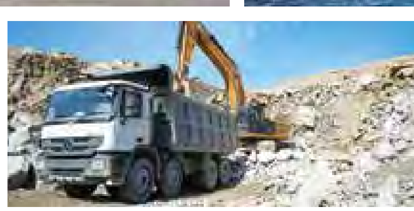
HAP SENG CONSOLIDATED BERHAD

ANNUAL REPORT 2014



39th ANNUAL GENERAL MEETING

Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

Thursday,
4 June 2015 at 10am.

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BOARD OF DIRECTORS

DATO' JORGEN BORNHOFT
Independent Non-Executive Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

LEE WEE YONG
Executive Director

CHEAH YEE LENG
Executive Director

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

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

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

TAN GHEE KIAT
Independent Non-Executive Director

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

COMPANY SECRETARIES

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

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50250 Kuala Lumpur
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Fax : 603-2172 5286
Website : www.hapseng.com.my
E-mail : inquiry@hapseng.com.my

PLACE OF INCORPORATION

Malaysia

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Tel : 603-7841 8000
Fax : 603-7841 8151 / 8152

AUDITORS

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

PRINCIPAL BANKERS

Malayan Banking Berhad
DBS Bank Ltd
HSBC Bank Malaysia Berhad
Hong Leong Bank Berhad
AmBank (M) 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 73, is the independent non-executive chairman of Hap Seng Consolidated Berhad. He was first appointed to the Board as an independent non-executive director on 24 January 2005 and became the chairman on 1 February 2007. He is also the chairman of the Audit Committee, Remuneration Committee and Nominating Committee.

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

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

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

Dato' Bornhoft does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company save for the related party transaction 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 5 board meetings held during the financial year ended 31 December 2014.

DIRECTORS' PROFILE

DATUK EDWARD LEE MING FOO, JP

Managing Director

Datuk Edward Lee Ming Foo, JP, a Malaysian, aged 60, 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 the Malaysian Mosaics Sdn Bhd (formerly Malaysian Mosaics Berhad) group of companies in 1980, became the group chief operating officer in 1995 and was the managing director from 31 March 2005 to 31 January 2007.

Datuk Edward Lee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company save for the related party transactions disclosed in Note 38 to the Financial Statements. He has not been convicted of any offence in the past 10 years.

He attended all the 5 board meetings held during the financial year ended 31 December 2014.

DIRECTORS' PROFILE

LEE WEE YONG

Executive Director

Lee Wee Yong, a Malaysian, aged 67, 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 all the 5 board meetings held during the financial year ended 31 December 2014.

DIRECTORS' PROFILE

CHEAH YEE LENG

Executive Director

Cheah Yee Leng, a Malaysian, aged 46, is an executive director of Hap Seng Consolidated Berhad and was appointed to this position on 1 June 2014.

Ms. Cheah joined Hap Seng Consolidated Berhad group of companies in 1997 and is presently its Corporate Affairs Director. She is also the Group Company Secretary of Hap Seng Plantations Holdings Berhad and a non-independent non-executive director of Paos Holdings Berhad.

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

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

She attended all the 2 meetings held subsequent to her appointment to the board on 1 June 2014 during the financial year ended 31 December 2014.

DIRECTORS' PROFILE

DATUK SIMON SHIM KONG YIP, JP

Non-Independent Non-Executive Director

Datuk Simon Shim Kong Yip, JP, a Malaysian, aged 58, is a non-independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 16 February 1996. He is also a member of the Audit Committee, Remuneration Committee and Nominating Committee.

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

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

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

Datuk Simon Shim does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company save for the related party transactions disclosed in Note 38 to the Financial Statements. He has not been convicted of any offence in the past 10 years.

He attended all the 5 board meetings held during the financial year ended 31 December 2014.

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 69, is an independent non-executive director of Hap Seng Consolidated Berhad. He was first appointed to the Board on 24 September 2003 as a non-independent non-executive director and was subsequently re-designated as an independent non-executive director on 29 November 2012.

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

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

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 5 board meetings held during the financial year ended 31 December 2014.

DIRECTORS' PROFILE

DATO' MOHAMMED HUSSEIN

Independent Non-Executive Director

Dato' Mohammed Hussein, a Malaysian, aged 64, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 15 July 2008. He is also a member of the Audit Committee and Nominating Committee.

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

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

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 4 of the 5 board meetings held during the financial year ended 31 December 2014.

DIRECTORS' PROFILE

TAN GHEE KIAT

Independent Non-Executive Director

Tan Ghee Kiat, a Malaysian, aged 66, 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 5 board meetings held during the financial year ended 31 December 2014.

DIRECTORS' PROFILE

CH'NG KOK PHAN

Non-Independent Non-Executive Director

Ch'ng Kok Phan, a Malaysian, aged 64, is a non-independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 1 June 2014.

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

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

He attended all the 2 meetings held subsequent to his appointment to the board on 1 June 2014 during the financial year ended 31 December 2014.

GROUP FINANCIAL HIGHLIGHTS

	FINANCIAL YEAR ENDED 31 DECEMBER 2010	2011	2012	2013	2014
INCOME (RM'000)					
(i) Revenue	2,789,410	3,628,380	3,958,899	3,486,747	3,768,049
(ii) Profit before tax	506,350	636,894	681,579	801,581	1,024,625
(iii) Profit attributable to Owners of the Company	325,026	377,497	427,104	588,257	753,467
FINANCIAL POSITION (RM'000)					
Key data					
Assets					
(i) Total tangible assets	5,359,060	6,797,298	6,634,122	7,071,373	7,748,832
(ii) Net assets	2,591,243	3,300,341	3,410,037	3,353,874	3,951,775
(iii) Current assets	1,904,502	3,049,349	2,692,028	3,065,574	3,303,173
Liabilities and Shareholders' Funds					
(i) Current liabilities	1,509,219	1,634,653	1,728,966	2,214,740	2,476,372
(ii) Paid-up share capital	622,660	2,186,357	2,186,364	2,205,709	2,226,779
(iii) Shareholders' funds	2,591,243	3,300,341	3,410,037	3,353,874	3,951,775
PER SHARE					
(i) Basic earnings (sen) *	17.92 [a]	18.94	19.79	28.70	36.67
(ii) Net assets (RM) **	4.60	1.51	1.61	1.68	1.85
(iii) Dividend (sen)	8.80 [b]	8.60 [c]	10.50	16.00	25.00
* *Based on weighted average number of shares in issue net of treasury shares ('000)*	*1,813,525* [a]	*1,993,085*	*2,158,584*	*2,049,324*	*2,054,505*
** *Based on number of shares in issue net of treasury shares ('000)*	*563,524* [a]	*2,180,927* [d]	*2,113,108*	*2,001,678*	*2,137,597*
FINANCIAL RATIOS					
(i) Return on total tangible assets (%)	6.06	5.55	6.44	8.32	9.72
(ii) Return on shareholders' funds (%)	12.54	11.44	12.52	17.54	19.07
(iii) Current ratio (times)	1.26	1.87	1.56	1.38	1.33
(iv) Gearing ratio (times)	0.74	0.77	0.66	0.74	0.66
(v) Net gearing ratio (times) [e]	0.66	0.57	0.51	0.56	0.54

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] *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.*

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

[e] *Net gearing ratio is computed after deducting money market deposits and cash and bank balances.*

GROUP FINANCIAL HIGHLIGHTS

Dividend Per Share
(sen)

2014	**25.00**
2013	16.00
2012	10.50
2011	8.60
2010	8.80

Shareholders'Funds
(RM'000)

2014	**3,951,775**
2013	3,353,874
2012	3,410,037
2011	3,300,341
2010	2,591,243

Current Ratio
(times)

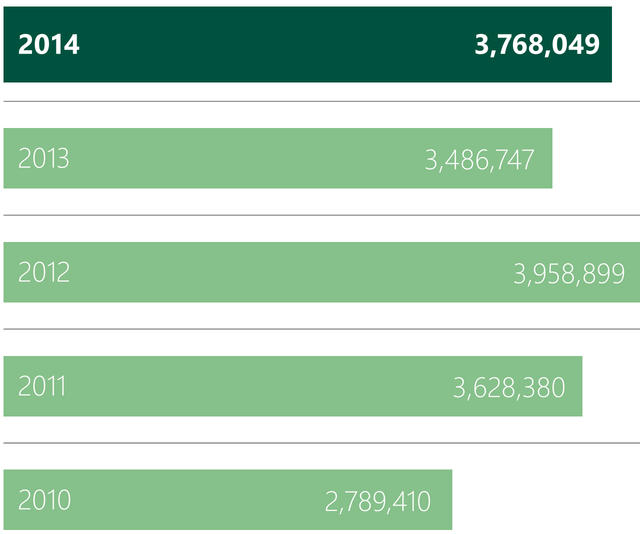
2014	**1.33**
2013	1.38
2012	1.56
2011	1.87
2010	1.26

Net Gearing Ratio
(times)

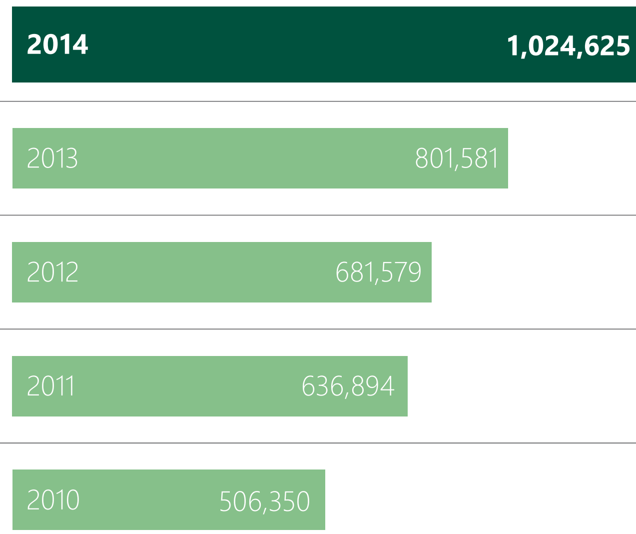
2014	**0.54**
2013	0.56
2012	0.51
2011	0.57
2010	0.66

GROUP FINANCIAL HIGHLIGHTS

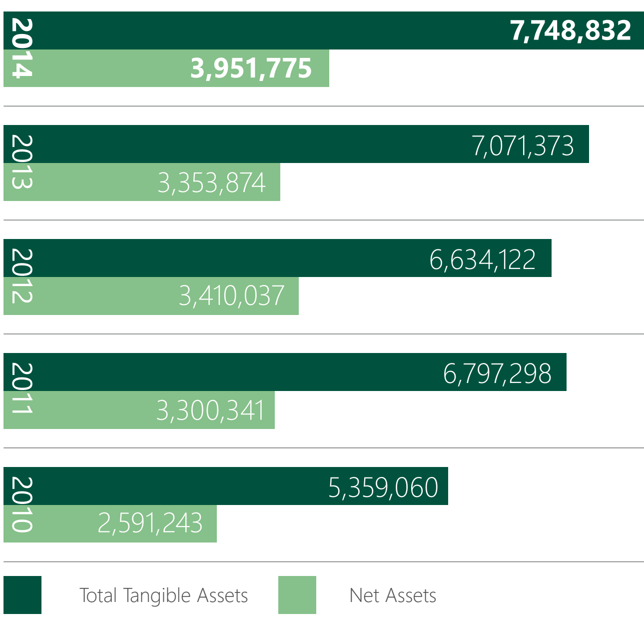
Revenue
(RM'000)



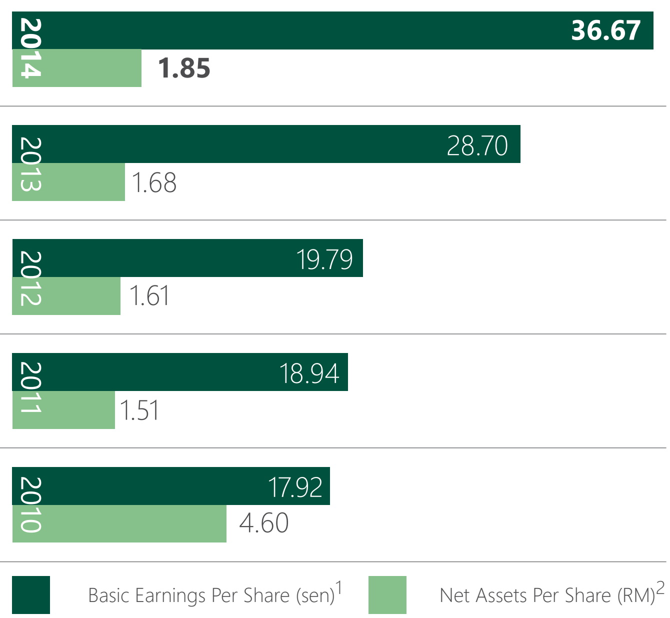
Profit Before Tax
(RM'000)



Total Tangible Assets/Net Assets
(RM'000)



Basic Earnings Per Share/Net Assets Per Share



Notes:

1 *Basic earnings per share for the financial year ended 31.12.2010 has 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 31.12.2010 : 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*
- *Financial year ended 31.12.2014 : 2,137,597 shares*

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

It gives me much pleasure to report to you another year of record performance by your Company despite the challenging business environment of 2014.

The Group's profit after tax increased 28% to RM816.3 million (2013: RM635.8 million) which translated to a corresponding 28% increase in earnings per share to 36.67 sen (2013: 28.70 sen).

DATO' JORGEN BORNHOFT
Independent Non-Executive Chairman

Profit After Taxation
RM816 million

Earnings Per Share
36.67 sen

Net Earnings Growth
28%

CHAIRMAN'S STATEMENT

2014 ECONOMY OVERVIEW

On reflection, 2014 was a volatile year underpinned by the subdued and uneven global economic recovery. Amongst others, the plummeting Brent crude prices by almost 50% in the final quarter, depreciating currencies of the emerging economies and ringgit being the second worst-performing currency in Asia.

The better-than-forecast recovery in the United States contributed to the outflows of foreign funds from emerging markets. A slower economic growth in China, being Malaysia's second largest export market, also limited the nation's export growth.

Against the odds, Malaysia grew at 6% in 2014 (2013: 4.7%), among the strongest in the region, and driven principally by strong domestic demand and resilient exports.

2014 FINANCIAL RESULTS

On the back of higher profit after tax and earnings per share, the Company increased its dividend payout for the year to 25 sen per share (2013: 16 sen).

BUSINESS DIVISIONS OVERVIEW

PLANTATIONS

Despite the volatile crude palm oil (CPO) prices (ranging from RM2,144 per tonne to RM2,855 per tonne) and the challenging operating environment, the division recorded an improved average CPO price realisation of RM2,386 per tonne (2013: RM2,343 per tonne) and a much higher average palm kernel price realisation at RM1,654 per tonne (2013: RM1,288 per tonne). The improved CPO price realisation was comparable to the average CPO price realisation for Sabah at RM2,404 per tonne.

Coupled with the increase in the CPO sales volume at 170,506 tonnes (2013: 161,170 tonnes), the division registered a higher operating profit at RM179.0 million (2013: RM140.6 million).

PROPERTY HOLDING AND DEVELOPMENT

Revenue and operating profit of the division grew to RM932.1 million (2013: RM527.5 million) and RM705.3 million (2013: RM255.8 million) respectively, mainly due to higher value unlocked from ongoing projects, fair value gains adjustments relating to investment properties and gains from the sale of certain non-core assets.

In the Klang Valley, the division launched its low-density gated and guarded Andana residential development in Puchong South. D'Alpinia Business Park, an upscale commercial development next to the Andana development, was also launched. Both launches enjoyed brisk sales with more than 50% sold.

CHAIRMAN'S STATEMENT

The division's luxury service residence developments in the Klang Valley continued to generate strong interests, with limited units left for the Horizon Residences and more than 70% take-up rate recorded for Nadi Bangsar Service Residences.

In Sabah, the division continued with its development in Astana Heights in Sandakan, Bandar Seri Indah in Tawau and Palm Heights in Lahad Datu. These three developments have continued to generate strong demand.

Occupancy rates of Menara Hap Seng and Menara Citibank remained strong at 97% and 99% respectively.

During the year, the division also attained another milestone with the launch of its new Grade A, Green Building Index-certified corporate office and retail building, Menara Hap Seng 2. Standing tall at 31 storeys, Menara Hap Seng 2 is a new distinctive landmark in the central business district of Kuala Lumpur.

Menara Hap Seng 2 is a new distinctive landmark in the central business district of Kuala Lumpur.

CREDIT FINANCING

Benefitting from robust financing activities by small and medium enterprises (SMEs), the gross loan base and operating profit of the division grew to RM1.9 billion (2013: RM1.7 billion) and RM104.1 million (2013: RM91.5 million) respectively.

Premised on disciplined lending practices and vigilant monitoring, credit risks remained comfortable. The division's gross non-performing loans ratio improved to 0.91% in 2014 (2013: 1.44%) which compared favourably with the industry average non-performing loans ratio of 1.66%.

CHAIRMAN'S STATEMENT

The launches of several highly-anticipated Mercedes models generated immense interests.

AUTOMOTIVE

The division turned around during the period with an operating profit of RM10.5 million against a RM18.1 million loss in the previous year.

The launches of several highly-anticipated Mercedes models, namely the new flagship S-Class, the new C-Class and two brand new A-segment models, the CLA and GLA, generated immense interests. As a result, the division recorded a higher sales volume at 2,310 units (2013: 1,976 units) and a 32% market share in Malaysia.

During the year, our Mercedes-Benz Autohaus in Kinrara, Puchong was appointed a dealer for "Fuso" trucks in West Malaysia, which further enhances its range of vehicles. In addition, the division continued to build its presence in the Mercedes-Benz commercial vehicles segment.

CHAIRMAN'S STATEMENT

FERTILIZERS TRADING

In Malaysia, the division recorded a lower revenue at RM729.5 million (2013: RM861.5 milllion) due to softer global fertilizers prices. In Indonesia, the division scaled back its operations largely due to the weakness and extreme volatility of the rupiah.

Notwithstanding the lower revenue, the division registered a higher operating profit at RM71.1 million as against a loss of RM8.2 million in the previous year. This was attributable to improved gross profit margins and one-off gains from the sale of certain non-core fixed assets.

QUARRY AND BUILDING MATERIALS

Due to overall weaker market demand and new quarries related start-up costs, the division recorded lower operating profit at RM16.9 million (2013: RM17.9 million).

TRADING

The division recorded a higher operating profit at RM23.9 million (2013: RM6.6 million) due to higher profit margin products and gains from sale of non-core fixed assets.

SIGNIFICANT EVENTS IN AND SUBSEQUENT TO 2014

On 27 June, 2014, the Group completed the disposal of various parcels of land with no immediate development potential in Sabah for RM278 million. This resulted in a gain of RM199.5 million to the Group.

In February 2015, the Group completed the acquisition of the 51% equity in the Singapore-listed Hafary Holdings Limited (Hafary) for S$52.5 million.

CHAIRMAN'S STATEMENT

As announced on 11 March 2015, as part of the Group's strategies to focus its credit business in Malaysia, the Company proposed to dispose of its credit business in Singapore for RM640.8 million, which if completed, would give rise to a gain of RM513.2 million. Meanwhile, the Company also proposed to acquire a purpose-built 14-storey green commercial building in Kota Kinabalu for RM395 million to strengthen its prominence in the property market in Sabah, East Malaysia. The Company will be seeking its shareholders' approval in the forthcoming extraordinary general meeting.

ENHANCING SHAREHOLDER VALUE

The Company is committed to creating and enhancing shareholder value. Accordingly, in line with the dividend payout policy, the Board is pleased to report that the Group had declared and paid two interim dividends totalling 25 sen per share for 2014 (2013: 16 sen).

The Group is also seeking approval to renew its share buyback mandate in the best interests of all shareholders. This will undoubtedly increase shareholder value.

2015 OUTLOOK

2015 is expected to be another challenging year for the Malaysian economy which is susceptible to movements of crude oil prices and ringgit against its major trading partners. Recent consecutive interest rate cuts in China are also suggestive of a slowing Chinese economy, which may be a limiting factor to Malaysia's export growth.

On a positive note, ringgit depreciation is likely to improve Malaysia's export competitiveness. The weaker ringgit may also increase foreign direct investments into Malaysia due to lower costs of doing business. The inflationary pressure associated with the 6% GST may to some extent be offset by lower crude oil prices and energy costs.

The recovering CPO price trend in the later part of 2014 may continue into the early part of 2015, primarily due to anticipated lower production occasioned by dry weather in Malaysia and Indonesia. Such trend may be curtailed by the potential oversupply of vegetable and soybean oils going forward.

Notwithstanding the various property cooling measures, the Group is cautiously optimistic that demand for high-value and strategically-located residential properties in the Klang Valley may remain intact. In Sabah, the division will continue to focus on affordable housing segment which is less impacted by such cooling measures.

Construction activities remain important to the Malaysian economy. Indeed, with the impending implementation of the 11th Malaysia Plan and the various government transformation programmes, the resurgent activity bodes well for our Quarry and Building Materials division.

The buying momentum sparked by the various new Mercedes-Benz models launched in 2014 is expected to extend into 2015, notwithstanding the competitive environment in the premium car segment. The Credit Financing Division will continue to grow its loan base, largely to be driven by the SMEs whilst exercising prudent lending policies. Meanwhile, the Trading Division will seek to expand its product range as well as to focus on higher-margin products. As for the Fertilizers Trading, the Group will focus on growing its market share in Malaysia while trimming the exposure in Indonesia.

ACKNOWLEDGEMENTS

In conclusion, I would like to express my sincere thanks to the management and all our staff for their significant contributions to the Group over the years.

My heartfelt appreciation also goes to the Board for its wise counsel and guidance. And many thanks too, to our shareholders, business partners, clients, suppliers and other stakeholders for their unyielding confidence in the Group.

Let me also take this opportunity to welcome our two new board members, Ms Cheah Yee Leng and Mr Ch'ng Kok Phan who bring with them a wealth of knowledge and experience.

JORGEN BORNHOFT

REVIEW OF OPERATIONS

PLANTATIONS

Hap Seng Plantations Holdings Berhad (Plantation Division) is an oil palm plantation company listed on Bursa Malaysia. The plantation division is primarily made up of three contiguous plots of plantations land located between Lahad Datu and Sandakan.

Totalling 36,354 hectares, the estates comprise the Jeroco Group of Estates (JGOE), Tomanggong Group of Estates (TMGOE) and Sungai Segama Group of Estates (SSGOE). In addition, the division also owns the Ladang Kawa Estate in Tawau, and the Pelipikan & Kota Marudu Estates in Marudu, measuring 1,276 hectares and 2,173 hectares, respectively.

Palm oil industry review

2014 started with crude palm oil (CPO) prices benefitting from a price recovery during the last quarter of 2013. CPO production in the first half of the year was relatively weak. As a result, CPO prices for the first half of the year peaked at RM2,855 per tonne in March 2014 and averaged at RM2,605 per tonne.

However, the surge in global palm oil production and an abundant supply of global soybean, coupled with sluggish petroleum oil prices in the second half of the FY2014, dampened prices. As a result, the build up of palm oil inventory reached a high of 2.28 million tonnes in November 2014.

During the year, measures were taken by the Government to support the price of CPO and reduce the high inventory level. A higher biodiesel mandate from B5 to B7; and the imposition of zero export duty on CPO in September 2014 were announced to counter the falling CPO prices. The floods in the east coast of Peninsular Malaysia in December 2014, which resulted in supply cuts of CPO from the affected region, helped reduce CPO inventory.

Accordingly, the CPO price fluctuated from a high of RM2,855 per tonne in March 2014 to a low of RM2,144 per tonne in December 2014, and averaged at RM2,383 per tonne against the average CPO price of RM2,371 per tonne in 2013.

Division Performance

In spite of the challenging operating environment, the division continued to record higher average CPO price realisation at RM2,386 per tonne (2013: RM2,343 per tonne) resulting in a 27% rise in operating profit at RM179.0 million (2013: RM140.6 million). This is comparable to the average price realisation for Sabah of RM2,404 per tonne.

The division also achieved a 5.8% higher CPO sales volume at 170,506 tonnes (2013: 161,170 tonnes), on the back of a 4.1% higher CPO production at 172,980 tonnes (2013: 166,202 tonnes).

