000
Group						
2019						
Designated as fair value through profit or loss						
Receivables hedge	**USD**	**2,882**	**-**	**2,882**	**50**	**-**
Payables hedge	**USD**	**34,948**	**-**	**34,948**	**-**	**(594)**
Borrowings hedge	**USD/Euro/ RMB**	**14,244**	**-**	**14,244**	**-**	**(70)**
Firm commitment hedge	**USD**	**226,803**	**-**	**226,803**	**-**	**(2,750)**
		278,877	**-**	**278,877**	**50**	**(3,414)**
Designated as cash flow hedges						
Borrowings hedge	**USD**	**747,215**	**354,564**	**1,101,779**	**7,413**	**(13,129)**
		1,026,092	**354,564**	**1,380,656**	**7,463**	**(16,543)**

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

Hedging activities (continued)

	Currency	Within 1 year RM'000	1 - 5 years RM'000	Notional amount RM'000	Fair value Assets RM'000	Fair value (Liabilities) RM'000
Group (continued)						
2018						
Designated as fair value through profit or loss						
Receivables hedge	USD	10,946	-	10,946	131	-
Payables hedge	USD	117,920	-	117,920	-	(1,440)
Borrowings hedge	USD/Euro	18,179	-	18,179	-	(106)
Firm commitment hedge	USD	141,470	-	141,470	-	(1,424)
		288,515	-	288,515	131	(2,970)
Designated as cash flow hedges						
Borrowings hedge	USD	241,912	702,118	944,030	15,316	(3,996)
		530,427	702,118	1,232,545	15,447	(6,966)

42. 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							
2019							
Non-derivative financial liabilities							
Borrowings							
Term loans	**2,274,486**	**1.88 – 5.00**	**2,464,350**	**1,099,305**	**846,522**	**223,494**	**295,029**
Revolving credits	**1,935,745**	**3.31 – 7.90**	**1,954,787**	**1,954,787**	**-**	**-**	**-**
Bankers' acceptances	**432,965**	**2.60 – 4.14**	**434,291**	**434,291**	**-**	**-**	**-**
Trust receipts	**47,990**	**1.49 – 2.68**	**49,064**	**49,064**	**-**	**-**	**-**
Medium term notes	**1,690,000**	**4.24 – 4.52**	**1,926,494**	**73,260**	**870,386**	**982,848**	**-**
Lease liabilities	**138,323**	**1.30 – 4.73**	**215,572**	**32,158**	**26,728**	**29,672**	**127,014**
Trade and other payables	**1,414,366**	**4.19 – 7.05**	**1,488,486**	**1,261,846**	**8,408**	**4,349**	**213,883**
Amount due to an other related party	**38,772**	**4.00**	**40,323**	**40,323**	**-**	**-**	**-**
	7,972,647		**8,573,367**	**4,945,034**	**1,752,044**	**1,240,363**	**635,926**
Derivative financial liabilities							
Designated as hedging instruments							
Cash flow hedges	**13,129**	**-**	**13,129**	**10,862**	**2,267**	**-**	**-**
Not designated as hedging instruments							
Forward currency contracts	**3,414**	**-**	**3,414**	**3,414**	**-**	**-**	**-**
	16,543		**16,543**	**14,276**	**2,267**	**-**	**-**
	7,989,190		**8,589,910**	**4,959,310**	**1,754,311**	**1,240,363**	**635,926**

42. 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	More than 5 years RM'000
Group							
2018							
Non-derivative financial liabilities							
Borrowings							
Term loans	2,307,164	1.58 – 5.40	2,531,963	677,273	925,244	656,279	273,167
Finance lease	2,218	1.30 – 5.20	2,336	1,284	1,044	8	-
Revolving credits	1,719,481	2.71 – 8.85	1,733,804	1,733,804	-	-	-
Bankers' acceptances	222,994	3.90 – 4.60	222,994	222,994	-	-	-
Trust receipts	77,126	1.45 – 2.72	78,855	78,855	-	-	-
Medium term notes	1,090,000	4.59 – 4.69	1,275,639	49,990	372,539	853,110	-
Commercial papers	10,000	4.31	10,039	10,039	-	-	-
Trade and other payables	1,206,904	4.74 – 8.00	1,315,406	1,059,854	37,070	4,618	213,864
Amount due to an other related party	38,772	4.00	40,323	40,323	-	-	-
	6,674,659		7,211,359	3,874,416	1,335,897	1,514,015	487,031
Derivative financial liabilities							
Designated as hedging instruments							
Cash flow hedges	3,996	-	3,996	970	-	3,026	-
Not designated as hedging instruments							
Forward currency contracts	2,970	-	2,970	2,970	-	-	-
	6,966		6,966	3,940	-	3,026	-
	6,681,625		7,218,325	3,878,356	1,335,897	1,517,041	487,031

42. 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				
2019				
Non-derivative financial liabilities				
Trade and other payables	**7,511**	**-**	**7,511**	**7,511**
Amount due to a subsidiary	**316,050**	**4.49**	**330,241**	**330,241**
	323,561		**337,752**	**337,752**
2018				
Non-derivative financial liabilities				
Trade and other payables	3,844	-	3,844	3,844
Amount due to a subsidiary	307,000	4.68	321,368	321,368
	310,844		325,212	325,212

(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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (continued)

Measurement of expected credit loss [“ECL”]

The Group applies the MFRS 9 simplified approach in measuring expected credit losses which estimates a lifetime expected credit loss allowance for trade receivables. Expected credit losses are measured as a function of probability of default and loss given default. Probability of default is the likelihood of default over a particular time horizon and is derived using external credit ratings, if they are available, or internal credit ratings based on quantitative or qualitative information for the counterparty. Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group’s and the Corporation’s historical experience.

The Group assessed ECL for trade receivables based on two different approaches, namely collective assessment and individual debtor assessment.

(i) Collective approach

To measure the expected credit losses under the collective approach, trade receivables have been grouped based on shared credit risk characteristics and number of days past due. The expected loss rates are developed based on the historical credit losses rate. The historical loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group has identified actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor’s ability to meet its obligation to be the most relevant factors, and accordingly adjust the historical loss rates based on expected changes in these factors.

