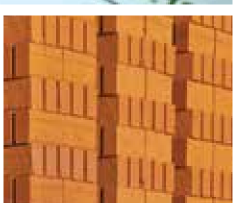
HAP SENG CONSOLIDATED BERHAD







2013
ANNUAL REPORT

VISION

Creating Value Together. To A Better Future.

MISSION STATEMENT

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.

BUSINESS DIVISIONS

01 Plantations

02 Property Holding & Development

03 Credit Financing

04 Automotive

05 Fertilizers Trading

06 Quarry & Building Materials

07 Trading

CONTENTS

38th ANNUAL GENERAL MEETING

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

Wednesday, 28 May 2014 at 2pm.

Please refer to pages 220 to 221 for further Information.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' JORGEN BORNHOFT
Independent Non-Executive Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

LEE WEE YONG
Executive Director

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

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

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

TAN GHEE KIAT
Independent Non-Executive Director

COMPANY SECRETARIES

Cheah Yee Leng (LS 0009398)
Quan Sheet Mei (MIA 6742)

REGISTERED OFFICE

21st Floor, Menara Hap Seng,
Jalan P. Ramlee,
50250 Kuala Lumpur.
Tel : 03 - 2172 5228
Fax : 03 - 2172 5286
Website : www.hapseng.com.my
E-mail : inquiry@hapseng.com.my

PLACE OF INCORPORATION

Malaysia

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya.
Tel : 03 - 7841 8000
Fax : 03 - 7841 8151/8152

AUDITORS

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

PRINCIPAL BANKERS

Malayan Banking Berhad
DBS Bank Ltd
Hong Leong Bank Berhad
AmBank (M) Berhad
HSBC Bank Malaysia Berhad
Affin Bank Berhad
RHB Bank Berhad
OCBC Bank (Malaysia) Berhad

GROUP

Hap Seng Consolidated Berhad
together with its subsidiaries

DIRECTORS' PROFILE

Dato' Jorgen Bornhoft
Independent Non-Executive Chairman

Dato' Jorgen Bornhoft, a Dane, aged 72, is the independent non-executive chairman of Hap Seng Consolidated Berhad. He was first appointed to the Board as an independent non-executive director on 24 January 2005 and became the chairman on 1 February 2007. He is also the chairman of the Audit Committee, Remuneration Committee and Nominating Committee.

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

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

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

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

He attended all the 4 board meetings held during the financial year ended 31 December 2013.

DIRECTORS' PROFILE

Datuk Edward Lee Ming Foo, JP
Managing Director

Datuk Edward Lee Ming Foo, JP, a Malaysian, aged 59, is the managing director of Hap Seng Consolidated Berhad. He was first appointed to the Board on 1 November 2000 as a non-independent non-executive director, became an executive director on 25 March 2002 and assumed the current position since 31 March 2005. He is also a member of the Remuneration Committee.

In addition, Datuk Edward Lee is the managing director of both Gek Poh (Holdings) Sdn Bhd (Gek Poh) and Hap Seng Plantations Holdings Berhad. Gek Poh is the holding company of Hap Seng Consolidated Berhad.

Datuk Edward Lee graduated with a degree in Bachelor of Arts from the McMaster University in Canada in 1977. He joined Malaysian Mosaics Sdn Bhd (formerly Malaysian Mosaics Berhad) group 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 38 to the Financial Statements. He has not been convicted of any offence in the past 10 years.

He attended 3 of the 4 board meetings held during the financial year ended 31 December 2013.

DIRECTORS' PROFILE

Lee Wee Yong
Executive Director

Lee Wee Yong, a Malaysian, aged 66, is an executive director of Hap Seng Consolidated Berhad and was appointed to this position on 2 February 2011. In addition, Mr. Lee is a director of Gek Poh (Holdings) Sdn Bhd and an executive director of Hap Seng Plantations Holdings Berhad.

Mr. Lee holds a degree in Bachelor of Commerce and Administration from Victoria University in New Zealand and is a member of the Malaysian Institute of Accountants and Institute of Chartered Accountants of New Zealand. He joined Malaysian Mosaics Sdn Bhd (formerly Malaysian Mosaics Berhad) group of companies in 1992, assumed the position of group chief financial officer from 1 March 2003 to 15 December 2005, and was an executive director from 1 March 1999 to 6 March 2007.

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

He attended 3 of the 4 board meetings held during the financial year ended 31 December 2013.

DIRECTORS' PROFILE

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

Datuk Simon Shim Kong Yip, JP, a Malaysian, aged 57, 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 is a non-independent non-executive director of Hap Seng Plantations Holdings Berhad. He is also an independent non-executive director of Lam Soon (Thailand) Public Company Limited, a company listed on the Stock Exchange of Thailand.

Datuk Simon Shim is a director of both Lei Shing Hong Limited and Lei Shing Hong Securities Limited. Lei Shing Hong Securities Limited, a company registered with the Securities and Futures Commission Hong Kong, is a wholly-owned subsidiary of Lei Shing Hong Limited, a company 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 is 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 38 to the Financial Statements. He has not been convicted of any offence in the past 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2013.

DIRECTORS' PROFILE

Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan
Independent Non-Executive Director

Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan, a Malaysian, aged 68, 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 its audit committee from 2008 to 2012.

Currently, Datuk Abdul Aziz is a non-independent non-executive director of NCB Holdings Berhad and its audit committee, independent non-executive director of Nam Fatt Corporation Berhad (in liquidation) and Pyrotechnical Ordinance (M) Sdn Bhd, a subsidiary of Boustead Heavy Industries Corporation Berhad.

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

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

He attended all the 4 board meetings held during the financial year ended 31 December 2013.

DIRECTORS' PROFILE

Dato' Mohammed Hussein
Independent Non-Executive Director

Dato' Mohammed Hussein, a Malaysian, aged 63, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 15 July 2008. He is also a member of the Audit Committee and Nominating Committee.

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

He is also an independent non-executive director of CapitaCommercial Trust Management Ltd which manages CapitaCommercial Trust, a real estate investment trust listed on the Singapore Stock Exchange and chairman of Malaysia Commercial Development Fund Pte Ltd.

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

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

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

He attended all the 4 board meetings held during the financial year ended 31 December 2013.

DIRECTORS' PROFILE

Tan Ghee Kiat
Independent Non-Executive Director

Tan Ghee Kiat, a Malaysian, aged 65, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 1 January 2011. Prior to this, he was a non-executive director of the Company from 31 December 2002 to 31 January 2007. He is also a member of the Audit Committee.

Mr. Tan has more than 30 years of experience in audit and corporate advisory services. He is a fellow member of the Institute of Chartered Accountants in England & Wales as well as a member of both the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

He is a partner in Sekhar & Tan, a firm of chartered accountants which he founded in 1993 after he left Deloitte, Touche & Tohmatsu, Malaysia. He is a director of Prestige Jaya Labuan Limited and also a trustee of Yaw Teck Seng Foundation and Dijaya Tropicana Foundation.

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 10 years.

He attended all the 4 board meetings held during the financial year ended 31 December 2013.


MENARA HAP SENG 2
MENARA HAP SENG

GROUP FINANCIAL HIGHLIGHTS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2009	2010	2011	2012	2013
	As restated [d]				
INCOME (RM'000)					
(i) Revenue	2,464,242	2,789,410	3,628,380	3,958,899	3,486,747
(ii) Profit before tax	174,556 [d]	506,350 [d]	636,894 [d]	681,579 [d]	801,581
(iii) Profit attributable to Owners of the Company	102,039 [d]	325,026 [d]	377,497 [d]	427,104 [d]	588,257
FINANCIAL POSITION (RM'000)					
Key data					
Assets					
(i) Total tangible assets	4,931,055 [d]	5,359,060 [d]	6,797,298 [d]	6,634,122 [d]	7,071,373
(ii) Net assets	2,338,264 [d]	2,591,243 [d]	3,300,341 [d]	3,410,037 [d]	3,353,874
(iii) Current assets	1,967,138	1,904,502	3,049,349	2,692,028	3,065,574
Liabilities and Shareholders' Funds					
(i) Current liabilities	1,438,466	1,509,219	1,634,653	1,728,966	2,214,740
(ii) Paid-up share capital	622,660	622,660	2,186,357	2,186,364	2,205,709
(iii) Shareholders' funds	2,338,264 [d]	2,591,243 [d]	3,300,341 [d]	3,410,037 [d]	3,353,874
PER SHARE					
(i) Basic earnings (sen) *	5.63 [ad]	17.92 [ad]	18.94 [d]	19.79 [d]	28.70
(ii) Net assets (RM) **	4.15 [d]	4.60 [d]	1.51 [d]	1.61 [d]	1.68
(iii) Dividend (sen) #	4.00 [b]	8.80 [b]	8.60	10.50	16.00
* *Based on weighted average number of shares in issue net of treasury shares ('000)*	*1,813,532* [a]	*1,813,525* [a]	*1,993,085*	*2,158,584*	*2,049,324*
** *Based on number of shares in issue net of treasury shares ('000)*	*563,526* [a]	*563,524* [a]	*2,180,927* [c]	*2,113,108*	*2,001,678*
# *Under single tier system*					
FINANCIAL RATIOS					
(i) Return on total tangible assets (%)	2.07 [d]	6.06 [d]	5.55 [d]	6.44 [d]	8.32
(ii) Return on shareholders' funds (%)	4.36 [d]	12.54 [d]	11.44 [d]	12.52 [d]	17.54
(iii) Current ratio (times)	1.37	1.26	1.87	1.56	1.38
(iv) Gearing ratio (times)	0.78	0.74	0.77	0.66	0.74
(v) Gearing ratio net of cash (times)	0.59	0.66	0.57	0.51	0.56

Notes:

[a] *Restated to reflect the retrospective adjustments arising from the bonus issue and rights issue completed in the financial year ended 31.12.2011 in accordance to "FRS 133, Earnings per Share".*

[b] *Restated to reflect the retrospective adjustments arising from the bonus issue completed during the financial year ended 31.12.2011.*

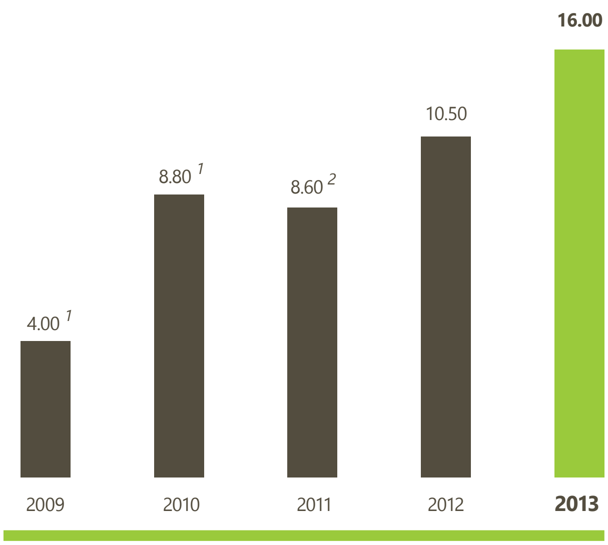
[c] *Includes private placement of 43,800,000 shares, bonus issues of 1,214,643,000 and rights issue of 364,392,900 shares.*

[d] *Restated to reflect the retrospective adjustments as disclosed in Note 41 to the Financial Statements.*

GROUP FINANCIAL HIGHLIGHTS

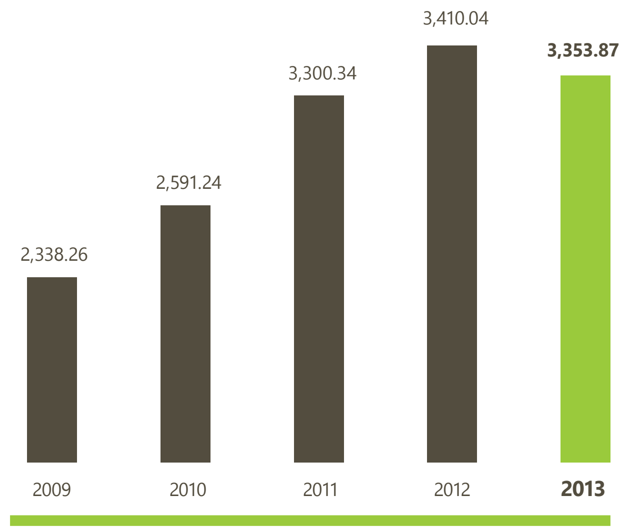
Dividend per Share

(sen)



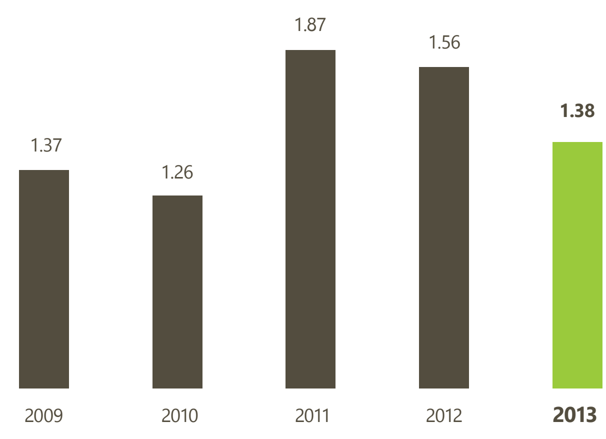
Shareholders' Funds

(RM'Million)



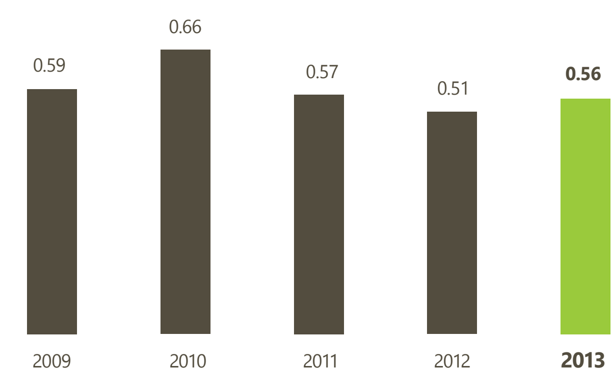
Current Ratio

(times)



Gearing Ratio Net of Cash

(times)



Notes:

[1] *Dividend per share for the financial years ended 2009 to 2010 have been restated to reflect the retrospective adjustment arising from the bonus issue completed in the financial year ended 31.12.2011.*

[2] *Dividend per share for the financial year ended 31.12.2011 was on the enlarged share capital after the private placement, bonus issue and rights issue.*

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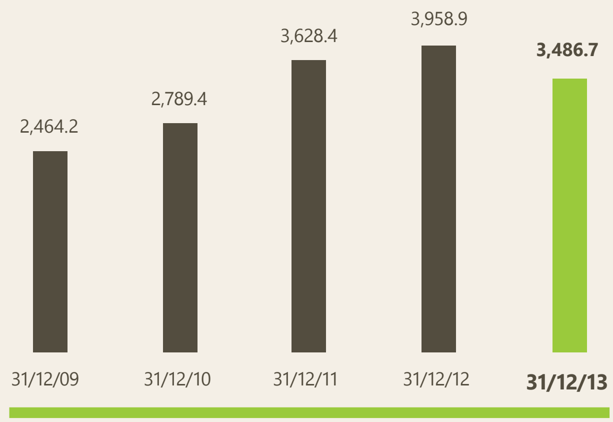
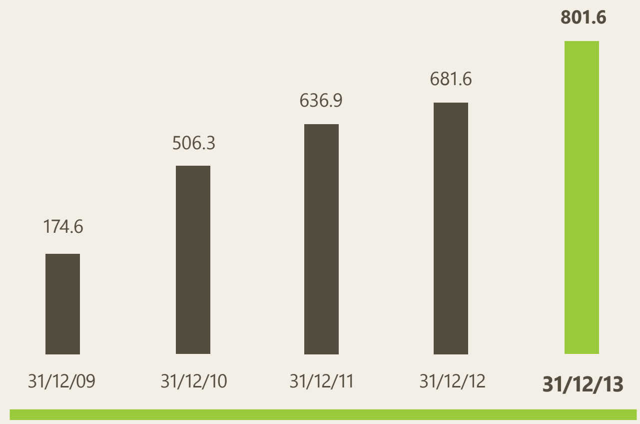
GROUP FINANCIAL HIGHLIGHTS

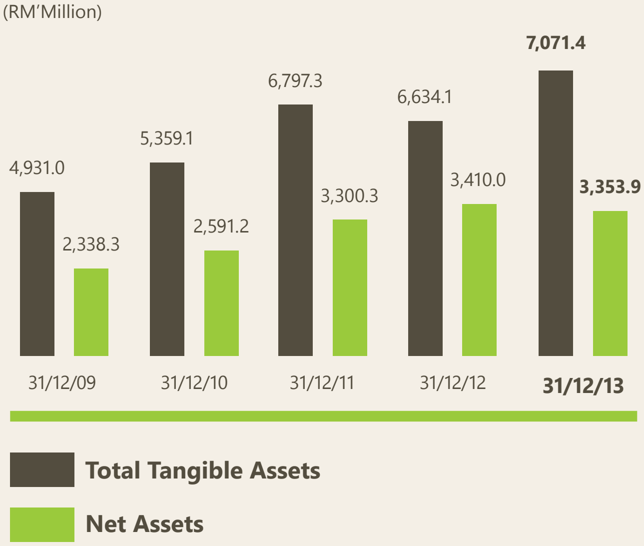
Revenue
(RM'Million)



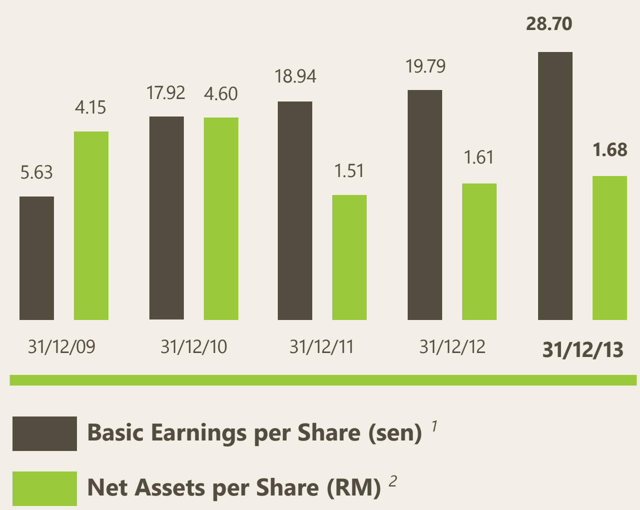
Profit Before Taxation
(RM'Million)



Total Tangible Assets / Net Assets
(RM'Million)



Basic Earnings per Share [1] / Net Assets per Share [2]

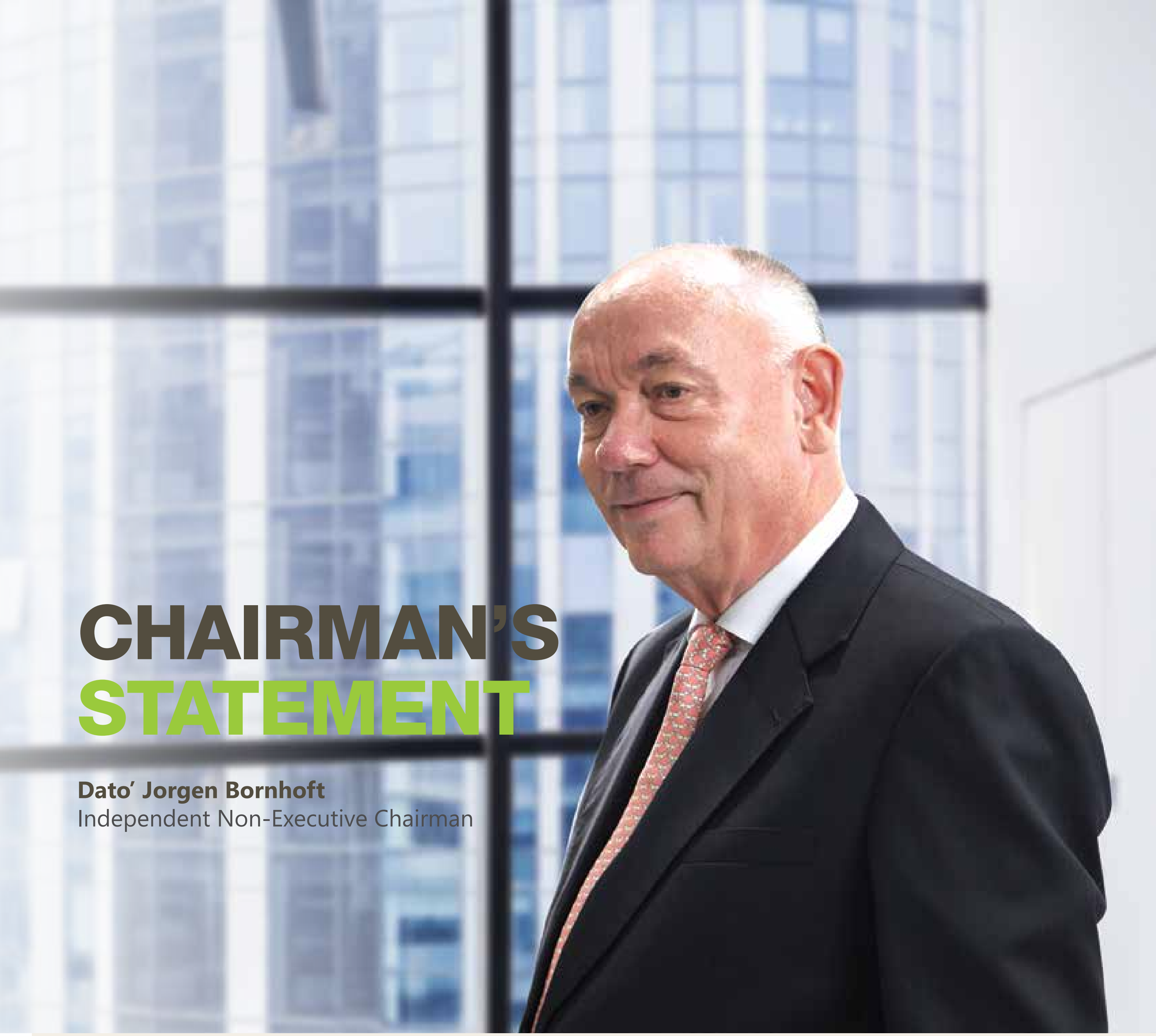


Notes:

1 *Basic earnings per share for the financial years ended 2009 and 2010, have been restated to reflect the retrospective adjustments arising from the bonus issue and rights issue completed in the financial year ended 31.12.2011 in accordance to "FRS 133, Earnings per Share".*

2 *Net assets per share were computed based on the number of shares in issue net of treasury shares ('000) as follows:-*

- *Financial year ended 31.12.2009 : 563,526 shares*
- *Financial year ended 31.12.2010 : 563,524 shares*
- *Financial year ended 31.12.2011 : 2,180,927 shares*
- *Financial year ended 31.12.2012 : 2,113,108 shares*
- *Financial year ended 31.12.2013 : 2,001,678 shares*



CHAIRMAN'S STATEMENT

Dato' Jorgen Bornhoft
Independent Non-Executive Chairman

DEAR SHAREHOLDERS,

Once again, the Group has emerged with commendable performance from a year marked by economic uncertainty and difficult trading conditions.

The Group ended the financial year on 31 December 2013 (FY 2013) with an impressive 30% increase in profit-after-tax which allowed the Group to increase its dividend payout by 52.4% to 16 sen from 10.5 sen in 2012.

CHAIRMAN'S STATEMENT

2013 ECONOMIC LANDSCAPE

The global economy appeared to have ended the year on a firmer footing with the U.S. having picked up momentum and the euro zone inching out of recession.

At the other end of the spectrum were however China's slowest growth in two decades at 7.6% and major pullbacks in some of the emerging economies underpinned by Federal Reserve "tapering" fears. In spite of this, the Malaysian economy has shown resilient growth performance at a 4.7% growth rate for FY2013 (2012: 5.6%), supported mainly by strong domestic consumption and private investments.

Revenue

RM3.5
BILLION

Profit Before Taxation

RM801.6
MILLION

2013 FINANCIAL REVIEW

As stated earlier, the Group had another very good year despite the underlying challenges. The Group's profit-after-tax was up by 30% to RM635.8 million for the FY2013 (2012: RM490.9 million) despite the 12% lower revenue at RM3.5 billion (2012: RM4.0 billion). Accordingly, earnings per share increased by 45% to 28.70 sen (2012: 19.79 sen).

Plantations

Despite the 5.9% increase in the total Crude Palm Oil (CPO) sales volume at 161,170 tonnes (2012: 152,194 tonnes), the Group achieved a 16% lower revenue at RM443.3 million (2012: RM526.5 million) and a 27% lower operating profit at RM140.6 million (2012: RM193.6 million), on the back of lower average CPO price realisation at RM2,343 per tonne (2012: RM2,773 per tonne) and lower average Palm Kernel (PK) price realisation at RM1,288 per tonne (2012: RM1,494 per tonne).

The average CPO price realisation at RM2,343 per tonne was comparable to the Sabah average CPO price realisation of RM2,347per tonne.

Property Holding & Development

The property development division forged ahead with building its presence in the high-end niche market property development in the prime locations of Klang Valley.

The Horizon Residences, since its official launch in January 2013, has received overwhelming response with more than 85% units sold to date. Building on the momentum, the Nadi Bangsar Service Residence, another equally prestigious service residence in Bangsar, was released for bookings in the last quarter of FY2013. The strong demand received on both the projects was an endorsement of our premium-quality properties and validated our optimism in the high-end service residence market in prime locations of the Klang Valley.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

In Sabah, the division has since become a household name in property developments since the 1970s. New phases launched at Bandar Sri Indah in Tawau and Palm Heights in Lahad Datu continued to enjoy strong demand and contributed significantly to the division's revenue.

The division's investment properties in the Klang Valley, namely, Menara Hap Seng and Menara Citibank (which is 50% held by the Group) continued to record good occupancy rate of more than 90% and satisfactory rental yield.

Despite the improved operational performance, operating profit of this division declined by 42% year-on-year to RM255.8 million (2012: RM441.5 million), mainly due to fair value adjustments of some investment properties and gains from disposal of certain non-strategic properties in 2012.

Credit Financing

The division has successfully positioned itself as one of the top non-bank lenders in Malaysia, underscored by its strict lending discipline and reliability as a reputable lender. Amidst the favourable lending environment, the division registered an operating profit of RM91.5 million (2012: RM90.6 million) underpinned by a 3% growth in revenue to RM115.1 million (2012: RM111.3 million). It also managed to maintain a low non-performing loan (NPL) ratio at 1.44% which compared favourably with the industry NPL average of 1.85%.

Automotive

FY2013 was an eventful year for the automotive division with the opening of 2 new Mercedes-Benz outlets as well as the upgrading and accreditation of existing facilities. In April 2013, the division launched the official opening of the Segambut Mercedes-Benz showroom which was then followed by the soft launching of the Mercedes-Benz 3S Autohaus in Balakong in November 2013. In line with its expansion plan, the division commenced the Mercedes-Benz commercial vehicle operation in the Klang Valley in June 2013.

In addition to being upgraded into a Mercedes-Benz 3S Autohaus, the Kinrara Autohaus has also been accredited by Daimler AG to be a centre of competency for body and paint repair in July 2013. To top it off, the Kinrara Autohaus once again clinched the annual After-sales Excellence Service Award conferred by Mercedes-Benz Malaysia for the second year consecutively, re-affirming its steadfast commitment to the highest quality after-sale service.

CHAIRMAN'S STATEMENT

However, despite a 9% higher sales volume at 1,976 units (2012: 1,808 units), the division recorded a 21% decline in revenue to RM603.1 million (2012: RM762.8 million), mainly due to the higher competition within the luxury car market segment in 2013 and the exclusion of Vietnam Star Ltd's revenue upon its disposal.

As a consequence of the lower revenue, the division posted an operating loss of RM18.1 million operating loss (2012: RM7.3 million operating loss).

Fertilizers Trading

The division is one of the leading fertilizers suppliers to the major palm oil players in Malaysia and Indonesia through Hap Seng Fertilizers Sdn Bhd and PT Sasco Indonesia respectively.

In Malaysia, despite the highly competitive trading environment, the division recorded a 5.4% increase in sales volume to 701,000 tonnes (2012: 665,000 tonnes). However, revenue declined by 9% to RM861.5 million (2012: RM946.5 million) mainly due to the lower fertilizers selling prices.

Likewise in Indonesia the weaker fertilizer prices severely impacted the revenue which weakened to RM246.8 million (2012: RM374.8 million) on the back of 212,000 tonnes sales volume (2012: 297,000 tonnes).

Due to the weak fertilizer pricing and the severe depreciation of the Indonesian Rupiah, the overall division's revenue registered a 16% decline to RM1.1 billion (2012: RM1.3 billion) and an operating loss of RM8.2 million (2012: RM22.8 million operating profit).

Quarry & Building Materials

During FY2013, the division continued to improve its operational efficiency and productivity by upgrading its infrastructure in quarry and asphalt operations. With a total of 10 operating quarries and 8 asphalt plants, this division continued to be one of the largest quarry operators in Malaysia.

Improved productivity was also observed in the division's brick operations following a series of operational and cost improvement initiatives. With the commissioning of a new brick factory in Kuantan early this year, this division has 4 brick factories with a combined production capacity of 20 million bricks per month, thereby making it one of the largest clay brick manufacturers in Malaysia.

However, despite a 19% growth in revenue to RM364.8 million (2012: RM306.4 million), the division recorded a 35% decline in operating profit to RM17.9 million (2012: RM27.6 million), mainly due to the narrower profit margin in the extremely competitive environment.

CHAIRMAN'S STATEMENT

Trading

With the growing market presence and increased building material products in its trading portfolio, the division has become a significant building material distributor in Malaysia, achieving a higher operating profit at RM6.6 million for FY2013 (2012: RM30.7 million operating loss), reversing the loss position in 2012, which was largely due to the trading of tiles business which had been discontinued.

SIGNIFICANT EVENTS DURING FY2013

In July 2013, the Group completed the disposal of its entire 100% equity in Hap Seng Star (Vietnam) Sdn Bhd for a consideration of RM300 million, which gave rise to a gain of RM209.9 million to the Group.

In August 2013, the Group also completed the disposal of its entire 100% equity in Aceford Food Industry Pte Ltd for a consideration of RM160 million, which gave rise to a gain of RM132.7 million to the Group. Both disposals were related party transactions.

ENHANCING SHAREHOLDER VALUE

We are pleased with the significant value the Group has created for our shareholders, reflected by amongst other things, the 45% increase in earnings per share to 28.70 sen for FY2013.

In line with our 50% dividend policy, the Group has declared and paid 2 interim dividends for FY2013, totalling 16.0 sen (2012: 10.5 sen). The dividend payout increase of 52.4% exemplified the Group's steadfast commitment to create and enhance shareholder value.

To further enhance shareholder value, the Company will seek your approval in renewing the share buy-back mandate to authorise the Company to buy back its own shares.

OUTLOOK FOR 2014

Against the headwinds of further tapering of quantitative easing by the US Federal Reserve and the inflationary pressure reflecting recent cuts in the various government subsidies, economic growth in Malaysia is expected to consolidate in 2014, underpinned mainly by the expected rebound in exports in tandem with the encouraging US and euro zone GDP growth forecast. Meanwhile, the government's Economic Transformation Programme (ETP) is expected to continue to propel foreign and domestic investment growth.

The performance of the local palm oil industry is forecasted to improve in 2014 with expected higher production, stronger demand and the various government biodiesel initiatives.