The continued push to improve operational efficiencies by the division was reflected in the lower CPO production cost (excluding replanting cost and after taking into account income from palm kernel) at RM1,064 per tonne (2013: RM1,178 per tonne), higher yield for fresh fruit bunches (FFB) at 23.20 tonnes per hectare (2013: 22.96 tonnes per hectare) and improved oil extraction rate (OER) at 21.56% (2013: 21.34%). As a result, the CPO yield achieved was five tonnes per hectare.

Likewise, PK price realisation was also higher, registering at RM1,654 per tonne (2013: RM1,288 per tonne) compared to Sabah's average of RM1,565 per tonne.

Revenue
RM495.6
million

Operating Profit
RM179.0
million

REVIEW OF
OPERATIONS

PLANTATIONS

Planted & Mature Area

The division's planted acreage reduced slightly to 35,684 hectares (2013: 35,697 hectares), with approximately 88% or 31,373 hectares (2013: 30,670 hectares) of mature areas. The average age approximates 15.4 years (2013: 15.2 years).

Total immature area consists of 4,165 hectares of which 2,094 hectares are expected to mature in 2015. The Group also replanted 1,106 hectares during the year.

Area statement of the Group as of 31 December 2014 was as follows:

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of mature area
JGOE(i)	14,117	* 12,808	10,693	83.5 %
TMGOE(ii)	12,331	** 11,426	9,552	83.6 %
SSGOE(iii)	9,906	8,761	8,761	100.0%
Ladang Kawa	1,276	1,201	1,201	100.0%
Pelipikan	1,365	903	581	64.3%
Kota Marudu	***808	585	585	100.0%
Total	39,803	35,684	31,373	87.9%

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

Oil Extraction Rate & Milling

The mills achieved a higher oil extraction rate (OER) of 21.56% (2013: 21.34%), comparably higher than the Sabah OER average of 21.49%. Overall, the mills improved its utilisation to 79% (2013: 77%) of its milling capacity.

The division is supported by four mills, namely Jeroco Palm Oil Mill 1, Jeroco Palm Oil Mill 2, Tomanggong Palm Oil Mill and Bukit Mas Palm Oil Mill, and has a combined milling capacity of 175 FFB tonnes per hour.

Milling Capacity of the four 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

Sustainability Policy

Both Jeroco Palm Oil Mills and the Bukit Mas Palm Oil Mill are Roundtable on Sustainable Palm Oil (RSPO) certified. The Tomanggong Palm Oil Mill is in the advance stage of certification and is expected to be certified in 2015.

During the year, Bukit Mas Palm Oil Mill had also embarked on the International Sustainability & Carbon Certification (ISCC). It has successfully completed the certification audit in 2014 and obtained its ISCC EU certificate in January 2015. Its other palm oil mills will commence their ISCC certification in FY2015.

Upon the completion of this certification process, our mills and estates would have dual international accreditations and we can claim our status as a sustainable palm oil producer in compliance with global sustainability standards of agriculture production.

Outlook

The global outlook for edible oils in 2015 remains bearish, with the supply of soybean and vegetable oils expected to remain excessive, coupled with a weaker demand for biodiesel stemming from low crude oil price expectations.

However, the Group expects the recovering CPO price trend in the latter part of 2014 to continue into the first half of 2015. This is primarily due to the expected dry spells in Malaysia and Indonesia, resulting in lower CPO productions.

While the lower production may support palm oil prices in the short-term, concerns of global economic uncertainties, foreign currency fluctuations and weak crude oil and commodities prices are likely to continue to weigh on the movements of palm oil prices for 2015.

The positive measures introduced by the government, namely the imposition of zero export duty on CPO as well as mandating a higher biodiesel mix, from B5 to B7, could render some support in shoring up demand.

REVIEW OF
OPERATIONS

PROPERTY HOLDING & DEVELOPMENT

The Property Division is involved in property development and property investment activities in both East and West Malaysia, primarily in Sabah and the Klang Valley, respectively.

Property development in the Klang Valley

The division is in niche property development with several high profile high-rise, commercial and residential developments in the Klang Valley.

During the year, ongoing projects continue to achieve good take-up rate. This includes Nadi Bangsar Service Residence (Nadi Bangsar) in Bangsar, The Horizon Residences at Jalan Tun Razak and the Andana Condo and Villa at D'Alpinia in Puchong South.

Nadi Bangsar Service Residence

Nadi Bangsar features a block of 38-storey service residence with 416 units, located within the much sought-after Bangsar suburb. This freehold service residence comes with amenities such as a sky garden, a jogging track, an infinity pool and a gourmet kitchen, offering facilities of a modern city living.

The development overlooks the vibrant suburb of Bangsar on one side and a panoramic view of the city landscape on the other, with easy access to the main commercial hub surrounding Kuala Lumpur City Centre (KLCC) while served by LRT stations and major shopping centres.

Nadi Bangsar continued to enjoy strong interest among local and overseas buyers, chalking up a 75% take-up rate in 2014, due largely to its strategic location in the affluent residential suburb of Bangsar.

With a total GDV of RM 446 million, the development is targeted to be completed in 2017.

The Horizon Residences

The Horizon Residences is a 26-storey condominium comprising two 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 is the division's first foray into the high rise luxury residential segment in KLCC.

This development, which is located along Jalan Tun Razak, offers unparallel view of the KLCC skyline and the lush greens of the Royal Selangor Golf Club.

Within its immediate vicinity are the newly launched Tun Razak Exchange, Tun Razak Entertainment Centre (TREC), 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 registered excellent take-up rate among local and overseas buyers with only limited units available. With a total GDV of RM390 million, the Horizon Residences is scheduled for completion in 2015.

REVIEW OF OPERATIONS

Revenue
RM932.1
million

Operating Profit
RM705.3
million

REVIEW OF OPERATIONS

D'Alpinia Integrated Development

The 76-acre D'Alpinia is the division's first landed development in the Klang Valley, in the fast growing Puchong suburb. Built under the 10%-90% built-then-sell concept, the residential and commercial development was built based on contemporary and modern theme within a guarded and gated concept.

Launched in 2007, it has to date completed 538 units of landed properties with GDV of RM391 million. The development, when fully completed, will comprise 1,156 units of landed and high-rise residential development.

During the year, the division launched the Andana Condo and Villa, a guarded and gated development comprising 116 residential units in two blocks of condominiums and 30 units of villas.

Representing the third phase of the division's successful D'Alpinia integrated development, the Andana Condo and Villa, with a total GDV of RM115 million, enjoyed good take-up rate since its launch in September 2014.

It also launched 34 units of the upscale Business Park at the D'Alpinia in 2014. This commercial development is strategically located along one of Klang Valley's busiest highways, the Lebuhraya Damansara Puchong. The 34 units have a total GDV of RM108 million and are scheduled to be fully completed in 2015. It has enjoyed good uptake since its launch, with only limited units left.

Future projects under planning under the D'Alpinia development include 472 units of affordable residential homes and 10 units of shop offices at Business Park D'Alpinia.

REVIEW OF OPERATIONS

Upcoming New Projects in Klang Valley

A luxurious high-rise development in Jalan Tun Razak on 1.85 acres of freehold land, named Aria KLCC, is expected to be launched in 2015. This development is located within the immediate vicinity of the Petronas Twin Towers, Suria KLCC, the Pavilion, embassies, medical centres, dining and transport links.

Aria KLCC, with an estimated GDV of RM1.1 billion, will add another notch in the division's foray in luxury high-rise developments with the introduction of full concierge services.

A mixed development project in Balakong comprising both commercial and residential components is under planning and expected to be launched in the second half of 2015. This development, with an estimated GDV of RM800 million, will cater to the growing demand in the southern region of Kuala Lumpur.

REVIEW OF OPERATIONS

Property Development in East Malaysia – Sabah

The property division is known as an established and leading township developer in Sabah. With over 40 years of presence, it has developed many successful townships in Kota Kinabalu, Tawau, Sandakan and Lahad Datu.

Kota Kinabalu

Kingfisher Park, Plaza Kingfisher and Kingfisher Sulaman were the division's successful developments in Kota Kinabalu. With a total GDV of RM568 million, the development projects comprised 1,196 residential and 156 commercial units.

Kingfisher Inanam is slated to be the division's latest development in Kota Kinabalu. Situated within the popular Inanam neighbourhood, the 35-acre development comprises approximately 700 units of apartments. The first phase of 255 apartment units, with an estimated GDV of RM110 million, is expected to be launched in 2015.

Kingfisher Putatan, comprising 14.75 acres of residential development, will be another new project for the division in Kota Kinabalu. The project is situated within Putatan, an up-and-coming neighbourhood next to the city of Kota Kinabalu. The division will be launching its first phase of development in 2015 comprising 120 units of apartments with an estimated GDV of RM44 million.

Tawau

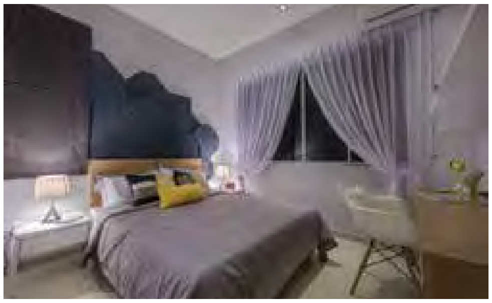
Bandar Sri Indah, a 1,368-acre mixed freehold development, is the division's flagship development in Tawau. Launched in 2004, it is one of the largest fully integrated township developments in Sabah comprising residential, commercial and industrial components.

The development offers modern facilities such as an eco-park adjoining the Membelua forest reserve and a private educational facility catering for both primary and secondary education.

Bandar Sri Indah development has to date developed 1,787 units of mixed development, with a GDV of RM533 million. A total of 711 units of affordable housing had been launched in 2013 and 2014, bearing testament to the division's commitment in providing affordable housing to the local populace. Approximately 1,200 units of mixed development are presently under planning to meet the growing demand.

Ria Heights is a 100-acre township development located close to the centre of Tawau town and surrounded by matured residential neighbourhoods and the Bukit Gemok forest reserve. The first phase of Ria Heights, comprising 469 units of residential properties with a GDV of RM150 million, is expected to be launched in 2015.

REVIEW OF OPERATIONS



Lahad Datu

Bandar Sri Perdana is a prominent and successful township development comprising 1,343 residential and commercial units, with total GDV of RM500 million, built to date.

A further 352 residential units, with an estimated GDV of RM200 million, are currently under planning for future launch.

Palm Heights is another township development in Lahad Datu. During the year, the final phases of residential development, comprising 188 units with a GDV of RM102 million, were launched.

Upon completion, the 90-acre township will have 788 units of residential and commercial properties with a total GDV of RM318 million.

Sandakan

Astana Heights is a 98-acre mixed development project in Sandakan, with development to date of 275 units, with a GDV of RM118 million. During the year, 108 residential units were launched, with 146 residential units under planning for future launch.

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Property Investment

During the year, the division's existing investment properties, Menara Hap Seng and Menara Citibank[1], continued to achieve high occupancy rate, recording a 97% (2013: 90%) and 99% (2013: 98%) tenancy, respectively.

2014 also marked the completion of the division's latest investment property, Menara Hap Seng 2, adjoining to Menara Hap Seng. The new 31-storey Grade A Green Building Index-certified office tower has enhanced the Kuala Lumpur skyline and increases the division's presence in the Kuala Lumpur central business district. With the completion of Menara Hap Seng 2 in October 2014, the total net lettable area for both towers has increased to approximately 660,000 sq. ft.

Division Performance

During the year, the division registered a strong performance, recording a 77% increase in revenue to RM932.1 million (2013: RM527.5 million), with operating profit recording a 176% increase to RM705.3 million (2013: RM255.8 million).

The exceptional result was due to strong sales from ongoing projects supported by gains from disposal of non-strategic land held for development. Project sales grew by over 63% to RM526.3 million (2013: RM322.6 million).

Outlook

2015 is expected to be a challenging year for the property development industry. The sharp drop in Brent crude prices by almost 50% in the final quarter has far-reaching financial repercussions, impacting government revenue and economic growth. The introduction of Malaysia's new Goods & Services Tax (GST) in April 2015 may further dampen sentiments in the property industry. In addition, the Government

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

REVIEW OF OPERATIONS

had, in 2014, put in place cooling measures to curb the rise of household debt and this is expected to continue in 2015.

In spite of the above, the division remains optimistic that the demand for its strategically located developments continues to be favourable. It will continue its plans to reposition its investment and development properties in the Klang Valley in 2015 with several new launches scheduled for the year.

REVIEW OF
OPERATIONS

CREDIT FINANCING

The Credit Financing Division is a prominent player in the non-bank sector, involved in the provision of industrial hire-purchase and term loans, primarily to the small and medium enterprise (SME) sector.

With a network of 12 branches throughout Malaysia; six in Peninsular Malaysia, four in Sabah and two in Sarawak; the division is one of the top three credit financing institutions in Malaysia servicing over 10,000 active accounts. The division's diversified portfolio includes SMEs from the manufacturing, transportation & logistics, agriculture and landed property sector.

The division's effort in building up its term loan portfolio in 2014 in its endeavour to balance the division's loan portfolio is evident by its enhanced activities in landed property financing, while continuing to strengthen its position in equipment financing.

Division Performance

During the year, the division registered a significant growth in operating profit of 14% to RM104.1 million (2013: RM91.5 million), on the back of a gross loan base of RM1.9 billion (2013: RM1.7 billion).

West Malaysia accounted for 83% of the total loan base while East Malaysia contributed 17%. Loan disbursements also reached a high, registering RM1.4 billion (2013: RM1 billion).

Revenue
RM133
million

Operating Profit
RM104.1
million

REVIEW OF OPERATIONS

The division's gross Non Performing Loan (NPL) ratio improved significantly to 0.91% in 2014 (2013: 1.44%), comfortably below the banking industry average of 1.66%. This is a testimony of the division's strong emphasis on risk management through the use of robust and stringent credit evaluation standards.

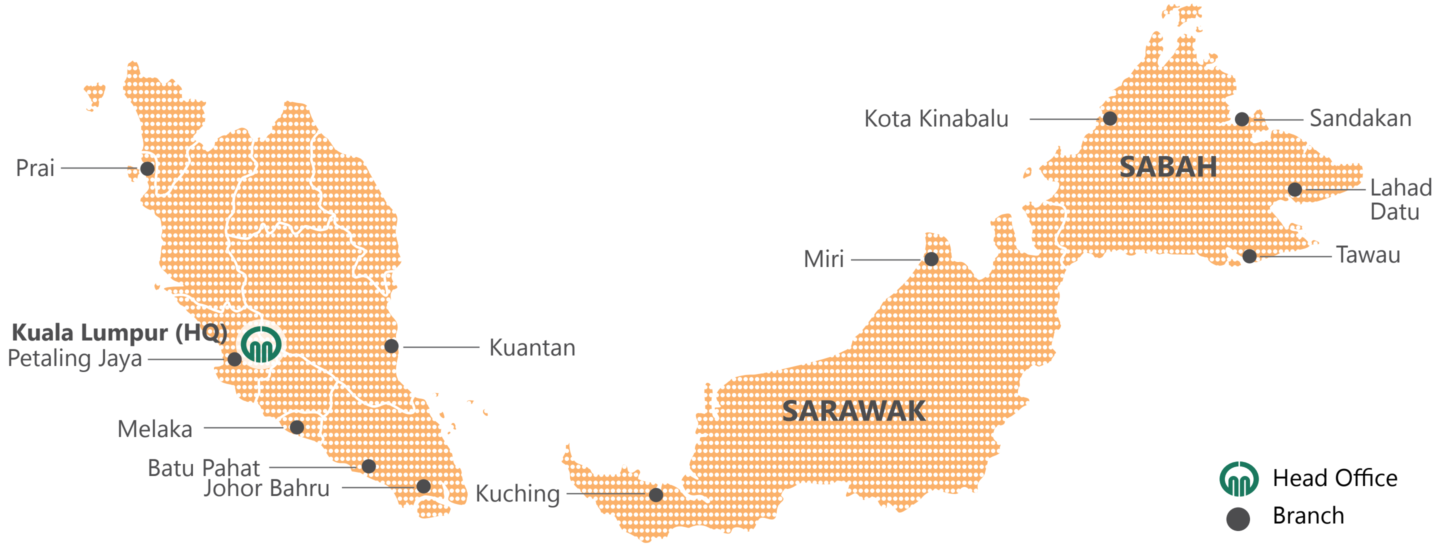
Outlook

In response to numerous adverse developments in the global economic landscape, the Malaysian government had in January 2015 revised the country's 2015 GDP growth downwards to 4.5% - 5.5%. Plummeting crude oil prices resulting in lower government revenue, narrowing trade surpluses and weakening currency as well as uncertainties arising from the introduction of the GST, will pose another challenging year for the credit financing business.

As the SME sector contributes approximately 33% of the country's GDP and provides 57% of employment, with the expected GDP growth of 4.5% – 5.5%, the SME sector will remain robust, and the lending opportunities will be prevalent.

It will also continue to focus on businesses with quality collaterals while managing its funding costs and requirements to build on its competitive edge and expertise.

CREDIT FINANCING DIVISION'S BRANCH NETWORK



AUTOMOTIVE

FY2014 was an exciting and eventful year for the Automotive Division. It achieved several milestones for the year, strongly establishing it as one of the leading dealers in Mercedes-Benz vehicles in Malaysia. It saw the official launch of its Balakong Autohaus and the completion of its expanded Kinrara Autohaus, making the division one of the few dealers to have two Mercedes-Benz one-stop 3S centres.

The commercial vehicles operation in Kinrara expanded with its appointment as a Fuso dealer in 2014. With this appointment, the Kinrara Autohaus is now the most complete outlet for Daimler products in the country.

2014 also saw the launch of several highly anticipated new models by Mercedes-Benz Malaysia, namely the new flagship S-Class, the new C-Class and two new A-segment models, the CLA and GLA. The response from our customers has been overwhelming for these new models.

Consequently, passenger vehicle sales for 2014 increased by 17% to 2,310 units (2013: 1,976 units). This accounts for approximately 32% of market share of new Mercedes-Benz passenger vehicles in Malaysia (2013: 31%). Our after-sales segment also recorded a healthy growth of 36%, with a total of 23,445 units (2013: 17,193 units) of vehicles serviced in 2014.

The division continues its unwavering commitment to provide excellent after-sales service to its customers. As a testament to its commitment, the division has consistently topped the Mercedes-Benz's customer satisfaction index award, including 2014.

REVIEW OF OPERATIONS

Revenue
RM684.0
million

Operating Profit
RM10.5
million

Division Performance

During the year, revenue improved notably by 13% to RM684.0 million (2013: RM603.1 million) supported by higher vehicle sales and contributions from a full year's operation of the new one-stop 3S centre in Balakong.

Consequently, the division's operating profit jumped to RM10.5 million (2013: RM18.1 million operating loss).

Outlook

The division expects intensive competition in the luxury car segment in the Malaysian premium passenger vehicles market to prevail in 2015.

Nevertheless, the strong demand for new models launched in the second half of 2014 and early 2015, namely the S-Class hybrid, CLA-class, new C-class, GLA-class and E-class hybrid, is expected to boost sales in 2015.

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The Fertilizers Trading Division is a leading fertilizer trader, dealing with a wide range of fertilizers that include muriate of potash (MOP), ammonium sulphate and rock phosphate.

It operates from 14 strategically located warehouse facilities across Malaysia and Indonesia, through Hap Seng Fertilizers Sdn Bhd and PT Sasco Indonesia, respectively.

In 2014, world fertilizer prices stabilised following the aftermath of the turmoil in the potash market in 2013. Whilst MOP prices have moved up, attempts by potash suppliers to push prices back to the pre-turmoil level have been met with strong market resistance.

Supplies of ammonium sulphate from Korea and Taiwan had reduced significantly in 2014 due to weak caprolactam market. However the shortfall was met by additional new production capacity from China.

FERTILIZERS TRADING

Revenue
RM833.1 million

Operating Profit
RM71.1 million

The influx of Chinese ammonium sulphate had inevitably created a more competitive environment.

Operations in Malaysia

During the year, the division recorded a growth in sales volume of 4% to 729,000 tonnes (2013: 701,000 tonnes) on the back of a lower turnover of RM729.5 million (2013: RM861.5 million) as a result of the prevailing weak global fertilizer prices.

Despite the lower revenue, the division continued to lead the East Malaysian fertilizers business segment, by increasing its market share to 35% (2013: 31%). It also continues to be a leading player in the Peninsular Malaysia fertilizer market with market share of 11%.

Operations in Indonesia

The Indonesian operations were scaled down in 2014 in view of the uncertain operating environment arising from the weak Indonesian currency. As a result, its revenue declined to RM103.6 million (2013: RM246.8 million) on the back of sales volume of 133,000 tonnes (2013: 212,000 tonnes).

Division Performance

With a total revenue of RM833.1 million (2013: RM1.1 billion), the division recorded an improved operating profit of RM71.1 million (2013: RM8.2 million operating loss) in 2014. This is due to higher margin achieved for sales from both its Malaysian and Indonesian operations, supported by gains from the sales of non strategic assets.

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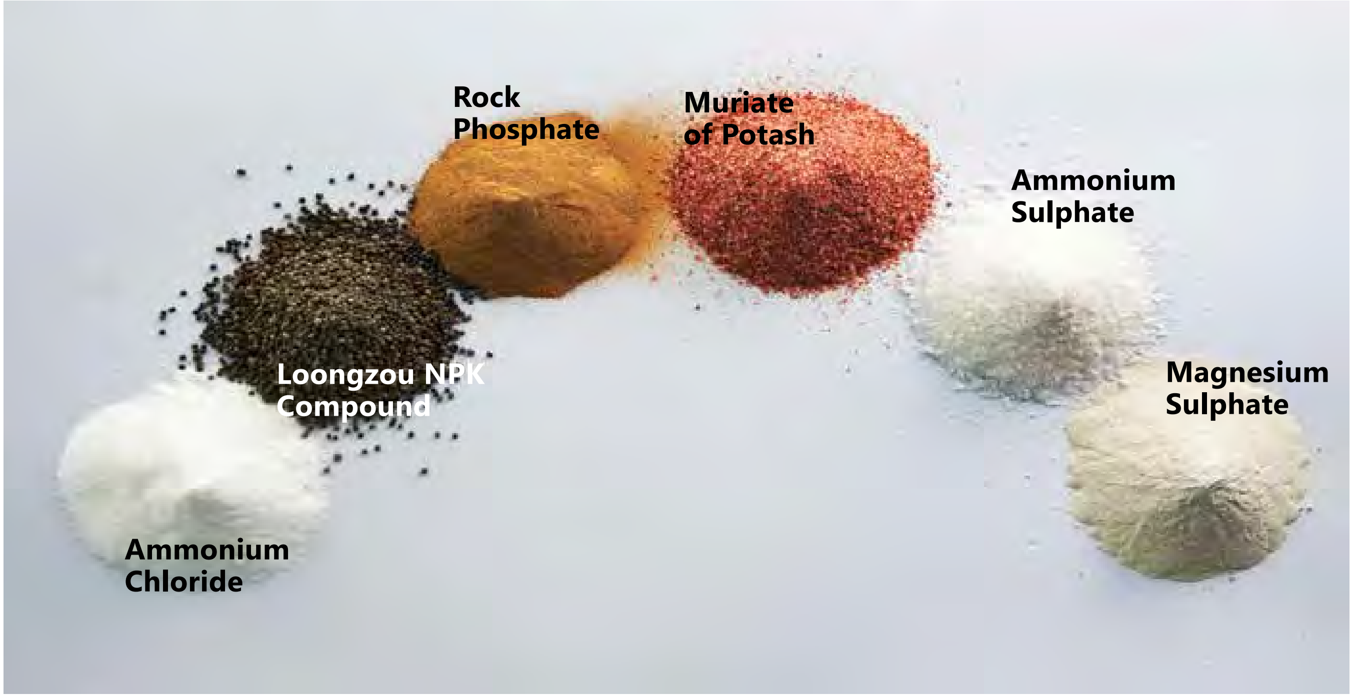
Outlook

The strong US dollar, the slowing growth in the Chinese economy and the falling commodity and oil prices are factors contributing to the uncertainty in the fertilizer market in 2015. With CPO prices having fallen in dollar terms and plantations costs going up, plantations are under considerable pressure to manage their costs.