(ii) Individual debtor assessment

The Group applies individual debtor assessment for debtors with different risk characteristics, where the credit risk information of these debtors is obtained and monitored individually.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (continued)

The ageing analysis of trade receivables at the end of the reporting date is as follows:

	Gross amount RM'000	Individual impairment RM'000	Collective impairment RM'000	Net amount RM'000
Group				
2019				
Not past due	**2,990,954**	**-**	**(6,910)**	**2,984,044**
Past due 1 – 30 days	**426,445**	**(764)**	**(2,647)**	**423,034**
Past due 31 – 90 days	**503,296**	**(811)**	**(4,160)**	**498,325**
Past due more than 90 days	**204,118**	**(51,402)**	**(3,176)**	**149,540**
	4,124,813	**(52,977)**	**(16,893)**	**4,054,943**
2018				
Not past due	2,727,916	-	(6,004)	2,721,912
Past due 1 – 30 days	492,360	(278)	(3,479)	488,603
Past due 31 – 90 days	385,042	(871)	(3,863)	380,308
Past due more than 90 days	196,016	(36,195)	(3,228)	156,593
	3,801,334	(37,344)	(16,574)	3,747,416

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 RM5,933,730,000 (2018: RM4,994,474,000) 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.

42. 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 or loss would have increased/(decreased) by RM5,591,000 (2018: RM5,746,000) arising as a result of changes in the fair value of the financial assets classified as fair value through profit or loss.

43. 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 gearing ratio that complies with the requirements of debt covenants.

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	
	2019 RM'000	**2018 RM'000**
Borrowings (Note 23)	**6,381,186**	5,428,983
Money market deposits (Note 18)	**(1,217,369)**	(1,026,716)
Cash and bank balances (Note 19)	**(1,090,193)**	(613,632)
Net borrowings	**4,073,624**	3,788,635
Total equity excluding intangible assets	**8,575,053**	8,243,896
Net debt-to-equity ratio (times)	**0.48**	0.46

44. 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.

		Group		Company	
Related parties	**Transactions**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Directors of the Company:					
Datuk Edward Lee Ming Foo, JP	Rental expenses	(82)	(106)	-	-
Datuk Simon Shim Kong Yip, JP	Sale of property under development	977	245	-	-
Directors of subsidiaries:					
Au Siew Loon	Sale of property under development	148	59	-	-
Firm connected to Datuk Edward Lee Ming Foo, JP, a director of the Company:					
Corporated International Consultants	Project consultancy fee payable	(5,332)	(4,730)	-	-
Firm in which Datuk Simon Shim Kong Yip, JP, a director of the Company, has interest:					
Shim Pang & Co	Legal fees	(798)	(1,225)	-	(215)
	Servicing of motor vehicles	12	16	-	-

44. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company^	Advisory fees	(4,340)	(3,950)	(4,340)	(3,950)
Foundation in which Datuk Edward Lee Ming Foo, JP, a director of the Company is also a trustee of the foundation:					
Lau Gek Poh Foundation#	Donation	(1,230)	(400)	(1,230)	(400)
Companies connected to Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company:					
Samling Strategic Corporation Sdn Bhd Group	Sale of products	30,172	25,399	-	-

^ *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.

44. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

		Group		Company	
Related parties	**Transactions**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Companies connected to Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company:					
Lei Shing Hong Limited Group	Disposal of 100% equity interest in subsidiaries	**728,764**	780,793	**-**	-
	Disposal of 20% equity interest in a subsidiary	**-**	906,000	**-**	906,000
	Dividend paid	**(14,630)**	-	**-**	-
	Sale of products	**62,930**	48,770	**-**	-
	Management fees	**-**	512	**-**	-
	Sale of used motor vehicles	**1,303**	4,523	**-**	-
	Administration fees	**129**	129	**-**	-
	Rental income	**1,115**	1,618	**-**	-
	Utilities and maintenance charges	**7**	7	**-**	-
	Purchase of products	**(67,141)**	(10,862)	**-**	(2)
	Rental expenses	**(18,039)**	(17,522)	**-**	-
	Administrative charges	**(127)**	(134)	**-**	-
	Interest expense	**(2,765)**	(3,471)	**-**	-
	Disposal of lands	**27,142**	114,354	**-**	-
	Rescindment of MMSB SPA and Lease Agreement	**(96,977)**	-	**-**	-
	Utility charges	**(95)**	(38)	**-**	-
	Transportation charges	**-**	(62)	**-**	-
	Project management, marketing and construction services	**338,019**	64,177	**-**	-
	Dealer's system charges	**584**	-	**-**	-
	Technical plan charges	**8**	-	**-**	-
	Wholesale target incentive	**(121)**	-	**-**	-
	Quarry tribute	**(740)**	(1,079)	**-**	-

44. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

		Group		Company	
Related parties	Transactions	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Company in which Tong Chin Hen, a director of a subsidiary, has interest:					
Imaspro Resources Sdn Bhd	Purchase of products	**-**	(37)	**-**	-
Company in which Eugene Lee Chin Jin, a director of a subsidiary, has interest:					
Noble One Rhythm Sdn Bhd	Construction of property sales gallery	**-**	(281)	**-**	-
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	Rental income	**180**	179	**-**	-
	Sale of products	**478**	440	**-**	-
	Insurance premium *	**(16,282)**	(13,964)	**(169)**	(115)
	Utilities and maintenance charges	**11**	12	**-**	-
	Handling charges	**(1,303)**	(1,150)	**-**	-
	Handling fees	**1,629**	1,425	**-**	-

* *This relates to insurance premiums paid/payable via a related company acting as an insurance agent.*

44. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

		Group		Company	
Related parties	**Transactions**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Associates	Sale of products	**339**	326	**-**	-
	Interest income	**184**	135	**-**	-
	Dividend income	**-**	-	**5,737**	3,770
Joint ventures	Sale of products	**3,799**	1,545	**-**	-
	Rental income	**1,310**	1,400	**-**	-
	Receiving of services	**(4,323)**	(3,888)	**-**	-
	Interest income	**92**	-	**-**	-
	Administration fee	**694**	-	**-**	-
	Purchase of products	**(6,581)**	-	**-**	-
Subsidiaries	Servicing of motor vehicles	**-**	-	**(116)**	(162)
	Rental expenses	**-**	-	**(28)**	(23)
	Management fees	**-**	-	**(137)**	(171)
	Car usage	**-**	-	**(1,095)**	(1,039)
	Purchase of products	**-**	-	**-**	(779)
	Interest expense	**-**	-	**(9,496)**	(8,766)
	Interest income	**-**	-	**-**	3,780
	Dividend income	**-**	-	**1,165,326**	920,138

Compensation to key management personnel is as disclosed in Note 33.

44. RELATED PARTIES (CONTINUED)

(b) Balances with related parties

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amount due from/(to)				
Corporated International Consultants	**(343)**	(404)	**-**	-
Shim Pang & Co	**(45)**	(7)	**-**	-
Samling Strategic Corporation Sdn Bhd Group	**12,572**	11,316	**-**	-
Lei Shing Hong Limited Group	**7,865**	20,902	**-**	-
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	**1,070**	774	**-**	-
Directors of the Company	**-**	242	**-**	-
Joint ventures	**753**	(133)	**-**	-
Subsidiaries	**-**	-	**(932)**	(779)

The above balances arose from recurrent related party transactions of revenue or trading nature.