Overall, the slew of cooling measures introduced under the 2014 Budget, including the abolition of the developer-interest-bearing scheme and the higher real property gains tax, is expected to dampen the property market. However, the property development division foresees the demand for high-end residential properties at prime locations in the Klang Valley to remain positive.

With the progression of the ETP, the Quarry and Building Materials Division is confident that it is well-positioned to tap into the growing demand of the burgeoning infrastructure projects and construction activities.

The Automotive Division is expecting sales of Mercedes-Benz vehicles to improve with exciting new models lined up to be launched in 2014, as well as the increased market presence with the timely openings of the various new Mercedes-Benz outlets.

ACKNOWLEDGMENT

Our people are at the heart of our growth journey. In closing, my sincerest appreciation to my fellow board members for their experienced stewardship and strategic guidance, our team of highly dedicated employees for their commitment, passion and loyalty, and to our customers and partners for their continued support and confidence.

Jorgen Bornhoft

REVIEW OF OPERATIONS

PLANTATIONS

"The division is committed to sustainable management of its plantation as it moves towards achieving Roundtable Sustainable Palm Oil (RSPO) certification."

REVIEW OF OPERATIONS

Hap Seng Plantations Holdings Berhad is a listed entity on Bursa Malaysia involved in the oil palm plantation industry.

The Plantation Division comprises estates situated between Lahad Datu and Sandakan totalling 36,354 hectares in 3 contiguous plots of land, encompassing the Jeroco Group of Estates (JGOE), Tomanggong Group of Estates (TMGOE) and Sungai Segama Group of Estates (SSGOE).

Its estates also include the Ladang Kawa Estate, located in Tawau, comprising 1,276 hectares; and the Pelipikan and Kota Marudu Estates, measuring 2,173 hectares, located in Kota Marudu.

Palm Oil Industry Review

Crude Palm Oil (CPO) prices have declined due to an increase in global output as supply outstripped demand with Malaysian CPO inventory level reaching a record high of approximately 2.6 million tonnes. This weakness in CPO prices was against the backdrop of weak global commodity prices.

In order to reduce CPO stocks, the Malaysian government lowered the CPO tax to trim stockpiles and helped Malaysian refiners to be more competitive.

The oversupply position was also compounded by the rising global output of soyabean oil into the market, with the soyabean crop experiencing a better-than-expected harvest. This further pushed soyabean prices down to near two-year lows, a trend that negatively impacted demand for Malaysian palm oil.

As a result of the above global situation, CPO prices traded with volatility and were at a low of RM2,221 per tonne in January 2013, but recovered to its highest level of RM2,574 per tonne in December 2013.

Division Performance

On the above backdrop, the division registered an average CPO realisation of RM2,343 per tonne (2012: RM2,773 per tonne), which was comparable to the average CPO price realisation of RM 2,347 per tonne for Sabah.

The division achieved a higher sales volume of CPO at 161,170 tonnes (2012: 152,194 tonnes), up 5.9 %, on the back of higher CPO production by 7.5% to 166,202 tonnes (2012: 154,595 tonnes).

Despite the increase in sales volume and production, the lower average selling price of CPO resulted in the division recording a lower revenue at RM443.3 million (2012: RM526.5 million) and lower operating profit at RM140.6 million (2012: RM193.6 million).

REVIEW OF OPERATIONS

PLANTATIONS

Planted & Mature Area

Total planted area was maintained at 35,697 hectares with 85.9% or 30,670 hectares (2012: 30,455 hectares) of mature areas. The average age based on planted area was 15.23 years (2012: 14.83 years).

As at the end of FY2013, there were 4,881 hectares of immature oil palm area of which 1,822 hectares are expected to mature in 2014.

Total planted and mature area for FY2013

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of mature area
JGOE	14,117	*12,808	10,567	82.5%
TMGOE	12,331	**11,426	9,334	81.7%
SSGOE	9,906	8,761	8,761	100.0%
Ladang Kawa	1,276	1,201	1,201	100.0%
Pelipikan	1,365	903	209	23.1%
Kota Marudu	***808	598	598	100.0%
Total	39,803	35,697	30,670	85.9%

* *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*

The Bukit Mas palm oil mill is one of the division's 4 mills.

REVIEW OF OPERATIONS

Oil Extraction Rate & Milling

The average oil extraction rate (OER) was higher at 21.34% (2012: 21.29%) while oil per mature hectare was also recorded higher at 4.90 tonnes (2012: 4.65 tonnes). This compared favourably against Sabah's average OER and oil yield per hectare of 21.05% and 4.40 tonnes respectively.

The division's milling operations were undertaken by 4 mills that have a combined milling capacity of 175 FFB tonnes per hour. In FY2013, the mills improved its average utilisation rate to 77% of milling capacity (2012: 68%).

Milling Capacity of the 4 Mills

	FFB tonnes per hour
Jeroco Palm Oil Mill 1	60
Jeroco Palm Oil Mill 2	30
Tomanggong Palm Oil Mill	40
Bukit Mas Palm Oil Mill	45
	175

A Responsible Grower with RSPO Certification for its plantations

The division is committed to sustainable management of its plantation as it moves towards achieving Roundtable Sustainable Palm Oil (RSPO) certification.

The division achieved its first RSPO certification for its Bukit Mas Palm Oil Mill in May 2012. It has moved forward in obtaining RSPO certification for its Jeroco Palm Oil Mill 1 and Jeroco Palm Oil Mill 2 in September 2013, bringing the division closer to achieving RSPO certification for all its mills. Currently, the remaining plantation targeted for RSPO certification is the Tomanggong Palm Oil Mill, with expected full certification in 2014.

Riparian buffer zone is a natural reserves along rivers and estates established to preserve local biodiversity.

REVIEW OF OPERATIONS

PLANTATIONS

The mill operations are mechanised to ensure an efficient production process.

REVIEW OF OPERATIONS

Outlook

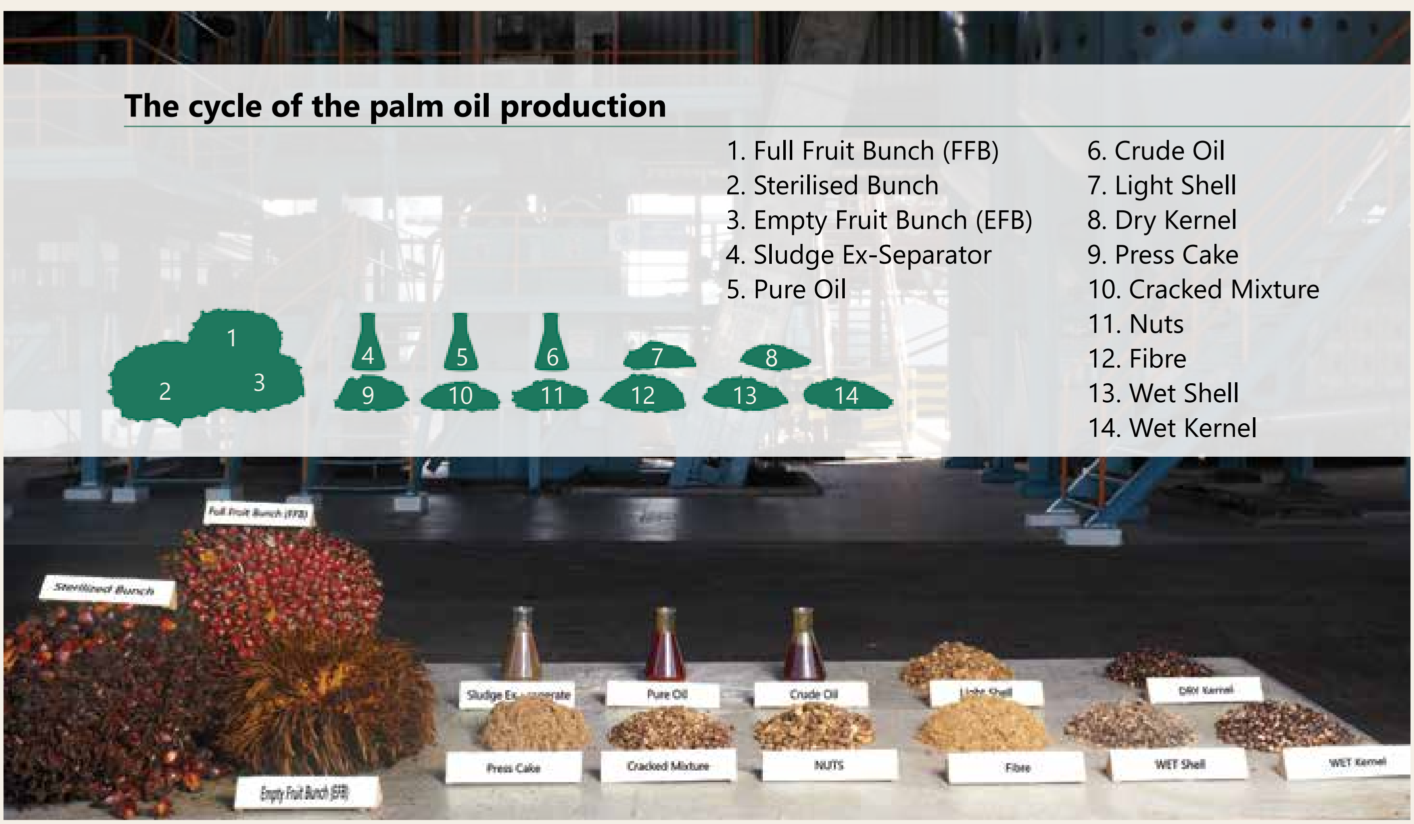
The performance of the local palm oil industry is expected to improve in 2014 with the recovery of CPO prices driven by significant reduction in inventory level from 2013.

This positive trend will also be further supported by the various biodiesel initiatives undertaken by the government. The strong mandates for palm biodiesel by Indonesia and Malaysia would augur well for CPO prices.

The introduction of the biodiesel programme as announced by the Government is expected to significantly boost the domestic palm oil consumption.

In 2012, nearly 250,000 tonnes of palm oil were used to produce biodiesel and it is expected to double by 2014. There are plans to further increase the palm biodiesel blend from B5 to B7 which will result in higher domestic palm oil usage.

The process of separating different grades of fresh fruit bunch.



REVIEW OF OPERATIONS

PROPERTY HOLDING & DEVELOPMENT

"The division continued its main thrust in property development and investment in the Klang Valley."

An artist impression of the swimming pool at the Nadi Bangsar Service Residence.

Property Development

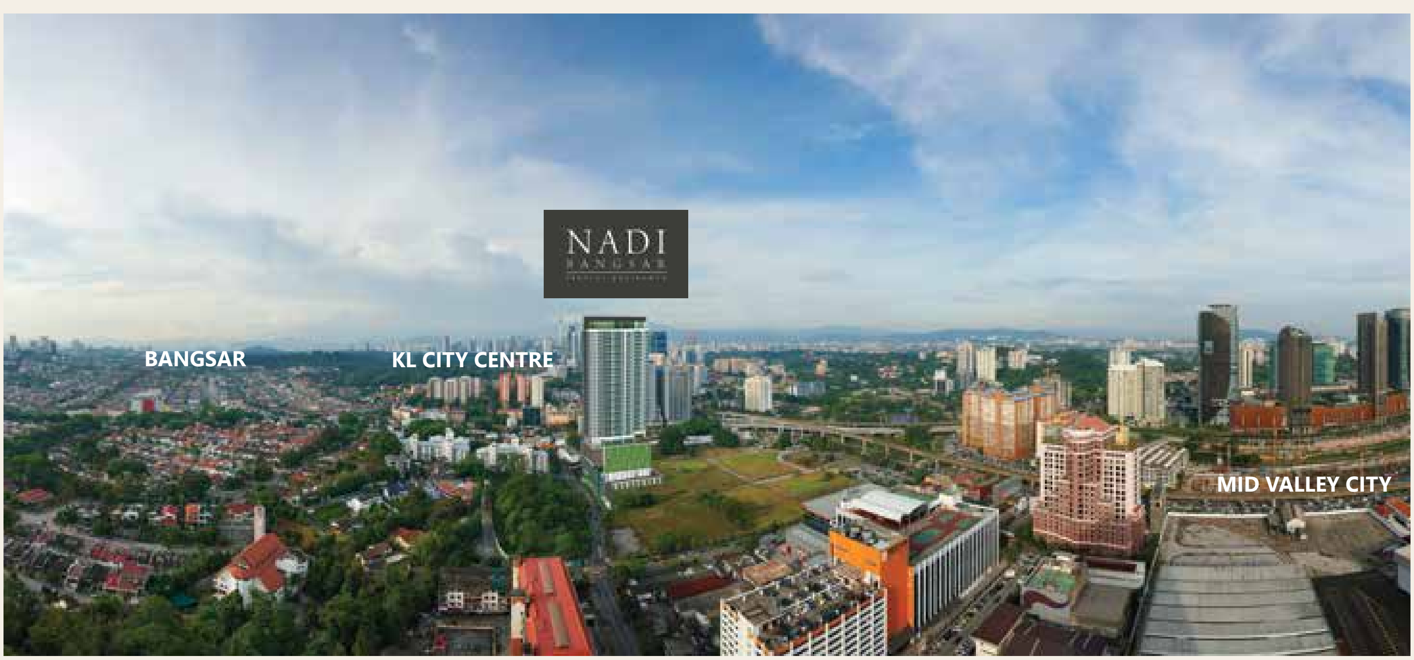
Klang Valley

Nadi Bangsar Service Residence

Nadi Bangsar Service Residence (Nadi Bangsar) represents the latest high-rise luxury residential development in the affluent residential suburb of Bangsar.

The development offers modern city living with easy access to the main commercial hub surrounding KLCC while surrounded by facilities such as LRT stations and major shopping centres.

Nadi Bangsar features a block of 38-storey service apartment with 416 units overlooking the bustling busy township of Bangsar on one side and a panoramic view of the city landscape on the other. This freehold service residence offers its residents amenities such as a sky garden, a jogging track, an infinity pool and a gourmet kitchen.



REVIEW OF OPERATIONS

PROPERTY HOLDING & DEVELOPMENT

With a total GDV of RM446 million, the development is targeted to be completed in 2017. Nadi Bangsar registered an excellent take up-rate among local and overseas buyers.

The Horizon Residences

The Horizon Residences, strategically located along Jalan Tun Razak, was the division's first foray into the high rise luxury residential segment in the Kuala Lumpur City Centre. The 26-storey condominium comprises 2 blocks of residential towers with 335 well appointed freehold residential units.

Designed by renowned architects and leading landscape designers to be an oasis within the city, this strategically located development offers its residents unparallel view of the KLCC skyline and the lush greens of the Royal Selangor Golf Club.

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

Launched in January 2013, the development, with a total GDV of RM390 million, is targeted to be completed in early 2015.

The Horizon Residences continued to register excellent take up-rate among local and overseas buyers with only limited units available.

The majestic Horizon Residence located on Jalan Tun Razak.

Artist impression of the Andana Villa (Left) and Condominium (Right) at D'Alpinia integrated development.

REVIEW OF OPERATIONS

D'Alpinia Integrated Development

D'Alpinia is the division's integrated development in the Klang Valley. The 76-acre gated and guarded development features a self contained lifestyle enclave comprising contemporary and modern themed property built under a 10%-90% build-then-sell concept.

The development, when completed will comprise 1,156 units of landed and high-rise residential development with an upscale commercial development comprising 3-and 4-storey shop offices to be built over 3 phases.

Launched in 2007, it has to date completed 538 units of landed properties with GDV of RM391 million. The first phase of the D'Alpinia township development comprises 452 units of 2-storey semi-detached houses, 2-storey terraces and 3-storey townhouses while the second phase, the Urbana, offers 26 units of 2.5-storey bungalows and 38 units of 2 and 2.5-storey link bungalows.

Projects under planning in D'Alpinia include the Andana Condominium and Villa, comprising 116 condominium units and 30 villas; and the Business Park D'Alpinia, comprising 44 units of shop offices, all totalling estimated GDV of RM180 million.

East Malaysia - Sabah

The division is an established household name in the Sabah property market. Since its first venture in the 1970s, it has established itself as a leading township developer with many successful developments in Kota Kinabalu, Tawau, Sandakan and Lahad Datu.

Kota Kinabalu

Its presence in Kota Kinabalu was marked by the establishment of Kingfisher Park and Kingfisher Plaza, comprising 761 residential and 148 commercial units respectively, with a total GDV of RM322 Million.

Following the completion of the above developments, Kingfisher Sulaiman was launched consisting of 5 phases of development. Kingfisher Sulaiman comprised 435 residential units and 8 commercial shop units with a total GDV of RM246 million.

Total landbank available for development in Kota Kinabalu comprised 505 acres which are currently under various stages of planning and preparation for future launches.

One of the 5 phases of the well received Kingfisher Sulaiman development in Kota Kinabalu, Sabah.

REVIEW OF OPERATIONS

PROPERTY HOLDING & DEVELOPMENT

Tawau

Bandar Sri Indah development comprising 1,368-acre has been touted as one of the largest fully integrated township developments in Sabah. A mixed residential, commercial and industrial development, Bandar Sri Indah offers modern facilities including an eco-park adjoining the Membelua forest reserve and a private school catering for both primary and secondary education.

As the division's flagship development in Tawau, Bandar Sri Indah was launched in 2004 and to date has completed 1,787 units of residential, commercial and industrial properties with a GDV of RM533 million.

As a testimony of the division's commitment towards providing affordable housing, a total of 416 units of affordable houses were launched in 2013.

In anticipation of continuous demand for housing in the area, the division is planning another 1,265 mixed residential and industrial units in Bandar Sri Indah.

The division will also be launching Ria Heights, a township development of 100 acres in Tawau. Phase 1, which consists of commercial and residential units, is currently under planning.

Lahad Datu

Bandar Sri Perdana is a successful township development in Lahad Datu. The prominent township has to date 1,343 residential and commercial units with a total GDV of RM500 million.

During the year, the division completed 140 units of commercial shops, catering to a variety of businesses including financial institution. There are also an additional 66 residential units currently under planning for future launch.

Phase 3 of the contemporary Palm Heights development in Lahad Datu, Sabah.

The Indah Regency development in Tawau, Sabah.

REVIEW OF OPERATIONS

Palm Heights, another township development totalling 90-acre, will have approximately 780 units of residential and commercial properties upon completion with an estimated GDV of RM296 million. 36 units of commercial shops were launched in the year, with plans underway for a further 188 residential units.

Sandakan

Astana Heights is a 98-acre development located in Sandakan. Developed in phases, the development has to date completed 241 units of residential and commercial properties with a total GDV of RM92 million.

Presently, 56 residential units are under planning for future launch.

Property Investment

The division's main investment properties, Menara Hap Seng and Menara Citibank[1], continued to record stable performance, achieving average occupancy rate of 90% (2012: 96%) and 98% (2012: 95%) respectively.

The construction of Menara Hap Seng 2, adjoining to Menara Hap Seng, progressed well throughout the year. Targeted to be completed in 2014, the 30-storey Grade A green building index-compliant office tower would further enhance the Kuala Lumpur central business district. The addition of Menara Hap Seng 2 would effectively boost the division's total net lettable area of approximately 660,000 sq. ft. (excluding Menara Citibank).

Night view of the established Bandar Sri Perdana commercial centre, Lahad Datu, Sabah.

[1] *Held under Inverfin Sdn Bhd, a 49.99% owned associate company of Hap Seng Consolidated Berhad*

The modern Astana Heights development, located in Sandakan, Sabah.

REVIEW OF OPERATIONS

PROPERTY HOLDING & DEVELOPMENT

Menara Hap Seng and Menara Hap Seng 2 are 2 of the flagship commercial properties in the Klang Valley.

REVIEW OF OPERATIONS

Division Performance

The division recorded an 18% decline in revenue to RM527.5 million (2012: RM645.0 million) due to the larger sale of certain non-strategic land held for development in 2012. Similarly, operating profit declined by 42% to RM255.8 million (2012: RM441.5 million) due to the above mentioned sales.

However, sales revenue from project sales in 2013 increased by 45% to RM322.6 million (2012: RM222.4 million).

Outlook

2014 is expected to be a challenging year for the property development industry with the imposition of several property market cooling measures as announced in the 2014 budget. These cooling measures which took effect on 1st Jan 2014 included the re-introduction of a higher rated real property gains tax, the abolition of the Developer Interest Bearing Scheme and a higher threshold value for property purchased by non-residents.

Although the cooling measures introduced under Budget 2014 has somewhat dampened the property market, the division is however optimistic that the demand for its strategically located developments shall remain favourable.

The scheduled completion of Menara Hap Seng 2 in 2014 is further testimony of the division's desire to reposition its investment and development properties in the Klang Valley.

On Level 2, a serene courtyard dotted with trees forms part of Menara Hap Seng's facility.

REVIEW OF OPERATIONS

CREDIT FINANCING

"The division launched a new corporate identity which reflects attributes of strength and reliability."

REVIEW OF OPERATIONS

The division is involved in the provision of industrial hire-purchase, leasing and term loans catering primarily to small and medium enterprises (SMEs). As one of the leading lenders in the non-bank sector, it has a network of 12 branches throughout Malaysia with 6 in Peninsular Malaysia, 4 in Sabah and 2 in Sarawak.

With its strong presence in the market over the years, the division has built up a diversified portfolio including manufacturing, transportation and logistics, landed property and agriculture sector. To date, the division has almost 10,000 active accounts.

The division continued with its push in the term loan financing sector while reinforcing its position in the equipment financing market segment.

In addition, the division initiated several measures to expand its presence in the market while strengthening its brand as a reliable and strong financier.

One such initiative is the launching of the division's new corporate identity which reflects attributes of strength and reliability. The adoption of this new identity was incorporated in its recently renovated branches in Prai, Malacca, Johor Bahru and Batu Pahat.

Friendly and reliable service is one of its core attributes.


The division supports local SMEs in the printing industry.

CREDIT FINANCING DIVISION'S BRANCH NETWORK

REVIEW OF OPERATIONS

CREDIT FINANCING

Division Performance

The division recorded a 15% growth in loan base to RM1.7 billion (2012: RM1.5 billion), exceeding the banking industry loan growth rate of about 11%. The loan growth is on the back of RM1.5 billion new loans approved (2012: RM1.3 billion) and a loan disbursement of RM1 billion (2012: RM1.1 billion).

Correspondingly, the division recorded a gross revenue of RM115.1 million (2012: RM111.3 million).

The division continued to place strong emphasis on risk management, employing robust and stringent credit evaluation standards. The division's gross non-performing loan (NPL) ratio of 1.44% continued to remain below the banking industry's average of 1.85%.

The better turnover and low NPL ratio have resulted in an improved operating profit of RM91.5 million in FY2013 (2012: RM90.6 million).

The division also caters to SMEs from the manufacturing, transportation and logistics as well as the agriculture sector.

REVIEW OF OPERATIONS

Outlook

The Malaysian economy expanded by 4.7% in 2013, mainly supported by strong growth in domestic demand and robust private sector activity.

This demand is projected to continue to be the main catalyst of growth of the Malaysian economy in 2014. Bank Negara Malaysia has projected a GDP growth of between 4.5% - 5.5% for 2014, citing its expectations of robust growth in private investment and a higher growth in public investment.

This growth is expected to be supported by projects under the Economic Transformation Programme, development of regional economic corridors and continuing implementation of key infrastructure projects.

The SME sector continues to be a significant contributor to the GDP, accounted for 32.7% of the GDP in 2012 and represents over 90% of total business establishment in Malaysia. It is expected that the SME sector will grow in tandem with the Malaysia economy in 2014.

The division expects lending opportunities in the market to remain robust, particularly in the SME sector and will continue to build its competitive edge while focusing on accelerating the growth of its core business segments.

The division places strong emphasis on credit management.

REVIEW OF OPERATIONS

AUTOMOTIVE

The Automotive Division is one of the leading dealers in Mercedes-Benz vehicles in Malaysia.

In 2013, the division invested in 2 new outlets in the Klang Valley. The Segambut showroom, located at Jalan Ipoh, was officially launched in April 2013.

The second outlet, the Balakong Autohaus, started operations in November 2013. With a floor space of 17,189 sq. metre, the Balakong Autohaus is the biggest full-fledged Mercedes-Benz dealership in Malaysia.

In line with its expansion programme, the division also upgraded its operations at the Kinrara Autohaus by including a new sales facility. This expansion was completed in the first quarter of 2014.

Also included in the expansion plan was the commencement of its Mercedes-Benz commercial vehicle operations in West Malaysia, which started in June 2013.

The division now has a total number of 6 Mercedes-Benz outlets, with 4 in the Klang valley and 2 in major towns in East Malaysia.

The hallmark of Hap Seng Star is its superior customer service.

The natural ambience at a section of the newly established Balakong Autohaus.

REVIEW OF OPERATIONS

"The division's newly launched Balakong Autohaus is the biggest full-fledged Mercedes-Benz dealership in Malaysia, with a floor space of 17,189 sq. metre."

REVIEW OF OPERATIONS

AUTOMOTIVE

During the year, the facelift E-Class and new A-Class passenger car models were launched. Both models saw strong responses with the A-class garnering huge support from the younger market segment.

The division increased its sales volume of passenger vehicles by 9% to 1,976 units (2012: 1,808 units). The new Mercedes-Benz commercial vehicle operations in West Malaysia also drew encouraging responses, with more than 100 orders recorded.

The division attained 31% of market share for new Mercedes-Benz passenger vehicles in Malaysia, making the division a prominent dealer in the sales of Mercedes-Benz passenger cars in the country.

During the year, the Kinrara Autohaus received accreditation as a centre of competency for body and paint repair by Daimler AG.

The division continued its investment in human capital development which was recognised by the Malaysian Institute of Management when it was awarded the Appreciation Award in November 2013 for its open enrolment programmes.

The division's human capital training programmes have yielded exemplary results, as evidenced with the division emerging as champions in both the Certified Diagnosis Technician and Certified System Technician categories of the Mercedes-Benz Malaysia Skill Competition.

The Kinrara Autohaus was again awarded the after-sales service excellence award by Mercedes-Benz Malaysia. This demonstrated the division's unwavering commitment and focus on providing excellent after-sales service to our customers.

Customer satisfaction has always been a priority at Hap Seng Star and its commitment to the principle has consistently enabled it to garner Mercedes-Benz Malaysia's top CSI (Customer Satisfaction Index) award.

REVIEW OF OPERATIONS

Division Performance

FY2013 proved to be a highly challenging year for the division with operations in Malaysia recorded a decline in revenue of 21% to RM603.1 million (2012: RM762.8 million). The decline was attributed to the highly competitive luxury car segment in 2013.

The division registered an operating loss of RM18.1 million (2012: RM7.3 million operating loss) primarily due to sale of run-out models in anticipation of new models to be launched in 2014.

Outlook

With an array of new Mercedes-Benz models lined up in the coming year, 2014 is set to be an exciting year for the division.

The much anticipated new S-class and CLA were launched in the first quarter of 2014. The new GLA and C-Class are expected to be launched in the later part of 2014.

The newly launched A class.

The iconic Hap Seng Star's Kuala Lumpur Autohaus located on Jalan Sultan Ismail.

Senior management personnel of Hap Seng Star and Mercedes-Benz Malaysia at the launch of the new Mercedes-Benz E-Class.

REVIEW OF OPERATIONS

FERTILIZERS TRADING

"A renowned supplier and trader of fertilizers in the region, the division is known for its quality products and reliability."

REVIEW OF OPERATIONS

The Fertilizers Trading Division operates in both Malaysia and Indonesia via Hap Seng Fertilizers Sdn Bhd and PT Sasco Indonesia respectively.

Through its 14 strategically located warehouse facilities, the division supplies and trades in a wide range of fertilizers that include muriate of potash (MOP), ammonium sulphate and rock phosphate.

2013 saw the decline in fertilizer prices as a result of a drop in global demand from the major consuming countries particularly in the second half of the year.

In addition, the break-up of the Belarusian Potash Company consortium resulted in further turmoil in the potash market. This has brought about a further decline in prices in key potash markets.

Operations in Malaysia

Despite an extremely competitive trading environment, the division recorded a growth in sales volume of 5% to 701,000 tonnes (2012: 665,000 tonnes) for FY2013.

However, turnover declined to RM861.5 million (2012: RM946.5 million) due to prevailing weak global fertilizer prices.

The division continued to lead the East Malaysian fertilizers business segment with 31% market share and remained a leading player in the Peninsular Malaysia fertilizer market with market share of 16%.

Workers bagging the fertilizers in 50 kg bags for distribution.

The loader shovelling bulk muriate of potash for bagging.

REVIEW OF OPERATIONS

FERTILIZERS TRADING

Operations in Indonesia

In addition to the declining global fertilizer prices, the Indonesian operations were severely impacted by the weak Indonesian currency as well as a highly competitive environment in 2013.

As a result, its revenue declined to RM246.8 million (2012: RM374.8 million) on the back of sales volume of 212,000 tonnes (2012: 297,000 tonnes).

Division Performance

Although the operations in Malaysia remained favourable, the division recorded an operating loss of RM8.2 million in 2013 (2012: RM22.8 million operating profit) against the backdrop of prevailing weak global fertilizer prices and the challenging trading environment.

A panamax vessel discharging its cargo of bulk MOP.

FERTILIZERS TRADING DIVISION'S OPERATION NETWORK

REVIEW OF OPERATIONS

Outlook

The global demand in the fertilizer market is gradually improving, with demand strengthening in major markets.

For potash, the demand is predicted to increase significantly in 2014 in response to lower prices as well as a need to restock thin distribution pipelines in some countries.

Global MOP shipments are expected to increase to a record 57 to 60 million tonnes in 2014, up from about 55 million tonnes in 2013, with the "Big Six" - North America, Brazil, China, India, Indonesia and Malaysia accounting for roughly two-thirds of world MOP consumption.

With the recovering CPO prices expected to remain favourable and stable, this augurs well for the division.

A sample of the muriate of potash fertilizer.

Some of the major types of fertilizers distributed by the division.

The oil palm sector is one of the main consumers of fertilizers.

REVIEW OF OPERATIONS

QUARRY & BUILDING MATERIALS

The Quarry and Building Materials Division comprises 2 operating units - the quarry and asphalt operations and the brick operations.

Quarry & Asphalt Operations

In FY2013, the division maintained its market ranking as one of the largest quarry operators in Malaysia with 10 operating quarries and 8 asphalt plants, located in Sabah, Kelantan, Terengganu, Pahang and Johor. The quarries have estimated total economic rock reserves of 180 million tonnes.

The division recorded aggregate sales of 7.1 million tonnes (2012: 7.1 million tonnes) for FY2013. Demand for aggregate and building materials in Johor increased due to construction activity at the Iskandar development region and the Singapore market.

However, the sales volume was dampened by lower production in Sabah due to a temporary disruption in production at one of the Sabah quarries.

Asphalt sales grew by 25% to 376,000 tonnes (2012: 300,000 tonnes), supported by strong demand from infrastructure improvement projects as a result of the Government's Economic Transformation Programmes.

Brick Operations

As the second largest clay bricks manufacturer in Malaysia, the division has a total monthly production capacity of 20 million bricks through its 4 brick factories – 2 in Sabah and 1 each in Johor and Pahang.

REVIEW OF OPERATIONS

"The division continued with its quarry reserve development and environmental improvement projects by continuously rolling out various measures to improve operational efficiencies and secure additional quarry reserves."

REVIEW OF OPERATIONS

QUARRY & BUILDING MATERIALS

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

During the year, the division focused on operational and cost improvements. Brick production grew by 26% to 176.4 million pieces (2012: 140.1 million pieces). Similarly, sales volume increased by 33% to 169.1 million pieces (2012: 127.3 million pieces).

FY2013 also saw the commissioning of a new brick factory in Kuantan, Pahang in January 2013. On its first year of operation, the new factory's sales exceeded 31 million bricks.