China dominated the market for nitrogenous fertilizers such as urea and ammonium sulphate in 2014. With the announcement of China rationalising the export tax for urea in 2015, the fertilizer market is expected to benefit from lower prices for nitrogenous fertilizers, bringing some relief to cost pressures for plantations.

The introduction of ammonium chloride as a cheaper alternative source of nitrogen to ammonium sulphate is expected to gain momentum in 2015. With additional source of supplies of nitrogenous fertilizer, the competition for market share is expected to intensify. With the MOP market expected to remain relatively stable compared to the volatility in 2014, the performance of the division remains favourable.



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FERTILIZERS TRADING DIVISION'S OPERATION NETWORK

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QUARRY & BUILDING MATERIALS

The Quarry and Building Materials Division encompasses the quarry and asphalt operations and the brick operations.

The quarry and asphalt operations is the third largest quarry operator in the country, with 11 operating quarries and eight asphalt plants, located in Sabah, Kelantan, Terengganu, Pahang and Johor, with a further two quarries under permitting and construction.

The brick operation is a major clay brick manufacturer in Malaysia. The division has four brick factories – two in Sabah and one each in Johor and Pahang, with a total monthly production capacity of 20 million bricks.

Its main products, consisting common clay bricks, facing bricks, double bricks and clay pavers, are distributed locally and regionally.

Quarry & Asphalt Operations

In FY2014, the division added a new quarry to its operation with the commissioning of the crushing plant in the Seri Alam quarry in November 2014. The Seri Alam quarry is a joint venture strategically located in Bandar Seri Alam, Johor.

With the commissioning of the Seri Alam plant in East Johor, coupled with its existing quarry at Ulu Choh in West Johor, the division can now supply to all areas in the Iskandar development region.

The division recorded aggregate sales of 6.9 million tonnes (2013: 7.1 million tonnes) for FY2014. Asphalt sales for the same period reduced to 330,000 tonnes (2013: 376,000 tonnes).

Revenue
RM370.4
million

Operating Profit
RM16.9
million

REVIEW OF OPERATIONS

The reduced volumes were a result of weaker demand from the east coast of peninsular Malaysia impacted by inclement weather, and the completion of supply to the Sabah Oil and Gas Terminal.

Demand for aggregate and building materials continued to be strong in Johor due to construction activity at the Iskandar development region and the Singapore market.

Brick Operations

During the year, the division continued its focus on improving its operational efficiency. As a result, brick production grew by 9% to 193 million pieces (2013: 176.4 million pieces).

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Sales volume also increased by 19% to 201.7 million pieces (2013: 169.1 million pieces).

Division Performance

In 2014, the division recorded a marginal 2% revenue increase to RM370.4 million (2013: RM364.8 million).

Operating profit however declined to RM16.9 million (2013: RM17.9 million) as a result of start-up and development costs of the new quarries and the cost of growing the Singapore market. Margins were also compressed due to sales mix variance.

Outlook

2015 is expected to see mixed operational conditions across the division's three operating regions. Continued difficult conditions are expected on the east coast of Peninsular Malaysia due to its dependence on government funded projects while lower oil prices are expected to result in government spending reduction.

However, the outlook for Johor is positive with expected private investment associated with the Iskandar development region and increased activity

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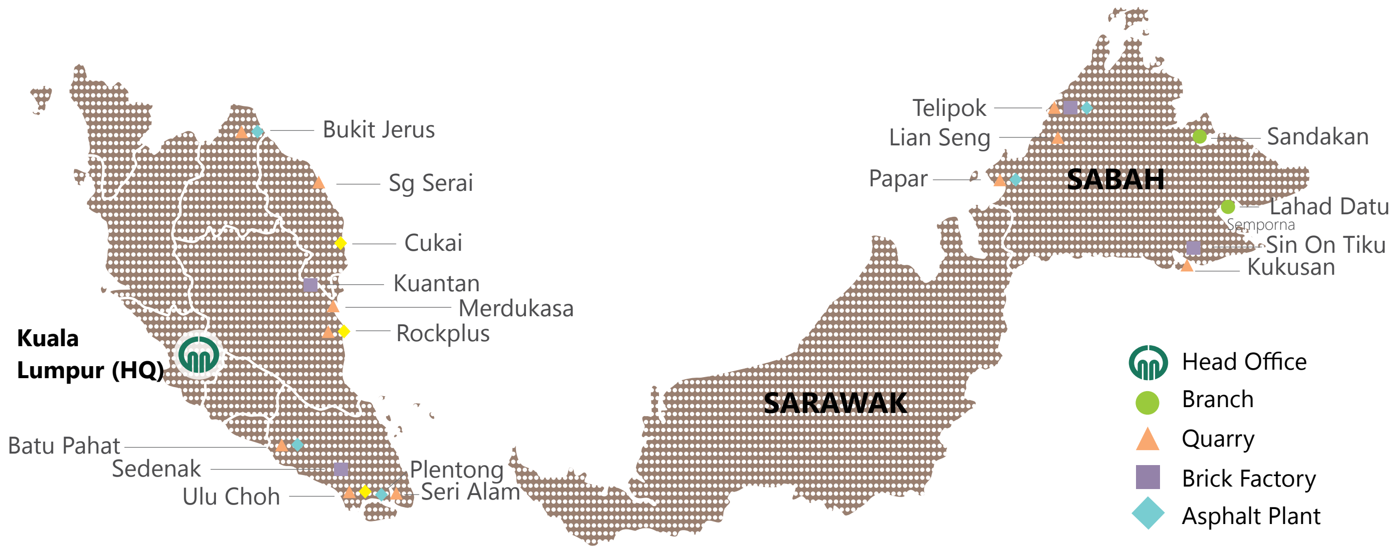
associated with the Petronas RAPID project in Pengerang. Sales to Singapore are also expected to improve in the second half of 2015, while construction activity in Sabah is expected to remain strong on the back of continued private investment and increased government spending associated with projects outlined in Budget 2015.

The division is well poised to meet the expected demand in Johor and Singapore via our two existing quarries, with a full year of operation of our new quarry in Bandar Seri Alam and the commencement of a new quarry at Batu Pahat in the second half of 2015.

QUARRY AND BUILDING MATERIALS DIVISION'S OPERATION NETWORK



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OPERATIONS

TRADING

The Trading Division is a major building material trader in Malaysia, with a network of six branches - four in Sabah, one in Johor and a main office in Petaling Jaya.

Having been in operation as a division since 2013, its product portfolio includes steel bars, cement, tiles, iron and metal, building chemical, interior fitting and various petroleum products.

The division divested its oil and fats trading business as part of its strategy to focus on its core products. In addition, the division placed emphasis on higher margin products and managing its credit risk.

Division Performance

Excluding the revenue in oil and fats trading in 2013 of RM50.3 million, the division's revenue of RM RM445.3 million achieved in 2014 represented an 11.5% growth.

The focus on higher margin products netted positive results with operating profit growth to RM23.9 million (2013: RM6.6 million) which also include gains from the sales of non strategic assets.

Outlook

The division remains optimistic on the opportunities in the trading business and will continue to expand its market presence despite the uncertainties in the property market.

The ongoing implementation of the 10 Malaysia Plan, Economic Transformation Programme (ETP) and Government Transformation Programme (GTP) are expected to spur construction activities.

Revenue
RM445.3
million

Operating Profit
RM23.9
million

STATEMENT ON CORPORATE GOVERNANCE

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

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

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

BOARD OF DIRECTORS

Board Charter

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

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

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

Board Responsibilities

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

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

STATEMENT ON CORPORATE GOVERNANCE

Board Meetings

The directors meet at least 4 times a year. During the financial year ended 31 December 2014, 5 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 at board meetings held during the financial year ended 31 December 2014 is as follows:

Directors	No. of Meetings Attended
Dato' Jorgen Bornhoft	5/5
Datuk Edward Lee Ming Foo, JP	5/5
Mr. Lee Wee Yong	5/5
Ms. Cheah Yee Leng	2/2*
Datuk Simon Shim Kong Yip, JP	5/5
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	5/5
Dato' Mohammed Bin Haji Che Hussein	4/5
Mr. Tan Ghee Kiat	5/5
Mr. Ch'ng Kok Phan	2/2*

* There were 2 board meetings held subsequent to their appointment to the board on 1 June 2014.

Board Composition

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

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

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

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

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

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

Board Diversity

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

Supply of Information

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

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

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

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

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

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

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

Board Committees

Specific responsibilities are delegated to board committees which comprise the audit committee, nominating committee and remuneration committee which shall report to the board regularly. The board committees are limited to making recommendations to the board as the board is not empowered to delegate its decision-making authorities to the board committees. The primary responsibilities of these board committees are approved by the board and are detailed in pages 65 to 74 of this annual report.

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

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

Appointments to the Board

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

The nominating committee has reviewed and is satisfied that:

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

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

- all the directors at the date of this annual report have updated their knowledge and enhance their skills through appropriate continuing education programmes during the financial year ended 31 December 2014;

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

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

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

Reappointment and Re-election of Directors

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

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

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

Directors' Training and Education

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

The directors had during the financial year ended 31 December 2014, evaluated their own training needs on a continuous basis and attended the following programmes:

Directors	Training Programme	Duration
Dato' Jorgen Bornhoft	Malaysia Goods and Services Tax	2 hours
	2014 MASB Roundtable on Financial Reporting	2 hours
	Directors' Continuing Education Programme 2014	1 day
	Enhancing Internal Audit Practice	½ day
	Directors Breakfast Series on "Great Companies deserve great boards"	½ day
	Forbes Global CEO conference	2 days
Datuk Edward Lee Ming Foo, JP	Hap Seng Group GST Readiness Project	2 hours
	Malaysia Goods and Services Tax	2 hours
	HSBC Forum-China Globalising; RMB Rising	1 day
	Where's The Smart Money Going?	½ day
	West-East Corridor – The Future of Energy	1 ½ hour
Mr. Lee Wee Yong	Hap Seng Group GST Readiness Project	2 days
	Malaysia Goods and Services Tax	2 hours
Ms. Cheah Yee Leng	Transaction by Directors & Practical Issues and Solutions	1 day
	All about shares	2 days
Datuk Simon Shim Kong Yip, JP	Malaysia Goods and Services Tax	2 hours
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	PNB Nominee Directors' Convention 2014 – Managing stakeholders' expectations in the fast changing business trends towards value creation	1 day
	Corporate Directors Advanced Programme (CDAP) 2014 Strategy & Risk – Managing Uncertainty	2 days
	Advocacy Sessions on Corporate Disclosure for Directors	½ day
	2014 Audit Committee Conference – Stepping up for better governance	1 day
	Global Competitiveness and the Malaysian Experience	1 day
	CEO Forum 2014 - Surviving the next Global Financial Crisis	1 day
	Appreciation & Application of ASEAN Corporate Governance Scorecard	½ day
	Great Companies deserve Great Boards and Great Boards leading the way for Highly Innovative Companies	1 day
Dato' Mohammed Bin Haji Che Hussein	Malaysia Goods and Services Tax	2 hours
	Risk Management & Internal Control	1 day
Mr. Tan Ghee Kiat	National Tax Conference 2014	2 days
	Accountants and Auditors Duty of Care and The Need to Risk Manage	½ day
	National Tax Seminar 2014	1 day
	IFRS Technical Update 2014/2015	2 days
Mr. Ch'ng Kok Phan	2014 CADA Convention International Forum	1 day

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 2014 is as follows:

Category	Fees RM'000	Salaries and Other Emoluments RM'000	Benefits-in-Kind RM'000	Total Remuneration RM'000
Executive	-	4,424	251	4,675
Non-Executive	645	-	-	645

(ii) The number of directors who received remuneration from the Company for the financial year ended 31 December 2014, and their remuneration including benefits-in-kind are tabulated in the following bands:

Remuneration Range	No. of Directors
Executive Directors	
RM950,001 to RM1,000,000	1
RM1,000,001 to RM1,100,000	-
RM1,100,001 to RM1,150,000	1
RM1,150,001 to RM2,550,000	-
RM2,550,001 to RM2,600,000	1

STATEMENT ON CORPORATE GOVERNANCE

Non-Executive Directors	
RM50,001 to RM100,000	2
RM100,001 to RM150,000	3
RM150,001 to RM200,000	1

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

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

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

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

The Annual General Meeting (AGM)

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

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

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

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

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

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

CODE OF CONDUCT

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

The Code of Conduct covers the following areas:

- **Honesty and Integrity**

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

- **Compliance with Laws**

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

- **Conflict of Interests**

  Directors are to avoid 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 at 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 one hand and to minimise sustainability costs and risks on the other hand.

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

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

STATEMENT ON CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

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

Internal Control

The Group's statement on risk management and internal control is set out on pages 59 to 64 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 65 to 69 of the annual report.

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

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

DATO' JORGEN BORNHOFT
Independent Non-Executive Chairman

DATUK EDWARD LEE MING FOO, JP
Managing Director

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Board is committed to maintaining a sound system of risk management and internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control which outlines the nature of internal control of the Group during the financial year ended 31 December 2014 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 which involve every business units and their respective key management, are designed to meet the Group's needs and to manage the risks to which it is exposed.

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

Towards this end, the Group had, since June 2001, implemented a formal approach towards identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives.

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

Risk Management

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

Members of the Group Risk Management Committee comprise the following:

- Two executive directors, one being the Group Managing Director;
- Group Chief Operating Officer;
- Chief Financial Officer;
- Chief Executives of the various business units;
- Head of Group Internal Audit; and
- Senior manager overseeing the risk management function.

The Group Managing Director assumes the role of Chairman of the Committee while the Chief Executives lead the risk management function of the various business units.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Risk Management (continued)

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

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

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

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

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

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

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

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

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

Internal Control

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

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

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

- Clearly defined delegation of responsibilities to committees of the 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 in accordance with the approved internal audit plan by Audit Committee which monitor compliance with procedures and assess the integrity of financial information.

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

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

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

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

- Review of business processes to assess the effectiveness of internal controls by the Internal Audit Department and the highlighting of significant risks impacting the Group by the head of Internal Audit to the Audit Committee. Annual internal audit plan is reviewed by the Audit Committee.

- In the presence of the Group Managing Director, Group Finance Director and Chief Financial Officer for the purpose of ascertaining the state of internal control and to obtain assurance of the internal control system as to its effectiveness and adequacies in all material aspects, the Audit Committee reviews and holds discussion on significant internal control issues identified in reports prepared by the Internal Audit Department.

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Internal Audit Function

The Group has an in-house Internal Audit Department which is independent of the activities or operations of other operating units in the Group, which provides the Audit Committee and the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control.

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

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

The head of Internal Audit has direct access to the Chairman of the Audit Committee and whenever deemed necessary, meets with the Audit Committee without the management being present.

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

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

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

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

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

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

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

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

- Issued a total of 39 internal audit reports to the Audit Committee on the major business units 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 2014 was approximately RM3.0 million.

Other Risks and Control Processes

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

The Board is also supported by Board Committees with specific delegated responsibilities. These Committees have the authority to examine all matters within their scope and responsibilities, as provided in the Board Charter, and report to the Board with their recommendations. (For more details on the various Committees, please refer to pages 65 to 74 in this annual report).

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

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

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

CONCLUSION

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

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 2014, 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*
Datuk Simon Shim Kong Yip, JP	*(Non-Independent Non-Executive Director)*
Dato' Mohammed Bin Haji Che Hussein	*(Independent Non-Executive Director)*
Mr. Tan Ghee Kiat	*(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 his/her independent judgment.

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

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

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

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

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

Attendance at Meetings

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

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

Frequency of Meetings

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

BOARD COMMITTEES

During the financial year ended 31 December 2014, 4 meetings were held. The details of directors' attendance at these meetings are as follows:

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

The details of training programmes attended by the above directors are tabulated on page 52 of the annual report.

Proceedings of Meetings

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

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

Scope of Authority

- The chairman of the audit committee may engage on a continuous basis with the 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 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 internal audit function.
- To consider and approve the remit of the internal audit function and to ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards, particularly to ensure that the internal audit function has adequate standing and is free from management or other restrictions.
- To review and assess the annual internal audit master plan.
- To review promptly all reports on the Group from the internal auditors.
- To review and monitor the management's response to the findings and recommendations of the internal auditors.
- To meet the head of the internal audit whenever deemed necessary, to discuss their remit and any issues arising from the internal audits carried out without the presence of the management. The head of internal audit shall be given the right of direct access to the chairman of the board and to the committee.
- To consider and make recommendations to the board in relation to the appointment, reappointment or removal of the Company's external auditors, so that the same could be put to shareholders for approval at the annual general meeting.
- To oversee the selection process of new auditors and if an auditor resigns, to investigate the issues leading to the resignation.

BOARD COMMITTEES

Primary Responsibilities of the Audit Committee (continued)

- 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 the presence of the management, to discuss their remit and any issues arising from the audit, including the adequacy of the assistance given by the employees of the Company to the external auditors.

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

Review of the Audit Committee

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

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

Reporting Procedures

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

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

Reporting of Breaches to the Exchange

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

Summary of Audit Committee Activities during the financial year ended 31 December 2014

The activities of the audit committee during the financial year ended 31 December 2014 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 23 internal audit reports covering the processes of the Group's business units and is satisfied with the recommendations and actions by the management in addressing the issues highlighted.
- Reviewed annual audit plans of the Group and Company with the external auditors and recommendation of their audit fees to the board.
- Discussed the annual audited financial statements of the Group with the external auditors and noted the salient features and key findings from the external auditors.
- Reviewed the annual audited financial statements and recommended to the board for approval.
- The audit committee held 2 separate independent meetings with the external auditors in the absence of the executive board members and management representatives during which the external auditors informed that they had received full co-operation from the management as well as unrestricted access to all information required for purpose of their audit and there were no special audit concerns to be highlighted to the audit committee.
- Reviewed the suitability and independence of external auditors and have received written assurance from external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- Reviewed the Group's quarterly report prepared in compliance with Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" and chapter 9 of the Listing Requirements prior to submission to the board for consideration and approval where the chairman of the audit committee will brief the board on the pertinent points and the recommendations of the audit committee.
- Reviewed and considered the disclosure of related party transactions in the financial statements and the recurrent related party transactions circular to shareholders.
- Received and reviewed the comprehensive risk management report from the group risk management committee and is satisfied with the assessment therein.
- Reviewed and recommended to the board the statement on risk management and internal control for approval and inclusion in the annual report.

BOARD COMMITTEES

REMUNERATION COMMITTEE

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

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

Terms of Reference of Remuneration Committee

Membership

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

Frequency of Meetings

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

Attendance at Meetings

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

Proceeding of Meetings

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

Reporting Procedure

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

Scope of Authority

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

Interest of Remuneration Committee Members

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

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

Primary Responsibilities of Remuneration Committee

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

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

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

Summary of Activities

- To review and note the remuneration policy of the Group together with the industry forecast for 2014/2015 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 2014 and their respective proposed increments for the financial year commencing from 1 January 2015.

- To note the key performance indicators of the Groups' business divisions for the financial year ending 31 December 2015.

BOARD COMMITTEES

NOMINATING COMMITTEE

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

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

Terms of Reference of Nominating Committee

Membership

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

- The chairman of the committee is also the senior independent director of the Company.

Frequency of Meetings

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

Attendance at Meetings

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

Proceeding of Meetings

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

- In the absence of the chairman, the nominating committee shall appoint one of the independent non-executive members present to chair the meeting.

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

Reporting Procedure

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

Scope of Authority

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

Primary Responsibilities of Nominating Committee

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

- To annually evaluate performance of the board and board committees collectively as well as performance of members individually.

- To facilitate board induction and training programmes.

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

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

- To monitor and recommend the functions to be undertaken by the various board committees.

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

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

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

BOARD COMMITTEES

Summary of Activities

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

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

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

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

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

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

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

- Evaluated the performance of the following non-executive directors and executive director standing for reappointment and/or re-election at the forthcoming annual general meeting:
  (i) Dato' Jorgen Bornhoft on his reappointment pursuant to section 129(6) of the Companies Act, 1965;
  (ii) Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan on his re-election pursuant to article 97 of the Company's articles of association;
  (iii) Dato' Mohammed Bin Haji Che Hussein on his re-election pursuant to article 97 of the Company's articles of association;
  (iv) Ms. Cheah Yee Leng on her re-election pursuant to article 103 of the Company's articles of association; and
  (v) Mr. Ch'ng Kok Phan on his re-election pursuant to article 103 of the Company's articles of association.

- Recommended the appointment of Ms. Cheah Yee Leng as an executive director and Mr. Ch'ng Kok Phan as a non-independent non-executive director of the Company on 1 June 2014.

SUSTAINABLE FUTURE

ENVIRONMENT

COMMUNITY

WORKPLACE

CORPORATE SOCIAL RESPONSIBILITY

Hap Seng Consolidated Berhad (Hap Seng Group) CSR approach is for the business units to learn and replicate good shared value practices from each other. The Group is vigilant to ensure that we run our business ethically in an environmentally and socially responsible manner.

Our listed subsidiary, Hap Seng Plantations Holdings Berhad, has embarked on its inaugural Global Reporting Initiative (GRI) 4-based sustainability report which is scheduled to be published by the third quarter of 2015.

ENVIRONMENT

Hap Seng Group recognises the importance of long-term sustainability and has since formulated conscientious policies and programmes that focus on balancing our social-economic achievements with our environmental concerns.

The key principle behind these policies and programmes is to seek a balance to the preservation of our environment while creating value for our stakeholders – a win-win situation.

Global Sustainable Accreditation for Hap Seng Plantations

Our plantation division has always been geared towards sustainable practices. This is evidenced by our long-standing implementation of good agricultural practices, including a strict zero-burning policy for new plantings and replanting as well as addressing concerns over climate change and carbon emission.

In the past ten years, sustainability has become an organisational priority and we have gradually realigned our sustainability strategy towards the guidelines set out in the Roundtable on Sustainable Palm Oil (RSPO). By end of 2015, all our mills are expected to be RSPO certified.

Hap Seng Plantations has also embarked on obtaining the EU's International Sustainability & Carbon Certification (ISCC) in 2014. Bukit Mas Palm Oil Mill and its supplying estates were the first of our palm oil mills to obtain ISCC EU certification in January 2015.

ISCC is a leading scheme for sustainability and Green House Gas (GHG) emissions audit and demonstrate compliance with EU Renewable Energy Directive (RED) requirement.

With the ISCC and RSPO, we will be able to meet sustainability requirements in the bio-energy markets and demonstrate the sustainability and traceability of raw materials for food, feed and chemical industry.

Hap Seng Land's Green Developments

Our property developments in the Klang Valley are based on the Kuala Lumpur City Structure Plan 2020, aimed at transforming Kuala Lumpur into a green city by 2020. All our new developments in the Klang valley comply with Malaysia's Green Building Index (GBI).

Project	Location	Sustainability status	Completion timeline
Menara Hap Seng 2	Jalan P. Ramlee	GBI certification	2014
The Horizon Residence	Jalan Tun Razak	GBI certification	In progress
Nadi Bangsar Service Residence	Jalan Tanduk	GBI certification	In progress

COMMUNITY

Hap Seng Group believes that businesses that take an active interest in the well being of its stakeholders can generate their support, loyalty and good will. As such, we have developed programmes and activities that have enabled us to constantly engage with our stakeholders to develop and maintain strong and mutually beneficial relationships.

Volunteerism – the making of caring employees

This year, our community-based CSR programmes and activities focused on inculcating the spirit of volunteerism within our employees by encouraging them to volunteer their 'Time or Talent or Treasure' (Money) – 3Ts of volunteerism.

The seeding of volunteerism created an opportunity for our employees to start actively participating in community welfare. This is one of the activities towards building a culture of helping and forging a stronger bond with our communities in areas we live and operate.

CORPORATE SOCIAL RESPONSIBILITY

Hap Seng Group with "Stop Hunger Now"

Led by James Lee, our Group Finance Director and Puan Sri Maimon Arif Patail, our CSR Director, Hap Seng Group's volunteers contributed to one of the largest charity meal-packing events in the history of Rotary Club in Malaysia – a massive 240,000 meals within six hours.

Out of the total 600 volunteers, 147 volunteers were from Hap Seng Group who came together at Sunway Pyramid Shopping Mall on 28 June 2014 to pack dry meals for distribution to homes and orphanages.

In total, Hap Seng group's volunteers packed a total of 58,800 meals for the day, with each individual bag serving up to six people.

