ANNUAL REPORT **2016**

HAP SENG CONSOLIDATED BERHAD

- PLANTATIONS
- PROPERTY INVESTMENT & DEVELOPMENT
- CREDIT FINANCING
- AUTOMOTIVE
- FERTILIZERS TRADING
- BUILDING MATERIALS

41st ANNUAL GENERAL MEETING

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

Wednesday
31 May 2017
at 10am

CONTENTS

CORPORATE INFORMATION

MISSION STATEMENT

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

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

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

To be the employer of choice.

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

BOARD OF DIRECTORS

Dato' Jorgen Bornhoft
Independent Non-Executive Chairman

Datuk Edward Lee Ming Foo, JP
Managing Director

Lee Wee Yong
Executive Director

Cheah Yee Leng
Executive Director

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

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

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

Ch'ng Kok Phan
Non-Independent Non-Executive Director

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

COMPANY SECRETARIES

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

REGISTERED OFFICE

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

PLACE OF INCORPORATION

Malaysia

SHARE REGISTRAR

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

AUDITORS

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

PRINCIPAL BANKERS

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

GROUP

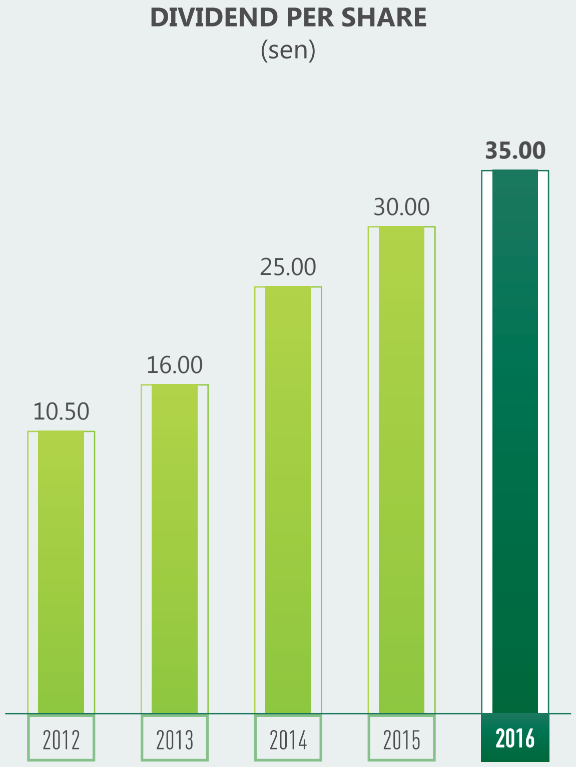
Hap Seng Consolidated Berhad together with its subsidiaries

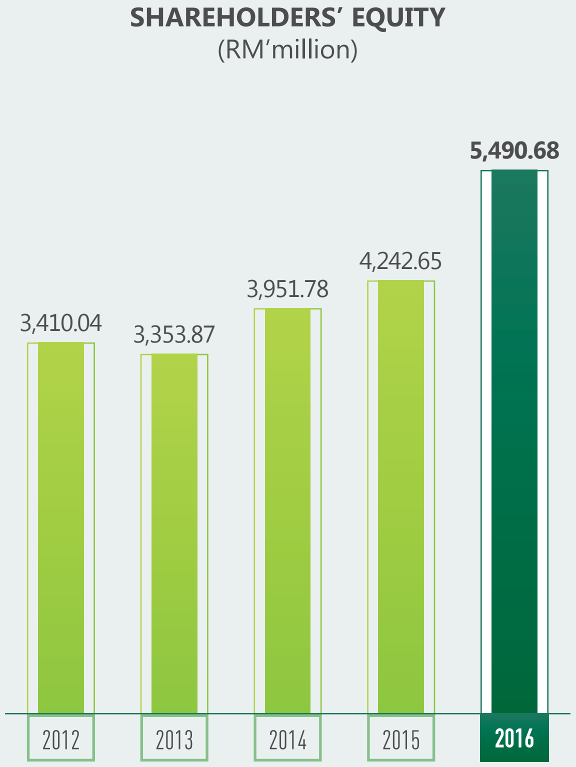
	FINANCIAL YEAR ENDED 31 DECEMBER				
	2012	2013	2014	2015	**2016**
INCOME (RM'000)					
Revenue	3,958,899	3,486,747	3,768,049	4,393,338	4,891,714
Profit before tax and interest	764,930	866,589	1,092,223	1,221,408	1,364,423
Profit before tax	681,579	801,581	1,024,625	1,117,596	1,244,935
Profit attributable to Owners of the Company	427,104	588,257	753,467	908,473	1,000,960
FINANCIAL POSITION (RM'000)					
Assets					
Total assets	6,670,858	7,108,109	7,785,568	10,034,932	11,725,461
Net assets	3,410,037	3,353,874	3,951,775	4,242,648	5,490,676
Current assets	2,692,028	3,065,574	3,303,173	3,951,443	5,105,674
Liabilities and Shareholders' Equity					
Current liabilities	1,728,966	2,214,740	2,476,372	3,114,414	3,433,667
Borrowings	2,251,728	2,498,573	2,618,872	4,191,936	4,425,247
Borrowings (Net of Cash)	1,732,469	1,865,913	2,118,114	3,678,562	3,386,227
Paid-up share capital	2,186,364	2,205,709	2,226,779	2,249,731	2,489,682
Shareholders' equity	3,410,037	3,353,874	3,951,775	4,242,648	5,490,676
SHARE INFORMATION					
Per Share					
Basic earnings (sen) *	19.79	28.70	36.67	42.26	42.36
Net assets (RM) **	1.61	1.68	1.85	1.97	2.21
Dividend (sen)	10.50	16.00	25.00	30.00	35.00
Share price					
- Year High (RM)	1.84	3.05	4.99	6.70	8.93
- Year Low (RM)	1.51	1.54	2.66	3.55	6.40
- as at 31 December (RM)	1.74	3.01	4.68	6.48	8.86
Market capitalisation (RM'000)	3,676,808	6,025,051	10,003,954	13,975,235	22,058,561
Trading volume ('000)	405,924	444,469	503,499	412,039	362,662
* *Based on weighted average number of shares in issue net of treasury shares ('000)*	*2,158,584*	*2,049,324*	*2,054,505*	*2,149,824*	*2,362,902*
** *Based on number of shares in issue net of treasury shares ('000)*	*2,113,108*	*2,001,678*	*2,137,597*	*2,156,672*	*2,489,680*
FINANCIAL RATIOS					
Return on total assets (%)	6.40	8.28	9.68	9.05	8.54
Return on shareholders' equity (%)	12.52	17.54	19.07	21.41	18.23
Current ratio (times)	1.56	1.38	1.33	1.27	1.49
Gearing ratio (times)	0.66	0.74	0.66	0.99	0.81
Net gearing ratio (times) #	0.51	0.56	0.54	0.87	0.62

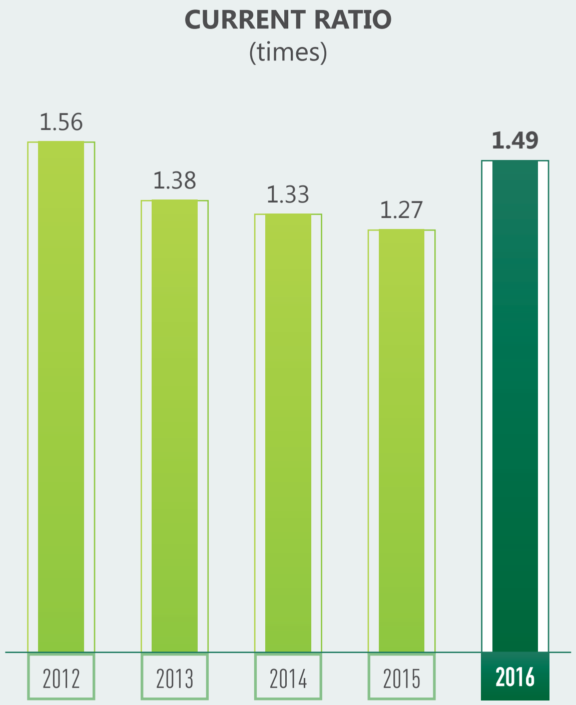
Note:

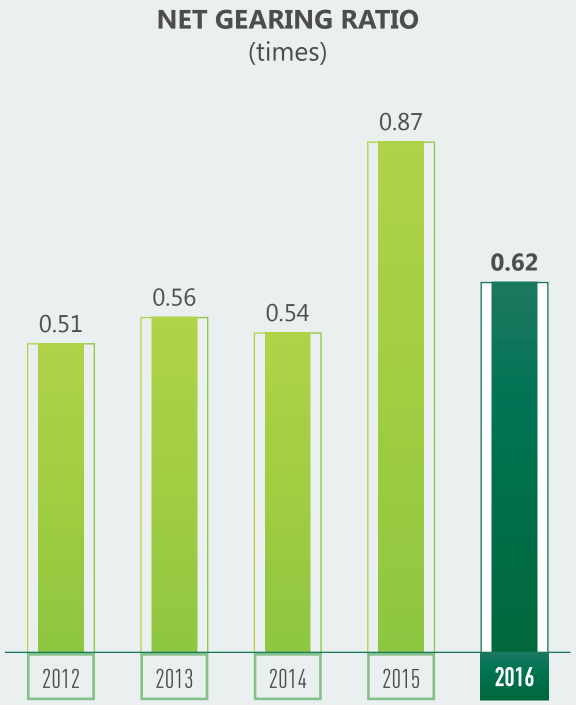
Net gearing ratio is computed after deducting money market deposits and cash and bank balances.

GROUP FINANCIAL HIGHLIGHTS

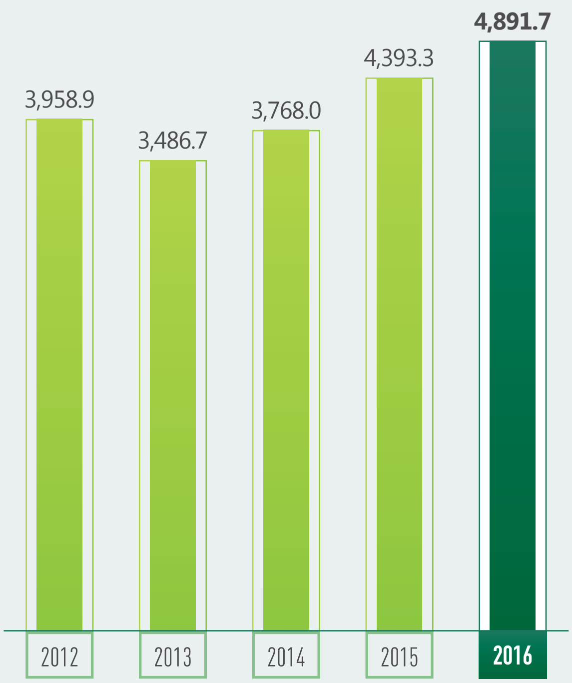




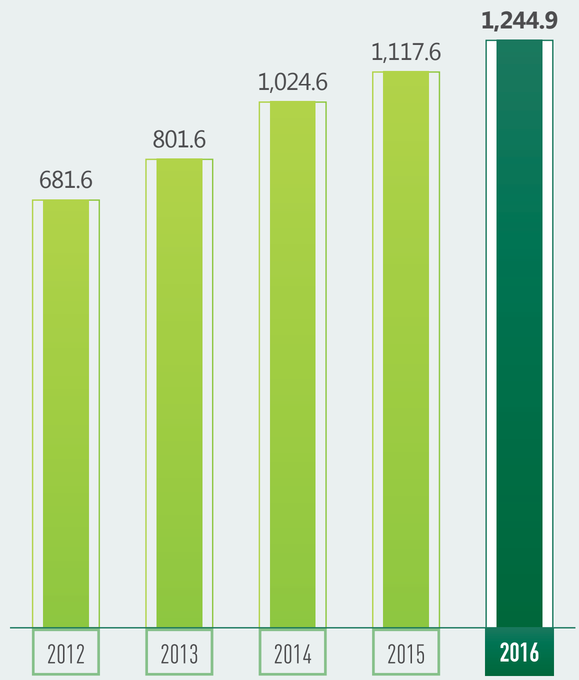




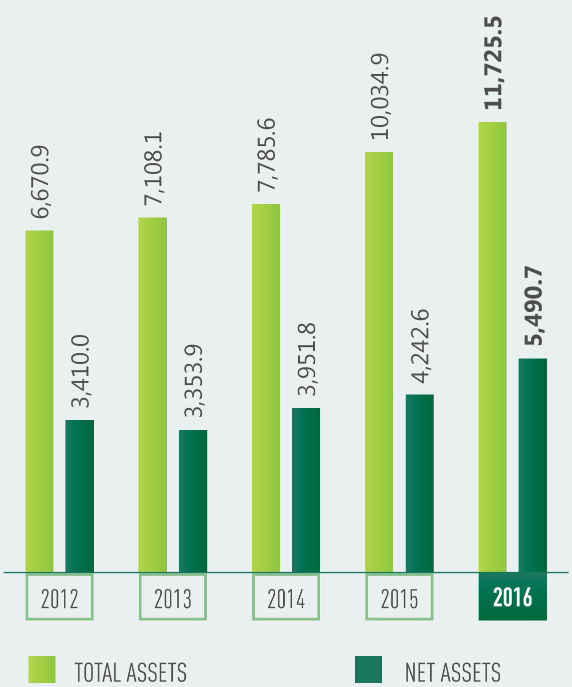
REVENUE
(RM'million)



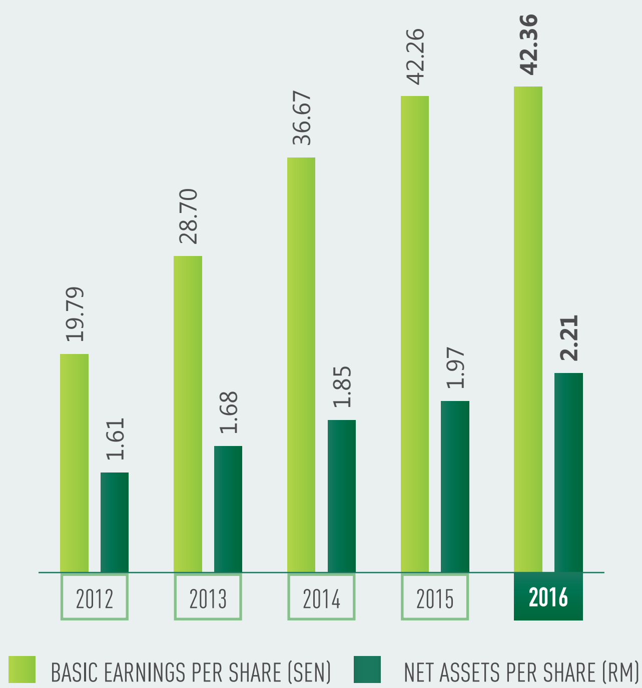
PROFIT BEFORE TAX
(RM'million)



TOTAL ASSETS/NET ASSETS
(RM'million)



BASIC EARNINGS PER SHARE/ NET ASSETS PER SHARE

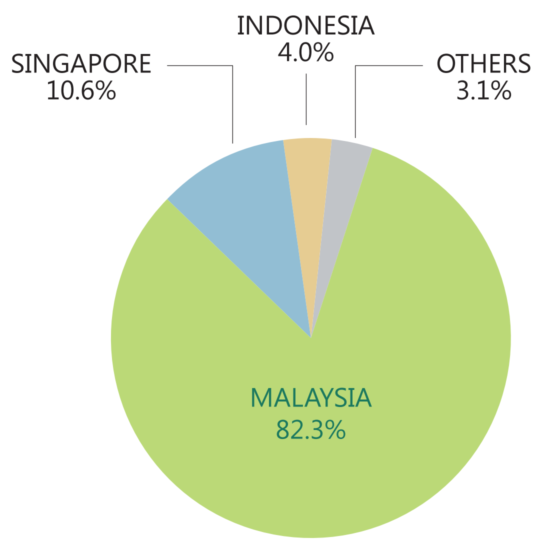


THE GROUP

Hap Seng Consolidated Berhad is a diversified group with six core businesses – plantations, property investment and development, credit financing, automotive, fertilizers trading and building materials. The Group expanded its building materials division during the year with the acquisition of Malaysian Mosaics Sdn Bhd (MMSB), a reputable tiles manufacturer under the brand name of "MML".

Currently, the Group's businesses are largely in Malaysia which accounted for 82.3% of the total Group revenue in FY2016. However, the Group is growing its presence in Asia particularly in Singapore, Indonesia and China through the fertilizers trading and building materials businesses. Details of each business are covered in detail under the respective business segment.

FY2016 REVENUE CONTRIBUTION BY GEOGRAPHICAL AREA



Quick Facts

Recognitions in 2016

Bursa Malaysia
Inclusion in the FBM KLCI Main Index

The Edge Billion Ringgit Club
Highest Returns to Shareholders Over Three Years (Big Cap Companies) Award

During the year, the Group was added to the FBM KLCI main index which tracks the performances of the 30 largest companies on Bursa Malaysia by market capitalisation. The Group was also the recipient of the "Highest Returns to Shareholders Over Three Years (Big Cap Companies)" award from The Edge Billion Ringgit Club.

VISION

Creating Value Together

The Group strives to create value together by fostering a win-win partnership built on trust and confidence with all stakeholders including our shareholders, customers, business partners and employees. The Group aims to be in harmony with the environment and the communities where our businesses are operating in.

STRATEGIES IN CREATING VALUE

The Group will continue to focus on its core businesses where it has built its core competencies and strong market presence over the years.

The Group continues to grow the business with the expansion of existing market coverage, distribution channels and facilities. It is always on the lookout for potential acquisition of new assets or opportunities for strategic alliances with other similar businesses.

The Group embraces good practices in its operations in line with relevant industry certifications. It continues to focus on improvements in operational efficiency and cost savings initiatives to enhance profitability and marketability of its products and services.

The Group also leverages on its group synergies by:

- capitalising on the extensive business networks and customer base; and
- adopting best practices built by each business over the years.

This has enabled the Group to build a prominent market presence, identify potential businesses and strengthen customer relationships.

MARKET LANDSCAPE

Operating environment in 2016 was challenging with weak crude oil and commodities prices and uncertainties in the global economic environment.

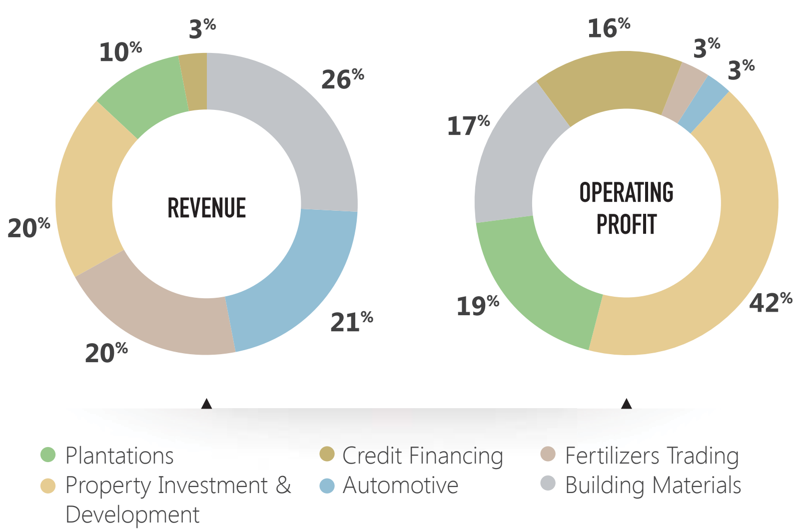
In spite of the above, the Malaysian economy remained resilient, expanded by 4.2% (2015: 5.0%) underpinned mainly by higher domestic activities and additional support from net exports which benefited from the weakening of the Ringgit. Private consumption grew by 6.1% in 2016 (2015: 6.0%), supported by continued wage and employment growth as well as the increase in minimum wage effective 1st July 2016.

ANOTHER YEAR OF STRONG FINANCIAL RESULTS

On the back of the aforementioned economic environment, the Group continued to be vigilant in monitoring market developments, exercised holistic risk management and cautious business expansion; and continued its concerted efforts in improving operational efficiency and productivity. With these disciplines in place, the Group was able to deliver yet another strong financial performance for FY2016.

The Group recorded a revenue of RM4,891.7 million in FY2016 (2015: RM4,393.3 million), higher than the preceding year by 11%, with higher contributions from most existing businesses and the inclusion of the results from MMSB. Correspondingly, the Group achieved a 10% growth in profit after tax in 2016 of RM1,065.4 million (2015: RM969.4 million).

CONTRIBUTION BY DIVISION



The Group's earnings per share (EPS) for FY2016 was at 42.36 sen as compared to 42.26 sen in the preceding year. The EPS for 2016 was based on an enlarged share capital which resulted from the conversion of warrants and resale of treasury shares during the year.

In line with the dividend policy of the Group of paying not less than 50% of profit after tax, the Board has declared and paid out a total dividend of 35 sen per share for FY2016 as against the previous year's dividend of 30 sen per share, representing a payout ratio of approximately 86%.

SEGMENTAL PERFORMANCE HIGHLIGHTS

For FY2016, the largest contributor of revenue comes from the building materials division, which accounted for 26% of total revenue. This division primarily benefited from the inclusion of MMSB's revenue and higher revenue from the trading of building materials.

The property investment and development division is the largest contributor of operating profit which accounted for 42% of total operating profit. The division benefited from higher profit from project sales and higher rental contribution, primarily from Menara Hap Seng 2 and Plaza Shell.

The financial and operational performance of the Group's business segments are discussed in the following sections.

PLANTATIONS

HAP SENG PLANTATIONS HOLDINGS BERHAD IS AN OIL PALM PLANTATION COMPANY LISTED ON BURSA MALAYSIA.

THE DIVISION IS ONE OF THE LARGEST PRODUCERS OF SUSTAINABLE PALM OIL IN SABAH WITH A TOTAL AREA OF 40,279 HECTARES LOCATED ENTIRELY IN SABAH. IT ALSO OPERATES FOUR PALM OIL MILLS.

THE DIVISION COMPRISES FIVE ESTATES NAMELY, THE JEROCO GROUP OF ESTATES (JGOE), TOMANGGONG GROUP OF ESTATES (TMGOE), SUNGAI SEGAMA GROUP OF ESTATES (SSGOE), LADANG KAWA ESTATE, PELIPIKAN AND KOTA MARUDU ESTATES. JGOE, TMGOE AND SSGOE ARE LOCATED ON A CONTIGUOUS PLOT OF LAND IN LAHAD DATU.

Revenue
RM503.4 mil

Operating Profit
RM170.0 mil

Quick Facts

All mills are RSPO and ISCC EU certified

One mill is HACCP certified

KEY MARKETS

The division sells its palm products generally through spot sales and forward contracts basis. Majority of the sales were local delivered sales to refiners within Malaysia and some of the sales were exported on FOB basis.

MARKET CONDITIONS

The production of palm oil for 2016 in Malaysia was adversely affected by the El Nino weather phenomenon which resulted in lower production output of 17.32 million tonnes, a 13.2% drop from 19.96 million tonnes in 2015.

Correspondingly, the Malaysian palm oil stock balance at the end of 2016 was 1.67 million tonnes as compared to 2.63 million tonnes in 2015, providing support to palm oil prices which rallied to a high of RM3,200 per tonne in the fourth quarter of the year. The year closed with an average crude palm oil (CPO) price of RM2,653 per tonne, an increase of 23.2% as compared to RM2,153 per tonne in 2015.

2016 FINANCIAL REVIEW

The division's performance for FY2016 improved significantly over the preceding financial year in tandem with the higher average CPO and palm kernel (PK) prices. The division achieved a revenue of RM503.4 million in FY2016, 15.8% higher than the previous financial year of RM434.9 million and operating profit increased by 38.1% to RM170.0 million (2015: RM123.1 million).

Sales volume for CPO was lower by 7.3% to 151,895 tonnes (2015: 163,849 tonnes) and PK sales volume was also lower by 6.2% to 35,917 tonnes (2015: 38,284 tonnes).

The average price realisation of its CPO and PK for FY2016 was RM2,643 per tonne (2015: RM2,168 per tonne) and RM2,564 per tonne (2015: RM1,600 per tonne), respectively. These prices were comparable or higher than Sabah average of RM2,658 per tonne and RM2,414 per tonne, respectively.

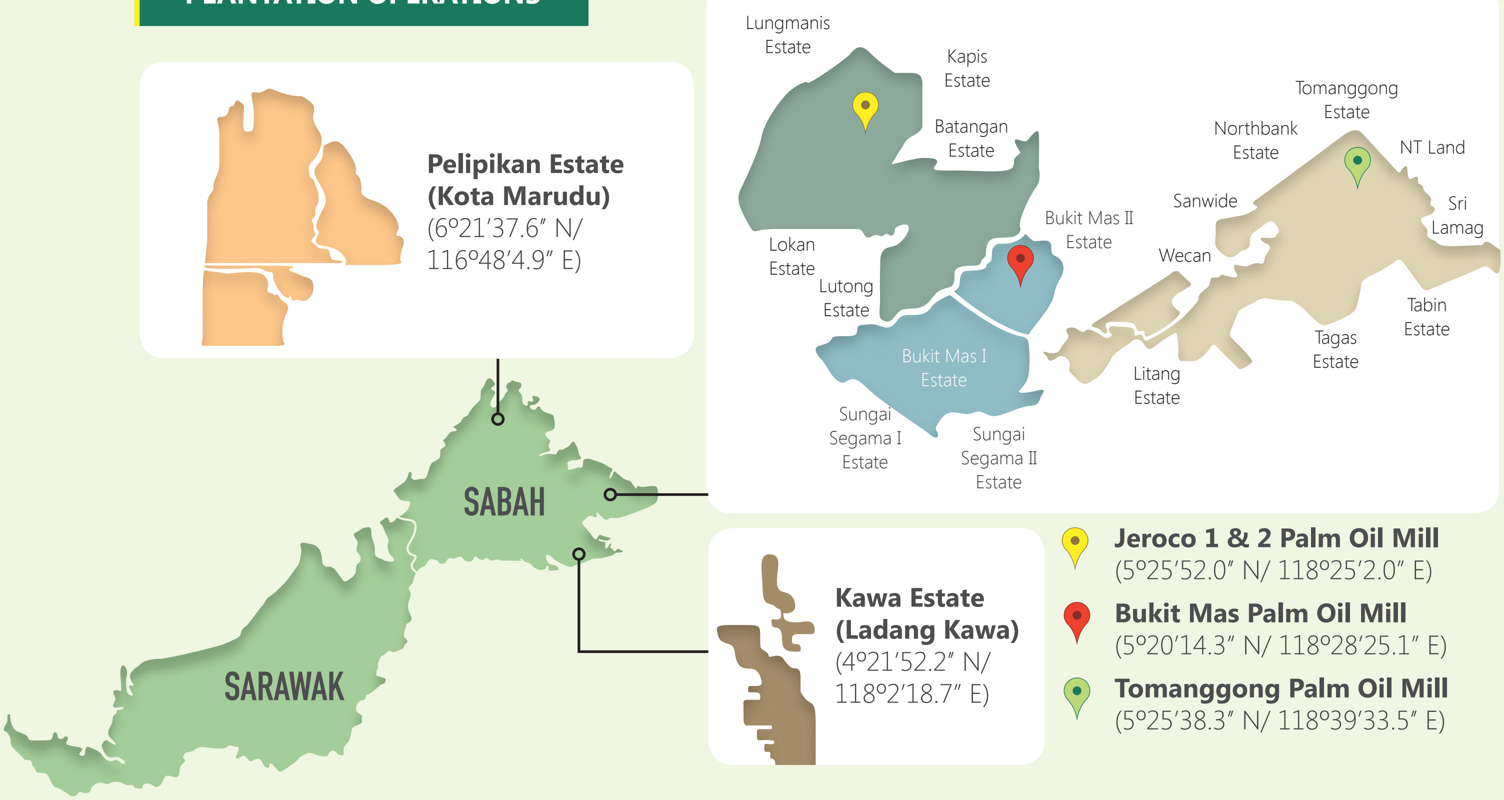
The division's fresh fruit bunches (FFB) production yield of 20.47 tonnes per hectare (2015: 21.89 tonnes per hectare) was better than the Sabah plantation industry average FFB production yield of 17.10 tonnes per hectare. Its oil extraction rate (OER) of 21.03% (2015: 22.00%) was comparable with Sabah plantation industry average OER of 21.11%.

The plantation industry continued to be impacted by labour shortage. Higher production cost as a result of the fluctuation of Malaysian Ringgit against the US dollar was another factor. CPO production cost (excluding replanting cost and after taking into account of PK credits) for the financial year was approximately 2% higher at RM1,159 per tonne as compared to previous year of RM1,137 per tonne.

MANAGEMENT STRATEGIES

The division will continue with its strategic replanting policy of approximately 4% of planted area. While the division is always on the lookout for further expansion of the planted area, steps are underway to maximise yield by ensuring all FFB and loose fruits are collected and processed within the allowable timeframe. While pursuing the aforesaid, the division is always mindful of its commitment to the sustainability aspect of its palm products, in particular compliance with RSPO and ISCC EU.