45. SIGNIFICANT EVENTS DURING THE YEAR

(a) On 30 January 2019, *Malaysian Mosaics Sdn Bhd acquired the entire issued share capital of Sino Ceramics Sdn Bhd (*formerly known as MMSB2 Factory Sdn Bhd*) ["Sino"] comprising 1 ordinary share at a cash consideration of RM1.00. Sino is a private limited company incorporated in Malaysia and is principally involved in the manufacture and sale of porcelain and ceramic tiles. On 29 April 2019, Sino had issued and allotted 9,999,999 ordinary shares at an issue price of RM1.00 per share for cash as capital of Sino to the following allottees:

Name of Allottees	No. of ordinary shares	Consideration (RM)
Kito Trading Sdn Bhd	5,300,000	5,300,000.00
Yi Bo	1,400,000	1,400,000.00
Lin Qingyang	1,400,000	1,400,000.00
Malaysian Mosaics Sdn Bhd	1,899,999	1,899,999.00

With the aforesaid allotment, Sino has become a 19% joint venture of the Company.

(b) On 7 February 2019, *HSC Melbourne Pty Ltd ["HMPL"] had been successfully deregistered from Australian Securities & Investments Commission. HMPL was incorporated in Australia on 28 August 2017 as a private limited company. Prior to the deregistration, HMPL had an issued and paid-up share capital of AUD100.00 comprising 100 ordinary shares and was dormant.

(c) On 7 February 2019, *HSC Brisbane Pty Ltd ["HBPL"] had been successfully deregistered from Australian Securities & Investments Commission. HBPL was incorporated in Australia on 28 August 2017 as a private limited company. Prior to the deregistration, HBPL had an issued and paid-up share capital of AUD100.00 comprising 100 ordinary shares and was dormant.

(d) As part of the Group's re-organisation, *Sunrise Addition Sdn Bhd had on 15 March 2019 transferred 20,000 ordinary shares representing the entire issued share capital of *Hap Seng Trucks Sdn Bhd (*formerly known as Super8 Capital Sdn Bhd*) ["HST"] to *Hap Seng Auto Sdn Bhd for a cash consideration of RM14,618.00. HST is a private limited company incorporated in Malaysia and is principally involved in dealing in commercial vehicles, spare parts and servicing of commercial vehicles.

(e) On 13 June 2019 ["said date"], *Hap Seng Properties Development Sdn Bhd ["HSPD"], a wholly-owned subsidiary of the Company, was the registered owner of all that parcel of vacant leasehold land held under CL 105241245 measuring approximately 20.77 acres situated at Mukim of Tinagat, located within the Bandar Sri Indah development at Mile 10, Apas Road, District of Tawau, State of Sabah [the "said Land"] entered into a sale and purchase agreement to dispose the said Land, to Goldcoin Ventures Sdn Bhd, the wholly-owned subsidiary of Akal Megah Sdn Bhd ["Akal Megah"] which in turn was wholly-owned by Lei Shing Hong Limited ["LSH"], for a cash consideration of RM27,142,000 ["Proposed HSPD Disposal"].

45. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(e) (continued)

The Proposed HSPD Disposal was deemed a related party transaction. As at the said date, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was deemed to have a 50.10% shareholding in LSH comprising 37.68% shareholding held via Lead Star Business Limited and 12.42% shareholding held via Gek Poh (Holdings) Sdn Bhd ["Gek Poh"] and was a 56.00% major shareholder and director of Gek Poh.

As at said date, Gek Poh's aggregate shareholding in the Company was 60.83%, comprising 54.63% direct shareholding and 6.20% indirect shareholding through Hap Seng Insurance Services Sdn Bhd ["HSIS"], a wholly-owned subsidiary of Gek Poh. In addition, Lei Shing Hong Investment Limited ["LSHI"], a company incorporated in Hong Kong and a wholly-owned subsidiary of Lei Shing Hong Capital Limited ["LSHCL"] which in turn is the wholly-owned subsidiary of LSH, was a 13.08% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI were deemed interested in the Proposed HSPD Disposal.

As at said date, Datuk Edward Lee Ming Foo was the managing director of both the Company and Gek Poh. Mr Lee Wee Yong was an executive director of the Company and a director of Gek Poh, which held 12.42% equity interest in LSH and therefore a major shareholder of LSH. Premised on the aforesaid, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong were deemed interested in the Proposed HSPD Disposal.

As at said date, Datuk Simon Shim Kong Yip was a non-independent non-executive director of the Company and a non-executive director of LSH and a director of Akal Megah. Premised on Datuk Simon Shim Kong Yip's common directorship in the Company, LSH and Akal Megah, he was interested in the Proposed HSPD Disposal.

The Proposed HSPD Disposal was completed on 25 June 2019 with the full purchase consideration paid by the purchaser and resulted in a net gain of approximately RM20.27 million to the Group.

(f) On 23 July 2019 ["said date"], *HSC Melbourne Holding Pte Ltd ["HSC Melbourne"] entered into a shares sale agreement with Lei Shing Hong Capital Limited ["LSHCL"], a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], pursuant to which HSC Melbourne had agreed to dispose 80,000,100 ordinary shares representing 100% of the issued share capital of HS Credit (Melbourne) Pty Ltd (*now known as LSH Credit (Melbourne) Pty Ltd*) ["HCMPL"] for a cash consideration of USD175.50 million (translated to RM721.74 million based on the Bank Negara Malaysia's middle exchange rate as at 5.00 p.m. on 22 July 2019 rate of USD1.00: RM 4.1125) ["Sale Consideration" and "Proposed HCMPL Disposal"].

The Proposed HCMPL Disposal was deemed a related party transaction. As at the said date, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was deemed to have a 50.10% shareholding in LSH comprising 37.68% shareholding held via Lead Star Business Limited and 12.42% shareholding held via Gek Poh (Holdings) Sdn Bhd ["Gek Poh"] and was a 56.00% major shareholder and director of Gek Poh.

45. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(f) (continued)

As at said date, Gek Poh's aggregate shareholdings in the Company was 60.83%, comprising 54.63% direct shareholding and 6.20% indirect shareholding through Hap Seng Insurance Services Sdn Bhd ["HSIS"], a wholly-owned subsidiary of Gek Poh. In addition, Lei Shing Hong Investment Limited ["LSHI"], a company incorporated in Hong Kong and a wholly-owned subsidiary of LSHCL which in turn is the wholly-owned subsidiary of LSH, was a 13.08% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI were deemed interested in the Proposed HCMPL Disposal.