Philanthropy

Hap Seng Group Helps Raise Fund for Charity

During the year, Hap Seng Group initiated a CSR campaign "Help Raise Fund – Donate your preloved items" to encourage teamwork and volunteerism among its employees.

The campaign commenced on 10 November 2014 until 10 December 2014, with specially designed donation boxes placed at Menara Hap Seng, Balakong Autohaus, Kinrara Autohaus and Malaysian Mosaic Sdn Bhd (MMSB) office in Petaling Jaya.

With the help from fellow volunteers, 40 boxes of items, comprising books, toys and clothings were delivered to Islamic Malaysia Charity Shoppe (IRM) and Salvation Army on 20 December 2014.

At the Hap Seng Building Materials Holdings Sdn Bhd's annual Hap Seng Golf & Charity Dinner, the business division raised RM520,000. The 2014 event was held at Kuala Lumpur Golf & Country Club (KLGCC) on 14 March 2014.

This event forms one of the main philanthropic events held in our effort to help charities in Malaysia. The proceeds from the event were channelled to 17 selected charity organisations throughout Malaysia. The charities were Crisis Care Home, FMDM Educare Centre, Malaysian Association Of Guardians For The Intellectually

Challenged, Rumah Ozanam Klang, Breast Cancer Welfare Association Malaysia, Rumah Kanak-Kanak Angels Kuala Lumpur, Pertubuhan Kebajikan Ann's Cottage, Pertubuhan Wanita Dan Kesihatan Kuala Lumpur, Praise Emmanuel Children's Home, Pusat Kanak-Kanak Terencat Akal Bahagia, Reach Out Charitable Society, Klinik Puchong Indah Seroja, Rumah Kanak-Kanak Impian, Persatuan Rumah Kebajikan Warga Tua Rita, Touch Learning Centre, Persatuan H.O.P.E Luyang and Persatuan H.O.P.E Keningau.

The Group participated to the tune of RM30 million to a Community Chest programme that funds educational activities in Malaysia.

WORKPLACE

Hap Seng Group recognises its talent and diverse workforce as a key competitive advantage. Our business success is a reflection of the quality and skill of our people. It is committed to seeking out and retaining the finest human talent to ensure top business growth and performance.

Diversity management benefits individuals, teams, our company as a whole, and our customers. We recognise that each employee brings their own unique capabilities and experiences to their work. We value such diversity at all levels of the company in all that we do.

SAFETY AND HEALTH FOCUS FOR 2014

In our passion for positive change, the focus for Hap Seng Group's drive under the Workplace CSR initiative in 2014 was aimed at developing a safe and healthy culture in the workplace. This beneficial and forward looking programme would inevitably resulted in the promotion and uplifting of safety and health matters in the workplace.

The inaugural Group Safety and Health officers (SHO) Conference was organised in October 2014. Participants comprising Safety and Health Officers from Hap Seng Group were exposed to the Best Practices in Management system, in Occupational Safety and Health (MSOSH), as well as a site visit to SIRIM. This was followed by the establishment of the Menara Hap Seng Health and Safety Committee in November 2014.

A series of safety awareness trainings involving external trainers were also organised by both Hap Seng Plantations and Hap Seng Building Materials in Lahad Datu and Kota Kinabalu.

CORPORATE SOCIAL RESPONSIBILITY

Hap Seng Group's Health Awareness Drive Attract more than 1,000 visitors

Integral to the safety and health theme under the Workplace CSR initiative for 2014, Hap Seng Group also conducted a health awareness programme which was held from 9 – 13 June 2014. The event attracted more than 1,000 participants to the various health awareness activities.

Held at Menara Hap Seng, the focus of the event was to bring health awareness to Hap Seng Group's staff, tenants in Menara Hap Seng as well as visitors frequenting Menara hap Seng.

The activities included free health screening provided by Usana Health Science (Liver, Lung, Cardiovascular, and Body toxin & bone density), Institut Jantung Negara (Blood pressure, blood glucose & cholesterol), Jatomi (BMI for fitness) and Skin Club (skin analysis).

Five health talks were conducted including traditional alternative medicine. Other activities included a counter for the sales of healthy organic products as well as membership to a health club.

Awareness is critical as it provides a positive influence to the audience by educating them on the importance of maintaining good health. Topping the health week was the blood donation drive held on the last two days of the Health week.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014.

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 2014 are as follows:

	Group RM'000	Company RM'000
Profit before tax	1,024,625	331,591
Tax expense	(208,299)	(7,156)
Profit for the year	**816,326**	**324,435**
Attributable to:		
Owners of the Company	753,467	324,435
Non-controlling interests	62,859	-
Profit for the year	**816,326**	**324,435**

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.

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.

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;

WARRANTS (CONTINUED)

(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 2014	345,041,380
Exercised during the year	(81,070,561)
As of 31 December 2014	263,970,819
Exercised subsequent to 31 December 2014	(8,640,735)
As of 16 April 2015	255,330,084

During the financial year, a total of 81,070,561 warrants were exercised and the issued and paid-up share capital of the Company increased to RM2,226,779,481 comprising 2,226,779,481 ordinary shares of RM1.00 each. As of 31 December 2014, 263,970,819 warrants remained unexercised.

Subsequent to the end of the financial year and up to the date of this report, 8,640,735 warrants were exercised which resulted in 8,640,735 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 RM2,235,420,216 comprising 2,235,420,216 ordinary shares of RM1.00 each. As of 16 April 2015, 255,330,084 warrants remained unexercised.

TREASURY SHARES

During the extraordinary general meeting of the Company held on 28 May 2014, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 80,300,100 shares at the cost of RM283,756,178. All repurchases of shares were financed by the Company's internally generated funds.

During the financial year, 60,000,000 treasury shares at the cost of RM115,236,000 were cancelled and 135,148,800 treasury shares were resold at average net resale price of RM3.64 per share including transaction costs. Total net consideration received from the resale was RM492,369,195.

At 31 December 2014, the Company held 89,182,400 treasury shares.

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
As of 1 January 2014	204,031,100	378,735,474	1.86
Repurchased during the year	80,300,100	283,756,178	3.53
Cancelled during the year	(60,000,000)	(115,236,000)	1.92
Resold during the year	(135,148,800)	(299,449,196)	2.22
As of 31 December 2014	89,182,400	247,806,456	2.78

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.

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 2014

MATERIAL LITIGATIONS

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

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2014:	
- First interim dividend of 10.0 sen per share under the single tier system approved by the Board of Directors on 28 May 2014 and paid on 22 July 2014	199,984
- Second interim dividend of 15.0 sen per share under the single tier system approved by the Board of Directors on 26 November 2014 and paid on 23 December 2014	323,600
	523,584

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2014.

No dividend is payable for treasury shares held or cancelled.

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
Cheah Yee Leng (appointed on 1 June 2014)
Ch'ng Kok Phan (appointed on 1 June 2014)

DIRECTORS' INTERESTS

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

Name of director	Number of ordinary shares of RM1.00 each			
	As at 1.1.2014/ date of appointment	Acquired	Sold	As at 31.12.2014
Hap Seng Consolidated Berhad				
Dato' Jorgen Bornhoft	130,000	-	-	130,000
Dato' Mohammed Bin Haji Che Hussein	288,000	^ 48,000	(200,000)	136,000
Hap Seng Plantations Holdings Berhad, a listed subsidiary				
Dato' Jorgen Bornhoft	10,000	-	-	10,000
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	5,000	-	-	5,000
Cheah Yee Leng	-	5,000	-	5,000

Name of director	Number of warrants			
	As at 1.1.2014	Acquired	Exercised	As at 31.12.2014
Hap Seng Consolidated Berhad				
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' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

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.

HOLDING COMPANY

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONTINUED)

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

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

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

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

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

(f) In the opinion of the directors:

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

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

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 April 2015.

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 94 to 215 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 2014 and of their financial performance and cash flows for the year then ended.

The information set out in Note 42 to the financial statements on page 216 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 16 April 2015.

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 94 to 216 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 16 April 2015

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
(INCORPORATE 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 2014 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 94 to 215.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 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

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 42 to the financial statements on page 216 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
16 April 2015

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Non-current assets					
Property, plant and equipment	4	1,071,865	1,047,228	1,391	2,052
Biological assets	5	441,031	436,030	-	-
Investment properties	6	1,011,578	712,076	-	-
Investment in subsidiaries	7	-	-	2,121,143	2,056,205
Investment in associates	8	381,597	376,252	73,930	78,667
Land held for property development	9	368,200	358,301	-	-
Goodwill	10	36,736	36,736	-	-
Trade and other receivables	11	1,111,992	1,021,468	-	-
Other non-current financial assets	12	46,802	41,434	-	-
Deferred tax assets	19	12,594	13,010	-	-
		4,482,395	4,042,535	2,196,464	2,136,924
Current assets					
Inventories	13	533,890	487,223	-	-
Property development costs	14	658,616	614,148	-	-
Trade and other receivables	11	1,527,807	1,307,391	802,885	722,482
Tax recoverable		17,224	24,142	-	-
Other current financial assets	12	64,878	10	-	-
Money market deposits		183,690	50,196	72,456	50,196
Cash and bank balances	15	317,068	582,464	60,854	238,622
		3,303,173	3,065,574	936,195	1,011,300
Total assets		7,785,568	7,108,109	3,132,659	3,148,224

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Equity attributable to owners of the Company					
Share capital	20	2,226,779	2,205,709	2,226,779	2,205,709
Reserves	21	1,972,802	1,526,900	1,147,294	1,156,062
		4,199,581	3,732,609	3,374,073	3,361,771
Less: Treasury shares	20	(247,806)	(378,735)	(247,806)	(378,735)
		3,951,775	3,353,874	3,126,267	2,983,036
Non-controlling interests		433,867	414,913	-	-
Total equity		4,385,642	3,768,787	3,126,267	2,983,036
Non-current liabilities					
Borrowings	18	735,070	942,177	-	-
Deferred tax liabilities	19	183,235	176,391	23	13
Other payables	16	5,249	6,014	-	-
		923,554	1,124,582	23	13
Current liabilities					
Trade and other payables	16	526,624	441,006	4,511	3,891
Provisions	17	2,955	5,441	-	-
Tax payable		62,991	51,446	1,858	850
Borrowings	18	1,883,802	1,556,396	-	-
Other current financial liabilities	12	-	17	-	-
Dividend payable		-	160,434	-	160,434
		2,476,372	2,214,740	6,369	165,175
Total liabilities		3,399,926	3,339,322	6,392	165,188
Total equity and liabilities		7,785,568	7,108,109	3,132,659	3,148,224

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

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2014

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	22	3,768,049	3,486,747	403,113	291,983
Cost of sales	22	(2,682,148)	(2,770,894)	-	-
Gross profit		1,085,901	715,853	403,113	291,983
Other operating income		323,511	65,755	32,230	29,933
Distribution costs		(100,157)	(96,684)	-	-
Administrative expenses		(198,891)	(198,640)	(16,696)	(19,055)
Other operating expenses		(20,217)	(39,461)	(661)	(694)
Operating profit	23	1,090,147	446,823	417,986	302,167
Finance costs	26	(79,958)	(74,564)	-	-
Other non-operating items	27	-	415,508	(86,395)	153,500
Share of results of associates		14,436	13,814	-	-
Profit before tax		1,024,625	801,581	331,591	455,667
Tax expense	28	(208,299)	(165,739)	(7,156)	(6,743)
Profit for the year		816,326	635,842	324,435	448,924
Profit attributable to:					
Owners of the Company		753,467	588,257	324,435	448,924
Non-controlling interests		62,859	47,585	-	-
		816,326	635,842	324,435	448,924
Earnings per share (sen)					
Basic	29	36.67	28.70		
Diluted	29	34.30	27.84		

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 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit for the year	816,326	635,842	324,435	448,924
Other comprehensive income/(expense), net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	5,388	(2,575)	-	-
Share of foreign currency translation differences of associates	3,077	(266)	-	-
Change in fair value of cash flow hedge	4,155	(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)	-	-
	12,620	(13,209)	-	-
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment upon transfer of properties to investment properties	13,251	1,176	-	-
Total other comprehensive income/(expense) for the year, net of tax	25,871	(12,033)	-	-
Total comprehensive income for the year, net of tax	842,197	623,809	324,435	448,924
Total comprehensive income attributable to:				
Owners of the Company	779,338	576,224	324,435	448,924
Non-controlling interests	62,859	47,585	-	-
	842,197	623,809	324,435	448,924

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to Owners of the Company							
		Reserves						
	Share capital RM'000	Non-distributable RM'000	Distributable Retained profits RM'000	Total RM'000	Treasury shares RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group								
At 1 January 2013	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)
Change in fair value of 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)
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	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 interests	-	-	-	-	-	-	(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 2014

	Attributable to Owners of the Company							
		Reserves						
	Share capital RM'000	Non-distributable RM'000	Distributable Retained profits RM'000	Total RM'000	Treasury shares RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group								
At 1 January 2014	2,205,709	122,809	1,404,091	1,526,900	(378,735)	3,353,874	414,913	3,768,787
Profit for the year	-	-	753,467	753,467	-	753,467	62,859	816,326
Foreign currency translation differences for foreign operations	-	5,388	-	5,388	-	5,388	-	5,388
Share of foreign currency translation differences of associates	-	3,077	-	3,077	-	3,077	-	3,077
Change in fair value of cash flow hedge	-	4,155	-	4,155	-	4,155	-	4,155
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	13,251	-	13,251	-	13,251	-	13,251
Total other comprehensive income for the year	-	25,871	-	25,871	-	25,871	-	25,871
Total comprehensive income for the year	-	25,871	753,467	779,338	-	779,338	62,859	842,197
Exercise of warrants	81,070	52,697	-	52,697	-	133,767	-	133,767
Changes in ownership interest in subsidiaries	-	-	(233)	(233)	-	(233)	6,335	6,102
Purchase of treasury shares	-	-	-	-	(283,756)	(283,756)	-	(283,756)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	-	(728)	(728)
Resale of treasury shares	-	192,920	-	192,920	299,449	492,369	-	492,369
Cancellation of treasury shares	(60,000)	34,958	(90,194)	(55,236)	115,236	-	-	-
Dividends (Note 30)	-	-	(523,584)	(523,584)	-	(523,584)	-	(523,584)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(49,512)	(49,512)
At 31 December 2014	2,226,779	429,255	1,543,547	1,972,802	(247,806)	3,951,775	433,867	4,385,642
	Note 20			Note 21	Note 20			

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

		Reserves							
		Non-distributable				Distributable			
	Share Capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Warrant reserve RM'000	Other reserve RM'000	Retained profits RM'000	Total RM'000	Treasury shares RM'000	Total equity RM'000
Company									
At 1 January 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/ 1 January 2014	2,205,709	15,191	66,267	46,580	(30,973)	1,058,997	1,156,062	(378,735)	2,983,036
Profit for the year	-	-	-	-	-	324,435	324,435	-	324,435
Exercise of warrants	81,070	63,641	-	(10,944)	-	-	52,697	-	133,767
Purchase of treasury shares	-	-	-	-	-	-	-	(283,756)	(283,756)
Resale of treasury shares	-	192,920	-	-	-	-	192,920	299,449	492,369
Cancellation of treasury shares	(60,000)	(25,042)	60,000	-	-	(90,194)	(55,236)	115,236	-
Dividends (Note 30)	-	-	-	-	-	(523,584)	(523,584)	-	(523,584)
At 31 December 2014	2,226,779	246,710	126,267	35,636	(30,973)	769,654	1,147,294	(247,806)	3,126,267
	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 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from operating activities				
Profit before tax	1,024,625	801,581	331,591	455,667
Adjustments for:				
Depreciation of property, plant and equipment	82,712	79,985	661	694
Property, plant and equipment written off	975	8,051	-	-
Investment properties written off	124	530	-	-
Biological assets written off	460	243	-	-
Loss on held for trading equity instruments at fair value	1,565	-	-	-
Gains from fair value adjustments of investment properties	(189,437)	(28,771)	-	-
Impairment loss on investment in an associate	-	5,971	4,737	2,500
Impairment loss on investment in subsidiaries	-	-	81,658	-
Net inventories written down	4,275	21,975	-	-
Net impairment loss on trade and other receivables	5,608	3,156	-	-
Bad debts written off	-	167	-	-
(Reversal of)/additional provisions	(2,486)	2,151	-	-
Gain on disposal of property, plant and equipment	(96,284)	(767)	-	(65)
Gain on disposal of investment properties	(760)	-	-	-
Gain on disposal of held for trading equity instruments	-	(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	79,958	74,564	-	-
Interest income	(12,360)	(9,360)	(29,129)	(28,769)
Dividend income	(4,243)	(1,334)	(405,422)	(292,179)
Share of results of associates	(14,436)	(13,814)	-	-
Operating profit/(loss) before changes in working capital carry forward	880,296	522,025	(15,904)	(18,152)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Operating profit/(loss) before changes in working capital brought forward	880,296	522,025	(15,904)	(18,152)
Changes in working capital:				
Inventories	(39,753)	15,635	-	-
Property development costs	3,724	(113,600)	-	-
Loan receivables	(231,289)	(155,637)	-	-
Receivables	(73,073)	(17,007)	(80,403)	(59,029)
Payables	65,174	35,977	620	(17)
Provisions	-	(10)	-	-
Cash flows generated from/(used in) operations	605,079	287,383	(95,687)	(77,198)
Income tax paid	(192,596)	(122,419)	(6,138)	(5,715)
Income tax refunded	10,265	7,311	-	-
Interest paid	(79,958)	(74,564)	-	-
Interest received	12,360	9,360	29,129	28,769
Additions to land held for property development	(58,091)	(35,165)	-	-
Net cash flows generated from/(used in) operating activities	297,059	71,906	(72,696)	(54,144)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	147,905	10,270	-	65
Proceeds from disposal of investment properties	6,658	-	-	-
Proceeds from disposal of held for trading equity instruments	-	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	6,100	10,030	-	-
Redemption of preference shares by subsidiaries	-	-	6,000	201,000
Dividends received from subsidiaries	-	-	399,445	288,191
Dividends received from associates	12,168	20,736	3,668	3,736
Dividends received from available-for-sale equity instruments	1,200	1,200	-	-
Dividends received from money market deposits	3,043	196	2,309	196
Purchase of property, plant and equipment	(130,353)	(176,323)	-	(567)
Purchase of held for trading equity instruments	(34,577)	(40,989)	-	-
Purchase of available-for-sale equity instruments	(12)	-	-	-
Additions to biological assets	(5,461)	(7,475)	-	-
Additions to investment properties	(131,947)	(86,689)	-	-
Increase in money market deposits	(133,494)	(50,196)	(22,260)	(50,196)
Increase in investment in subsidiaries	-	-	(152,596)	(88,940)
Net cash flows (used in)/generated from investing activities	(258,770)	306,662	236,566	576,579

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from financing activities				
Dividends paid	(684,018)	(288,430)	(684,018)	(288,430)
Dividends paid to non-controlling interests	(49,512)	(29,655)	-	-
Shares repurchased at cost	(284,484)	(256,685)	(283,756)	(256,674)
Proceeds from issuance of shares pursuant to the exercise of warrants	133,767	31,919	133,767	31,919
Proceeds from resale of treasury shares	492,369	-	492,369	-
Net drawdown of borrowings	92,877	220,390	-	-
Net cash flows used in financing activities	(299,001)	(322,461)	(341,638)	(513,185)
Net (decrease)/increase in cash and cash equivalents	(260,712)	56,107	(177,768)	9,250
Effects on exchange rate changes on cash and cash equivalents	956	651	-	-
Cash and cash equivalents as at 1 January	573,548	516,790	238,622	229,372
Cash and cash equivalents as at 31 December (Note 15)	313,792	573,548	60,854	238,622

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 April 2015.

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 January 2014.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

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

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

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

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

Amendments to FRS 10: Consolidated Financial Statements and FRS 128: Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution to an associate of a joint venture of assets that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after 1 January 2016. Earlier adoption is permitted.

<u>FRS 9 Financial instruments</u>

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

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

<u>Malaysian Financial Reporting Standards ["MFRS"]</u>

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the MFRS framework, to be adopted by non-private entities for annual periods beginning on or after 1 January 2012. However, adoption of the MFRS framework by entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venture ["Transitioning Entities"] will only be mandatory for annual periods beginning on or after 1 January 2017.

The Group falls within the definition of Transitioning Entities and is currently exempted from adopting the MFRS framework. Accordingly, the Group's financial statements for annual period beginning on 1 January 2017 will be prepared in accordance with the MFRS and International Financial Reporting Standards. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has not completed its quantification of the financial effects arising from the change from FRS to MFRS. Accordingly, the consolidated financial statements for the years ended 31 December 2013 and 2014 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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full. Intra-group losses may indicate an impairment that requires recognition in the consolidated financial statements. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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

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

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

2. 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. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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

(c) Foreign operations

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

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

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

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

Depreciation

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

Leasehold land	26 to 999 years
Buildings	10 to 50 years
Roads and infrastructure	10 to 33 years
Plant and equipment	
- Plant and machinery	4 to 20 years
- Office equipment, furniture, fixtures and fittings	3 to 10 years
- Motor vehicles	4 to 7 years

Leasehold land with unexpired period of less than 50 years is classified as short term leasehold land.

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.

Disposal of property, plant and equipment

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

2. 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.

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

2.9 Investment properties

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment properties (continued)

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 internally appraised. Fair value is arrived at by reference to market evidence of transaction prices for similar properties. Each IPUC is individually assessed.

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

2.10 Investment in subsidiaries

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

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment in associates (continued)

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 and is not tested for impairment individually. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's 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, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets

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

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

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

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

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (continued)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of financial assets (continued)

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

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

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

(b) Unquoted equity securities carried at cost

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

2.17 Inventories

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Property development costs

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

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

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

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

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

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

2.19 Money market deposits

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

2.20 Cash and cash equivalents

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

2.21 Provisions

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition

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

(a) Dividend income

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Sale of goods and services

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

Revenue from services is recognised when the services is rendered.

(d) Rental income

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

(e) Hire purchase, finance lease and loan receivables

Income on hire purchase and finance leases is recognised using the "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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 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.

2.24 Leases

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

(a) Group as a lessor

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

(b) Group as a lessee

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Income tax

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Income tax (continued)

(b) Deferred tax (continued)

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Financial liabilities

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

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

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

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

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

(b) Other financial liabilities

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 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.

2.28 Hedge accounting

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Hedge accounting (continued)

Fair value hedges

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.

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.

2.29 Share capital and share issuance expenses

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 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.

2.31 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.

2.32 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.

2.33 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.34 Current versus non-current classification

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

An asset as current when it is:

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;

(ii) held primarily for the purpose of trading;

(iii) expected to be realised within twelve months after the reporting period; or

(iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) it is expected to be settled in normal operating cycle;

(ii) it is held primarily for the purpose of trading;

(iii) it is due to be settled within twelve months after the reporting period; or

(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.35 Fair value measurement

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

(i)	Disclosures for valuation methods, significant estimates and assumptions	- Note 3, 35(a) and 35(b)
(ii)	Financial instruments (including those carried at amortised cost)	- Note 35(a)
(iii)	Quantitative disclosures of fair value measurement hierarchy	- Note 35(b)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Judgements made in applying accounting policies

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

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

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

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

(b) Material litigations

The Group determines whether a present obligation in relation to a material litigation exists at the reporting date by taking into account all available evidence, including the opinion of its solicitors and subsequent events after the reporting date. On the basis of such evidence, the Group evaluates if a provision needs to be recognised in the financial statements. Further details of the material litigations involving the Group are disclosed in Note 34.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty

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

(a) Useful lives of property, plant and equipment

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

(b) Fair value on investment properties

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

(c) Write-down of inventories

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

(d) Property development

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(d) Property development (continued)

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 14.

(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 11. As at 31 December 2014, the allowance for impairment of the Group is RM18,382,000 (2013: RM17,761,000).

(f) Taxes

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

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As of 31 December 2014, the Group has deferred tax assets of RM12,594,000 (2013: RM13,010,000).