The Kuantan brick factory has a production capacity of 5 million bricks per month and caters to the eastern and southern regions of Peninsular Malaysia, stretching from Mersing, Johor to Kota Bharu, Kelantan.

Division Performance

On the back of a volume growth achieved by the division's operations in quarries, asphalt plants and brick factories, it recorded a 19% revenue growth to RM364.8 million for FY2013 (2012: RM306.4 million).

Bricks are baked, stacked and QC checked before they are packed.

However, the operating profit declined to RM17.9 million (2012: RM27.6 million), impacted by the start-up cost of the new brick factory and the temporary production disruption at one of the quarries.

Outlook

2014 is expected to witness many large infrastructure projects underpinned by the government's Economic Transformation Programmes as well as the multi-billion dollar Iskandar development region in Johor.

To meet the expected demand from the above projects the division is set to launch 3 new quarry production sites, which are expected to be operational in the second half of 2014, with 1 new site in Sabah and another 2 sites in Johor.

The packed bricks are loaded for distribution.

QUARRY AND BUILDING MATERIALS DIVISION'S OPERATION NETWORK

REVIEW OF OPERATIONS

TRADING

"The division is poised to achieve significant growth via expansion of new and existing markets as well as capitalising on the synergies of the Group's diversified businesses."

REVIEW OF OPERATIONS

The Trading Division's businesses include the trading of building materials, petroleum products and edible oils. The division operates a network of 4 branches in Sabah, a new branch in Johor and a main office in Petaling Jaya.

Previously operating as a unit within the Quarry and Building Materials Division, the operations has been restructured into a new division in 2013 with a separate management team.

During the year, the division focused on strategies to further grow the business. A presence was established in Johor primarily to tap into the growing Iskandar development region.

Revenue from building materials and petroleum products grew by 17% to RM399.3 million (2012: RM341.8 million) with increased sales across all products.

Division Performance

During the year, the division witnessed a growth in revenue of 7% at RM449.5 million (2012: RM420.9 million). Similarly, operating profit also recorded higher growth at RM6.6 million, reversing a loss of RM30.7 million in the previous year.

Outlook

The division continues to remain optimistic despite the challenging operating environment in 2014 associated with the rising cost of petrol and electricity. The optimism is due to expected favourable construction activities for the property market.

Building materials and petroleum products are part of the diversified portfolio of goods traded by the division.

STATEMENT ON CORPORATE GOVERNANCE

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

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

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

BOARD OF DIRECTORS

Board Charter

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

- Board Composition
- Board Appointments
- Meetings and Board Attendance
- Role of the Chairman, Managing Director and Company Secretary
- Board Function
- Board Committees comprising the Audit, Nominating and Remuneration Committee
- Dichotomy between the Board and Management's role and responsibilities
- Code of Conduct
- Gender Diversity
- Sustainability

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

Board Responsibilities

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

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

STATEMENT ON CORPORATE GOVERNANCE

Board Meetings

The directors meet at least 4 times a year. During the financial year ended 31 December 2013, 4 board meetings were held with all the directors having attended at least 50% of the board meetings.

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

Directors attendance to board meetings held during financial year ended 31 December 2013 is as follows:

Directors	No. of Meetings Attended
Dato' Jorgen Bornhoft	4/4
Datuk Edward Lee Ming Foo, JP	3/4
Mr. Lee Wee Yong	3/4
Datuk Simon Shim Kong Yip, JP	4/4
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	4/4
Dato' Mohammed Hussein	4/4
Mr. Tan Ghee Kiat	4/4

Board Composition

As at the date of this annual report, the Board has 7 members comprising 2 executive directors and 5 non-executive directors of which 4 or more than 1/3 were independent of management and have no relationships which could interfere with the exercise of their independent judgment.

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

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

Together, the directors have wide-ranging business and financial experience. A brief description of the background of each director is presented on pages 5 to 11 of this annual report.

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

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

Board Gender Diversity

The Board acknowledges the importance of board diversity, including gender diversity, to the effective functioning of the Board. Female representation will be considered when vacancies arise and suitable candidates are identified, underpinned by the overriding primary aim of selecting the best candidate to support the achievement of the Company's strategic objectives.

STATEMENT ON CORPORATE GOVERNANCE

Supply of Information

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

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

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

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

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

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

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

Board Committees

Specific responsibilities are delegated to board committees which comprise the Audit Committee, Nominating Committee and Remuneration Committee which shall report to the Board regularly. The board committees are limited to making recommendations to the Board as the Board is not empowered to delegate its decision-making authorities to the board committees. The primary responsibilities of these board committees are approved by the Board and are detailed in pages 70 to 78 of this annual report.

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

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

STATEMENT ON CORPORATE GOVERNANCE

Appointments to the Board

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

The Nominating Committee has reviewed and is satisfied that:

- the size of the Board is optimum for the effective discharge of the Board's function and that there is appropriate mix of skills and core competencies in the composition of the Board;

- all the members of the Board are suitably qualified to hold their positions as directors in view of their respective academic and professional qualifications, competencies, experiences, commitment, contribution and performance;

- all the directors at the date of this annual report have updated their knowledge and enhance their skills through appropriate continuing education programmes during the financial year ended 31 December 2013;

- all the independent directors except for Dato' Jorgen Bornhoft as at the date of this annual report have not served for a period exceeding 9 years; and

- Dato' Jorgen Bornhoft is capable of acting objectively in the best interest of the Company and has demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements and recommended to the Board to continue in office as Independent Directors of the Company.

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

Re-appointment and Re-election of Directors

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

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

During the year, the Nominating Committee had reviewed both the independence and performance of an independent and 2 executive directors who are due for re-appointment and/or re-election in the forthcoming AGM. Based on the satisfactory outcome of the said review, the Nominating Committee had made recommendations to the Board for their re-appointment and/or re-election.

STATEMENT ON CORPORATE GOVERNANCE

Directors' Training and Education

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

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

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

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

The directors have during the financial year ended 31 December 2013 evaluated their own training needs on a continuous basis and attended the following programmes:

Directors	Training Programme	Duration
Dato' Jorgen Bornhoft	Values Driven Marketing	1 day
	Directors' Continuing Education Programme 2013	1 day
	Nominating Committee Programme	1 day
	Board Chairman Series: the Role of the Board Chairman	1 day
Datuk Edward Lee Ming Foo, JP	Overview of Board presentation on the Competition Act 2010; and the Personal Data Protection Act 2010	2 hours
	The Wealth Report 2013 - Global Perspective on Prime Property and Wealth	2 hours
	The Changed World of New Economic Giants and Zero Interest Rates : Implications for Economic Management in Malaysia	1½ hours
Mr. Lee Wee Yong	Overview of Board presentation on the Competition Act 2010; and the Personal Data Protection Act 2010	2 hours
Datuk Simon Shim Kong Yip, JP	One of the speakers in the Cambridge Symposium on Economic Crimes	7 days
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	Overview of Board presentation on the Competition Act 2010; and the Personal Data Protection Act 2010	2 hours
	Corporate Directors Advanced Programme (CDAP) – "Human Capital"	2 days
	Wealth Creation & Preservation – Turning Possibility into Reality	1 day
	Directors Forum (2/2013) "The Innovation Zone: Unleashing the Mindset"	3 days
Dato' Mohammed Hussein	Overview of Board presentation on the Competition Act 2010; and the Personal Data Protection Act 2010	2 hours
	Real Estate Investment Trust (REIT) Conference	1 day
Mr. Tan Ghee Kiat	National Tax Seminar 2013	1 day
	The 2014 Budget Seminar	1 day

STATEMENT ON CORPORATE GOVERNANCE

DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration

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

Procedure

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

Disclosure

Directors' Remuneration and Remuneration Policy are as follows:

Details of Directors' Remuneration

(i) The aggregate remuneration paid or payable by the Company to the directors of the Company for services in all capacities during the financial year ended 31 December 2013 is as follows:

Category	Fees RM'000	Salaries and Other Emoluments RM'000	Benefits-in-Kind RM'000	Total Remuneration RM'000
Executive	-	2,812	173	2,985
Non-Executive	473	-	-	473

(ii) The number of directors who received remuneration from the Company for the financial year ended 31 December 2013 and their remuneration including benefits-in-kind are tabulated in the following bands below:

Remuneration Range	No. of Directors
Executive Directors	
RM1,050,000 to RM1,100,000	1
RM1,100,001 to RM1,900,000	-
RM1,900,001 to RM1,950,000	1
Non-Executive Directors	
RM50,000 to RM100,000	4
RM100,001 to RM150,000	1

STATEMENT ON CORPORATE GOVERNANCE

Remuneration Policy

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

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

(i) Remuneration for Executive Directors

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

- **Basic Salary**
  Salaries are reviewed annually. In setting the basic salary of each director, the Remuneration Committee takes into account market competitiveness and the performance of each individual director.

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

- **Contribution to EPF**
  Contribution to EPF is based on the statutory rate.

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

(ii) Remuneration for Non-Executive Directors

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

SHAREHOLDERS

Dialogue between Company and Investors

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

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

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

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

The Annual General Meeting ("AGM")

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

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

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

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

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

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

CODE OF CONDUCT

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

The Code of Conduct covers the following areas:

- **Honesty and Integrity**

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

- **Compliance with Laws**

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

STATEMENT ON CORPORATE GOVERNANCE

CODE OF CONDUCT (CONTINUED)

- **Conflict of Interests**

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

- **Confidentiality**

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

- **Whistle-Blowing**

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

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

STRATEGIES FOR SUSTAINABILITY

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

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

- Creating a safe working environment for all our employees, while promoting and implementing all aspects of occupational safety and health policies in the workplace;
- Creating efficient, effective and sustainable human resources by embracing the principle of continuous growth and employee satisfaction.
- Creating a model community which embraces social inclusion and diversity;
- Meeting shareholders' demand for sound financial returns through regular dividend stream, economic growth, open communication and transparent financial reporting;
- Establishing and complying with high standards of corporate governance and engagement with shareholders;
- Adopting innovative technologies to minimise or control negative impact on the environment in our business operations;

STRATEGIES FOR SUSTAINABILITY (CONTINUED)

- Helming, supporting and contributing to environmental friendly projects or programmes;
- Taking proactive steps towards reducing our carbon footprint, including engaging measures to improve energy performance of office buildings, better management of energy use for office equipment, raising awareness among employees, customers, suppliers through "Reduce, Reuse, and Recycle" campaign; and
- Participating in community involvement programmes by reaching out to the communities.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

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

Internal Control

The Group's Statement on Risk Management and Internal Control is set out on pages 64 to 69 of the annual report.

Relationship with Auditors

The Audit Committee and the Board have established formal and transparent arrangements to maintain an appropriate relationship with the Company's auditors as stated on pages 70 to 73 of the annual report.

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

This Statement on Corporate Governance is made in accordance with a resolution from the Board.

DATO' JORGEN BORNHOFT
Independent Non-Executive Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

STATEMENT ON RISK MANAGEMENT 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 2013 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 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 involve every business units and their respective key management, including the Board, and are designed to meet the Group's particular 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 and is an ongoing process.

This framework is designed to be responsive to changes in the business environment and is clearly communicated to all levels through the setup of a Group Risk Management Committee that reports to the Audit Committee.

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 has been formed to take formal executive responsibility for risk management, building upon already established structures and mechanism. It adopts a formalised approach towards risk assessments in compliance with the guidance on the SRMICG and Recommendation 6.1 of the Code.

Members of the Group Risk Management Committee comprises the following:

- Two executive directors, one being the Group Managing Director;
- Group Chief Operating Officer;
- Chief Financial Officer;
- Chief Executive 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.

Risk Management (continued)

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

- To develop risk management policies, which includes risk management strategies and risk tolerance level for the various business units within the Group;

- To develop methodologies to identify, evaluate, prioritise, address and report the various risks of the various business units within the Group;

- To periodically review the effectiveness of the existing risk management policies and methodologies and recommend changes thereto;

- To monitor and ensure the implementation and compliance of the risk management policies and methodologies across the Group;

- To review the key risk profile of the Group and ensure that all significant risks are managed effectively including, the evaluation and treatment of newly identified risk, review and monitor the implementation of action plans to mitigate the significant risks identified;

- To report risk exposures or risk management activities to the Audit Committee on a timely basis; and

- To promote risk awareness and/or facilitate training on risk management.

The Group Risk Management Committee together with the Group's management are responsible for implementing the processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking appropriate and timely corrective actions as needed.

To this end, a Group's Risk Methodology had been issued to the heads of the Group's business units who will identify the risks inherent to their respective business units and the appropriate measures and strategies to achieve the overall objectives of the Group.

A database of strategic risks identified and 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 being continuously updated to reflect prevailing operating conditions.

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.

Risk assessment interviews have been conducted by the senior manager overseeing the risk management function with the heads and managers of the respective business units as part of its assessment of strategic risks affecting the Group.

The risks profile of the relevant business units have been tabled to the Group Risk Management Committee highlighting on the key risks, their causes and management action plans thereon.

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Control

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

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

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

- Clearly defined delegation of responsibilities to committees of the full 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 which monitor compliance with procedures and assess the integrity of financial information.

- Regular and comprehensive information provided to management, covering financial performance and key business indicators.

- A detailed budgeting process where operating units prepare budgets for the coming year which are approved both at operating unit level and by the full Board.

- A monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary.

- Regular visits to operating units by senior management whenever appropriate.

- Regular 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 purposes of ascertaining the state of internal control and to obtain assurance of the internal control systems as to its effectiveness and adequacies in all material aspects, the Audit Committee reviews and holds discussion on significant internal control issues identified in reports prepared by the Internal Audit Department.

- Code of Conduct as set out in the Board Charter and the Employees' Handbook.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Audit Function

The Group has an 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 recognized by these professional bodies.

The head of Internal Audit, whenever deemed necessary, meets with the Audit Committee without the management being present.

The head of Internal Audit has direct access to the Chairman of the Board and to the Audit Committee.

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

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

The activities of the Internal Audit Department that were carried out are as follows:

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

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

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

- Attended the meetings conducted by the Group Risk Management Committee.

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

- Issued a total of 40 internal audit reports to the Audit Committee which encompassed identification and assessment of business risks.

- The total costs incurred for the Internal Audit Department in respect of the financial year ended 31 December 2013 was approximately RM2.9 million.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Other Risks and Control Processes

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

The Board is also supported by Board Committees with specific delegated responsibilities. These Committees have the authority to examine all matters within their scope and responsibilities, as provided in the Board Charter, and report to the Board with their recommendations. (For more details on the various Committees, please refer to the Statement on Corporate Governance on pages 70 to 78 in this annual report).

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

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

Assurance to the Board was given by the Group Managing Director, Group Finance Director and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management model adopted by the Group.

CONCLUSION

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), *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 2013, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate. The external auditors' report was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purpose or parties. As stated in their report, the external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

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

BOARD COMMITTEES

AUDIT COMMITTEE

Members of the Audit Committee

Dato' Jorgen Bornhoft	*(Independent Non-Executive Director) – Chairman*
Dato' Mohammed Hussein	*(Independent Non-Executive Director)*
Mr. Tan Ghee Kiat	*(Independent Non-Executive Director)*
Datuk Simon Shim Kong Yip, JP	*(Non-Independent Non-Executive Director)*

Terms of Reference of Audit Committee

Membership

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

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

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

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

- No alternate director shall be appointed as a member of the Audit Committee.

- The Chairman of the Committee who shall be an independent director shall be elected by the members of the Committee.

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

Attendance at Meetings

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

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

Frequency of Meetings

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

During the financial year ended 31 December 2013, 4 meetings were held. The details of Directors' attendance at these meetings are as follows:

Directors	No. of Meetings
Dato' Jorgen Bornhoft	4/4
Dato' Mohammed Hussein	3/4
Mr. Tan Ghee Kiat	4/4
Datuk Simon Shim Kong Yip, JP	4/4

The details of training by the above directors are tabulated on page 58 of the annual report.

BOARD COMMITTEES

Proceedings of Meetings

- In the absence of the Chairman, the Committee shall appoint one of the independent members present to chair the meeting.

- Questions arising at any meeting where a quorum is present shall be decided by a majority of votes of the members present, each member having 1 vote.

Scope of Authority

- The Chairman of the Audit Committee may engage on a continuous basis with senior management such as the Chairman of the Board, the Managing Director, the Group Finance Director, Chief Financial Officer, head of Internal Audit Department and the external auditors in order to be kept informed of matters affecting the Company.

- The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are required to comply with any request made by the Committee.

- The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

- The terms of reference of the Audit Committee shall not limit in any way the responsibilities and authorities of the Managing Director to institute or instruct internal audits and reviews to be undertaken from time to time.

- The Chairman of Audit Committee, upon the request of the external auditor, shall convene a meeting of the committee to consider any matter which the external auditors believe should be brought to the attention of the directors or shareholders.

- The Committee may invite other directors, any employee and a representative of the external auditors to attend any particular Audit Committee meeting, specific to the relevant meeting(s). The Group Finance Director, Chief Financial Officer and the head of Internal Audit Department, upon the invitation by the Committee, normally attend the meeting(s).

Primary Responsibilities of the Audit Committee

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

- To monitor the integrity of the Group's financial statements, review its annual accounts and quarterly results to be released to the Exchange and any other announcements relating to the Group's financial performance as well as significant financial reporting issues.

- To review the effectiveness of the Group's internal controls and risk management systems and to review and to approve the statement to be included in the annual report concerning internal controls and risk management.

- To review and report to the Board any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

- To monitor and review the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system.

- To approve the appointment and removal of the head of the Internal Audit function.

- To consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards, particularly to ensure that the internal audit function has adequate standing and is free from management or other restrictions.

BOARD COMMITTEES

Primary Responsibilities of the Audit Committee (continued)

- To review and assess the annual internal audit master plan.

- To review promptly all reports on the Group from the internal auditors.

- To review and monitor the management's responsiveness to the findings and recommendations of the internal auditors.

- To meet the head of the Internal Audit whenever deemed necessary, to discuss their remit and any issues arising from the internal audits carried out without management being present. The head of Internal Audit shall be given the right of direct access to the Chairman of the Board and to the Committee.

- To consider and make recommendations to the Board in relation to the appointment, re-appointment or removal of the company's external auditors, so that the same could be put to shareholders for approval at the annual general meeting.

- To oversee the selection process of new auditors and if an auditor resigns, to investigate the issues to the resignation.

- To oversee the relationship with the external auditors including:
  - Approval of their remuneration;
  - Approval of their terms of engagement;
  - Assessing annually their independence and objectivity taking into account the regulatory requirements and the relationship with the auditor as a whole;
  - Formulating a policy governing the provision of non-audit services by the external auditor and regularly monitoring the compliance therewith; and
  - Assessing annually their qualifications, expertise and resources and the effectiveness of the audit process.

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

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

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

Review of the Audit Committee

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

Annually the Nominating Committee will evaluate performance of the Board Committees collectively as well as performance of members individually.

Reporting Procedures

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

The secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

Reporting of Breaches to the Exchange

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

Summary of Audit Committee Activities during the financial year ended 31 December 2013

The activities of the Audit Committee during the financial year ended 31 December 2013, are summarised below:

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

- Received and reviewed a total of 40 internal audit reports covering the processes of the Group's business units and is satisfied with the recommendations and actions by management in addressing the issues highlighted.

- Reviewed annual audit plans of the Group and Company with the external auditors and recommendation of their audit fees to the Board.

- Discussed the annual audited Financial Statements of the Group with the external auditors and noted the salient features and key findings by the external auditors.

- Reviewed the annual audited Financial Statements and recommended to the Board for approval.

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

- Reviewed the suitability and independence of external auditors and have received written assurance from external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

- Reviewed the Group's quarterly report prepared in compliance with Financial Reporting Standard ("FRS") 134 "Interim Financial Reporting" and Chapter 9 of the Listing Requirements prior to submission to the Board for consideration and approval where the Chairman of the Audit Committee will brief the Board on the pertinent points and the recommendations of the Audit Committee.

- Reviewed and considered the disclosure of Related Party Transactions in the Financial Statements and the Recurrent Related Party Transactions Circular to shareholders.

- Received and reviewed the comprehensive risk management report from the Group Risk Management Committee and is satisfied with the assessment by the Group Risk Management Committee.

- Reviewed and recommended to the Board the Statement on Risk Management and Internal Control prepared for approval and inclusion in the annual report.

BOARD COMMITTEES

REMUNERATION COMMITTEE

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

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

Terms of Reference of Remuneration Committee

Membership

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

Frequency of Meetings

The Remuneration Committee shall meet as often as it requires but at least once per financial year.

Attendance at Meetings

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

Proceeding of Meetings

- The Chairman of the Committee may invite personnel such as the Chief Executives of the business divisions, the head of the Human Resource Department as and when appropriate and necessary.
- In the absence of the Chairman, the Remuneration Committee shall appoint one of the non-executive members present to chair the meeting.
- Questions arising at any meeting where a quorum is present shall be decided by a majority of votes of the members present, each member having one 1 vote.

Reporting Procedure

The secretary shall circulate the minutes of meetings of the Remuneration Committee to all members of the Board.

Scope of Authority

The Remuneration Committee does not have the delegated authority from the Board to implement its recommendations but is obliged to report its recommendations to the full Board for its consideration and implementation.

Interest of Remuneration Committee Members

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

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

Primary Responsibilities of Remuneration Committee

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

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

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

Summary of Activities

The Remuneration Committee met on 27 November 2013:

- To review the remuneration policy of the Group and noted the industry forecast for 2013/2014 for the average salary increment; and

- To recommend to the Board, the proposed bonus of the executive directors for the financial year ended 31 December 2013 and their respective proposed increments for the financial year commencing from 1 January 2014.

BOARD COMMITTEES

NOMINATING COMMITTEE

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

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

Terms of Reference of Nominating Committee

Membership

- The Committee shall be appointed by the Board from amongst the directors of the Company of not less than 3 non-executive directors, a majority of whom are independent.

- The Chairman of the Committee is also the senior independent director of the Company.

Frequency of Meetings

The Nominating Committee shall meet as often as it requires but at least once per financial year.

Attendance at Meetings

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

Proceeding of Meetings

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

- In the absence of the Chairman, the Nominating Committee shall appoint one of the independent non-executive members present to chair the meeting.

- Questions arising at any meeting where a quorum is present shall be decided by a majority of votes of the members present, each member having 1 vote.

BOARD COMMITTEES

Reporting Procedure

The secretary shall circulate the minutes of meetings of the Nominating Committee to all members of the Board.

Scope of Authority

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

Primary Responsibilities of Nominating Committee

- To consider and recommend candidates onto the Board and Board Committees and guided by the selection criteria amongst others are integrity and professionalism, expertise and experience, independence and objectivity, personal attributes, dedication and commitment and board diversity. Details of the selection criteria is set out in the Board Charter.

- To annually evaluate performance of the Board and Board Committees collectively as well as performance of members individually.

- To facilitate board induction and training programmes.

- Assessing directors' training needs periodically and devising relevant professional development programmes based on such assessment for recommendation to the Board.

- To develop a proper succession plan for the Board so as to ensure a smooth transition when directors leave the Board, and that positions are filled and skill gaps addressed.

- To monitor and recommend the functions to be undertaken by the various Board Committees.

- To review and reassess the adequacy of the Board Charter and Code of Conduct annually.

- To evaluate the independence of each independent director on a yearly basis. In this regard, the Committee is guided by the criteria as set out in the Board Charter.

- To recommend directors for re-appointment or re-election subject to satisfactory outcome of the evaluation of their performance.

BOARD COMMITTEES

Summary of Activities

- Reviewed the current Audit Committee size and composition and was of the view that the members were aptly qualified to discharge their respective duties and responsibilities after taking into account their professional qualifications and experiences.

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

- Evaluated the performance of each Board and Board Committees collectively as well as performance of members individually and was satisfied that all members of the Board are suitably qualified to hold their positions as directors in view of their respective academic and professional qualifications, competencies, experiences, commitment and contribution to the Board.

- Reviewed and assessed the adequacy of the Board Charter and the Code of Conduct adopted by the Board.

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

- Evaluated the independence of each independent director taking into account both the quantitative and qualitative criterion. In addition all the independent directors at the date of this annual report has served in the Board with a tenure less than the term of 9 years except for Dato' Jorgen Bornhoft.

- Evaluated that Dato' Jorgen Bornhoft is capable of acting objectively in the best interests of the Company, and has demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements despite having served as an independent director for more than 9 years.

- Evaluated the performance of the following independent director and executive directors standing for re-appointment and/or re-election at the coming annual general meeting:-

  (i) Dato' Jorgen Bornhoft on his re-appointment pursuant to Section 129(6) of the Companies Act, 1960;

  (ii) Datuk Edward Lee Ming Foo on his re-election pursuant to Article 97 of the Company's Articles of Association; and

  (iii) Mr. Lee Wee Yong on his re-election pursuant to Article 97 of the Company's Articles of Association.

CORPORATE SOCIAL RESPONSIBILITY

Listed on the main board of Bursa Malaysia since 2 August 1978, Hap Seng Group is a diversified business portfolio that includes businesses in plantation, property, credit financing, automotive, fertilizers trading, quarry & building materials and trading.

The Group is committed to developing a sustainable future for its employees, its community as well as its stakeholders by striving to integrate the twin ideal of Sustainability and Corporate Social Responsibility (CSR) as an integral component into its business strategy.

The rooftop garden at Menara Map Seng helps to reduce the heat island effect.

GOVERNANCE

Hap Seng Group has set itself to operate in an environment with the strictest standards of corporate governance. This is to ensure that it is in compliance with statutory and regulatory guidelines as dictated by the Malaysian Code on Corporate Governance as well as the main Listing Requirement of Bursa Malaysia Securities (Listing requirements).

For information on Hap Seng Group's corporate governance's commitment, please refer to our Statement on Corporate Governance and Statement on Risk Management and Internal Control sections in the Hap Seng Consolidated Berhad's 2013 Annual Report.

ENVIRONMENT

Hap Seng Group recognises that short term progress and profit cannot come at the expense of long term sustainability. That is why we have formulated conscientious policies and programmes focusing on harmonising with our social-economic and environmental concerns in areas we operate.

The goal is to attain balanced progress that allows for the preservation of the environment while benefiting the stakeholders – a win-win situation.

Hap Seng Plantations - RSPO Certification

As for its Plantations arm, Hap Seng Plantations' move towards becoming a globally responsible palm oil producer and supplier was already in place even before it ventured into securing for the Roundtable on Sustainable Palm Oil (RSPO) certification.

A globally recognised certification, the RSPO certification follows a set of international standards for the sustainable palm oil industry. It is governed by a set of strict and challenging sustainable guidelines that need to be complied via set principles. Compliance can only be confirmed by independent RSPO accredited auditors. The principles are:

- Commitment to transparency
- Compliance with applicable laws and regulations
- Commitment to long-term economic and financial viability
- Use of appropriate best practices by growers and millers
- Environmental responsibility and conservation of natural resources and biodiversity
- Responsible consideration of employees, and of individuals and communities affected by growers and mills
- Responsible development of new plantings
- Commitment to continuous improvement in key areas of activity

CORPORATE SOCIAL RESPONSIBILITY

Hap Seng Plantations' Sg. Segama Group of Estates (SSGOE) was the first to receive RSPO certification in May 2012. Even before certification, SSGOE was already found to be 70% in compliance with the RSPO principles at its very first audit. This was followed by the Jeroco Group of Estates (JGOE), which received its RSPO certification in September 2013.

The Tomanggong Palm Oil Mill, the remaining plantation without an RSPO certification was undergoing certification and is expected to be certified in 2014.

With RSPO certification on the card, the division is now on its way to join the rank as a certified responsible global producer of sustainable palm oil. This clearly indicates the division's commitment in producing sustainable palm oil.

Hap Seng Land - Sustainable green development

With the country gearing towards sustainability, Hap Seng Land - Peninsular Malaysia has aligned its property development policy towards that goal. Since its first property foray into Peninsular Malaysia in 2004, it has created a new value proposition for its property products, allowing it to differentiate its offerings to that of the markets.

To accentuate its sustainability credential, all its new developments – Menara Hap Seng 2, Horizon Residences and Nadi Bangsar Service Residence - are green developments that conform to the Malaysian Green Building Index (GBI), an internationally recognised green accreditation body.

With GBI certifications, this means that Hap Seng Land focuses on ensuring that its developments had gone through vigorous sustainable site planning and management. It also meant that Hap Seng Land ensured efficiency of resource use – energy, water, and materials while minimising the impact on human health and the environment during the building's lifecycle.

One of the RSPO criteria is to ensure workers have proper living quarters (above) and access to medical services.

Hap Seng Land's Green Development credential in Peninsular Malaysia

Project	Location	Sustainability status	Completion timeline
Menara Hap Seng	Jalan P Ramlee	Brownfield development	Completed in 2007
Menara Hap Seng 2	Jalan P. Ramlee	GBI certification	In progress
Horizon Residence	Jalan Tun Razak	GBI certification	In progress
Nadi Bangsar Service Residence	Jalan Tanduk	GBI certification	In progress

CORPORATE SOCIAL RESPONSIBILITY

Environmental awareness activities

In 2013, Hap Seng Group via its business division, Hap Seng Building Materials carried out two environmental awareness programmes involving more than 340 children from several orphanage homes. The first event was held on 24 August 2013, in collaboration with Hap Seng Land, at its D'Alpinia development in Puchong.

Part of the programme included an environmental awareness talk on the importance of sustainable development. The event also saw a total of 60 Tristania Obovata tree saplings planted, with the help of the children.

The second environmental awareness event was held on 16 November 2013, involving 160 children at Tanjung Tuan, Port Dickson. Similarly, this event aimed to bring the sustainability message to the children who volunteered to clean up the dirty beach.

Environmental conscious warriors joining Hap Seng Building Materials in promoting sustainability on 16 November 2013 at a beach cleaning event held at Tanjung Tuan, Port Dickson.

Some of the children helping out in a tree planting event held on 24 August 2013 which was organised by Hap Seng Building Materials to support environmental sustainability.

MARKETPLACE

Hap Seng Star, the automotive division of Hap Seng Group has consistently and proactively adopted new initiative aimed at improving its brand in the marketplace.

It's annual Customer Satisfaction Index (CSI) consistently scored above the national customer satisfaction average with its customer engaging activities and programmes.

The index measured the customers' overall buying experience, feeling welcomed at outlets, overall satisfaction with the salesperson, test drive offered, the overall handover experience and customer response period during prescribed timeline.

Based on independent CSI audit findings, all its outlets in the Klang Valley scored above the national customer satisfaction average, enabling the team to win the Mercedes-Benz Service excellence award for the third consecutive year.

Treatment of private information and the Personal Data Protection Act (PDPA)

Hap Seng Group has proactively instituted measures in ensuring all corporate customers and employees information are kept strictly private and confidential. This was carried out even before the onset of the Personal Data Protection Act (PDPA) 2010 on 15 November 2013.

An audit on its compliance to PDPA was conducted in early August 2013 across its business divisions while a PDPA Steering Committee with membership open to all head of divisions was set up.

This is supported by a PDPA Working Committee whose goal is to see the adoption and implementation of PDPA compliance initiatives.

This is an internal PDPA compliance mechanism that has been put in place since November 2013.

CORPORATE SOCIAL RESPONSIBILITY

Case Study

Hap Seng Star consistently wins Mercedes-Benz Top CSI Award

Hap Seng Star has consistently been garnering Mercedes-Benz Malaysia's (MBM's) top CSI (Customer Satisfaction Index) award with its latest achievement with its Kinrara Autohaus winning the Mercedes-Benz Top CSI award.