PLANTATION OPERATIONS

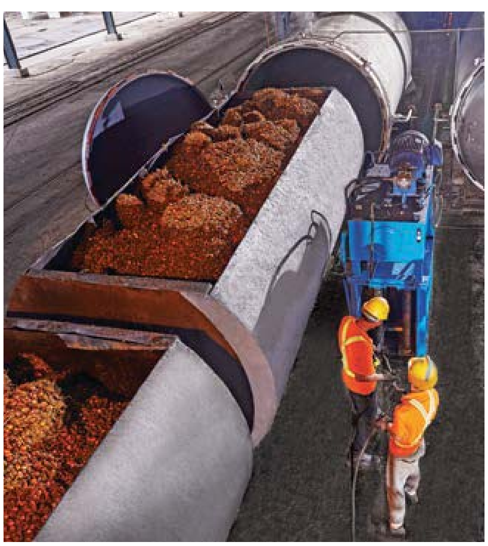


OPERATIONAL PERFORMANCE

Planting Operations

As at 31 December 2016, the division had a total planted area of 36,145 hectares (2015: 35,678 hectares) out of a total area of 40,279 hectares with an average age of 15.3 years (2015: 15.5 years). Of the total planted area, approximately 90% or 32,374 hectares (2015: 32,440 hectares) were mature areas.

	Hectares
Immature	3,625
30 months to 7 years	5,626
> 7 years to 17 years	7,246
> 17 years	19,502
Total planted – oil palm	35,999
Immature – other crops	146
Total planted area	36,145
Reserve plantable	114
Building, road, reserves, etc	4,020
Total Area	40,279

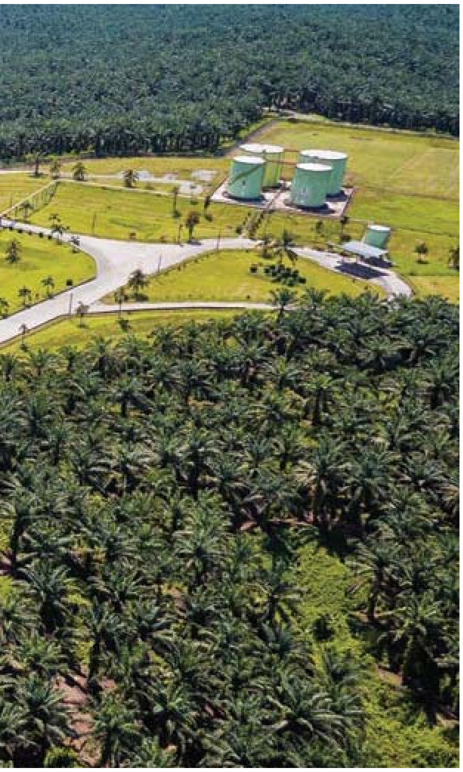


1,106 hectares of the total immature area of 3,625 hectares are expected to mature in 2017. The division replanted 1,425 hectares during FY2016.

Area Statement of the division as of 31 December 2016 was as follows:

	Total Area (hectares)	Planted Area (hectares)	Mature Area (hectares)	Percentage of Mature area
JGOE(i)	14,117	*12,808	10,589	82.7%
TMGOE(ii)	12,807	**11,893	10,726	90.2%
SSGOE(iii)	9,906	8,755	8,370	95.6%
Ladang Kawa	1,276	1,201	1,201	100.0%
Pelipikan	1,365	903	903	100.0%
Kota Marudu	***808	585	585	100.0%
Total	40,279	36,145	32,374	89.6%

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



Milling Operations

The division's milling operation is undertaken by four mills, with a combined milling capacity of 180 FFB tonnes per hour. Our mills, which include Jeroco Palm Oil Mill 1, Jeroco Palm Oil Mill 2, Tomanggong Palm Oil Mill and Bukit Mas Palm Oil Mill, saw production averaging at 70% of the total milling capacity throughout 2016 which was lower than the previous year of 76%, mainly due to lower FFB production.

SHORT AND LONG TERM GOALS

The division is committed to improve the value and marketability of its palm oil products. On this front, the division endeavoured to have its CPO certified internationally to ensure a wider market acceptance.

As at FY2016, all its mills have international certifications on Roundtable on Sustainable Palm Oil (RSPO) and International Sustainability and Carbon Certification EU (ISCC EU).

The division is also in the process of obtaining the Hazard Analysis and Critical Control Points (HACCP) certification for all its mills. The Bukit Mas Palm Oil Mill was HACCP certified in 2016, with the balance three mills to be certified in 2017.

The division's long term goal is to increase its estate size. In 2016, the division acquired a 476 hectares of mature estate, adjacent to its present contiguous plot at Lahad Datu, as part of its strategy to increase estate size.

Moving forward, the division will continue to source for new palm oil estates.

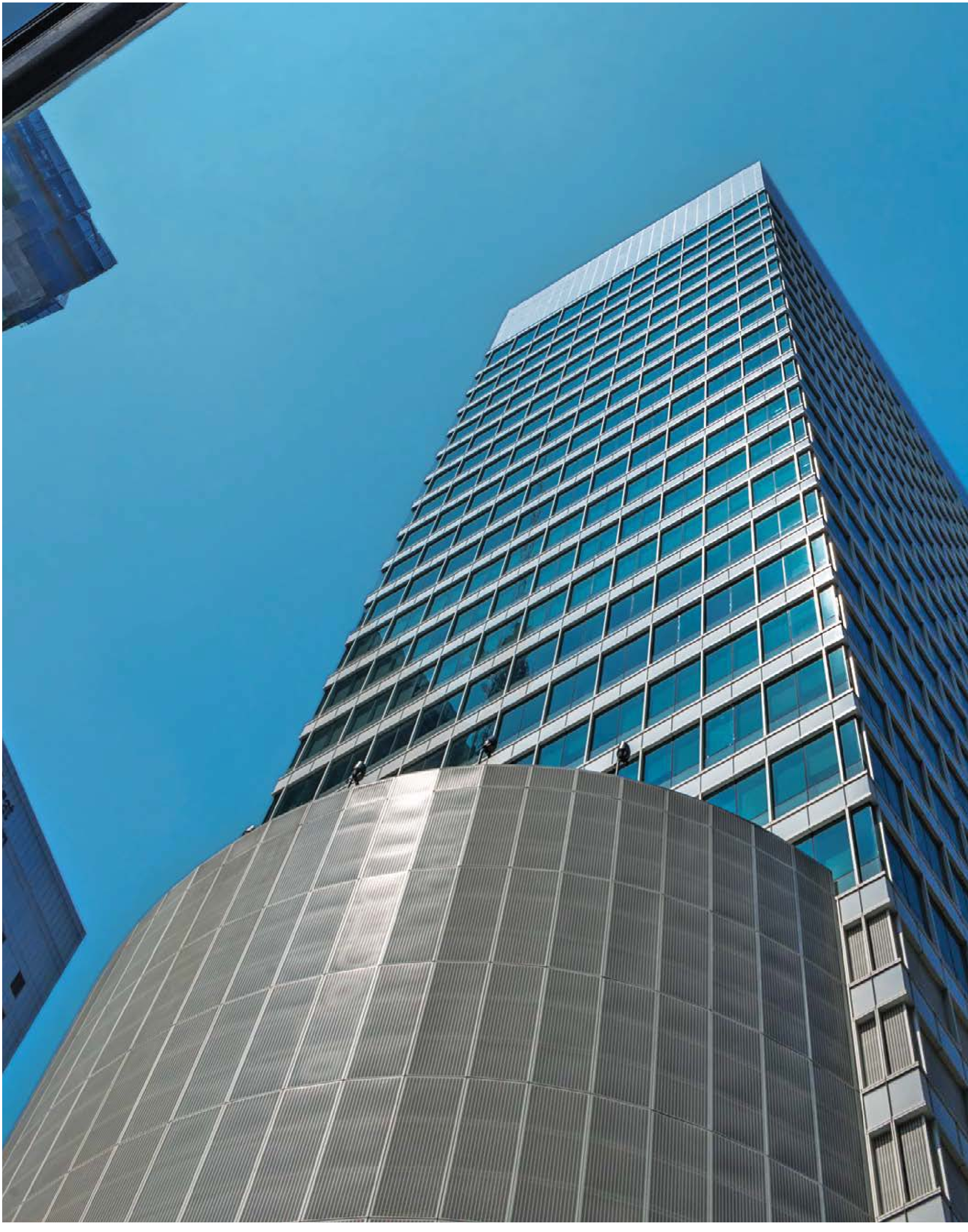
OUTLOOK

The Malaysian palm oil industry in 2017 is expected to be challenging. With the abatement of the inclement weather condition caused by the crop damaging El Nino weather phenomenon, production of palm oil is expected to improve over the previous year. According to the Malaysian Palm Oil Board, production of palm oil in Malaysia is expected to increase from 17.32 million tonnes to 19.00 tonnes in 2017. This could put a lid to the current high palm oil prices.

The Malaysian government's intended move to the B10 biodiesel mandate in 2017, together with Indonesia's existing B20 mandate, are expected to increase the offtake of palm oil stocks.

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

The division's prospect for FY2017 is dependent on the global commodity market and the weather conditions in major oil seeds producing countries.



PROPERTY INVESTMENT & DEVELOPMENT

THE PROPERTY DIVISION IS AN ESTABLISHED PROPERTY DEVELOPER IN BOTH EAST AND WEST MALAYSIA. THE DIVISION'S PROPERTY DEVELOPMENTS ARE LOCATED IN STRATEGIC LOCATIONS ACROSS SABAH AND THE KLANG VALLEY. THE DIVISION'S PROPERTY INVESTMENTS ARE MAINLY LOCATED IN THE CENTRAL BUSINESS DISTRICTS OF KUALA LUMPUR (KL) AND KOTA KINABALU (KK).

Revenue
RM1,041.8 mil

Operating Profit
RM361.7 mil

MARKET CONDITIONS

Property market in 2016 remained subdued due to weak consumer sentiment and the continuing prudential lending policy imposed by the banking industry to curb property speculations. As a result, the number of property transactions across the country has dropped by 11% as at third quarter of 2016.

Notwithstanding, all-house-price-index of Kuala Lumpur and Selangor rose 5.1% and 7.5%, respectively in the third quarter of 2016. The large population in KL and Selangor of approximately 8.1 million in 2016 remained a key driver of demand for residential properties in these areas. Accordingly, household debt continued to grow, albeit at a slightly slower pace of 5.4%, underpinned by the growth in residential property loans.

In the office leasing sector, the KL office market was lacklustre in 2016 due to oversupply of office space and weak demand, particularly from the oil and gas sector. In Kota Kinabalu, average occupancy rate of offices remained relatively stable in 2016. Although the office leasing sector may experience an oversupply situation in 2016, privately-owned office buildings in KL and KK recorded an average occupancy rate of 78.5% and 90.4% respectively in the third quarter of 2016.

MANAGEMENT STRATEGIES

Despite the current challenging economic conditions and weak property market sentiment, the division believes that the demand for owner-occupier homes is intact. To penetrate into this market needs, the division has moved into mid-priced developments such as Akasa Service Residence, Kingfisher Inanam and Kingfisher Putatan.

In addition, the demand for landed properties remains strong. The scarcity of land in the KL city centre has pushed demand for more affordable landed housing outside the city centre, notably in Selangor. In this respect, the division acquired two large tracts of freehold land measuring 1,449.5 acres in total in Kuala Selangor during the year for future mixed development.

To provide a steady recurring income base, the division is on the lookout for opportunities to grow its investment portfolio. This includes acquiring or developing commercial buildings at strategic locations which generate attractive rental yields.

OPERATIONAL PERFORMANCE

Despite the subdued property market in 2016, the division recorded a revenue of RM1,041.8 million, an increase of 28% as compared to 2015 of RM815.9 million.

The growth in revenue was due to a 13% increase in project sales to RM594.1 million (2015: RM527.8 million) and a 56% increase in rental from property investment to RM65.7 million (2015: RM42.2 million).

The increase in project sales was derived from Nadi Bangsar Service Residence (Nadi Bangsar), Aria Luxury Residences (Aria), Ria Heights in Tawau and Palm Heights in Lahad Datu, Sabah. The rental increase from property investment was contributed by the higher occupancy rate in both Menara Hap Seng 2 and Plaza Shell.

The 2016 revenue included sales of certain non-strategic lands held for development. This is a continuation of the division's strategy to reposition its property development in prime locations of the Klang Valley.

Consequently, the division recorded an operating profit of RM361.7 million (2015: RM360.7 million).

PROPERTY DIVISION'S OPERATION NETWORK

PROPERTY DEVELOPMENT

WEST MALAYSIA

Nadi Bangsar Service Residence

Completed in 2016, Nadi Bangsar is located within the much sought-after Bangsar suburb. The 38-storey service residence, with a gross development value (GDV) of RM442 million, comprises one block of residential tower with 416 units.

Due largely to its strategic location in the affluent residential suburb of Bangsar, the development registered excellent take-up rate.

D' Alpinia Integrated Development

The D'Alpinia's masterplan features a self-contained lifestyle enclave comprising three phases of contemporary and modern themed residential developments complemented by a commercial hub spanning over 76 acres in Puchong.

During the year, the division completed and launched the final phase of its upscale Business Park which was fully sold.

In 2017, the division will launch the final phase of its residential properties comprising 472 units of affordable apartments under the Rumah Selangorku scheme.

The Aria Luxury Residences

During the year, the division launched a luxurious high-rise residential project known as The Aria Luxury Residences (Aria). The 45-storey condominium comprises two blocks of residential towers with 598 freehold residential units.

Aria boasts 1.5 acres of facilities and leisure space, one of the largest in the city centre. These facilities comprise a 50-metre Olympic-size pool, splash and play areas for kids, jacuzzi and a hydro gym pool.

It has a full glass-fronted gym and an aerobics and yoga space overlooking the Royal Selangor Golf Club. In addition, the top two floors of Aria are equipped with a mini library, games room, TV lounge cum music room, party spaces, gourmet kitchen and viewing decks for spectacular vistas of Kuala Lumpur city.

Aria is strategically located in close proximity to the Petronas Twin Towers, Suria KLCC, Pavilion Kuala Lumpur, Tun Razak Exchange, embassies, international schools, medical centres and transport links, making it ideally suited as a place to live in and as an investment asset. Aria continued to enjoy strong interest.

With a total GDV of RM1.1 billion, the development is targeted to be completed in 2019.

UPCOMING NEW PROJECTS IN WEST MALAYSIA:

Akasa Cheras South

Located opposite the Group's state-of-the-art Mercedes-Benz dealership in Balakong, Akasa Cheras South (Akasa) is a freehold mixed development directly accessible from the SILK Highway. This freehold development consists of Akasa Service Residence and Akasa Business Park.

Akasa Service Residence comprises three blocks of residential towers with 998 units in total. Tower A consists of 36 storeys whereas Tower B and C consist of 29 storeys each. With an estimated GDV of RM500 million, Akasa Service Residence was launched in March 2017 and is scheduled to be completed by the end of 2020.

Recognising that leisure and relaxation are key aspects of a balanced lifestyle, Akasa Service Residence offers premier resort living where residents will enjoy approximately 150,000 square feet of common facilities including the first man-made beach in the area. In addition, there is a reflexology path, barbeque corner, gourmet kitchen, music chamber and reading pavilion.

Akasa Business Park consists of offices and retail spaces ranging between five to eight storeys currently under planning.

Mixed Development at Metropolis Plot 5A

Hap Seng Land Development Sdn Bhd entered into a joint-venture agreement with TTDI KL Metropolis Sdn Bhd, a wholly-owned subsidiary of NAZA TTDI Sdn Bhd in January 2016, to jointly develop an integrated mixed development on an 8.95-acre land at KL Metropolis.

The land is strategically located in an upmarket area with close vicinity to prime established residential and commercial centres such as Mont Kiara, Publika, Damansara Heights and Bukit Tunku. The project is currently under planning.

Jalan Kia Peng Service Residence

The service residence which is currently under planning is located along Jalan Kia Peng, with close proximity to Kuala Lumpur Convention Centre and within walking distance to two proposed MRT stations.

EAST MALAYSIA

KOTA KINABALU

Kingfisher Inanam

Nestled within the established neighbourhood of Inanam, Kingfisher Inanam comprises three blocks of residential towers amidst an estimated total square area of 85,000 square feet sky park of natural greenery landscape providing its residents with a resort-like retreat.

The condominium is equipped with facilities such as swimming pool, gymnasium, party lounge, barbeque terrace and a basketball court. During the year, 255 units were launched, while 245 units are targeted to be launched in 2017. Upon completion, the development will have 739 units with a total estimated GDV of RM334 million.

Kingfisher Putatan

Kingfisher Putatan is situated within Putatan, an up-and-coming neighbourhood next to the city of Kota Kinabalu. As a transportation hub, Putatan enjoys easy accessibility to the Kota Kinabalu International Airport and the proposed Pan Borneo Highway. The development will have 816 condominium units with a total estimated GDV of RM354 million upon completion. In 2016, 120 units were launched and 408 units are expected to be launched in 2017.

TAWAU

Bandar Sri Indah

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

The self-contained township offers facilities such as the eco-park, private school, community sports complex, intercity bus terminal and commercial shops. A total of 2,715 units of residential, commercial and industrial properties, with a GDV of RM920 million have been completed to date.

During the year, 130 units of single storey semi-detached houses, with a GDV of RM67.5 million were launched. Future launches include approximately 2,200 units of mixed development out of which 1,024 units are affordable apartments and 772 units are affordable terrace houses, a testimony of the division's steadfast commitment in providing affordable housing to the local populace.

Ria Heights

Ria Heights is a 100-acre development located close to the centre of Tawau town. Launched in 2015, it is surrounded by the Bukit Gemok forest reserve and offers comprehensive amenities including sports complex, supermarkets, schools, petrol stations and clinics.

Future launches include approximately 511 units of residential and commercial units with GDV of RM187 million. The overall development will comprise of 970 units of residential and commercial development upon completion with GDV of RM365 million.

LAHAD DATU

Bandar Sri Perdana

Bandar Sri Perdana is a highly populated area, with bustling commercial area offering a wide variety of amenities such as hypermarket, hotel, fast food chain and bank.

A total of 1,387 units of mixed development were launched to date with a GDV of RM545 million. In anticipation of continuous demand for housing in the area, 222 residential units, with a GDV of approximately RM100 million are slated for launch in 2017 with plans underway for a further 1,500 residential units.

SANDAKAN

Astana Heights

Astana Heights, a 98-acre mixed development project in Sandakan, has to date completed a total of 383 units of residential and commercial properties with GDV of RM159 million.

During the year, 124 units of terrace houses, with a GDV of RM55 million, were launched. Upcoming phases include approximately 800 apartment units which are under planning.

PROPERTY INVESTMENT

The division's investment properties continued to record good occupancy rates throughout the year. Menara Hap Seng, Menara Hap Seng 2 and Plaza Shell recorded occupancy rate averaging 91%. Menara Citibank which is held under Inverfin Sdn Bhd, a 49.99% owned associate company of Hap Seng Consolidated Berhad, recorded an occupancy rate of 90%.

2016 marked the completion of the division's latest investment property, namely Wisma Mercedes-Benz. Located in Bandar Kinrara, Puchong, this new six-storey industrial building is the first green industrial building in Subang Jaya, housing the headquarters and training academy for Mercedes-Benz Malaysia Sdn Bhd.

The premises also received the Leadership in Energy and Environmental Design (LEED) Gold Provisional certificate for its efficient utilisation of resources.

The division is currently planning for the proposed development of Menara Hap Seng 3 as a prime Grade A office building development located at the junction of Jalan Sultan Ismail and Jalan P. Ramlee.

Upon completion, Menara Hap Seng 3, the centerpiece landmark, together with Menara Hap Seng and Menara Hap Seng 2, will represent a brand new address housing an integrated freehold real estate jewel in the heart of the Malaysian capital city, to be known as Plaza Hap Seng, with a total net lettable area of 890,531 square feet.

SHORT AND LONG TERM GOALS

The division's short term and long term goal is to strive for sustainable growth and to be a significant property developer in Malaysia.

In order to achieve the above goals, the division is spearheading an organisational strategy focusing on the following five core areas:

a. **Brand**
   Growing brand equity by offering innovative and superior quality products that are recognised by industry players and home buyers.

b. **Customers**
   Providing excellent customer service.

c. **Employees**
   Building a strong, mutually beneficial and long-lasting professional relationship with our employees.

d. **Capital management**
   Optimising the deployment of capital and returns.

e. **Sustainability**
   Integration of sustainability practices into business processes and decision-making.

OUTLOOK

Residential sector

The division is cautiously optimistic of the residential property market in Malaysia, supported by young population demographics and the growth of the Klang valley population. Furthermore, demand for properties in strategic growth areas with good accessibility and connectivity via the burgeoning public transport infrastructure development such as LRTs and MRTs is expected to strengthen.

Accordingly, the division is expected to launch its Kia Peng service residence which is within walking distance to a proposed MRT station in the near future.

To cater to the demand of affordable homes and landed properties in Selangor, the division has plans to develop mixed development at the Kuala Selangor land. This mixed development will be well served by the development of the West Coast Expressway.

Commercial office sector

Despite the subdued office leasing market, the division is optimistic that occupancy rate of its investment properties can be maintained at a healthy level due to their strategic locations, effective building management team, green building compliance and vibrant retail F&B podium. Thus, the division remains positive on the long-term growth prospects of the office leasing market in KL and KK.


Hap Seng Credit
Your Prefered Financier

CREDIT FINANCING

THE CREDIT FINANCING DIVISION'S PRINCIPAL ACTIVITY IS THE PROVISION OF TERM LOANS AND INDUSTRIAL HIRE PURCHASE, PRIMARILY TO SMALL AND MEDIUM ENTERPRISES (SMES). THE DIVISION HAS A NETWORK OF 10 BRANCHES NATIONWIDE WITH FIVE IN PENINSULAR MALAYSIA, THREE IN SABAH AND TWO IN SARAWAK. OPERATING UNDER HAP SENG CREDIT SDN BHD, THE DIVISION IS A PROMINENT PLAYER IN THE NON-BANK SECTOR AND CONTINUES TO MAINTAIN ITS POSITION AS ONE OF THE TOP THREE CREDIT FINANCING INSTITUTIONS IN THIS SECTOR.

Operating Profit
RM140.3 mil

Loan Base
RM2.3 bil

MARKET CONDITIONS

Market conditions remain cautious in a challenging environment. Financing landscape is highly competitive especially at the lower risk segment resulting in narrowing interest rate spread.

MANAGEMENT STRATEGIES

The division will continue to uphold the principle of prudent lending by procuring quality businesses with good return by providing excellent services to our customers. Its focus on secured term loan with good yield will remain.

The division's flexible approach in procuring secured term loan will be further enhanced by new product offerings that meet customers' needs.

OPERATIONAL PERFORMANCE

In recent years, the division has strategically built up its secured term loan portfolio progressively. The increasing weightage towards secured term loans helped to improve yields which are floating rate loans as opposed to fixed rate lending under industrial hire purchase.

Notwithstanding, the division continues to be active in procurement of industrial hire purchase business.

The division's focus on pre-selected sectors including real estate, manufacturing, transportation and general commerce continues to be robust. Stringent cost management for both direct funding cost as well as administrative expenses were continuously practiced throughout the financial year.

Notwithstanding the competitive operating environment during the year, the division achieved an operating profit of RM140.3 million (2015: RM129.9 million), an increase of 8% over the preceding year.

The loan base expanded further to RM2.3 billion (2015: RM2.1 billion), another new milestone for the division, with a return on average asset of 2.40% (2015: 2.29%).

Gross non performing loans (NPL) ratio is at 1.89% as compared to reported average ratio of 1.98% amongst listed Banks and industry average of 1.63%, reflecting the difficult market condition.

SHORT AND LONG TERM GOALS

The division will continue to strive to achieve a higher portfolio of term loan vis-a-vis the industrial hire purchase in order to maintain relative portfolio stability.

The division periodically provides internal training programmes including updates on technical knowledge and refresher seminars for relevant staff. Succession planning for most key positions and departments are in place.

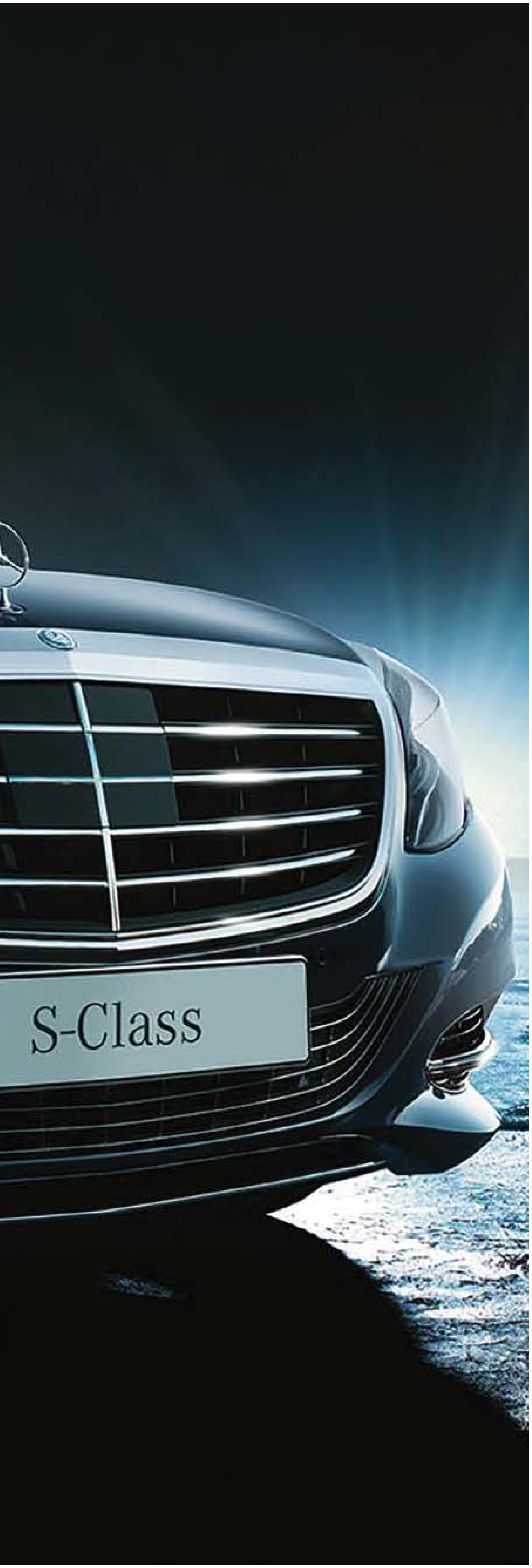
CREDIT FINANCING DIVISION'S BRANCH NETWORK

OUTLOOK

2017 is expected to be a very challenging year with the continued weak Ringgit, global uncertainties and cautious business sentiment. Nevertheless, the division believes that this challenging environment may provide added lending opportunities especially in the secured term loan segment.

The division will continue to build on its competitive edge and expertise as a preferred financier to target businesses through more efficient services.

The division has expanded its operation to Sydney, Australia at the end of 2016, to tap into lending opportunities in the Australian market.



AUTOMOTIVE

THE AUTOMOTIVE DIVISION IS A LEADING MERCEDES-BENZ DEALER IN MALAYSIA. THE DIVISION CURRENTLY COMPRISES A NETWORK OF SEVEN MERCEDES-BENZ PASSENGER CAR DEALERSHIPS STRATEGICALLY LOCATED ACROSS THE COUNTRY; FOUR DEALERSHIPS IN THE KLANG VALLEY AND THREE DEALERSHIPS IN EAST MALAYSIA – ONE EACH IN KOTA KINABALU, KUCHING AND MIRI.