As at said date, Datuk Edward Lee Ming Foo was the managing director of both the Company and Gek Poh. Mr Lee Wee Yong was an executive director of the Company and a director of Gek Poh, which held 12.42% equity interest in LSH and therefore a major shareholder of LSH. Premised on the aforesaid, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong were deemed interested in the Proposed HCMPL Disposal.

As at said date, Datuk Simon Shim Kong Yip was a non-independent non-executive director of the Company and a non-executive director of LSH. Premised on Datuk Simon Shim Kong Yip's common directorship in the Company and LSH, he was interested in the Proposed HCMPL Disposal.

The interested or deemed interested directors and shareholders had abstained from voting and that they had ensured that persons connected to them have abstained from voting in respect of their direct and/or indirect shareholdings on the resolution in relation to the Proposed HCMPL Disposal during the extraordinary general meeting of the Company held on 8 November 2019 ["EGM"], during which shareholders' approval was obtained in respect of the Proposed HCMPL Disposal. On 13 November 2019, HSC Melbourne had received the balance sum of USD157.95 million representing 90% of the Sales Consideration from LSHCL with which the Proposed HCMPL Disposal was completed on even date.

The Proposed HCMPL Disposal resulted in a gain of approximately RM472.03 million to the Group.

(g) On 17 October 2019, *Hap Seng Land Development Sdn Bhd ["HSLD"] incorporated a wholly-owned subsidiary namely, Sierra Ventures Sdn Bhd ["Sierra"]. Sierra has an issued share capital of RM1.00 comprising 1 ordinary share and to carry out food and beverage business.

(h) On 25 October 2019, *HSC International Limited incorporated a wholly-owned subsidiary in Singapore namely, HSC Manchester Holding Pte Ltd ["HSC Manchester"]. HSC Manchester has an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share and is currently dormant.

45. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(i) As part of the Group's re-organisation, *HSC Manchester Holding Limited had on 31 October 2019 transferred 1 ordinary share representing the entire issued and paid-up share capital of *HS Credit (Manchester) Ltd ["HCML"] to *HSC Manchester Holding Pte Ltd for a cash consideration of GBP1.00. HCML is a private limited company incorporated in United Kingdom and is currently dormant.

(j) On 23 October 2017, Malaysian Mosaics Sdn Bhd ["MMSB"], a wholly-owned subsidiary of the Company, the registered and beneficial owner of all that parcel of 60-year leasehold land which lease is due to expire on 3 April 2060 (with an unexpired term of 43 years) with a provisional titled land area of approximately 12.1406 hectares and actual surveyed area of 12.06 hectares held under H.S.(D) 43799, Lot No. PTD 53638 (New Lot No. 44876), Mukim and District of Kluang, State of Johor Darul Ta'zim [the "Kluang Land"] entered into a sale and purchase agreement ["MMSB SPA"] to dispose of the Kluang Land together with various buildings for the production and manufacturing of floor and wall tiles [the "MMSB Buildings"] erected thereon [the "Kluang Land" and the "MMSB Buildings" are collectively referred to as the "said Property"] to Byorion Sdn Bhd ["Byorion"], a wholly-owned subsidiary of Akal Megah Sdn Bhd which in turn is wholly-owned by Lei Shing Hong Limited, for a cash consideration of RM97.5 million ["MMSB Disposal"].

Simultaneous with the execution of MMSB SPA, MMSB entered into a lease agreement with Byorion ["Lease Agreement"] whereby MMSB as the lessee shall lease back from Byorion as the lessor, the said Property for an initial period of 10 years ["Initial Period"] at a monthly rental of RM337,949.00 with an option to renew for a further term of 10 years subject to the terms contained therein which Initial Period shall commence upon completion of the MMSB SPA ["Leaseback"].

The MMSB SPA was completed on 25 October 2017 with the full purchase consideration paid by Byorion and accordingly, the Leaseback has become effective on the same day.

On 15 November 2019, MMSB and Byorion had entered into a deed of rescission and revocation mutually agreeing to rescind MMSB SPA and the Lease Agreement upon the terms and conditions contained therein due to the inability of Byorion to register the transfer in its favour.

* *These are the Company's wholly-owned subsidiaries.*

46. SUBSEQUENT EVENTS

(a) On 15 January 2020, Sierra had issued and allotted 44,999 ordinary shares at an issue price of RM1.00 per share for cash as capital of Sierra to the following allottees:-

Name of Allottees	No. of ordinary shares	Consideration (RM)
HSLD	35,999	35,999.00
Trip Dynasty Sdn Bhd	9,000	9,000.00

With the aforesaid allotment, Sierra has become a 80%-owned subsidiary of the Company.

(b) On 22 January 2020, *Hap Seng Auto Sdn Bhd incorporated a wholly-owned subsidiary namely, Hap Seng Body & Paint Sdn Bhd (*formerly known as Empire Translink Sdn Bhd*) ["HSBP"]. HSBP has an issued share capital of RM1.00 comprising 1 ordinary share and is currently dormant.

(c) On 11 February 2020, *HSC International Limited incorporated four wholly-owned subsidiaries in Singapore namely, HSC London Holding Pte Ltd, HSC Leeds Holding Pte Ltd, HSC Bristol Holding Pte Ltd and HSC Nottingham Holding Pte Ltd. All the subsidiaries have an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share and are principally involved in investment holding.

(d) On 26 February 2020, *HSC London Holding Pte Ltd incorporated a wholly-owned subsidiary in United Kingdom namely, HS Credit (London) Ltd ["HC London"]. HC London has an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share and is currently dormant.

(e) On 26 February 2020, *HSC Leeds Holding Pte Ltd incorporated a wholly-owned subsidiary in United Kingdom namely, HS Credit (Leeds) Ltd ["HC Leeds"]. HC Leeds has an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share and is currently dormant.

(f) On 26 February 2020, *HSC Bristol Holding Pte Ltd incorporated a wholly-owned subsidiary in United Kingdom namely, HS Credit (Bristol) Ltd ["HC Bristol"]. HC Bristol has an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share and is currently dormant.

(g) On 26 February 2020, *HSC Nottingham Holding Pte Ltd incorporated a wholly-owned subsidiary in United Kingdom namely, HS Credit (Nottingham) Ltd ["HC Nottingham"]. HC Nottingham has an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share and is currently dormant.

(h) On 5 March 2020, *Hap Seng Realty Sdn Bhd incorporated a wholly-owned subsidiary namely, Prosperity Sunland Sdn Bhd ["Prosperity Sunland"]. Prosperity Sunland has an issued share capital of RM1.00 comprising 1 ordinary share and is principally involved in property investment.