In line with Mercedes-Benz focus for customer satisfaction as its solid foundation to progress and succeed, Hap Seng Star came top among the nationwide network of 20 Mercedes-Benz dealers. This is the fourth time it has been awarded the top spot by MBM.

It first won the top CSI award in 2011 (Hap Seng Star Kota Kinabalu Autohaus), with the Kinrara Autohaus at Runner-Up. Then in 2012, the Kinrara Autohaus took the top CSI award, and this was repeated in 2013.

The team at Hap Seng Star displaying the Mercedes-Benz Malaysia's Service Exellence Award received on 31 January 2013.

COMMUNITY

As an organisation that constantly engages with its stakeholders, Hap Seng Group defines its stakeholders as any individual or parties that have a direct, indirect or potential impact on the company as well as those that are directly or indirectly affected by the company as a result of its operations.

In 2013, each stakeholder group is managed by a relevant division whose duty is to regularly engage, respond to queries, address concerns and formulate strategies to better serve their expectations.

Hap Seng Building materials also carried out annual charity activities to raise fund for orphanages. In 2013, one of its main charity drives was through its Hap Seng Charity golf and Dinner held on 1 March 2013.

The event raised RM750,000 with the proceeds channelled to 20 charity organisations throughout Malaysia.


Hap Seng Star supported Taylor University by sponsoring a first-class Mercedes-Benz transportation to ferry Nick Vujicic, a well known motivational speaker.

The staff and family of Hap Seng Group welcoming the 2013 Chinese New Year on 23 February 2013 with a luncheon.

CORPORATE SOCIAL RESPONSIBILITY

Case Study

A partnership since 1999 -
Hap Seng Plantations and Humana school

Hap Seng Plantations' Humana School No. 159 located at the Sungai Segama Group of Estates (SSGOE), conducted its second graduation ceremony on 4 December 2013, marking yet another milestone for Hap Seng Plantations in empowering its staff by making education accessible to their children.

Starting with 250 children, the number of staff's children attending formal education at Hap Seng Plantations' Humana school continued to be in the 100s, with 108 students currently studying in the school.

In conjunction with the graduation ceremony, 27 special academic awards were given to some of the students who performed well in their education throughout the year. This was a form of encouraging the students to excel.

This educational initiative was carried out in collaboration with the Humana Children Aid Society Sabah, with the aim of providing formal education to children of its staff living within the Group's Sungai Segama Group of Estates since 2011.

WORKPLACE

Hap Seng Group believes that its employees are its core asset, and the success and failure of the company depends very much on its human capital management processes. In its passion for positive change, Hap Seng Group has put in place a forward looking and result-based training programme aimed at steering the Group towards a high performance culture.

The Strategic Alignment and Performance Based Culture training programme, which took place from October 2013 to November 2014, was aimed at further enhancing the performance based culture within the Group. It also aimed to standardise the system to track individual business division's key performance while providing a more transparent and objective performance-based reward system.

This is part of the human capital training programme put in place to develop the employees at Hap Seng Group.

Free health checks for employee welfare

In the interest of safeguarding the health of its employees, Hap Seng Group organised a series of health check for its employees in collaboration with Institut Jantung Negara (IJN) on 25 & 26 June 2013.

The health screening was held at the corporate office in Menara Hap Seng, with a total of 483 participants taking the opportunity to have their health checked. The health screening conducted by IJN included checks on blood sugar, blood cholesterol, blood pressure and body mass index.

This year, it had a quit smoking clinic, also conducted by IJN, where participants checked the levels of carbon monoxide in their lungs and were given counselling to help quit smoking.

Hap Seng Group's employees waiting for their free health checks.

AWARDS

Hap Seng Group continued to receive recognition from the industry and its value chain partners for its mark of quality as well as its contribution to the industry and to its shareholders. In 2013, it received five accolades, and these were summarised in the table below.

The highlight of the awards was its recognition by The Edge's Billion Ringgit Club for being the highest profit growth company in its sector. This was based on the highest growth in profit before tax over a three-year period beginning 2010 to 2012.

This award officially recognised Hap Seng Group as one of the best public listed companies in Malaysia for its qualities of excellence, innovation and success. This success is an indication on how Hap Seng Group has continuously created value for its shareholders and investors

Hap Seng Group awarded the Edge Billion Ringgit Club's Highest Profit Growth Company Award 2013 on 2 September 2013.

Business Division	Awards	Awarding Body	Date Obtained
Hap Seng Plantations Holdings Berhad	Best CPO Supplier 2012 (Group category)	IOI Edible Oils Sdn Bhd	23 January 2013
	Best Quality COP Supplier 2012 (TPOM)	IOI Edible Oils Sdn Bhd	23 January 2013
Hap Seng Star	Mercedes-Benz Service Excellence Awards 2012	Mercedes-Benz Malaysia (MBM)	31 January 2013
Hap Seng Star	Mercedes-Benz Body & Paint Center of Competence	Daimler Global Service & Parts	4 July 2013
Hap Seng Group	Highest Profit Growth Company Award (trading/services, hotels IPC and technology)	The Edge's Billion Ringgit Club	2 September 2013
Hap Seng Star	Appreciation Award for Open Enrolment programmes	Malaysian Institute of Management (MIM)	21 November 2013

Case Study

Appreciation Award for Open Enrolment Programmes

Hap Seng Star's active participation and support in human capital development was recognised by the Malaysian Institute of Management (MIM) on 21 November 2013 with the Appreciation Award for Open Enrolment Programmes.

Its human capital training programmes have yielded exemplary results, as evidenced with Hap Seng Star emerging as champions in both the Certified Diagnosis Techinician and Certified SystemTechnician categories of the Mercedes-Benz Malaysia Skill Competition.

Hap Seng Star received the Appreciation Award from YBhg. Datuk Seri Haji Mohamed Iqbal Rawther, the Chairman of Malaysian Institute of Management.

FINANCIAL STATEMENTS

DIRECTORS' REPORT
for the year ended 31 December 2013

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 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the subsidiaries and associates are disclosed in Notes 7 and 8 to the financial statements, respectively. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

The results of the Group and of the Company for the financial year ended 31 December 2013 are as follows:

	Group RM'000	Company RM'000
Profit before tax	801,581	455,667
Tax expense	(165,739)	(6,743)
Profit for the year	635,842	448,924
Attributable to:		
Owners of the Company	588,257	448,924
Non-controlling interests	47,585	-
Profit for the year	635,842	448,924

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the effects arising from the disposal of subsidiaries and an associate as disclosed in Note 27 to the financial statements.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

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

DIRECTORS' REPORT
for the year ended 31 December 2013

WARRANTS

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

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

Salient features of the warrants are as follows:

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

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

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

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

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

Movement in the warrants is as follows:

	Number of warrants
As of 1 January 2012	364,392,900
Exercised during the year	(6,600)
As of 31 December 2012 / 1 January 2013	364,386,300
Exercised during the year	(19,344,920)
As of 31 December 2013	345,041,380
Exercised subsequent to 31 December 2013	(27,467,729)
As of 11 April 2014	317,573,651

During the financial year, a total of 19,344,920 warrants were exercised and the issued and paid-up share capital of the Company increased to RM2,205,708,920 comprising 2,205,708,920 ordinary shares of RM1.00 each. As of 31 December 2013, 345,041,380 warrants remained unexercised.

Subsequent to the end of the financial year and up to the date of this report, 27,467,729 warrants were exercised which resulted in 27,467,729 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Bursa Securities. Consequently, the issued and paid-up share capital of the Company increased to RM2,173,176,649 comprising 2,173,176,649 ordinary shares of RM1.00 each. As of 11 April 2014, 317,573,651 warrants remained unexercised.

DIRECTORS' REPORT
for the year ended 31 December 2013

TREASURY SHARES

During the extraordinary general meeting of the Company held on 29 May 2013, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 130,774,700 shares at the cost of RM256,674,421 which were held as treasury shares and thereby yielding a cumulative total of 204,031,100 treasury shares. All repurchases of shares were financed by the Company's internal funds.

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
As of 1 January 2012	5,430,000	8,283,445	1.53
Repurchased during the year	67,826,400	113,777,608	1.68
As of 31 December 2012 / 1 January 2013	73,256,400	122,061,053	1.67
Repurchased during the year	130,774,700	256,674,421	1.96
As of 31 December 2013	204,031,100	378,735,474	1.86
Repurchased subsequent to 31 December 2013	22,495,900	67,291,655	2.99
Cancelled subsequent to 31 December 2013	(60,000,000)	(115,236,000)	1.92
As of 11 April 2014	166,527,000	330,791,129	1.99

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

As of 11 April 2014, upon the aforementioned issuance of shares pursuant to the exercise of warrants and the repurchase and cancellation of shares subsequent to the end of the financial year, the issued and paid-up share capital of the Company was RM2,173,176,649 comprising 2,173,176,649 ordinary shares of RM1.00 each, with 166,527,000 ordinary shares thereof being held as treasury shares.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events are disclosed in Note 39 to the financial statements.

SUBSEQUENT EVENTS

Subsequent events other than those detailed in the directors' report are disclosed in Note 40 to the financial statements.

DIRECTORS' REPORT
for the year ended 31 December 2013

DIVIDENDS

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

	RM'000
(a) In respect of the financial year ended 31 December 2012:	
- Second interim dividend of 6.0 sen per share under the single tier system approved by the Board of Directors on 28 February 2013 and paid on 29 March 2013	126,787
(b) In respect of the financial year ended 31 December 2013:	
- First interim dividend of 8.0 sen per share under the single tier system approved by the Board of Directors on 6 June 2013 and paid on 6 August 2013	161,643
- Second interim dividend of 8.0 sen per share under the single tier system approved by the Board of Directors on 27 November 2013 and paid on 14 February 2014	160,434
	448,864

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2013.

No dividend is payable for treasury shares held or cancelled.

MATERIAL LITIGATIONS

Details of material litigations are disclosed in Note 34 to the financial statements.

DIRECTORS

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

Dato' Jorgen Bornhoft
Datuk Edward Lee Ming Foo, JP
Lee Wee Yong
Datuk Simon Shim Kong Yip, JP
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan
Dato' Mohammed Bin Haji Che Hussein
Tan Ghee Kiat

DIRECTORS' REPORT
for the year ended 31 December 2013

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
Name of director	**As at 1.1.2013**	**Acquired**	**Sold**	**As at 31.12.2013**
Hap Seng Consolidated Berhad				
Dato' Jorgen Bornhoft	100,000	^ 30,000	-	130,000
Dato' Mohammed Bin Haji Che Hussein	288,000	-	-	288,000
Hap Seng Plantations Holdings Berhad, a listed subsidiary				
Dato' Jorgen Bornhoft	10,000	-	-	10,000
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	5,000	-	-	5,000

	Number of warrants			
Name of director	**As at 1.1.2013**	**Acquired**	**Exercised**	**As at 31.12.2013**
Hap Seng Consolidated Berhad				
Dato' Jorgen Bornhoft	30,000	-	(30,000)	-
Dato' Mohammed Bin Haji Che Hussein	48,000	-	-	48,000

^ Conversion of warrants to ordinary shares

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

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 25 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 38 to the financial statements.

DIRECTORS' REPORT
for the year ended 31 December 2013

HOLDING COMPANY

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

OTHER STATUTORY INFORMATION

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

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

DIRECTORS' REPORT
for the year ended 31 December 2013

OTHER STATUTORY INFORMATION (CONTINUED)

(f) In the opinion of the directors:

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

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

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 April 2014.

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

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

We, **DATO' JORGEN BORNHOFT** and **DATUK EDWARD LEE MING FOO, JP**, being two of the directors of **HAP SENG CONSOLIDATED BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 96 to 204 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 43 to the financial statements on page 205 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 April 2014.

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

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

I, **LEE WEE YONG**, being the director primarily responsible for the financial management of **HAP SENG CONSOLIDATED BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 96 to 205 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovementioned **LEE WEE YONG**
at Kuala Lumpur in the Federal Territory
on 11 April 2014.

LEE WEE YONG

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

INDEPENDENT AUDITORS' REPORT

to the members of Hap Seng Consolidated Berhad
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Hap Seng Consolidated Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 96 to 204.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

to the members of Hap Seng Consolidated Berhad
(Incorporated in Malaysia)

Report on other legal and regulatory requirements

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

Other reporting responsibilities

The supplementary information set out in Note 43 to the financial statements on page 205 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Lee Seng Huat
No. 2518/12/15(J)
Chartered Accountant

Kuala Lumpur, Malaysia
11 April 2014

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2013

		Group			Company	
	Note	2013 RM'000	2012 RM'000 *Restated*	As at 1.1.2012 RM'000 *Restated*	2013 RM'000	2012 RM'000
Non-current assets						
Property, plant and equipment	4	1,047,228	1,036,189	970,168	2,052	2,179
Biological assets	5	436,030	428,798	420,539	-	-
Investment properties	6	712,076	640,949	668,080	-	-
Investment in subsidiaries	7	-	-	-	2,056,205	2,235,359
Investment in associates	8	376,252	429,775	387,303	78,667	81,167
Other investment	9	30,000	30,000	30,000	-	-
Land held for property development	10	358,301	375,164	371,366	-	-
Goodwill	11	36,736	36,736	36,736	-	-
Trade and other receivables, including derivatives	14	1,032,902	949,841	828,747	-	-
Deferred tax assets	19	13,010	51,378	71,746	-	-
		4,042,535	3,978,830	3,784,685	2,136,924	2,318,705
Current assets						
Inventories	12	487,223	550,219	941,461	-	-
Property development costs	13	614,148	359,939	249,725	-	-
Trade and other receivables, including derivatives	14	1,307,401	1,236,375	1,147,407	722,482	663,453
Tax recoverable		24,142	26,236	43,855	-	136
Cash and bank balances	15	632,660	519,259	666,901	288,818	229,372
		3,065,574	2,692,028	3,049,349	1,011,300	892,961
Total assets		7,108,109	6,670,858	6,834,034	3,148,224	3,211,666
Equity attributable to owners of the Company						
Share capital	20	2,205,709	2,186,364	2,186,357	2,205,709	2,186,364
Reserves	21	1,526,900	1,345,734	1,122,267	1,156,062	1,143,428
		3,732,609	3,532,098	3,308,624	3,361,771	3,329,792
Less: Treasury shares	20	(378,735)	(122,061)	(8,283)	(378,735)	(122,061)
		3,353,874	3,410,037	3,300,341	2,983,036	3,207,731
Non-controlling interests		414,913	365,102	358,631	-	-
Total equity		3,768,787	3,775,139	3,658,972	2,983,036	3,207,731

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2013

		Group			Company	
				As at		
		2013	2012	1.1.2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
			Restated	*Restated*		
Non-current liabilities						
Borrowings	18	942,177	991,108	1,370,710	-	-
Deferred tax liabilities	19	176,391	169,781	168,051	13	27
Other payables	16	6,014	5,864	1,648	-	-
		1,124,582	1,166,753	1,540,409	13	27
Current liabilities						
Trade and other payables, including derivatives	16	441,023	413,793	436,173	3,891	3,908
Provisions	17	5,441	3,300	3,606	-	-
Tax payable		51,446	51,253	20,401	850	-
Borrowings	18	1,556,396	1,260,620	1,174,473	-	-
Dividend payable		160,434	-	-	160,434	-
		2,214,740	1,728,966	1,634,653	165,175	3,908
Total liabilities		3,339,322	2,895,719	3,175,062	165,188	3,935
Total equity and liabilities		7,108,109	6,670,858	6,834,034	3,148,224	3,211,666

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

STATEMENTS OF PROFIT OR LOSS

for the year ended 31 December 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
			Restated		
Revenue	22	3,486,747	3,958,899	291,983	212,533
Cost of sales	22	(2,783,177)	(3,029,214)	-	-
Gross profit		703,570	929,685	291,983	212,533
Other operating income		78,038	101,504	29,933	23,282
Distribution costs		(96,684)	(114,023)	-	-
Administrative expenses		(198,640)	(166,712)	(19,055)	(15,128)
Other operating expenses		(39,461)	(29,267)	(694)	(1,257)
Operating profit	23	446,823	721,187	302,167	219,430
Finance costs	26	(74,564)	(93,977)	-	(2,588)
Other non-operating items	27	415,508	-	153,500	-
Share of results of associates		13,814	54,369	-	-
Profit before tax		801,581	681,579	455,667	216,842
Tax expense	28	(165,739)	(190,653)	(6,743)	(5,426)
Profit for the year		635,842	490,926	448,924	211,416
Profit attributable to:					
Owners of the Company		588,257	427,104	448,924	211,416
Non-controlling interests		47,585	63,822	-	-
		635,842	490,926	448,924	211,416
Earnings per share (sen)					
Basic	29	28.70	19.79		
Diluted	29	27.84	19.76		

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2013

	Group		Company	
	2013 RM'000	2012 RM'000 *Restated*	2013 RM'000	2012 RM'000
Profit for the year	635,842	490,926	448,924	211,416
Other comprehensive income/(expense), net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	(2,575)	(2,095)	-	-
Share of foreign currency translation differences of associates	(266)	(1,972)	-	-
Loss on fair value change in cash flow hedge	(13,221)	-	-	-
Foreign currency translation differences for foreign operations reclassified to profit or loss	4,101	-	-	-
Share of foreign currency translation differences of an associate reclassified to profit or loss	(1,248)	-	-	-
	(13,209)	(4,067)	-	-
Items that will not be reclassified subsequently to profit or loss				
Transfer of properties from property, plant and equipment to investment properties, at valuation arising from change in use	1,176	-	-	-
Total other comprehensive expense for the year, net of tax	(12,033)	(4,067)	-	-
Total comprehensive income for the year, net of tax	623,809	486,859	448,924	211,416
Total comprehensive income attributable to:				
Owners of the Company	576,224	423,037	448,924	211,416
Non-controlling interests	47,585	63,822	-	-
	623,809	486,859	448,924	211,416

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

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2013

Group	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
At 1 January 2012								
- As previously stated	2,186,357	128,498	986,845	1,115,343	(8,283)	3,293,417	358,631	3,652,048
- Prior year adjustments (Note 41)	-	-	6,924	6,924	-	6,924	-	6,924
- As restated	2,186,357	128,498	993,769	1,122,267	(8,283)	3,300,341	358,631	3,658,972
Profit for the year								
- As previously stated	-	-	422,632	422,632	-	422,632	63,822	486,454
- Prior year adjustments (Note 41)	-	-	4,472	4,472	-	4,472	-	4,472
- As restated	-	-	427,104	427,104	-	427,104	63,822	490,926
Foreign currency translation differences for foreign operations	-	(2,095)	-	(2,095)	-	(2,095)	-	(2,095)
Share of foreign currency translation differences of associates	-	(1,972)	-	(1,972)	-	(1,972)	-	(1,972)
Total other comprehensive expense for the year	-	(4,067)	-	(4,067)	-	(4,067)	-	(4,067)
Total comprehensive income for the year	-	(4,067)	427,104	423,037	-	423,037	63,822	486,859
Reserve realised upon disposal of assets	-	(2,167)	2,167	-	-	-	-	-
Exercise of warrants	7	4	-	4	-	11	-	11
Changes in ownership interest in a subsidiary	-	-	-	-	-	-	50	50
Purchase of treasury shares	-	-	-	-	(113,778)	(113,778)	-	(113,778)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	-	(12)	(12)
Dividends (Note 30)	-	-	(199,574)	(199,574)	-	(199,574)	-	(199,574)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(57,389)	(57,389)
At 31 December 2012								
- As restated	2,186,364	122,268	1,223,466	1,345,734	(122,061)	3,410,037	365,102	3,775,139
	Note 20			Note 21	Note 20			

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2013

Group	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
	← Attributable to Owners of the Company	← Reserves	→			→		
At 1 January 2013								
- As previously stated	2,186,364	122,268	1,212,070	1,334,338	(122,061)	3,398,641	365,102	3,763,743
- Prior year adjustments (Note 41)	-	-	11,396	11,396	-	11,396	-	11,396
- As restated	2,186,364	122,268	1,223,466	1,345,734	(122,061)	3,410,037	365,102	3,775,139
Profit for the year	-	-	588,257	588,257	-	588,257	47,585	635,842
Foreign currency translation differences for foreign operations	-	(2,575)	-	(2,575)	-	(2,575)	-	(2,575)
Share of foreign currency translation differences of associates	-	(266)	-	(266)	-	(266)	-	(266)
Loss on fair value change in cash flow hedge	-	(13,221)	-	(13,221)	-	(13,221)	-	(13,221)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	4,101	-	4,101	-	4,101	-	4,101
Share of foreign currency translation differences of an associate reclassified to profit or loss	-	(1,248)	-	(1,248)	-	(1,248)	-	(1,248)
Transfer of properties from property, plant and equipment to investment properties, at valuation arising from change in use	-	1,176	-	1,176	-	1,176	-	1,176
Total other comprehensive expense for the year	-	(12,033)	-	(12,033)	-	(12,033)	-	(12,033)
Total comprehensive income for the year	-	(12,033)	588,257	576,224	-	576,224	47,585	623,809
Exercise of warrants	19,345	12,574	-	12,574	-	31,919	-	31,919
Changes in ownership interest in subsidiaries	-	-	41,232	41,232	-	41,232	31,892	73,124
Purchase of treasury shares	-	-	-	-	(256,674)	(256,674)	-	(256,674)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	-	(11)	(11)
Dividends (Note 30)	-	-	(448,864)	(448,864)	-	(448,864)	-	(448,864)
Dividends paid to non-controlling interest	-	-	-	-	-	-	(29,655)	(29,655)
At 31 December 2013	2,205,709	122,809	1,404,091	1,526,900	(378,735)	3,353,874	414,913	3,768,787
	Note 20			Note 21	Note 20			

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2013

Company		← **Reserves**							
		← **Non-distributable**			→	**Distributable**			
	Share capital RM'000	**Share premium RM'000**	**Capital redemption reserve RM'000**	**Warrant reserve RM'000**	**Other reserve RM'000**	**Retained profits RM'000**	**Total RM'000**	**Treasury shares RM'000**	**Total equity RM'000**
At 1 January 2012	2,186,357	-	66,267	49,193	(30,973)	1,047,095	1,131,582	(8,283)	3,309,656
Profit for the year	-	-	-	-	-	211,416	211,416	-	211,416
Exercise of warrants	7	5	-	(1)	-	-	4	-	11
Purchase of treasury shares	-	-	-	-	-	-	-	(113,778)	(113,778)
Dividends (Note 30)	-	-	-	-	-	(199,574)	(199,574)	-	(199,574)
At 31 December 2012 / 1 January 2013	2,186,364	5	66,267	49,192	(30,973)	1,058,937	1,143,428	(122,061)	3,207,731
Profit for the year	-	-	-	-	-	448,924	448,924	-	448,924
Exercise of warrants	19,345	15,186	-	(2,612)	-	-	12,574	-	31,919
Purchase of treasury shares	-	-	-	-	-	-	-	(256,674)	(256,674)
Dividends (Note 30)	-	-	-	-	-	(448,864)	(448,864)	-	(448,864)
At 31 December 2013	2,205,709	15,191	66,267	46,580	(30,973)	1,058,997	1,156,062	(378,735)	2,983,036
	Note 20						Note 21	Note 20	

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

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2013

	Group		Company	
	2013 RM'000	2012 RM'000 *Restated*	2013 RM'000	2012 RM'000
Cash flows from operating activities				
Profit before tax	801,581	681,579	455,667	216,842
Adjustments for:				
Depreciation of property, plant and equipment	79,985	76,748	694	710
Property, plant and equipment written off	8,051	788	-	-
Investment properties written off	530	1,099	-	-
Biological assets written off	243	-	-	-
Gains from fair value adjustments of investment properties	(28,771)	(34,383)	-	-
Impairment loss on investment in an associate	5,971	-	2,500	-
Gain on disposal of property, plant and equipment	(767)	(852)	(65)	(285)
Gain on disposal of investment properties	-	(1,820)	-	-
Gain on disposal of investment securities	(824)	-	-	-
Gain on disposal of an associate	(78,884)	-	-	-
Gain on disposal of subsidiaries	(342,595)	-	(129,435)	-
Gain on disposal of shares in a subsidiary	-	-	(26,565)	-
Interest expense	74,564	93,977	-	2,588
Interest income	(9,556)	(10,626)	(28,965)	(22,812)
Dividend income	(1,138)	(1,200)	(291,983)	(212,533)
Share of results of associates	(13,814)	(54,369)	-	-
Operating profit/(loss) before changes in working capital	494,576	750,941	(18,152)	(15,490)
Changes in working capital:				
Inventories	37,610	380,312	-	-
Property development costs	(113,600)	39,109	-	-
Loan receivables	(155,637)	(165,202)	-	-
Receivables	(13,684)	(48,693)	(59,029)	(18,283)
Payables	38,118	(4,797)	(17)	(388)
Cash flows generated from/(used in) operations	287,383	951,670	(77,198)	(34,161)
Income tax paid	(122,419)	(154,095)	(5,715)	(5,513)
Income tax refunded	7,311	29,494	-	-
Interest paid	(74,564)	(93,977)	-	(2,588)
Interest received	9,556	10,626	28,965	22,812
Additions to land held for property development	(35,165)	(62,091)	-	-
Net cash flows generated from/(used in) operating activities	72,102	681,627	(53,948)	(19,450)

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2013

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
		Restated		
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	10,270	9,676	65	530
Proceeds from disposal of investment properties	-	7,000	-	-
Proceeds from disposal of investment securities	41,813	-	-	-
Proceeds from disposal of an associate	118,000	-	-	-
Disposal of subsidiaries (Note 7(b))	402,995	-	160,000	-
Disposal of non-controlling interests (Note 7(c))	63,094	-	63,094	-
Proceeds from issuance of shares to non-controlling interests	10,030	50	-	-
Redemption of preference shares by subsidiaries	-	-	201,000	218,000
Dividends received from subsidiaries	-	-	288,191	210,608
Dividends received from associates	20,736	9,925	3,736	1,925
Dividends received from other investment	1,200	-	-	-
Purchase of property, plant and equipment	(176,323)	(135,935)	(567)	(1,740)
Purchase of investment securities	(40,989)	-	-	-
Additions to biological assets	(7,475)	(8,259)	-	-
Additions to investment properties	(86,689)	(35,795)	-	-
Acquisition of subsidiary (Note 7(e))	-	(17,581)	-	-
Increase in investment in subsidiaries	-	-	(88,940)	(121,150)
Net cash flows generated from/(used in) investing activities	356,662	(170,919)	626,579	308,173
Cash flows from financing activities				
Dividends paid	(288,430)	(199,574)	(288,430)	(199,574)
Dividends paid to non-controlling interests	(29,655)	(57,389)	-	-
Shares repurchased at cost	(256,685)	(113,790)	(256,674)	(113,778)
Proceeds from issuance of shares pursuant to the exercise of warrants	31,919	11	31,919	11
Net drawdown/(repayment) of borrowings	220,390	(277,512)	-	(156,453)
Net cash flows used in financing activities	(322,461)	(648,254)	(513,185)	(469,794)
Net increase/(decrease) in cash and cash equivalents	106,303	(137,546)	59,446	(181,071)
Effects on exchange rate changes on cash and cash equivalents	651	(592)	-	-
Cash and cash equivalents as at 1 January	516,790	654,928	229,372	410,443
Cash and cash equivalents as at 31 December (Note 15)	623,744	516,790	288,818	229,372

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

1. CORPORATE INFORMATION

The Company is an investment holding company.

The principal activities of the subsidiaries and associates are disclosed in Notes 7 and 8, 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 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 11 April 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Effects of adopting new and amended Financial Reporting Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the changes arising from the adoption of the following FRSs, Interpretations and amendments that are mandatory for annual periods beginning on or after 1 July 2012 and 1 January 2013:

Effective for annual periods beginning on or after 1 July 2012
- Amendments to FRS 101: Presentation of Items of Other Comprehensive Income

Effective for annual periods beginning on or after 1 January 2013
- FRS 10 Consolidated Financial Statements
- FRS 11 Joint Arrangements
- FRS 12 Disclosure of Interests in Other Entities
- FRS 13 Fair Value Measurement
- FRS 119 Employee Benefits
- FRS 127 Separate Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Effects of adopting new and amended Financial Reporting Standards (continued)

Effective for annual periods beginning on or after 1 January 2013 *(continued)*

- FRS 128 Investment in Associates and Joint Ventures
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Amendments to FRS 1: Government Loans
- Amendments to FRS 7: Disclosure – Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 10, FRS 11 and FRS 12: Transition Guidance
- Amendments to FRS contained in the document entitled "Improvements to FRSs (2012)"

Except for the changes arising from the adoption of FRS 10 as disclosed below, the adoption of other applicable FRSs, Interpretations and amendments mainly affects presentation and disclosure only and did not have any material effect on the financial performance or position of the Group and of the Company.

FRS 10 Consolidated Financial Statements

FRS 10 replaces part of FRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under FRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its investment with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under FRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

FRS 10 includes detailed guidance to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.

The above change in accounting policy has no significant impact to the financial statements of the Group and of the Company.

2.3 Standards issued but not yet effective

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

Effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities
- Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 136: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to FRS 139: Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21 Levies

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

Effective for annual periods beginning on or after 1 July 2014
- Amendments to FRS 119: Defined Benefit Plans: Employee Contributions
- Amendments to FRS contained in the document entitled "Annual Improvements to FRSs 2010 – 2012 Cycle"
- Amendments to FRS contained in the document entitled "Annual Improvements to FRSs 2011 – 2013 Cycle"

Effective for a date yet to be confirmed
- FRS 9 Financial instruments (2009)
- FRS 9 Financial instruments (2010)
- FRS 9 Financial instruments: Hedge Accounting and amendments to FRS 9, FRS 7 and FRS 139
- Amendments to FRS 7 and FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no impact on the financial statements of the Group and of the Company upon their initial application, except as discussed below:

FRS 9 Financial Instruments

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group is in the process of making an assessment of the impact of adoption of FRS 9.

Amendments to FRS 139: Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group has not novated its derivatives during the current financial year. However, these amendments would be considered for future novation.

Malaysian Financial Reporting Standards ["MFRS"]

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the MFRS framework, to be adopted by non-private entities for annual periods beginning on or after 1 January 2012. However, adoption of the MFRS framework by Transitioning Entities will only be mandatory for annual periods beginning on or after 1 January 2015.

The Group falls within the definition of Transitioning Entities and is currently exempted from adopting the MFRS. Accordingly, the Group will adopt the MFRS and present its first MFRS financial statements when adoption of the MFRS is mandated by the MASB. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has not completed its quantification of the financial effects arising from the change from FRS to MFRS. Accordingly, the consolidated financial statements for the years ended 31 December 2012 and 2013 could be different if prepared under the MFRS framework.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation

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

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

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

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

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

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

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

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

(iii) Rights arising from other contractual arrangements; and

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

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained profits. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

Business combinations

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

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

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

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

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

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, and is presented separately in consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

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

Exchange difference arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. 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

(a) Assets

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

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

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

Depreciation

Freehold land and assets under construction are not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life. The estimated useful lives are:

Leasehold land	23 to 999 years
Buildings	5 to 60 years
Road and infrastructure	10 to 33 years
Plant and equipment	
- Plant and machinery	4 to 20 years
- Office equipment, furniture, fixtures and fittings	3 to 10 years
- Motor vehicles	4 to 7 years

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

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Biological assets

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

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

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

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

2.9 Investment properties

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

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is determined based on valuations performed by registered independent valuers and/or assessment performed by the management. 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)

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, the 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.

Investment property under construction [“IPUC”]

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

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

2.10 Investment in subsidiaries

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment in associates

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.