Revenue
RM1,099.1 mil

Operating Profit
RM25.2 mil

MARKET CONDITIONS

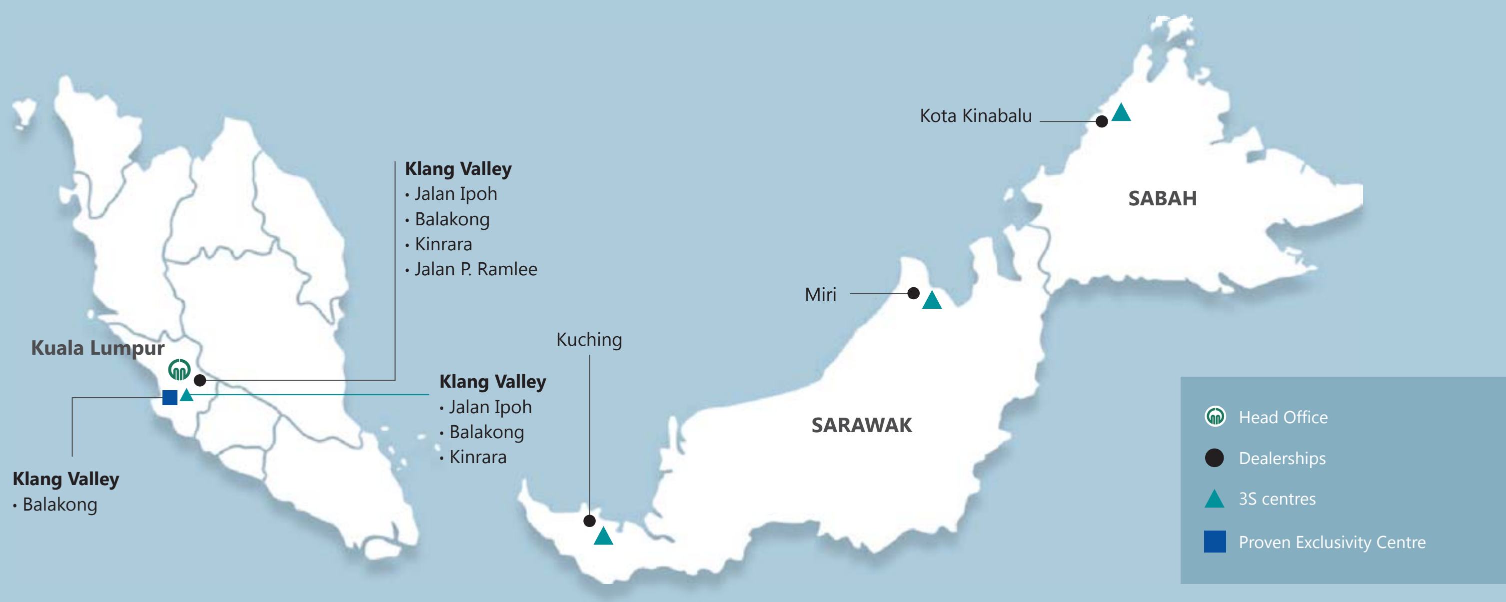
2016 had been a challenging year for the Malaysian automotive industry. On the backdrop of cautious business sentiment and lower consumer spending, the total industry volume (TIV) decreased by 13%, registering 580,124 units of new motor vehicles in 2016 (2015: 666,677 units). This is the first decline after six consecutive years of TIV growth in Malaysia.

However in spite of the weak sentiment, Mercedes-Benz secured a year-to-year (YoY) increase of 9% from 10,859 units in 2015 to 11,798 units in 2016.

MANAGEMENT STRATEGIES

For 2016, the division continued to focus on expanding and upgrading its dealership network to grow market share. The division relocated and upgraded its Jalan Ipoh showroom into a 3S city service centre in May 2016. It also upgraded its Balakong dealership to include a pre-owned Proven Exclusivity Centre in June 2016 and a Mercedes-Benz Malaysia (MBM) approved body & paint centre in October 2016.

AUTOMOTIVE DIVISION'S OPERATION NETWORK



The division is committed to providing excellent overall customer experience. Towards this end, the division continuously upgrades its service quality and improves its technical capabilities of its technicians through certified courses conducted by MBM.

OPERATIONAL PERFORMANCE

Despite the uncertainties surrounding Malaysia's economy, the division received encouraging response from the launch of several new models, such as its new range of SUVs - GLC, GLE and GLE coupe; and the new E Class. For FY2016, a total of 3,938 units (2015: 3,515 units) were sold, representing an increase of 12% over the previous year.

It recorded a turnover of RM1,099.1 million (2015: RM1,170.9 million). The lower turnover was due to sales mix variance. Operating profit, however, increased to RM25.2 million from RM24.1million in 2015.

The aftersales segment also recorded an improved throughput of 33,821 (2015: 26,545), representing an increase of 27% over the previous year.

SHORT AND LONG TERM GOALS

The division's short term and long term goal is to increase its current market share of the overall Mercedes-Benz market. In addition, it targets to achieve high customer loyalty, satisfaction and retention.

To achieve the above goals, the division plans to continue its network upgrades and expansions. In 2017, the division plans to open three additional dealerships, one each in Bukit Tinggi (Klang), Puchong South and Iskandar (Johor Bahru). In addition, our Kuching dealership will be relocated to a new 3S Autohaus by April 2017.

The aftersales segment will continue to focus on its customer retention programme (including extended warranty, special maintenance star care package, etc). Furthermore, emphasis will be placed to optimise labour utilisation to further improve productivity and efficiency.

To maintain a pool of highly qualified team of technicians and aftersales support staff, the division will continue its sponsorship programme with the Mercedes-Benz Malaysia Training Academy. This will ensure a continuous supply of qualified technicians for the division.

OUTLOOK

The Malaysian Automotive Association (MAA) has forecasted a difficult year ahead, citing challenging economic conditions and a weak Ringgit as some of its key challenges. As a result, the MAA has projected a 1.7% increase in TIV (9,876 units) for 2017, primarily from the passenger car segment.

For 2017, MBM will be launching a mix of models to cover a wider range of customer spectrum. In addition, the CKD variants of new E Class (E200, E250 & E350e) will be introduced. With these launches, the division is reasonably confident of achieving further growth in the market.


Sasco MIXTURE NK 12.6 / 24
MURIATE OF POTASH
60% K20
DIIMPOT OLEH :
HAP SENG FERTILIZERS SDN BHD
MENARA HAP SENG, KUALA LUMPUR
MANUFACTURER :
CANPOTEX
NEGARA ASAL : CANADA
MOP 60% K20
CANPOTEX
BERAT KASAR
50KG

FERTILIZERS TRADING

THE FERTILIZERS TRADING DIVISION IS A LEADING FERTILIZER SUPPLIER IN MALAYSIA WITH OPERATIONS IN INDONESIA AND CHINA. IT SUPPLIES AND TRADES A WIDE RANGE OF FERTILIZERS, INCLUDING MURIATE OF POTASH (MOP), AMMONIUM SULPHATE AND ROCK PHOSPHATE, PRIMARILY TO THE OIL PALM PLANTATION INDUSTRY.

Revenue	Operating Profit
RM1,011.7 mil	**RM30.7 mil**

Trading through Hap Seng Fertilizers Sdn Bhd (HSF) in Malaysia and PT Sasco Indonesia (PTSI), the division operates from 13 strategically located warehouses; eight in Malaysia and five in Indonesia. The division also acquired a fertilizers trading business in Shanghai, China which started operations in the second half of 2016.

MARKET LEADER

26% market share in Malaysia

MARKET CONDITIONS

The fluctuation of the Malaysian Ringgit and Indonesian Rupiah against the US dollar during 2016 created a very challenging trading environment for the fertilizers trading industry.

Weaker CPO prices for the first half of the year and the effect of the El Nino weather phenomenon had also depressed demand for fertilizers as oil palm plantations continued to defer fertilizers application in their attempt to contain costs. Whilst the regional market continued to resist fertilizers price increase, global demand for MOP started to pick up in the later part of the year which provided the impetus for the potash suppliers to increase prices. By the end of 2016, market prices for potash had started to see an uptrend.

MANAGEMENT STRATEGIES

The division's goal in Malaysia is to maintain market leadership position by leveraging on its strength in specific market segments to increase sales volume.

The operating environment in Indonesia remains competitive and the division is focused on building an edge in the market for specific products supported by its established distribution network.

Acquired during the year, the China business creates synergies in sourcing fertilizers from China for the existing fertilizers business and provides a platform for the division to export into the regional and global markets. Moving forward, the goal is for the division to import fertilizers for distribution within China.

FERTILIZERS TRADING DIVISION'S OPERATION NETWORK

Quick Fact

Operation Networks

8 in Malaysia	5 in Indonesia	1 in China

OPERATIONAL PERFORMANCE

Despite the challenging trading environment, the division achieved total revenue of RM1,011.7 million, an increase of 13% from the previous year (2015: RM894.1 million). However, operating profit grew marginally to RM30.7 million (2015: RM30.3 million) due to margin erosion from intense competition and the weakness of the Malaysian Ringgit.

Operations in Malaysia

The division achieved its goal of maintaining its market leadership position in Malaysia with a market share of 26% (2015: 26%).

It continued to lead the East Malaysian fertilizers business segment with a market share of 36% (2015: 35%) and remained a significant player in the Peninsular Malaysia fertilizers market, albeit with a slightly lower market share of 14% (2015: 17%).

Sales volume recorded a growth of 11% to 915,000 tonnes (2015: 828,000 tonnes) for FY2016 whilst turnover increased a modest 3.8% to RM801.5 million (2015: RM772.4 million) from generally lower fertilizers prices.

Operations in Indonesia

Its revenue increased 52% to RM185.3 million (2015: RM121.7 million) in tandem with sales volume increase of 29% to 264,000 tonnes (2015: 205,000 tonnes) in FY2016. These had generated an increase in operating profit for FY2016 of 4% to RM6.3 million (2015: RM6.0 million).

Operations in China

During the short duration of operations, the China business contributed revenue of RM24.9 million from 44,000 MT of fertilizers sold.

SHORT AND LONG TERM GOALS

The division leverages its established reputation in the markets to drive its business growth. This reputation for quality and reliability is achieved through the long standing relationships developed with principal suppliers.

The division continues to manage the volatility of the local currencies vis-à-vis the US dollar through a policy of hedging such exposures.

Factors affecting the performance of the oil palm plantation industry such as adverse weather conditions and crude palm oil prices also directly impact the performance of the division.
In mitigation, the division has embarked on expanding its market reach into regional and global markets through the acquisition of the China business.

In countries with uncertain regulatory environment, the division seeks to prioritise risk management over revenue growth.

OUTLOOK

The start of 2017 saw robust global demand for MOP setting a trend for the firming of fertilizers prices. The improved CPO prices are expected to support higher volume of fertilizers application in the plantation industry.

The demand for fertilizers, being an important component in agricultural food production, will continue to increase as global population grows. The steps taken by the division to expand its market regionally and globally will tap into this global demand. This is also anticipated to lessen the adverse impact on demand in the existing markets arising from the effect of weather and CPO price movements.

BUILDING MATERIALS

THE BUILDING MATERIALS DIVISION IS INVOLVED IN THE MANUFACTURING AND TRADING OF BUILDING MATERIALS. THE DIVISION COMPRISES THREE MAIN SEGMENTS - THE QUARRY, ASPHALT AND BRICK SEGMENT, CERAMIC TILES SEGMENT AND TRADING SEGMENT.

Revenue
RM1,329.2 mil

Operating Profit
RM145.0 mil

QUARRY, ASPHALT AND BRICK SEGMENT

It is one of the largest quarry operators in Malaysia with 13 quarries across Sabah, Kelantan, Terengganu, Pahang and Johor producing aggregates. The quarry operation is complemented by eight asphalt plants which provide downstream production of premix for road surfacing. The quarry and asphalt products are distributed mainly to the infrastructure and construction industry in Malaysia.

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

CERAMIC TILES SEGMENT

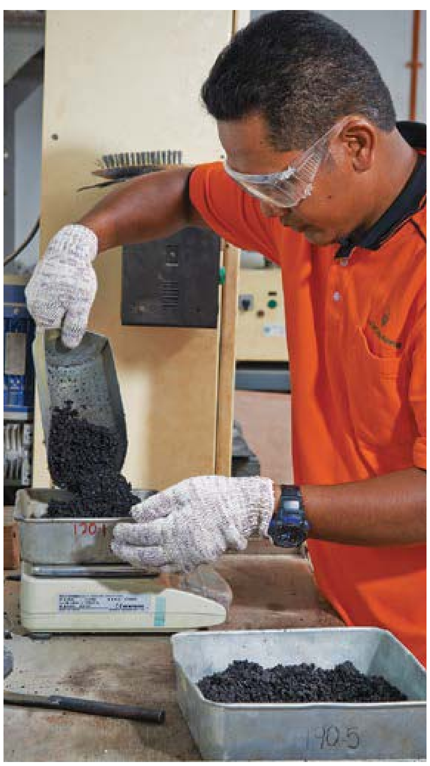
This segment comprises Malaysian Mosaics Sdn Bhd (MMSB) and is principally engaged in the manufacture, trading and distribution of ceramic tiles under the "MML" brand name. MMSB has three plants located in Kluang, Johor. It has four overseas subsidiaries in Singapore, China, Indonesia and Thailand. Its products are sold in the retail and project segment, both in the local and export market.

TRADING SEGMENT

A major building materials supplier in Malaysia and Singapore, the trading segment supplies a diverse portfolio of products, which includes steel bars, cement, tiles, iron & metal, building chemicals, interior fittings, marble, sanitary ware, wood flooring, quartz top and petroleum products.

The operation in Malaysia comprises a network of six branches, of which, four are located in Sabah, one in Johor and a main office in Petaling Jaya. The Malaysian operation caters to the building contractors market.

The operation in Singapore is represented by the Group's subsidiary, Hafary Holdings Limited (Hafary) which is listed on the Singapore Stock Exchange. Hafary's operating premises consist of the corporate headquarters cum main gallery, two showrooms and warehousing premises of area totaling approximately 600,000 square feet in Singapore. Hafary's operations comprised of two segments, namely retail and project.



MARKET CONDITIONS

The Malaysian construction sector registered slower growth from 8.2% in 2015 to an estimated 7.4% in 2016. The sector's growth was mainly supported by infrastructure projects in the central region. However, the soft market conditions in the regions where the division's quarry, asphalt and brick segment operate contributed to falling selling prices for most of its products such as aggregates and bricks. In Sabah, the demand for bricks also declined significantly due to the drop in the number of construction projects for residential and commercial properties.

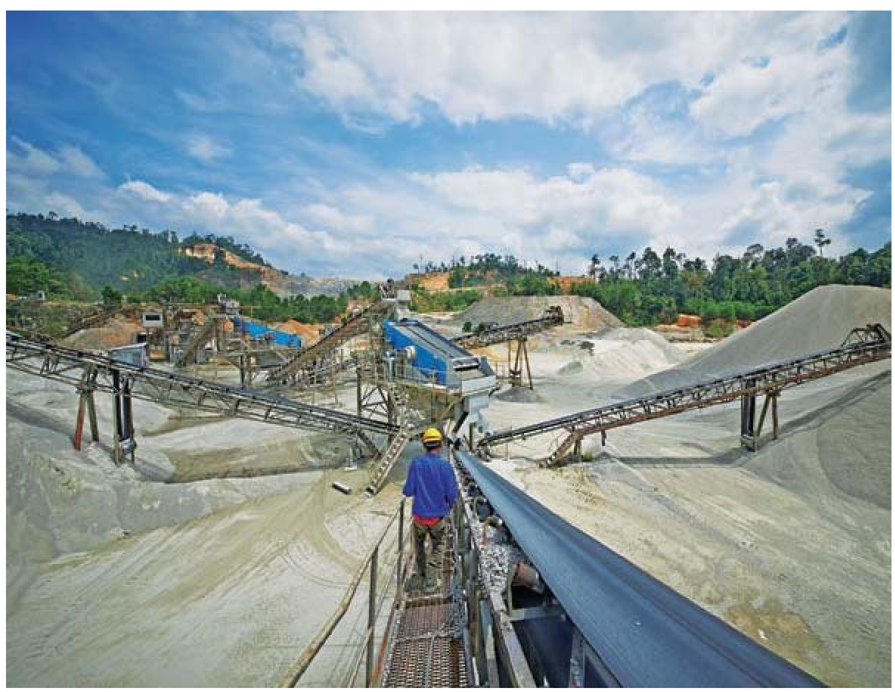
In Singapore, the GDP in 2016 expanded by 2.0% (2015: growth of 1.9%), supported by strong manufacturing growth in the fourth quarter. However, growth in the construction sector was marginal at 0.2% as compared to 2015's 3.9% due to sluggish private sector construction activities. This has impacted the sales of the building materials distributed by Hafary.

MANAGEMENT STRATEGIES

QUARRY, ASPHALT AND BRICK SEGMENT

The division's goal to be one of the largest quarry operators in Malaysia has seen it almost doubling its number of quarries to 13 from just seven in 2010. This has enabled the division to achieve a growth in its annual aggregates sales volume of about 118% in 2016 as compared to 2010.

Faced with a difficult market in 2016, the division's priorities were to control costs, improve plant maintenance and broaden its market reach by leveraging on the Group's synergy.



CERAMIC TILES SEGMENT

MMSB continuously strives to:

- improve its production efficiency;
- adopt a stringent maintenance programme, emphasis on quality;
- invest in and capitalise on the strength of the "MML" brand;
- strengthen manufacturing capabilities;
- provide resources for product innovations; and
- focus on continuous cost improvements via technical, procurement, production and logistics enhancement initiatives.

TRADING SEGMENT

The division aspires to be one of the largest building materials suppliers in Malaysia and Singapore. This is testament by the acquisition of Hafary, thereby enabling the division to expand its operation in the Singapore and regional markets.

OPERATIONAL PERFORMANCE

Amid the difficult market conditions, the division recorded a revenue of RM1,329.2 million (2015: RM1,045.1 million) and operating profit of RM145.0 million (2015: RM58.1 million).

The revenue increase of 27.2% was mainly contributed by better performance in the trading segment and the inclusion of MMSB's results. The quarry, asphalt and brick segment, however, was adversely impacted by depressed selling prices due to the competitive market conditions despite registering higher aggregates sales volume.

The operating profit included MMSB's results, gains from disposal of certain quarry assets and net of impairment losses of certain quarry and bricks assets. Excluding these items, the operating profit was impacted by lower contribution of the quarry, asphalt and brick segment and trading segment in Singapore which were adversely impacted by the competitive conditions in their respective markets.

SHORT AND LONG TERM GOALS

QUARRY, ASPHALT AND BRICK SEGMENT

Given the continuing difficult operating environment in the domestic market, the division's short term goal is to grow sales volume and operating profits by optimising its existing production capacities and expanding sales in the export market.

In the longer term, it aims to expand its capacity and regional coverage to areas with high infrastructure developments, particularly the central region as well as Sabah.

QUARRY AND BUILDING MATERIALS DIVISION'S OPERATION NETWORK

CERAMIC TILES SEGMENT

MMSB will continuously develop and keep abreast with latest ceramic market trends, instilling freshness of tiles fashion and putting the "MML" brand to the market. MMSB also desires to be the best in customer service with products being easily reached by customers within the shortest possible lead time. In this respect, it has revamped its galleries and set up regional marketing offices to better serve its market.

MMSB actively promotes sustainable business practices by producing environmental friendly products and conscientiously upholding the standards of accountability, sustainability and responsibility by complying with global standards and requirements.

As a testament to its practices, it has received numerous accolades and certifications, amongst others, 2016 Asia Responsible Entreprenuership Award, the 2014/2015 Prime Minister's Hibiscus Awards, MS ISO 14001:2004 Environmental Management system, Singapore Green label and the SIRIM Eco Label.

TRADING SEGMENT

Malaysia Operations

The segment's short term goal is to sustain growth in sales and operating profits amid the continuing difficult operating environment by increasing the customer base, exercising stringent credit control and leverage on the Group's synergy.

In the longer term, it aims to expand its branches and warehousing facilities locally and regionally.

Singapore Operations

Hafary continues to widen its footprint in the Singapore market. In addition to the retail and project segment, it expanded its business into the supply of building materials for use in government building developments, such as schools and hospitals.

Having its operation predominantly in Singapore, Hafary is receptive to expansion opportunities and synergistic partnership to grow its business locally and globally.

OUTLOOK

The construction sector growth in Malaysia is forecasted by Bank Negara Malaysia to be 8.0% in 2017. The construction industry is expected to remain resilient with the support from the Government's Construction Industry Transformation Programme 2016-2020. Demand for affordable housing by the low-income group is anticipated to remain favourable and supported by several Government initiatives. Other civil engineering and non-residential projects are set to benefit from the spinoff from the development of major infrastructure projects.

The strategic locations of its quarry, asphalt and bricks operations are expected to gain from the demand that is anticipated to emanate from the several mega projects such as the Pan Borneo Highway, High Speed Rail and East Coast Rail Link.

Under the ceramic tiles segment, MMSB expects the local demand for its products to grow in line with the sustained construction industry growth. It will continue to grow its export business especially in the Asean region with support from local and overseas OEM sourcing. The Malaysian government housing programmes such as PRIMA, PPA1M, Skim Rumah Pertamaku and Youth Housing Scheme will augur well for the demand of MMSB's products.

In Singapore, the 2017 GDP is expected to grow between 1% to 3% and the construction demand as forecasted by the Building and Construction Authority of Singapore is between S$28 billion and S$35 billion. Key projects include a steady pipeline of public housing projects, upgrading works for HDB flats and other redevelopment projects. These developments are expected to offer Hafary growth opportunities locally.

ANTICIPATED RISKS AND OPPORTUNITIES

The oil palm industry is highly labour intensive and there has been a general shortage of workers particularly for skilled harvesters in the palm oil industry. This poses a significant risk to the plantation business as any manpower shortage will be disruptive to the operations and shortages may result in the further escalation in wages and hence increase in production costs.

To mitigate this, a regular review of wage rate is carried out to ensure that the Group's wage scale adhere to the industry standard and remain competitive. The Group has so far been able to attract and retain workers and their families to work with the Group with the provision of many amenities which include conducive living quarters, Humana schools, clinics, crèche and recreational facilities.

The Group recognises the importance of security for its employees based at the palm oil estates and mills. Thus, various initiatives are in progress or have been planned, including the setting up of auxiliary police in the estates, constructing perimeters fencing in the residential areas, installing GPS and CCTV at prominent locations and maintaining close rapport with the police force.

The Group also recognises that the prevailing unfavourable economic conditions may pose a significant risk to the Group's property investment and development division in achieving its objectives.

Thus, the Group will focus in launching affordable and mid-priced housing in 2017 which are expected to appeal to a larger market segment whilst managing its building costs effectively. The Group will continue to go beyond the Malaysian market for its high-end products, targeting foreign buyers by leveraging on its associates market network as well as engaging international property agencies.

For the property investment segment, the Group is cautiously optimistic of maintaining healthy occupancy whilst maintaining rental rates at competitive level and maintaining a good mixture of office and retail space.

The Group's fertilizers business is exposed to pricing risks as fertilizers are imported in US dollar and the purchase costs are subject to global price fluctuations. The Group will continue to constantly monitor the global pricing and minimise foreign currency exposure by hedging its currency exposure and matching stock orders with committed sales whilst maintaining a reasonably low inventory.

The Group also recognises that the building materials business will continue to face the risk of weak demand with unfavourable selling prices and compressed margin amidst the prevailing soft market condition and stiff competition. Nevertheless, the Group continues to focus on expanding its customer base, leveraging on its wide network of customers and business partners whilst maintaining a close partnership with existing customers.

In light of the weak Ringgit environment, the Group is aware of the risk of foreign currency fluctuations in some of its operations. As a policy, the Group hedges its foreign currency exposures to minimise any potential foreign currency translation losses.

The Group recognises the importance of managing the funding requirements of its various businesses and steps have been taken to mitigate the Group's liquidity risk. In this respect, the Group has set up funding lines to cater for its current and future needs.

MOVING FORWARD

The Group anticipates 2017 to be another challenging year amidst the soft market sentiment and weak Malaysian Ringgit. The current low national palm oil stock level which lends support to the CPO prices is expected to provide some relief in the first half of 2017 although prices are expected to be lower when palm oil production is projected to improve in the second half of 2017.

With the current high CPO prices, demand for fertilizers is expected to pick up, although downside risk exists with the prevailing volatility in the foreign currency market.

The Group's property developments continue to receive encouraging response on its project launches and several more affordable projects will be launched in 2017. The automotive business is expected to be supported by Mercedes-Benz models launched in 2016 and new launches in 2017; and new additions to its dealership network.

The operating environment for the building materials is expected to remain challenging in 2017, both in the Malaysian and Singaporean markets.

However, the Group will benefit from the planned major infrastructure projects such as the Pan Borneo highway, the High Speed Rail and the East Coast Rail Link. Demand for public sector projects in Singapore remain high, presenting business opportunity for Hafary.

The Group's credit financing division will continue to grow its loan base, focusing on loans with quality collaterals whilst exercising caution and stringent credit risk assessment and loan approval procedures.

It will leverage on Group synergy, collaborating with other divisions' wide business network and customer base and will continue to place strong emphasis in the management of its cost of funds and funding requirements, collections as well as to keep non-performing loans low.

BOARD OF DIRECTORS

1
CHEAH YEE LENG
Executive Director

2
DATO' JORGEN BORNHOFT
Independent Non-Executive Chairman

3
DATUK EDWARD LEE MING FOO, JP
Managing Director

4
LT. GEN. (R) DATUK ABDUL AZIZ BIN HASAN
Independent Non-Executive Director

5
DATO' MOHAMMED BIN HAJI CHE HUSSEIN
Independent Non-Executive Director

6
LEOW MING FONG @ LEOW MIN FONG
Independent Non-Executive Director

7
LEE WEE YONG
Executive Director

8
DATUK SIMON SHIM KONG YIP, JP
Non-Independent Non-Executive Director

9
CH'NG KOK PHAN
Non-Independent Non-Executive Director

DATO' JORGEN BORNHOFT

Independent
Non-Executive Chairman

Dato' Jorgen Bornhoft, male, a Dane, aged 75, 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 was also the President of the Malaysian International Chamber of Commerce and Industry from 1996 to 1999.

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 transactions disclosed in Note 42 to the Financial Statements. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

He attended all the 5 board meetings held during the financial year ended 31 December 2016.

DIRECTORS' PROFILE

Datuk Edward Lee Ming Foo, JP, male, a Malaysian, aged 62, is the managing director of Hap Seng Consolidated Berhad. He was first appointed to the Board on 1 November 2000 as a non-independent non-executive director, became an executive director on 25 March 2002 and assumed the current position since 31 March 2005. He is also a member of the Remuneration Committee.

In addition, Datuk Edward Lee is the managing director of both Gek Poh (Holdings) Sdn Bhd (Gek Poh) and Hap Seng Plantations Holdings Berhad. Gek Poh is the holding company of Hap Seng Consolidated Berhad. Datuk Edward Lee is also a non-independent non-executive director of Hafary Holdings Limited, a company incorporated in Singapore and listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

Datuk Edward Lee graduated with a degree in Bachelor of Arts from the McMaster University in Canada in 1977.

He joined the Malaysian Mosaics Sdn Bhd (formerly Malaysian Mosaics Berhad) group of companies in 1980, became the group chief operating officer in 1995 and was the managing director from 31 March 2005 to 31 January 2007.

Datuk Edward Lee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company save for the related party transactions disclosed in Note 42 to the Financial Statements. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

He attended all the 5 board meetings held during the financial year ended 31 December 2016.

LEE WEE YONG

Executive Director

Lee Wee Yong, male, a Malaysian, aged 69, is an executive director of Hap Seng Consolidated Berhad and was appointed to this position on 2 February 2011.

In addition, Mr. Lee is a director of Gek Poh (Holdings) Sdn Bhd and an executive director of Hap Seng Plantations Holdings Berhad.

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

Mr. Lee does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

He attended 4 out of the 5 board meetings held during the financial year ended 31 December 2016.

DIRECTORS' PROFILE

CHEAH YEE LENG

Executive Director

Cheah Yee Leng, female, a Malaysian, aged 48, is an executive director of Hap Seng Consolidated Berhad and was appointed to this position on 1 June 2014.

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

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

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

Ms. Cheah does not have any family relationship with any director and/or major shareholder nor does she have any conflict of interests with the Company. She has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

She attended all the 5 board meetings held during the financial year ended 31 December 2016.

DATUK SIMON SHIM KONG YIP, JP

Non-Independent Non-Executive Director

Datuk Simon Shim Kong Yip, JP, male, a Malaysian, aged 60, 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 42 to the Financial Statements. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

He attended all the 5 board meetings held during the financial year ended 31 December 2016.

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

Independent
Non-Executive Director

Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan, male, a Malaysian, aged 71, is an independent non-executive director of Hap Seng Consolidated Berhad. He was first appointed to the Board on 24 September 2003 as a non-independent non-executive director and was subsequently re-designated as an independent non-executive director on 29 November 2012.

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

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

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

Datuk Abdul Aziz does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

He attended 4 out of the 5 board meetings held during the financial year ended 31 December 2016.

DATO' MOHAMMED BIN HAJI CHE HUSSEIN

Independent
Non-Executive Director

Dato' Mohammed Bin Haji Che Hussein, male, a Malaysian, aged 66, 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 Hussein is the independent non-executive chairman of Gamuda Berhad and Danajamin Nasional Berhad. He is also an independent non-executive director of Bank of America Malaysia Berhad, CapitaLand Commercial Trust Management Limited and Tasek Corporation Berhad. In addition, he is a member of Corporate Debt Restructuring Committee (CDRC) sponsored by Bank Negara to facilitate the resolution and restructuring of major corporate debts and a Fellow of the Asian Institute of Chartered Bankers.

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

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

Dato' Mohammed Hussein does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

He attended all the 5 board meetings held during the financial year ended 31 December 2016.

Ch'ng Kok Phan, male, a Malaysian, aged 66, 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 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

He attended all the 5 board meetings held during the financial year ended 31 December 2016.