4. PROPERTY, PLANT AND EQUIPMENT

	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
Group								
At cost or valuation								
At 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 2013/1 January 2014	128,527	163,267	34,604	404,669	196,258	635,347	39,702	1,602,374
Additions	297	-	-	11,926	22,298	59,549	36,283	130,353
Reclassifications	12,622	(14,521)	1,899	5,399	1,484	23,758	(30,641)	-
Transfer from investment properties								
- Revaluation of property transferred out	13,732	-	-	-	-	-	-	13,732
- Transfer of carrying amount (Note 6)	12,122	-	-	3,738	-	-	-	15,860
Disposals	-	(21,290)	-	(36,325)	(76)	(10,926)	-	(68,617)
Written off	-	-	-	(571)	(72)	(3,306)	-	(3,949)
Exchange differences	-	-	-	-	-	25	-	25
At 31 December 2014	167,300	127,456	36,503	388,836	219,892	704,447	45,344	1,689,778
Analysis of cost or valuation								
Cost	167,300	127,456	36,503	386,361	219,892	704,447	45,344	1,687,303
Valuation 1984	-	-	-	2,475	-	-	-	2,475
	167,300	127,456	36,503	388,836	219,892	704,447	45,344	1,689,778

4. PROPERTY, PLANT AND EQUIPMENT (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
Group (continued)								
Accumulated depreciation								
At 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 2013/1 January 2014	-	29,410	6,029	124,435	60,751	334,521	-	555,146
Reclasssification	-	(221)	221	-	-	-	-	-
Depreciation charge for the year (Note 23)	-	9	512	13,958	13,040	55,193	-	82,712
Disposals	-	(2,801)	-	(6,124)	(60)	(8,011)	-	(16,996)
Written off	-	-	-	(449)	(30)	(2,495)	-	(2,974)
Exchange differences	-	-	-	-	-	25	-	25
At 31 December 2014	-	26,397	6,762	131,820	73,701	379,233	-	617,913
Net carrying amount								
At 31 December 2013	128,527	133,857	28,575	280,234	135,507	300,826	39,702	1,047,228
At 31 December 2014	167,300	101,059	29,741	257,016	146,191	325,214	45,344	1,071,865

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

(a) The revalued buildings of RM2,475,000 (2013: 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 (2013: fully depreciated).

(b) The title of the Group's long term leasehold land with carrying amount of RM3,796,000 (2013: RM3,850,000) stipulated that not less than 30% of the undivided share of the said land or not less than 30% of the equity of the subsidiary being the registered owner of the said land, shall be transferred to/held by/registered in the name of native(s) on or before July 2012 ["Native Condition"]. In year 2012, the Land and Survey Department in Kota Kinabalu had granted further extension up to July 2017 to comply with the Native Condition.

(c) Private caveat was entered by third parties on the Group's long term leasehold land with carrying amount of RM3,079,000 (2013: RM3,122,000) as disclosed in Note 34(b) to the financial statements.

(d) In year 2012, caveats by the Assistant Collector of Land Revenue were lodged over parcels of native titles which a subsidiary had subleased from natives. The sublease is accounted for as leasehold land with unexpired period of less than 50 years and with carrying amount of RM17,870,000 (2013: RM18,196,000).

Included in additions was interest expense capitalised amounted to RM819,000 (2013: RM117,000).

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RM'000	Plant and equipment RM'000	Total RM'000
Company			
At cost			
At 1 January 2013	187	4,939	5,126
Additions	-	567	567
Disposals	-	(768)	(768)
At 31 December 2013/2014	187	4,738	4,925
Accumulated depreciation			
At 1 January 2013	157	2,790	2,947
Charge for the year (Note 23)	4	690	694
Disposals	-	(768)	(768)
At 31 December 2013/1 January 2014	161	2,712	2,873
Charge for the year (Note 23)	4	657	661
At 31 December 2014	165	3,369	3,534
Net carrying amount			
At 31 December 2013	26	2,026	2,052
At 31 December 2014	22	1,369	1,391

5. BIOLOGICAL ASSETS

	Group 2014 RM'000	2013 RM'000
At cost or valuation		
At 1 January	436,030	428,798
Additions	5,461	7,475
Written off (Note 23)	(460)	(243)
At 31 December	441,031	436,030
Analysis of cost or valuation		
Cost	368,116	363,115
Valuation 1984	72,915	72,915
	441,031	436,030

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 the 1984 valuation had they been stated at cost would have been RM27,586,000 (2013: RM27,586,000).

6. INVESTMENT PROPERTIES

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

	Completed investment properties RM'000	IPUC RM'000	Total RM'000
Group			
At 1 January 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 9)	(45,893)	-	(45,893)
- Property development costs (Note 14)	-	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 2013/1 January 2014	439,902	272,174	712,076
Additions from acquisition	21,724	-	21,724
Additions from subsequent expenditure	1,078	109,145	110,223
Reclassification	373,236	(373,236)	-
Transfer (to)/from property, plant and equipment (Note 4)	(36,081)	20,221	(15,860)
Disposal	(5,898)	-	(5,898)
Write off	(124)	-	(124)
Gains from fair value adjustments recognised in profit or loss (Note 23)	189,437	-	189,437
At 31 December 2014	983,274	28,304	1,011,578

	2014 RM'000	2013 RM'000
Represented by:		
Freehold land and buildings	700,740	529,598
Long term leasehold land and buildings	310,838	182,478
	1,011,578	712,076

Included in additions from subsequent expenditure for IPUC was interest expense capitalised amounted to RM7,157,000 (2013: RM5,738,000).

7. INVESTMENT IN SUBSIDIARIES

	Company 2014 RM'000	2013 RM'000
Quoted shares in Malaysia, at cost	806,860	806,860
Unquoted shares, at cost	1,395,941	1,249,345
	2,202,801	2,056,205
Less: Impairment losses – unquoted shares	(81,658)	-
	2,121,143	2,056,205
Market value of quoted shares	1,051,313	1,122,517

Details of subsidiaries as of 31 December 2014 are as follows:

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2014	2013
	Held by the Company:				
*	Hap Seng Plantations Holdings Berhad ["HSP"]	Investment holding and carrying out marketing and trading activities for its subsidiaries	Malaysia	52.38	52.36
	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
	Hap Seng Trading Holdings Sdn Bhd	Investment holding	Malaysia	100	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2014	2013
	Held by the Company (continued):				
*	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	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	Trading in marketable securities	Malaysia	100	100
#	Hap Seng Investment Holdings Pte Ltd	Investment holding	Singapore	100	-
	Held by HSP:				
*	Jeroco Plantations Sdn Bhd	Cultivation of oil palm and processing of fresh fruit bunches	Malaysia	100	100
*	Hap Seng Plantations (River Estates) Sdn Bhd	Cultivation of oil palm, processing of fresh fruit bunches and investment holding	Malaysia	100	100
*	Hap Seng Plantations (Kota Marudu) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
*	Pelipikan Plantation Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
*	Hap Seng Edible Oils Sdn Bhd	Dormant	Malaysia	100	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2014	2013
	Held by Hap Seng Plantations (River Estates) Sdn Bhd:				
*	Hap Seng Plantations (Wecan) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
*	Hap Seng Plantations (Tampilit) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
*	Hap Seng Plantations (Ladang Kawa) Sdn Bhd	Cultivation of oil palm	Malaysia	100	100
	Held by Hap Seng Land Sdn Bhd:				
*	Hap Seng Land Development Sdn Bhd	Investment holding	Malaysia	100	100
	Hap Seng Realty Sdn Bhd	Property investment and investment holding	Malaysia	100	100
	Held by Hap Seng Land Development Sdn Bhd:				
*	Hap Seng Properties Development Sdn Bhd	Property development and investment holding	Malaysia	100	100
*	Hap Seng Land Development (Kluang) Sdn Bhd	Property development	Malaysia	100	100
	Hap Seng Land Development (Puchong) Sdn Bhd	Property development	Malaysia	100	100
	Hap Seng Land Development (JTR) Sdn Bhd	Property development	Malaysia	100	100
*	Hap Seng Land Development (Jesselton Hill) Sdn Bhd	Property development	Malaysia	100	100
*	Hap Seng Land Development (PJ) Sdn Bhd	Property development	Malaysia	100	100
	Hap Seng Properties Services (Sabah) Sdn Bhd	Property management and property maintenance	Malaysia	100	100

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2014	2013
Held by Hap Seng Land Development Sdn Bhd: (continued)				
Euro-Asia Brand Holding Company Sdn Bhd	Dormant	Malaysia	100	100
Richmore Development Sdn Bhd	Dormant	Malaysia	100	-
Pacific Emerald Properties Sdn Bhd	Property development	Malaysia	100	-
Hap Seng Land Development (Bangsar) Sdn Bhd	Property development	Malaysia	80	80
Hap Seng Land Development (Balakong) Sdn Bhd	Property development	Malaysia	80	80
Hap Seng Land Development And JCA Sdn Bhd *(formerly known as HUB Coaching & Consulting Sdn Bhd)* (previously held by Hap Seng Realty Sdn Bhd)	Property development	Malaysia	60	100
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)	Property development	Malaysia	80	80
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

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2014	2013
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
Hap Seng Realty (KK I) Sdn Bhd	Dormant	Malaysia	100	100
Desa Alam Mewah Sdn Bhd	Property investment	Malaysia	80	80
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

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2014	2013
	Held by Hap Seng Star Sdn Bhd:				
# ^	Hap Seng Star Vietnam Limited	Dormant	Hong Kong	100	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
	Held by Hap Seng Building Materials Holdings Sdn Bhd:				
	Hap Seng Building Materials Sdn Bhd	Operation of stone quarries and asphalt plants, manufacture and trading of bricks	Malaysia	100	100
	Hap Seng Clay Products Sdn Bhd	Manufacture and trading of clay products	Malaysia	100	100
#	Hap Seng Building Materials Marketing Pte Ltd	Trading in building materials	Singapore	100	100
	Hap Seng Seri Alam Sdn Bhd	Operation of stone quarries and asphalt plants	Malaysia	70	70
*	HS Mining Services Holdings (Thailand) Co., Ltd	Investment holding	Thailand	49	-

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2014	2013
	Held by Hap Seng Clay Products Sdn Bhd:				
	Kao Fu Bricks Sdn Bhd	Dormant	Malaysia	100	100
	Held by HS Mining Services Holdings (Thailand) Co., Ltd:				
*	HS Mining Services (Thailand) Co., Ltd	Dormant	Thailand	100	-
	Held by Hap Seng Trading Holdings Sdn Bhd:				
	Hap Seng Trading (BM) Sdn Bhd	Trading in building materials	Malaysia	100	100
	Hap Seng (Oil & Transport) Sdn Bhd	Trading in petroleum products	Malaysia	100	100
	Held by Hap Seng Capital Pte Ltd:				
#	Hap Seng Credit Pte Ltd	Dormant	Singapore	100	100

* Audited by a firm other than Ernst & Young
# Audited by member firms of Ernst & Young Global in the respective countries
^ De-registered on 30 January 2015

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ["NCI"] are as follows:

	HSP and its subsidiaries ["HSP Group"] RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
2014			
NCI percentage of ownership interest and voting interest	47.62%		
Carrying amount of NCI	416,589	17,278	433,867
Profit attributable to NCI	62,133	726	62,859
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

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests in subsidiaries (continued)

Summarised financial information before inter-company elimination:

	HSP Group 2014 RM'000	HSP Group 2013 RM'000
(i) Summarised statements of financial position		
Non-current assets	1,949,143	1,931,654
Current assets	255,913	235,588
Total assets	2,205,056	2,167,242
Non-current liabilities	196,282	195,680
Current liabilities	61,229	47,639
Total liabilities	257,511	243,319
Net assets	1,947,545	1,923,923
Less: Adjustments on net assets upon consolidation to the Group	(1,072,696)	(1,074,860)
Adjusted net assets	874,849	849,063
(ii) Summarised statements of profit or loss and other comprehensive income		
Revenue	495,566	443,321
Profit for the year representing total comprehensive income for the year	128,312	97,514
(iii) Summarised statements of cash flows		
Net cash flows generated from operating activities	166,616	158,773
Net cash flows used in investing activities	(157,578)	(37,063)
Net cash flows used in financing activities	(104,690)	(64,009)
Net (decrease)/increase in cash and cash equivalents	(95,652)	57,701
Dividends paid to NCI	(49,512)	(29,655)

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Disposal of subsidiaries

In the previous 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.

(ii) the Company also disposed the entire equity interest in Aceford Food Industry Pte Ltd ["AFI"] for a cash consideration of RM160 million.

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

In the previous 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, 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 was 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 Land Development and JCA Sdn Bhd *(formerly known as HUB Coaching & Consulting Sdn Bhd)* enlarged its share capital with a joint venture agreement entered into between Hap Seng Land Development Sdn Bhd and JC Alliance Property Sdn Bhd as disclosed in Note 39(c) has resulted in reduction of the Group's equity interest in the aforesaid subsidiary without losing control.

8. INVESTMENT IN ASSOCIATES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 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	274,010	28,000	28,000
	355,343	355,343	103,741	103,741
Share of post-acquisition reserves	60,369	58,101	-	-
	415,712	413,444	103,741	103,741
Exchange differences	(409)	(3,486)	-	-
	415,303	409,958	103,741	103,741
Less : Accumulated impairment losses - quoted shares	(33,706)	(33,706)	(29,811)	(25,074)
	381,597	376,252	73,930	78,667
Market value of quoted shares	85,992	82,739	85,992	82,739

8. INVESTMENT IN ASSOCIATES (CONTINUED)

Details of associates as of 31 December 2014 are as follows:

	Name of Associates	Principal Activities	Country of Incorporation	Financial Year End	Equity interest held (%) 2014	2013
	Held by the Company:					
*	Paos Holdings Berhad	Investment holding	Malaysia	31 May	24.96	24.96
#	Lam Soon (Thailand) Public Company Limited ["LST"]	Manufacture and distribution of palm oil	Thailand	31 December	20.00	20.00
	Vintage Heights Sdn Bhd	Property development and operation of oil palm estate	Malaysia	30 June	20.00	20.00
*	EAC Holdings (Malaysia) Sdn Bhd	Liquidated	Malaysia	31 December	-	20.00
	Held by Hap Seng Realty (KL City) Sdn Bhd:					
*	Inverfin Sdn Bhd ["Inverfin"]	Property investment, office and food court management	Malaysia	31 December	49.99	49.99

* 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 2014.

EAC Holdings (Malaysia) Sdn Bhd has completed its liquidation process during the financial year.

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.

8. INVESTMENT IN ASSOCIATES (CONTINUED)

	Inverfin RM'000	LST RM'000	Other individually immaterial associates RM'000	Total RM'000
2014				
(i) Summarised statements of financial position				
Non-current assets	693,815	263,349	317,059	1,274,223
Current assets	44,571	293,657	41,105	379,333
Total assets	738,386	557,006	358,164	1,653,556
Non-current liabilities	192,715	21,960	43,569	258,244
Current liabilities	13,593	225,277	11,311	250,181
Total liabilities	206,308	247,237	54,880	508,425
Net assets	532,078	309,769	303,284	1,145,131
Non-controlling interests	-	(36,785)	-	(36,785)
Net assets attributable to owner of associates	532,078	272,984	303,284	1,108,346
(ii) Summarised statements of profit or loss and other comprehensive income				
Revenue	47,269	799,888	74,516	921,673
Profit/(loss) for the year	21,704	24,525	(6,755)	39,474
(iii) Reconciliation of net assets to carrying amount of Group's interest in associates				
Group's share of net assets	266,039	54,597	65,609	386,245
Goodwill	954	318	27,786	29,058
Impairment losses	-	-	(33,706)	(33,706)
Carrying amount of Group's interest in associates	266,993	54,915	59,689	381,597
(iv) Group's share of results of associates	10,852	4,904	(1,320)	14,436
(v) Dividends received from associates	8,500	2,914	754	12,168

8. INVESTMENT IN ASSOCIATES (CONTINUED)

		Inverfin RM'000	LST RM'000	Other individually immaterial associates RM'000	Total RM'000
	2013				
(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

9. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	2014 RM'000	2013 RM'000
Cost:		
At 1 January	358,301	375,164
Additions	58,091	35,165
Transfer from/(to):		
- property, plant and equipment (Note 4)	-	43,136
- investment properties (Note 6)	-	45,893
- property development costs (Note 14)	(48,192)	(141,057)
At 31 December	368,200	358,301
Represented by:		
Freehold land	18,443	17,554
Leasehold land	258,481	271,152
Land development expenditure	91,276	69,595
	368,200	358,301

10. GOODWILL

	Group	
	2014 RM'000	2013 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.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-current				
Trade receivables				
Lease receivables	10,420	13,067	-	-
Hire purchase receivables	566,318	576,726	-	-
Loan receivables	577,626	470,476	-	-
	1,154,364	1,060,269	-	-
Less: Allowance for impairment	(5,575)	(5,345)	-	-
Advances received	(36,797)	(33,456)	-	-
	1,111,992	1,021,468	-	-
Current				
Trade receivables				
Third parties	526,883	577,997	-	-
Lease receivables	8,058	6,840	-	-
Hire purchase receivables	493,943	484,715	-	-
Loan receivables	266,237	135,999	-	-
Accrued billings	178,530	60,259	-	-
Amounts due from related companies	884	1,994	-	-
Amounts due from associates	17	93	17	17
	1,474,552	1,267,897	17	17
Less: Allowance for impairment	(12,807)	(12,416)	-	-
Interest in suspense	(7,979)	(7,577)	-	-
Advances received	(29,425)	(26,163)	-	-
	1,424,341	1,221,741	17	17
Other receivables				
Sundry receivables	66,755	61,113	979	181
Prepayments	36,701	24,513	9,226	5,358
Amounts due from subsidiaries	-	-	792,653	716,902
Amounts due from associates	10	24	10	24
	103,466	85,650	802,868	722,465
	1,527,807	1,307,391	802,885	722,482
Total trade and other receivables (current and non-current)	2,639,799	2,328,859	802,885	722,482
Less: Accrued billings	(178,530)	(60,259)	-	-
Prepayments	(36,701)	(24,513)	(9,226)	(5,358)
Add: Cash and bank balances (Note 15)	317,068	582,464	60,854	238,622
Total loans and receivables	2,741,636	2,826,551	854,513	955,746

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

(i) Third parties

These amounts are non-interest bearing. The Group's normal trade credit term ranges from 30 to 90 days (2013: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

(ii) Lease receivables and hire purchase receivables

Lease receivables and hire purchase receivables consist of the following:

Group	Gross receivables RM'000	Unearned interest RM'000	Net receivables RM'000
2014			
Less than 1 year	559,101	(57,100)	502,001
Between 1 and 5 years	608,694	(32,261)	576,433
More than 5 years	10,327	(10,022)	305
	1,178,122	(99,383)	1,078,739
2013			
Less than 1 year	548,298	(56,743)	491,555
Between 1 and 5 years	623,859	(34,466)	589,393
More than 5 years	6,265	(5,865)	400
	1,178,422	(97,074)	1,081,348

(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 11(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 11(a)(i).

Ageing analysis of trade receivables

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total trade receivables:				
- Current	1,474,552	1,267,897	17	17
- Non-current	1,154,364	1,060,269	-	-
	2,628,916	2,328,166	17	17
Less: Accrued billings	(178,530)	(60,259)	-	-
	2,450,386	2,267,907	17	17

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Ageing analysis of trade receivables (continued)

The ageing analysis of trade receivables is as follows:

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Neither past due nor impaired	1,086,688	911,541	17	17
Past due but not impaired:				
- Past due 1 – 30 days	157,888	152,404	-	-
- Past due 31 – 90 days	95,865	94,996	-	-
- Past due more than 90 days	34,438	24,725	-	-
	288,191	272,125	-	-
Assessed for individual impairment	28,651	35,524	-	-
Assessed for collective impairment	1,046,856	1,048,717	-	-
Total trade receivables	2,450,386	2,267,907	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 2014 RM'000	Group 2013 RM'000
At 1 January	17,761	12,942
Allowance for impairment (Note 23)	11,658	7,995
Reversal of impairment losses (Note 23)	(6,050)	(1,839)
Written off	(4,990)	(865)
Disposal of subsidiaries	-	(506)
Exchange differences	3	34
At 31 December	18,382	17,761

11. TRADE AND OTHER RECEIVABLES (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 RM288,191,000 (2013: RM272,125,000) 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 2014 RM'000	Group 2013 RM'000
Trade receivables - nominal amounts	28,651	35,524
Less: Allowance for impairment	(14,352)	(14,634)
	14,299	20,890

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 69% (2013: 75%) 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 2014 RM'000	Group 2013 RM'000
Not past due	868,749	911,334
Past due 1 - 30 days	116,133	78,034
Past due 31 - 90 days	61,974	59,349
Total assessed for collective impairment - nominal amounts	1,046,856	1,048,717
Less: Allowance for impairment	(4,030)	(3,127)
	1,042,826	1,045,590

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.

11. TRADE AND OTHER RECEIVABLES (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 4.00% (2013: 1.50% to 4.00%) per annum.

(ii) Amounts due from associates

Amounts due from associates are unsecured, non-interest bearing and repayable on demand.

Included in trade and other receivables of the Group and of the Company are amounts denominated in foreign currencies (currencies other than the respective functional currencies of the Group entities) as follows:

	Group	
	2014 RM'000	2013 RM'000
United States Dollar ["USD"]	2,302	3,030
Indonesian Rupiah ["IDR"]	18,466	40,186
	20,768	43,216

12. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Group	
	2014 RM'000	2013 RM'000
(a) Other financial assets		
Non-current		
Available-for-sale financial assets		
- Equity instruments (unquoted in Malaysia) at cost	30,012	30,000
Derivatives - designated as hedging instrument		
- Cross currency interest rate swaps - cash flow hedges	16,790	11,434
	46,802	41,434
Current		
Financial assets at fair value through profit or loss		
- Held for trading equity instruments (quoted in Malaysia)	33,012	-
Derivatives - designated as hedging instrument		
- Forward currency contracts - fair value hedges	5	10
- Cross currency interest rate swaps - cash flow hedges	31,861	-
	64,878	10

12. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	Group 2014 RM'000	Group 2013 RM'000
(b) Other financial liabilities		
Current		
Derivatives - designated as hedging instrument		
-Forward currency contracts - fair value hedges	-	(17)

Derivatives

(i) Forward currency contracts

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 March 2015 (2013: January/February 2014). Hedges of foreign currency risk which meet the strict criteria for hedge accounting have been accounted for as a fair value hedge. Other hedges of foreign currency risk that have not been accounted for as a fair value hedge or those that do not qualify for hedge accounting, have been designated at fair value through profit or loss.

(ii) Cross currency interest rate swaps

The Group entered into and designated cross currency interest rate swaps as hedging instruments in a cash flow hedge of the borrowings denominated in Singapore Dollars and US 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.

13. INVENTORIES

	Group 2014 RM'000	Group 2013 RM'000
Cost		
Properties held for sale	58,245	89,523
Raw materials	63,081	54,415
Produce inventories	18,593	13,958
Work-in-progress	3,320	2,223
Finished goods	290,064	179,116
	433,303	339,235
Net realisable value		
Raw materials	7,334	9,161
Finished goods	93,253	138,827
	100,587	147,988
	533,890	487,223
Recognised in profit or loss		
Inventories recognised as cost of sales	2,107,488	2,454,666

14. PROPERTY DEVELOPMENT COSTS

	Land RM'000	Development costs RM'000	Accumulated costs charged to profit or loss RM'000	Total RM'000
Group				
At 1 January 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 9)	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 2013/1 January 2014	504,256	604,441	(494,549)	614,148
Transfer from:				
- Land held for property development (Note 9)	26,648	21,544	-	48,192
Costs incurred during the year	-	367,337	-	367,337
Costs charged to profit or loss	-	-	(371,061)	(371,061)
Reversal of completed projects	(30,429)	(107,965)	138,394	-
At 31 December 2014	500,475	885,357	(727,216)	658,616

Included in the property development costs incurred during the financial year were interest expense capitalised of RM16,567,000 (2013: RM13,419,000).

15. CASH AND BANK BALANCES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash at banks and on hand	156,393	97,108	1,464	6,622
Deposits with licensed banks	160,675	485,356	59,390	232,000
Cash and bank balances	317,068	582,464	60,854	238,622
Less: Bank overdrafts (Note 18)	(3,276)	(8,916)	-	-
Cash and cash equivalents	313,792	573,548	60,854	238,622

Included in cash at banks of the Group are amounts of RM21,642,000 (2013: RM23,886,000), 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 other than the respective functional currencies of the Group entities) as follows:

	Group	
	2014 RM'000	2013 RM'000
USD	773	3,881
IDR	9,701	13,144
	10,474	17,025

Other information on financial risks of cash and cash equivalents are disclosed in Note 36.