(i) On 12 March 2020, *Hap Seng Land Development (Balakong) Sdn Bhd incorporated a wholly-owned subsidiary namely, Sunrise Strategy Sdn Bhd ["Sunrise Strategy"]. Sunrise Strategy has an issued share capital of RM1.00 comprising 1 ordinary share and is currently dormant.

* *These are the Company's wholly-owned subsidiaries*

46. SUBSEQUENT EVENTS (CONTINUED)

(j) The Covid-19 pandemic has disrupted economic activities across most global economies. The widespread containment measures globally, international border closures and the unprecedented lockdowns in many countries have weaken external demand and caused disruptions to supply chain networks. The weakened demand has negatively affected global oil prices and commodity prices too.

The Malaysian economy was also not spared. The Movement Control Order ["MCO"], though necessary to curb the virus outbreak, had constrained production capacities and reduced general demand. This was however mitigated by the various economics stimulus packages announced by the Malaysian government to support the economy. With more businesses allowed to operate under the Conditional MCO, economic activity is expected to gradually improve. The reduction of the Overnight Policy Rate ["OPR"] by 50 basis points by Bank Negara on 5 May 2020 coupled with an earlier OPR reduction of a total of 50 basis points in the first quarter of the year will lend further support to the improvement in the Malaysian economy.

The Group considers this outbreak to be a non-adjusting post balance sheet event as it was not a condition that existed as at the reporting date. Accordingly, it does not have an impact on the balances reported for the financial year ended 31 December 2019.

As at the date of these financial statements, the Group is focusing on re-commencing full operations on all affected business divisions. The Group is constantly engaging with its customers and suppliers alike. This will allow the Group to catch up on fulfilling its existing performance obligations and accordingly, recognise revenue that would have been included during the MCO.

The Group is still in the process of assessing the financial impact of the Covid-19 pandemic to the Group's performance with which the Group is unable to provide any estimate thereof as at the date of this report.

47. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

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

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

(a) On 8 June 2018, HSC International Limited, a wholly-owned subsidiary of the Company completed the disposal of its 100% equity interest in HSC Sydney Holding Limited *(now known as LSHC Sydney Holding Limited)* comprising 60,495,001 ordinary shares to Lei Shing Hong Capital Limited ["LSHCL"], a wholly-owned subsidiary of Lei Shing Hong Limited for a cash consideration of USD196.5 million which is equivalent to RM780.8 million ["HSH Disposal"].

The status of the utilisation of proceeds from the HSH Disposal as at 31 December 2019 was as follows:

	Proposed utilisation		**As at 31 December 2019**		**Deviation**
	Per *Circular	****Adjusted**	**Utilisation**	**Balance Unutilised**	**under/(over) spent**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Repayment of borrowings	250,000	250,000	250,000	- #	-
Working capital requirements:					
(i) Part finance the cost of property developments in Klang Valley					
(a) Jalan Kia Peng Service Apartment	100,000	100,000	39,436	60,564 #	-
(b) Menara Hap Seng 3	200,000	200,000	193,846	6,154 #	-
	300,000	300,000	233,282	66,718	-
(ii) Purchase of inventories					
(a) automobile	20,664	30,293	31,884	-	(1,591)
(b) fertilizers	30,000	30,000	30,000	-	-
(c) building materials such as steel bars, wire mesh and cement	30,000	30,000	30,000	-	-
	80,664	90,293	91,884	-	(1,591)
	380,664	390,293	325,166	66,718	(1,591)
Investments purposes	140,000	140,000	138,326	-	1,674 @
Payment of fees and expenses for HSH Disposal	500	500	583	-	(83) @
	771,164	**780,793**	**714,075**	**66,718**	**-**

* *Circular to Shareholders dated 16 May 2018.*

** *The proposed utilisation was adjusted to reflect the actual proceeds in RM based on the actual foreign exchange rate at completion date. This resulted in additional proceeds of RM9.629 million which was allocated to the proposed utilisation for the working capital requirement under item (ii)(a).*

\# *The intended timeframe for utilisation is within 24 months from completion.*

@ *The net under spent of RM1.591 million has been utilised for working capital requirement under item (ii)(a).*

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS (CONTINUED)

(b) On 8 June 2018, the Company completed the disposal of its 20% equity interest in Hap Seng Credit Sdn Bhd ["HSCSB"] comprising 266,000,000 ordinary shares to LSHCL for a cash consideration of RM906 million ["HSCSB Disposal"].

The status of the utilisation of proceeds from HSCSB Disposal as at 31 December 2019 was as follows:

		As at 31 December 2019		Deviation
	Proposed Utilisation	Utilisation	Balance Unutilised	under/(over) spent
	RM'000	RM'000	RM'000	RM'000
Working capital requirements:				
Loan disbursements of HSCSB's credit financing division to the following sectors				
(a) Real Estate	350,000	-	350,000 #	-
(b) Manufacturing	170,000	-	170,000 #	-
(c) Transportation	170,000	-	170,000 #	-
(d) Construction	120,000	-	120,000 #	-
(e) General commerce	95,500	-	95,417 #	-
	905,500	-	905,417	-
Payment of fees and expenses for HSCSB Disposal	500	583	-	(83)@
	906,000	**583**	**905,417**	**(83)**

\# *As set out in the Circular to Shareholders dated 16 May 2018, the intended timeframe for utilisation is within 24 months from completion, i.e. by 8 June 2020 ["Circular Expiry Date"]. On 13 May 2020, the board of directors resolved to extend the Circular Expiry Date by 18 months to enable the Company to better assess the Covid-19 pandemic impact to HSCSB and its credit financing activities.*

@ *The over spent of RM83,000 was set-off against the balance unutilised for working capital requirement under item (e).*

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS (CONTINUED)

(c) On 13 November 2019, HSC Melbourne Holding Pte Ltd, an indirect wholly-owned subsidiary of the Company completed the disposal of its 100% equity interest in HS Credit (Melbourne) Pty Ltd (*now known as LSH Credit (Melbourne) Pty Ltd*) comprising 80,000,100 ordinary shares to LSHCL, for a cash consideration of USD175.5 million which is equivalent to RM728.8 million ["HCMPL Disposal"].