On acquisition of an investment in associate, 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. 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 profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate. Under the equity method, on initial recognition the investment in an associate 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 after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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. The Group determine at each reporting date whether there is any objective evidence that the investment in the associate is impaired, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Land held for property development

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

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

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

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

2.13 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.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of non-financial assets

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

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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

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

2.15 Financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (continued)

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

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

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

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

(b) Loans and receivables

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

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

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

(c) Available-for-sale financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of financial assets

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

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

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

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

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

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

(b) Unquoted equity securities carried at cost

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
Quarry reserves	- 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.

Quarry reserves arising from the acquisition of subsidiary is amortised over the lease extraction of 20 years.

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

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

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

2.18 Property development costs

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and deposits with licensed financial institutions. These also include bank overdrafts that form an integral part of the Group's cash management.

2.20 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.

2.21 Revenue recognition

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

(a) Dividend income

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Sale of goods

Revenue on sales of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (continued)

(d) Rental income

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

(e) Hire purchase, finance lease and loan receivables

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

(f) Sale of properties

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

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

2.22 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense 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. The Malaysian companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Income tax

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Income tax (continued)

(b) Deferred tax (continued)

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.

2.24 Financial liabilities

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Financial liabilities (continued)

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

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

(b) Other financial liabilities

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

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

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

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

2.25 Borrowing costs

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 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.

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

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

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

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

<u>Fair value hedges</u>

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Hedge accounting (continued)

Cash flow hedges

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

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

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

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

2.27 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.

2.28 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 equity.

2.29 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 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Contingencies

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

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

2.31 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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:

Classification between investment properties and property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.2 Key sources of estimation uncertainty

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

(a) Useful lives of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 4 to 20 years. These are common life expectancies applied in the industries that the subsidiaries are operating in. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the reporting date is disclosed in Note 4.

(b) 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 2013, the Group has deferred tax assets of RM13,010,000 (2012: RM51,378,000).

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(c) Write-down of inventories

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

(d) Property development

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

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the property development costs. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. The carrying amounts of assets and liabilities of the Group arising from property development activities are disclosed in Note 13.

(e) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 14. As at 31 December 2013, the allowance for impairment of the Group is RM17,761,000 (2012: RM12,942,000).

(f) Material litigation

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 litigation involving the Group are disclosed in Note 34.

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land Long term RM'000	Leasehold land Short term RM'000	Buildings RM'000	Roads and infrastructure RM'000	Plant and equipment RM'000	Assets under construction RM'000	Total RM'000
At cost or valuation								
At 1 January 2012								
- As previously stated	180,382	178,965	38,827	466,794	157,231	533,507	54,353	1,610,059
- Prior year adjustments (Note 41)	(57,560)	-	-	(135,367)	-	-	-	(192,927)
- As restated	122,822	178,965	38,827	331,427	157,231	533,507	54,353	1,417,132
Acquisition of subsidiary	-	8,098	1,365	6,394	-	14,891	-	30,748
Additions	57	361	84	12,431	12,571	51,761	58,670	135,935
Reclassifications	4,638	12,626	-	13,171	2,898	37,810	(71,143)	-
Disposals	-	-	-	(218)	-	(17,009)	-	(17,227)
Written off	-	-	-	(78)	-	(2,533)	-	(2,611)
Exchange differences	-	-	(142)	(217)	-	(619)	(136)	(1,114)
At 31 December 2012 / 1 January 2013	127,517	200,050	40,134	362,910	172,700	617,808	41,744	1,562,863
Additions	774	-	-	49,978	20,984	58,673	45,914	176,323
Reclassifications	-	3,291	-	23,165	2,605	18,895	(47,956)	-
Transfer from/(to) investment properties								
- Offset of accumulated depreciation	-	(456)	-	-	-	-	-	(456)
- Revaluation of property transferred out	-	1,176	-	-	-	-	-	1,176
- Transfer of carrying amount (Note 6)	236	(2,410)	-	532	-	-	-	(1,642)
Transfer to land held for property development	-	(38,384)	(1,365)	(12,586)	-	-	-	(52,335)
Disposal of subsidiaries	-	-	(4,346)	(12,594)	-	(22,142)	-	(39,082)
Disposals	-	-	-	(53)	-	(23,019)	-	(23,072)
Written off	-	-	-	(6,880)	(31)	(15,348)	-	(22,259)
Exchange differences	-	-	181	197	-	480	-	858
At 31 December 2013	128,527	163,267	34,604	404,669	196,258	635,347	39,702	1,602,374
Analysis of cost or valuation								
Cost	128,527	163,267	34,604	402,194	196,258	635,347	39,702	1,599,899
Valuation 1984	-	-	-	2,475	-	-	-	2,475
	128,257	163,267	34,604	404,669	196,258	635,347	39,702	1,602,374

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)	**Freehold land RM'000**	**Leasehold land Long term RM'000**	**Leasehold land Short term RM'000**	**Buildings RM'000**	**Roads and infrastructure RM'000**	**Plant and equipment RM'000**	**Assets under construction RM'000**	**Total RM'000**
Accumulated Depreciation								
At 1 January 2012								
- As previously stated	-	28,108	4,234	114,417	39,464	267,665	-	453,888
- Prior year adjustments (Note 41)	-	-	-	(6,924)	-	-	-	(6,924)
- As restated	-	28,108	4,234	107,493	39,464	267,665	-	446,964
Depreciation charge for the year (Note 23)	-	2,878	1,360	12,292	10,538	49,680	-	76,748
Acquisition of subsidiary	-	34	124	2,699	-	10,756	-	13,613
Disposals	-	-	-	(218)	-	(8,185)	-	(8,403)
Written off	-	-	-	(63)	-	(1,760)	-	(1,823)
Exchange differences	-	-	(33)	(75)	-	(317)	-	(425)
At 31 December 2012 / 1 January 2013	-	31,020	5,685	122,128	50,002	317,839	-	526,674
Depreciation charge for the year (Note 23)	-	2,847	1,559	13,130	10,749	51,700	-	79,985
Offset of accumulated depreciation on property transferred to investment properties	-	(456)	-	-	-	-	-	(456)
Transfer to land held for property development	-	(4,001)	(131)	(5,067)	-	-	-	(9,199)
Disposal of subsidiaries	-	-	(1,129)	(2,864)	-	(10,517)	-	(14,510)
Disposals	-	-	-	(25)	-	(13,544)	-	(13,569)
Written off	-	-	-	(2,914)	-	(11,294)	-	(14,208)
Exchange differences	-	-	45	47	-	337	-	429
At 31 December 2013	-	29,410	6,029	124,435	60,751	334,521	-	555,146
Net carrying amount								
At 31 December 2012 *(Restated)*	127,517	169,030	34,449	240,782	122,698	299,969	41,744	1,036,189
At 31 December 2013	128,527	133,857	28,575	280,234	135,507	300,826	39,702	1,047,228

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

The revalued buildings of RM2,475,000 (2012: RM2,475,000) had been undertaken by the directors on the basis of an independent valuation by a professional firm of valuers on an existing use basis conducted in 1984. The property, plant and equipment continued to be stated on the basis of their 1984 valuations as allowed by the transitional provisions issued by the Malaysian Accounting Standards Board ["MASB"] upon adoption of International Accounting Standard No.16 (Revised), Property, Plant and Equipment.

Had the revalued buildings of the Group been measured using the cost model, the revalued buildings would have been fully depreciated.

The title of the Group's long term leasehold land with carrying amount of RM3,850,000 (2012: RM3,905,000) 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 the previous financial year, the Land and Survey Department in Kota Kinabalu had granted further extension up to July 2017 to comply with the Native Condition.

Private caveat was entered by third parties on the Group's long term leasehold land with carrying amount of RM3,122,000 (2012: RM3,166,000) as disclosed in Note 34(b) to the financial statements.

In the previous year, caveats by the Assistant Collector of Land Revenue were lodged over parcels of native titles which a subsidiary had subleased from natives. The sublease is disclosed as leasehold land with unexpired period of less than 50 years and with carrying amount of RM18,196,000 (2012: RM18,523,000).

Included in additions was interest expense capitalised amounted to RM117,000 (2012: NIL).

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Buildings RM'000	Plant and equipment RM'000	Total RM'000
At cost			
At 1 January 2012	187	4,919	5,106
Additions	-	1,740	1,740
Disposals	-	(1,720)	(1,720)
At 31 December 2012 / 1 January 2013	187	4,939	5,126
Additions	-	567	567
Disposals	-	(768)	(768)
At 31 December 2013	187	4,738	4,925
Accumulated depreciation			
At 1 January 2012	153	3,559	3,712
Charge for the year (Note 23)	4	706	710
Disposals	-	(1,475)	(1,475)
At 31 December 2012 / 1 January 2013	157	2,790	2,947
Charge for the year (Note 23)	4	690	694
Disposals	-	(768)	(768)
At 31 December 2013	161	2,712	2,873
Net carrying amount			
At 31 December 2012	30	2,149	2,179
At 31 December 2013	26	2,026	2,052

5. BIOLOGICAL ASSETS

	Group 2013 RM'000	2012 RM'000
At cost or valuation		
At 1 January	428,798	420,539
Additions	7,475	8,259
Written off (Note 23)	(243)	-
At 31 December	436,030	428,798
Analysis of cost or valuation		
Cost	363,115	355,883
Valuation 1984	72,915	72,915
	436,030	428,798

The 1984 valuation of certain plantation land had been undertaken by the directors on the basis of an independent valuation by a professional firm of valuers on an existing use basis. The biological assets continued to be stated on the basis of their 1984 valuations as allowed by the transitional provisions issued by the MASB upon adoption of International Accounting Standard No.16 (Revised), Property, Plant and Equipment.

The net carrying amount of biological assets stated at valuation had they been stated at cost would have been RM27,586,000 (2012: RM27,586,000) in respect of the Group.

NOTES TO THE FINANCIAL STATEMENTS

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.

Group	Completed investment properties RM'000	IPUC RM'000	Total RM'000
At 1 January 2012			
- As previously stated	324,019	151,134	475,153
- Prior year adjustments (Note 41)	192,927	-	192,927
- As restated	516,946	151,134	668,080
Additions from subsequent expenditure	120	35,675	35,795
Reclassification	(25,555)	25,555	-
Transfer to property development costs (Note 13)	(91,030)	-	(91,030)
Disposals	(5,180)	-	(5,180)
Write off	(1,099)	-	(1,099)
Gains from fair value adjustments recognised in profit or loss (Note 23)	29,338	5,045	34,383
At 31 December 2012 / 1 January 2013	423,540	217,409	640,949
Additions from acquisition	1,261	-	1,261
Additions from subsequent expenditure	511	84,917	85,428
Reclassification	36,000	(36,000)	-
Transfer from/(to):			
- Property, plant and equipment (Note 4)	1,642	-	1,642
- Land held for property development (Note 10)	(45,893)	-	(45,893)
- Property development costs (Note 13)	-	448	448
Write off	(530)	-	(530)
Gains from fair value adjustments recognised in profit or loss (Note 23)	23,371	5,400	28,771
At 31 December 2013	439,902	272,174	712,076

	2013 RM'000	2012 RM'000
Represented by:		
Freehold land and buildings	529,598	439,563
Long term leasehold land and buildings	182,478	201,386
	712,076	640,949

Included in additions from subsequent expenditure for IPUC was interest expense capitalised amounted to RM5,738,000 (2012: RM4,419,000).

7. INVESTMENT IN SUBSIDIARIES

	Company 2013 RM'000	Company 2012 RM'000
Quoted shares in Malaysia, at cost	806,860	843,389
Unquoted shares, at cost	1,249,345	1,391,970
	2,056,205	2,235,359
Market value of quoted shares	1,122,517	1,244,463

Details of subsidiaries as of 31 December 2013 are as follows :

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2013	Equity interest held (%) 2012
Held by the Company:				
* Hap Seng Plantations Holdings Berhad ("HSP")	Investment holding and carrying out marketing and trading activities for its subsidiaries	Malaysia	52.36	55.16
Hap Seng Land Sdn Bhd	Property development, investment holding and provision of management services	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 fertilisers 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 Building Materials Holdings Sdn Bhd	Investment holding	Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2013	Equity interest held (%) 2012
	Held by the Company (continued):				
	Hap Seng Trading Holdings Sdn Bhd (previously held by Hap Seng Building Materials Holdings Sdn Bhd)	Investment holding	Malaysia	100	100
*	Hap Seng Credit Sdn Bhd	Provision of financial services	Malaysia	100	100
*	Hap Seng Automotive Acceptance Sdn Bhd	Provision of financial services	Malaysia	100	100
#	Hap Seng Capital Pte Ltd	Provision of financial services	Singapore	100	-
#	Aceford Food Industry Pte Ltd	Packing, marketing and wholesale trading of edible oils and food products	Singapore	-	100
	Hap Seng Management Services Sdn Bhd	Provision of management services	Malaysia	100	100
	Hap Seng Management Sdn Bhd	Investment holding	Malaysia	100	100
	Hap Seng Agrotech Sdn Bhd	Dormant	Malaysia	100	100
	Hap Seng Equity Sdn Bhd (previously held by Hap Seng Building Materials Holdings Sdn Bhd)	Trading in marketable securities	Malaysia	100	100
	Held by HSP:				
*	Jeroco Plantations Sdn Bhd	Cultivation of oil palm and processing of fresh fruit bunches	Malaysia	100	100
*	Hap Seng Plantations (River Estates) Sdn Bhd	Cultivation of oil palm, processing of fresh fruit bunches and investment holding	Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2013	2012
Held by HSP (continued):				
* 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 *(formerly known as Hap Seng Plantations Livestocks (Kota Marudu) Sdn Bhd)*	Dormant	Malaysia	100	100
Held by Hap Seng Plantations (River Estates) Sdn Bhd:				
* Hap Seng Plantations (Wecan) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
* Hap Seng Plantations (Tampilit) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
* Hap Seng Plantations (Ladang Kawa) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
Held by Hap Seng Land Sdn Bhd:				
* Hap Seng Land Development Sdn Bhd	Investment holding	Malaysia	100	100
Hap Seng Realty Sdn Bhd	Property investment and investment holding	Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2013	2012
Held by Hap Seng Land Development Sdn Bhd:				
* Hap Seng Properties Development Sdn Bhd	Property development and investment holding	Malaysia	100	100
* Hap Seng Land Development (Kluang) Sdn Bhd	Property development	Malaysia	100	100
Hap Seng Land Development (Puchong) Sdn Bhd	Property development	Malaysia	100	100
Hap Seng Land Development (Balakong) Sdn Bhd *(formerly known as Hap Seng Land Development (OKR) Sdn Bhd)*	Property development	Malaysia	80	100
Hap Seng Properties Services (Sabah) Sdn Bhd	Property management and property maintenance	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 *(formerly known as Hap Seng Commercial Development (Jesselton Hill) Sdn Bhd)*	Property development	Malaysia	100	100
Euro-Asia Brand Holding Company Sdn Bhd (previously held by the Company)	Dormant	Malaysia	100	100
Hap Seng Land Development (Bangsar) Sdn Bhd	Property development	Malaysia	80	80
Hap Seng Land Development (JTR 2) Sdn Bhd (40% nominal equity interest is held through Hap Seng Land Development Sdn Bhd whilst the other 40% is held through the Company) (previously held by Hap Seng Realty Sdn Bhd)	Property development	Malaysia	80	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2013	2012
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 Leisure Sdn Bhd	Providing recreational facilities and services	Malaysia	100	100
Hap Seng Realty (KL City) Sdn Bhd	Investment holding	Malaysia	100	100
Prosperity Projections Sdn Bhd	Property investment	Malaysia	100	100
Lakaran Warisan Sdn Bhd	Property investment	Malaysia	100	100
Desa Alam Mewah Sdn Bhd	Property investment	Malaysia	80	-
Hap Seng Realty (KK I) Sdn Bhd	Dormant	Malaysia	100	100
HUB Coaching & Consulting Sdn Bhd	Dormant	Malaysia	100	-

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2013	Equity interest held (%) 2012
	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 Industrial Sdn Bhd	Dormant	Malaysia	100	100
	Held by Hap Seng Star Sdn Bhd:				
#	Hap Seng Star Vietnam Limited	Dormant	Hong Kong	100	100
	Hap Seng Star (Vietnam) Sdn Bhd	Investment holding	Malaysia	-	100
	Held by Hap Seng Star (Vietnam) Sdn Bhd:				
#	Vietnam Star Automobile Limited	Distribution, sale and service of domestically made and imported vehicles and parts	Vietnam	-	100
	Held by Hap Seng Fertilizers Sdn Bhd:				
	Hap Seng Chemicals Sdn Bhd	Manufacture and sale of agro-chemicals	Malaysia	70	70
	Held by Macro Arch (M) Sdn Bhd:				
#	PT. Sasco Indonesia (90% nominal equity interest is held through Macro Arch (M) Sdn Bhd whilst the remaining 10% is held through Palms Edge (M) Sdn Bhd)	Trading in fertilisers	Indonesia	100	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2013	2012
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 *(formerly known as Blue Ocean Pearl Sdn Bhd)*	Operation of stone quarries and asphalt plants	Malaysia	70	-
Held by Hap Seng Clay Products Sdn Bhd:				
Kao Fu Bricks Sdn Bhd	Manufacture and trading of bricks	Malaysia	100	100
Held by Hap Seng Trading Holdings Sdn Bhd:				
Hap Seng Trading (BM) Sdn Bhd (previously held by Hap Seng Building Materials Holdings Sdn Bhd)	Trading in building materials	Malaysia	100	100
Hap Seng (Oil & Transport) Sdn Bhd (previously held by Hap Seng Building Materials Holdings Sdn Bhd)	Trading in petroleum products	Malaysia	100	100
Held by Hap Seng Capital Pte Ltd:				
# Hap Seng Credit Pte Ltd	Provision of financial services	Singapore	100	-

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2013	Equity interest held (%) 2012
	Held by Aceford Food Industry Pte Ltd:				
#	Wintercorn Edible Products Pte Ltd	Packing and marketing of edible oils and food products	Singapore	-	100
*	Wintercorn Edible Products Pte Ltd	Wholesale trading of edible oil products	Australia	-	100

* Audited by a firm other than Ernst & Young

\# Audited by member firms of Ernst & Young Global in the respective countries

(a) Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ["NCI"] are as follows:

	HSP and its subsidiaries ["HSP Group"] RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
2013			
NCI percentage of ownership interest and voting interest	47.64%		
Carrying amount of NCI	404,463	10,450	414,913
Profit attributable to NCI	47,569	16	47,585
2012			
NCI percentage of ownership interest and voting interest	44.84%		
Carrying amount of NCI	364,698	404	365,102
Profit attributable to NCI	63,897	(75)	63,822

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests in subsidiaries (continued)

Summarised financial information before inter-company elimination:

		HSP Group 2013 RM'000	HSP Group 2012 RM'000
(i)	Summarised statements of financial position		
	Non-current assets	1,931,654	1,922,901
	Current assets	235,588	195,583
	Total assets	2,167,242	2,118,484
	Non-current liabilities	195,680	192,145
	Current liabilities	47,639	35,921
	Total liabilities	243,319	228,066
	Net assets	1,923,923	1,890,418
	Less: Adjustments on net assets upon consolidation to the Group	(1,074,860)	(1,077,024)
	Adjusted Net assets	849,063	813,394
(ii)	Summarised statements of profit or loss and other comprehensive income		
	Revenue	443,321	526,499
	Profit for the year representing total comprehensive income for the year	97,514	140,335
(iii)	Summarised statements of cash flows		
	Net cash flows generated from operating activities	158,773	152,948
	Net cash flows used in investing activities	(37,063)	(39,742)
	Net cash flows used in financing activities	(64,009)	(128,009)
	Net increase/(decrease) in cash and cash equivalents	57,701	(14,803)
	Dividends paid to NCI	(29,655)	(57,389)

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Disposal of subsidiaries

During the financial year:

(i) the Group disposed the entire equity interest in Hap Seng Star (Vietnam) Sdn Bhd ["HSSV"] for total cash consideration of RM300 million as disclosed in Note 39(h).

(ii) the Company also disposed the entire equity interest in Aceford Food Industry Pte Ltd ["AFI"] for a cash consideration of RM160 million as disclosed in Note 39(m).

The above disposals had the following effects on the financial results of the Group and the Company:

	HSSV RM'000	AFI RM'000	Total RM'000
Group			
Property, plant and equipment	(18,121)	(6,451)	(24,572)
Inventories	(26,028)	(7,113)	(33,141)
Trade and other receivables	(17,812)	(17,437)	(35,249)
Tax recoverable	(60)	-	(60)
Cash and bank balances	(55,027)	(1,678)	(56,705)
Trade and other payables	17,905	4,435	22,340
Tax payable	110	55	165
Borrowings	12,264	1,954	14,218
Net assets disposed	(86,769)	(26,235)	(113,004)
Transfer from foreign exchange reserve	(3,013)	(1,088)	(4,101)
	(89,782)	(27,323)	(117,105)
Cash consideration	300,000	160,000	460,000
	210,218	132,677	342,895
Expenses on disposal	(300)	-	(300)
Gain on disposals to the Group	209,918	132,677	342,595
Cash inflow arising from disposals:			
Cash consideration	300,000	160,000	460,000
Expenses on disposal	(300)	-	(300)
Cash and cash equivalents of subsidiaries disposed	(55,027)	(1,678)	(56,705)
Net cash inflow on disposals	244,673	158,322	402,995

	AFI RM'000
Company	
Cash consideration	160,000
Cost of investment	(30,565)
Gain on disposal to the Company	129,435

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Disposal and acquisition of equity interest in HSP without losing control

During the financial year, the Company disposed an aggregate of 33,262,000 ordinary shares of RM1.00 each representing approximately 4.15% of equity interest in Hap Seng Plantations Holdings Berhad ["HSP Shares" and "HSP"], through open market of Bursa Malaysia Securities Berhad at an average price of RM2.71 per HSP Share. On 9 December 2013, the Company acquired additional 10,813,000 HSP Shares representing 1.35% equity interest of HSP at RM2.50 per HSP Share from Kowa Company Limited through direct business transaction.

After taking into account the aggregate of HSP Shares disposed and HSP Shares acquired during the year, the Company's shareholding in HSP decreased from 55.16% to 52.36%. The difference between the consideration and the carrying amount of the equity interest disposed/acquired of RM41,232,000 and RM26,565,000 at the Group and at the Company respectively is reflected in the statement of changes in equity and profit or loss as summarised below:

	Group			Company		
	Disposed RM'000	**Acquired RM'000**	**Net RM'000**	**Disposed RM'000**	**Acquired RM'000**	**Net RM'000**
Carrying amount of equity interest (disposed)/acquired	(33,190)	11,328	(21,862)	(63,579)	27,050	(36,529)
Consideration received/(paid)	90,144	(27,050)	63,094	90,144	(27,050)	63,094
	56,954	(15,722)	41,232	26,565	-	26,565

(d) Issuance of shares by subsidiaries to non-controlling interests which resulted in reduction of the Group's equity interest in subsidiaries without losing control

During the financial year, Hap Seng Seri Alam Sdn Bhd *(formerly known as Blue Ocean Pearl Sdn Bhd)*, Hap Seng Land Development (JTR 2) Sdn Bhd, Hap Seng Land Development (Balakong) Sdn Bhd *(formerly known as Hap Seng Land Development (OKR) Sdn Bhd)* and Desa Alam Mewah Sdn Bhd enlarged their share capital with shares issued to non-controlling interests as disclosed in Note 39(k), 39(n), 39(o) and 39(r) respectively have resulted in reduction of the Group's equity interest in the aforesaid subsidiaries without losing control. No changes to equity attributable to owners of the Company arising from the aforesaid changes in equity interest in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(e) Acquisition of subsidiary

In the previous financial year, the Group acquired the entire equity interest in Kao Fu Bricks Sdn Bhd for a total cash consideration of approximately RM19,321,000.

The carrying amounts/fair values of the identifiable assets and liabilities of the subsidiary as at the date of acquisition and the effect of the acquisition of cash flows were as follows:

	Carrying amount RM'000	Fair value RM'000
Property, plant and equipment	6,058	17,135
Inventories	1,646	1,646
Trade and other receivables	160	160
Tax recoverable	90	90
Cash and cash equivalents	1,740	1,740
Trade and other payables	(78)	(78)
Deferred tax liabilities	(91)	(1,372)
Net identifiable assets	9,525	19,321
Cash consideration paid		19,321
Less: Cash and cash equivalents of subsidiary acquired		(1,740)
Net cash outflow on acquisition		17,581

8. INVESTMENT IN ASSOCIATES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 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	274,010	294,123	28,000	28,000
	355,343	375,456	103,741	103,741
Share of post-acquisition reserves	58,101	84,026	-	-
	413,444	459,482	103,741	103,741
Exchange differences	(3,486)	(1,972)	-	-
	409,958	457,510	103,741	103,741
Less: Accumulated impairment losses				
- Quoted shares	(33,706)	(27,735)	(25,074)	(22,574)
	376,252	429,775	78,667	81,167
Market value of quoted shares	82,739	79,099	82,739	79,099

8. INVESTMENT IN ASSOCIATES (CONTINUED)

Details of associates as of 31 December 2013 are as follows:

Name of Associates	Principal Activities	Country of Incorporation	Financial Year End	Equity interest held (%) 2013	Equity interest held (%) 2012
* Paos Holdings Berhad	Investment holding	Malaysia	31 May	24.96	24.96
# Lam Soon (Thailand) Public Company Limited ["LST"]	Manufacture and distribution of palm oil	Thailand	31 December	20.00	20.00
Vintage Heights Sdn Bhd	Property development and operation of oil palm estate	Malaysia	30 June	20.00	20.00
* EAC Holdings (Malaysia) Sdn Bhd	In liquidation	Malaysia	31 December	20.00	20.00
* Inverfin Sdn Bhd ["Inverfin"]	Property investment, office and food court management	Malaysia	31 December	49.99	49.99
* Lei Shing Hong (Singapore) Pte Ltd	Trading in automobiles parts, ship building materials and timber products	Singapore	31 December	-	25.00

* Audited by a firm other than Ernst & Young

\# Audited by member firm of Ernst & Young Global in the respective countries

The financial statements of the above associates are coterminous with those of the Group, except for Paos Holdings Berhad and Vintage Heights Sdn Bhd whose financial year end on 31 May and 30 June respectively are coterminous with their respective holding companies' financial year end. For the purpose of applying the equity method of accounting, the latest available financial information have been used and appropriate adjustments have been made for the effects of significant transactions between the dates of the latest available financial information and 31 December 2013.

EAC Holdings (Malaysia) Sdn Bhd is currently in the process of liquidation.

During the financial year, the Group disposed its entire 25% equity interest in Lei Shing Hong (Singapore) Pte Ltd for a cash consideration of approximately RM118 million as disclosed in Note 39(f).

NOTES TO THE FINANCIAL STATEMENTS

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.

2013	Inverfin RM'000	LST RM'000	Other individually immaterial associates RM'000	Total RM'000
(i) Summarised statements of financial position				
Non-current assets	688,309	219,665	319,087	1,227,061
Current assets	43,225	239,245	47,248	329,718
Total assets	731,534	458,910	366,335	1,556,779
Non-current liabilities	192,279	9,102	40,219	241,600
Current liabilities	11,881	169,622	13,057	194,560
Total liabilities	204,160	178,724	53,276	436,160
Net assets	527,374	280,186	313,059	1,120,619
Non-controlling interests	-	(32,539)	-	(32,539)
Net assets attributable to owner of associates	527,374	247,647	313,059	1,088,080
(ii) Summarised statements of profit or loss and other comprehensive income				
Revenue	45,043	658,435	265,995	969,473
Profit for the year	3,617	49,142	8,403	61,162
(iii) Reconciliation of net assets to carrying amount of Group's interest in associates				
Group's share of net assets	263,687	49,530	67,683	380,900
Goodwill	954	318	27,786	29,058
Impairment losses	-	-	(33,706)	(33,706)
Carrying amount of Group's interest in associates	264,641	49,848	61,763	376,252
(iv) Group's share of results of associates	1,805	9,828	2,181	13,814
(v) Dividends received from associates	17,000	2,982	754	20,736

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENT IN ASSOCIATES (CONTINUED)

2012	Inverfin RM'000	LST RM'000	Other individually immaterial associates RM'000	Total RM'000
(i) Summarised statements of financial position				
Non-current assets	683,406	222,247	769,828	1,675,481
Current assets	58,649	274,812	263,628	597,089
Total assets	742,055	497,059	1,033,456	2,272,570
Non-current liabilities	172,322	11,990	43,285	227,597
Current liabilities	11,976	238,903	520,823	771,702
Total liabilities	184,298	250,893	564,108	999,299
Net assets	557,757	246,166	469,348	1,273,271
Non-controlling interests	-	(31,697)	-	(31,697)
Net assets attributable to owner of associates	557,757	214,469	469,348	1,241,574
(ii) Summarised statements of profit or loss and other comprehensive income				
Revenue	47,587	747,086	594,301	1,388,974
Profit for the year	78,585	34,834	33,105	146,524
(iii) Reconciliation of net assets to carrying amount of Group's interest in associates				
Group's share of net assets	278,882	42,895	106,675	428,452
Goodwill	954	318	27,786	29,058
Impairment losses	-	-	(27,735)	(27,735)
Carrying amount of Group's interest in associates	279,836	43,213	106,726	429,775
(iv) Group's share of results of associates	39,294	6,968	8,107	54,369
(v) Dividends received from associates	8,000	1,171	754	9,925

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER INVESTMENT

	Group 2013 RM'000	Group 2012 RM'000
At cost		
Unquoted shares in Malaysia,		
representing total available-for-sale financial assets	30,000	30,000

10. LAND HELD FOR PROPERTY DEVELOPMENT

	Group 2013 RM'000	Group 2012 RM'000
Cost:		
At 1 January	375,164	371,366
Additions	35,165	62,091
Transfer from/(to)		
- property, plant and equipment (Note 4)	43,136	-
- investment properties (Note 6)	45,893	-
- property development costs (Note 13)	(141,057)	(58,293)
At 31 December	358,301	375,164
Represented by:		
Freehold land	17,554	60,182
Leasehold land	271,152	249,493
Land development expenditure	69,595	65,489
	358,301	375,164

11. GOODWILL

	Group 2013 RM'000	Group 2012 RM'000
At 1 January / 31 December	36,736	36,736

The goodwill arising from the acquisition of additional shares in HSP in prior years has been tested for impairment at the end of the reporting period. The recoverable amount of the CGU has been determined based on the fair value less costs to sell, where the fair value is measured using quoted price.

During the financial year, no impairment loss was recognised as the recoverable amount is more than the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

12. INVENTORIES

	Group	
	2013 RM'000	2012 RM'000
Cost		
Properties held for sale	89,523	22,164
Raw materials	47,357	68,976
Produce inventories	13,958	7,750
Work-in-progress	2,223	2,206
Quarry reserves	7,058	7,758
Finished goods	179,116	289,955
	339,235	398,809
Net realisable value		
Raw materials	9,161	9,668
Finished goods	138,827	141,742
	147,988	151,410
	487,223	550,219
Recognised in profit or loss		
Inventories recognised as cost of sales	2,454,666	2,702,799

Quarry reserves relate to the remaining estimated reserves with 10 years (2012: 11 years) lease of extraction which arose from the acquisition of subsidiary in prior years.