16. TRADE AND OTHER PAYABLES

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Non-current				
Other payables				
Deposits from lessees	5,249	6,014	-	-
Current				
Trade payables				
Third parties	287,320	294,868	-	-
Amounts due to subsidiaries	-	-	468	318
Amounts due to related companies	126	1,298	-	-
	287,446	296,166	468	318
Other payables				
Accruals	153,157	92,472	3,930	3,490
Sundry payables	86,021	52,368	113	83
	239,178	144,840	4,043	3,573
	526,624	441,006	4,511	3,891
Total trade and other payables (current and non-current)	531,873	447,020	4,511	3,891
Add: Borrowings (Note 18)	2,618,872	2,498,573	-	-
Total financial liabilities carried at amortised cost	3,150,745	2,945,593	4,511	3,891

(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 (2013: 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).

16. TRADE AND OTHER PAYABLES (CONTINUED)

(b) Other payables

These amounts are non-interest bearing and payable in accordance with the normal trade terms.

Included in trade and other payables of the Group are amounts denominated in foreign currencies (currencies which are other than the respective functional currencies of the Group entities) as follows:

	Group 2014 RM'000	Group 2013 RM'000
USD	-	33,449
IDR	915	2,173
	915	35,622

17. PROVISIONS

	Group 2014 RM'000	Group 2013 RM'000
Provision for property development obligations:		
At 1 January	5,441	3,300
Provision made during the year	-	2,151
Provision used during the year	-	(10)
Provision reversed during the year	(2,486)	-
At 31 December	2,955	5,441

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 2014 RM'000	Group 2013 RM'000
Non-current		
Unsecured:		
Term loans	277,052	422,877
Foreign currency loans	458,018	519,300
	735,070	942,177
Current		
Unsecured:		
Term loans	207,487	338,642
Revolving credits	1,074,046	1,083,966
Bankers' acceptances	158,596	101,813
Foreign currency loans	440,397	23,059
Bank overdrafts	3,276	8,916
	1,883,802	1,556,396
Total borrowings	2,618,872	2,498,573

The remaining maturities of the borrowings are as follows:

	Group 2014 RM'000	Group 2013 RM'000
Within one year	1,883,802	1,556,396
More than 1 year and less than 2 years	511,886	500,143
More than 2 years and less than 5 years	223,184	400,635
More than 5 years	-	41,399
	2,618,872	2,498,573

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 2014 RM'000	Group 2013 RM'000
SGD	529,180	519,300
USD	369,235	23,059
	898,415	542,359

Other information on financial risks of borrowings are disclosed in Note 36.

19. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	163,381	118,403	13	27
Recognised in profit or loss (Note 28)	6,780	47,370	10	(14)
Recognised in equity	481	-	-	-
Exchange differences	(1)	(2,392)	-	-
At 31 December	170,641	163,381	23	13
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	183,235	176,391	23	13
Deferred tax assets	(12,594)	(13,010)	-	-
	170,641	163,381	23	13

The components and movement of deferred tax liabilities during the financial year are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital and agriculture allowances RM'000	Revaluation of assets RM'000	Others RM'000	Total RM'000
At 1 January 2014	151,667	50,631	1,521	203,819
Recognised in profit or loss	3,578	2,500	2,308	8,386
Recognised in equity	-	481	-	481
Exchange differences	-	-	(1)	(1)
At 31 December 2014	155,245	53,612	3,828	212,685
Less: Deferred tax assets offset				(29,450)
Deferred tax liabilities recognised				183,235
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

19. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (CONTINUED)

The components and movement of deferred tax assets during the financial year are as follows:

Deferred tax assets of the Group:

	Unabsorbed capital allowances RM'000	Tax losses RM'000	Others RM'000	Total RM'000
At 1 January 2014	(20,380)	(15,422)	(4,636)	(40,438)
Recognised in profit or loss	2,429	(901)	(3,134)	(1,606)
At 31 December 2014	(17,951)	(16,323)	(7,770)	(42,044)
Offset against deferred tax liabilities				29,450
Deferred tax assets recognised				(12,594)
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)

Deferred tax liabilities of the Company:

	2014 RM'000	2013 RM'000
Accelerated capital allowances		
At 1 January	13	27
Recognised in profit or loss	10	(14)
At 31 December	23	13

19. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES (CONTINUED)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2014 RM'000	2013 RM'000
Unutilised tax losses	245,571	401,247
Unabsorbed capital and agricultural allowances	13,382	15,007
Other temporary differences	4,839	15,047
	263,792	431,301

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.

20. SHARE CAPITAL, WARRANTS AND TREASURY SHARES

(a) Share capital

	Number of ordinary shares of RM1.00 each		Amount	
	2014 '000	2013 '000	2014 RM'000	2013 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	2,205,709	2,186,364	2,205,709	2,186,364
Exercise of warrants	81,070	19,345	81,070	19,345
Cancellation of treasury shares	(60,000)	-	(60,000)	-
At 31 December	2,226,779	2,205,709	2,226,779	2,205,709

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, 81,070,561 (2013: 19,344,920) ordinary shares were issued pursuant to the exercise of warrants as disclosed in Note 20(b) below and 60,000,000 (2013: Nil) treasury shares were cancelled as disclosed in Note 20(c). Consequently, the Company's issued and paid-up share capital increased to RM2,226,779,481 (2013: RM2,205,708,920) comprising 2,226,779,481 (2013: 2,205,708,920) ordinary shares of RM1.00 each, with 89,182,400 (2013: 204,031,100) ordinary shares thereof being held as treasury shares.

20. SHARE CAPITAL, WARRANTS AND TREASURY SHARES (CONTINUED)

(b) Warrants

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

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

Salient features of the warrants are as follows:

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

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

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

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

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

20. SHARE CAPITAL, WARRANTS AND TREASURY SHARES (CONTINUED)

(b) Warrants (continued)

Movement in the warrants is as follows:

	Number of warrants
As of 1 January 2013	364,386,300
Exercised during the year	(19,344,920)
As of 31 December 2013/1 January 2014	345,041,380
Exercised during the year	(81,070,561)
As of 31 December 2014	263,970,819
Exercised subsequent to 31 December 2014	(8,640,735)
As of 16 April 2015	255,330,084

During the financial year, a total of 81,070,561 (2013: 19,344,920) warrants were exercised and the issued and paid-up share capital of the Company increased to RM2,226,779,481 (2013: RM2,205,708,920) comprising 2,226,779,481 (2013: 2,205,708,920) ordinary shares of RM1.00 each. As of 31 December 2014, 263,970,819 (2013: 345,041,380) warrants remained unexercised.

Subsequent to the end of the financial year and up to the date of this report, 8,640,735 warrants were exercised which resulted in 8,640,735 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 RM2,235,420,216 comprising 2,235,420,216 ordinary shares of RM1.00 each. As of 16 April 2015, 255,330,084 warrants remained unexercised.

20. SHARE CAPITAL, WARRANTS AND TREASURY SHARES (CONTINUED)

(c) Treasury shares

During the extraordinary general meeting of the Company held on 28 May 2014, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares. During the financial year, the Company repurchased 80,300,100 (2013: 130,774,700) shares at the cost of RM283,756,178 (2013: RM256,674,421). All repurchases of shares were financed by the Company's internally generated funds.

During the financial year, 60,000,000 treasury shares at the cost of RM115,236,000 were cancelled and 135,148,800 treasury shares were resold at average net resale price of RM3.64 per share including transaction costs. Total net consideration received from the resale was RM492,369,195.

At 31 December 2014, the Company held 89,182,400 (2013: 204,031,100) treasury shares.

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
As of 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 2013/1 January 2014	204,031,100	378,735,474	1.86
Repurchased during the year	80,300,100	283,756,178	3.53
Cancelled during the year	(60,000,000)	(115,236,000)	1.92
Resold during the year	(135,148,800)	(299,449,196)	2.22
As of 31 December 2014	89,182,400	247,806,456	2.78

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.

21. RESERVES

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
(a) Non-distributable reserves	429,255	122,809	377,640	97,065
(b) Distributable reserves				
- Retained profits	1,543,547	1,404,091	769,654	1,058,997
	1,972,802	1,526,900	1,147,294	1,156,062

21. RESERVES (CONTINUED)

(a) Non-distributable reserves

	Share premium RM'000	Capital reserve RM'000	Cash flow hedge reserve RM'000	Foreign exchange reserve RM'000	Revaluation reserve RM'000	Capital redemption reserve RM'000	Warrant reserve RM'000	Other reserve RM'000	Total non-distributable reserves RM'000
Group									
At 1 January 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)
Change in fair value of 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)
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	-	-	-	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

21. RESERVES (CONTINUED)

(a) Non-distributable reserves (continued)

	Share premium RM'000	Capital reserve RM'000	Cash flow hedge reserve RM'000	Foreign exchange reserve RM'000	Revaluation reserve RM'000	Capital redemption reserve RM'000	Warrant reserve RM'000	Other reserve RM'000	Total non-distributable reserves RM'000
Group									
At 1 January 2014	15,191	35,038	(13,221)	2,751	1,176	66,267	46,580	(30,973)	122,809
Foreign currency translation differences for foreign operations	-	-	-	5,388	-	-	-	-	5,388
Share of foreign currency translation differences of associates	-	-	-	3,077	-	-	-	-	3,077
Change in fair value of cash flow hedge	-	-	4,155	-	-	-	-	-	4,155
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	-	-	-	13,251	-	-	-	13,251
Total other comprehensive income for the year	-	-	4,155	8,465	13,251	-	-	-	25,871
Exercise of warrants	63,641	-	-	-	-	-	(10,944)	-	52,697
Resale of treasury shares	192,920	-	-	-	-	-	-	-	192,920
Cancellation of treasury shares	(25,042)	-	-	-	-	60,000	-	-	34,958
At 31 December 2014	246,710	35,038	(9,066)	11,216	14,427	126,267	35,636	(30,973)	429,255

21. RESERVES (CONTINUED)

(a) Non-distributable reserves (continued)

The movements on the Company's non-distributable reserves are set out in the Company's statements of changes in equity.

The nature and purpose of each category of reserve are as follows:

(i) Share premium

Share premium represents the premium paid on subscription of shares in the Company over and above the par value of the shares and gain arising from the re-sale of treasury shares.

(ii) Capital reserve

Capital reserve in respect of a subsidiary of RM34,397,000 (2013: 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 (2013: RM641,000) represents the revaluation reserve of an associate.

(iii) Cash flow hedge reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships as at the reporting date 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.

(iv) Foreign exchange reserve

The foreign exchange reserve arises from translation of financial statements of foreign subsidiaries and share of foreign currency translation differences of associates.

(v) Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment immediately prior to its reclassification as investment properties.

(vi) Capital redemption reserve

This reserve represents the amount equivalent to the nominal value of the shares repurchased which was cancelled by the Company.

(vii) Warrant reserve/Other reserve

These reserves arose from the Rights Issue with Warrants Exercise undertaken by the Company.

(b) Distributable reserve - Retained profits

The Company may distribute dividend out of its entire retained profits as at 31 December 2014 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Dividend income:				
- From subsidiaries	-	-	399,445	288,247
- From associates	-	-	3,668	3,736
Sale of plantation produce	495,566	443,321	-	-
Sale of goods and services	2,222,276	2,413,343	-	-
Interest income from provision of financial services	129,435	112,425	-	-
Property development	846,435	455,984	-	-
Sale of completed properties	48,998	34,912	-	-
Property rental	25,339	26,762	-	-
	3,768,049	3,486,747	403,113	291,983

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Operating profit is arrived at after charging/(crediting):				
Auditors' remuneration:				
- current year				
- Ernst & Young	355	353	85	85
- overseas member firms of Ernst & Young	122	169	-	-
- other auditors	425	414	-	-
- under/(over) provision in prior years				
- Ernst & Young	1	(5)	-	-
- overseas member firms of Ernst & Young	(23)	(1)	-	-
- other auditors	33	-	-	-
Non audit fees for services rendered by				
- Ernst & Young	10	10	10	10
- local member firms of Ernst & Young	494	153	26	96
- overseas member firms of Ernst & Young	67	-	-	-
Operating lease – minimum lease payments on:				
- land and buildings	12,046	10,331	157	-
- plant and machinery	23,668	25,290	-	-
- motor vehicles	-	43	605	549
Depreciation of property, plant and equipment (Note 4)	82,712	79,985	661	694
Property, plant and equipment written off	975	8,051	-	-
Replanting expenditure	16,663	18,558	-	-
Biological assets written off (Note 5)	460	243	-	-
Investment properties written off (Note 6)	124	530	-	-
Bad debts written off	-	167	-	-
Allowance for impairment losses				
- trade receivables (Note 11)	11,658	7,995	-	-
Inventories written down	8,778	26,202	-	-
Additional provisions	-	2,151	-	-
Employee benefits expenses (Note 24)	226,280	214,225	7,380	6,479
Direct operating expenses arising from investment properties – rental generating properties	13,350	10,323	-	-

23. OPERATING PROFIT (CONTINUED)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Loss on held for trading equity instruments at fair value	1,565	-	-	-
Net foreign exchange losses/(gains)	611	16,094	(261)	(662)
Gain on disposal of property, plant and equipment	(96,284)	(767)	-	(65)
Gain on disposal of investment properties	(760)	-	-	-
Gain on disposal of held for trading equity instruments	-	(824)	-	-
Gains from fair value adjustments of investment properties (Note 6)	(189,437)	(28,771)	-	-
Dividend income from available-for-sale equity instruments	(1,200)	(1,138)	-	-
Dividend income from money market deposits	(3,043)	(196)	(2,309)	(196)
Reversal of inventories written down	(4,503)	(4,227)	-	-
Reversal of impairment losses				
- trade receivables (Note 11)	(6,050)	(1,839)	-	-
Reversal of provisions	(2,486)	-	-	-
Recovery of bad debts	(500)	(1,024)	-	-
Rental income from properties	(1,526)	(648)	(10)	(10)
Interest income from:				
- third parties	(12,360)	(9,360)	(4,321)	(3,336)
- subsidiaries	-	-	(24,808)	(25,433)

24. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Salaries and other staff related expenses	211,158	199,913	6,569	5,938
Pension costs – defined contribution plans	15,122	14,312	811	541
	226,280	214,225	7,380	6,479

Included in employee benefits expenses of the Group and of the Company were executive directors' remuneration amounted to RM18,594,000 (2013: RM14,689,000) and RM4,424,000 (2013: RM2,812,000) respectively as further disclosed in Note 25.

25. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Executive directors' remuneration				
Other emoluments				
- Directors of the Company	5,638	3,515	4,424	2,812
- Other directors	12,956	11,174	-	-
	18,594	14,689	4,424	2,812
Non-executive directors' remuneration				
Fees				
Current year				
- Directors of the Company	785	583	645	473
- Other directors	1,004	800	-	-
	1,789	1,383	645	473
Total directors' remuneration	20,383	16,072	5,069	3,285
Other key management personnel compensation	36,663	35,966	2,750	3,437
	57,046	52,038	7,819	6,722

Included in key management personnel compensation of the Group and of the Company were contributions to the Employees Provident Fund amounted to RM5,699,000 (2013: RM5,125,000) and RM794,000 (2013: RM528,000) respectively.

The estimated monetary value of directors' benefits-in-kind in respect of the Group and of the Company, which have not been included in the above key management personnel compensation, are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Directors of the Company	287	173	251	173
Other directors	346	480	-	-
Other key management personnel	1,280	1,207	65	51
	1,913	1,860	316	224

26. FINANCE COSTS

	Group 2014 RM'000	Group 2013 RM'000
Interest expense on:		
Bank borrowings	94,015	82,471
Borrowings from other institutions	10,486	11,367
	104,501	93,838
Less: Interest expense capitalised in:		
- Property, plant and equipment (Note 4)	(819)	(117)
- Investment properties – IPUC (Note 6)	(7,157)	(5,738)
- Property development costs (Note 14)	(16,567)	(13,419)
	79,958	74,564

27. OTHER NON-OPERATING ITEMS

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 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 subsidiaries	-	-	(81,658)	-
Impairment loss on investment in an associate	-	(5,971)	(4,737)	(2,500)
	-	415,508	(86,395)	153,500

28. TAX EXPENSE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Malaysian income tax:				
- Current income tax	200,575	118,121	7,118	6,655
- Under provision in prior year	927	248	28	102
	201,502	118,369	7,146	6,757
Foreign income tax:				
- Current income tax	8	-	-	-
- Under provision in prior year	9	-	-	-
	17	-	-	-
Total income tax	201,519	118,369	7,146	6,757
Deferred tax (Note 19):				
- Relating to origination and reversal of temporary differences	9,572	4,484	(4)	(14)
- (Over)/under provision in prior year	(2,792)	(1,406)	14	-
- Deferred tax assets derecognised	-	44,292	-	-
Total deferred tax	6,780	47,370	10	(14)
Total tax expense	208,299	165,739	7,156	6,743

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before tax	1,024,625	801,581	331,591	455,667
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	256,156	200,395	82,898	113,917
Effect of different tax rates in other countries	412	(158)	-	-
Effect of change in Real Property Gains Tax ["RPGT"] rate	-	4,063	-	-
Effect of gains taxed at RPGT rate	(59,803)	(6,963)	-	-
Income not subject to tax	(7,552)	(106,263)	(101,504)	(112,813)
Expenses not deductible for tax purposes	25,885	19,900	25,720	5,537
Effect of share of results of associates	(3,609)	(3,454)	-	-
(Utilisation of previously unrecognised deferred tax assets)/deferred tax assets not recognised	(1,334)	15,085	-	-
(Over)/under provision in prior year				
- income tax	936	248	28	102
- deferred tax	(2,792)	(1,406)	14	-
Deferred tax assets derecognised	-	44,292	-	-
Tax expense for the year	208,299	165,739	7,156	6,743

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 2014	2013
Profit attributable to owners of the Company (RM'000)	753,467	588,257
Weighted average number of ordinary shares ('000)		
Issued ordinary shares net of treasury shares at 1 January	2,001,678	2,113,108
Effect of warrants exercised during the year	45,018	1,386
Effect of shares resale during the year	47,724	-
Effect of shares buyback during the year	(39,915)	(65,170)
Weighted average number of ordinary shares at 31 December	2,054,505	2,049,324
Basic earnings per share (sen)	36.67	28.70

(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 2014	2013
Profit attributable to owners of the Company (RM'000)	753,467	588,257
Weighted average number of ordinary shares for basic earnings per share computation ('000)	2,054,505	2,049,324
Dilutive potential ordinary shares - Assumed exercise of warrants	142,217	63,911
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	2,196,722	2,113,235
Diluted earnings per share (sen)	34.30	27.84

29. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share (continued)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements other than the exercise of 8,640,735 warrants which resulted in 8,640,735 ordinary shares of RM1.00 each being allotted and issued and thereafter listed on the Bursa Securities.

30. DIVIDENDS

	Group/Company	
	2014 RM'000	**2013 RM'000**
Recognised during the year:		
Dividends paid in respect of financial year ended 31 December 2012:		
- second interim (6.0 sen per share under single tier system)	-	126,787
Dividends paid in respect of financial year ended 31 December 2013:		
- first interim (8.0 sen per share under single tier system)	-	161,643
- second interim (8.0 sen per share under single tier system)	-	160,434
Dividends paid in respect of financial year ended 31 December 2014:		
- first interim (10.0 sen per share under single tier system)	199,984	-
- second interim (15.0 sen per share under single tier system)	323,600	-
	523,584	448,864

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2014.

No dividend is payable for treasury shares held or cancelled.

31. COMMITMENTS

	Group 2014 RM'000	Group 2013 RM'000
Capital expenditure		
Approved and contracted for:		
- Property, plant and equipment	60,118	64,194
- Biological assets	2,485	2,546
- Investment properties	120,389	93,716
	182,992	160,456
Approved but not contracted for:		
- Property, plant and equipment	214,028	98,683
- Biological assets	1,906	7,942
	215,934	106,625
	398,926	267,081

32. OPERATING LEASE COMMITMENTS

(a) Group as lessor

The Group has entered into operating leases on its investment properties portfolio consisting of land and buildings. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	Group 2014 RM'000	Group 2013 RM'000
Within one year	25,862	15,170
After one year but not more than five years	33,173	14,394
After five years	1,412	4,457
	60,447	34,021

32. OPERATING LEASE COMMITMENTS (CONTINUED)

(b) Group as lessee

The Group has entered into operating leases on certain land and buildings and plant and machinery. Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group	
	2014 RM'000	2013 RM'000
Within one year	7,837	5,955
After one year but not more than five years	14,138	6,364
After five years	3,912	1,473
	25,887	13,792

33. SEGMENT INFORMATION

For management purposes, the Group is organised into business units according to their nature of activities and has seven reportable operating segments as follows:

(i)	Plantation	- Cultivation of oil palm and processing of fresh fruit bunches
(ii)	Property	- Property investment and property development
(iii)	Credit financing	- Provision of financial services
(iv)	Automotive	- Trading in motor vehicles, spare parts and servicing of motor vehicles
(v)	Fertilizer trading	- Trading and distribution of fertilizers and agro-chemical
(vi)	Quarry and building materials	- Operation of stone quarries and asphalt plants, manufacture of bricks
(vii)	Trading	- Trading of general building materials and petroleum products

Segment accounting policies are the same as the policies described in Note 2, Significant Accounting Policies. All inter-segment transactions have been entered in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with third parties.

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group financing are not allocated to operating segments.

33. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizer trading RM'000	Quarry and building materials RM'000	Trading RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
2014										
Revenue										
External revenue	495,566	920,794	129,435	677,281	796,409	363,195	385,369	-	-	3,768,049
Inter-segment revenue	-	11,321	4,025	6,749	36,719	7,228	59,958	-	(126,000)	-
Total revenue	495,566	932,115	133,460	684,030	833,128	370,423	445,327	-	(126,000)	3,768,049
Results										
Operating profit/(loss)	178,954	705,336	104,097	10,529	71,077	16,881	23,914	(13,907)	(6,734)	1,090,147
Finance costs										(79,958)
Share of results of associates										14,436
Profit before tax										1,024,625
Tax expense										(208,299)
Profit for the year										816,326
Non-controlling interests										(62,859)
Profit attributable to owners of the Company										753,467
Assets and liabilities										
Segment assets	1,083,204	2,599,889	1,896,567	367,165	413,475	638,846	129,672	245,335	-	7,374,153
Investment in associates										381,597
Deferred tax assets										12,594
Tax recoverable										17,224
Total assets										7,785,568
Segment liabilities	27,981	617,222	1,238,242	42,153	296,443	93,284	133,274	705,101	-	3,153,700
Deferred tax liabilities										183,235
Tax payable										62,991
Total liabilities										3,399,926
Other information										
Additions to non-current assets	48,691	191,692	684	19,869	768	62,282	727	1,139	-	325,852
Depreciation of property, plant and equipment	26,284	2,063	629	4,737	1,112	45,544	569	1,774	-	82,712

33. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizer trading RM'000	Quarry and building materials RM'000	Trading RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
2013										
Revenue										
External revenue	443,321	517,681	112,425	585,952	1,068,531	361,009	397,828	-	-	3,486,747
Inter-segment revenue	-	9,778	2,722	17,126	39,817	3,753	51,666	-	(124,862)	-
Total revenue	443,321	527,459	115,147	603,078	1,108,348	364,762	449,494	-	(124,862)	3,486,747
Results										
Operating profit/(loss)	140,560	255,754	91,538	(18,096)	(8,227)	17,876	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	337,790	406,395	623,005	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	79,445	335,875	114,976	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	54,887	315	83,996	224	975	-	305,652
Depreciation of property, plant and equipment	25,136	2,624	629	4,390	1,179	43,103	857	2,067	-	79,985
Impairment loss	-	-	-	-	-	-	-	5,971	-	5,971

33. SEGMENT INFORMATION (CONTINUED)

Additions to non-current assets consist of the following:

	Group 2014 RM'000	Group 2013 RM'000
Property, plant and equipment	130,353	176,323
Biological assets	5,461	7,475
Investment properties	131,947	86,689
Land held for property development	58,091	35,165
	325,852	305,652

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Malaysia	3,597,732	3,050,939	2,959,028	2,620,176
Indonesia	103,648	246,854	50	44
Vietnam	-	70,712	-	-
Others	66,669	118,242	344	151
	3,768,049	3,486,747	2,959,422	2,620,371

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2014 RM'000	2013 RM'000
Property, plant and equipment	1,071,865	1,047,228
Biological assets	441,031	436,030
Investment properties	1,011,578	712,076
Land held for property development	368,200	358,301
Goodwill	36,736	36,736
	2,929,410	2,590,371

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"]. On 25 February 2014, the Federal Court dismissed the said Leave Application with costs awarded to the Plaintiffs.