The status of the utilisation of proceeds from the HCMPL Disposal as at 31 December 2019 was as follows:

	Proposed utilisation		As at 31 December 2019			Deviation
	Per *Circular	**Adjusted	Utilisation	Balance Unutilised		under/(over) spent
	RM'000	RM'000	RM'000	RM'000		RM'000
Repayment of borrowings	500,000	500,000	170,000	330,000	#	-
Working capital requirements:						
(i) Property development and property investment costs *Part finance the KL Midtown mixed development and the construction of Hyatt Centric Kota Kinabalu hotel*	125,000	125,000	93,303	31,697	#	-
(ii) Purchase of inventories						
(a) fertilizers	40,000	40,000	6,900	33,100	#	-
(b) automobiles	26,044	33,064	33,148	-	#	(84)
(c) building materials such as steel bars, wire mesh and cement	30,000	30,000	5,000	25,000	#	-
	96,044	103,064	45,048	58,100		(84)
	221,044	228,064	138,351	89,797		(84)
Payment of fees and expenses for HCMPL Disposal	700	700	616	-		84 @
	721,744	**728,764**	**308,967**	**419,797**		**-**

* *Circular to Shareholders dated 22 October 2019.*

** *The proposed utilisation was adjusted to reflect the actual proceeds in RM based on the foreign exchange rate at completion date. This resulted in additional proceeds of RM7.020 million which was allocated to the proposed utilisation for the working capital requirement under item (ii)(b).*

\# *The intended timeframe for utilisation is within 24 months from completion.*

@ *The under spent of RM84,000 has been utilised for working capital requirement under item (ii)(b).*

2. 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 2019 was RM467,000 as disclosed in Note 31 to the Financial Statements.

3. MATERIAL CONTRACTS

Information regarding material contracts of the Company and its subsidiaries involving directors' and major shareholders' interest are disclosed in Note 45(e), (f) and (j) to the Financial Statements.

Other than those disclosed in Note 45(e), (f) and (j) there were no other material contracts of the Company and its subsidiaries involving the interests of the directors, chief executive who is not a director or major shareholders, subsisting as at 31 December 2019, and/or entered into since 31 December 2018.

4. RECURRENT RELATED PARTY TRASACTIONS

Pursuant to Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the recurrent related party transactions of a revenue or trading in nature which were entered into by the Company and its subsidiaries with the related parties during the financial year ended 31 December 2019 are as disclosed in Note 44 to the Financial Statements.

The Company will be seeking new or renewed shareholders' mandate for recurrent related party transactions at the annual general meeting to be convened on 2 July 2020.

PARTICULARS OF TOP TEN PROPERTIES OF THE GROUP

Location	Area	Description	Date of acquisition/ revaluation	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2019 RM'000
MALAYSIA							
KUALA LUMPUR							
PN52352, Lot 80928, Mukim Batu, Kuala Lumpur.	36,220 m^2	Land held for development	December 2018	Leasehold 99 years	2109	-	615,305
Lot 11383, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur.	4,376 m^2	Menara Hap Seng 2 31-storey office building for rental	December 2019	Freehold	-	6	379,018
Lot PT 118, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur	2,728 m^2	Menara Hap Seng 3 26-storey office building for rental	December 2019	Freehold	-	-	352,317
Lot 593 & 594, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur.	7,436 m^2	Menara Hap Seng 22-storey office building for rental	December 2019	Freehold	-	47	281,804
SELANGOR							
PT 8417, Pekan Kinrara, District of Petaling, Selangor.	30,255 m^2	2-storey Mercedes-Benz 3S centre and two adjoining blocks of 5 and 6 storey building for rental	November 2019	Freehold	-	4 - 13	217,491
SABAH							
KOTA KINABALU							
29, Jalan Tunku Abdul Rahman, Kota Kinabalu.	8,741 m^2	Plaza Shell, 14-storey office building for rental	December 2019	Leasehold 99 years	2073	5	339,919
Mile 13, Jalan Tuaran, Menggatal, Kota Kinabalu	621,409 m^2	Land held for development	July 2019	Leasehold 999 years	2905	-	248,649

Location	Area	Description	Date of acquisition/ revaluation	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2019 RM'000
MALAYSIA							
SABAH							
KINABATANGAN, LAHAD DATU							
Tomanggong Estate	4,890 ha	Oil palm plantation and buildings Tomanggong Palm Oil Mill	January 2017	Leasehold 99 years/ 999 years	2067/2094/ 2894	1 - 51	864,708
Tabin Estate	3,055 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2067/2076/ 2093/2096/ 2097/2098	1 - 34	
Tagas Estate	2,010 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2067/2076	1 - 43	
Litang Estate	1,571 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years/ 999 years	2076/2091/ 2887/2900	1 - 34	
Sungai Segama Estate	5,174 ha	Oil palm plantation and buildings Plantation Central Office and Clubhouse	January 2017	Leasehold 99 years	2089	1 - 24	
Bukit Mas Estate	4,733 ha	Oil palm plantation and buildings Bukit Mas Palm Oil Mill	January 2017	Leasehold 99 years/ 999 years	2089/2887	1 - 24	

PARTICULARS OF TOP TEN PROPERTIES OF THE GROUP

Location	Area	Description	Date of acquisition/ revaluation	Tenure	Year of expiry	Approximate age of buildings (years)	Carrying amount at 31/12/2019 RM'000
MALAYSIA							
SABAH							
KINABATANGAN, LAHAD DATU (CONTINUED)							
Batangan Estate	3,633 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	1 - 37	
Lutong Estate	2,448 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078/2098/ 2099	4 - 28	
Lokan Estate	3,155 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	4 - 23	575,243
Kapis Estate	2,681 ha	Oil palm plantation and buildings Jeroco Palm Oil Mill I and II	January 2017	Leasehold 99 years	2078	1 - 33	
Lungmanis Estate	2,200 ha	Oil palm plantation and buildings	January 2017	Leasehold 99 years	2078	4 - 22	
SINGAPORE							
18, Sungei Kadut Street 2, Singapore, 729236	9,920 m^2	7-storey industrial building	February 2015	Leasehold 34 years	2043	4	166,625

PLANTATION STATISTICS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2015	2016	2017	2018	2019
CROP PRODUCTION - TONNES					
FFB	709,984	662,774	655,957	657,259	**675,587**
PROCESSED - TONNES					
FFB - own	667,504	643,731	640,507	640,737	**659,427**
FFB - purchased	107,829	91,707	85,006	80,746	**66,356**
Palm Oil	170,546	154,682	150,695	148,651	**152,017**
Palm Kernel	38,087	35,872	35,183	34,802	**35,402**
EXTRACTION RATE - %					
Palm Oil	22.00	21.03	20.77	20.60	**20.95**
Palm Kernel	4.91	4.88	4.85	4.82	**4.88**
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	5,599	5,626	5,615	4,491	**4,340**
> 7 years to 17 years	8,480	7,246	6,839	8,522	**9,794**
> 17 years onwards	18,361	19,502	19,569	19,125	**18,324**
Total mature area	32,440	32,374	32,023	32,138	**32,458**
AVERAGE YIELD - TONNES/ HECTARE					
FFB yield per mature hectare	21.89	20.47	20.48	20.45	**20.81**
Oil per mature hectare	4.81	4.31	4.25	4.21	**4.36**
AVERAGE SELLING PRICE (Ex-Sandakan)					
RM/TONNE					
FFB	433	521	536	396	**371**
Palm Oil	2,168	2,643	2,885	2,300	**2,143**
Palm Kernel	1,600	2,564	2,560	1,825	**1,311**