LEOW MING FONG @ LEOW MIN FONG

Independent
Non-Executive Director

Leow Ming Fong @ Leow Min Fong, male, a Malaysian, aged 67, is an independent non-executive director of Hap Seng Consolidated Berhad and was appointed to this position on 4 March 2016. He is also a member of the Audit Committee.

In addition, Mr. Leow is the independent non-executive chairman of Focus Point Holdings Berhad. He is also a non-executive director of KSK Group Berhad in Malaysia, and an independent non-executive director of Canadia Bank PLC and Sovannaphum Life Assurance PLC in Cambodia.

He is a fellow member of the Institute of Chartered Accountants in England & Wales as well as a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

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

Mr. Leow does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

He attended all the 3 board meetings held subsequent to his appointment to the Board on 4 March 2016 during the financial year ended 31 December 2016.

SENIOR MANAGEMENT TEAM

1
CHEAH YEE LENG
Executive Director

2
AU YONG SIEW FAH
Chief Executive
Group Plantations

3
DATUK EDWARD LEE MING FOO, JP
Managing Director

4
HARALD UWE BEHREND
Group Chief Operating Officer & Chief Executive
Automotive Division

5
YEOW WAI SIAW
Chief Executive
Building Materials Division

6
LEE WEE YONG
Executive Director

7
AU SIEW LOON
Chief Financial Officer

8
TAN DUO ZER
Chief Operating Officer
Property Investment & Development Division (East Malaysia)

9
VOON THAU VUI
Chief Executive
Fertilizers Trading Division

10
PUAN CHEN KECK
Chief Executive
Credit Financing Division

11
KHOR SOO BENG
Chief Operating Officer
Property Investment & Development Division (West Malaysia)

Note: Please refer to pages 56 to 58 for Datuk Edward Lee Ming Foo,JP, Lee Wee Yong and Cheah Yee Leng's profile.

HARALD UWE BEHREND

Group Chief Operating Officer & Chief Executive

Automotive Division

Harald Uwe Behrend, male, a German, aged 56, is the group chief operating officer of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 2 January 2013.

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

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

Mr. Behrend does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

AU SIEW LOON

Chief Financial Officer

Au Siew Loon, male, a Malaysian, aged 55, is the chief financial officer of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 3 September 2012.

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

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

Mr. Au does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

SENIOR MANAGEMENT TEAM'S PROFILE

AU YONG SIEW FAH

Chief Executive

Group Plantations

Au Yong Siew Fah, male, a Malaysian, aged 66, is the chief executive of the plantations division of Hap Seng Consolidated Berhad (HSCB), Hap Seng Plantations Holdings Berhad (HSP), and was appointed to this position on 12 February 2001. Thereafter he was appointed an executive director of HSP on 31 July 2007.

Mr. Au Yong started his career as a cadet planter with Yule Catto Plantations Sdn Bhd in Kluang, Johor in 1969. He has more than 47 years of extensive experience in all aspects of management of large plantations, development of plantation land from initial acquisition of jungle land, establishment of palm oil mills and marketing of produce. Prior to him joining HSCB Group, he was the general manager of United Malacca Berhad from 1997 to 2001.

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

Currently, Mr. Au Yong holds 291,600 of HSCB shares and 168,000 of HSP shares respectively.

Mr. Au Yong does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

TAN DUO ZER

Chief Operating Officer

Property Investment & Development Division (East Malaysia)

Tan Duo Zer, male, a Malaysian, aged 59, is the chief operating officer of the property investment & development division (East Malaysia) of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 2 January 2013.

Mr. Tan joined HSCB group of companies in 1997 and has more than 20 years experience in the property development industry. Prior to his involvement in the property sector, he was with Standard Chartered Bank for 13 years.

Mr. Tan holds a Bachelor of Commerce Degree with Honours from Windsor University in Canada.

Currently, Mr. Tan holds 40,000 of Hap Seng Plantations Holdings Berhad shares.

Mr. Tan does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

KHOR SOO BENG

Chief Operating Officer

Property Investment & Development Division (West Malaysia)

Khor Soo Beng, male, a Malaysian, aged 54, is the chief operating officer of the property investment & development division (West Malaysia) of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 9 December 2013.

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

Mr. Khor holds a Bachelor of Science (Hon) degree in Building from University of Ulster in United Kingdom. He is a member of The Chartered Institute of Building (CIOB) United Kingdom and also a member of the Building Management Association of Malaysia (BMAM).

Mr. Khor does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

PUAN CHEN KECK

Chief Executive

Credit Financing Division

Puan Chen Keck, male, a Malaysian, aged 59, is the chief executive of the credit financing division of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 7 April 2014.

Mr. Puan joined HSCB group of companies in 2003 as the general manager of the credit financing division and was later promoted to become the deputy chief executive before assuming the present position. He has more than 30 years of experience in the finance sector. Prior to this, he was the head of retail banking of Affin-ACF Finance Berhad (now known as Affin Bank Berhad).

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

Currently, Mr. Puan holds 32,500 of Hap Seng Plantations Holdings Berhad shares.

Mr. Puan does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by any relevant regulatory bodies during the financial year ended 31 December 2016.

SENIOR MANAGEMENT TEAM'S PROFILE

VOON THAU VUI

Chief Executive

Fertilizers Trading Division

Voon Thau Vui, male, a Malaysian, aged 54, is the chief executive of the fertilizers trading division of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 1 September 2013.

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

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

Mr. Voon does not have any family relationships with any director and/or major shareholders nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

YEOW WAI SIAW

Chief Executive

Building Materials Division

Yeow Wai Siaw, male, a Malaysian, aged 52, is the chief executive of the building materials division of Hap Seng Consolidated Berhad (HSCB) and was appointed to this position on 1 April 2015.

Mr. Yeow is a non-independent non executive director of Hafary Holdings Limited, a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited. He was appointed as chief executive of Malaysian Mosaics Sdn Bhd (MMSB) in November 2012. Prior to this, Mr. Yeow assumed various senior executive positions including the office of managing director of Guocoland (Malaysia) Berhad, the head of group business development of HSCB, the senior vice president of commercial at Lafarge Malayan Cement Berhad and practiced as a consultant at McKinsey & Company.

Mr. Yeow holds a first class honour degree in Industrial and Mechanical Engineering from the University Technology of Malaysia, an MBA in Finance with distinction from the University of Hull in United Kingdom and an MBA from INSEAD.

Mr. Yeow does not have any family relationship with any director and/or major shareholder nor does he have any conflict of interests with the Company. He has not been convicted of any offence in the past 5 years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2016.

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

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

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

BOARD OF DIRECTORS

Board Charter

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

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

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

Board Responsibilities

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

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

Board Meetings

The directors meet at least 4 times a year. During the financial year ended 31 December 2016, 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 2016 are as follows:

Directors	No. of Meetings Attended
Dato' Jorgen Bornhoft	5/5
Datuk Edward Lee Ming Foo, JP	5/5
Mr. Lee Wee Yong	4/5
Ms. Cheah Yee Leng	5/5
Datuk Simon Shim Kong Yip, JP	5/5
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	4/5
Dato' Mohammed Bin Haji Che Hussein	5/5
Mr. Ch'ng Kok Phan	5/5
Mr. Leow Ming Fong @ Leow Min Fong	3/3*
Mr. Tan Ghee Kiat	0/2#

* *There were 3 board meetings held subsequent to the appointment of Mr. Leow Ming Fong @ Leow Min Fong to the board on 4 March 2016.*

\# *There were 2 board meetings held prior to the resignation of Mr. Tan Ghee Kiat from the board on 24 February 2016.*

Board Composition

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

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

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

Together, the directors have wide-ranging business and financial experience. A brief description of the background of each director is presented on pages 55 to 63 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 duty and responsibilities of these board committees are approved by the board and are published on the Company's website at www.hapseng.com.my.

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 2016;
- 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;
- Dato' Mohammed Bin Haji Che Hussein has served as an independent non-executive director of the Company for a cumulative term of almost 9 years. Notwithstanding so, he is capable of acting in the best interest of the Company, and he has demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements. Accordingly, the nominating committee had recommended to the board that Dato' Mohammed Bin Haji Che Hussein to continue in office as independent director of the Company; and
- Dato' Jorgen Bornhoft has served as an independent non-executive director of the Company for a cumulative term of more than 9 years. Notwithstanding so, he is capable of acting in the best interest of the Company, and he has demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements. Accordingly, the nominating committee had recommended to the board that Dato' Jorgen Bornhoft 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.

Re-election of Directors

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 annual general meeting (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 1 independent non-executive director and 2 executive directors who are due for 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 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.

The directors had during the financial year ended 31 December 2016, evaluated their own training needs on a continuous basis and attended the following programmes:

Directors	Training Programme
Dato' Jorgen Bornhoft	Coaching & Techniques for Breakthrough Results
	Sustainability Engagement Series for Directors/Chief Executive Officers
	CG Breakfast Series with Directors: Future of Auditor Reporting – The Game Changer for Boardroom
	Embarking on the Sustainability Reporting
	Companies Bill 2015 vis-à-vis Malaysian Companies Law
	Global Markets and Macroeconomics
	Health is Wealth
Datuk Edward Lee Ming Foo, JP	Bank Negara Malaysia's 2015 Annual Report/Financial Stability and Payment Systems Report Briefing
	Investing in a Turbulent World
	Companies Bill 2015 vis-à-vis Malaysian Companies Law
	Rabobank Financial Outlook 2017 "Business as Unusual"
	LSE Insights on BREXIT
	Post-Brexit impact on UK Commercial & Residential Investment and Development
	Global Markets and Macroeconomics
	Health is Wealth
Mr. Lee Wee Yong	Latest GST Update Seminar
	Transfer Pricing Briefing – Base Erosion Profit Shifting (BEPS) Action Plans
	Integrated Reporting Conference: Connecting the dots
	KPMG in Malaysia Tax Summit 2016
Ms. Cheah Yee Leng	The Companies Bill 2015: A Brave New World?
	Companies Bill 2015 vis-à-vis Malaysian Companies Law
	Implementing Sustainability Best Practices – Meeting Regulatory Requirements & Beyond

Directors	Training Programme
Datuk Simon Shim Kong Yip, JP	The 34th Cambridge International Symposium on Economic Crimes of which Datuk Simon was one of the speakers
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	Ring The Bell for Gender Equality
	Creating a better world: The Role of Corporate ASEAN in driving the Sustainable Development Goals
	What Will Distinguish The Great Boards of Tomorrow
	Attribute of Moderation to Counter Radicalism
	Companies Bill 2015 vis-à-vis Malaysian Companies Law
	Independent Directors Programme: "The Essence of Independence"
Dato' Mohammed Bin Haji Che Hussein	BNM Annual Report/Financial Statement and Payment System
	IFN Forum Asia 2016 - Jakarta
	BNM Finance Series Blueprint/Future Finance Conference
	FIDE Forum – Strategy to Leverage Tech for Business
	2nd Annual Speaking Engagement – The Board Room Agenda
Mr. Ch'ng Kok Phan	CG Breakfast Series for Directors: Improving Board Risk Oversight Effectiveness
	Companies Bill 2015 vis-à-vis Malaysian Companies Law
	CG Breakfast Series with Directors – 'How to Leverage on AGMs for Better Engagement with Shareholders'
Mr. Leow Ming Fong @ Leow Min Fong	CG Breakfast Series with Directors: The Strategy, the Leadership, the Stakeholders and the Board
	MIA Conference 2016
	CG Breakfast Series with Directors – 'How to Leverage on AGMs for Better Engagement with Shareholders'

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 and/or its subsidiaries to the directors of the Company for services in all capacities during the financial year ended 31 December 2016 is as follows:

Category	Fees RM'000	Salaries and Other Emoluments RM'000	Benefits-in-Kind RM'000	Total Remuneration RM'000
Executive	180	9,399	116	9,695
Non-Executive	840	-	-	840

(ii) The number of directors who received remuneration from the Company and/or its subsidiaries for the financial year ended 31 December 2016 and their remuneration including benefits-in-kind are tabulated in the following bands below:

Remuneration Range	No. of Directors
Executive Directors	
RM2,000,001 to RM2,050,000	1
RM2,050,001 to RM2,400,000	-
RM2,400,001 to RM2,450,000	1
RM2,450,001 to RM5,250,000	-
RM5,250,001 to RM5,300,000	1
Non-Executive Directors	
RM1 to RM50,000	1
RM50,001 to RM100,000	3
RM100,001 to RM150,000	1
RM150,001 to RM200,000	1
RM200,001 to RM250,000	-
RM250,001 to RM300,000	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 caliber 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

The Company is mindful that fair and appropriate remuneration is equally important to attract and retain the service of non-executive directors. Accordingly, the Board will review the remuneration payable to non-executive directors every two years, having regard to inter alia the following:-

(a) the time commitment required of and level of responsibility assumed by the non-executive directors to discharge their functions effectively;

(b) the remuneration of non-executive directors of other comparable listed companies in similar industry; and

(c) the overall business performance of the Group.

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 the 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.

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 81 to 85 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 86 and 87 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

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 2016 pursuant to paragraph 15.26(b) of the Listing Requirements. In making this statement, the board is guided by the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" ("SRMICG") which is issued by the Taskforce on Internal Control with the support and endorsement of the Exchange.

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

Board's Responsibility

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

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

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

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

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

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

Risk Management

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

Members of the group risk management committee comprise the following:

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

Risk Management (continued)

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

Responsibilities of the group risk management committee include inter-alia the following:

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

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

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

A database of strategic risks identified with appropriate controls has been created and the information filtered to produce a detailed risk register/scorecard. The risk profiles of the respective business units are updated every 6 months to reflect the prevailing operating conditions.

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

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

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

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

Internal Control

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

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

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

- Clearly defined delegation of responsibilities to committees of the board and to operating units, including authorisation levels for all aspects of the business.

- Documented internal procedures and/or processes of individual business units, whenever applicable, which include processes to generate timely, relevant and reliable information and proper record keeping as well as compliances with applicable laws and regulations and internal policies for the conduct of business.

- Regular internal audit visits in accordance with the approved internal audit plan by audit committee which monitors compliance with procedures and assess the integrity of financial information.

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

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

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

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

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

- In the presence of the group managing director, group finance director and chief financial officer for the purpose of ascertaining the state of internal control and to obtain assurance of the internal control system as to its effectiveness and adequacies in all material aspects, the audit committee reviews and holds discussion on significant internal control issues identified in reports prepared by the internal audit department.

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

Internal Audit Function

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

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

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

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

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

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

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

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

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

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

- Attended the meetings conducted by the group risk management committee.

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

- Issued several internal audit reports to the audit committee on the major business units which encompassed identification and assessment of business risks.

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

The total costs incurred for the internal audit function by the Group in respect of the financial year ended 31 December 2016 was approximately RM3.4 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 86 to 90 in this annual report).

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

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

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

CONCLUSION

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2016, and reported to the board that nothing has come to their attention that cause them to believe that the Statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the SRMICG or is factually inaccurate. The external auditors' report was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purpose or parties. As stated in their report, the external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

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

AUDIT COMMITTEE

Members of the Audit Committee

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

Terms of Reference of Audit Committee

The duties and responsibility of the audit committee are set out in its Terms of Reference which is published on the Company's website at www.hapseng.com.my.

During the financial year ended 31 December 2016, 4 meetings were held. The details of the attendance of each member of audit committee are as follows:

Members of the Audit Committee	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. Leow Ming Fong @ Leow Min Fong	3/3*
Mr. Tan Ghee Kiat	0/1#

* *There were 3 audit committee meetings held subsequent to the appointment of Mr. Leow Ming Fong @ Leow Min Fong to the audit committee on 4 March 2016.*

There was 1 audit committee meeting held prior to the resignation of Mr. Tan Ghee Kiat from the audit committee on 24 February 2016.

Summary of Works of the Audit Committee during the financial year ended 31 December 2016

The works of the audit committee during the financial year ended 31 December 2016 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 22 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.

Summary of Works of the Audit Committee during the financial year ended 31 December 2016 (continued)

- 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.

Summary of Works of the Internal Audit Function during the financial year ended 31 December 2016

Summary of works of the internal audit function for the financial year ended 31 December 2016 are set out in the Statement on Risk Management and Internal Control on pages 81 to 85 of this annual report.

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

The duties and responsibility of the remuneration committee are set out in its Terms of Reference which is published on the Company's website at www.hapseng.com.my.

During the financial year ended 31 December 2016, 1 meeting was held and all the remuneration committee members were present.

Summary of Activities of the Remuneration Committee during the financial year ended 31 December 2016

The activities of the remuneration committee during the financial year ended 31 December 2016 are summarised below:

- Reviewed the remuneration policy of the Group together with the industry forecast for 2016/2017 for the average salary increment; and
- Reviewed and recommended to the board, the proposed bonus of the executive directors for the financial year ended 31 December 2016 and their respective proposed increments for the financial year commencing from 1 January 2017.

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

The duties and responsibility of the Nominating Committee are set out in its Terms of Reference which is published on the Company's website at www.hapseng.com.my.

During the financial year ended 31 December 2016, 1 meeting was held and all the nominating committee members were present.

Summary of Activities of the Nominating Committee during the financial year ended 31 December 2016

The activities of the nominating committee during the financial year ended 31 December 2016 are summarised below:

- 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, skills, 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.

- Assessed the independence of Dato' Mohammed Bin Haji Che Hussein who has served as an independent non-executive director of the Company for a cumulative term of almost 9 years. Notwithstanding so, he is capable of acting in the best interests of the Company, and he has demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements. Accordingly, the nominating committee had recommended to the board that Dato' Mohammed Bin Haji Che Hussein to continue in office as independent director of the Company.

Summary of Activities of the Nominating Committee during the financial year ended 31 December 2016 (continued)

- Assessed the independence of Dato' Jorgen Bornhoft who has served as an independent non-executive director of the Company for a cumulative term of more than 9 years. Notwithstanding so, he is capable of acting in the best interests of the Company, and he has demonstrably proven to be in compliance with all the requirements to be independent in accordance with the Listing Requirements. Accordingly, the nominating committee had recommended to the board that Dato' Jorgen Bornhoft to continue in office as independent director of the Company.

- Evaluated the performance of the following executive and non-executive directors standing for re-election pursuant to article 97 of the Company's articles of association at the forthcoming annual general meeting:-
  (i) Datuk Edward Lee Ming Foo, JP;
  (ii) Mr. Lee Wee Yong; and
  (iii) Dato' Mohammed Bin Haji Che Hussein.

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

CREATING VALUE TOGETHER – SUSTAINABILITY AT HAP SENG GROUP

The Edge Billion Ringgit Club 2016

Highest Returns to Shareholders Over Three Years (Big Cap Companies)

SUSTAINABILITY IS PART OF OUR MISSION TO BE A GOOD CORPORATE CITIZEN IN HARMONY WITH THE ENVIRONMENT AND THE COMMUNITIES WE SERVE. WE CONTINUOUSLY STRIVE TO OPTIMISE OUR OPERATIONS WHILE PROVIDING PRODUCTS AND SERVICES THAT WILL HELP GROW THE LOCAL ECONOMY. THROUGH OUR 40 YEARS OF EXPERIENCE IN BUILDING RELATIONSHIPS AND GROWING BUSINESS TRANSACTIONS, WE HAVE CONTRIBUTED DISTINCTIVE FOOTPRINTS IN VARIOUS INDUSTRIES IN MALAYSIA.

SUSTAINABILITY STATEMENT

SUSTAINABILITY GOVERNANCE AND MANAGEMENT

Chief Executives of each division are responsible for managing sustainability issues at their respective divisions and report directly to the Group Managing Director. Group Risk and Group Corporate Social Responsibility (CSR) are in charge of consolidating and communicating sustainability issues at the Group level.

In compliance with our code of conduct, and in being responsible and conscious of our impact on the economy, environment and society, we have various processes and systems in place to manage sustainability across the Group and in business units.

Code of Conduct

Hap Seng Group code of conduct instils and promotes appropriate standards of conduct and ethical practices. The code is aimed at preventing conflict of interest while setting parameters between work and personal activities.

Hap Seng Group's Code of Conduct

- Honesty and integrity
- Compliance with laws
- Conflict of interests
- Confidentiality
- Whistle-blowing

Some Other Guiding Policies

- Board charter (covers details on conflicts of interest and whistle-blowing)
- HR manual (covers elements on anti-bribery, anti-corruption and conflicts of interest)
- Privacy policy

Some policies are accessible on our website at www.hapseng.com.my.

ABOUT THIS STATEMENT

This is the first year that we are reporting on our efforts to embed sustainability practices throughout our divisions. The statement will disclose our efforts at addressing the economic, environmental and social issues of our operations in Malaysia from 1 January 2016 to 31 December 2016, unless otherwise stated.

We have identified issues that are material to our business from a sustainability perspective, and our best efforts and strategies to address them. Qualitative and quantitative data is provided wherever possible. We will strive to improve our disclosure in future reports and are committed to monitoring and measuring our progress in implementing sustainability throughout the company. The Statement was prepared in accordance with Amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statement in Annual Reports.

The scope of the statement covers activities conducted by all our divisions excluding plantations and operations outside Malaysia. As the plantation division has a standalone sustainability report with further details of their activities, this statement will however publish key highlights of the plantation division.

Sustainability Highlights at Hap Seng Plantations for 2015-2016

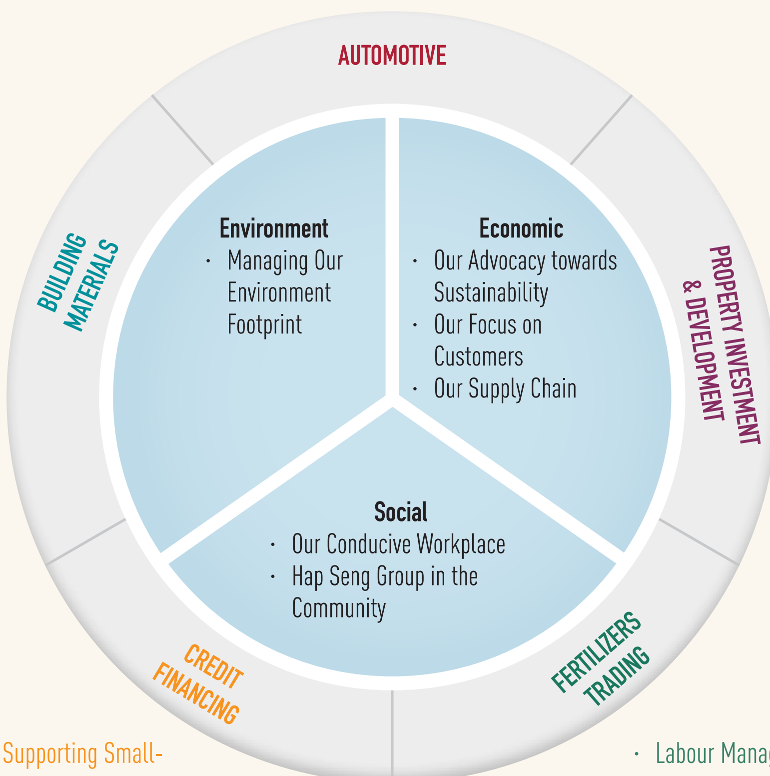
- Launch of Sustainable Agriculture Policy, including a formal commitment to the High Carbon Stock (HCS) Approach.
- 40% reduction in lost time accidents since 2014.
- 36% increase in RSPO certified area.
- 13% reduction in water usage per tonne of FFB processed since 2014.
- 100% of mills RSPO certified.
- 100% of mills ISCC EU certified.
- Two biogas facilities completed.
- One mill Hazard Analysis Critical Control Point (HACCP) certified.
- RM1 million invested in children's primary education in 2015 – 2016.
- Launch of financial literacy programme for employees.
- 1,000 children and 200 teachers trained in computer coding.

MATERIALITY

For this inaugural statement, we engaged internal stakeholders to identify material issues pertaining to our sustainability. By convening the feedback of key executives, members of management (who are deeply involved in our operations) and representatives from various divisions (who have oversight of strategic directions and policy decisions), we determined the scope of material issues across the Group. The process enabled us to identify our non-financial value chain across the economic, environmental and social aspects. The findings were then tabled and approved during an engagement session with Executive Directors.

OUR MATERIAL ISSUES

- Eco-Friendly Products
- Customer Service Excellence
- Waste Management
- Mercedes-Benz Malaysia Training Academy Scholarship Programme



- Eco-Friendly Products
- Customer Service Excellence
- Resource Management
- Occupational Health and Safety

- Eco-Friendly Products
- Industrialised Building System
- Community-Centric Developments
- Affordable Housing
- Customer Service Excellence
- Labour Management

- Supporting Small-Medium Enterprises (SMEs)
- Customer Service Excellence

- Labour Management
- Occupational Health and Safety

ECONOMIC

AS A RESPONSIBLE GROUP, WE ARE AWARE OF THE MULTI-LAYERED IMPACTS OF OUR ECONOMIC ACTIVITIES.

Material Economic Aspect	Importance	Focus in 2016
OUR ADVOCACY TOWARDS SUSTAINABILITY	**Eco-Friendly Products** We continuously address our environmental and social footprint through our products. The commitment is evident via our products that use the latest innovation to meet high standards of environmental and social sustainability.	• Building Materials • Property Investment & Development • Automotive
	Industrialised Building System (IBS) Our resolute focus on innovation has resulted in implementing new systems and building methods, especially the IBS, which significantly reduces time and resources spent in the property and construction industry.	• Property Investment & Development
	Community-centric Development When building townships, we put the prospective community's needs at the centre of the project. We ensure that our residents have easy access to commercial, recreational and public transport facilities that will enhance their quality of life.	
	Affordable Housing Our affordable houses facilitate home ownership among young Malaysians, whom are first-time house buyers.	
	Supporting SMEs We support the development of the local economy by providing support to SMEs as this is part of our core value of being enterprising and entrepreneurial.	• Credit Financing
OUR FOCUS ON CUSTOMERS	**Customer Service Excellence** We strive to deliver an excellent experience to our customers – right from the start.	• Building Materials • Property Investment & Development • Credit Financing • Automotive

ECO-FRIENDLY PRODUCTS

Creating eco-friendly products ensures that we meet our business and sustainability goals by reducing our environmental footprint. We also help our customers reduce their impact on the environment by purchasing products that use recyclable material that consume less energy and raw resources. We continuously develop innovative solutions to mitigate our environmental footprint while ensuring that our operations are healthy and secured, and that they involve all our stakeholders.

Oxida Series Ceramic Tiles

MMSB's breakthrough porcelain green tile called the Oxida series, is the first green certified tile in Malaysia. Produced from recycled ceramic powders and manufactured under the MML brand, it bears similar properties to the regular MML ceramic tiles. It is highly durable, easy to clean and has a long life span of at least 50 years. It is also hypoallergenic and does not release any volatile organic compounds (VOC). Oxida Series has garnered the prestigious Singapore Green Label.

MMSB recycled 100% of these recycle ceramic materials to produce 5.51 million m^2 green products in 2016.

Green Bricks

Ceramic materials recovered from the polishing water treatment plant and other powder waste that are not suited for producing ceramic tiles, are recycled and used at the Hap Seng Clay Products Sdn Bhd at Sedenak Brick Factory, Johor to produce green bricks.

Certifications Endorsing All Products Produced by MMSB Plant 3

• SINGAPORE GREEN LABEL • SIRIM ECO LABEL

Green Buildings

The products under the property investment and development division are resource-efficient, to reduce their environmental footprint. Plaza Shell in Kota Kinabalu was awarded the Leadership in Energy and Environmental Design (LEED) Silver certification by the U.S. Green Building Council in April 2016. Following that, The Horizon Residences in Kuala Lumpur was awarded the Green Building Index (GBI) certification rating by the Malaysian Green Building Index Accreditation Panel (GBIAP) in July 2016. In December 2016, Menara Hap Seng 2 (MHS2) was conferred the GBI Certification.

FIABCI Malaysia Property Award 2016

Industrial Category - Hap Seng Star Mercedes-Benz Autohaus @ Balakong

Energy Efficient Vehicles

The automotive division's sales of Mercedes-Benz's Energy Efficient Vehicles (EEV) and hybrid car segments was achieved through constant efforts of educating customers on the benefits of environmental-friendly cars through road shows and customer events.

INDUSTRIALISED BUILDING SYSTEM (IBS)

The property division applies the IBS which benefits our operations by reducing the amount of time and workers needed to complete a building, thus improving cash flow. IBS also produces less waste than a conventional, non-IBS construction site. We have a dedicated area to collect all construction waste, where it is separated into recyclable and non-recyclable materials prior to their disposal. A waste separation system was implemented at all our GBI and LEED projects. The IBS was used in The Horizon Residences, Aria Luxury Residence and Nadi Bangsar projects.

COMMUNITY-CENTRIC DEVELOPMENT

In undertaking our property development, we have always taken cognisance of the needs of our prospective community. In our 1,300-acre Bandar Sri Indah Township, this was done by providing residents easy access to commercial, religious, recreational and public transport facilities. These include:

- A 45,000 square foot community centre, worth RM10 million was completed in May 2016 for residents to play indoor sports.
- The Tawau Municipal Council commenced construction of an inter-city bus terminal to improve connectivity for residents in Bandar Seri Indah and those from surrounding areas.