13. PROPERTY DEVELOPMENT COSTS

Group	Land RM'000	Development costs RM'000	Accumulated costs charged to profit or loss RM'000	Total RM'000
At 1 January 2012	88,683	575,719	(414,677)	249,725
Transfer from:				
- Investment properties (Note 6)	91,000	30	-	91,030
- Land held for property development (Note 10)	55,020	3,273	-	58,293
Costs incurred during the year	-	163,999	-	163,999
Costs charged to profit or loss	-	-	(151,073)	(151,073)
Disposals	(49,823)	(2,212)	-	(52,035)
At 31 December 2012 /1 January 2013	184,880	740,809	(565,750)	359,939
Transfer from/(to):				
- Investment properties (Note 6)	-	(230)	(218)	(448)
- Land held for property development (Note 10)	114,621	26,436	-	141,057
- Inventories	-	(91,607)	-	(91,607)
Costs incurred during the year	245,296	182,613	-	427,909
Costs charged to profit or loss	-	-	(222,702)	(222,702)
Reversal of completed projects	(40,541)	(253,580)	294,121	-
At 31 December 2013	504,256	604,441	(494,549)	614,148

Included in the property development costs incurred during the financial year were interest expense capitalised of RM13,419,000 (2012: RM1,952,000).

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current				
Trade receivables				
Third parties	577,997	628,752	-	-
Lease receivables	6,840	4,563	-	-
Hire purchase receivables	484,715	450,556	-	-
Loan receivables	135,999	84,326	-	-
Accrued billings	60,259	10,907	-	-
Amounts due from related companies	1,994	3,108	-	-
Amounts due from associates	93	150	17	17
	1,267,897	1,182,362	17	17
Less: Allowance for impairment	(12,416)	(8,636)	-	-
Interest in suspense	(7,577)	(6,062)	-	-
Advances received	(26,163)	(24,172)	-	-
	1,221,741	1,143,492	17	17
Other receivables				
Sundry receivables	61,113	62,102	181	726
Prepayments	24,513	30,755	5,358	3,128
Amounts due from subsidiaries	-	-	716,902	659,556
Amounts due from associates	24	26	24	26
	85,650	92,883	722,465	663,436
	1,307,391	1,236,375	722,482	663,453
Derivatives – forward currency contracts				
Designated as hedging instrument				
- fair value hedges	10	-	-	-
Total trade and other receivables, including derivatives *(current)*	1,307,401	1,236,375	722,482	663,453

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES (CONTINUED)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-current				
Trade receivables				
Lease receivables	13,067	15,424	-	-
Hire purchase receivables	576,726	545,756	-	-
Loan receivables	470,476	423,687	-	-
	1,060,269	984,867	-	-
Less: Allowance for impairment	(5,345)	(4,306)	-	-
Advances received	(33,456)	(30,720)	-	-
	1,021,468	949,841	-	-
Derivatives - cross currency interest rate swaps				
Designated as hedging instrument				
- cash flow hedges	11,434	-	-	-
Total trade receivables, including derivatives *(non-current)*	1,032,902	949,841	-	-
Total trade and other receivables (excluding derivatives)	2,328,859	2,186,216	722,482	663,453
Less: Accrued billings	(60,259)	(10,907)	-	-
Prepayments	(24,513)	(30,755)	(5,358)	(3,128)
Add: Cash and bank balances (Note 15)	632,660	519,259	288,818	229,372
Total loans and receivables	2,876,747	2,663,813	1,005,942	889,697

(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 (2012: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

14. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES (CONTINUED)

(a) Trade receivables (continued)

(ii) Lease receivables and hire purchase receivables

Lease receivables and hire purchase receivables consist of the following:

	2013			2012		
	Gross receivables RM'000	Unearned interest RM'000	Net receivables RM'000	Gross receivables RM'000	Unearned interest RM'000	Net receivables RM'000
Group						
Less than 1 year	548,298	(56,743)	491,555	509,464	(54,345)	455,119
Between 1 and 5 years	623,859	(34,466)	589,393	599,645	(38,465)	561,180
More than 5 years	6,265	(5,865)	400	-	-	-
	1,178,422	(97,074)	1,081,348	1,109,109	(92,810)	1,016,299

(iii) Amounts due from related companies

Amounts due from related companies are non-interest bearing and repayable in accordance with the normal trade credit terms disclosed in Note 14(a)(i).

(iv) Amounts due from associates

Amounts due from associates are non-interest bearing and repayable in accordance with the normal trade credit terms disclosed in Note 14(a)(i).

<u>Ageing analysis of trade receivables</u>

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total trade receivables				
- Current	1,267,897	1,182,362	17	17
- Non-current	1,060,269	984,867	-	-
	2,328,166	2,167,229	17	17
Less: Accrued billings	(60,259)	(10,907)	-	-
	2,267,907	2,156,322	17	17

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES (CONTINUED)

(a) Trade receivables (continued)

The ageing analysis of trade receivables is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Neither past due nor impaired	911,541	843,309	17	17
Past due but not impaired:				
- Past due 1 – 30 days	152,404	149,316	-	-
- Past due 31 – 90 days	94,996	122,369	-	-
- Past due more than 90 days	24,725	34,757	-	-
	272,125	306,442	-	-
Assessed for individual impairment	35,524	20,263	-	-
Assessed for collective impairment	1,048,717	986,308	-	-
Total trade receivables	2,267,907	2,156,322	17	17

Impairment losses in respect of trade receivables are recorded as allowance. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The movement in the allowance for impairment account is as follows:

	Group	
	2013 RM'000	2012 RM'000
At 1 January	12,942	15,093
Allowance for impairment (Note 23)	7,995	1,294
Reversal of impairment losses (Note 23)	(1,839)	(875)
Written off	(865)	(2,561)
Disposal of subsidiaries	(506)	-
Exchange differences	34	(9)
At 31 December	17,761	12,942

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES (CONTINUED)

(a) Trade receivables (continued)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM272,125,000 (2012: RM306,442,000) that are past due at the reporting date but not impaired.

Receivables that are assessed for individual impairment

The Group's trade receivables that are assessed for individual impairment at the reporting date are as follows:

	Group 2013 RM'000	Group 2012 RM'000
Trade receivables - nominal amounts	35,524	20,263
Less: Allowance for impairment	(14,634)	(8,893)
	20,890	11,370

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in financial difficulties and have defaulted on payments. More than 75% (2012: 70%) of these receivables are secured by collateral. The main types of collateral held by the Group to mitigate credit risk are commercial and residential properties, machineries and motor vehicles.

Receivables that are assessed for collective impairment

This is in respect of hire purchase receivables which have been assessed for collective impairment as follows:

	Group 2013 RM'000	Group 2012 RM'000
Not past due	911,334	831,186
Past due 1- 30 days	78,034	99,911
Past due 31 - 90 days	59,349	55,211
Total assessed for collective impairment - nominal amounts	1,048,717	986,308
Less: Allowance for impairment	(3,127)	(4,049)
	1,045,590	982,259

All the above receivables are secured by collateral and the main types of collateral held by the Group to mitigate credit risk are machineries and motor vehicles.

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES (CONTINUED)

(b) Other receivables

(i) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, interest bearing and repayable on demand. During the financial year, interest is charged at 1.50% to 4.00% (2012: 1.50% to 4.89%) per annum.

(ii) Amounts due from associates

Amounts due from associates are unsecured, non-interest bearing and repayable on demand.

(c) Derivatives

The Group uses forward currency contracts to manage the foreign currency exposures arising from its receivables, payables and firm commitments denominated in USD for which existed at the reporting date, extending to January 2014 (2012: Nil). 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 Group entered into and designated cross currency interest rate swaps as hedging instruments in a cash flow hedge of the borrowings denominated in Singapore Dollars 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.

Included in trade and other receivables of the Group and of the Company are amounts denominated in foreign currencies (currencies which are other than the respective functional currencies of the Group entities) as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
United States Dollar ["USD"]	3,030	5,311	-	14,401
Australian Dollar ["AUD"]	-	-	-	2,402
Singapore Dollar ["SGD"]	-	-	-	1,949
Indonesian Rupiah ["IDR"]	40,186	91,682	-	-
	43,216	96,993	-	18,752

NOTES TO THE FINANCIAL STATEMENTS

15. CASH AND BANK BALANCES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash at banks and on hand	97,108	117,842	6,622	1,320
Deposits with licensed banks	535,552	401,417	282,196	228,052
Cash and bank balances	632,660	519,259	288,818	229,372
Less: Bank overdrafts (Note 18)	(8,916)	(2,469)	-	-
Cash and cash equivalents	623,744	516,790	288,818	229,372

Included in cash at banks of the Group are amounts of RM23,886,000 (2012: RM31,402,000), the utilisation of which is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002 and the Housing Developers (Project Account) Rules 1995.

Included in cash and bank balances 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	
	2013 RM'000	2012 RM'000
USD	3,881	3,676
SGD	-	329
IDR	13,144	12,085
AUD	-	9
	17,025	16,099

Other information on financial risks of cash and cash equivalents are disclosed in Note 36.

NOTES TO THE FINANCIAL STATEMENTS

16. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Current				
Trade payables				
Third parties	294,868	242,545	-	-
Progress billings	-	9,904	-	-
Amounts due to subsidiaries	-	-	318	825
Amounts due to related companies	1,298	1,210	-	-
	296,166	253,659	318	825
Other payables				
Accruals	92,472	80,686	3,490	2,928
Sundry payables	52,368	79,432	83	155
	144,840	160,118	3,573	3,083
	441,006	413,777	3,891	3,908
Derivatives - forward currency contracts				
Designated as hedging instrument				
- Fair value hedges	17	16	-	-
Total trade and other payables, including derivatives *(current)*	441,023	413,793	3,891	3,908
Non-current				
Other payables				
Deposits from lessees	6,014	5,864	-	-
Total trade and other payables, including derivatives	447,037	419,657	3,891	3,908
Total trade and other payables, (excluding derivatives)	447,020	419,641	3,891	3,908
Less: Progress billings	-	(9,904)	-	-
Add: Borrowings (Note 18)	2,498,573	2,251,728	-	-
Total financial liabilities carried at amortised cost	2,945,593	2,661,465	3,891	3,908

16. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES (CONTINUED)

(a) Trade payables

(i) Third parties

These amounts are non-interest bearing. The normal trade credit terms granted to the Group range from 30 to 90 days (2012: 30 to 90 days).

(ii) Amounts due to subsidiaries

Amounts due to subsidiaries are non-interest bearing and are payable in accordance with the normal trade credit terms disclosed in Note 16(a)(i).

(iii) Amounts due to related companies

Amounts due to related companies are non-interest bearing and are payable in accordance with the normal trade credit terms disclosed in Note 16(a)(i).

(b) Other payables

These amounts are non-interest bearing and payable in accordance with the normal trade terms.

(c) Derivatives

The Group uses forward currency contracts to manage the foreign currency exposures arising from its receivables, payables and firm commitments denominated in USD for which existed at the reporting date, extending to February 2014 (2012: January 2013). 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.

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	
	2013 RM'000	2012 RM'000
USD	33,449	46,510
IDR	2,173	1,406
	35,622	47,916

NOTES TO THE FINANCIAL STATEMENTS

17. PROVISIONS

	Group	
	2013 RM'000	**2012 RM'000**
Provision for property development obligations:		
At 1 January	3,300	3,606
Provision made during the year	2,151	471
Provision used during the year	(10)	(40)
Provision reversed during the year	-	(737)
At 31 December	5,441	3,300

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.

18. BORROWINGS

	Group	
	2013 RM'000	**2012 RM'000**
Current		
Unsecured:		
Term loans	338,642	422,611
Revolving credits	1,083,966	619,123
Bankers' acceptances	101,813	208,526
Foreign currency loans	23,059	7,891
Bank overdrafts	8,916	2,469
	1,556,396	1,260,620
Non-current		
Unsecured:		
Term loans	422,877	484,233
Foreign currency loans	519,300	506,875
	942,177	991,108
Total borrowings	2,498,573	2,251,728

18. BORROWINGS (CONTINUED)

The remaining maturities of the borrowings are as follows:

	Group	
	2013 RM'000	2012 RM'000
Within one year	1,556,396	1,260,620
More than 1 year and less than 2 years	500,143	278,604
More than 2 years and less than 5 years	400,635	700,261
More than 5 years	41,399	12,243
	2,498,573	2,251,728

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	
	2013 RM'000	2012 RM'000
SGD	519,300	494,645
USD	23,059	20,121
	542,359	514,766

Other information on financial risks of borrowings are disclosed in Note 36.

19. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	118,403	96,305	27	36
Recognised in profit or loss (Note 28)	47,370	18,603	(14)	(9)
Acquisition of subsidiary	-	1,372	-	-
Exchange differences	(2,392)	2,123	-	-
At 31 December	163,381	118,403	13	27
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	176,391	169,781	13	27
Deferred tax assets	(13,010)	(51,378)	-	-
	163,381	118,403	13	27

NOTES TO THE FINANCIAL STATEMENTS

19. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (CONTINUED)

The components and movement of deferred tax liabilities and assets during the financial year are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital and agriculture allowances RM'000	Revaluation of assets RM'000	Others RM'000	Total RM'000
At 1 January 2013	152,989	47,716	168	200,873
Recognised in profit or loss	(1,322)	2,915	1,353	2,946
At 31 December 2013	151,667	50,631	1,521	203,819
Less: Deferred tax assets offset				(27,428)
Deferred tax liabilities recognised				176,391
At 1 January 2012	145,689	54,595	3,371	203,655
Recognised in profit or loss	7,300	(7,993)	(3,461)	(4,154)
Acquisition of subsidiary	-	1,114	258	1,372
At 31 December 2012	152,989	47,716	168	200,873
Less: Deferred tax assets offset				(31,092)
Deferred tax liabilities recognised				169,781

Deferred tax assets of the Group:

	Unabsorbed capital allowances RM'000	Tax losses RM'000	Others RM'000	Total RM'000
At 1 January 2013	(21,743)	(52,940)	(7,787)	(82,470)
Recognised in profit or loss	1,363	39,886	3,175	44,424
Exchange differences	-	(2,368)	(24)	(2,392)
At 31 December 2013	(20,380)	(15,422)	(4,636)	(40,438)
Offset against deferred tax liabilities				27,428
Deferred tax assets recognised				(13,010)
At 1 January 2012	(23,921)	(72,792)	(10,637)	(107,350)
Recognised in profit or loss	2,178	17,743	2,836	22,757
Exchange differences	-	2,109	14	2,123
At 31 December 2012	(21,743)	(52,940)	(7,787)	(82,470)
Offset against deferred tax liabilities				31,092
Deferred tax assets recognised				(51,378)

19. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (CONTINUED)

Deferred tax liabilities of the Company:

	2013 RM'000	2012 RM'000
Accelerated capital allowances		
At 1 January	27	36
Recognised in profit or loss	(14)	(9)
At 31 December	13	27

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2013 RM'000	2012 RM'000
Unutilised tax losses	401,247	169,878
Unabsorbed capital and agricultural allowances	15,007	200
Other deductible temporary differences	15,047	19,802
	431,301	189,880

The above unutilised tax losses, unabsorbed capital and agricultural 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.

NOTES TO THE FINANCIAL STATEMENTS

20. SHARE CAPITAL, WARRANTS AND TREASURY SHARES

(a) Share capital

	Number of ordinary shares of RM1.00 each		Amount	
	2013 '000	2012 '000	2013 RM'000	2012 RM'000
Authorised:				
At 1 January / 31 December	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully paid:				
At 1 January	2,186,364	2,186,357	2,186,364	2,186,357
Exercise of warrants	19,345	7	19,345	7
At 31 December	2,205,709	2,186,364	2,205,709	2,186,364

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

During the financial year, 19,344,920 (2012: 6,600) ordinary shares were issued pursuant to the exercise of warrants as disclosed in Note 20(b) below. Consequently, the Company's issued and paid-up share capital increased to RM2,205,708,920 (2012: RM2,186,364,000) comprising 2,205,708,920 (2012: 2,186,364,000) ordinary shares of RM1.00 each, with 204,031,100 (2012: 73,256,400) ordinary shares thereof being held as treasury shares.

(b) Warrants

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

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

Salient features of the warrants are as follows:

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

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

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

20. SHARE CAPITAL, WARRANTS AND TREASURY SHARES (CONTINUED)

(b) Warrants (continued)

Salient features of the warrants are as follows (continued):

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

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

Movement in the warrants is as follows:

	Number of warrants
As of 1 January 2012	364,392,900
Exercised during the year	(6,600)
As of 31 December 2012/1 January 2013	364,386,300
Exercised during the year	(19,344,920)
As of 31 December 2013	345,041,380
Exercised subsequent to 31 December 2013	(27,467,729)
As of 11 April 2014	317,573,651

During the financial year, a total of 19,344,920 (2012: 6,600) warrants were exercised and the issued and paid-up share capital of the Company increased to RM2,205,708,920 (2012: RM2,186,364,000) comprising 2,205,708,920 (2012: 2,186,364,000) ordinary shares of RM1.00 each. As of 31 December 2013, 345,041,380 (2012: 364,386,300) warrants remained unexercised.

Subsequent to the end of the financial year and up to the date of this report, 27,467,729 warrants were exercised which resulted in 27,467,729 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Bursa Securities. Consequently, the issued and paid-up share capital of the Company increased to RM2,173,176,649 comprising 2,173,176,649 ordinary shares of RM1.00 each. As of 11 April 2014, 317,573,651 warrants remained unexercised.

NOTES TO THE FINANCIAL STATEMENTS

20. SHARE CAPITAL, WARRANTS AND TREASURY SHARES (CONTINUED)

(c) Treasury shares

During the extraordinary general meeting of the Company held on 29 May 2013, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 130,774,700 (2012: 67,826,400) shares at the cost of RM256,674,421 (2012: RM113,777,608) which were held as treasury shares and thereby yielding a cumulative total of 204,031,100 (2012: 73,256,400) treasury shares. All repurchases of shares were financed by the Company's internal funds.

Movement in the treasury shares is as follows:

	Number of share	Amount RM	Average cost per share RM
As of 1 January 2012	5,430,000	8,283,445	1.53
Repurchased during the year	67,826,400	113,777,608	1.68
As of 31 December 2012 / 1 January 2013	73,256,400	122,061,053	1.67
Repurchased during the year	130,774,700	256,674,421	1.96
As of 31 December 2013	204,031,100	378,735,474	1.86
Repurchased subsequent to 31 December 2013	22,495,900	67,291,655	2.99
Cancelled subsequent to 31 December 2013	(60,000,000)	(115,236,000)	1.92
As of 11 April 2014	166,527,000	330,791,129	1.99

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

As of 11 April 2014, upon the aforementioned issuance of shares pursuant to the exercise of warrants and the repurchase and cancellation of shares subsequent to the end of the financial year, the issued and paid-up share capital of the Company was RM2,173,176,649 comprising 2,173,176,649 ordinary shares of RM1.00 each, with 166,527,000 ordinary shares thereof being held as treasury shares.

21. RESERVES

Group	Share premium RM'000	Capital reserve RM'000	Cash flow hedge reserve RM'000	Foreign exchange reserve RM'000	Revaluation reserve RM'000	Capital redemption reserve RM'000	Warrant reserve RM'000	Other reserve RM'000	Total non-distributable reserves RM'000
At 1 January 2012	-	641	-	6,806	36,564	66,267	49,193	(30,973)	128,498
Foreign currency translation differences for foreign operations	-	-	-	(2,095)	-	-	-	-	(2,095)
Share of foreign currency translation differences of associates	-	-	-	(1,972)	-	-	-	-	(1,972)
Total other comprehensive expense for the year	-	-	-	(4,067)	-	-	-	-	(4,067)
Transfer of reserve	-	34,397	-	-	(34,397)	-	-	-	-
Reserve realised upon disposal of assets	-	-	-	-	(2,167)	-	-	-	(2,167)
Exercise of warrants	5	-	-	-	-	-	(1)	-	4
At 31 December 2012/ 1 January 2013	5	35,038	-	2,739	-	66,267	49,192	(30,973)	122,268
Foreign currency translation differences for foreign operations	-	-	-	(2,575)	-	-	-	-	(2,575)
Share of foreign currency translation differences of associates	-	-	-	(266)	-	-	-	-	(266)
Loss on fair value change in cash flow hedge	-	-	(13,221)	-	-	-	-	-	(13,221)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	-	-	4,101	-	-	-	-	4,101
Share of foreign currency translation differences of an associate reclassified to profit or loss	-	-	-	(1,248)	-	-	-	-	(1,248)
Transfer of properties from property, plant and equipment to investment properties, at valuation arising from change in use	-	-	-	-	1,176	-	-	-	1,176
Total other comprehensive expense for the year	-	-	(13,221)	12	1,176	-	-	-	(12,033)
Exercise of warrants	15,186	-	-	-	-	-	(2,612)	-	12,574
At 31 December 2013	15,191	35,038	(13,221)	2,751	1,176	66,267	46,580	(30,973)	122,809

NOTES TO THE FINANCIAL STATEMENTS

21. RESERVES (CONTINUED)

The movements on the Company's non-distributable reserves are set out in the Company's statements of changes in equity.

The nature and purpose of each category of reserve are as follows:

(a) Share premium

Share premium represents the premium paid on subscription of shares in the Company over and above the par value of the shares.

(b) Capital reserve

Capital reserve in respect of a subsidiary of RM34,397,000 (2012: 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 (2012: RM641,000) represents the revaluation reserve of an associate.

(c) Cash flow hedge reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships as at the reporting date in relates to the cross currency interest rate swaps entered by the Group to limit its exposure to foreign currency risk on its foreign currency loan.

(d) 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.

(e) Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment immediately prior to its reclassification as investment properties. The revaluation reserve in the previous financial year comprises primarily revaluation reserve on long-term leasehold land held by subsidiaries.

(f) Capital redemption reserve

This reserve represents the amount equivalent to the nominal value of the shares repurchased which was cancelled by the Company.

(g) Warrant reserve/Other reserve

These reserves arose from the Rights Issue with Warrants Exercise undertaken by the Company.

(h) Retained profits

The Company may distribute dividend out of its entire retained profits as at 31 December 2013 under the single tier system.

22. REVENUE AND COST OF SALES

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Dividend income				
- From subsidiaries	-	-	288,247	210,608
- From associates	-	-	3,736	1,925
Sale of plantation produce	443,321	526,499	-	-
Sale of goods and services	2,413,343	2,685,684	-	-
Interest income from provision of financial services	112,425	111,270	-	-
Property development	455,984	596,323	-	-
Sale of completed properties	34,912	11,228	-	-
Property rental	26,762	27,895	-	-
	3,486,747	3,958,899	291,983	212,533

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 33.

23. OPERATING PROFIT

	Group		Company	
	2013 RM'000	2012 RM'000 *Restated*	2013 RM'000	2012 RM'000
Operating profit is arrived at after charging/(crediting):				
Auditors' remuneration:				
- current year				
- Ernst & Young, Malaysia	353	357	85	85
- overseas affiliates of Ernst & Young, Malaysia	169	143	-	-
- other auditors	414	444	-	-
- under provision in prior years				
- Ernst & Young, Malaysia	(5)	15	-	-
- overseas affiliates of Ernst & Young, Malaysia	(1)	5	-	-
- other auditors	-	26	-	-
Non audit fees for services rendered by				
- Ernst & Young, Malaysia	10	108	10	10
- local affiliates of Ernst & Young, Malaysia	153	64	96	14

NOTES TO THE FINANCIAL STATEMENTS

23. OPERATING PROFIT (CONTINUED)

	Group		Company	
	2013 RM'000	2012 RM'000 *Restated*	2013 RM'000	2012 RM'000
Operating lease – minimum lease payments on:				
- land and buildings	10,331	12,380	-	-
- plant and machinery	25,290	22,494	-	-
- motor vehicles	43	76	549	427
Depreciation of property, plant and equipment (Note 4)	79,985	76,748	694	710
Property, plant and equipment written off	8,051	788	-	-
Replanting expenditure	18,558	15,721	-	-
Biological assets written off (Note 5)	243	-	-	-
Investment properties written off (Note 6)	530	1,099	-	-
Bad debts written off	167	211	-	-
Allowance for impairment losses				
- trade receivables (Note 14)	7,995	1,294	-	-
Write down of inventories	26,202	31,560	-	-
Employee benefits expenses (Note 24)	214,225	203,960	6,479	2,955
Direct operating expenses arising from investment properties – rental generating properties	10,323	9,562	-	-
Net foreign exchange losses/(gains)	16,094	2,838	(662)	(547)
Gain on disposal of property, plant and equipment	(767)	(852)	(65)	(285)
Gain on disposal of investment properties	-	(1,820)	-	-
Gain on disposal of investment securities	(824)	-	-	-
Gains from fair value adjustments of investment properties (Note 6)	(28,771)	(34,383)	-	-
Dividend income from other investment	(1,138)	(1,200)	-	-
Reversal of write down on inventories	(4,227)	(5,493)	-	-
Reversal of impairment losses				
- trade receivables (Note 14)	(1,839)	(875)	-	-
Reversal of provisions	-	(737)	-	-
Recovery of bad debts	(1,024)	(627)	-	-
Rental income from properties	(648)	(535)	(10)	(10)
Interest income from:				
- third parties	(9,556)	(10,626)	(3,532)	(5,322)
- subsidiaries	-	-	(25,433)	(17,490)

24. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Salaries and other staff related expenses	199,913	190,230	5,938	2,644
Pension costs – defined contribution plans	14,312	13,730	541	311
	214,225	203,960	6,479	2,955

Included in employee benefits expenses of the Group and of the Company were executive directors' remuneration amounted to RM14,689,000 (2012: RM15,253,000) and RM2,812,000 (2012: RM2,618,000) respectively as further disclosed in Note 25.

25. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Executive directors' remuneration				
Other emoluments				
- Directors of the Company	3,515	3,273	2,812	2,618
- Other directors	11,174	11,980	-	-
	14,689	15,253	2,812	2,618
Non-executive directors' remuneration				
Fees				
Current year				
- Directors of the Company	583	725	473	615
- Other directors	800	789	-	-
	1,383	1,514	473	615
Prior year				
- Directors of the Company	-	203	-	175
- Other directors	-	67	-	-
	-	270	-	175
Total directors' remuneration	16,072	17,037	3,285	3,408
Other key management personnel compensation	35,966	27,170	3,437	-
	52,038	44,207	6,722	3,408

Included in key management personnel compensation of the Group and of the Company were contributions to the Employees Provident Fund amounted to RM5,125,000 (2012: RM4,260,000) and RM528,000 (2012: RM281,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

25. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors of the Company	173	116	173	116
Other directors	480	382	-	-
Other key management personnel	1,207	833	51	-
	1,860	1,331	224	116

26. FINANCE COSTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expense on:				
Bank borrowings	82,471	90,137	-	2,588
Borrowings from other institutions	11,367	10,211	-	-
	93,838	100,348	-	2,588
Less: Interest expense capitalised in:				
- Property, plant and equipment (Note 4)	(117)	-	-	-
- Investment properties – IPUC (Note 6)	(5,738)	(4,419)	-	-
- Property development costs (Note 13)	(13,419)	(1,952)	-	-
	74,564	93,977	-	2,588

27. OTHER NON-OPERATING ITEMS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Gain on disposal of subsidiaries	342,595	-	129,435	-
Gain on disposal of an associate	78,884	-	-	-
Gain on disposal of equity interest in a subsidiary	-	-	26,565	-
Impairment loss on investment in an associate	(5,971)	-	(2,500)	-
	415,508	-	153,500	-

28. TAX EXPENSE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Malaysian income tax:				
- Current income tax	118,121	170,556	6,655	4,791
- Under provision in prior year	248	1,472	102	644
	118,369	172,028	6,757	5,435
Foreign income tax:				
- Current income tax	-	22	-	-
	118,369	172,050	6,757	5,435
Deferred tax (Note 19):				
- Relating to origination and reversal of temporary differences	4,484	(1,570)	(14)	(9)
- Over provision in prior year	(1,406)	(7,827)	-	-
- Deferred tax assets derecognised	44,292	28,000	-	-
	47,370	18,603	(14)	(9)
Total tax expense	165,739	190,653	6,743	5,426

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

28. **TAX EXPENSE** (CONTINUED)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2013 RM'000	**2012 RM'000** *Restated*	**2013 RM'000**	**2012 RM'000**
Profit before tax	801,581	681,579	455,667	216,842
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	200,395	170,395	113,917	54,211
Effect of different tax rates in other countries	(158)	(61)	-	-
Effect of change in Real Property Gains Tax ["RPGT"] rate	4,063	-	-	-
Effect of gains taxed at RPGT rate	(6,963)	(346)	-	-
Income not subject to tax	(106,263)	(19,430)	(112,813)	(53,394)
Expenses not deductible for tax purposes	19,900	15,665	5,537	3,965
Effect of share of results of associates	(3,454)	(13,592)	-	-
Deferred tax assets not recognised	15,085	16,377	-	-
(Over)/under provision in prior year				
- income tax	248	1,472	102	644
- deferred tax	(1,406)	(7,827)	-	-
Deferred tax assets derecognised	44,292	28,000	-	-
Tax expense for the year	165,739	190,653	6,743	5,426

29. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year excluding treasury shares held by the Company, calculated as follows:

	Group 2013	Group 2012 *Restated*
Profit attributable to owners of the Company (RM'000)	588,257	427,104
Weighted average number of ordinary shares ('000)		
Issued ordinary shares net of treasury shares at 1 January	2,113,108	2,180,927
Effect of warrants exercised during the year	1,386	5
Effect of shares buyback during the year	(65,170)	(22,348)
Weighted average number of ordinary shares at 31 December	2,049,324	2,158,584
Basic earnings per share (sen)	28.70	19.79

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year after adjustment for the effects of dilutive potential ordinary shares, calculated as follows:

	Group 2013	Group 2012 *Restated*
Profit attributable to owners of the Company (RM'000)	588,257	427,104
Weighted average number of ordinary shares for basic earnings per share computation ('000)	2,049,324	2,158,584
Dilutive potential ordinary shares - Assumed exercise of warrants	63,911	3,402
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	2,113,235	2,161,986
Diluted earnings per share (sen)	27.84	19.76

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements other than the cancellation of 60,000,000 treasury shares and exercise of 27,467,729 warrants which resulted in 27,467,729 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Bursa Securities.

NOTES TO THE FINANCIAL STATEMENTS

30. DIVIDENDS

	Group/Company	
	2013 RM'000	2012 RM'000
Recognised during the year:		
Dividends paid in respect of financial year ended 31 December 2011:		
- second interim (4.7 sen under single tier system)	-	102,490
Dividends paid in respect of financial year ended 31 December 2012:		
- first interim (4.5 sen under single tier system)	-	97,084
- second interim (6.0 sen under single tier system)	126,787	-
Dividends paid in respect of financial year ended 31 December 2013:		
- first interim (8.0 sen under single tier system)	161,643	-
- second interim (8.0 sen under single tier system)	160,434	-
	448,864	199,574

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2013.

No dividend is payable for treasury shares held or cancelled.

31. COMMITMENTS

	Group	
	2013 RM'000	2012 RM'000
Capital expenditure		
Approved and contracted for:		
- Property, plant and equipment	64,194	67,993
- Biological assets	2,546	13,037
- Investment properties	93,716	145,653
	160,456	226,683
Approved but not contracted for:		
- Property, plant and equipment	98,683	122,738
- Biological assets	7,942	10,002
	106,625	132,740
	267,081	359,423

NOTES TO THE FINANCIAL STATEMENTS

32. OPERATING LEASE COMMITMENTS (AS LESSEE)

Total future minimum rentals payable under non-cancellable operating leases are as follows:

	Group	
	2013 **RM'000**	**2012** **RM'000**
Due within one year	5,955	5,642
Due after one year but not more than five years	6,364	10,515
Due after five years	1,473	10,186
	13,792	26,343

33. SEGMENT INFORMATION

Segment information has been changed from six reportable operating segments to seven reportable operating segments to include Trading segment which comprises the trading of general building materials, petroleum as well as oils and fats businesses. In the previous financial year, trading of building materials and petroleum businesses were reported under the Quarry and building materials segment whilst oils and fats businesses was reported under non-reportable segment. This is to reflect the changes in the basis of internal reports that are regularly reviewed by the management of the Group in order to allocate resources to the segments and assess their performance. Accordingly, the comparatives for segmental information have been restated to conform with the current presentation.