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2019

	River Estates Group	Jeroco	* HSP (Kota Marudu)	Pelipikan Plantation	Total Plantation Division
Oil Palm					
Mature	19,325	11,645	585	903	32,458
Immature	2,422	1,077	-	-	3,499
Total Oil Palm	21,747	12,722	585	903	35,957
Other crop	60	86	-	-	146
Total planted area	21,807	12,808	585	903	36,103
Reserves	27	5	81	-	113
Buildings, roads etc	2,155	1,304	142	462	4,063
Grand Total	**23,989**	**14,117**	**808**	**1,365**	**40,279**

Conversion Rate : 1 Hectare = 2.4710 acres

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

Total number of issued shares	:	2,489,681,583
Class of shares	:	ordinary share
Voting rights	:	one vote per ordinary share
Number of shareholders	:	8,791

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Shares
1 to 99	431	4.90	7,182	#
100 to 1,000	1,711	19.46	1,114,403	0.04
1,001 to 10,000	4,062	46.21	19,026,781	0.76
10,001 to 100,000	2,187	24.88	66,885,724	2.69
100,001 to less than 5% of issued shares	397	4.52	365,354,231	14.68
5% & above of issued shares	3	0.03	2,037,281,262	81.83
Total	**8,791**	**100.00**	**2,489,669,583**	**100.00**

* *The number of 2,489,669,583 ordinary shares which was arrived at after deducting 12,000 treasury shares held by the Company from its issued shares of 2,489,681,583 ordinary shares.*

\# *Negligible*

LIST OF 30 LARGEST SHAREHOLDERS

		Shareholding	%[3]
1.	Gek Poh (Holdings) Sdn Bhd	1,360,094,542	54.63
2.	Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients Account)	522,822,140	21.00
3.	Hap Seng Insurance Services Sdn Bhd	154,364,580	6.20
4.	Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Phillip Securities (Hong Kong) Ltd (Clients' Account)	102,400,500	4.11
5.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West CLT OD67)	17,862,000	0.72
6.	Chinchoo Investment Sdn. Berhad	13,578,380	0.55
7.	Gan Teng Siew Realty Sdn. Berhad	12,308,600	0.49
8.	Key Development Sdn. Berhad	11,008,800	0.44
9.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	9,128,281	0.37
10.	Mikdavid Sdn Bhd	8,320,600	0.33
11.	H'ng Poh Gin	7,560,800	0.30
12.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	7,542,400	0.30

		Shareholding	%[3]
13.	Citigroup Nominees (Asing) Sdn Bhd	5,996,740	0.24
	- CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc		
14.	Cartaban Nominees (Asing) Sdn Bhd	4,579,900	0.18
	- GIC Private Limited for Government of Singapore (C)		
15.	DB (Malaysia) Nominee (Asing) Sdn Bhd	4,157,400	0.17
	- BNYM SA/NV for People's Bank of China (SICL Asia EM)		
16.	Rengo Malay Estate Sendirian Berhad	4,032,000	0.16
17.	Bidor Tahan Estates Sdn. Bhd.	3,780,000	0.15
18.	HSBC Nominees (Asing) Sdn Bhd	3,091,000	0.12
	- JPMCB NA for MSCI Equity Index Fund B - Malaysia		
19.	Citigroup Nominees (Asing) Sdn Bhd	2,707,582	0.11
	- CBNY for Dimensional Emerging Markets Value Fund		
20.	HSBC Nominees (Asing) Sdn Bhd	2,696,200	0.11
	- J.P. Morgan Securities PLC		
21.	HSBC Nominees (Asing) Sdn Bhd	2,347,400	0.09
	- JPMCB NA for Blackrock Institutional Trust Company, N.A. Investment Funds for Employee Benefit Trusts		
22.	Gemas Bahru Estates Sdn. Bhd.	2,243,000	0.09
23.	Citigroup Nominees (Asing) Sdn Bhd	2,120,841	0.09
	- Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)		
24.	Chinchoo Holdings (S) Private Limited	2,041,200	0.08
25.	HSBC Nominees (Asing) Sdn Bhd	1,809,862	0.07
	- JPMCB NA for Government Pension Investment Fund (MTBJ-400045794)		
26.	Citigroup Nominees (Asing) Sdn Bhd	1,787,065	0.07
	- UBS AG		
27.	Cartaban Nominees (Asing) Sdn Bhd	1,711,500	0.07
	- State Street London Fund OD75 for Ishares Public Limited Company		
28.	HSBC Nominees (Asing) Sdn Bhd	1,675,500	0.07
	- HSBC BK PLC for Abu Dhabi Investment Authority (INSEA)		
29.	Cartaban Nominees (Asing) Sdn Bhd	1,656,700	0.07
	- BBH Co Boston for Fidelity Salem Street Trust - Fidelity SAI Emerging Markets Low Volatility Index Fund		
30.	Cartaban Nominees (Asing) Sdn Bhd	1,560,800	0.06
	- SSBT Fund ZVMY for State Street MSCI Malaysia Index Non-Lending Common Trust Fund		
Total		**2,276,986,313**	**91.44**

SUBSTANTIAL SHAREHOLDERS

	Shareholding			
	Direct	%[3]	Indirect	%[3]
Gek Poh (Holdings) Sdn Bhd	1,360,094,542	54.63	154,364,580[1]	6.20
Hap Seng Insurance Services Sdn Bhd (Hap Seng Insurance)	154,364,580	6.20	-	-
Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients A/C for Lei Shing Hong Investment Limited)	325,675,660	13.08	-	-
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	1,840,134,782[2]	73.91

Notes:

(1) *Deemed interests through its wholly-owned subsidiary, Hap Seng Insurance, pursuant to section 8 of the Companies Act 2016 (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 8 of the Act.*

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

DIRECTORS' SHAREHOLDINGS

AS AT 30 APRIL 2020

Related Corporation	Direct Shareholding No. of Shares	%[1]	Indirect Shareholding No. of Shares	%[1]
Hap Seng Plantations Holdings Berhad (HSP)				
Ms. Cheah Yee Leng	41,200	0.005	-	-
Datuk Simon Shim Kong Yip, JP	180,000	0.023	-	-
Lt Gen (R) Datuk Abdul Aziz Bin Hasan	5,000	0.001	-	-

As at 30 April 2020, none of the directors of the Company have any direct and/or indirect shareholdings in the Company.