  The township's 4,000 households (approx.) will benefit from these two facilities. The facilities will also boost economic activity in the area.

AFFORDABLE HOUSING

We support one of the main targets of the 11th Malaysia Plan, which is to provide quality affordable housing. For now, our affordable housing projects are focused in Sabah. These include the 1Malaysia Civil Servants Housing Scheme (PPA1M) in Bandar Sri Indah and Ria Heights. Moving forward, we aim to launch 472 units of 'Rumah Selangorku' in Puchong as part of our affordable housing initiative in Peninsular Malaysia.

SUPPORTING SMEs

The credit financing division provides financing schemes to SMEs and social enterprises. A host of professional services and schemes are available to match the needs of various entrepreneurs from various business sectors.

Hap Seng Credit has partnered with online crowd funding platform SimplyGiving.com to provide social enterprise start-ups with working capital. Currently, four social entrepreneurs are supported under this social lending programme: Women Of Will, AnB Agro Trainers, The Batik Boutique, and FoodaBox.

Women Of Will
Redirecting journeys
Rewriting stories

EMPOWERING WOMEN

Women Of Will empowers underprivileged women from the bottom 40% of society (B40) to initiate and sustain their own small businesses, rather than providing handouts. The women are given a loan of RM2,000 to help them start small business ventures and attain an independent income. The amount is repaid on a weekly basis, interest-free. To date Women Of Will has transformed the lives of 685 underprivileged women in Malaysia. Based on an internal impact study conducted in 2015, on average, each participant has seen a 30% increase in their household income. We continue to support our beneficiaries by coaching them and providing them with additional skills and entrepreneurship training, networking opportunities as well all as events where they may sell their products.

World Branding Awards

Brand of the year 2016-2017

BrandLaureate Special Edition World Award 2015

Brand Excellence in Lifestyle, Luxury Material Category

CUSTOMER SERVICE EXCELLENCE

We emphasise excellent customer service throughout all our divisions. All business divisions strictly adhere to all regulatory requirements concerning information and data security. We distribute the Personal Data Protection Act (PDPA) forms to our customers to assure them that their privacy will be protected. All employees also receive training on data privacy and security practices.

Annual Customer Satisfaction audits are embedded in the MMSB ISO 9001 Quality Management System where the goal is to continuously improve the product offerings and services to exceed the customers' expectation.

At the property division, we emphasise excellent customer service from the execution of sales and purchase agreements (SPA) to the handing over of properties. We conducted a customers' satisfaction survey during the handover of The Horizon Residences in 2015-2016, where 235 out of 335 unit owners participated in the survey. About 93% of the respondents were satisfied with the quality of their units.

At the automotive division, we always monitor our annual Customer Satisfaction Index (CSI) to assess our performance and measure progress. In 2016, the CSI stood at an average of 95% and for aftersales at 88%. The score is reflective of the automotive division's efforts at improving service and meeting customers' expectations. These efforts include training three certified service advisors, providing 60 hours of business English training to 20 staff members and conducting monthly assessments.

The online customer service portal, myMBFS.com.my that our principal, Mercedes-Benz Malaysia, has launched provides customers access to their accounts where they can monitor their repayment plans, print their monthly statements and generate a pay-off estimate.

ENVIRONMENT

AS A GOOD CORPORATE CITIZEN, WE CONTINUOUSLY FIND NEW SOLUTIONS TO MANAGE AND MITIGATE OUR ENVIRONMENTAL IMPACT.

Material Environmental Aspect	Importance	Focus in 2016
MANAGING OUR ENVIRONMENTAL FOOTPRINT – RESOURCE MANAGEMENT	**Energy Consumption and Management** Energy is the most crucial resource we need to run our businesses. Our building materials division is energy intensive. In MMSB, the division's ceramic tile manufacturing operations, 15% of its costs come from natural gas and electricity consumption. Due to digitisation, all business operations depend on electricity to power computers, machines and other technical equipments.	• Building Materials
	Water Consumption and Management Most of our operations are in offices which do not consume significant amounts of water. However, we do acknowledge the necessity of monitoring water consumption, especially at our automotive and building materials divisions, to further optimise cost.	
	Waste Management Waste has a huge environmental impact as it leads to pollution. We ensure that our solid waste and effluents are managed in accordance with regulatory requirements. We also have in place practices aimed at reducing, reusing and recycling the material we use, regardless of whether it is electricity and paper in our offices, or the effluents generated from our quarries and ceramic tile factories.	
	Greenhouse Gas Emissions (GHG) We have started studying our GHG emissions and reviewing steps to address our environmental footprint.	
	Dust Emissions We understand the specific impact of the building materials industry and have measures in place to manage the emissions.	
	Noise Emissions We understand the specific impact of the building materials industry and have measures in place to manage the emissions.	

For our operations that have a larger environmental impact such as building materials division, environmental management is at the forefront. At MMSB, good practices are a business imperative in order to operate in a cost-effective, secure, healthy and responsible manner with all stakeholders. MMSB has been using these practices to not only mitigate the division's environmental footprint, but also to ensure that costs are optimised and wasteful habits are eliminated. For 2016, we highlight MMSB's MS ISO 14001:2004 Environmental Management System (EMS) as an example of best practices.

Moving forward, Hap Seng Group will review internal best practices that can be shared widely at the Group level for adoption or adaptation, wherever practical for the industry.

2016 Asia Responsible Entrepreneurship Award

Green Leadership Category

MSOSH Occupational Safety & Health Award 2015

Gold Class II Award Winner

Prime Minister's Hibiscus Award 2014/2015

Exceptional Achievement in Environmental Performance

BUILDING MATERIALS DIVISION – MMSB

Indicator for per unit tile production	Unit	Target	Actual	Achieved
Electricity consumption	kWh/m^2	<6.10	5.75	✓
Natural gas consumption	$mmBtu/m^2$	<0.12	0.11	✓
Diesel consumption	$litres/m^2$	<0.05	0.04	✓
Water consumption	m^3/m^2	≤0.018	0.018	✓
Scope 1 GHG Emissions	tCO_2/m^2*	≤0.00012	0.00011	✓
Scope 2 GHG Emissions	tCO_2/m^2*	≤0.01080	0.01020	✓

** Based on energy utilised in the factories only*

Indicator		2016
i. Recycled waste recycled (tonnes)		16,409.6
ii. Landfill waste (tonnes)		385.7
iii. Scheduled waste* (tonnes)		
SW409	3.6	
SW410	100.7	
SW418	1.8	
Total		106.1

* *Handled by appointed Department of Environment (DOE) approved vendors for treatment and/or recovery*

MMSB sets an annual target to reduce the usage of electricity, natural gas and diesel. This is very crucial in view of the government subsidy rationalisation towards market parity for natural gas and electricity. Reducing and managing our water consumption is another priority for MMSB in view of the annual water rationing due to prolonged dry spells in Kluang, Johor. MMSB also set a target to reduce its carbon footprint. For 2016, MMSB managed to achieve all set targets.

Electricity

MMSB's initiatives to reduce electricity usage are as follows:

- Installed energy meters on machines that consume high levels of electricity.
- Installed soft starters and inverter motors to reduce current surges and voltage when powering up machines and equipment.
- Controlled room temperatures.
- Managed compressed air utilisation and maintenance to ensure no wastage and leakages.
- Installed skylight/transparent roofs and LED high bay lights for energy-efficient lighting.
- A dedicated Energy Committee is at work to continuously run projects to reduce energy consumption. The committee plans, manages and monitors hourly utilisation to safeguard against unnecessary penalties due to 'Maximum Demand' for electricity and 'Over or Under forecasting' penalty for natural gas.

Natural Gas and Diesel

This year, MMSB has managed to reduce natural gas consumption by 8% per m^2 while increasing production output by 7.2% through improved product formulas and production processes. These include:

- Installation of Heat Work Recovery (HWR) at the kilns to channel heat back into the spray dryer and dryer. The MMSB Plant 3 has recorded 6.5% less gas consumption through the installation of HWR.
- Increasing production output while maintaining product quality through improved formulas whereby tiles are fired faster by reducing thickness.
- Investing in technology by replacing all gas burners nozzles with an improved, high-efficiency alternative in May 2016. This move reduced natural gas usage by 10%.
- Scheduled maintenance of the facility's pipes and equipment to ensure that fuel is not wasted through leaks and that burners are used more efficiently.

MMSB has installed an automated storage and retrieval system (ASRS) in its storage facilities, therefore diesel usage is limited to fixed units of forklifts used by the warehouse team. This smart warehousing system uses a computer-controlled robotic system for storing, sorting and retrieving loads from shelves, stacks or any other inventory location. ASRS cuts down on diesel usage as there is reduced need for manned forklifts and no lighting is required in the warehouse. Furthermore, stock retrieval is more efficient and accurate.

WATER CONSUMPTION AND MANAGEMENT

Since its establishment, MMSB has a close loop water management system where waste water is treated and recycled for use in the plant. No waste water is discharged to municipal drains. In 2016, MMSB water consumption was 0.018 m^3/m^2, which is within its 2016 target. Of that amount, 54,954 m^3 was from surface sources which are natural ponds and accounts for 27% of MMSB water consumption. When MMSB was first established in Kluang, Johor in 1964, it implemented a novel system to maximise its supply of water in an area where there was little water supply infrastructure. The management built water retention ponds to store rainwater collected from its expanse factory roof for its production processes. Ever since then, this rainwater harvesting system has been installed in all MMSB's production facilities.

Quarry operations have an impact on the environment due to the airborne quarry dust, and noise from its operations. There are multi-step efforts involved in reducing these to comply with DOE's requirements and regulations. We are also guided by our own Environmental Management Plan.

Our 13 quarries typically consume between 5,000 to 10,000 litres of surface water per day per quarry, which equates to a daily total of 65,000 to 130,000 litres. Water is sourced from pits within our quarry sites that are designed to collect rainwater. These pits measure between 5 to 10 acres per quarry. This year, the division consumed 150 million litres of this surface water. We ensure that our water sources are not from protected areas, not biodiversity rich and not important to the local community or indigenous groups.

WASTE MANAGEMENT

MMSB adheres to the Environmental Quality (Scheduled Waste) Regulations 2005 for waste management. MMSB recycles packaging materials and an agreement has been made with our suppliers. The division's own packaging material is made of either unbleached recycled or recyclable paper materials.

MMSB has achieved zero water waste through the installation of a wastewater treatment plant that treats, recycles and reuses wastewater. The filter cake produced from the wastewater treatment process is collected for recycling in its own plant or sent to Hap Seng Clay Products Sdn Bhd at Sedenak, Johor where it is recycled as a component for brick production. Scrap powder from the process is also recycled. A dedusting or vacuum suction system is installed to trap airborne particles from our manufacturing processes, where it is recycled and used in the tile production. A **5S workplace organisation** with safety as another parameter is diligently implemented on the production floor.

GHG EMISSIONS

For GHG emissions, our focus is on Scope 1 and 2. Scope 1 emissions are from sources that are directly owned by the company. Scope 2 emissions contain indirect emissions generated from consumption of purchased electricity and natural gas. MMSB has achieved its GHG emission targets this year and it will continue to monitor this data annually.

DUST EMISSIONS

In order to address the airborne dust from our quarry operations, we have implemented an enclosed conveyor and dust suppression system that traps airborne dust. To reduce dust from our lorries, the vehicles go through a water trough with pressurised sprays targeting their tyres to wash off quarry dust before they leave and travel on public roads. We also use water trucks to spray the quarry access roads and a sprinkler system to suppress dust at our crushing plants. In 2016, we engaged an environmental consultant to conduct assessments on dust emissions, noise pollution and water contamination on a quarterly basis.

A dust vacuuming system is installed in the plants to suck up dust particles for recycling in MMSB.

MMSB was able to reduce calibration cost by 40% by changing from wet to dry calibration system. The cost reduction in dry calibration is contributed by the improved in yield while reducing labour, repair and maintenance, consumables and costs. Additional cost savings come from the waste recovery process as tile scraps from dry calibration are dry and can be recycled directly. Previously, tiles scraps from wet calibration that can only be recycled after they have been recovered from the water treatment plant.

NOISE EMISSIONS

One of the efforts taken towards reducing noise from quarries is through the installation of noise bunkers to reflect the sound wave produced by the blasting of rocks. These bunkers also reduce the amount of noise experienced by nearby residents from rock crushing operations. Noise bunkers are installed in four quarries which are near residences, namely Ulu Choh, Seri Alam, Jesselton Hill and Kukusan. Quarterly assessments are conducted by our environment consultant to ensure that the noise produced complies with permitted levels.

SOCIAL

AT HAP SENG GROUP, WE BELIEVE THAT THE WELFARE AND HEALTH OF OUR EMPLOYEES AT THE WORKPLACE EXTENDS BEYOND REMUNERATION AND SAFETY. ALL EMPLOYMENT REGULATIONS ARE STRICTLY ADHERED WHEN DEALING WITH CONTRACTORS RELATIONS, FOREIGN WORKERS, REMUNERATION, SOCIAL SECURITY PROTECTIONS, AND DIVERSITY.

Material Social Aspect	Importance	Focus in 2016
OUR CONDUCIVE WORKPLACE	**Employee Engagement** We have multiple platforms in place to address employee-related issues both at division and Group level. Although each division operates distinctly, we ensure that the culture and ethos at Group level cascades effectively.	Hap Seng Group
	Labour Management All our contractors must comply with immigration and foreign labour regulations.	
	Diversity and Equal Opportunity We are committed to diversifying our workplace and providing equal opportunities to every employee regardless of background.	
	Occupational Health and Safety (OHS) Though we aspire to introduce best practices safety culture in the organisation, we acknowledge that this can be a long-term process. For now, we have various measures in place to manage OSH, both through policies and systems as well as ongoing training and awareness programmes.	
HAP SENG GROUP IN THE COMMUNITY	Our community programmes focus on Education through capacity building for the rural community.	Hap Seng Group

OUR CONDUCIVE WORKPLACE

Employee Engagement

Managing the wellbeing of our employees includes assisting them in non-work related challenges that could impact work performance. One critical challenge for many employees is how to deal with the rising cost of living. Realising this, Hap Seng Group has conducted two programmes on urban farming and personal financial management that were aimed at helping them tackle this challenge.

The credit finance division partnered with *Agensi Kaunseling dan Pengurusan Kredit* (AKPK) to organise several talks on personal money and credit management at all Hap Seng Group's premises nationwide. Targeting executives and staff members, the sessions involved sharing true stories, case studies and tips on how to wisely and responsibly manage their credit, personal finances and plan for their retirement. The 1,407 participants responded positively to these sessions and said they had benefited from the increased awareness of how to effectively use their money.

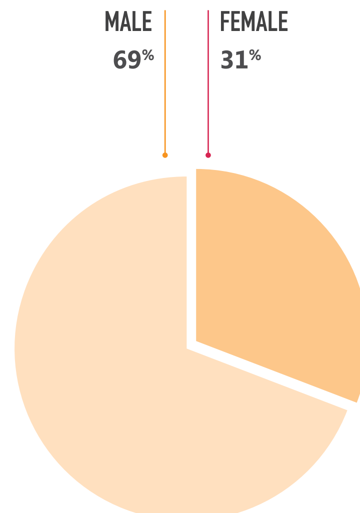
Labour Management

All contractors with business relationship with Hap Seng Group must comply with rules and regulations set by the Immigration Department concerning foreign workers. Hap Seng Group integrates human rights policies into its labour management practices in compliance with the Employment Act 1955 and the Industrial Relations Act 1967, including among others, freedom of association and collective bargaining, as well as prohibition of child labour, forced or compulsory labour.

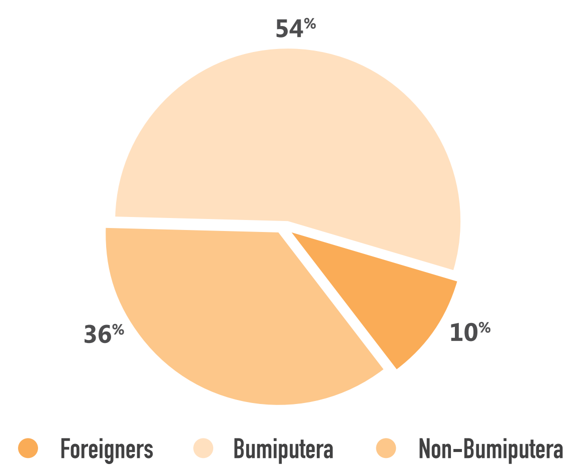
Diversity and Equal Opportunity

Hap Seng Group is committed to an engaged workplace. Diversity and equal opportunity is a key component of building such a workplace. We acknowledge that the majority of Hap Seng Group employees are males, which can be attributed to the nature of our business but we are looking into improving the gender gap.

PERCENTAGE OF EMPLOYEE, BY GENDER



PERCENTAGE OF EMPLOYEE, BY ETHNICITY



OHS

OHS data in the building materials division

Building Materials	2015	2016
LTIFR-Quarry	0.35	0.40
LTIFR-MMSB	3.6	3.7

* *LTIFR = Lost Time Injury Frequency Rate, which is the number of lost time injuries occurring in a workplace per 1 million man-hours worked per year.*

The division has a Safety and Health Policy in place to ensure employees' wellbeing are taken care of. OSH training programmes are conducted for workers who are involved in high-risk activities. Activities categorised as high-risk include rock blasting and drilling, handling heavy machineries, equipment and mobile vehicles, and working in high places, slopes and on quarry rock faces.

MMSB is certified by SIRIM and international certification firm IQNET after achieving full compliance with OHSAS 18001:2007. The certification is a testament of MMSB's dedication to workplace safety, and a commitment to minimise risks for all employees.

Description	2014	2015	2016
Workforce Data			
Total Number of Employees	3,155	3,202	3,408
Number of Employees, by gender			
Female	1,003	1,019	1,070
Male	2,152	2,183	2,338
Number of Employees, by age group			
<30	809	788	928
30-40	1,058	1,059	1,090
40-50	833	854	876
>50	455	501	514
Number of Employees, by region			
Peninsular Malaysia	2,240	2,270	2,470
East Malaysia	915	932	938
Percentage of Women in Management (%)			
Board Level	11.1	11.1	11.1
Top Management	14.8	16.1	14.3
Senior & Mid Management	31.9	36.3	38.0
Executive/Supervisory	48.0	47.6	49.3
Graded	25.6	24.7	23.4
New Hires Data			
Total Number of New Hires	878	780	766

Description	2014	2015	2016
Number of New Hires, by gender			
Female	262	228	215
Male	616	552	551
Number of New Hires, by age group			
<30	532	441	469
30-40	227	208	193
40-50	81	84	87
>50	38	47	17
Number of New Hires, by region			
Peninsular Malaysia	693	623	643
East Malaysia	185	157	123
Turnover Rate (%)	22.5	20.99	15.61

HAP SENG GROUP IN THE COMMUNITY

Group Corporate Social Responsibility (CSR) oversees all our community programmes that are conducted from across our business divisions.

In the Group's community investment programme, we focus on education in rural areas and function as a catalyst for change. The programme partner must ensure that programme content consists of two core elements – High Order Thinking Skills (HOTS) and English. The programme must be designed to build capacity of the target group and be self-sustainable. In 2016, Hap Seng Group invested more than RM3.5 million in various community initiatives.

Hap Seng Group initiated the Sabah Education Round Table – a platform where several stakeholders, the Sabah Education Department, foundation and corporate funders as well as NGOs came together to discuss education issues in Sabah. The outcome of this roundtable is a listing of education-based issues and priorities, and the establishment of a communication channel between NGOs and the State Education Department.

Hap Seng Group D-Code

Hap Seng Plantations funded the 'Hap Seng Group D-Code' programme which is a coding camp for lower secondary students, aged 13 to 15, aimed at teaching them basic computer coding skills. The 2-year programme was attended by 1,061 students from all secondary schools in Sabah. The programme achieved its outcome whereby all participants were able to create website using HTML, Java and CSS. Also, 96% of participants believe that the programme has helped increased their confidence and aspiration to continue learning technology, while 93% would encourage their school friends to learn and explore technology. It was indeed a pleasant surprise that the two winners at the programme's finale were from rural schools, thus, demonstrating the potential of rural students. The results also bear testament to our efforts to bridging the divide between rural and urban schools.

Hap Seng Group in MCII

Hap Seng Group is one of the founding members of the Malaysian Collective Impact Initiative (MCII). MCII is a stakeholder collaboration model initiative aimed at achieving systemic educational and social change through cross sector partnership. MCII's focus is on schools in Klang, with a common agenda on Literacy and Career aspiration. After initially starting with two schools, MCII is now present in 14 primary and secondary schools.

In 2016, efforts were focused on strengthening MCII through the creation of a backbone organisation, baselining and data gathering, as well as strategically aligning the government, schools, NGOs and community within the MCII Strategic Framework. Moving forward, MCII will launch various new capacity building programmes in 2017.

Mercedes-Benz Advanced Modern Apprenticeship Programme

Hap Seng Star provides scholarship and on-the-job training to students at the Mercedes-Benz Malaysia Training Academy in Malaysia. This programme benefits both the students and Hap Seng as it provides hands-on experience and specific knowledge of the mechanics and electronics of Mercedes Benz. Since 2005, 86 youths has participated in this programme. As Hap Seng Star's business expands, we have the capacity to take in more apprentices and we aim to increase the number of participants to 20 annually from the previous intake of seven.

Employee Volunteerism

Hap Seng Group encourages our employees to volunteer their time, talent or treasure (money) – or also known as the 3Ts of volunteerism. Such activities not only benefit the community but also nurture a culture of empathy, teamwork and togetherness within Hap Seng Group.

OSH in Schools

As safety and health are very important to us, we partnered with the National Institute of Occupational Safety and Health (NIOSH) to conduct occupational health and safety awareness programmes in schools. The aim is to teach schools to identify, assess and control potential hazards that could cause accidents or affect health. "OSH in School" in SMK Benoni in Papar, Sabah was launched in February 2016. Following that, the school's safety audit was conducted by NIOSH and a competent safety officer from Hap Seng Quarry in November 2016.

FINANCIAL STATEMENTS

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 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the subsidiaries, associates and a joint venture are disclosed in Notes 8, 9 and 10 to the financial statements, respectively. There have been no significant changes in the nature of these activities during the financial year except for the acquisition of Malaysian Mosaics Sdn Bhd as disclosed in Note 8 to the financial statements.

RESULTS

The results of the Group and of the Company for the financial year ended 31 December 2016 are as follows:

	Group RM'000	Company RM'000
Profit before tax	1,244,935	872,940
Tax expense	(179,492)	(2,012)
Profit for the year	1,065,443	870,928
Attributable to:		
Owners of the Company	1,000,960	870,928
Non-controlling interests	64,483	-
Profit for the year	1,065,443	870,928

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the effects arising from the disposal of a subsidiary as disclosed in Note 28(a) to the financial statements.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

There were no changes in the authorised, issued and paid-up share capital of the Company except for the issuance of 239,950,446 ordinary shares of RM1.00 each at an exercise price of RM1.65 per ordinary share for cash pursuant to the exercise of warrants as disclosed below and in Note 24 to the financial statements.

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 warrant for every one 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 new ordinary share of RM1.00 in the Company at the exercise price of RM1.65 during the 5-year period expiring on 9 August 2016 ["Exercise Period"], subject to the adjustments as set out in the Deed Poll;

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

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

(d) For purpose of trading on Bursa Securities, a board lot for the warrants shall be one hundred 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 2016	241,019,163
Exercised during the year	(239,950,446)
Lapsed during the year	(1,068,717)
As of 31 December 2016	-

During the financial year, a total of 239,950,446 warrants were exercised before the expiry date of the warrants on 9 August 2016 ["Expiry Date"] which resulted in 239,950,446 ordinary shares of RM1.00 each being allotted, issued and listed. As at the Expiry Date, 1,068,717 unexercised warrants became null, void and ceased to be exercisable and the same was removed from the official list of Bursa Securities with effect from 10 August 2016.

TREASURY SHARES

During the extraordinary general meeting of the Company held on 19 May 2016, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares.

During the financial year, the Company:

(a) repurchased 103,000 shares at the cost of RM794,769. All repurchases of shares were financed by the Company's internally generated funds; and

(b) resold 93,159,900 treasury shares at an average net resale price of RM7.67 per share after transaction costs. The total net consideration received from the resale was RM714,303,215.

As at 31 December 2016, the Company held 2,000 treasury shares.

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
As of 1 January 2016	93,058,900	289,903,787	3.12
Repurchased during the year	103,000	794,769	7.72
Resold during the year	(93,159,900)	(290,682,574)	3.12
As of 31 December 2016	2,000	15,982	7.99

MATERIAL LITIGATIONS

Details of material litigations are disclosed in Note 38 to the financial statements.

SIGNIFICANT EVENTS DURING THE YEAR

Significant events are disclosed in Note 43 to the financial statements.

SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 44 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 2016:	
- First interim dividend of 15 sen per share under the single tier system approved by the Board of Directors on 19 May 2016 and paid on 28 June 2016	359,783
- Second interim dividend of 20 sen per share under the single tier system approved by the Board of Directors on 24 November 2016 and paid on 20 December 2016	497,936
	857,719

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2016.

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
Cheah Yee Leng
Datuk Simon Shim Kong Yip, JP
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan
Dato' Mohammed Bin Haji Che Hussein
Ch'ng Kok Phan
Leow Ming Fong @ Leow Min Fong

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
Name of director	**As at 1.1.2016**	**Acquired**	**Sold**	**As at 31.12.2016**
Hap Seng Consolidated Berhad				
Dato' Jorgen Bornhoft	50,000	-	(25,000)	25,000
Dato' Mohammed Bin Haji Che Hussein	36,000	-	-	36,000
Hap Seng Plantations Holdings Berhad, a listed subsidiary				
Dato' Jorgen Bornhoft	10,000	-	-	10,000
Datuk Simon Shim Kong Yip, JP	180,000	-	-	180,000
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	5,000	-	-	5,000
Cheah Yee Leng	31,200	-	-	31,200

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

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 31 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 42 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.

(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 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 17 April 2017.

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 124 to 260 are drawn up in accordance with Financial Reporting Standards and the requirements of 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 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 46 to the financial statements on page 261 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 17 April 2017.

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

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 124 to 261 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 17 April 2017.

LEE WEE YONG

Before me,
Tan Seok Kett
(No. W530)
Commissioner for Oaths

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hap Seng Consolidated Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 124 to 260.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key Audit Matters

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

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

Key Audit Matters (continued)

<table>
<tr><th>Key audit matters</th><th>How we addressed the key audit matters</th></tr>
<tr><td colspan="2">Property development revenue and profit recognition
(Refer to Notes 2.18, 16 and 26 to the financial statements)</td></tr>
<tr><td>Property development revenue and profit recognition is significant to our audit because it involves significant judgements in estimating the stage of completion of property development activities and assessing the forecast costs to completion.

Revenue from property development during the year amounted to RM686 million, representing 14% of the Group's total revenue for the financial year ended 31 December 2016.

Revenue and profit from property development activities are recognised based on the percentage of completion method (POC) and are dependent on, amongst others, the extent of actual costs incurred to the total estimated costs of construction to derive the percentage of completion; the actual value of units sold and the estimated total revenue for each respective project. The determination of total estimated revenue and costs involves a significant element of estimation by management.

In estimating the total costs to completion, the Group considers the completeness and accuracy of its costs estimation, including its obligations in respect of contract variations, claims and cost contingencies. The total cost to completion, which includes sub-contractor costs, can vary with market conditions and unforeseen events during construction.</td><td>In assessing the appropriateness of actual costs incurred, total estimated costs of construction and total estimated revenue for the Group's property development projects of subsidiaries audited by us, we have:

• Obtained an understanding of the internal controls pertaining to project budgeting process.

• Performed relevant procedures, for all ongoing projects, on contractual terms and conditions and their relation to revenue and costs incurred. These procedures include, amongst others, perusing the terms and conditions stipulated in the sales and purchase agreements entered into with customers; construction agreements entered into with contractors; and agreeing significant actual costs incurred during the current financial year to supporting documents.

• Examined project documentation and discussed the status of all ongoing projects under construction with management, finance personnel and relevant project officials. We assessed whether the estimates made (including budgeted gross development value and gross development cost) are reasonable, taking into consideration the information obtained during those discussions and the results of our audit procedures. We also considered the historical accuracy of management's estimates, identification and analysis of changes in assumptions from prior periods, and an assessment of the consistency of assumptions across all projects.

• Assessed the mathematical accuracy of the revenue and profit based on percentage of completion calculations and considered the implications of identified error and changes in estimates.

In addition, in respect of the subsidiaries not audited by us, we have reviewed the working papers of the component auditor relating to the abovementioned procedures.

The Group's disclosures on property development costs recognised are included in Note 16 to the financial statements, which shows the development costs incurred and capitalised during the current financial year and costs recognised in profit or loss for the financial year.</td></tr>
</table>

Key Audit Matters (continued)

<table>
<tr><th>Key audit matters</th><th>How we addressed the key audit matters</th></tr>
<tr><td colspan="2">Valuation of investment properties
(Refer to Notes 2.9, 7 and 39(b) to the financial statements)</td></tr>
<tr><td>The valuation of the investment properties in operation is significant to our audit due to their magnitude and complexity of the valuations which are highly dependent on a range of estimates.