For management purposes, the Group is organised into business units according to their nature of activities and has seven reportable operating segments as follows:

(i) Plantation - Cultivation of oil palm and processing of fresh fruit bunches
(ii) Property - Property investment and property development
(iii) Credit financing - Provision of financial services
(iv) Fertilizer trading - Trading and distribution of fertilizers and agro-chemicals
(v) Quarry and building materials - Operation of stone quarries and asphalt plants, manufacture of bricks
(vi) Automotive - Trading in motor vehicles, spare parts and servicing of motor vehicles
(vii) Trading - Trading of general building materials, petroleum as well as oils and fats businesses

Segment accounting policies are the same as the policies described in Significant Accounting Policies. All inter-segment transactions have been entered in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with third parties.

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group financing are not allocated to operating segments.

NOTES TO THE FINANCIAL STATEMENTS

33. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Fertilizer trading RM'000	Quarry and building materials RM'000	Automotive RM'000	Trading RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
2013										
Revenue										
External revenue	443,321	517,681	112,425	1,068,531	361,009	585,952	397,828	-	-	3,486,747
Inter-segment revenue	-	9,778	2,722	39,817	3,753	17,126	51,666	-	(124,862)	-
Total revenue	443,321	527,459	115,147	1,108,348	364,762	603,078	449,494	-	(124,862)	3,486,747
Results										
Operating profit/(loss)	140,560	255,754	91,538	(8,227)	17,876	(18,096)	6,629	(19,656)	(19,555)	446,823
Finance costs										(74,564)
Other non-operating items										415,508
Share of results of associates										13,814
Profit before tax										801,581
Tax expense										(165,739)
Profit for the year										635,842
Non-controlling interests										(47,585)
Profit attributable to owners of the Company										588,257
Assets and liabilities										
Segment assets	1,042,292	2,097,823	1,699,603	406,395	623,005	337,790	153,916	333,881	-	6,694,705
Investment in associates										376,252
Deferred tax assets										13,010
Tax recoverable										24,142
Total assets										7,108,109
Segment liabilities	23,242	727,906	1,064,997	335,875	114,976	79,445	76,188	688,856	-	3,111,485
Deferred tax liabilities										176,391
Tax payable										51,446
Total liabilities										3,339,322
Other information										
Additions to non-current assets	39,376	124,215	1,664	315	83,996	54,887	224	975	-	305,652
Depreciation of property, plant and equipment	25,136	2,624	629	1,179	43,103	4,390	857	2,067	-	79,985
Impairment loss	-	-	-	-	-	-	-	5,971	-	5,971

33. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Fertilizer trading RM'000	Quarry and building materials RM'000	Automotive RM'000	Trading RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
2012 - *Restated*										
Revenue										
External revenue	526,499	635,472	111,270	1,271,196	303,405	740,213	370,844	-	-	3,958,899
Inter-segment revenue	-	9,577	-	50,149	2,995	22,542	50,026	-	(135,289)	-
Total revenue	526,499	645,049	111,270	1,321,345	306,400	762,755	420,870	-	(135,289)	3,958,899
Results										
Operating profit/(loss)	193,606	441,510	90,577	22,778	27,630	(7,284)	(30,710)	(8,777)	(8,143)	721,187
Finance costs										(93,977)
Share of results of associates										54,369
Profit before tax										681,579
Tax expense										(190,653)
Profit for the year										490,926
Non-controlling interests										(63,822)
Profit attributable to owners of the Company										427,104
Assets and liabilities										
Segment assets	987,024	1,679,609	1,493,818	607,866	603,518	453,366	97,238	241,030	-	6,163,469
Investment in associates										429,775
Deferred tax assets										51,378
Tax recoverable										26,236
Total assets										6,670,858
Segment liabilities	24,644	685,621	805,601	344,455	141,134	140,180	30,493	502,557	-	2,674,685
Deferred tax liabilities										169,781
Tax payable										51,253
Total liabilities										2,895,719
Other information										
Additions to non-current assets	41,492	99,150	418	779	89,720	22,927	1,574	3,155	-	259,215
Depreciation of property, plant and equipment	23,782	2,940	657	1,374	38,282	5,875	1,629	2,209	-	76,748

NOTES TO THE FINANCIAL STATEMENTS

33. SEGMENT INFORMATION (CONTINUED)

Additions to non-current assets consist of the following:

	Group	
	2013	**2012**
	RM'000	**RM'000**
		Restated
Property, plant and equipment	176,323	153,070
Biological assets	7,475	8,259
Investment properties	86,689	35,795
Land held for property development	35,165	62,091
	305,652	259,215

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	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
				Restated
Malaysia	3,050,939	3,274,179	2,620,176	2,522,099
Indonesia	246,854	374,829	44	17
Vietnam	70,712	212,625	-	19,303
Others	118,242	97,266	151	6,417
	3,486,747	3,958,899	2,620,371	2,547,836

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2013	**2012**
	RM'000	**RM'000**
		Restated
Property, plant and equipment	1,047,228	1,036,189
Biological assets	436,030	428,798
Investment properties	712,076	640,949
Land held for property development	358,301	375,164
Other investment	30,000	30,000
Goodwill	36,736	36,736
	2,620,371	2,547,836

34. MATERIAL LITIGATIONS

(a) A writ of summon ["said Writ"] was filed by certain natives of Sabah ["Plaintiffs"] claiming native customary rights ["NCR"] over all that parcel of land held under Title No. CL095330724 situated in Sungai Tongod, District of Kinabatangan, Sandakan ["Tongod Land"] or part thereof in the High Court in Sabah and Sarawak at Kota Kinabalu ["Tongod Suit and KKHC"] naming the Company as the first defendant, Genting Plantations Berhad ["GPB"] and its subsidiary Genting Tanjung Bahagia Sdn Bhd ["GTB"] as the second and third defendants, Director of Department of Lands and Surveys, Sabah as the fourth defendant, the Government of the State of Sabah as the fifth defendant, Assistant Collector of Land Revenues, Tongod as the sixth defendant, the Registrar of Titles as the seventh defendant and the Assistant Collector of Land Revenues, Kota Kinabatangan as the eighth defendant. The Company had on 9 May 2002 completed its disposal of the Tongod Land to GTB.

On 13 June 2003, the deputy registrar of the KKHC dismissed the Company's application to strike out the said Writ ["Striking-out Application"] and the Company appealed against the said dismissal ["said Striking-out Appeal"].

The Plaintiffs had earlier filed an application for injunction restraining the second and the third Defendants from carrying out, inter alia, planting activities on the Tongod Land or part thereof ["Injunction Application"]. On 20 June 2008 during the hearing of the Injunction Application, the KKHC upheld the defendants' preliminary objection to the KKHC's jurisdiction to determine NCR and the Tongod Suit was dismissed with costs awarded to the defendants ["PO Decision"]. Although the Plaintiffs' initial appeal against the PO Decision was also dismissed by the Court of Appeal on 9 June 2011 ["said Dismissal Decision"], the Federal Court allowed the Plaintiffs' further appeal on 24 November 2011 and set aside both the PO Decision and said Dismissal Decision. The Federal Court further ordered that the said Striking-out Appeal be remitted to the KKHC.

On 21 March 2012, the KKHC dismissed the said Striking-out Appeal with costs awarded to the Plaintiffs and on 9 May 2013, the said decision was upheld by the Court of Appeal upon the defendants' appeal. On 7 June 2013, the defendants filed a motion for leave to appeal to the Federal Court against the said decision of the Court of Appeal ["said Leave Application"]. The Federal Court had on 25 February 2014 dismissed the said Leave Application with cost awarded to the Plaintiffs.

The Tongod Suit was part-heard from 26 to 29 November 2012, 14 to 18 January 2013, 18 to 22 February 2013, 11 to 15 March 2013, 8 to 11 July 2013, 23 to 24 September 2013, 2 to 13 December 2013, 27 to 28 January 2014 and 27 to 28 March 2014. The Tongod Suit has been fixed for continued hearing from 2 to 6 June 2014.

The Company had during the trial of Tongod Suit on 8 July 2013 raised a preliminary objection to KKHC's jurisdiction in hearing and deciding matters relating to NCR, which objection was dismissed with cost by the KKHC in its ruling on 23 September 2013.

The Company's Solicitors are of the opinion that the Plaintiffs' NCR claim is unlikely to succeed.

NOTES TO THE FINANCIAL STATEMENTS

34. MATERIAL LITIGATIONS (CONTINUED)

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

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

RESB is claiming for the following in the RESB Suit:
(i) That RESB be declared as the registered and beneficial owner of the said Land;
(ii) That the Purported SPA be declared null and void;
(iii) That the Alleged PA be declared null and void;
(iv) An injunction restraining the 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 RESB Suit; and
(vii) Such further or other relief as the Court deems fit and just.

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

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

34. MATERIAL LITIGATIONS (CONTINUED)

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

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

SYC is claiming for the following in the KK Suit:

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

The application by RESB to convert the KK Suit into a writ action ["Conversion Application"] was heard on both 23 October 2012 and 26 November 2012 and is currently pending decision. Consistent with the RESB Suit stated in item 34(b) above, the KK Suit is stayed pending referral and determination by the Federal Court on the constitutionality of the transfer of civil suits from West Malaysia to the High Court of Sabah and Sarawak and vice versa.

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

NOTES TO THE FINANCIAL STATEMENTS

35. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

(a) Fair value of financial instruments

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

It is not practicable to estimate its fair value of the Group's investment in unquoted shares (Note 9) due to lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The carrying amount of non-current trade receivables 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

NOTES TO THE FINANCIAL STATEMENTS

35. FAIR VALUE MEASUREMENT (CONTINUED)

(b) Fair value hierarchy (continued)

Quantitative disclosures fair value measurement hierarchy for assets/(liabilities) as at 31 December 2013:

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Assets measured at fair value				
Investment properties (Note 6)	712,076	-	-	712,076
Derivative financial assets (Note 14)				
Foreign currency contracts	10	-	10	-
Cross currency interest rate swaps	11,434	-	11,434	-
Derivative financial liabilities (Note 16)				
Foreign currency contracts	(17)	-	(17)	-

The Group determines whether transfers have occured between Levels in the hierarchy by reassessing categorisation at the end of each reporting period. There have been no transfers between Level 1 and Level 2 during the financial year.

Fair value hierarchy for financial instruments measured at fair value as at 31 December 2012:

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Derivative financial liabilities (Note 16)				
Foreign currency contracts	(16)	-	(16)	-

(i) The fair value of investment properties was determined based on valuations performed by registered independent valuers and/or assessment performed by the management. Fair value is arrived at using either comparison method, depreciated replacement cost method or investment method. Where fair value is arrived at by reference to market evidence of transaction prices for similar properties, adjustments are made to account for factors such as differences in location, age, size and type of property. Under the depreciated replacement cost method, depreciation due to age and obsolescence is deducted from the estimated gross current replacement cost in arriving at the market value. Under the investment method, the net rental income is capitalised at an appropriate rate of return of 5% - 6.5% to arrive at its market value.

(ii) The fair value of forward currency contracts is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the reporting date applied to a contract of similar quantum and maturity portfolio.

The fair value of cross currency interest rate swaps is estimated using valuation techniques with observable inputs, which uses present value calculations, incorporate various input including foreign exchange spot and interest rate curves.

NOTES TO THE FINANCIAL STATEMENTS

36. 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 and credit 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 does not use derivative financial instruments to hedge any debt obligations. The Group manages interest costs using a prudent mix of fixed and floating rate bank facilities.

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	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Fixed rate instruments				
Financial assets				
Deposits with licensed banks	535,552	401,417	282,196	228,052
Financial liabilities				
Term loans	(247,029)	(305,972)	-	-
	288,523	95,445	282,196	228,052

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk (continued)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Floating rate instruments				
Financial liabilities				
Term loans	(514,490)	(600,872)	-	-
Revolving credits	(1,083,966)	(619,123)	-	-
Bankers' acceptances	(101,813)	(208,526)	-	-
Foreign currency loans	(542,359)	(514,766)	-	-
Bank overdrafts	(8,916)	(2,469)	-	-
	(2,251,544)	(1,945,756)	-	-

The weighted average effective interest rates of deposits with licensed banks as at 31 December 2013 for the Group and the Company were 2.67% (2012: 2.88%) and 2.88% (2012: 2.89%) respectively and will mature within 1 year (2012: 1 year).

<u>Cash flow sensitivity analysis for floating rate instruments</u>

A change of 100 basis points ["bp"] in interest rates 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
2013		
Floating rate instruments	(12,991)	12,991
2012		
Floating rate instruments	(10,886)	10,886

NOTES TO THE FINANCIAL STATEMENTS

36. 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 and associates. 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		
Group	**USD RM'000**	**IDR RM'000**	**Total RM'000**
Functional Currency of Group Entities			
2013			
RM	(50,598)	-	(50,598)
Hong Kong Dollar ["HKD"]	1,001	-	1,001
USD	-	51,157	51,157
	(49,597)	51,157	1,560

	Net unhedged financial assets/(liabilities) held in non-functional currencies				
Group	**USD RM'000**	**SGD RM'000**	**IDR RM'000**	**AUD RM'000**	**Total RM'000**
Functional Currency of Group Entities					
2012					
RM	(48,632)	-	-	-	(48,632)
HKD	933	-	-	-	933
Vietnamese Dong ["VND"]	(10,022)	-	-	-	(10,022)
SGD	77	-	-	-	77
USD	-	329	102,361	9	102,699
	(57,644)	329	102,361	9	45,055

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

Currency risk sensitivity analysis

A 5 percentage strengthening of the USD against the following currencies 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	
	2013 RM'000	2012 RM'000
RM	(1,897)	(1,824)
HKD	42	39
VND	-	(376)
SGD	-	(10)
IDR	(1,827)	(3,656)

A 5 percentage weakening of the USD against the above currencies at the end of the reporting period would have had equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

The net unhedged financial assets of the Company that is not denominated in its functional currency are as follows:

	Net unhedged financial assets held in non-functional currencies			
Company	**USD RM'000**	**SGD RM'000**	**AUD RM'000**	**Total RM'000**
Functional Currency of the Company				
2013				
RM	-	-	-	-
2012				
RM	14,401	1,949	2,402	18,752

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

Currency risk sensitivity analysis

A 5 percentage strengthening of the below foreign currencies against the functional currency of the Company at the end of the reporting period would have increased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Company 2013 RM'000	Company 2012 RM'000
USD	-	540
SGD	-	73
AUD	-	90

A 5 percentage weakening of the above foreign currencies against the functional currency of the Company at the end of the reporting period would have had equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

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:

Group	Currency	Within 1 year RM'000	1-3 years RM'000	Notional amount RM'000	Fair value Assets RM'000	Fair value (Liabilities) RM'000
2013						
Designated as fair value through profit or loss						
Receivables hedge	USD	161,437	-	161,437	-	-
Designated as fair value hedges						
Firm commitment hedge	USD	366	-	366	10	-
Payables hedge	USD	5,582	-	5,582	-	(17)
		5,948	-	5,948	10	(17)
Designated as cash flow hedges						
Foreign currency loan hedge	SGD/USD	-	494,645	494,645	11,434	-
		167,385	494,645	662,030	11,444	(17)
2012						
Designated as fair value through profit or loss						
Receivables hedge	USD	188,933	-	188,933	-	-
Designated as fair value hedges						
Firm commitment hedge	USD	7,651	-	7,651	-	(16)
		196,584	-	196,584	-	(16)

NOTES TO THE FINANCIAL STATEMENTS

36. 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:

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
2013							
Non-derivative financial liabilities							
Unsecured borrowings							
Term loans	761,519	3.38 – 4.75	806,918	358,211	253,140	153,252	42,315
Revolving credits	1,083,966	2.85 – 4.37	1,089,760	1,089,760	-	-	-
Bankers' acceptances	101,813	3.69 – 3.78	101,813	101,813	-	-	-
Foreign currency loans	542,359	1.27 – 5.38	597,931	49,053	280,916	267,962	-
Bank overdrafts	8,916	6.60 – 7.35	8,916	8,916	-	-	-
Trade and other payables (excluding progress billings)	447,020	-	447,020	441,006	1,728	4,286	-
	2,945,593		3,052,358	2,048,759	535,784	425,500	42,315
Derivative financial liabilities							
Designated as hedging instrument - fair value hedges	17		17	17	-	-	-
	2,945,610		3,052,375	2,048,776	535,784	425,500	42,315

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Maturity analysis (continued)

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:

Group	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
2012							
Non-derivative financial liabilities							
Unsecured borrowings							
Term loans	906,844	3.34 – 4.78	968,056	455,869	290,156	209,013	13,018
Revolving credits	619,123	2.77 – 4.32	621,117	621,117	-	-	-
Bankers' acceptances	208,526	1.32 – 3.79	208,526	208,526	-	-	-
Foreign currency loans	514,766	1.53 – 5.38	598,709	34,435	26,544	537,730	-
Bank overdrafts	2,469	7.10 – 7.35	2,469	2,469	-	-	-
Trade and other payables (excluding progress billings)	409,737	-	409,737	403,873	764	5,100	-
	2,661,465		2,808,614	1,726,289	317,464	751,843	13,018
Derivative financial liabilities							
Designated as hedging instrument							
- fair value hedges	16		16	16	-	-	-
	2,661,481		2,808,630	1,726,305	317,464	751,843	13,018

36. 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:

Company	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000
2013				
Non-derivative financial liabilities				
Trade and other payables	3,891	-	3,891	3,891
2012				
Non-derivative financial liabilities				
Trade and other payables	3,908	-	3,908	3,908

(d) Credit risk

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit worthiness review is regularly performed for new customers and existing customers who trade on credit, to mitigate exposure on credit risk. Where appropriate, the Group requires its customers to provide collateral before approvals are given to trade on credit.

The Group does not have any significant exposure to any individual customer or counterparty, nor does it have any major concentration of credit risk related to any financial instruments. The maximum exposure to credit risk is represented by the carrying amount of these financial assets.

Financial guarantees

The Company provides unsecured financial guarantees to banks and other institutions in respect of facilities granted to certain subsidiaries.

The Company monitors on an on-going basis the results of the subsidiaries and repayments made by the subsidiaries.

Corporate guarantees with a nominal amount of RM2,498,573,000 (2012: RM2,251,728,000) 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 were not material as the risk of default from subsidiaries is low.

NOTES TO THE FINANCIAL STATEMENTS

37. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

There were no changes in the Group's approach to capital management during the year. The debt-to-equity ratios as at the end of the reporting period were as follows:

	Group	
	2013 RM'000	**2012 RM'000** *Restated*
Borrowings (Note 18)	2,498,573	2,251,728
Cash and bank balances (Note 15)	(632,660)	(519,259)
Net debt	1,865,913	1,732,469
Total equity	3,768,787	3,775,139
Debt-to-equity ratio	0.50	0.46

38. RELATED PARTIES

(a) Related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company have the following transactions with related parties during the financial year:

		Group		Company	
Related parties	**Transactions**	**2013 RM'000**	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Directors of the Company:					
Datuk Edward Lee Ming Foo, JP	Rental expenses	(46)	(42)	-	-
Lau Teong Jin *	Legal consultancy fees	-	(90)	-	(90)

* Lau Teong Jin resigned as a director of the Company on 31 December 2012

NOTES TO THE FINANCIAL STATEMENTS

38. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company ^	Advisory fees	(2,325)	(2,170)	(2,325)	(2,170)
Foundation connected to Datuk Edward Lee Ming Foo, JP, a director of the Company:					
Lau Gek Poh Foundation #	Donation	(1,344)	(2,120)	(1,344)	(2,120)
Firm connected to Datuk Edward Lee Ming Foo, JP, a director of the Company:					
Corporated International Consultants	Project consultancy fee payable	(5,810)	(3,522)	-	-
Firm in which Datuk Simon Shim Kong Yip, JP, a director of the Company, has interest:					
Shim, Pang & Co	Legal fees	(1,173)	(607)	(400)	(250)
	Servicing of motor vehicles	-	39	-	-
Company in which Tong Chin Hen, a director of a subsidiary, has interest:					
Imaspro Resources Sdn Bhd	Purchase of products	(243)	(181)	-	-

^ 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.

NOTES TO THE FINANCIAL STATEMENTS

38. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Companies connected to Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company:					
Glenealy Plantations (Malaya) Berhad Group	Sales of products	25,803	21,626	-	-
Lingui Developments Berhad Group	Sales of products	24,728	28,269	-	-
Samling Strategic Corporation Sdn Bhd Group	Sales of products	195	193	-	-
Lei Shing Hong Limited Group	Sales of products	-	13,981	-	-
	Administration fees	71	63	-	-
	Rental income	126	-	-	-
	Purchase of products	(83,861)	(92,583)	-	-
	Rental expenses	(722)	(546)	-	-
	Administrative charges	(58)	-	-	-
Malaysian Mosaics Sdn Bhd *(formerly known as Malaysian Mosaics Berhad)* and its subsidiaries	Management fees	360	360	-	-
	Sales of products	1,462	7,649	-	-
	Rental income	1,031	1,025	-	-
	Servicing of motor vehicles	-	10	-	-
	Construction works charges	-	83	-	-
	Purchase of products	(12,453)	(105,870)	-	-
	Logistic fees	(100)	(600)	-	-
	Fees on use of assets	-	(540)	-	-

38. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Gek Poh (Holdings) Sdn Bhd and its other subsidiaries	Rental income	164	164	-	-
	Sales of products	362	135	-	-
	Insurance premium	(11,349)	(9,444)	(210)	(143)
Associates	Management fees received	175	175	175	175
	Rental income	10	10	10	10
	Sales of products	859	793	-	-
Subsidiaries	Servicing of motor vehicles	-	-	(28)	(87)
	Purchase of motor vehicles	-	-	(558)	(1,777)
	Rental expenses	-	-	(166)	(165)
	Management fees	-	-	(318)	(175)
	Car usage	-	-	(549)	(427)
	Purchase of products	-	-	(22)	(324)

Compensation to key management personnel is as disclosed in Note 25.

(b) Balances with related parties

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Amount due from/(to)				
Corporated International Consultants	(1,624)	(1,117)	-	-
Shim, Pang & Co	(35)	(56)	-	-
Glenealy Plantations (Malaya) Berhad Group	4,915	8,985	-	-
Lingui Developments Berhad Group	15,817	16,263	-	-
Samling Strategic Corporation Sdn Bhd Group	156	141	-	-
Lei Shing Hong Limited Group	(2,832)	4,457	-	-
Imaspro Resources Sdn Bhd	(21)	-	-	-
Malaysian Mosaics Sdn Bhd and its subsidiaries	877	2,793	-	-
Gek Poh (Holdings) Sdn Bhd and its other subsidiaries	(181)	(895)	-	-
Associates	93	150	17	17
Subsidiaries	-	-	(318)	(825)

The above balances arose from recurrent related party transactions of revenue or trading nature.

NOTES TO THE FINANCIAL STATEMENTS

39. SIGNIFICANT EVENTS DURING THE YEAR

(a) On 9 January 2013, *Hap Seng Realty Sdn Bhd transferred its 2 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of *Hap Seng Land Development (JTR 2) Sdn Bhd to *Hap Seng Land Development Sdn Bhd at a cash consideration of RM2.

(b) On 21 January 2013, Hap Seng Land Development (JTR 2) Sdn Bhd issued and allotted 99,998 ordinary shares of RM1.00 each fully paid at par in the manner set out below which resulted in an enlarged issued and paid-up share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each:

	Number of shares allotted and fully paid	**Cash consideration RM**
Hap Seng Land Development Sdn Bhd	79,997	79,997
Hap Seng Land Sdn Bhd	1	1
Jinee Sdn Bhd	20,000	20,000
	99,998	99,998

(c) On 4 February 2013, *Hap Seng Building Materials Holdings Sdn Bhd acquired the entire issued and paid-up share capital of Hap Seng Seri Alam Sdn Bhd *(formerly known as Blue Ocean Pearl Sdn Bhd)* comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.

(d) On 19 February 2013, Hap Seng Building Materials Holdings Sdn Bhd transferred to the Company its 100,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of *Hap Seng Trading Holdings Sdn Bhd at a cash consideration of RM60,346.

(e) On 19 February 2013, Hap Seng Building Materials Holdings Sdn Bhd transferred to Hap Seng Trading Holdings Sdn Bhd the entire issued and paid-up share capital of *Hap Seng (Oil & Transport) Sdn Bhd comprising 2,000,000 ordinary shares of RM1.00 each and *Hap Seng Trading (BM) Sdn Bhd comprising 9,000,000 ordinary shares of RM1.00 each and 21,000 redeemable preference shares of RM1.00 each (issued at a premium of RM999.00) at cash consideration of RM21,649,774 and RM2 respectively.

(f) On 8 March 2013, Hap Seng Building Materials Holdings Sdn Bhd completed the disposal of its entire 1,750,000 ordinary shares representing 25% of the issued and paid-up share capital in Lei Shing Hong (Singapore) Pte Ltd to Lei Shing Hong Limited ["LSH"], at a cash consideration of SGD47,313,553 (approximately RM118,000,000). The disposal was deemed a related party transaction as Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, is a 37.68% major shareholder of LSH and a 56.00% major shareholder of Gek Poh (Holdings) Sdn Bhd, the Company's holding company. The aforesaid disposal resulted in a gain of approximately RM78.9 million to the Group.

(g) On 13 March 2013, Hap Seng Building Materials Holdings Sdn Bhd transferred to the Company its 2 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of *Hap Seng Equity Sdn Bhd at a cash consideration of RM2.

39. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(h) On 4 June 2013, *Hap Seng Star Sdn Bhd completed the disposal of its 51% equity interest in Hap Seng Star (Vietnam) Sdn Bhd to Vietnam Star Holdings Limited *(formerly known as Prestige Sports Cars (HK) Limited)* ["VSHL"], a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], at a cash consideration of RM153 million and thereafter on 30 July 2013, completed the disposal of the balance 49% equity interest therein to VSHL at a cash consideration of RM147 million. The disposals were deemed to be related party transactions as Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, is a 37.68% major shareholder of LSH and a 56.00% major shareholder of Gek Poh (Holdings) Sdn Bhd. The aforesaid disposals resulted in a total gain of approximately RM209.9 million to the Group.

(i) On 22 April 2013, *Hap Seng Land Sdn Bhd and Jinee Sdn Bhd transferred to *Hap Seng Land Development Sdn Bhd ["HSLD"] their respective 1 ordinary share of RM1.00 each and 20,000 ordinary shares of RM1.00 each representing 20.001% of the issued and paid-up share capital in Hap Seng Land Development (JTR 2) Sdn Bhd ["HSLDJTR2"] at cash consideration of RM1 and RM20,000 respectively, which resulted in HSLDJTR2 becoming the wholly-owned subsidiary of HSLD. Thereafter on 2 May 2013, HSLD transferred to the Company its 100,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of HSLDJTR2.

(j) On 17 May 2013, the Company incorporated a wholly-owned subsidiary in Singapore, Hap Seng Capital Pte Ltd ["HSC"] with an issued and paid-up share capital of SGD1.00 comprising 1 ordinary share. Thereafter on 5 June 2013, HSC incorporated its wholly-owned subsidiary in Singapore, Hap Seng Credit Pte Ltd with an issued and paid-up share capital of SGD1.00 comprising 1 ordinary share.

(k) On 1 July 2013, a shareholders' agreement was entered into between Hap Seng Building Materials Holdings Sdn Bhd ["HSBMH"] and UM Land Builders Sdn Bhd ["UMLB"] governing their 70:30 quarry joint-venture in Hap Seng Seri Alam Sdn Bhd *(formerly known as Blue Ocean Pearl Sdn Bhd)* ["HSSA"]. Pursuant to the same, HSBMH and UMLB subscribed to 69,998 and 30,000 ordinary shares respectively in the share capital of HSSA on even date, with which the issued and paid-up share capital of HSSA increased to RM100,000 comprising 100,000 ordinary shares of RM1.00 each. HSBMH is the wholly-owned subsidiary of the Company whereas UMLB is the wholly-owned subsidiary of United Malayan Land Berhad.

(l) On 16 August 2013, Hap Seng Realty Sdn Bhd acquired the entire issued and paid-up share capital of Desa Alam Mewah Sdn Bhd comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.

(m) On 21 August 2013, the Company completed the disposal of its 10,369,211 ordinary shares representing 100% of the issued and paid-up share capital in Aceford Food Industry Pte Ltd to Lei Shing Hong (Singapore) Pte Ltd, a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"] at a cash consideration of RM160 million. The disposal was deemed a related party transaction as Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak is a 37.68% major shareholder of LSH and a 56.00% major shareholder of Gek Poh (Holdings) Sdn Bhd. The aforesaid disposal resulted in a gain of approximately RM132.7 million to the Group.

NOTES TO THE FINANCIAL STATEMENTS

39. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(n) On 30 September 2013, Hap Seng Land Development (JTR 2) Sdn Bhd ["HSLDJTR2"] issued and allotted 150,000 ordinary shares of RM1.00 each fully paid at par in the manner set out below which resulted in an enlarged issued and paid-up share capital of RM250,000 comprising 250,000 ordinary shares of RM1.00 each and upon the completion of the aforesaid allotment, HSLDJTR2 has become 80%-owned subsidiary of the Company:

	Number of shares allotted and fully paid	**Cash consideration RM**
Hap Seng Land Development Sdn Bhd	100,000	100,000
Jinee Sdn Bhd	50,000	50,000
	150,000	150,000

(o) On 30 September 2013, Hap Seng Land Development (Balakong) Sdn Bhd *(formerly known as Hap Seng Land Development (OKR) Sdn Bhd)* ["HSLD (Balakong)"] issued and allotted 250,000 ordinary shares of RM1.00 each fully paid at par to Jinee Sdn Bhd which resulted in an enlarged issued and paid-up share capital of RM1,250,000 comprising 1,250,000 ordinary shares of RM1.00 each. Accordingly, HSLD (Balakong) has become 80%-owned subsidiary of the Company.

(p) On 24 October 2013, Hap Seng Realty Sdn Bhd acquired the entire issued and paid-up share capital of HUB Coaching & Consulting Sdn Bhd comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.

(q) On 21 November 2013, the Company transferred to Hap Seng Land Development Sdn Bhd its 2 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of *Euro-Asia Brand Holding Company Sdn Bhd at a cash consideration of RM2.

(r) On 13 December 2013, Desa Alam Mewah Sdn Bhd ["DAM"] issued and allotted 99,998 ordinary shares of RM1.00 each and 550 redeemable preference shares ["RPS"] of RM1.00 each, in the manner set out below which resulted in an enlarged issued and paid-up share capital of RM100,550 comprising 100,000 ordinary shares of RM1.00 and 550 RPS of RM1.00 each. Accordingly, DAM has become a 80%-owned subsidiary of the Company.

	Number of ordinary shares of RM1.00 each	**Number of RPS of RM1.00 each (with premium of RM999 per RPS)**
Hap Seng Realty Sdn Bhd	79,998	440
Jinee Sdn Bhd	20,000	110
	99,998	550

* *These are the Company's wholly-owned subsidiaries.*

39. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(s) During the financial year, the Company disposed an aggregate of 33,262,000 ordinary shares of RM1.00 each representing approximately 4.15% of equity interest in Hap Seng Plantations Holdings Berhad ["HSP Shares" and "HSP"], through open market of Bursa Malaysia Securities Berhad at an average price of RM2.71 per HSP Share. On 9 December 2013, the Company acquired additional 10,813,000 HSP Shares representing 1.35% equity interest of HSP at RM2.50 per HSP Share from Kowa Company Limited through direct business transaction.