On 23 September 2013, the KKHC dismissed the preliminary objection raised by the Company during the trial of the Tongod Suit on KKHC's jurisdiction in hearing and deciding matters relating to NCR ["PO Dismissal Decision"]. On 16 October 2013, the Company filed a notice of appeal to the Court of Appeal appealing against the PO Dismissal Decision which was subsequently withdrawn by the Company on 31 March 2014.

The Tongod Suit was part-heard from 26 to 29 November 2012, 14 to 18 January 2013, 18 to 22 February 2013, 11 to 15 March 2013, 8 to 11 July 2013, 23 to 24 September 2013, 2 to 13 December 2013, 27 to 28 January 2014, 27 to 28 March 2014, 2 to 6 June 2014, 11 to 14 August 2014, 29 September to 3 October 2014, 7 to 10 October 2014, 18 to 21 November 2014, 15 to 19 December 2014, 10 to 13 February 2015 and 23 March to 2 April 2015. The Tongod Suit has been fixed for continued hearing from 18 to 29 May 2015.

The Company's solicitors are of the opinion that the Plaintiffs' NCR claim is unlikely to succeed.

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 Note 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.

34. MATERIAL LITIGATIONS (CONTINUED)

(d) Pelipikan Plantation Sdn Bhd ["PPSB"], the wholly-owned subsidiary of Hap Seng Plantations Holdings Berhad ["HSP"] is the registered sub-lessee of all those 251 pieces of land measuring approximately 1,364.91 hectares situated in Kg. Natu in the district of Kota Marudu, Sabah ["Pelipikan Sub-Leased Lands"]. A writ of summon ["said Writ"] was filed on 7 August 2014 by 94 natives of Sabah ["Plaintiffs"] represented by Messrs Sugumar & Co. claiming interest and ownership, legal and beneficial in respect of 113 parcels of land which form part of the Pelipikan Sub-Leased Lands ["said 113 Titles"] in the High Court of Sabah and Sarawak at Kota Kinabalu vide suit no. BKI-22NCvC66/8-2014 (HC2), naming one Hatija Binti Hassan as first defendant, one Juniah @ Rubiah Bt. Okk Zainal as second defendant and PPSB as the third defendant ["said Suit"]. The said 113 Titles represent approximately 1.31% of the HSP Group's total land holdings.

In the said Writ, the Plaintiffs alleged, inter-alia the following:

(i) acting on a purported power of attorney P/A No. 5391/03, one Sikit @ Lanjim bin Sarapong ["Sikit"] transferred the Pelipikan Sub-Leased Lands on behalf of the Plaintiffs to the first and second defendants and created a sublease in favour of PPSB;
(ii) the transfer of the said 113 Titles from the Plaintiffs to Sikit, the subsequent transfer from Sikit to the first and second defendants and the sublease created in favour of PPSB were effected via forged documents and/or illegal means;
(iii) that the first and second defendants are not bona-fide third party purchasers of the said 113 Titles for value without notice; and
(iv) that PPSB is not a bona-fide third party sub-lessee of the said 113 Titles for value without notice.

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

(i) a declaration that the Plaintiffs are entitled to possession of the said 113 Titles;
(ii) a declaration that the first, second, and third defendants are not entitled to possession of the said 113 Titles;
(iii) a declaration that the Plaintiffs are entitled to legal and beneficial ownership of the said 113 Titles;
(iv) that the registration of transfer of the said 113 Titles in favour of Sikit be declared null and void and of no effect;
(v) that the registration of transfer of the said 113 Titles in favour of first and second defendants be declared null and void and of no effect;
(vi) that the registration of sub-lease of the said 113 Titles in favour of the third defendant be declared null and void and of no effect;
(vii) an order directing the first, second and third defendants to give vacant possession of the said 113 Titles to the Plaintiffs;
(viii) an order directing the Assistant Collector of Land Revenue, Kota Marudu, Sabah to remove and delete forthwith the registration of the transfer of the 113 Titles effected in favour of Sikit and the first and second defendants; and
(ix) an order directing the Assistant Collector of Land Revenue, Kota Marudu, Sabah to remove and delete forthwith the registration of the sublease of the said 113 Titles in favour of the third defendant.

PPSB has been advised by its solicitors, Messrs Jayasuriya Kah & Co. that pursuant to the Sabah Land Ordinance, it is lawful for a native landowner to grant a sub-lease to a non-native for a period not exceeding 30 years and said Suit against PPSB is unlikely to succeed.

35. FAIR VALUE MEASUREMENT

(a) Fair value of financial instruments

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

It is not practicable to estimate the fair value of the Group's investment in unquoted equity instruments (Note 12) due to lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The carrying amount of non-current receivables and payables which are based on principal amounts outstanding representing approximately the cash flow receivables discounted at their effective yield, closely approximate their fair values.

The carrying amount of non-current borrowings which bear fixed and floating interest rates are expected to approximate fair values and would not be significantly different from the values that would eventually be settled.

(b) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities for which fair value is measured.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

35. FAIR VALUE MEASUREMENT (CONTINUED)

(b) Fair value hierarchy (continued)

Quantitative disclosures fair value measurement hierarchy for assets/(liabilities) as at 31 December 2014:

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Assets measured at fair value				
Investment properties (Note 6)	1,011,578	-	-	1,011,578
Held for trading equity instruments (Note 12)	33,012	33,012	-	-
Money market deposits	183,690	-	183,690	-
Derivative financial assets (Note 12)				
Forward currency contracts	5	-	5	-
Cross currency interest rate swaps	48,651	-	48,651	-

The Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation at the end of each reporting period. There have been no transfers between Level 1 and Level 2 during the financial year.

Fair value hierarchy for financial instruments measured at fair value 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
Money market deposits	50,196	-	50,196	-
Derivative financial assets (Note 12)				
Forward currency contracts	10	-	10	-
Cross currency interest rate swaps	11,434	-	11,434	-
Derivative financial liabilities (Note 12)				
Forward currency contracts	(17)	-	(17)	-

35. FAIR VALUE MEASUREMENT (CONTINUED)

(b) Fair value hierarchy (continued)

(i) The fair value of investment properties was determined based on valuations performed by registered independent valuers and/or internally appraised. Fair value is arrived at using either comparison method, depreciated replacement cost method or investment method. Where fair value is arrived at by reference to market evidence of transaction prices for similar properties, adjustments are made to account for factors such as differences in location, age, size and type of property. Under the depreciated replacement cost method, depreciation due to age and obsolescence is deducted from the estimated gross current replacement cost in arriving at the market value. Under the investment method, the net rental income is capitalised at an appropriate rate of return of 5% - 6.5% to arrive at its market value.

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

(iii) The fair value of forward currency contracts is the amount that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the reporting date applied to a contract of similar quantum and maturity portfolio.

The fair value of cross currency interest rate swaps is estimated using valuation techniques with observable inputs, which uses present value calculations, incorporate various input including foreign exchange spot and interest rate curves.

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, credit risk and market price risk.

The Group operates within clearly defined guidelines and it is the Group's policy not to engage in speculative transactions. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to fixed deposits and borrowings with banks and other financial institutions. The Group manages interest costs using a prudent mix of fixed and floating rate bank facilities.

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fixed rate instruments				
Financial assets				
Lease receivables	18,478	19,907	-	-
Hire purchase receivables	1,060,261	1,061,441	-	-
Deposits with licensed banks	160,675	485,356	59,390	232,000
	1,239,414	1,566,704	59,390	232,000
Financial liabilities				
Term loans	(210,252)	(247,029)	-	-
	1,029,162	1,319,675	59,390	232,000
Floating rate instruments				
Financial assets				
Loan receivables	843,863	606,475	-	-
Financial liabilities				
Term loans	(274,287)	(514,490)	-	-
Revolving credits	(1,074,046)	(1,083,966)	-	-
Bankers' acceptances	(158,596)	(101,813)	-	-
Foreign currency loans	(898,415)	(542,359)	-	-
Bank overdrafts	(3,276)	(8,916)	-	-
	(2,408,620)	(2,251,544)	-	-
	(1,564,757)	(1,645,069)	-	-

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk (continued)

Exposure to interest rate risk (continued)

The weighted average effective interest rates of deposits with licensed banks as at 31 December 2014 for the Group and the Company were 3.19% (2013: 2.64%) and 3.05% (2013: 2.85%) respectively and will mature within 3 months (2013: 3 months).

Cash flow sensitivity analysis for floating rate instruments

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
2014		
Floating rate instruments	(4,919)	4,919
2013		
Floating rate instruments	(8,443)	8,443

(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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

The net unhedged financial assets and financial liabilities of the Group that are not denominated in the respective functional currencies of the Group entities are as follows:

	Net unhedged financial assets/(liabilities) Held in non-functional currencies		
	USD RM'000	**IDR RM'000**	**Total RM'000**
Group			
Functional Currency of Group Entities			
2014			
RM	3,075	-	3,075
USD	-	27,252	27,252
	3,075	27,252	30,327
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

<u>Currency risk sensitivity analysis</u>

A 5% 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	
	2014 RM'000	**2013 RM'000**
RM	115	(1,897)
HKD	-	42
IDR	(973)	(1,827)

A 5% 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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

Hedging activities

At the reporting date, the Group had entered into forward currency contracts and cross currency interest rate swaps with the following notional amounts and maturities:

	Currency	Within 1 year RM'000	1 - 3 years RM'000	Notional amount RM'000	Fair value Assets RM'000	Fair value (Liabilities) RM'000
Group						
2014						
Designated as fair value through profit or loss						
Firm commitment hedge	USD	1,892	-	1,892	-	-
Receivables hedge	USD	46,001	-	46,001	-	-
		47,893	-	47,893	-	-
Designated as fair value hedges						
Firm commitment hedge	USD	153,175	-	153,175	5	-
Payables hedge	USD	58	-	58	-	-
		153,233	-	153,233	5	-
Designated as cash flow hedges						
Foreign currency loan hedge	SGD	247,322	247,323	494,645	26,933	-
Foreign currency loan hedge	USD	157,000	189,053	346,053	21,718	-
		404,322	436,376	840,698	48,651	-
		605,448	436,376	1,041,824	48,656	-

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

Hedging activities (continued)

	Currency	Within 1 year RM'000	1 - 3 years RM'000	Notional amount RM'000	Fair value Assets RM'000	Fair value (Liabilities) RM'000
Group						
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 hedge						
Foreign currency loan hedge	SGD	-	494,645	494,645	11,434	-
		167,385	494,645	662,030	11,444	(17)

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:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000
Group						
2014						
Non-derivative financial liabilities						
Unsecured borrowings						
Term loans	484,539	3.95 – 5.03	521,989	222,961	165,106	133,922
Revolving credits	1,074,046	1.86 – 4.69	1,076,484	1,076,484	-	-
Bankers' acceptances	158,596	4.14 – 4.37	158,596	158,596	-	-
Foreign currency loans	898,415	3.58 – 5.38	950,335	473,067	372,016	105,252
Bank overdrafts	3,276	7.60	3,276	3,276	-	-
Trade and other payables (excluding progress billings)	531,873	-	531,873	526,624	3,582	1,667
	3,150,745		3,242,553	2,461,008	540,704	240,841

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Group							
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

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:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000
Company				
2014				
Non-derivative financial liabilities				
Trade and other payables	4,511	-	4,511	4,511
2013				
Non-derivative financial liabilities				
Trade and other payables	3,891	-	3,891	3,891

(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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (continued)

Financial guarantees (continued)

Corporate guarantees with a nominal amount of RM2,618,872,000 (2013: RM2,498,573,000) were provided by the Company to the banks and other institutions in respect of facilities of its subsidiaries.

As at the reporting date, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised as their fair values on initial recognition are insignificant.

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to market price risk arising from its investment in quoted equity instruments and placement in money market deposits. The instruments are classified as financial assets at fair value through profit or loss.

To manage its market price risk, the Group manage its portfolio in accordance with established guidelines and policies.

Sensitivity analysis

At the reporting date, if the instruments had been 2% higher/lower, with all other variables held constant, the Group's profit and loss would have increased/(decreased) by RM3,210,000 (2013: RM804,000) arising as a result of changes in the fair value of the financial assets classified as fair value through profit and loss.

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 investors, creditors and market confidence and to sustain future development of the business. The directors monitor and 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	
	2014 RM'000	2013 RM'000
Borrowings (Note 18)	2,618,872	2,498,573
Cash and bank balances (Note 15)	(317,068)	(582,464)
Net debt	2,301,804	1,916,109
Total equity	4,385,642	3,768,787
Debt-to-equity ratio	0.52	0.51

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:

Related parties	Transactions	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Directors of the Company:					
Dato' Jorgen Bornhoft	Sale of motor vehicle	198	-	-	-
Datuk Edward Lee Ming Foo, JP	Rental expenses	(116)	(46)	-	-
Datuk Simon Shim Kong Yip, JP	Rental expenses	(36)	-	-	-

38. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company ^	Advisory fees	(2,475)	(2,325)	(2,475)	(2,325)
Foundation connected to Datuk Edward Lee Ming Foo, JP, a director of the Company: Lau Gek Poh Foundation #	Donation	(200)	(1,344)	(200)	(1,344)
Firm connected to Datuk Edward Lee Ming Foo, JP, a director of the Company: Corporated International Consultants	Project consultancy fee payable	(4,374)	(5,810)	-	-
Firm in which Datuk Simon Shim Kong Yip, JP, a director of the Company, has interest: Shim, Pang & Co	Legal fees	(800)	(1,173)	(526)	(400)

^ 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
31 DECEMBER 2014

38. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Company in which Tong Chin Hen, a director of a subsidiary, has interest:					
Imaspro Resources Sdn Bhd	Purchase of products	(150)	(243)	-	-
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	20,310	25,803	-	-
Lingui Developments Berhad Group	Sales of products	20,256	24,728	-	-
Samling Strategic Corporation Sdn Bhd Group	Sales of products	1,457	195	-	-
Lei Shing Hong Limited Group	Sales of products	2,232	-	-	-
	Management fees	330	-	-	-
	Project management fees	2,505	-	-	-
	Servicing of motor vehicles	15	-	-	-
	Financial services	5,192	-	-	-
	Administration fees	95	71	-	-
	Rental income	957	126	-	-
	Purchase of products	(139,530)	(83,861)	-	-
	Rental expenses	(1,835)	(722)	(99)	-
	Administrative charges	(107)	(58)	-	-

38. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	Management fees	30	360	-	-
	Rental income	231	1,195	-	-
	Sales of products	1,193	1,824	-	-
	Purchase of products	(234)	(12,453)	-	-
	Insurance premium*	(12,083)	(11,349)	(269)	(210)
	Logistic fees	-	(100)	-	-
Associates	Management fees received	175	175	175	175
	Rental income	10	10	10	10
	Sales of products	773	859	-	-
Subsidiaries	Servicing of motor vehicles	-	-	(31)	(28)
	Purchase of motor vehicles	-	-	-	(558)
	Rental expenses	-	-	(70)	(166)
	Management fees	-	-	(402)	(318)
	Car usage	-	-	(605)	(549)
	Purchase of products	-	-	(17)	(22)

* This relates to insurance premiums paid/payable via a related company acting as an insurance agent

Compensation to key management personnel is as disclosed in Note 25.

38. RELATED PARTIES (CONTINUED)

(b) Balances with related parties

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amount due from/(to)				
Corporated International Consultants	(805)	(1,624)	-	-
Shim, Pang & Co	3	(35)	-	-
Glenealy Plantations (Malaya) Berhad Group	3,728	4,915	-	-
Lingui Developments Berhad Group	13,541	15,817	-	-
Samling Strategic Corporation Sdn Bhd Group	1,457	156	-	-
Lei Shing Hong Limited Group	5,319	(2,832)	-	-
Imaspro Resources Sdn Bhd	(37)	(21)	-	-
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	758	696	-	-
Associates	17	93	17	17
Subsidiaries	-	-	(468)	(318)

The above balances arose from recurrent related party transactions of revenue or trading nature.

39. SIGNIFICANT EVENTS DURING THE YEAR

(a) On 18 April 2014, *Hap Seng Building Materials Holdings Sdn Bhd became the 49% shareholder of HS Mining Services Holding (Thailand) Co., Ltd ["HS Mining Holding"] which was incorporated in Thailand on even date. HS Mining Holding is principally involved in investment holding with a registered capital of Baht 100,000 comprising 100 ordinary shares of Baht 1,000 each, of which Baht 25,000 have been issued.

Thereafter on 22 April 2014, HS Mining Holding incorporated a wholly-owned subsidiary in Thailand, HS Mining Services (Thailand) Co., Ltd ["HS Mining Services"]. HS Mining Services is principally involved in quarry mining services and related activities with a registered capital of Baht 100,000 comprising 100 ordinary shares of Baht 1,000 each, of which Baht 25,000 have been issued. HS Mining Services remained dormant as at end of the financial year.

39. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(b) On 19 June 2014, *Hap Seng Properties Development Sdn Bhd, entered into two (2) separate sale and purchase agreements ["SPAs"] to dispose of the following contiguous parcels of leasehold land to the purchasers described below for a total consideration of RM278,000,000:

	Purchaser	Particulars of Land	Consideration (RM)
a)	Arrowchip Sdn Bhd	All those parcels of leasehold vacant land held under CL 105458606, CL 105458615 and CL 105458624 measuring approximately 138.03 acres in aggregate together with oil palm trees planted thereon situated at Jalan Tiku, District of Tawau, State of Sabah; and	131,920,000
b)	Futurenote Sdn Bhd	All those parcels of leasehold vacant land held under CL 105458571, CL 105458580 and CL 105458599 measuring approximately 152.86 acres in aggregate together with oil palm trees planted thereon situated at Jalan Tiku, District of Tawau, State of Sabah.	146,080,000

The SPAs were completed on 27 June 2014 with the full purchase consideration paid by the purchasers and resulted in a total net gain of approximately RM199.5 million to the Group.

(c) On 2 October 2014, *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 and JCA Sdn Bhd (formerly known as HUB Coaching & Consulting Sdn Bhd) ["HSLD-JCA"] to *Hap Seng Land Development Sdn Bhd ["HSLD"] at a cash consideration of RM2.00. Subsequently on 17 October 2014, a joint venture agreement was entered into between HSLD and JC Alliance Property Sdn Bhd ["JCA"] governing their 60:40 joint-venture in HSLD-JCA. Pursuant to the same, HSLD and JCA subscribed to 149,998 and 100,000 ordinary shares respectively in the share capital of HSLD-JCA on even date, with which the issued and paid-up share capital of HSLD-JCA increased to RM250,000 comprising 250,000 ordinary shares of RM1.00 each.

(d) On 21 October 2014, *Hap Seng Land Development Sdn Bhd acquired the entire issued and paid-up share capital of Richmore Development Sdn Bhd ["RDSB"] comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.00.

(e) On 24 November 2014, *Hap Seng Land Development Sdn Bhd acquired the entire issued and paid-up share capital of Pacific Emerald Properties Sdn Bhd ["PEPSB"] comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.00. On 2 December 2014, PEPSB entered into a sale and purchase agreement to acquire a piece of leasehold land in Bandar Shah Alam, Daerah Petaling, Negeri Selangor Darul Ehsan for the purpose of property development.

(f) On 24 November 2014, the Company incorporated a wholly-owned subsidiary in Singapore, Hap Seng Investment Holdings Pte Ltd ["HSIH"] with an issued and paid-up share capital of SGD1.00 comprising 1 ordinary share.

* These are the Company's wholly-owned subsidiaries.

40. SUBSEQUENT EVENTS

Subsequent events other than those detailed elsewhere in the financial statements are as follows:

(a) On 30 January 2015, Hap Seng Star Vietnam Limited ["HSSVL"], an indirect wholly-owned subsidiary of the Company, had been successfully de-registered from the Companies Registry of Hong Kong. HSSVL was incorporated in Hong Kong as a private limited company on 22 December 2008 and had ceased business since 31 December 2012. Prior to the de-registration, HSSVL had an issued and paid-up capital of HKD16,000,000 comprising 16,000,000 ordinary shares of HKD1.00 each.

(b) On 16 January 2015, Maybank Kim Eng Securities Pte Ltd, for and on behalf of *Hap Seng Investment Holdings Pte Ltd ["HSIH"], made a voluntary conditional cash partial offer to acquire 51% of the ordinary shares [the "Offer Shares"] in the issued share capital of Hafary Holdings Limited ["Hafary"], a company incorporated in Singapore and listed on the Main Board of the Singapore Exchange Securities Trading Limited, at 5.00 p.m. (Singapore time) on 30 January 2015, other than those already owned, controlled or agreed to be acquired by HSIH and parties acting in concert with it as at such date, at a cash consideration of SGD 0.24 per Offer Share [the "Partial Offer"].

The Partial Offer closed at 5.30 p.m. (Singapore time) on 13 February 2015 and was duly completed on 23 February 2015 upon settlement of the consideration for the Offer Shares acquired by HSIH on even date. Accordingly, Hafary became a 51% owned subsidiary of HSIH.

(c) On 11 March 2015, the Company has entered into a conditional agreement with Lei Shing Hong Limited ["LSH"], pursuant to which the Company has agreed to dispose of 49,600,000 ordinary shares representing 100% of the issued and paid-up capital of Hap Seng Capital Pte Ltd, a wholly-owned subsidiary of the Company, to LSH for a cash consideration of SGD240.00 million or equivalent to RM640.80 million ["Proposed Disposal"]; and

On even date, *Hap Seng Realty (KK I) Sdn Bhd ["HSRSB"] has entered into a conditional agreement with Akal Megah Sdn Bhd ["Akal Megah"], an indirect wholly-owned subsidiary of LSH, pursuant to which HSRSB has agreed to acquire a purpose-built fourteen (14)-storey retail and office tower block to be known as Menara Hap Seng KK being constructed on a parcel of leasehold land held under Town Lease 017529341 in the district of Kota Kinabalu, Sabah from Akal Megah for a cash consideration of RM395 million ["Proposed Acquisition"].

The Proposed Disposal and Proposed Acquisition are collectively referred to as the "Proposals".

The Proposals are deemed related party transactions as they involved the interests of Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, the 37.68% major shareholder of LSH and a 56% major shareholder and director of Gek Poh (Holdings) Sdn Bhd which is the holding company of the Company. In addition, Lei Shing Hong Investment Ltd, a wholly-owned subsidiary of LSH, is also a major shareholder with 16.98% shareholding in the Company and is deemed to be interested in the Proposals.

The Proposals are subject to the approvals being obtained from the shareholders of the Company at an extraordinary general meeting to be convened.

* These are the Company's wholly-owned subsidiaries.

40. SUBSEQUENT EVENTS (CONTINUED)

(d) Subsequent to the end of the financial year and up to 16 April 2015, the Company acquired additional 3,279,500 ordinary shares of RM1.00 each representing approximately 0.41% equity interest in Hap Seng Plantations Holdings Berhad ["HSP"] via the Main Market of Bursa Malaysia Securities Berhad, thereby increasing its shareholding in HSP from 52.38% to 52.79%.

41. COMPARATIVES

Certain comparatives have been reclassified to conform with current year's presentation.

42. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group and of the Company into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained profits of the Company and its subsidiaries				
- Realised	2,640,815	2,964,954	769,677	1,059,010
- Unrealised	196,646	(42,563)	(23)	(13)
	2,837,461	2,922,391	769,654	1,058,997
Total share of retained profits from associates				
- Realised	17,708	17,543	-	-
- Unrealised	18,318	18,205	-	-
- Breakdown unavailable *	23,702	21,712	-	-
	2,897,189	2,979,851	769,654	1,058,997
Less: Consolidation adjustments	(1,353,642)	(1,575,760)	-	-
Total retained profits as per financial statements	1,543,547	1,404,091	769,654	1,058,997

* 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

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

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year under review, 81,070,561 warrants were exercised with a balance of 263,970,819 warrants unexercised as at 31 December 2014. These warrants are constituted by the deed poll dated 6 July 2011.

3. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

The Company did not sponsor any ADR or GDR programme for the year.

4. PARTICULARS OF SANCTIONS AND/OR PENALTIES IMPOSED

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2014.

5. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered by the external auditors and/or its local and overseas member firms to the Group for the financial year ended 31 December 2014 was RM571,000 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 2014 and the unaudited results for the same period previously released in the quarterly report to Bursa Malaysia Securities Berhad on 26 February 2015.

7. PROFIT GUARANTEES

There was no profit guarantee given by the Company during the financial year ended 31 December 2014.

ADDITIONAL INFORMATION

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 2014, or entered into since 31 December 2013:

- 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 2014 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 4 June 2015 immediately after the conclusion of the annual general meeting to be held on the same date.

PARTICULARS OF TOP TEN PROPERTIES OF THE GROUP

Location	Area	Description	Date of Acquisition	Tenure	Year of Expiry	Approximate Age of Buildings (Years)	Net book value at 31/12/2014 RM'000
KUALA LUMPUR							
Lot 593 & 594, Seksyen 57, Jalan P. Ramlee,	7,436 m2	22-storey office building for rental	June 2004	Freehold	-	42	279,145
Lot 11383, Seksyen 57, Jalan P. Ramlee,	4,376 m2	31-storey office building for rental	March 2010	Freehold	-	1	379,737
SELANGOR							
H.S.(M) 21468, PT No. 58488, Bandar Cheras, Hulu Langat,	18,410 m2	3-storey Mercedes-Benz showroom & office	January 2010	Freehold	-	2	76,286
H.S.(D) 288475, PT No. 8417, Pekan Kinrara, District of Petaling,	30,255 m2	2-storey Mercedes-Benz showroom & office	June 2005/ June 2008	Freehold	-	2-8	66,159
SABAH							
TAWAU							
CL 105360674 & CL 105396647, KM 6, Jalan Tg. Batu Laut	198,215 m2	Industrial lands with single-storey buildings for rental	January 2004	Leasehold 99 years	2076/ 2080	26-27	88,902
CL 105451607 & CL 105459158, KM 6, Jalan Tg. Batu Laut	222,415 m2	Industrial lands with single-storey buildings for rental	January 2004	Leasehold 99 years	2086/ 2087	24-25	90,793
PL 106293010, KM 6, Jalan Tg. Batu Laut	174,015 m2	Industrial zoned land on reclaimed area held for rental	January 2004	Leasehold 99 years	2089	8 - 11	74,564
CL 105478831/ CL 105420666 CL 105420675/ CL 105420684, Mile 10-10 1/2, Jalan Apas	1,107,706 m2	Land held for development oil palm plantation & staff quarters	January 2004/ January 2001	Leasehold 99 years/ 60 years	2042/ 2060/ 2081	40	64,024

PARTICULARS OF TOP TEN PROPERTIES OF THE GROUP

Location	Area	Description	Date of Acquisition	Tenure	Year of Expiry	Approximate Age of Buildings (Years)	Net book value at 31/12/2014 RM'000
SABAH							
KINABATANGAN, LAHAD DATU							
Batangan Estate	3,633 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	9-33	272,164
Lutong Estate	2,448 ha	Oil palm plantation & buildings	July 1996/ July 2003	Leasehold 99 years	2078/ 2098/ 2099	14-25	
Lokan Estate	3,155 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	14-19	
Kapis Estate	2,681 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	12-28	
Lungmanis Estate	2,200 ha	Oil palm plantation & buildings	July 1996	Leasehold 99 years	2078	14-20	
Tomanggong Estate	4,890 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years/ 999 years	2067/ 2094/ 2894	6-46	316,808
Tabin Estate	2,579 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years/	2067/ 2076/ 2093/ 2097	6-30	
Tagas Estate	2,010 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years/	2067/ 2076	6-39	
Litang Estate	1,571 ha	Oil palm plantation & buildings	November 1978	Leasehold 99 years/ 999 years	2076/ 2091 2887/ 2900	6-32	
Sungai Segama Estate	5,174 ha	Oil palm plantation & buildings	December 1990	Leasehold 99 years/	2089	13-17	
Bukit Mas Estate	4,733 ha	Oil palm plantation & buildings	December 1990	Leasehold 99 years/ 999 years	2089/ 2887	7-15	

PLANTATION STATISTICS

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2010	2011	2012	2013	2014
CROP PRODUCTION - TONNES					
FFB	677,071	738,969	665,812	704,241	727,937
PROCESSED - TONNES					
FFB - own	636,033	693,901	620,770	662,452	680,741
FFB - purchased	63,001	107,623	105,469	116,490	121,673
Palm Oil	149,941	168,025	154,595	116,202	172,980
Palm Kernel	33,409	37,050	34,587	36,554	38,778
EXTRACTION RATE - %					
Palm Oil	21.45	20.96	21.29	21.34	21.56
Palm Kernel	4.78	4.62	4.76	4.69	4.83
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	2,892	2,289	2,788	2,525	4,089
> 7 years to 17 years	17,899	16,009	13,332	10,981	10,122
> 17 years onwards	11,296	12,770	14,335	17,164	17,162
Total mature area	**32,087**	**31,068**	**30,455**	**30,670**	**31,373**
AVERAGE YIELD - TONNES/HECTARE					
FFB Yield per mature hectare	21.10	23.79	21.86	22.96	23.20
Oil per mature hectare	4.53	4.99	4.65	4.90	5.00
AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE					
FFB	579	697	560	470	491
Palm Oil	2,594	3,226	2,773	2,343	2,386
Palm Kernel	1,629	2,200	1,494	1,288	1,654

PLANTATION STATISTICS

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2014

	River Estates Group	Jeroco	* HSP (Kota Marudu)	Pelipikan Plantation	Total Plantation Division
Oil Palm					
Mature	19,514	10,693	585	581	31,373
Immature	1,814	2,029	-	322	4,165
Total Oil Palm	21,328	12,722	585	903	35,538
Other crop	60	86	-	-	146
Total planted area	21,388	12,808	585	903	35,684
Reserves	578	312	81	330	1,301
Buildings, roads etc	1,547	997	142	132	2,818
Grand Total	**23,513**	**14,117**	**808**	**1,365**	**39,803**

Conversion Rate : 1 Hectare = 2.4710 acres

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

SHARE BUY-BACKS SUMMARY

Month (2014)	No. of shares bought back and retained as treasury shares	Lowest price paid per share (RM)	Highest price paid per share (RM)	Average cost per share (RM)	Total consideration paid (RM'000)	No. of treasury shares cancelled	No. of treasury shares resold	Lowest resale price per share (RM)	Highest resale price per share (RM)	Average resale price per share (RM)	Total consideration received (RM'000)
January	4,867,900	2.68	3.00	2.90	14,126	-	-	-	-	-	-
February	4,636,300	2.71	3.02	2.99	13,869	-	-	-	-	-	-
March	10,131,900	2.96	3.04	3.02	30,576	60,000,000	-	-	-	-	-
April	5,042,800	3.00	3.18	3.10	15,640	-	-	-	-	-	-
May	13,091,700	3.16	3.21	3.19	41,818	-	-	-	-	-	-
June	15,281,600	3.13	3.60	3.37	51,504	-	-	-	-	-	-
July	4,110,700	3.48	3.60	3.59	14,760	-	-	-	-	-	-
August	-	-	-	-	-	-	99,889,000	3.49	3.80	3.55	354,373
September	-	-	-	-	-	-	22,194,000	3.75	4.02	3.83	84,951
October	-	-	-	-	-	-	11,332,700	3.95	4.01	3.98	45,106
November	2,000	4.95	4.95	4.99	10	-	1,733,100	4.55	4.78	4.58	7,939
December	23,135,200	4.16	4.55	4.39	101,453	-	-	-	-	-	-
Total	**80,300,100**	**2.68**	**4.95**	**3.53**	**283,756**	**60,000,000**	**135,148,800**	**3.49**	**4.78**	**3.64**	**492,369**

During the financial year, 80,300,100 shares were bought back, 60,000,000 treasury shares were cancelled, and 135,148,800 treasury shares were resold on the open market. Consequently, the balance cumulative treasury shares held as at 31 December 2014 were 89,182,400.

ANALYSIS OF SHAREHOLDINGS

AS AT 24 APRIL 2015

Authorised share capital	: RM5,000,000,000
Issued and fully paid-up capital	: RM2,236,174,416
Class of shares	: ordinary shares of RM1.00 each
Voting rights	: one vote per ordinary share
Number of shareholders	: 10,787

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Capital
1 to 99	444	4.11	7,966	#
100 to 1,000	1,196	11.09	846,310	0.04
1,001 to 10,000	5,708	52.91	27,917,132	1.30
10,001 to 100,000	3,048	28.26	90,306,481	4.21
100,001 to less than 5% of issued shares	388	3.60	491,619,267	22.90
5% & above of issued shares	3	0.03	1,536,294,860	71.55
Total	**10,787**	**100.00**	**2,146,992,016**	**100.00**

* *The number of 2,146,922,016 ordinary shares was arrived at after deducting 89,182,400 treasury shares held by the Company from the original issued and paid-up share capital of 2,236,174,416 ordinary shares of the Company.*

\# *Negligible*

LIST OF 30 LARGEST SHAREHOLDERS

		Shareholding	% (3)
1.	Gek Poh (Holdings) Sdn Bhd	771,177,100	35.92
2.	Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients Account)	471,783,760	21.97
3.	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Gek Poh (Holdings) Sdn Bhd	293,334,000	13.66
4.	Malaysia Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for Gek Poh (Holdings) Sdn Bhd (01-00850-00)	100,000,000	4.66
5.	Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Phillip Securities (Hong Kong) Ltd (Clients' Account)	89,415,500	4.16
6.	Hap Seng Insurance Services Sdn Bhd	61,256,180	2.85
7.	Chinchoo Investment Sdn Berhad	13,595,380	0.63
8.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	13,316,800	0.62
9.	Gan Teng Siew Realty Sdn Berhad	12,308,600	0.57
10.	Key Development Sdn Berhad	11,008,800	0.51

ANALYSIS OF SHAREHOLDINGS
AS AT 24 APRIL 2015

		Shareholding	% [3]
11.	DB (Malaysia) Nominee (Asing) Sdn Bhd - SSBT Fund WTAU for Wisdomtree Emerging Markets Smallcap Dividend Fund	8,899,592	0.41
12.	Mikdavid Sdn Bhd	8,320,600	0.39
13.	Maybank Nominees (Tempatan) Sdn Bhd - Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	7,498,700	0.35
14.	Nithiabala A/L T Balasingam	7,228,000	0.34
15.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	5,348,840	0.25
16.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.S.A)	4,889,300	0.23
17.	DB (Malaysia) Nominee (Asing) Sdn Bhd - SSBT Fund WTAS for Wisdomtree Emerging Markets Equity Incomefund	4,690,465	0.22
18.	Rengo Malay Estate Sendirian Berhad	4,032,000	0.19
19.	Amanahraya Trustees Berhad - Public Islamic Sector Select Fund	3,967,500	0.18
20.	Bidor Tahan Estates Sdn Bhd	3,780,000	0.18
21.	CIMB Commerce Trustee Berhad - Public Focus Select Fund	3,090,200	0.14
22.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	3,072,340	0.14
23.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Liew Jew Fook (E-PDG)	2,558,000	0.12
24.	Gemas Bahru Estates Sdn Bhd	2,243,000	0.10
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.	HSBC Nominees (Asing) Sdn Bhd - HSBC BK PLC for Saudi Arabian Monetary Agency	2,021,100	0.09
28.	HSBC Nominees (Asing) Sdn Bhd - DZ Privatbank for Quoniam Funds Selection SICAV - Emerging Markets Equities Minrisk	1,896,300	0.09
29.	Soon Khiat Voon	1,770,000	0.08
30.	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Bank Berhad (EDP 2)	1,765,000	0.08
Total		**1,918,386,257**	**89.33**

ANALYSIS OF SHAREHOLDINGS
AS AT 24 APRIL 2015

SUBSTANTIAL SHAREHOLDERS

	Shareholding			
	Direct	**%** [3]	**Indirect**	**%** [3]
Gek Poh (Holdings) Sdn Bhd	1,164,511,100	54.24	61,256,180 [1]	2.85
Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients A/C for Lei Shing Hong Investment Limited)	364,564,660	16.98	-	-
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	1,590,331,940 [2]	74.07

Notes:
1. *(1) Deemed interests through its wholly-owned subsidiary, Hap Seng Insurance Services Sdn Bhd, pursuant to section 6A(4) of the Companies Act, 1965 (the "Act").*
2. *(2) Deemed interests by virtue of his direct and/or indirect substantial interests in Gek Poh (Holdings) Sdn Bhd and Lei Shing Hong Investment Limited pursuant to section 6A(4) of the Act.*
3. *(3) For purpose of computing the percentage of shareholding above, the number of ordinary shares used was 2,146,992,016 which was arrived at after deducting 89,182,400 treasury shares held by the Company from its issued and paid-up capital of 2,236,174,416 ordinary shares.*

ANALYSIS OF WARRANTHOLDINGS

AS AT 24 APRIL 2015

Total warrants issued	: 364,392,900
Less: Total warrants exercised	: 109,817,016
Balance warrants unexercised	: 254,575,884

DISTRIBUTION OF WARRANTHOLDERS

Size of Warrantholdings	No. of Warrantholders	% of Warrantholders	No. of Warrants Held	% of Warrantholdings
1 to 99	144	4.27	8,218	#
100 to 1,000	875	25.92	480,589	0.19
1,001 to 10,000	1,977	58.58	6,537,815	2.57
10,001 to 100,000	347	10.28	8,706,140	3.44
100,001 to less than 5% of issued warrants	30	0.89	7,673,900	3.02
5% & above of issued warrants	2	0.06	230,546,122	90.78
Total	**3,375**	**100.00**	**253,952,784**	**100.00**

Negligible

LIST OF 30 LARGEST WARRANTHOLDERS

		Warrantholding	%
1.	Gek Poh (Holdings) Sdn Bhd	195,583,442	77.02
2.	Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients A/C)	34,962,680	13.77
3.	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for Cheang Wai Kett (MM1156)	1,250,000	0.49
4.	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for Ooi Peng Cuan (PBCL-0G0102)	830,000	0.33
5.	JF Apex Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Teo Kwee Hock (STA 1)	514,500	0.20
6.	Nithiabala A/L T Balasingam	435,800	0.17
7.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for Barclays Capital Securities Ltd (SBL/PB)	370,000	0.15
8.	Soon Khiat Voon	370,000	0.15
9.	Geoffrey Lim Fung Keong	310,024	0.12
10.	Tan Beng Sim	256,000	0.10

ANALYSIS OF WARRANTHOLDINGS

AS AT 24 APRIL 2015

		Warrantholding	%
11.	Soo Yih Ming	218,800	0.09
12.	JF Apex Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Teo Siew Lai (Margin)	208,600	0.08
13.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yong Shian Jian	200,000	0.08
14.	Lum Poh Kong	200,000	0.08
15.	Ong Hsieh Yin	200,000	0.08
16.	Yeo Soo Jeng	197,800	0.08
17.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Mohd Radzuan Bin Ab Halim	189,700	0.07
18.	Cimsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Soon Thiam Yew (Ampang-CL)	185,600	0.07
19.	Cheang Wai Kett	180,000	0.07
20.	Liew Lee Kuen	171,000	0.07
21.	Ng Chin Siu & Sons Rubber Estates Sdn Bhd	140,620	0.06
22.	Amanahraya Trustees Berhad - PB China Asean Equity Fund	120,000	0.05
23.	Pan Heng Luy	120,000	0.05
24.	Public Invest Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lam Kam Yeon (M)	120,000	0.05
25.	Sin Hiap Heng Trading Sdn Bhd	120,000	0.05
26.	Teh Kee Peng	120,000	0.05
27.	Pantai Remis Mining (Sdn) Berhad	117,356	0.05
28.	Xie Xin Poultry Merchant Sdn Bhd	111,900	0.04
29.	Affin Hwang Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Lee Teck Heng	105,700	0.04
30.	Yuen Thui Yang	105,300	0.04
Total		**238,014,822**	**93.75**

DIRECTORS' SHAREHOLDINGS

AS AT 24 APRIL 2015

	Direct Shareholding		Indirect Shareholding	
Company:	**No. of Shares**	**%** (1)	**No. of Shares**	**%** (1)
Hap Seng Consolidated Berhad (HSCB)				
Dato' Jorgen Bornhoft	130,000	0.0061	-	-
Dato' Mohammed Bin Haji Che Hussein	136,000	0.0063	-	-
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	-	-

Notes:

(1) *For purpose of computing the percentage of HSCB shareholding above, the number of ordinary shares used was 2,146,992,016 which was arrived at after deducting 89,182,400 treasury shares held by HSCB from its issued and paid-up capital of 2,236,174,416 ordinary shares.*

(2) *For purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,703,200 which was arrived at after deducting 296,800 treasury shares held by HSP from its issued and paid-up capital of 800,000,000 ordinary shares.*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 39th annual general meeting of Hap Seng Consolidated Berhad will be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 4 June 2015 at 10am to transact the following:-

AGENDA

ORDINARY BUSINESS

1. To table the audited financial statements for the financial year ended 31 December 2014 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 — **Ordinary Resolution 1**

3. To re-elect Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan 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 — **Ordinary Resolution 2**

4. To re-elect Dato' Mohammed Bin Haji Che Hussein 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 — **Ordinary Resolution 3**

5. To re-elect Ms. Cheah Yee Leng who shall retire in accordance with article 103 of the Company's articles of association and being eligible, has offered herself for re-election. Note 4 — **Ordinary Resolution 4**

6. To re-elect Mr. Ch'ng Kok Phan who shall retire in accordance with article 103 of the Company's articles of association and being eligible, has offered himself for re-election. Note 4 — **Ordinary Resolution 5**

7. To approve the payment of directors' fees of RM645,000.00 for the financial year ended 31 December 2014. — **Ordinary Resolution 6**

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

SPECIAL BUSINESS

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

9. **Authority to allot and issue shares pursuant to section 132D of the Companies Act, 1965**

   "That subject always to the approvals of the relevant authorities, the directors of the Company be and are hereby empowered pursuant to section 132D of the Companies Act, 1965 to issue shares in the Company at any time upon such terms and conditions, and for such purposes as the directors of the Company may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being and that the directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." Note 7 — **Ordinary Resolution 8**

NOTICE OF ANNUAL GENERAL MEETING

10. **Continuation of independent non-executive chairman**

"Subject to Ordinary 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 8 **Ordinary Resolution 9**

11. **Proposed amendment to the articles of association of the Company**

"That the existing article 135 in the articles of association of the Company be deleted entirely and the adoption of the following article as article 135 of the articles of association of the Company be hereby approved:- **Special Resolution**

Article No.	Existing Article	Proposed Amendment
Article 135	The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in General Meeting such profit and loss account, balance sheet and reports as are referred to in that Section provided always that the interval between the close of the financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' reports shall not exceed four (4) months.	The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in General Meeting such profit and loss account, balance sheet and reports as are referred to in that Section." Note 9

By order of the Board

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

Kuala Lumpur
13 May 2015

Explanatory notes to the Agenda:-

1. *Pursuant to section 169(1) of the Companies Act, 1965 (Act), the directors shall lay before the Company at its annual general meeting its annual financial statements made up to a date not more than 6 months before the date of the meeting. There will be no resolution to be passed on this item 1.*

2. *Pursuant to section 129(2) of the Act, the office of a director of a public company or of a subsidiary of a public company shall become vacant at the conclusion of the annual general meeting commencing next after he attains the age of seventy years. However, section 129(6) of the Act states that a person of or over the age of seventy years may by a resolution of which no shorter notice than that required to be given to the members of the company of an annual general meeting has been duly given, passed by a majority of not less than three-fourths of such members of the company as being entitled so to do vote in person or, where proxies are allowed, by proxy, at a general meeting of that company, be appointed or reappointed as a director of that company to hold office until the next annual general meeting of the company.*

3. *Pursuant to article 97 of the Company's articles of association and paragraph 7.26(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), at least one-third of the directors of the Company for the time being shall retire from office at every annual general meeting, but shall be eligible for re-election.*

4. *Pursuant to article 103 of the Company's articles of association and paragraph 7.22 of the Listing Requirements, any director so appointed shall hold office only until the next annual general meeting of the Company, and shall then be eligible for re-election.*

NOTICE OF 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. *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.*

7. *This section 132D authority, if approved, will empower the directors of the Company to issue ordinary shares in the Company up to 10% of the issued and paid-up share capital of the Company for the time being, subject to compliance with all other regulatory requirements and this will enable the Company to finance investments projects, working capital and/or acquisitions by issuing new shares as and when the need arises without delay or incurring costs in convening a separate general meeting. This authority, unless revoked or varied at an earlier general meeting, will expire at the conclusion of the next annual general meeting of the Company.*

   As at the date of this notice of annual general meeting, the Company has not issued any new shares pursuant to the existing section 132D authority obtained during the last annual general meeting held on 28 May 2014, which authority shall lapse at the conclusion of this annual general meeting.

8. *Despite having served as an independent director for more than nine years, the Board, upon the assessment and recommendation of the Nominating Committee, is of the opinion that Dato' Jorgen Bornhoft is capable of acting objectively in the best interests of the Company, and has demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements.*

9. *The proposed amendment to the articles of association of the Company is to comply with the amendments made to Chapter 9 of the Listing Requirements in relation to the issue of annual report.*

Notes to the notice of annual general meeting:-

1. *A depositor shall not be regarded as a member entitled to attend this general meeting, to speak and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 28 May 2015 (which is not less than 3 market days before the date of this meeting) issued by Bursa Malaysia Depository Sdn Bhd (Bursa Depository) upon the Company's request in accordance with the rules of the Bursa Depository.*

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

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

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

HAP SENG CONSOLIDATED BERHAD (26877-W)

PROXY FORM

No. of shares	CDS Account No.

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

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 39th annual general meeting of the Company to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 4 June 2015 at 10am or at any adjournment thereof in the manner as indicated below:-

Agenda				
1	To table the audited financial statements for the financial year ended 31 December 2014 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.	**Ordinary Resolution 1**		
3	To re-elect Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan who shall retire in accordance with article 97 of the Company's articles of association and being eligible, has offered himself for re-election.	**Ordinary Resolution 2**		
4	To re-elect Dato' Mohammed Bin Haji Che Hussein who shall retire in accordance with article 97 of the Company's articles of association and being eligible, has offered himself for re-election.	**Ordinary Resolution 3**		
5	To re-elect Ms. Cheah Yee Leng who shall retire in accordance with article 103 of the Company's articles of association and being eligible, has offered herself for re-election.	**Ordinary Resolution 4**		
6	To re-elect Mr. Ch'ng Kok Phan who shall retire in accordance with article 103 of the Company's articles of association and being eligible, has offered himself for re-election.	**Ordinary Resolution 5**		
7	To approve the payment of directors' fees of RM645,000.00 for the financial year ended 31 December 2014.	**Ordinary Resolution 6**		
8	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.	**Ordinary Resolution 7**		
SPECIAL BUSINESS			**FOR**	**AGAINST**
9	Authority to allot and issue shares pursuant to section 132D of the Companies Act, 1965.	**Ordinary Resolution 8**		
10	To approve the continuation of Dato' Jorgen Bornhoft as independent non-executive chairman of the Company.	**Ordinary Resolution 9**		
11	Proposed amendment to the articles of association of the Company.	**Special Resolution**		

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

Signed this ______________ day of ______________ 2015

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

Notes:-

1. *A depositor shall not be regarded as a member entitled to attend this general meeting, to speak and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 28 May 2015 (which is not less than 3 market days before the date of this meeting) issued by Bursa Malaysia Depository Sdn Bhd (Bursa Depository) upon the Company's request in accordance with the rules of the Bursa Depository.*

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

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

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

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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

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HAP SENG CONSOLIDATED BERHAD

21st Floor, Menara Hap Seng
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50250 Kuala Lumpur
Malaysia

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