The Group carries its investment properties at fair value as disclosed in Note 2.9 to the financial statements.

As at 31 December 2016, the carrying amount of investment properties of the Group is RM1.7 billion, which represents 25% of the total non-current assets of the Group.

The management uses independent valuers to support its determination of the individual fair value of the investment properties annually.

The key judgement and estimates involved in the valuation of investment properties are:

(i) Rental rate;
(ii) Discount rate; and
(iii) Reversionary rate.

The Group recognised a net loss from changes in fair value of RM23 million for the financial year ended 31 December 2016 as disclosed in Note 7 to the financial statements.</td><td>Our audit procedures included the following:

• We assessed the valuation methodologies used by the valuers in determining the fair values of the investment properties.

• We assessed the valuers' competence, capabilities and objectivity. In addition, we obtained declaration of independence from the valuers to determine that there were no matters that affected their independence and objectivity.

• We challenged the significant assumptions and critical judgement areas, including appropriateness of the valuation model, rental rate, discount rate, and reversionary rate used.

• We compared the data inputs and assumptions used in the valuation models to underlying lease agreements.

• We assessed whether the valuation methodology was consistent with those used in the prior year and commonly used for the type of investment property being valued.

• We performed site visits on the 3 largest properties.

In addition, we also evaluated the adequacy of the disclosures of each key judgement and estimates to which the fair value is most sensitive, as disclosed in Note 7 to the financial statements.</td></tr>
</table>

Key Audit Matters (continued)

Key audit matters	How we addressed the key audit matters
Acquisition of Malaysian Mosaics Sdn Bhd (MMSB) *(Refer to Notes 2.4, 8(c) and 43(e) to the financial statements)*	
The acquisition of MMSB is significant to our audit due to the quantitative materiality of the acquisition and the significant management judgement that the purchase price allocation (PPA) requires. During the financial year ended 31 December 2016, the Company completed the acquisition of the entire issued and paid up share capital of MMSB for cash consideration of RM380 million. Arising from the acquisition, goodwill of RM48 million was recognised. The Company is required to recognise the assets acquired and liabilities assumed at the acquisition-date fair values. Accordingly, the net assets acquired were valued at RM332 million which included a fair value uplift on the property, plant and equipment (PPE) amounting to RM118 million. Management prepared the PPA assisted by an external valuation expert. As part of the Shares Sale Agreement (Agreement), the seller irrevocably and unconditionally undertook a continuing obligation in the form of profit guarantee to the Company, as disclosed in Note 8(c) to the financial statements. Accordingly, management has assessed the projected profit for each of the profit guarantee years to determine the fair value of the contingent asset, if any, to be recognised for the potential right to the return of previously transferred consideration should the profit guarantee not be achieved. The key judgement and estimates involved in the assessment of contingent asset are: (i) Sales growth; (ii) Gross profit margin; and (iii) Probability of meeting the profit guarantee for each of the profit guarantee years. Based on the assessment, no contingent asset was recognised as disclosed in Note 8(c) to the financial statements.	Our audit procedures included the following: • We gained an understanding of the transaction and its rationale through discussions with management and reading of the Agreement. • We reviewed the work of MMSB's auditor to satisfy ourselves on the closing balances of the acquiree as at the date of acquisition. • We assessed the valuation methodologies used by the valuers in determining the fair values of the PPE. • We challenged the significant assumptions and critical judgement areas, including appropriateness of the valuation model of the PPE. • We verified that the consideration transferred in respect of the acquisition was appropriately calculated in accordance with contractual arrangements. • We challenged management's key assumptions on the profit forecast for each of the profit guarantee years and comparing them to the historical performance of the acquiree and external market analysis. In addition, we also evaluated the adequacy of the disclosures of the acquisition as disclosed in Note 8(c) to the financial statements.

Key Audit Matters (continued)

Key audit matters	How we addressed the key audit matters
Impairment assessment on hire purchase and loan receivables *(Refer to Notes 2.16(a), 3.2(e) and 13 to the financial statements)*	
Impairment assessment on hire purchase and loan receivables is significant to our audit due to the significance of the carrying amount of hire purchase and loan receivables and the uncertainty inherent in the estimation process. The carrying amount of hire purchase and loan receivables arising from the credit financing segment of the Group as at reporting date were RM827 million and RM900 million respectively. The Group has put in place controls over the estimation of impairment of these receivables. The estimation process involves the application of judgement and the use of subjective assumptions. A material portion of the impairment assessment is collectively calculated based on models developed internally which give rise to certain degree of uncertainty.	We have reviewed the working papers in relation to the following audit procedures performed by the component auditor for the impairment assessment on hire purchase and loan receivables: • Evaluation of the controls over the approval, recording and monitoring of hire purchase and loan receivables. • Evaluation of the methodologies, inputs and assumptions used by the management in calculating collective impairment allowance and individual impairment allowance. • In respect of collective impairment assessment, comparison of the assumptions used by the management in the estimation of collective impairment allowances to external and internal available data. • In respect of major customers that were subject to individual impairment assessment, challenging the management's assumptions on the recoverable amount which include the value of realisable collateral. • Assessment of whether the financial statement disclosures appropriately reflect the Group's exposure to credit risk.

Information other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

- 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.

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

- 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.

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

Other Reporting Responsibilities

The supplementary information set out in Note 46 to the financial statements on page 261 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. 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	Teoh Soo Hock
AF: 0039	No. 2477/10/17(J)
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
17 April 2017

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000 (Restated)	Company 2016 RM'000	Company 2015 RM'000
Non-current assets					
Property, plant and equipment	4	1,798,774	1,380,635	1,505	755
Prepaid lease payments	5	201,367	205,604	-	-
Biological assets	6	458,585	442,104	-	-
Investment properties	7	1,675,054	1,461,522	-	-
Investment in subsidiaries	8	-	-	3,586,450	2,610,519
Investment in associates	9	500,934	420,875	79,357	73,930
Investment in a joint venture	10	844	965	-	-
Land held for property development	11	720,173	674,049	-	-
Intangible assets	12	85,149	91,675	-	-
Trade and other receivables	13	1,041,254	1,276,833	-	-
Other non-current financial assets	14	115,844	109,709	-	-
Deferred tax assets	23	21,809	19,518	-	-
		6,619,787	6,083,489	3,667,312	2,685,204
Current assets					
Inventories	15	1,163,461	960,781	-	-
Property development costs	16	682,386	584,407	-	-
Trade and other receivables	13	2,030,093	1,778,446	401,001	332,620
Tax recoverable		19,471	13,027	2,504	-
Other current financial assets	14	171,243	101,408	-	-
Money market deposits	17	354,736	98,636	-	-
Cash and bank balances	18	684,284	414,738	203,926	134,600
		5,105,674	3,951,443	607,431	467,220
Total assets		11,725,461	10,034,932	4,274,743	3,152,424

	Note	Group 2016 RM'000	Group 2015 RM'000 (Restated)	Company 2016 RM'000	Company 2015 RM'000
Equity attributable to owners of the Company					
Share capital	24	2,489,682	2,249,731	2,489,682	2,249,731
Reserves	25	3,001,010	2,282,821	1,781,788	1,188,991
		5,490,692	4,532,552	4,271,470	3,438,722
Less: Treasury shares	24	(16)	(289,904)	(16)	(289,904)
		5,490,676	4,242,648	4,271,454	3,148,818
Non-controlling interests	8(a)	631,779	598,746	-	-
Total equity		6,122,455	4,841,394	4,271,454	3,148,818
Non-current liabilities					
Trade and other payables	19	833	2,033	-	-
Provisions	20	12,000	12,000	-	-
Employee benefits	21	5,600	-	-	-
Borrowings	22	1,920,316	1,860,147	-	-
Deferred tax liabilities	23	230,590	204,944	21	20
		2,169,339	2,079,124	21	20
Current liabilities					
Trade and other payables	19	869,854	738,730	3,268	2,816
Provisions	20	10,306	9,734	-	-
Tax payable		47,375	34,161	-	770
Borrowings	22	2,504,931	2,331,789	-	-
Other current financial liabilities	14	1,201	-	-	-
		3,433,667	3,114,414	3,268	3,586
Total liabilities		5,603,006	5,193,538	3,289	3,606
Total equity and liabilities		11,725,461	10,034,932	4,274,743	3,152,424

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

STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	26	4,891,714	4,393,338	879,034	107,648
Cost of sales	26	(3,651,612)	(3,341,231)	-	-
Gross profit		1,240,102	1,052,107	879,034	107,648
Other operating income		191,012	90,566	21,894	59,410
Distribution costs		(221,345)	(165,335)	-	-
Administrative expenses		(278,028)	(247,482)	(29,124)	(19,858)
Other operating expenses		(120,605)	(37,869)	(458)	(467)
		811,136	691,987	871,346	146,733
Finance costs	27	(130,920)	(116,752)	(3,833)	-
Other gain items	28	520,174	508,798	5,427	511,614
Other loss items	28	(40,606)	(2,161)	-	(5,351)
Share of results of associates	9	85,047	35,133	-	-
Share of results of a joint venture	10	104	591	-	-
Profit before tax	29	1,244,935	1,117,596	872,940	652,996
Tax expense	32	(179,492)	(148,211)	(2,012)	(7,184)
Profit for the year		1,065,443	969,385	870,928	645,812
Profit attributable to:					
Owners of the Company		1,000,960	908,473	870,928	645,812
Non-controlling interests	8(a)	64,483	60,912	-	-
		1,065,443	969,385	870,928	645,812
Earnings per share (sen)					
Basic	33	42.36	42.26		
Diluted	33	42.36	39.28		

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit for the year	1,065,443	969,385	870,928	645,812
Other comprehensive (expense)/income, net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	(3,185)	31,281	-	-
Share of foreign currency translation differences of associates	3,833	7,930	-	-
Share of foreign currency translation differences of a joint venture	14	64	-	-
Change in fair value of cash flow hedge	(6,350)	(254)	-	-
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	(11,600)	-	-
	(5,688)	27,421	-	-
Items that will not be reclassified subsequently to profit or loss				
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	3,750	-	-
Re-measurement of defined benefit liability	293	-	-	-
	293	3,750	-	-
Total other comprehensive (expense)/ income for the year, net of tax	(5,395)	31,171	-	-
Total comprehensive income for the year, net of tax	1,060,048	1,000,556	870,928	645,812
Total comprehensive income attributable to:				
Owners of the Company	996,134	922,282	870,928	645,812
Non-controlling interests	63,914	78,274	-	-
	1,060,048	1,000,556	870,928	645,812

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

	Attributable to Owners of the Company							
		Reserves						
	Share capital RM'000	Non-distributable RM'000	Distributable Retained profits RM'000	Total RM'000	Treasury shares RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group								
At 1 January 2015	2,226,779	429,255	1,543,547	1,972,802	(247,806)	3,951,775	433,867	4,385,642
Profit for the year	-	-	908,473	908,473	-	908,473	60,912	969,385
Foreign currency translation differences for foreign operations	-	14,795	-	14,795	-	14,795	16,486	31,281
Share of foreign currency translation differences of associates	-	7,085	-	7,085	-	7,085	845	7,930
Share of foreign currency translation differences of a joint venture	-	33	-	33	-	33	31	64
Change in fair value of cash flow hedge	-	(254)	-	(254)	-	(254)	-	(254)
Foreign currency translation differences for foreign operation reclassified to profit or loss	-	(11,600)	-	(11,600)	-	(11,600)	-	(11,600)
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	3,750	-	3,750	-	3,750	-	3,750
Total other comprehensive income for the year	-	13,809	-	13,809	-	13,809	17,362	31,171
Total comprehensive income for the year	-	13,809	908,473	922,282	-	922,282	78,274	1,000,556
Share-based payments by a subsidiary	-	184	-	184	-	184	177	361
Exercise of warrants	22,952	14,918	-	14,918	-	37,870	-	37,870
Changes in ownership interest in subsidiaries	-	-	(8,332)	(8,332)	-	(8,332)	(5,620)	(13,952)
Acquisition of subsidiary	-	-	-	-	-	-	128,322	128,322
Purchase of treasury shares	-	-	-	-	(68,355)	(68,355)	-	(68,355)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	-	(10)	(10)
Resale of treasury shares	-	26,897	-	26,897	26,257	53,154	-	53,154
Dividends (Note 34)	-	-	(645,930)	(645,930)	-	(645,930)	-	(645,930)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(36,264)	(36,264)
At 31 December 2015	2,249,731	485,063	1,797,758	2,282,821	(289,904)	4,242,648	598,746	4,841,394
	Note 24			Note 25	Note 24			

	Attributable to Owners of the Company							
		Reserves						
			Distributable					
	Share capital RM'000	Non-distributable RM'000	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 2016	2,249,731	485,063	1,797,758	2,282,821	(289,904)	4,242,648	598,746	4,841,394
Profit for the year	-	-	1,000,960	1,000,960	-	1,000,960	64,483	1,065,443
Foreign currency translation differences for foreign operations	-	(2,364)	-	(2,364)	-	(2,364)	(821)	(3,185)
Share of foreign currency translation differences of associates	-	3,588	-	3,588	-	3,588	245	3,833
Share of foreign currency translation differences of a joint venture	-	7	-	7	-	7	7	14
Change in fair value of cash flow hedge	-	(6,350)	-	(6,350)	-	(6,350)	-	(6,350)
Re-measurement of defined benefit liability	-	-	293	293	-	293	-	293
Total other comprehensive expense for the year	-	(5,119)	293	(4,826)	-	(4,826)	(569)	(5,395)
Total comprehensive income for the year	-	(5,119)	1,001,253	996,134	-	996,134	63,914	1,060,048
Realisation of revaluation of reserves	-	(1,176)	1,176	-	-	-	-	-
Share-based payments by a subsidiary	-	186	-	186	-	186	179	365
Exercise of warrants	239,951	155,967	-	155,967	-	395,918	-	395,918
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	5,300	5,300
Purchase of treasury shares	-	-	-	-	(794)	(794)	-	(794)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	-	(10)	(10)
Resale of treasury shares	-	423,621	-	423,621	290,682	714,303	-	714,303
Transfer of reserves upon expiry of warrants	-	(144)	144	-	-	-	-	-
Dividends (Note 34)	-	-	(857,719)	(857,719)	-	(857,719)	-	(857,719)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(36,350)	(36,350)
At 31 December 2016	2,489,682	1,058,398	1,942,612	3,001,010	(16)	5,490,676	631,779	6,122,455
	Note 24			Note 25	Note 24			

		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	Teasury shares RM'000	Total equity RM'000
Company									
At 1 January 2015	2,226,779	246,710	126,267	35,636	(30,973)	769,654	1,147,294	(247,806)	3,126,267
Profit for the year	-	-	-	-	-	645,812	645,812	-	645,812
Exercise of warrants	22,952	18,016	-	(3,098)	-	-	14,918	-	37,870
Purchase of treasury shares	-	-	-	-	-	-	-	(68,355)	(68,355)
Resale of treasury shares	-	26,897	-	-	-	-	26,897	26,257	53,154
Dividends (Note 34)	-	-	-	-	-	(645,930)	(645,930)	-	(645,930)
At 31 December 2015/ 1 January 2016	2,249,731	291,623	126,267	32,538	(30,973)	769,536	1,188,991	(289,904)	3,148,818
Profit for the year	-	-	-	-	-	870,928	870,928	-	870,928
Exercise of warrants	239,951	188,361	-	(32,394)	-	-	155,967	-	395,918
Purchase of treasury shares	-	-	-	-	-	-	-	(794)	(794)
Resale of treasury shares	-	423,621	-	-	-	-	423,621	290,682	714,303
Transfer of reserves upon expiry of warrants	-	-	-	(144)	-	144	-	-	-
Dividends (Note 34)	-	-	-	-	-	(857,719)	(857,719)	-	(857,719)
At 31 December 2016	2,489,682	903,605	126,267	-	(30,973)	782,889	1,781,788	(16)	4,271,454
	Note 24						Note 25	Note 24	

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

	Group		Company	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000
Cash flows from operating activities				
Profit before tax	1,244,935	1,117,596	872,940	652,996
Adjustments for:				
Depreciation of property, plant and equipment	115,820	97,214	458	467
Amortisation of prepaid lease payments	7,125	5,952	-	-
Amortisation of intangible assets	7,830	6,526	-	-
Property, plant and equipment written off	1,681	1,561	-	-
Share-based payment expense	365	361	-	-
Investment properties written off	-	335	-	-
Biological assets written off	63	182	-	-
Bad debts written off	181	-	-	-
(Gain)/loss on held for trading equity instruments at fair value	(1,741)	4,359	-	-
Net loss/(gains) from fair value adjustments of investment properties	23,213	(22,739)	-	-
Gain on money market deposits at fair value	(451)	-	-	-
Reversal of impairment loss on investment in an associate	(5,089)	-	(5,427)	-
Impairment loss on investment in an associate	-	2,161	-	-
Impairment loss on investment in subsidiaries	-	-	-	5,351
Impairment loss on property, plant and equipment	16,090	-	-	-
Impairment loss on goodwill	15,813	-	-	-
Impairment loss on customer relationship	24,793	-	-	-
Inventories written down	8,561	7,557	-	-
Net impairment loss on trade and other receivables	10,249	12,805	-	-
Reversal of provisions	(2,471)	-	-	-
(Gain)/loss on disposal of property, plant and equipment	(93,088)	(697)	(29)	119
Gain on disposal of held for trading equity instruments	-	(283)	-	-
Gain on disposal of subsidiaries	-	(508,798)	-	(511,614)
Gain on disposal of 51% equity interest in a subsidiary	(262,424)	-	-	-
Gain on recognition of 49% equity interest retained in a former subsidiary at its fair value	(252,661)	-	-	-
Interest expense	130,920	116,752	3,833	-
Interest income	(11,432)	(12,940)	(9,777)	(39,381)
Dividend income	(11,512)	(7,415)	(883,270)	(107,972)
Share of results of associates	(85,047)	(35,133)	-	-
Share of results of a joint venture	(104)	(591)	-	-
Unrealised foreign exchange gain	(11,496)	-	(8,660)	-
Operating profit/(loss) before changes in working capital	870,123	784,765	(29,932)	(34)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000
Operating profit/(loss) before changes in working capital	870,123	784,765	(29,932)	(34)
Changes in working capital:				
Inventories	(25,672)	(308,283)	-	-
Property development costs	1,444	153,823	-	-
Loan receivables	277,275	(510,103)	-	-
Receivables	57,417	(238,673)	(68,381)	470,265
Payables	79,074	345,882	452	(1,695)
Provisions	3,008	17,003	-	-
Cash flows generated from/(used in) operations	1,262,669	244,414	(97,861)	468,536
Changes in working capital:				
Income tax paid	(180,352)	(201,593)	(5,285)	(8,275)
Income tax refunded	2,829	8,095	-	-
Interest paid	(165,795)	(147,341)	(3,833)	-
Interest received	11,432	12,940	9,777	39,381
Additions to land held for property development	(304,889)	(367,386)	-	-
Net cash flows generated from/(used in) operating activities	625,894	(450,871)	(97,202)	499,642
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	123,563	7,182	88	60
Proceeds from the redemption of available-for-sale equity instruments	12,000	-	-	-
Proceeds from disposal of held for trading equity instruments	-	31,034	-	-
Disposal of subsidiaries (Note 8(b))	380,925	635,593	-	639,340
Proceeds from issuance of shares to non-controlling interests	5,300	-	-	-
Dividends received from subsidiaries	-	-	875,735	103,743
Dividends received from associates	13,910	13,532	3,299	3,905
Dividends received from a joint venture	239	185	-	-
Dividends received from available-for-sale equity instruments	1,960	-	-	-
Dividends received from held for trading equity instruments	2,316	2,114	-	-
Dividends received from money market deposits	8,396	4,101	4,236	324
Purchase of property, plant and equipment	(250,044)	(200,071)	(1,267)	(10)
Purchase of held for trading equity instruments	(92,871)	(720)	-	-
Acquisition of subsidiaries (Note 8(c))	(369,343)	(127,328)	-	-
Acquisition of non-controlling interests	-	(13,952)	-	-
Additions to biological assets	(16,544)	(1,255)	-	-
Additions to prepaid lease payments	-	(31)	-	-
Additions to investment properties	(84,200)	(485,486)	-	-
(Increase)/decrease in money market deposits	(255,649)	85,054	-	72,456
Increase in investment in subsidiaries	-	-	(975,931)	(622,453)
Net cash flows (used in)/generated from investing activities	(520,042)	(50,048)	(93,840)	197,365

	Group		Company	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000
Cash flows from financing activities				
Dividends paid	(857,719)	(645,930)	(857,719)	(645,930)
Dividends paid to non-controlling interests	(36,350)	(36,264)	-	-
Shares repurchased at cost	(804)	(68,365)	(794)	(68,355)
Proceeds from issuance of shares pursuant to the exercise of warrants	395,918	37,870	395,918	37,870
Proceeds from resale of treasury shares	714,303	53,154	714,303	53,154
Net (repayment)/drawdown of borrowings	(56,241)	1,252,953	-	-
Net cash flows generated from/(used in) financing activities	159,107	593,418	251,708	(623,261)
Net increase in cash and cash equivalents	264,959	92,499	60,666	73,746
Effects on exchange rate changes on cash and cash equivalents	8,935	3,854	8,660	-
Cash and cash equivalents as at 1 January	410,145	313,792	134,600	60,854
Cash and cash equivalents as at 31 December (Note 18)	684,039	410,145	203,926	134,600

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

1. CORPORATE INFORMATION

The Company is an investment holding company.

The principal activities of the subsidiaries, associates and at a joint venture are disclosed in Notes 8, 9 and 10, respectively. There have been no significant changes in the nature of these activities during the financial year except for the acquisition of Malaysian Mosaics Sdn Bhd as disclosed in Note 8.

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 17 April 2017.

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 2016.

Effective for annual periods beginning on or after 1 January 2016

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

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

Effective for annual periods beginning on or after 1 January 2017

- Amendments to FRS 12, Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014 – 2016 Cycle)
- Amendments to FRS 107: Statement of Cash Flows – Disclosure Initiative
- Amendments to FRS 112: Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018

- FRS 9 Financial Instruments (2014)
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards (Annual Improvements to FRS Standards 2014 – 2016 Cycle)
- Amendments to FRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 4, Insurance Contracts – Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts
- Amendments to FRS 128, Investments in Associates and Joint Ventures (Annual Improvements to FRS Standards 2014 – 2016 Cycle)
- Amendments to FRS 140, Investment Property – Transfers of Investment Property

Effective for a date yet to be confirmed

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

Malaysian Financial Reporting Standards ["MFRS"]

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

The Group falls under the scope definition of Transitioning Entities and has opted to adopt MFRS for annual periods beginning on 1 January 2018. When the Group presents its first MFRS financial statements in 2018, 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.

Under the FRS framework, the Group's accounting policy for biological assets are as disclosed in Note 2.8. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of MFRS 141. Instead, MFRS 116 will apply. After initial recognition, bearer plants will be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of MFRS 141 and are measured at fair value less costs of disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

The Group will also adopt MFRS 15 Revenue from Contracts with Customers which is effective on 1 January 2018. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new revenue standard will supersede all current revenue recognition requirements under the FRS framework. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted.

At the date of these financial statements, the Group has not completed its quantification of the financial effects on the financial statements of the differences arising from the change from FRS to MFRS including MFRS 9, MFRS 141, MFRS 15 and MFRS 16. MFRS 16 Leases was issued by MASB on 15 April 2016 and is applicable to annual periods beginning on or after 1 January 2019. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the financial years ended 31 December 2015 and 31 December 2016 could be different if prepared under the MFRS framework.

2.4 Basis of consolidation

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

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

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

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

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

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

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

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

(iii) Rights arising from other contractual arrangements; and

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

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

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

Business combinations

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of FRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency (continued)

(c) Foreign operations

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

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

2.7 Property, plant and equipment

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

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

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

Depreciation

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

Leasehold land	59 to 999 years
Buildings	10 to 50 years
Roads and infrastructure	10 to 33 years
Plant and equipment	
- Plant and machinery	4 to 30 years
- Office equipment, furniture, fixtures and fittings	3 to 10 years
- Motor vehicles	4 to 7 years

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (continued)

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.

2.8 Biological assets

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

New plantings 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.

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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment properties (continued)

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.

Reclassification to/from investment property

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

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

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

Investment property under construction ["IPUC"]

IPUC is measured at fair value (when the fair value is reliably determinable). The fair values of IPUC were determined based on the valuation performed by registered independent valuer. IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and joint venture

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment in associates and joint venture (continued)

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

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

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

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

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

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Intangible assets

(a) Goodwill

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

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

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

(b) Customer relationship

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of non-financial assets (continued)

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

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

2.15 Financial assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial assets (continued)

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

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

(b) Loans and receivables

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

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

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

(c) Available-for-sale financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of financial assets

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

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

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

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

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

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

(b) Unquoted equity securities carried at cost

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Inventories

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

Properties held for sale	- specific identification method
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.

2.18 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.22 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition (continued)

(d) Rental income

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

(e) Hire purchase, finance lease and loan receivables

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

(f) Sale of properties

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

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

2.23 Government grant

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

2.24 Employee benefits

(a) Short term benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Employee benefits (continued)

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefits plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after reporting date are discounted to present value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Share-based payments

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

2.26 Leases

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

(a) Group as a lessor

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

(b) Group as a lessee

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Income tax

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Income tax (continued)

(b) Deferred tax (continued)

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.

2.28 Financial liabilities

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Financial liabilities (continued)

(b) Other financial liabilities

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

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

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

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

2.29 Borrowing costs

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

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

2.30 Hedge accounting

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Hedge accounting (continued)

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

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

<u>Fair value hedges</u>

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

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

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

<u>Cash flow hedges</u>

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

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

<u>Derivatives that are not designated or do not qualify for hedge accounting</u>

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Share capital and share issuance expenses

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

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

2.32 Treasury shares

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

2.33 Segment reporting

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

Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.34 Contingencies

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

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

2.35 Financial guarantee contracts

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.35 Financial guarantee contracts (continued)

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

2.36 Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

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

2.37 Fair value measurement

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

(i)	Disclosures for valuation methods, significant estimates and assumptions	- Note 3.2(c), 7 and 14
(ii)	Financial instruments (including those carried at amortised cost)	- Note 39(a)
(iii)	Quantitative disclosures of fair value measurement hierarchy	- Note 39(b)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.37 Fair value measurement (continued)

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

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

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Judgements made in applying accounting policies (continued)

(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 38.

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) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ["DCF"] model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

During the financial year, the Group has recognised impairment losses on property, plant and equipment and intangible assets. The key assumptions used to determine the recoverable amount for the different CGUs, including sensitivity analysis, are disclosed in Note 4 and Note 12 respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(c) Fair value on investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged independent valuation specialist to assess fair value for investment properties. Fair value is arrived at using comparison method, cost method or investment method and the key assumptions used to determine the fair value of the properties and sensitivity analysis are disclosed in Note 7.

(d) Property development

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

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

(e) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 13. As at 31 December 2016, the allowance for impairment of the Group is RM36,625,000 (2015: RM30,791,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(f) Taxes

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

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As of 31 December 2016, the Group has deferred tax assets of RM21,809,000 (2015: RM19,518,000).

(g) Contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability or a financial asset, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. Further information pertaining to the profit guarantee and probability of meeting each performance target are disclosed in Note 8(c).