After taking into account the aggregate of HSP Shares disposed and HSP Shares acquired during the year, the Company's shareholding in HSP decreased from 55.16% to 52.36%. The difference between the consideration and the carrying amount of the interest disposed/acquired is reflected in the statement of changes in equity.

40. SUBSEQUENT EVENTS

There was no subsequent event other than the warrants exercised, shares bought back and shares cancelled subsequent to year end as detailed in Note 20.

41. PRIOR YEAR ADJUSTMENTS

During the financial year, certain investment properties which were previously classified as property, plant and equipment and depreciated in accordance with FRS 116 Property, Plant and Equipment were adjusted on a retrospective basis. These investment properties were portions of a single building that was held for both rental and own use and has now been accounted for separately in accordance with paragraph 10 of FRS 140 Investment Properties. The effects arising from this adjustment are disclosed in Note 42.

NOTES TO THE FINANCIAL STATEMENTS

42. COMPARATIVES

The presentation and classification in the current financial statements have been consistent with the previous financial year except that certain comparatives have been restated as a result of the prior year adjustments as disclosed in Note 41.

	Group		
	As previously stated RM'000	**Prior year adjustments RM'000**	**As restated RM'000**
At 31 December 2012:			
Statement of financial position			
Property, plant and equipment	1,220,417	(184,228)	1,036,189
Investment properties	445,325	195,624	640,949
Reserves	1,334,338	11,396	1,345,734
Statement of profit or loss			
Other operating income	98,927	2,577	101,504
Other operating expenses	(31,162)	1,895	(29,267)
Statement of cash flows			
Adjustments for:			
Depreciation of property, plant and equipment	78,643	(1,895)	76,748
Gains from adjustment of fair value of investment properties	(31,806)	(2,577)	(34,383)
Cash flows from investing activities			
Purchase of property, plant and equipment	(136,055)	120	(135,935)
Additions to investment property	(35,675)	(120)	(35,795)
At 1 January 2012:			
Statement of financial position			
Property, plant and equipment	1,156,171	(186,003)	970,168
Investment properties	475,153	192,927	668,080
Reserves	1,115,343	6,924	1,122,267

NOTES TO THE FINANCIAL STATEMENTS

43. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group and of the Company into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2013 RM'000	**2012 RM'000** *Restated*	**2013 RM'000**	**2012 RM'000**
Total retained profits of the Company and its subsidiaries				
- Realised	2,964,954	2,681,804	1,059,010	1,061,980
- Unrealised	(42,563)	(1,518)	(13)	(3,043)
	2,922,391	2,680,286	1,058,997	1,058,937
Total share of retained profits from associates				
- Realised	17,543	40,905	-	-
- Unrealised	18,205	28,255	-	-
- Breakdown unavailable *	21,712	14,866	-	-
	2,979,851	2,764,312	1,058,997	1,058,937
Less: Consolidation adjustments	(1,575,760)	(1,540,846)	-	-
Total retained profits as per financial statements	1,404,091	1,223,466	1,058,997	1,058,937

* This represents the share of retained profits of Lam Soon (Thailand) Public Company Limited ["LST"], an associate which is listed in the Stock Exchange of Thailand. The information required by Bursa Securities was not made available by LST due to the requirement to comply with the Guideline on Disclosure of Information of Listed Companies issued by the Stock Exchange of Thailand.

ADDITIONAL INFORMATION

The following additional information are provided in accordance with Paragraph 9.25 Appendix 9C of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

(i) Private Placement

The private placement undertaken by the Company ["Private Placement"] was completed on 23 May 2011 with the listing of and quotation for 43,800,000 new ordinary shares of RM1.00 each ["Placement Shares"] on the Main Market of Bursa Malaysia Securities Berhad. The Placement Shares were issued at an issue price of RM5.25 per share and accordingly, the Company raised a gross proceeds of RM229.95 million from the Private Placement.

The proceeds from the Private Placement have been fully utilised in the previous financial year ended 31 December 2012.

(ii) Rights Issue with Warrant

Subsequent to the Private Placement, a bonus issue on the basis of two (2) bonus shares ["Bonus Shares"] for every one (1) existing ordinary share held was undertaken ["Bonus Issue"], which was followed by a renounceable rights issue with warrants ["Rights Issue with Warrants"] on the basis of one (1) rights share ["Rights Share"] together with one (1) free detachable warrant ["Warrant"] for every five (5) ordinary shares held after the Bonus Issue, at an issue price of RM1.05 per Rights Share ["Rights Issue"]. Both the Bonus Issue and Rights Issue with Warrants were completed on 15 August 2011 with the listing of and quotation for 1,214,643,000 Bonus Shares, 364,392,900 Rights Shares and 364,392,900 Warrants on the Main Market of Bursa Malaysia Securities Berhad, with the gross proceeds of RM382.61 million raised from the Rights Issue ["Rights Issue Proceeds"].

The proceeds from the Rights Issue with Warrants have been fully utilised in the current financial year ended 31 December 2013 as follows:-

Purpose	*Adjusted proposed utilisation RM' Million	← As at 31.12.2013 → Utilisation RM' Million	Balance unutilised RM' Million	Intended timeframe for utilisation
Capital expenditure for expansion of the existing business operations of our Group and acquisition of potential land for development	220.00	220.00	-	-
General working capital	159.00	159.56	-	-
Estimated expenses	3.61	3.05	#	-
Total	382.61	382.61	-	

* The adjusted proposed utilisation was adjusted using the same fraction of the Proposed Utilisation as per the Circular to Shareholders dated 21 February 2011 to reflect the actual proceeds from the Private Placement

\# Under spent in expenses have been utilised for general working capital.

ADDITIONAL INFORMATION

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS (continued)

(iii) Disposal of Hap Seng Star (Vietnam) Sdn Bhd

On 4 June 2013, Hap Seng Star Sdn Bhd, the wholly-owned subsidiary subsidiary of the Company completed the disposal of its 51% equity interest in Hap Seng Star (Vietnam) Sdn Bhd to Vietnam Star Holdings Limited *(formerly known as Prestige Sports Cars (HK) Limited)* ["VSHL"], a wholly-owned subsidiary of Lei Shing Hong Limited, at a cash consideration of RM153 million and thereafter on 30 July 2013, completed the disposal of the balance 49% equity interest therein to VSHL at a cash consideration of RM147 million ["Total Disposal Proceeds"].

The Total Disposal Proceeds have been fully utilised during the current financial year ended 31 December 2013 as follows:-

Purpose	Proposed utilisation RM' Million	As at 31.12.2013 Utilisation RM' Million	As at 31.12.2013 Balance unutilised RM' Million	Intended timeframe for utilisation
Purchase of inventories e.g. fertilizers, automobiles and building materials	89.91	89.91	-	-
Loan disbursements of credit financing division	89.91	89.91	-	-
Properties development cost such as construction costs, consultancy fees and etc.	59.94	59.94	-	-
Payment of trade and other payables (including operating expenses)	59.94	59.94	-	-
Estimated expenses	0.30	0.30	-	-
Total	300.00	300.00	-	-

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year under review, 19,344,920 warrants were exercised with a balance of 345,041,380 warrants unexercised as at 31 December 2013. These warrants are constituted by the deed poll dated 6 July 2011.

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

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

ADDITIONAL INFORMATION

4. PARTICULARS OF SANCTIONS AND/OR PENALTIES IMPOSED

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2013.

5. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered by the external auditors and/or its affiliates to the Group for the financial year ended 31 December 2013 was RM163,000 as disclosed in Note 23 to the Financial Statements.

6. VARIATION IN RESULTS

There were no material variances in the Company's audited consolidated financial results for the financial year ended 31 December 2013 and the unaudited results for the same period previously released in the quarterly report to Bursa Malaysia Securities Berhad on 27 February 2014.

7. PROFIT GUARANTEES

There was no profit guarantee given by the Company during the financial year ended 31 December 2013.

8. MATERIAL CONTRACTS

Save for the following, there were no other material contracts of the Company and its subsidiaries involving directors' and major shareholders' interest, which still subsisted as at 31 December 2013, or entered into since 31 December 2012:

- Related party transactions in the ordinary course of business on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority interests, which were entered into during the financial year ended 31 December 2013 as disclosed in Note 38 to the Financial Statements.

The Company will be seeking new or renewed shareholders' mandate for recurrent related party transactions at the extraordinary general meeting to be convened on 28 May 2014 immediately after the conclusion of the annual general meeting to be held on the same date.

PARTICULARS OF GROUP'S PROPERTIES

Location	Area	Description	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings (Years)	Net book value at 31/12/2013 RM'000
KUALA LUMPUR							
Lot 593 & 594, Seksyen 57, Jalan P. Ramlee Kuala Lumpur	7,436 m^2	22-storey office building for rental	June 2004	Freehold	--	41	237,575
Lot 595, Seksyen 57, Jalan P. Ramlee Kuala Lumpur	4,376 m^2	Investment property under construction	March 2010	Freehold	--	--	271,726
SELANGOR							
H.S.(M) 21468 PT.58488, Bandar Cheras Hulu Langat, Selangor	18,410 m^2	3-storey Mercedes-Benz showroom & office	January 2010	Freehold	--	1	77,500
JOHOR							
Lot 2713-Lot 2721, Lot 2723-Lot 2725, Lot 3657, Lot 2754-Lot 2756, Lot 5067 & Lot 5068, Mukim of Kulai	541,570 m^2	Ulu Choh Quarry & Asphalt Plant	July 2008/ July 2009/ August 2010/ June 2011/ August 2011 February 2012	Freehold	--	--	45,807
SABAH							
TAWAU							
CL 105451607 & CL 105459158, KM 6, Jalan Tg. Batu Laut	222,415 m^2	Industrial lands with single-storey building for rental	January 2004	Leasehold 99 years	2086/ 2087	23-24	47,358
CL 105478831/ CL 105420666 CL 105420675/ CL 105420684, Mile 10 - 10 1/2, Jalan Apas	1,107,706 m^2	Land held for development, oil palm plantation & staff quarters	January 2004 / January 2001	Leasehold 99 years/ 60 years	2060 2081/ 2042	39	62,309
Mile 10, Jalan Apas	215.6 ha	Oil palm plantation & land held for development	January 2004	Leasehold 99 years	2049/ 2060/ 2061/ 2062/ 2073	--	58,373

PARTICULARS OF GROUP'S PROPERTIES

Location	Area	Description	Date of acquisition	Tenure	Year of expiry	Approximate age of buildings (Years)	Net book value at 31/12/2013 RM'000
KINABATANGAN							
Batangan Estate	3,633 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	8-32	
Lutong Estate	2,448 ha	Oil palm plantation & buildings	July 1996/ July 2003	Leasehold 99 years	2078/ 2098/ 2099	13-24	
Lokan Estate	3,155 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	13-18	273,750
Kapis Estate	2,681 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	11-27	
Lungmanis Estate	2,200 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	13-19	
Tomanggong Estate	4,890 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years/ 999 years	2067/ 2094/ 2894	5-45	
Tabin Estate	2,579 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years	2067/ 2076/ 2093/ 2097	5-29	
Tagas Estate	2,010 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years	2067/ 2076	5-38	313,841
Litang Estate	1,571 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years/ 999 years	2076/ 2091 2887/ 2900	5-31	
Sungai Segama Estate	5,174 ha	Oil palm plantation & buildings	December 1990	Leasehold 99 years	2089	12-16	
Bukit Mas Estate	4,733 ha	Oil palm plantation & buildings	December 1990	Leasehold 99 years/ 999 years	2089/ 2887	6-14	
KOTA MARUDU							
Pelipikan Estate	* 808 ha	Oil palm plantation & buildings	August 2008	Leasehold 99 years	2101/ 2102	6-14	44,399

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

PLANTATION STATISTICS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2009	**2010**	**2011**	**2012**	**2013**
CROP PRODUCTION - TONNES					
FFB	672,768	677,071	738,969	665,812	704,241
PROCESSED - TONNES					
FFB - own	630,412	636,033	693,901	620,770	662,452
FFB - purchased	21,635	63,001	107,623	105,469	116,490
Palm Oil	140,985	149,941	168,025	154,595	166,202
Palm Kernel	30,821	33,409	37,050	34,587	36,554
EXTRACTION RATE - %					
Palm Oil	21.62	21.45	20.96	21.29	21.34
Palm Kernel	4.73	4.78	4.62	4.76	4.69
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	2,634	2,892	2,289	2,788	2,525
> 7 years to 17 years	17,899	17,899	16,009	13,332	10,981
> 17 years onwards	12,043	11,296	12,770	14,335	17,164
Total mature area	**32,576**	**32,087**	**31,068**	**30,455**	**30,670**
AVERAGE YIELD - TONNES/HECTARE					
FFB yield per mature hectare	20.65	21.10	23.79	21.86	22.96
Oil per mature hectare	4.47	4.53	4.99	4.65	4.90
AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE					
FFB	445	579	697	560	470
Palm Oil	2,303	2,594	3,226	2,773	2,343
Palm Kernel	1,012	1,629	2,200	1,494	1,288

PLANTATION STATISTICS

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2013

	River Estates Group	Jeroco	* HSP (Kota Marudu)	Pelipikan Plantation	Total Plantation Division
Oil Palm					
Mature	19,296	10,567	598	209	30,670
Immature	2,032	2,155	-	694	4,881
Total Oil Palm	21,328	12,722	598	903	35,551
Other crop	60	86	-	-	146
Total planted area	21,388	12,808	598	903	35,697
Reserves	578	312	81	330	1,301
Buildings, roads etc	1,547	997	129	132	2,805
Grand Total	**23,513**	**14,117**	**808**	**1,365**	**39,803**

Conversion Rate : 1 Hectare = 2.4710 acres

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

SHARE BUY-BACKS SUMMARY

Month (2013)	No. of shares bought back and retained as treasury shares	Lowest price paid per share (RM)	Highest price paid per share (RM)	Average cost per share (RM)	Total Cost (RM'000)
January	-	-	-	-	-
February	-	-	-	-	-
March	3,230,000	1.62	1.73	1.6883	5,453
April	5,770,900	1.65	1.70	1.6811	9,701
May	40,446,000	1.67	1.88	1.7871	72,282
June	22,226,000	1.86	2.05	1.9429	43,182
July	26,970,500	1.94	2.12	2.0012	53,975
August	12,031,900	1.97	2.12	2.0660	24,857
September	10,495,400	2.09	2.33	2.1477	22,541
October	1,865,800	2.31	2.45	2.3573	4,398
November	3,473,000	2.42	2.66	2.5429	8,832
December	4,265,200	2.63	2.78	2.6852	11,453
Total	**130,774,700**	**1.62**	**2.78**	**1.9627**	**256,674**

During the financial year, all the shares bought back by the Company were retained as treasury shares. None of the treasury shares were resold or cancelled during the financial year. Consequently, the balance cumulative treasury shares held as at 31 December 2013 were 204,031,100.

ANALYSIS OF SHAREHOLDINGS

AS AT 1 APRIL 2014

Authorised share capital	: RM5,000,000,000
Issued and fully paid-up capital	: RM2,171,190,339
Class of shares	: ordinary shares of RM1.00 each
Voting rights	: one vote per ordinary share
Number of shareholders	: 12,095

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	* No. of Shares Held	% of Issued Capital
1 to 99	440	3.64	8,174	#
100 to 1,000	1,045	8.64	722,296	0.04
1,001 to 10,000	6,483	53.60	32,762,556	1.63
10,001 to 100,000	3,656	30.22	108,759,429	5.41
100,001 to less than 5% of issued shares	469	3.88	419,808,824	20.90
5% & above of issued shares	2	0.02	1,446,463,860	72.02
Total	**12,095**	**100.00**	**2,008,525,139**	**100.00**

* *The number of 2,008,525,139 ordinary shares was arrived at after deducting the number of 162,665,200 treasury shares retained by the Company from the original issued and paid-up share capital of 2,171,190,339 ordinary shares of the Company.*

\# *Negligible*

LIST OF 30 LARGEST SHAREHOLDERS

		Shareholding	% (3)
1.	Gek Poh (Holdings) Sdn Bhd	1,164,511,100	57.98
2.	Affin Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients Account)	281,952,760	14.04
3.	Affin Nominees (Asing) Sdn Bhd - Exempt AN for Phillip Securities (Hong Kong) Ltd (Clients' Account)	83,751,100	4.17
4.	Hap Seng Insurance Services Sdn Bhd	48,254,980	2.40
5.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	13,887,600	0.69
6.	Chinchoo Investment Sdn Berhad	13,595,380	0.68
7.	HSBC Nominees (Asing) Sdn Bhd - BNY Brussels for Wisdomtree Emerging Markets Smallcap Dividend Fund	13,032,192	0.65

ANALYSIS OF SHAREHOLDINGS
AS AT 1 APRIL 2014

LIST OF 30 LARGEST SHAREHOLDERS (CONTINUED)

		Shareholding	% (3)
8.	HSBC Nominees (Asing) Sdn Bhd - BNY Brussels for Wisdomtree Emerging Markets Equity Income Fund	11,559,100	0.58
9.	Gan Teng Siew Realty Sdn Berhad	11,513,600	0.57
10.	Key Development Sdn Berhad	11,008,800	0.55
11.	Bank Pertanian Malaysia Berhad	10,312,492	0.51
12.	Mikdavid Sdn Bhd	8,320,600	0.41
13.	Nithiabala A/L T Balasingam	7,228,000	0.36
14.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	6,477,940	0.32
15.	Maybank Nominees (Tempatan) Sdn Bhd - Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	5,989,300	0.30
16.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	5,674,540	0.28
17.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.S.A)	5,134,171	0.26
18.	Rengo Malay Estate Sendirian Berhad	4,032,000	0.20
19.	Bidor Tahan Estates Sdn Bhd	3,780,000	0.19
20.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West CLT 0D67)	2,878,700	0.14
21.	DB (Malaysia) Nominee (Asing) Sdn Bhd - SSBT Fund SD4N for Government of the Province of Alberta	2,313,900	0.12
22.	Gemas Bahru Estates Sdn Bhd	2,243,000	0.11
23.	Soon Khiat Voon	2,201,000	0.11
24.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Liew Jew Fook (E-PDG)	2,133,000	0.11
25.	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Su Ming Yaw	2,078,000	0.10
26.	Chinchoo Holdings (S) Private Limited	2,041,200	0.10
27.	Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund 2CIA for Emerging Markets Value Trust (JHVIT)	1,815,120	0.09
28.	DB (Malaysia) Nominee (Asing) Sdn Bhd - SSBT Fund NT6P for Canada Pension Plan Investment Board	1,591,600	0.08
29.	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Bank Berhad (EDP 2)	1,531,300	0.08
30.	Chia Kun Juan	1,500,000	0.07
	Total	**1,732,342,475**	**86.25**

ANALYSIS OF SHAREHOLDINGS

AS AT 1 APRIL 2014

SUBSTANTIAL SHAREHOLDERS

	Shareholding			
	Direct	**%** [3]	**Indirect**	**%** [3]
Gek Poh (Holdings) Sdn Bhd	1,164,511,100	57.98	48,254,980 [1]	2.40
Affin Nominees (Asing) Sdn Bhd -Exempt AN for Lei Shing Hong Securities Limited (Clients A/C for Lei Shing Hong Investment Limited)	240,707,160	11.98	-	-
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	1,453,473,240 [2]	72.37

(1) Deemed interests through its wholly-owned subsidiary, Hap Seng Insurance Services Sdn Bhd, pursuant to section 6A(4) of the Companies Act, 1965.

(2) Deemed interests by virtue of his direct and/or indirect substantial interests in Gek Poh (Holdings) Sdn Bhd and Lei Shing Hong Investment Limited pursuant to section 6A(4) of the Companies Act, 1965.

(3) For the purpose of computing the percentage of shareholding above, the number of ordinary shares used was 2,008,525,139 which was arrived at by deducting 162,665,200 treasury shares held by the Company from its issued and paid-up capital of 2,171,190,339.

ANALYSIS OF WARRANTHOLDINGS

AS AT 1 APRIL 2014

Total warrants issued	: 364,392,900
Less: Total warrants exercised	: 44,832,939
Balance warrants unexercised	: 319,559,961

DISTRIBUTION OF WARRANTHOLDERS

Size of Warrantholdings	No. of Warrantholders	% of Warrantholders	No. of Warrants Held	% of Warrantholdings
1 to 99	153	3.26	9,362	#
100 to 1,000	1,133	24.15	626,381	0.20
1,001 to 10,000	2,677	57.08	9,486,703	2.97
10,001 to 100,000	640	13.64	18,463,833	5.78
100,001 to less than 5% of issued warrants	85	1.81	27,686,460	8.66
5% & above of issued warrants	3	0.06	263,287,222	82.39
Total	**4,691**	**100.00**	**319,559,961**	**100.00**

Negligible

LIST OF 30 LARGEST WARRANTHOLDERS

		Warrantholding	%
1.	Gek Poh (Holdings) Sdn Bhd	195,583,442	61.20
2.	Affin Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients Account)	34,083,800	10.67
3.	Hap Seng Insurance Services Sdn Bhd	33,619,980	10.52
4.	HDM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Leou Thiam Lai (M09)	1,590,200	0.50
5.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Cheang Wai Kett (MM1156)	1,200,000	0.38
6.	Cheng Bee Peng	1,171,000	0.37
7.	Ng Siew Lee	1,000,000	0.31
8.	Toh Kok Huat	998,000	0.31
9.	Cimsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Soon Thiam Yew (Ampang-CL)	950,000	0.30
10.	HDM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Sim Hui Leng (M09)	930,460	0.29
11.	Tan Kin Seng	883,000	0.28

ANALYSIS OF WARRANTHOLDINGS

AS AT 1 APRIL 2014

LIST OF 30 LARGEST WARRANTHOLDERS (CONTINUED)

		Warrantholding	%
12.	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ooi Peng Cuan	830,000	0.26
13.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for Barclays Capital Securities Ltd (SBL/PB)	829,800	0.26
14.	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for Chew Kim Hwa (MY1207)	700,000	0.22
15.	Seah Yong Kwong	690,000	0.22
16.	Chia Hiang Nooi	680,000	0.21
17.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Phak Khuai	505,400	0.16
18.	Tan Soo Eng	500,000	0.16
19.	Chew Kim Hwa	440,500	0.14
20.	Nithiabala A/L T Balasingam	435,800	0.14
21.	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for Ling Yoke Tek (M52071)	408,000	0.13
22.	Tan Teong Hua	400,000	0.13
23.	Cheang Wai Kett	370,000	0.12
24.	Soon Khiat Voon	370,000	0.12
25.	Maybank Nominees (Tempatan) Sdn Bhd - Chin Soon Kong	349,400	0.11
26.	Chia Yok Kiang	333,600	0.10
27.	Wong Wai Hoe	325,000	0.10
28.	Geoffrey Lim Fung Keong	305,024	0.10
29.	Su Ming Keat	303,000	0.09
30.	Goh Swee Loang	300,000	0.09
	Total	**281,085,406**	**87.99**

DIRECTORS' SHAREHOLDINGS AND WARRANTHOLDINGS

AS AT 1 APRIL 2014

	Direct Shareholding		Indirect Shareholding	
Company :	**No. of Shares**	**%** (1)	**No. of Shares**	**%** (1)
Hap Seng Consolidated Berhad (HSCB)				
Dato' Jorgen Bornhoft	130,000	0.0065	-	-
Dato' Mohammed Bin Haji Che Hussein	288,000	0.0143	-	-
Related Corporation :	**No. of Shares**	**%** (2)	**No. of Shares**	**%** (2)
Hap Seng Plantations Holdings Berhad (HSP)				
Dato' Jorgen Bornhoft	10,000	0.0013	-	-
Datuk Simon Shim Kong Yip, JP	180,000	0.0225	-	-
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	5,000	0.0006	-	-

	Direct Warrantholding		Indirect Warrantholding	
Company :	**No. of Warrants**	**%** (3)	**No. of Warrants**	**%** (3)
HSCB				
Dato' Mohammed Bin Haji Che Hussein	48,000	0.0150	-	-

Notes:

(1) *For the purpose of computing the percentage of HSCB shareholding above, the number of ordinary shares used was 2,008,525,139 which was arrived at by deducting 162,665,200 treasury shares held by HSCB from its issued and paid-up capital of 2,171,190,339.*

(2) *For the purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,710,200 which was arrived at by deducting 289,800 treasury shares held by HSP from its issued and paid-up capital of 800,000,000.*

(3) *For the purpose of computing the percentage of HSCB warrantholding above, the number of unexercised warrants was 319,559,961 which was arrived at by deducting 44,832,939 warrants which had been exercised from the total 364,392,900 warrants issued pursuant to the Rights Issue with Warrants.*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 38th annual general meeting of Hap Seng Consolidated Berhad will be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 28 May 2014 at 2pm to transact the following:-

AGENDA

AS ORDINARY BUSINESS:

1. To table the audited financial statements for the financial year ended 31 December 2013 together with the reports of directors and auditors. Note 1

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

2. To reappoint Dato' Jorgen Bornhoft pursuant to section 129(6) of the Companies Act, 1965 as director of the Company to hold office until the conclusion of the next annual general meeting of the Company. Note 2 — **Resolution 1**

3. To re-elect Datuk Edward Lee Ming Foo, JP who shall retire in accordance with article 97 of the Company's articles of association and being eligible, has offered himself for re-election. Note 3 — **Resolution 2**

4. To re-elect Mr. Lee Wee Yong who shall retire in accordance with article 97 of the Company's articles of association and being eligible, has offered himself for re-election. Note 3 — **Resolution 3**

5. To approve the payment of directors' fees of RM472,500.00 for the financial year ended 31 December 2013. — **Resolution 4**

6. To reappoint Messrs Ernst & Young as auditors of the Company to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the directors of the Company. Note 4 — **Resolution 5**

AS SPECIAL BUSINESS:

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

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

   "That subject always to the approvals of the relevant authorities, the directors of the Company be and are hereby empowered pursuant to section 132D of the Companies Act, 1965 to issue shares in the Company at any time upon such terms and conditions, and for such purposes as the directors of the Company may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being and that the directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." Note 6 — **Resolution 6**

8. **Continuation of independent non-executive chairman**

   "Subject to Resolution 1 above being passed and pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, that Dato' Jorgen Bornhoft be and is hereby authorised to continue his office as the independent non-executive chairman of the Company until the conclusion of the next annual general meeting." Note 7 — **Resolution 7**

By order of the Board

Cheah Yee Leng (LS 0009398)
Quan Sheet Mei (MIA 6742)
Company Secretaries

Kuala Lumpur
30 April 2014

NOTICE OF ANNUAL GENERAL MEETING

Explanatory notes to the Agenda:-

1. *Pursuant to section 169(1) of the Companies Act, 1965 (Act), the directors shall lay before the Company at its annual general meeting its annual financial statements made up to a date not more than 6 months before the date of the meeting. There will be no resolution to be passed on this item 1.*

2. *Pursuant to section 129(2) of the Act, the office of a director of a public company or of a subsidiary of a public company shall become vacant at the conclusion of the annual general meeting commencing next after he attains the age of seventy years. However, section 129(6) of the Act states that a person of or over the age of seventy years may by a resolution of which no shorter notice than that required to be given to the members of the company of an annual general meeting has been duly given, passed by a majority of not less than three-fourths of such members of the company as being entitled so to do vote in person or, where proxies are allowed, by proxy, at a general meeting of that company, be appointed or reappointed as a director of that company to hold office until the next annual general meeting of the company.*

3. *Pursuant to article 97 of the Company's articles of association and paragraph 7.26(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), at least one-third of the directors of the Company for the time being shall retire from office at every annual general meeting, but shall be eligible for re-election.*

4. *Pursuant to section 172(2) of the Act, the Company shall at every annual general meeting appoint its auditors who shall hold office until the conclusion of the next annual general meeting.*

5. *Based on the satisfactory outcome of its review, the Nominating Committee had made recommendations to the Board for these directors to be re-elected or reappointed, as the case may be.*

6. *This section 132D authority, if approved, will empower the directors of the Company to issue ordinary shares in the Company up to 10% of the issued and paid-up share capital of the Company for the time being, subject to compliance with all other regulatory requirements and this will enable the Company to finance investments projects, working capital and/or acquisitions by issuing new shares as and when the need arises without delay or incurring costs in convening a separate general meeting. This authority, unless revoked or varied at an earlier general meeting, will expire at the conclusion of the next annual general meeting of the Company.*

   As at the date of this notice of annual general meeting, the Company has not issued any new shares pursuant to the existing section 132D authority obtained during the last annual general meeting held on 29 May 2013, which authority shall lapse at the conclusion of this annual general meeting.

7. *Despite having served as an independent director for more than nine years, the Board, upon the assessment and recommendation of the Nominating Committee, is of the opinion that Dato' Jorgen Bornhoft is capable of acting objectively in the best interests of the Company, and has demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements.*

Notes to the notice of annual general meeting:-

1. *A depositor shall not be regarded as a member entitled to attend this general meeting and to speak and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 21 May 2014 (which is not less than 3 market days before the date of this meeting) issued by Bursa Malaysia Depository Sdn Bhd (Bursa Depository) upon the Company's request in accordance with the rules of the Bursa Depository.*

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

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

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

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HAP SENG CONSOLIDATED BERHAD (26877-W)

PROXY FORM

No. of shares	CDS Account No.

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

Telephone No. ______________________ of ______________________________
(FULL ADDRESS)

____

being a member/members of Hap Seng Consolidated Berhad, do hereby appoint ______________________

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

Telephone No. ______________________ of ______________________________
(FULL ADDRESS)

____

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the 38th annual general meeting of the Company to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 28 May 2014 at 2pm or at any adjournment thereof in the manner as indicated below :-

Agenda				
1	To table the audited financial statements for the financial year ended 31 December 2013 together with the reports of directors and auditors.			
ORDINARY BUSINESS			**FOR**	**AGAINST**
2	To reappoint Dato' Jorgen Bornhoft pursuant to section 129(6) of the Companies Act, 1965 as director of the Company to hold office until the conclusion of the next annual general meeting of the Company.	**Resolution 1**		
3	To re-elect Datuk Edward Lee Ming Foo, JP who shall retire in accordance with article 97 of the Company's articles of association and being eligible, has offered himself for re-election.	**Resolution 2**		
4	To re-elect Mr. Lee Wee Yong who shall retire in accordance with article 97 of the Company's articles of association and being eligible, has offered himself for re-election.	**Resolution 3**		
5	To approve the payment of directors' fees of RM472,500.00 for the financial year ended 31 December 2013.	**Resolution 4**		
6	To reappoint Messrs Ernst & Young as auditors of the Company to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the directors of the Company.	**Resolution 5**		
SPECIAL BUSINESS			**FOR**	**AGAINST**
7	Authority to allot and issue shares pursuant to section 132D of the Companies Act, 1965.	**Resolution 6**		
8	To approve the continuation of Dato' Jorgen Bornhoft as independent non-executive chairman of the Company.	**Resolution 7**		

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 ______________ 2014

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

Notes:

1. *A depositor shall not be regarded as a member entitled to attend this general meeting and to speak and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 21 May 2014 (which is not less than 3 market days before the date of this meeting) issued by Bursa Malaysia Depository Sdn Bhd (Bursa Depository) upon the Company's request in accordance with the rules of the Bursa Depository.*

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Postage

THE COMPANY SECRETARY
HAP SENG CONSOLIDATED BERHAD
(Company No. 26877-W)
21st Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

Fold here

HAP SENG CONSOLIDATED BERHAD

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

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

www.**hapseng**.com.my