Notes:

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 44th annual general meeting of Hap Seng Consolidated Berhad will be conducted by way of a full virtual meeting with its broadcast venue at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 2 July 2020 at 10am to transact the following:-

AGENDA

ORDINARY BUSINESS

1. To table the audited financial statements for the financial year ended 31 December 2019 together with the reports of directors and auditors. Note 1

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

2. To re-elect the following directors who shall retire by rotation in accordance with clause 116 of the Company's constitution and being eligible, have offered themselves for re-election:- Notes 2 & 4

    (a) Datuk Simon Shim Kong Yip, JP — **Resolution 1**

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

3. To re-elect the following directors who shall retire in accordance with clause 122 of the Company's constitution and being eligible, have offered themselves for re-election:- Notes 3 & 4

    (a) Mr. Thomas Karl Rapp — **Resolution 3**

    (b) Mr. Tan Boon Peng — **Resolution 4**

4. To approve the payment of directors' fees of the Company and its subsidiaries amounting to RM807,266.00 for the financial year ended 31 December 2019. Note 5 — **Resolution 5**

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

SPECIAL BUSINESS

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

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

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

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

"That subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Part A, section 2.2 of the Circular/Statement to shareholders dated 29 May 2020, which are necessary for the day-to-day operations of the Company and/or its subsidiaries and are carried out in the ordinary course of business, at arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

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

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

whichever is the earlier;

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

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

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

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

(b) the maximum funds allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, based on the Company's audited financial statements for the financial year ended 31 December 2019; and

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

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

whichever occurs first;

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

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

and further that the directors of the Company be and are hereby authorised to take all such steps as are necessary and/or enter into any and all agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares." Note 9 **Resolution 9**

By order of the Board

Lim Guan Nee (MAICSA 7009321)
SSM Practising Certificate No.: 202008003410
Company Secretary

Kuala Lumpur
29 May 2020

Explanatory notes to the Agenda:-

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

2. *Pursuant to clause 116 of the Company's constitution, at least one-third of the directors of the Company for the time being shall retire from office at every AGM and be eligible for re-election.*

3. *Pursuant to clause 122 of the Company's constitution and paragraph 7.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, any director so appointed, either to fill a casual vacancy or as an addition to the board of directors, shall hold office until the next AGM of the Company, and shall then be eligible for re-election.*

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

5. *Pursuant to section 230(1) of the Act, the Company shall at every AGM approve the fees of the directors of the Company and its subsidiaries. The directors' fees of RM807,266.00 excludes any directors' fees payable by its listed subsidiaries where their respective shareholders' approval has been obtained/is to be obtained.*

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

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

   As at the date of this notice of AGM, the Company has not issued any new shares pursuant to the authority granted by the shareholders at the last AGM held on 30 May 2019, which the authority shall lapse at the conclusion of this AGM.

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

   Further information on the said RRPT is set out in Part A of the Circular/Statement to shareholders dated 29 May 2020 which is issued together with the Company's Annual Report 2019.

9. *The proposed resolution 9 is to authorise the Company to purchase its own shares of up to 10% of the total number of issued shares of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of next AGM of the Company. Further information on the proposed renewal of share buy-back authority is set out in Part B of the Circular/Statement to shareholders dated 29 May 2020 which is issued together with the Company's Annual Report 2019.*

Notes to the notice of AGM:-

1. *In view of the official guidance issued by the Malaysian government vis-a-viz the COVID-19 pandemic, the AGM will be conducted by way of a full virtual meeting through live streaming and online remote voting via remote participation and voting ("RPV") facilities. Such RPV facilities will be made available on Boardroom Share Registrars Sdn Bhd's website at https://www.boardroomlimited.my. Please follow the procedures as provided in the administrative guide for the AGM in order to register, participate and vote remotely via RPV facilities.*

2. *The chairman of the AGM will be at the broadcast venue in compliance with section 327(2) of the Act. No shareholder/proxy shall be physically present at the meeting venue.*

3. *A depositor shall not be regarded as a member entitled to participate and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 25 June 2020.*

4. *Subject to note 5 below, a member entitled to participate and vote at this AGM is entitled to appoint a proxy or proxies to participate and vote in his/her stead. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. The proxy or proxies need not be a member of the Company and there shall be no restriction as to the qualification of the proxy or proxies.*

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

6. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing, or if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised. Such duly executed instrument appointing a proxy must either (a) be physically deposited at Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur; or (b) be electronically deposited through the Boardroom Smart Investor Online Portal at https://www.boardroomlimited.my, not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.*

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HAP SENG

Creating
Value
Together

Hap Seng Consolidated Berhad 197601000914 (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 44th annual general meeting of the Company to be conducted by way of a full virtual meeting with its broadcast venue at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 2 July 2020 at 10am 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 2019 together with the reports of directors and auditors.

ORDINARY BUSINESS		**FOR**	**AGAINST**
2. To re-elect Datuk Simon Shim Kong Yip, JP as director of the Company.	Resolution 1		
3. To re-elect Ms. Cheah Yee Leng as director of the Company.	Resolution 2		
4. To re-elect Mr. Thomas Karl Rapp as director of the Company.	Resolution 3		
5. To re-elect Mr. Tan Boon Peng as director of the Company.	Resolution 4		
6. To approve the payment of directors' fees.	Resolution 5		
7. To reappoint Messrs Ernst & Young PLT as auditors of the Company.	Resolution 6		
SPECIAL BUSINESS		**FOR**	**AGAINST**
8. Authority to allot shares pursuant to section 75 of the Companies Act 2016.	Resolution 7		
9. To approve renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	Resolution 8		
10. To approve renewal of share buy-back authority.	Resolution 9		

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

Signed this ____________ day of ____________ 2020

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

Notes:-

1. *In view of the official guidance issued by the Malaysian government vis-a-viz the COVID-19 pandemic, the annual general meeting ("AGM") will be conducted by way of a full virtual meeting through live streaming and online remote voting via remote participation and voting ("RPV") facilities. Such RPV facilities will be made available on Boardroom Share Registrars Sdn Bhd's website at https://www.boardroomlimited.my. Please follow the procedures as provided in the administrative guide for the AGM in order to register, participate and vote remotely via RPV facilities.*

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Postage

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50250 Kuala Lumpur
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