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Roads and infrastructure RM'000	Plant and equipment RM'000	Assets under construction RM'000	Total RM'000
Group							
At cost							
At 1 January 2015	167,300	163,959	388,836	219,892	704,447	45,344	1,689,778
Acquisition of subsidiaries	-	-	123,777	-	24,786	-	148,563
Disposal of subsidiaries	-	-	-	-	(423)	-	(423)
Additions	685	58	3,354	11,757	44,087	141,189	201,130
Reclassifications	(14,000)	14,863	6,624	11,118	28,961	(47,566)	-
Transfer to prepaid lease payments (Note 5)	-	(15,591)	-	-	-	-	(15,591)
Transfer (to)/from investment properties							
- Revaluation of property transferred out	3,581	169	-	-	-	-	3,750
- Transfer of carrying amount (Note 7)	(3,061)	24,337	40,633	-	-	-	61,909
Transfer from property development cost (Note 16)	-	-	-	-	-	10,258	10,258
Disposals	-	-	-	-	(14,899)	-	(14,899)
Written off	(65)	(751)	(4,843)	-	(2,582)	-	(8,241)
Exchange differences	-	-	17,309	-	3,485	-	20,794
At 31 December 2015 (restated)/ 1 January 2016	154,440	187,044	575,690	242,767	787,862	149,225	2,097,028
Acquisition of subsidiaries	30,249	14,622	187,586	-	399,936	-	632,393
Disposal of a subsidiary	(6,174)	(26,375)	(1,748)	-	(665)	-	(34,962)
Additions	5,653	17,441	12,329	18,270	92,337	108,769	254,799
Reclassifications	-	10,258	174,676	31,003	10,355	(226,292)	-
Transfer from:							
- investment properties (Note 7)	626	-	258	-	-	-	884
- property development cost (Note 16)	-	-	768	-	1,447	-	2,215
- inventories	-	-	-	-	4,406	-	4,406
Disposals	(25,754)	-	-	(10)	(20,977)	-	(46,741)
Written off	-	-	(443)	-	(9,988)	-	(10,431)
Exchange differences	-	-	2,580	-	1,246	2,077	5,903
At 31 December 2016	159,040	202,990	951,696	292,030	1,265,959	33,779	2,905,494

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Roads and infrastructure RM'000	Plant and equipment RM'000	Assets under construction RM'000	Total RM'000
Group (continued)							
Accumulated depreciation/impairment loss							
At 1 January 2015	-	33,159	131,820	73,701	379,233	-	617,913
Transfer to prepaid lease payments (Note 5)	-	(4,615)	-	-	-	-	(4,615)
Acquisition of subsidiaries	-	-	5,595	-	12,595	-	18,190
Disposal of subsidiaries	-	-	-	-	(36)	-	(36)
Depreciation charge for the year (Note 29)	-	2,681	18,886	14,210	61,437	-	97,214
Disposals	-	-	-	-	(8,414)	-	(8,414)
Written off	-	(179)	(4,199)	-	(2,302)	-	(6,680)
Exchange differences	-	-	943	-	1,878	-	2,821
At 31 December 2015 (restated)/ 1 January 2016	-	31,046	153,045	87,911	444,391	-	716,393
Acquisition of subsidiaries	-	772	11,685	-	269,790	-	282,247
Disposal of a subsidiary	-	(355)	(431)	-	(36)	-	(822)
Depreciation charge for the year (Note 29)	-	2,781	25,735	15,746	71,558	-	115,820
Impairment loss for the year	-	-	2,526	6,008	7,556	-	16,090
Disposals	-	-	-	(2)	(16,264)	-	(16,266)
Written off	-	-	(443)	-	(8,307)	-	(8,750)
Exchange differences	-	-	929	-	1,079	-	2,008
At 31 December 2016	-	34,244	193,046	109,663	769,767	-	1,106,720
Net carrying amount							
At 31 December 2015 (restated)	154,440	155,998	422,645	154,856	343,471	149,225	1,380,635
At 31 December 2016	159,040	168,746	758,650	182,367	496,192	33,779	1,798,774

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

(a) During the financial year, the Group acquired motor vehicles with an aggregate cost of RM3,155,000 by means of finance lease. The carrying amount of plant and equipment held under finance lease at the reporting date was RM5,025,000 (2015: RM2,696,000) as disclosed in Note 36(b).

Included in additions of the Group was interest expense capitalised of RM1,600,000 (2015: RM1,059,000).

Total cash outflow on acquisition of property, plant and equipment of the Group amounted to RM250,044,000 (2015: RM200,071,000).

(b) Buildings amounting to RM231,349,000 (2015: buildings and assets under construction amounting to RM80,552,000 and RM94,802,000 respectively) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 22.

(c) The title of the Group's long term leasehold land with carrying amount of RM3,688,000 (2015: RM3,742,000) 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.

(d) Private caveat was entered by third parties on the Group's long term leasehold land with carrying amount of RM2,998,000 (2015: RM3,036,000) as disclosed in Note 38(b).

(e) During the financial year, certain subsidiaries that engaged in operation of stone quarry and manufacturing of clay products carried out review of the recoverable amounts of their property, plant and equipment due to indication of impairment. The recoverable amounts of these property, plant and equipment were arrived at based on their value-in-use ["VIU"] method and was determined at the level of the CGUs and the pre-tax discount rates used were ranging from 11% to 12%.

Based on the impairment assessment, the Group recorded total impairment loss of RM16,090,000 on the basis that the carrying amounts exceeded recoverable amounts based on the VIU method.

(f) During the financial year, the Group changed the estimated useful life of certain plant and machinery from 17 years to 30 years. The change has been applied prospectively from 1 January 2016. The effect of the above change has resulted in an increase in the Group's profit for the current year by RM5,928,000.

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RM'000	Plant and equipment RM'000	Total RM'000
Company			
At cost			
At 1 January 2015	187	4,738	4,925
Additions	-	10	10
Disposals	-	(630)	(630)
At 31 December 2015/1 January 2016	187	4,118	4,305
Additions	-	1,267	1,267
Disposals	-	(355)	(355)
At 31 December 2016	187	5,030	5,217
Accumulated depreciation			
At 1 January 2015	165	3,369	3,534
Depreciation charge for the year (Note 29)	4	463	467
Disposals	-	(451)	(451)
At 31 December 2015/1 January 2016	169	3,381	3,550
Depreciation charge for the year (Note 29)	3	455	458
Disposals	-	(296)	(296)
At 31 December 2016	172	3,540	3,712
Net carrying amount			
At 31 December 2015	18	737	755
At 31 December 2016	15	1,490	1,505

5. PREPAID LEASE PAYMENTS

	Leasehold land	
	2016 RM'000	2015 RM'000 (Restated)
Group		
At cost		
At 1 January	222,570	-
Transfer from property, plant and equipment (Note 4)	-	15,591
Acquisition of subsidiaries	-	181,706
Additions	-	31
Exchange differences	4,315	25,242
At 31 December	226,885	222,570
Accumulated amortisation		
At 1 January	16,966	-
Transfer from property, plant and equipment (Note 4)	-	4,615
Acquisition of subsidiaries	-	5,507
Amortisation for the year (Note 29)	7,125	5,952
Exchange differences	1,427	892
At 31 December	25,518	16,966
Net carrying amount	201,367	205,604

Leasehold land amounting to RM90,594,000 (2015: RM91,135,000) were pledged as security for borrowings obtained by foreign subsidiaries as disclosed in Note 22.

6. BIOLOGICAL ASSETS

	Group	
	2016 RM'000	2015 RM'000
At cost		
At 1 January	442,104	441,031
Additions	16,544	1,255
Written off (Note 29)	(63)	(182)
At 31 December	458,585	442,104

7. INVESTMENT PROPERTIES

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

	Completed investment properties RM'000	IPUC RM'000	Total RM'000
Group			
At 1 January 2015	983,274	28,304	1,011,578
Additions from acquisition	403,456	-	403,456
Additions from subsequent expenditure	1,591	80,439	82,030
Transfer from/(to):			
- property, plant and equipment (Note 4)	(61,909)	-	(61,909)
- property development costs (Note 16)	-	1,195	1,195
- inventories	2,768	-	2,768
Written off (Note 29)	(335)	-	(335)
Gains from fair value adjustments recognised in profit or loss (Note 29)	12,181	10,558	22,739
At 31 December 2015/1 January 2016	1,341,026	120,496	1,461,522
Additions from acquisition	13,264	-	13,264
Additions from subsequent expenditure	3,330	67,606	70,936
Transfer from/(to):			
- property, plant and equipment (Note 4)	(884)	-	(884)
- land held for property development (Note 11)	153,429	-	153,429
Reclassification	146,473	(146,473)	-
Net loss from fair value adjustments recognised in profit or loss (Note 29)	(23,213)	-	(23,213)
At 31 December 2016	1,633,425	41,629	1,675,054

	2016 RM'000	2015 RM'000
Represented by:		
Freehold land and buildings	863,349	788,722
Long term leasehold land and buildings	811,705	672,800
	1,675,054	1,461,522

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

7. INVESTMENT PROPERTIES (CONTINUED)

Rental and direct operating expenses arising from investment properties are disclosed in Note 26 and Note 29 respectively.

The fair value of investment properties was determined based on valuations performed by registered independent valuers using the following methods:

(a) Comparison method

Fair value is arrived at by reference to market evidence of transaction prices for similar properties, adjustments are made to account for factors such as differences in location, age, size and type of property.

(b) Cost method

Fair value is arrived at based on the estimated cost of construction and prevailing building costs of building of the same type and design and making allowance for depreciation, age and obsolescence of design, if any.

(c) Investment method

This method considers the present value of net rental income to be generated from the property, taking into account the expected rental growth rate, occupancy rate and lease incentive. This net rental income is discounted at a risk-adjusted discount rate to arrive at its present value. The key inputs to valuation of investment properties are as follows:

	Range	
Significant unobservable inputs	**2016**	**2015**
Estimated rental value per square foot per month	RM2 - RM20	RM2 - RM17
Discount rate	4% - 10%	6% - 10%
Reversionary rate	4.75% - 10%	6.25% - 10%

An increase/(decrease) in estimated rental value in isolation would result in a higher/(lower) fair value of the properties. An increase/(decrease) in the discount rate and reversionary rate in isolation would result in a lower/(higher) fair value.

During the financial year, the Group recognised a net loss on fair value adjustments amounting to RM23 million. The net loss on fair value adjustments was primarily attributable to an investment property of the Group [the "Property"] which recognised a loss of RM51 million as a result of a change in method of valuation for the current financial year.

In the previous financial year, the fair value of the Property was determined using the comparison and cost method for its land and building respectively ["Cost Approach"] which amounted to RM395 million.

In the current financial year, based on the valuation performed by a registered independent valuer, the fair value of the Property based on Cost Approach is RM395 million while the fair value based on the investment method is RM345 million. Given the Property has been well tenanted at the end of the current financial year, the investment method is the most appropriate in the circumstances for which sufficient data is available that are consistent with the nature of the Property being measured under current market conditions from the perspective of market participants.

8. INVESTMENT IN SUBSIDIARIES

	Company 2016 RM'000	Company 2015 RM'000
Quoted shares in Malaysia, at cost	820,811	820,811
Unquoted shares, at cost		
- In Malaysia	2,755,065	1,875,765
- Outside Malaysia	97,583	952
	2,852,648	1,876,717
	3,673,459	2,697,528
Less: Impairment losses – unquoted shares	(87,009)	(87,009)
	3,586,450	2,610,519
Market value of quoted shares	1,068,942	1,018,040

Details of subsidiaries as of 31 December 2016 are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2016	Equity interest held (%) 2015
Held by the Company:				
* Hap Seng Plantations Holdings Berhad ["HSP"]	Investment holding	Malaysia	53.04	53.04
Hap Seng Land Sdn Bhd	Property development, investment holding and provision of management services	Malaysia	100	100
* Hap Seng Credit Sdn Bhd	Provision of financial services	Malaysia	100	100
* Hap Seng Automotive Acceptance Sdn Bhd	Provision of financial services	Malaysia	100	100
* Hap Seng Auto Sdn Bhd	Trading in motor vehicles and spare parts, servicing of motor vehicles and investment holding	Malaysia	100	100
Hap Seng Fertilizers Sdn Bhd	Trading and distribution of fertilizers and agro-chemicals	Malaysia	100	100

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2016	Equity interest held (%) 2015
Held by the Company: (continued)				
Macro Arch (M) Sdn Bhd	Investment holding	Malaysia	100	100
Palms Edge (M) Sdn Bhd	Investment holding	Malaysia	100	100
Hap Seng Building Materials Holdings Sdn Bhd	Investment holding	Malaysia	100	100
Hap Seng Trading Holdings Sdn Bhd	Investment holding	Malaysia	100	100
Hap Seng Management Sdn Bhd	Investment holding	Malaysia	100	100
# Hap Seng Investment Holdings Pte Ltd	Investment holding	Singapore	100	100
Hap Seng Management Services Sdn Bhd	Provision of management services	Malaysia	100	100
Hap Seng Logistics Sdn Bhd	Providing transportation and other logistic services	Malaysia	100	100
Hap Seng Equity Sdn Bhd	Trading in marketable securities	Malaysia	100	100
+ Hap Seng Credit (Australia) Pty Ltd	Dormant	Australia	100	-
Sasco Company Ltd *(formerly known as Lei Shing Hong Wood Products Limited)*	Investment holding	British Virgin Islands	100	-
* Malaysian Mosaics Sdn Bhd ["MMSB"]	Investment holding, manufacture and sale of porcelain and ceramic tiles	Malaysia	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

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2016	2015
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
Richmore Development Sdn Bhd	Property development	Malaysia	100	100
Pacific Emerald Properties Sdn Bhd	Property development	Malaysia	100	100
Hap Seng Properties Services (Sabah) Sdn Bhd	Property management and property maintenance	Malaysia	100	100
Euro-Asia Brand Holding Company Sdn Bhd	Property development	Malaysia	100	100
Hap Seng Land Development (Bangsar) Sdn Bhd	Property development	Malaysia	80	80

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2016	2015
Held by Hap Seng Land Development Sdn Bhd: (continued)				
Hap Seng Land Development (Balakong) Sdn Bhd	Property development	Malaysia	80	80
Hap Seng Land Development (JTR 2) Sdn Bhd (40% (2015: 40%) equity interest is held by Hap Seng Land Development Sdn Bhd whilst the other 40% (2015: 40%) is held by the Company)	Property development	Malaysia	80	80
Hap Seng Land Development And JCA Sdn Bhd	Property development	Malaysia	60	60
Golden Suncity Sdn Bhd	Property development	Malaysia	70	-
Hap Seng Construction Sdn Bhd *(formerly known as Gemglobal Development Sdn Bhd)*	Property development	Malaysia	100	-
Held by Hap Seng Properties Development Sdn Bhd:				
* Hap Seng Commercial Development Sdn Bhd	Property development	Malaysia	100	100
* Hap Seng Land Development (KK) Sdn Bhd	Property development	Malaysia	100	100
Held by Hap Seng Realty Sdn Bhd:				
Menara Hap Seng Sdn Bhd	Property investment	Malaysia	100	100
Hap Seng Realty (Autohaus) Sdn Bhd	Property investment	Malaysia	100	100
Hap Seng Property Investment Sdn Bhd	Property investment	Malaysia	100	100
Hap Seng Realty (Auto) Sdn Bhd	Property investment	Malaysia	100	100
Hap Seng Realty (KK I) Sdn Bhd	Property investment	Malaysia	100	100

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2016	2015
	Held by Hap Seng Realty Sdn Bhd: (continued)				
	Prosperity Projections Sdn Bhd	Property investment	Malaysia	100	100
	Lakaran Warisan Sdn Bhd	Property investment	Malaysia	100	100
	Hap Seng Leisure Sdn Bhd	Providing recreational facilities and services	Malaysia	100	100
	Hap Seng Realty (KL City) Sdn Bhd	Investment holding	Malaysia	100	100
	Desa Alam Mewah Sdn Bhd	Property investment	Malaysia	80	80
	Held by Hap Seng Credit Sdn Bhd:				
+	Hap Seng Credit (Australia) Pty Ltd	Dormant	Australia	-	100
	Held by Hap Seng Auto Sdn Bhd:				
*	Hap Seng Star Sdn Bhd	Trading in motor vehicles, spare parts and servicing of motor vehicles	Malaysia	100	100
*	SKI Segar Sdn Bhd	Trading in motor vehicles	Malaysia	100	100
	Held by Hap Seng Star Sdn Bhd:				
*	Hap Seng Commercial Vehicle Sdn Bhd	Trading in commercial vehicles, spare parts and servicing of commercial vehicles	Malaysia	-	100
	Held by Hap Seng Fertilizers Sdn Bhd:				
	Hap Seng Chemicals Sdn Bhd	Manufacture and sale of agro-chemicals	Malaysia	70	70
	Held by Macro Arch (M) Sdn Bhd:				
#	PT. Sasco Indonesia (90% (2015: 90%) equity interest is held by Macro Arch (M) Sdn Bhd whilst the remaining 10% (2015: 10%) is held by Palms Edge (M) Sdn Bhd)	Trading and distribution of fertilizers	Indonesia	100	100

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2016	2015
	Held by Sasco Company Ltd *(formerly known as Lei Shing Hong Wood Products Limited)*:				
#	Lei Shing Hong Wood Products (Shanghai) Co. Ltd	Trading of plywood and wholesale, import and export of fertilizers	People's Republic of China	100	-
	Held by Hap Seng Building Materials Holdings Sdn Bhd:				
	Hap Seng Building Materials Sdn Bhd	Operation of stone quarries and asphalt plants, manufacture and trading of bricks	Malaysia	100	100
	Hap Seng Clay Products Sdn Bhd	Manufacture and trading of clay products	Malaysia	100	100
#	Hap Seng Building Materials Marketing Pte Ltd	Trading in building materials	Singapore	100	100
	Hap Seng Seri Alam Sdn Bhd	Operation of stone quarry	Malaysia	70	70
*	HS Mining Services Holdings (Thailand) Co., Ltd	Liquidated	Thailand	-	100
	Held by Hap Seng Clay Products Sdn Bhd:				
	Kao Fu Bricks Sdn Bhd	In liquidation	Malaysia	100	100
	Held by HS Mining Services Holdings (Thailand) Co., Ltd:				
*	HS Mining Services (Thailand) Co., Ltd	Liquidated	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

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2016	Equity interest held (%) 2015
Held by Hap Seng Investment Holdings Pte Ltd:				
* Hafary Holdings Limited ["Hafary"]	Investment holding	Singapore	51	51
Held by Hafary:				
* Hafary Pte Ltd	Importer and dealer of building materials	Singapore	100	100
Held by Hafary Pte Ltd:				
* Surface Project Pte Ltd	Distribution and wholesale of building materials	Singapore	70	70
* Surface Stone Pte Ltd	Dealer of stones for home furnishing	Singapore	90	90
* Wood Culture Pte Ltd	Dealer of wood for home furnishing	Singapore	100	100
* Hafary Centre Pte Ltd	Investment holding	Singapore	100	100
* Hafary Vietnam Pte Ltd	Investment holding	Singapore	100	100
* Hafary International Pte Ltd	Importing and distribution of building materials	Singapore	100	100
* Hafary Trademarks Pte Ltd	Intellectual property holding and management	Singapore	100	100
* Marble Trends Pte Ltd	Dealer of stones for home furnishing	Singapore	100	100
* World Furnishing Hub Pte Ltd	Investment holding	Singapore	46	46
* Gres Universal Pte Ltd	Distribution and wholesale of building materials	Singapore	56	-
* Hafary Balestier Showroom Pte Ltd	Investment holding	Singapore	51	-
Held by Hafary International Pte Ltd:				
* Foshan Hafary Trading Co., Limited	Importing, exporting and distribution of building materials	People's Republic of China	100	100

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity interest held (%) 2016	2015
Held by MMSB:				
* MML Marketing Sdn Bhd ["MMLM"]	Trading and distribution of porcelain and ceramic tiles	Malaysia	100	-
* MML Marketing Pte Ltd	Trading and distribution of porcelain and ceramic tiles	Singapore	100	-
* MML (Shanghai) Trading Co., Ltd	Trading and distribution of porcelain and ceramic tiles	People's Republic of China	100	-
* PT. MML Ceramic Indonesia (90% equity interest is held by MMSB whilst the remaining 10% is held by MMLM)	Trading and distribution of porcelain and ceramic tiles	Indonesia	100	-
* MML Ceramic (Thailand) Co., Ltd (99.8% equity interest is held by MMSB whilst the remaining 0.2% is held by MMLM and MML Marketing Pte Ltd equally of 0.1% respectively)	Dormant	Thailand	100	-

* Audited by firms other than Ernst & Young

\# Audited by member firms of Ernst & Young Global in the respective countries

\+ On 1 June 2016, Hap Seng Credit Sdn Bhd transferred its entire equity interest in Hap Seng Credit (Australia) Pty Ltd to the Company for cash consideration of AUD100.

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Non-controlling interests in subsidiaries

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

	HSP and its subsidiaries RM'000	Hafary and its subsidiaries RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
2016				
NCI percentage of ownership interest and voting interest	46.96%	49.00%		
Carrying amount of NCI	455,341	141,776	34,662	631,779
Profit/(loss) attributable to NCI	59,316	(4,340)	9,507	64,483
Summarised financial information before intra-group elimination:				
As at 31 December:				
Non-current assets	2,051,386	413,102		
Current assets	240,647	292,013		
Non-current liabilities	(191,949)	(280,907)		
Current liabilities	(59,945)	(245,126)		
Net assets	2,040,139	179,082		
NCI	-	(11,026)		
Net assets attributable to owners of subsidiaries	2,040,139	168,056		
Less: Adjustments on net assets upon consolidation	(1,070,595)	122,770		
Adjusted net assets	969,544	290,826		
Year ended 31 December:				
Revenue	503,427	321,344		
Profit for the year	124,118	23,724		
Total comprehensive income	124,118	21,845		
Net cash flows from:				
- operating activities	153,806	49,017		
- investing activities	(129,412)	(99,730)		
- financing activities	(63,986)	38,583		
Net decrease in cash and cash equivalents	(39,592)	(12,130)		
Dividends paid to NCI	(30,041)	(6,309)		

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	HSP and its subsidiaries RM'000	Hafary and its subsidiaries RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
2015				
NCI percentage of ownership interest and voting interest	46.96%	49.00%		
Carrying amount of NCI	426,076	152,815	19,855	598,746
Profit attributable to NCI	45,377	12,983	2,552	60,912
Summarised financial information before intra-group elimination:				
As at 31 December:				
Non-current assets	1,975,363	338,473		
Current assets	256,228	311,405		
Non-current liabilities	(187,763)	(201,126)		
Current liabilities	(63,821)	(282,400)		
Net assets	1,980,007	166,352		
NCI	-	(12,177)		
Net assets attributable to owners of subsidiaries	1,980,007	154,175		
Less: Adjustments on net assets upon consolidation	(1,072,788)	132,840		
Adjusted net assets	907,219	287,015		
Year ended 31 December:				
Revenue	434,875	302,099		
Profit for the year	96,448	32,972		
Total comprehensive income	96,448	33,185		
Net cash flows from:				
- operating activities	89,841	35,442		
- investing activities	(40,225)	(79,702)		
- financing activities	(63,986)	54,955		
Net (decrease)/increase in cash and cash equivalents	(14,370)	10,695		
Dividends paid to NCI	(30,233)	(6,031)		

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Disposal of subsidiaries

During the financial year, the Group disposed of 51% equity interest in Hap Seng Commercial Vehicle Sdn Bhd ["HSCV"] for total cash consideration of RM382.5 million and exercise the option to dispose the remaining 49% at the exercise price of RM367.5 million as disclosed in Note 43(d). The exercise price has been received subsequent to year end on 3 January 2017.

In previous financial year, the Company disposed its entire equity interest in Hap Seng Capital Pte Ltd ["HS Capital"] for total cash consideration of SGD240 million which was equivalent to RM640.8 million.

The disposals have the following effects on the financial position and results of the Group and of the Company:

	2016 RM'000 *HSCV* 51%	2015 RM'000 *HS Capital* 100%
Group		
Property, plant and equipment	(34,140)	(387)
Deferred tax assets	(4,282)	-
Inventories	(53,163)	-
Loan receivables	-	(446,722)
Trade and other receivables	(149,945)	(120)
Cash and bank balances	(1,025)	(3,747)
Trade and other payables	7,591	196,270
Tax payable	599	631
Borrowings	-	112,132
Net assets	(234,365)	(141,943)
Transfer from foreign exchange reserve	-	11,401
	(234,365)	(130,542)
Cash consideration	382,500	640,800
Net assets disposed	(119,526)	(130,542)
Expenses on disposal	(550)	(1,460)
Gain on disposal to the Group	262,424	508,798
Cash inflow arising from disposals:		
Cash consideration	382,500	640,800
Expenses on disposal	(550)	(1,460)
Cash and cash equivalents of subsidiaries disposed	(1,025)	(3,747)
Net cash inflow on disposal	380,925	635,593
Fair value of 49% equity interest retained	367,500	
Net assets of 49% equity interest retained	(114,839)	
Gain on recognition of 49% equity interest retained at its fair value	252,661	

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Disposal of subsidiaries (continued)

	2016 RM'000 *HSCV* 51%	2015 RM'000 *HS Capital* 100%
Company		
Cash consideration	-	640,800
Expenses on disposal	-	(1,460)
Net cash inflow on disposal	-	639,340
Cost of investment	-	(127,726)
Gain on disposal to the Company	-	511,614

(c) Acquisition of subsidiaries

During the financial year, the Company acquired the entire issued and paid-up share capital of:

(i) Sasco Company Ltd *(formerly known as Lei Shing Hong Wood Products Limited)* ["SCL"] at a cash consideration of USD3,215,401 which is equivalent to RM13,781,000 as disclosed in Note 43(b); and

(ii) Malaysian Mosaics Sdn Bhd ["MMSB"] at a cash consideration of RM380 million as disclosed in Note 43(e).

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisition of subsidiaries (continued)

The fair values and carrying amounts of the identifiable assets and liabilities of SCL and MMSB as at the date of acquisition and the effects of the acquisitions on the financial position of the Group are as follows:

	2016			
	SCL	MMSB		
	Fair value/ Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Total Fair value RM'000
Group				
Property, plant and equipment	-	350,146	232,405	350,146
Deferred tax assets	-	357	357	357
Inventories	-	201,184	201,184	201,184
Trade and other receivables	1,307	135,715	135,715	137,022
Tax recoverable	-	478	478	478
Cash and bank balances	12,209	12,229	12,229	24,438
Trade and other payables	(23)	(56,995)	(56,995)	(57,018)
Tax payable	-	(55)	(55)	(55)
Borrowings	-	(269,860)	(269,860)	(269,860)
Employee benefits	-	(5,206)	(5,206)	(5,206)
Other current financial liabilities	-	(11,084)	(11,084)	(11,084)
Deferred tax liabilities	-	(25,322)	-	(25,322)
Fair values/carrying amounts of net identifiable assets	13,493	331,587	239,168	345,080
Cash consideration paid	13,781	380,000		393,781
Fair value of net identifiable assets acquired	(13,493)	(331,587)		(345,080)
Goodwill	288	48,413		48,701
Cash consideration paid	13,781	380,000		393,781
Cash and cash equivalents of subsidiaries acquired	(12,209)	(12,229)		(24,438)
Net cash outflow on acquisitions	1,572	367,771		369,343

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisition of subsidiaries (continued)

The fair value of MMSB's property, plant and equipment that relates to its land and buildings have been arrived at based on valuation performed by registered independent valuers at date of combination. The fair value of the land and buildings was arrived at based on the cost approach.

In the acquisition of MMSB, Gek Poh (Holdings) Sdn Bhd has provided a guarantee that the consolidated profit after tax ["PAT"] of MMSB shall not be less than the amount as set out below for the 5 financial years commencing from financial year ended 31 December 2016.

	Guaranteed PAT RM million
31 December 2016	30.71
31 December 2017	40.93
31 December 2018	53.90
31 December 2019	67.52
31 December 2020	81.97
Total	275.03

The Company has considered the projected profit for the profit guarantee years and is of the view that it is achievable for each of the relevant years. As such, no contingent consideration was recognised as part of the accounting for the acquisition of MMSB.

Based on the results of MMSB for the financial year ended 31 December 2016, the guaranteed PAT for the financial year ended 31 December 2016 has been fulfilled.

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisition of subsidiaries (continued)

In the previous financial year, the Group made a voluntary conditional cash partial offer to acquire 51% of the ordinary shares [the "Offer Shares"] in the issued share capital of Hafary Holdings Limited ["Hafary"] at a cash consideration of SGD 0.24 per Offer Share.

The fair values and carrying amounts of the identifiable assets and liabilities of Hafary and its subsidiaries as at the date of acquisition and the effect of the acquisition on the financial position of the Group were as follows:

	2015 Hafary	
	Fair value RM'000 (Restated)	Carrying amount RM'000 (Restated)
Group		
Property, plant and equipment	130,373	99,141
Prepaid lease payments	176,199	95,105
Investment in associate	11,908	11,908
Investment in a joint venture	495	495
Other non-current financial assets	9,078	9,078
Intangible assets	39,149	-
Inventories	112,544	112,544
Trade and other receivables	90,758	90,758
Other current financial assets	106	106
Cash and bank balances	12,374	12,374
Trade and other payables	(33,884)	(33,884)
Provisions	(1,556)	(1,556)
Tax payable	(4,994)	(4,994)
Borrowings	(262,847)	(262,847)
Other current financial liabilities	(258)	(258)
Deferred tax liabilities	(26,946)	(1,195)
Non-controlling interests	(9,014)	(9,014)
Fair values/carrying amounts of net identifiable assets	243,485	117,761
Cash consideration paid	139,702	
Fair value of net identifiable assets acquired	(124,177)	
Goodwill	15,525	
Cash consideration paid	139,702	
Cash and cash equivalents of subsidiaries acquired	(12,374)	
Net cash outflow on acquisition	127,328	

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) Acquisition of non-controlling interests

In the previous financial year,

(i) the Company acquired additional 5,333,500 ordinary shares of RM1.00 each representing approximately 0.66% of equity interest in Hap Seng Plantations Holdings Berhad ["HSP"] via the open market of Bursa Malaysia Securities Berhad, for total cash consideration of RM13,951,000, thereby increasing its shareholding in HSP from 52.38% to 53.04%. The difference between the consideration and the carrying amount of the equity interest acquired of RM8,304,000 at the Group was recognised in equity.

(ii) the Group acquired the remaining 51% equity interest in HS Mining Services Holdings (Thailand) Co., Ltd which does not have any material effect on the financial position and results of the Group.

9. INVESTMENT IN ASSOCIATES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Quoted shares, at cost				
- In Malaysia	49,711	49,711	49,711	49,711
- Outside Malaysia	31,622	31,622	26,030	26,030
	81,333	81,333	75,741	75,741
Unquoted shares, at cost				
- In Malaysia	274,010	274,010	28,000	28,000
- Outside Malaysia	11,908	11,908	-	-
	285,918	285,918	28,000	28,000
	367,251	367,251	103,741	103,741
Share of post-acquisition reserves	153,107	81,970	-	-
	520,358	449,221	103,741	103,741
Exchange differences	11,354	7,521	-	-
	531,712	456,742	103,741	103,741
Less: Accumulated impairment losses - quoted shares	(30,778)	(35,867)	(24,384)	(29,811)
	500,934	420,875	79,357	73,930
Market value of quoted shares	132,419	91,542	132,419	91,542

9. INVESTMENT IN ASSOCIATES (CONTINUED)

Details of associates as of 31 December 2016 are as follows:

Name of associates	Principal activities	Country of incorporation	Financial year end	Equity interest held (%) 2016	2015
Held by the Company:					
* Paos Holdings Berhad	Investment holding	Malaysia	31 May	24.96	24.96
# Lam Soon (Thailand) Public Company Limited ["LST"]	Manufacture and distribution of palm oil	Thailand	31 December	20.00	20.00
Vintage Heights Sdn Bhd	Property development and operation of oil palm estate	Malaysia	30 June	20.00	20.00
Held by Hap Seng Realty (KL City) Sdn Bhd:					
* Inverfin Sdn Bhd ["Inverfin"]	Property investment, office and food court management	Malaysia	31 December	49.99	49.99
Held by Hafary Vietnam Pte Ltd:					
* Viet Ceramics International Joint Stock Company	Importer and dealer of building materials	Vietnam	31 December	49.00	49.00

* Audited by firms other than Ernst & Young
\# Audited by member firm of Ernst & Young Global in the respective countries

The financial statements of the above associates are coterminous with those of the Group, except for Paos Holdings Berhad and Vintage Heights Sdn Bhd whose financial year end on 31 May and 30 June respectively are coterminous with their respective holding companies' financial year end. For the purpose of applying the equity method of accounting, the latest available financial information have been used and appropriate adjustments have been made for the effects of significant transactions between the dates of the latest available financial information and 31 December 2016.

9. INVESTMENT IN ASSOCIATES (CONTINUED)

The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates.

		Inverfin RM'000	LST RM'000	Other individually immaterial associates RM'000	Total RM'000
	2016				
(i)	Summary of financial information				
	As at 31 December:				
	Non-current assets	690,998	384,104	254,508	1,329,610
	Current assets	58,088	351,142	601,353	1,010,583
	Non-current liabilities	(184,532)	(28,289)	(64,158)	(276,979)
	Current liabilities	(12,908)	(281,484)	(138,557)	(432,949)
	Net assets	551,646	425,473	653,146	1,630,265
	NCI	-	(41,048)	-	(41,048)
	Net assets attributable to owner of associates	551,646	384,425	653,146	1,589,217
	Year ended 31 December:				
	Revenue	49,809	957,755	287,090	1,294,654
	Profit for the year	23,141	41,755	307,802	372,698
(ii)	Reconciliation of net assets to carrying amount as at 31 December				
	Group's share of net assets	275,822	76,885	149,947	502,654
	Goodwill	954	318	27,786	29,058
	Impairment losses	-	-	(30,778)	(30,778)
	Carrying amount in statement of financial position	276,776	77,203	146,955	500,934
(iii)	Group's share of results of associates	11,570	8,352	65,125	85,047
(iv)	Dividends received from associates	10,000	2,545	1,365	13,910

9. INVESTMENT IN ASSOCIATES (CONTINUED)

		Inverfin RM'000	LST RM'000	Other individually immaterial associates RM'000	Total RM'000
	2015				
(i)	Summary of financial information				
	As at 31 December:				
	Non-current assets	692,201	355,012	337,697	1,384,910
	Current assets	53,769	322,776	96,131	472,676
	Non-current liabilities	(184,317)	(26,982)	(54,620)	(265,919)
	Current liabilities	(13,148)	(275,663)	(31,156)	(319,967)
	Net assets	548,505	375,143	348,052	1,271,700
	NCI	-	(36,410)	-	(36,410)
	Net assets attributable to owner of associates	548,505	338,733	348,052	1,235,290
	Year ended 31 December:				
	Revenue	51,417	819,049	136,435	1,006,901
	Profit for the year	34,326	50,476	25,261	110,063
(ii)	Reconciliation of net assets to carrying amount as at 31 December				
	Group's share of net assets	274,252	67,746	85,686	427,684
	Goodwill	954	318	27,786	29,058
	Impairment losses	-	-	(35,867)	(35,867)
	Carrying amount in statement of financial position	275,206	68,064	77,605	420,875
(iii)	Group's share of results of associates	17,163	10,095	7,875	35,133
(iv)	Dividends received from associates	8,950	3,151	1,431	13,532

10. INVESTMENT IN A JOINT VENTURE

	Group 2016 RM'000	Group 2015 RM'000
Unquoted shares outside Malaysia, at cost	495	495
Share of post-acquisition reserves	271	406
Exchange differences	78	64
At 31 December	844	965

Details of the joint venture as of 31 December 2016 are as follows:

Name of joint venture	Principal activities	Country of incorporation	Financial year end	Equity interest held (%) 2016	Equity interest held (%) 2015
Held by Hafary Pte Ltd:					
* Melmer Stoneworks Pte Ltd	Cutting, shaping and finishing of stone	Singapore	31 December	50.00	50.00

* Audited by a firm other than Ernst & Young

The following table summarises the information of the Group's joint venture.

	Group 2016 RM'000	Group 2015 RM'000
(i) Summary of financial information		
As at 31 December:		
Non-current assets	841	1,075
Current assets	4,415	4,900
Non-current liabilities	(22)	(61)
Current liabilities	(3,546)	(3,983)
Net assets	1,688	1,931
Year ended 31 December:		
Revenue	13,640	10,831
Profit for the year	208	1,182
(ii) Group's share of net assets/carrying amount in statement of financial position	844	965
(iii) Group's share of results of a joint venture	104	591
(iv) Dividends received from a joint venture	239	185

11. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	2016	2015
	RM'000	RM'000
Cost:		
At 1 January	674,049	368,200
Additions	316,245	372,195
Transfer to:		
- investment properties (Note 7)	(153,429)	-
- property development costs (Note 16)	(116,692)	(66,346)
At 31 December	720,173	674,049
Represented by:		
Freehold land	373,140	138,907
Leasehold land	236,953	417,200
Land development expenditure	110,080	117,942
	720,173	674,049

Included in additions was interest expense capitalised of RM11,356,000 (2015: RM4,809,000).

12. INTANGIBLE ASSETS

	Goodwill RM'000	Customer relationship RM'000	Total RM'000
Group			
At cost			
At 1 January 2015	36,736	-	36,736
Acquisition of subsidiary	15,525	39,149	54,674
Exchange differences	2,189	5,523	7,712
At 31 December 2015/1 January 2016	54,450	44,672	99,122
Acquisition of subsidiaries	48,701	-	48,701
Exchange differences	(2,189)	(5,523)	(7,712)
At 31 December 2016	100,962	39,149	140,111
Accumulated amortisation/impairment loss			
At 1 January 2015	-	-	-
Amortisation for the year (Note 29)	-	6,526	6,526
Exchange differences	-	921	921
At 31 December 2015/1 January 2016	-	7,447	7,447
Amortisation for the year (Note 29)	-	7,830	7,830
Impairment loss	15,813	24,793	40,606
Exchange differences	-	(921)	(921)
At 31 December 2016	15,813	39,149	54,962
Net carrying amount			
At 31 December 2015	54,450	37,225	91,675
At 31 December 2016	85,149	-	85,149

12. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill

Goodwill has been allocated to the Group's CGUs identified according to business segments and tested for impairment at each of the reporting period.

	Group	
	2016	**2015**
	RM'000	**RM'000**
Plantation	36,736	36,736
Trading	-	15,525
Manufacturing	48,413	-
Exchange differences	-	2,189
	85,149	54,450

(i) The recoverable amount of the plantation CGU has been determined based on the fair value less costs to sell, where the fair value is measured using quoted price.

(ii) The recoverable amount of trading CGU has been determined based on higher of VIU method or fair value less cost of disposal ("FVLCD") method. VIU method is using cash flow projections based on financial budgets prepared by the management covering a five-year period, extrapolated using the growth rate of 1.0% (2015: 1.0%) and discounted at the rate of 8.5% (2015: 8.5%) which reflects the risks specific to the CGU.

(iii) The goodwill allocated to manufacturing CGU arose from the acquisition of a subsidiary as disclosed in Note 43(e). The recoverable amount of the manufacturing CGU has been determined based on VIU method using the cash flow projections budgets prepared by the management covering a five-year period, extrapolated using the growth rate of 1% and discounted at the rate of 11% which reflects the risks specific to the CGU.

(b) Customer relationship

The cost of customer relationship with definite useful life is amortised over a period of 5 years.

13. TRADE AND OTHER RECEIVABLES

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Non-current				
Trade receivables				
Lease receivables	1,532	4,059	-	-
Hire purchase receivables	441,801	512,117	-	-
Loan receivables	650,524	814,605	-	-
	1,093,857	1,330,781	-	-
Less: Allowance for impairment	(12,920)	(10,218)	-	-
Advances received	(39,683)	(43,730)	-	-
	1,041,254	1,276,833	-	-
Current				
Trade receivables				
Third parties	800,315	799,224	-	-
Lease receivables	4,898	7,579	-	-
Hire purchase receivables	385,309	455,532	-	-
Loan receivables	249,808	215,932	-	-
Accrued billings	84,953	38,971	-	-
Amounts due from related companies	1,230	1,303	-	-
Amounts due from associates	4,051	75	-	-
Amounts due from a joint venture	503	914	-	-
	1,531,067	1,519,530	-	-
Less: Allowance for impairment	(23,705)	(20,573)	-	-
Interest in suspense	(12,532)	(9,270)	-	-
Advances received	(30,093)	(32,094)	-	-
	1,464,737	1,457,593	-	-
Non-trade receivables				
Other receivables	508,705	274,372	626	209,043
Prepayments	23,865	27,684	197	184
Goods and Services Tax ["GST"] recoverable	26,210	11,978	-	-
Amounts due from subsidiaries	-	-	400,123	123,363
Amounts due from associates	4,541	4,439	55	30
Amounts due from a joint venture	2,035	2,380	-	-
	565,356	320,853	401,001	332,620
	2,030,093	1,778,446	401,001	332,620
Total trade and other receivables (current and non-current)	3,071,347	3,055,279	401,001	332,620
Less: Accrued billings	(84,953)	(38,971)	-	-
Prepayments	(23,865)	(27,684)	(197)	(184)
GST recoverable	(26,210)	(11,978)	-	-
Add: Cash and bank balances (Note 18)	684,284	414,738	203,926	134,600
Total loans and receivables	3,620,603	3,391,384	604,730	467,036

13. 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 (2015: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

(ii) Lease receivables and hire purchase receivables

Lease receivables and hire purchase receivables consist of the following:

	Gross receivables RM'000	Unearned interest RM'000	Net receivables RM'000
Group			
2016			
Less than 1 year	435,658	(45,451)	390,207
Between 1 and 5 years	477,392	(34,059)	443,333
	913,050	(79,510)	833,540
2015			
Less than 1 year	515,694	(52,583)	463,111
Between 1 and 5 years	556,706	(40,530)	516,176
	1,072,400	(93,113)	979,287

(iii) Amounts due from related companies

Amounts due from related companies are non-interest bearing and repayable in accordance with the normal credit terms disclosed in Note 13(a)(i).

(iv) Amounts due from associates and a joint venture

Amounts due from associates and a joint venture are non-interest bearing and repayable in accordance with the normal credit terms disclosed in Note 13(a)(i).

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Ageing analysis of trade receivables

	Group	
	2016 RM'000	2015 RM'000
Total trade receivables:		
- Current	1,531,067	1,519,530
- Non-current	1,093,857	1,330,781
	2,624,924	2,850,311
Less: Accrued billings	(84,953)	(38,971)
	2,539,971	2,811,340

The ageing analysis of trade receivables is as follows:

	Group	
	2016 RM'000	2015 RM'000
Neither past due nor impaired	493,203	465,159
Past due but not impaired:		
- Past due 1 - 30 days	133,790	124,896
- Past due 31 - 90 days	91,322	142,904
- Past due more than 90 days	76,991	64,696
	302,103	332,496
Assessed for individual impairment	61,336	33,171
Assessed for collective impairment	1,683,329	1,980,514
Total trade receivables	2,539,971	2,811,340

Impairment losses in respect of trade receivables are recorded as allowance. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

The movement in the allowance for impairment account is as follows:

	Group	
	2016 RM'000	**2015 RM'000**
At 1 January	30,791	18,382
Allowance for impairment losses (Note 29)	12,727	16,937
Reversal of impairment losses (Note 29)	(2,478)	(4,132)
Written off	(4,716)	(5,084)
Acquisition of subsidiaries	337	3,982
Exchange differences	(36)	706
At 31 December	36,625	30,791

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 of RM302,103,000 (2015: RM332,496,000) that are past due at the reporting date but not impaired.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Receivables that are assessed for individual impairment

The Group's trade receivables that are assessed for individual impairment at the reporting date are as follows:

	Group	
	2016 RM'000	2015 RM'000
Trade receivables - nominal amounts	61,336	33,171
Less: Allowance for impairment	(29,496)	(23,662)
	31,840	9,509

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 42% (2015: 53%) 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 and loans receivables which have been assessed for collective impairment are as follows:

	Group	
	2016 RM'000	2015 RM'000
Not past due	1,307,355	1,455,913
Past due 1 - 30 days	211,392	346,315
Past due 31 - 90 days	164,582	178,286
Total assessed for collective impairment		
- nominal amounts	1,683,329	1,980,514
Less: Allowance for impairment	(7,129)	(7,129)
	1,676,200	1,973,385

All the above receivables are secured by collateral and the main types of collateral held by the Group to mitigate credit risk are commercial and residential properties, machineries and motor vehicles.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Non-trade receivables

(i) Other receivables

Included in other receivables of the Group and of the Company for the previous financial year was an amount due from a former subsidiary denominated in SGD of RM208,338,000. This amount was unsecured, repayable on demand and bears interest at rate of 5% per annum. During the financial year, the amount was fully settled.

Included in other receivable of the Group for the current financial year is an amount receivable from the exercise of the put option to dispose the remaining 49% equity interest in a former subsidiary amounted to RM367,500,000 as disclosed in Note 43(d).

(ii) 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% (2015: 4%) per annum.

(iii) Amounts due from associates and a joint venture

Amounts due from associates and a joint venture are unsecured, non-interest bearing and repayable on demand except for an amount due from associate of RM4,486,000 (2015: RM4,293,000) for the Group and bears interest at rate of 3.5% (2015: 3.5%) per annum.

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
United States Dollar ["USD"]	42,636	14,105	-	-
Australian Dollar ["AUD"]	342	-	-	-
Singapore Dollar ["SGD"]	8,890	208,338	-	208,338
Vietnamese Dong ["VND"]	-	33	-	-
Brunei Dollar ["BND"]	512	-	-	-
Euro	282	-	-	-
	52,662	222,476	-	208,338

14. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

	Group	
	2016 RM'000	2015 RM'000
OTHER FINANCIAL ASSETS		
Non-current		
Available-for-sale financial assets		
- Equity instruments (unquoted in Malaysia) at cost	18,012	30,012
- Equity instruments (unquoted outside Malaysia) at cost	6,457	6,609
	24,469	36,621
Derivatives – designated as hedging instrument		
- Cross currency interest rate swaps – cash flow hedges	89,862	70,678
Financial assets at fair value through profit or loss		
- Held for trading equity instruments (quoted outside Malaysia)	1,513	2,410
	115,844	109,709
Current		
Financial assets at fair value through profit or loss		
- Held for trading equity instruments (quoted in Malaysia)	95,561	-
Derivatives – designated as hedging instrument		
- Forward currency contracts – fair value hedges	2,429	534
- Cross currency interest rate swaps – cash flow hedges	72,335	100,738
	74,764	101,272
Derivatives – not designated as hedging instrument		
- Forward currency contracts	918	136
	171,243	101,408
OTHER FINANCIAL LIABILITIES		
Current		
Derivatives – designated as hedging instrument		
- Cross currency interest rate swaps – cash flow hedges	1,201	-

14. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES (CONTINUED)

Derivatives

(i) Forward currency contracts

The Group uses forward currency contracts to manage the foreign currency exposures arising from its receivables, payables, borrowings and firm commitments denominated in USD and Euro for which existed at the reporting date, extending to March 2017 (2015: June 2016). Hedges of foreign currency risk which meet the strict criteria for hedge accounting have been accounted for as a fair value hedge. Other hedges of foreign currency risk that have not been accounted for as a fair value hedge or those that do not qualify for hedge accounting, have been designated at fair value through profit or loss.

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

(ii) Cross currency interest rate swaps

The Group entered into and designated cross currency interest rate swaps as hedging instruments in a cash flow hedge of the borrowings denominated in SGD and USD and bearing interest at floating rates. These contracts are entered into for periods consistent with the foreign currency and floating interest rate exposures. As a result, the Group pays a fixed rate of interest for the borrowings. The terms of the cross currency interest rate swaps match the terms of the borrowings and the cash flow hedge have been assessed as highly effective. No hedge ineffectiveness has arisen requiring recognition through profit or loss.

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.

15. INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
Cost		
Properties held for sale	133,480	182,911
Raw materials	94,241	63,458
Produce inventories	42,674	30,474
Work-in-progress	22,821	4,936
Finished goods	707,953	580,923
	1,001,169	862,702
Net realisable value		
Raw materials	6,347	6,178
Finished goods	155,945	91,901
	162,292	98,079
	1,163,461	960,781
Recognised in profit or loss		
Inventories recognised as cost of sales	3,039,902	2,866,242

16. PROPERTY DEVELOPMENT COSTS

	Land RM'000	Development costs RM'000	Accumulated costs charged to profit or loss RM'000	Total RM'000
Group				
At 1 January 2015	500,475	885,357	(727,216)	658,616
Transfer from/(to):				
- property, plant and equipment (Note 4)	(4,104)	(6,154)	-	(10,258)
- investment properties (Note 7)	-	(1,195)	-	(1,195)
- land held for property development (Note 11)	39,950	26,396	-	66,346
- inventories	(11,806)	(124,827)	-	(136,633)
Costs incurred during the year	-	378,362	-	378,362
Costs charged to profit or loss	-	-	(370,831)	(370,831)
Reversal of completed projects	(175,092)	(767,676)	942,768	-
At 31 December 2015/1 January 2016	349,423	390,263	(155,279)	584,407
Transfer from/(to):				
- property, plant and equipment (Note 4)	-	(2,215)	-	(2,215)
- land held for property development (Note 11)	35,240	81,452	-	116,692
- inventories	(6,886)	(30,087)	-	(36,973)
Costs incurred during the year	10,803	347,800	-	358,603
Costs charged to profit or loss	-	-	(338,128)	(338,128)
Reversal of completed projects	(74,645)	(215,653)	290,298	-
At 31 December 2016	313,935	571,560	(203,109)	682,386

Included in the property development costs incurred during the financial year was interest expense capitalised of RM21,919,000 (2015: RM24,721,000).

17. MONEY MARKET DEPOSITS

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

18. CASH AND BANK BALANCES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash at banks and on hand	359,020	223,012	753	11,165
Deposits with licensed banks	325,264	191,726	203,173	123,435
Cash and bank balances	684,284	414,738	203,926	134,600
Less: Bank overdrafts (Note 22)	(245)	(4,593)	-	-
Cash and cash equivalents	684,039	410,145	203,926	134,600

Included in cash at banks of the Group are amounts totalling RM105,133,000 (2015: RM47,864,000), the utilisation of which is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2015 and the Housing Developers (Project Account) Rules 1995.

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
USD	24,054	9,079	-	-
SGD	202,413	-	202,413	-
VND	1,337	647	-	-
	227,804	9,726	202,413	-

Other information on financial risks of cash and cash equivalents are disclosed in Note 40.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current				
Other payables				
Deposits from lessees	833	2,033	-	-
Current				
Trade payables				
Third parties	425,779	437,146	-	-
Amounts due to related companies	654	604	-	-
Amounts due to a joint venture	1,018	1,154	-	-
	427,451	438,904	-	-
Non-trade payables				
Accruals	191,839	215,014	3,126	2,672
Other payables	248,257	80,935	39	29
GST payable	2,307	3,877	-	-
Amounts due to subsidiaries	-	-	103	115
	442,403	299,826	3,268	2,816
	869,854	738,730	3,268	2,816
Total trade and other payables (current and non-current)	870,687	740,763	3,268	2,816
Less: GST payable	(2,307)	(3,877)	-	-
Add: Borrowings (Note 22)	4,425,247	4,191,936	-	-
Total financial liabilities carried at amortised cost	5,293,627	4,928,822	3,268	2,816

19. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade payables

(i) Third parties

These amounts are non-interest bearing. The normal credit terms granted to the Group range from 30 to 90 days (2015: 30 to 90 days).

(ii) Amounts due to related companies

Amounts due to related companies are non-interest bearing and are payable in accordance with the normal credit terms disclosed in Note 19(a)(i).

(iii) Amounts due to a joint venture

Amounts due to a joint venture are non-interest bearing and are payable in accordance with the normal credit terms disclosed in Note 19(a)(i).

(b) Non-trade payables

(i) Other payables

These amounts are non-interest bearing and payable in accordance with the normal credit terms except for an amount of RM121,484,000 (2015: RM Nil) which is due to a former subsidiary. This amount is unsecured, repayable on demand and bears interest at rate of 4% per annum.

(ii) Amounts due to subsidiaries

Amounts due to subsidiaries are unsecured, non-interest bearing and payable in accordance with the normal credit terms.

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	
	2016 RM'000	2015 RM'000
USD	66,746	46,129
Euro	5,573	1,618
SGD	39	-
	72,358	47,747

20. PROVISIONS

	Property development obligations RM'000	Foreseeable losses RM'000	Rebates RM'000	Total RM'000
Group				
At 1 January 2015	2,955	-	-	2,955
Acquisition of subsidiaries	-	-	1,556	1,556
Provision made during the year	5,185	12,000	1,594	18,779
Provision utilised during the year	-	-	(1,776)	(1,776)
Exchange differences	-	-	220	220
At 31 December 2015/1 January 2016	8,140	12,000	1,594	21,734
Reversal during the year	(2,471)	-	-	(2,471)
Provision made during the year	5,734	-	1,623	7,357
Provision utilised during the year	(2,720)	-	(1,629)	(4,349)
Exchange differences	-	-	35	35
At 31 December 2016	8,683	12,000	1,623	22,306

	2016 RM'000	2015 RM'000
Current	10,306	9,734
Non-current	12,000	12,000
	22,306	21,734

The provision for property development obligations relates to infrastructure works of completed projects undertaken by certain subsidiaries. The provision is estimated based on historical data associated with similar property development projects.

The provision for foreseeable losses relates to development of affordable housing by a subsidiary.

The provision for rebates relates to rebates given by a foreign subsidiary to customers for settlement of account within credit terms.

21. EMPLOYEE BENEFITS

Retirement benefits

	Group	
	2016 RM'000	2015 RM'000
Defined benefit obligation	5,600	-

Certain subsidiaries of the Group have unfunded defined benefit plan that provides pension for employees upon retirement. The plan entitles a retired employee to receive an annual payment equal to 6.5% of final salary for each year of service that the employee provided.

Movement in defined benefit obligation

The following table shows a reconciliation from the opening balance to the closing balance for defined benefit obligation and its components.

	Group	
	2016 RM'000	2015 RM'000
At 1 January	-	-
Acquisition of subsidiaries	5,206	-
	5,206	-
Included in profit or loss:		
Current service cost	520	-
Interest cost	295	-
	815	-
Included in other comprehensive income:		
Remeasurement gain arising from financial assumptions	(293)	-
Other:		
Benefits paid	(147)	-
Exchange differences	19	-
At 31 December	5,600	-

Plan assets

There are no assets which qualify as plan assets because the plan is not a funded arrangement.

21. EMPLOYEE BENEFITS (CONTINUED)

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	Group	
	2016	2015
	%	%
Discount rate	5.75 - 8.45	-
Future salary growth	6.00 - 8.00	-

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Group			
	2016		2015	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
Defined benefit obligation				
Discount rate (1% movement)	(591)	704	-	-
Future salary growth (1% movement)	339	(279)	-	-

Although the analysis does not account to the full distribution of cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

22. BORROWINGS

	Group 2016 RM'000	Group 2015 RM'000
Non-current		
Secured:		
Term loans	277,284	198,982
Finance leases	2,097	981
	279,381	199,963
Unsecured:		
Term loans	560,924	504,898
Foreign currency loans	1,080,011	1,155,286
	1,640,935	1,660,184
	1,920,316	1,860,147
Current		
Secured:		
Term loans	11,320	7,793
Revolving credits	79,884	80,449
Trust receipts	16,625	13,643
Finance leases	1,646	883
Foreign currency loans	57,002	72,619
	166,477	175,387
Unsecured:		
Term loans	238,510	178,117
Revolving credits	1,171,001	1,109,523
Bankers' acceptances	136,135	149,769
Foreign currency loans	792,563	714,400
Bank overdrafts	245	4,593
	2,338,454	2,156,402
	2,504,931	2,331,789
Total borrowings	4,425,247	4,191,936

The secured borrowings are in respect of foreign subsidiaries' borrowings which are secured against their buildings and leasehold land as disclosed in Note 4 and Note 5.

22. BORROWINGS (CONTINUED)

The remaining maturities of the borrowings are as follows:

	Group	
	2016 RM'000	2015 RM'000
Within one year	2,504,931	2,331,789
More than 1 year and less than 2 years	819,784	790,737
More than 2 years and less than 5 years	831,821	918,055
More than 5 years	268,711	151,355
	4,425,247	4,191,936

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	
	2016 RM'000	2015 RM'000
SGD	288,275	585,941
USD	1,619,907	1,333,412
Euro	21,394	22,952
	1,929,576	1,942,305

Other information on financial risks of borrowings are disclosed in Note 40.

23. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	185,426	170,641	20	23
Recognised in profit or loss (Note 32)	(5,437)	(15,691)	1	(3)
Acquisition of subsidiaries	24,965	26,946	-	-
Disposal of a subsidiary	4,282	-	-	-
Exchange differences	(455)	3,530	-	-
At 31 December	208,781	185,426	21	20
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	230,590	204,944	21	20
Deferred tax assets	(21,809)	(19,518)	-	-
	208,781	185,426	21	20

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

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

Deferred tax liabilities of the Group:

	Accelerated capital and agriculture allowances RM'000	Revaluation of assets RM'000	Others RM'000	Total RM'000
At 1 January 2016	150,402	85,263	4,759	240,424
Recognised in profit or loss	42,328	(2,699)	(4,759)	34,870
Acquisition of subsidiaries	-	25,322	-	25,322
Exchange differences	64	(483)	-	(419)
At 31 December 2016	192,794	107,403	-	300,197
Less: Deferred tax assets offset				(69,607)
Deferred tax liabilities recognised				230,590
At 1 January 2015	155,245	53,612	3,828	212,685
Recognised in profit or loss	(6,427)	2,533	931	(2,963)
Acquisition of subsidiaries	1,363	25,751	-	27,114
Exchange differences	221	3,367	-	3,588
At 31 December 2015	150,402	85,263	4,759	240,424
Less: Deferred tax assets offset				(35,480)
Deferred tax liabilities recognised				204,944

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

Deferred tax assets of the Group:

	Unabsorbed capital and reinvestment allowances RM'000	Tax losses RM'000	Others RM'000	Total RM'000
At 1 January 2016	(24,477)	(13,802)	(16,719)	(54,998)
Recognised in profit or loss	(27,861)	(5,805)	(6,641)	(40,307)
Acquisition of subsidiaries	-	-	(357)	(357)
Disposal of a subsidiary	-	-	4,282	4,282
Exchange differences	-	(17)	(19)	(36)
At 31 December 2016	(52,338)	(19,624)	(19,454)	(91,416)
Offset against deferred tax liabilities				69,607
Deferred tax assets recognised				(21,809)
At 1 January 2015	(17,951)	(16,323)	(7,770)	(42,044)
Recognised in profit or loss	(6,526)	2,516	(8,718)	(12,728)
Acquisition of subsidiaries	-	-	(168)	(168)
Exchange differences	-	5	(63)	(58)
At 31 December 2015	(24,477)	(13,802)	(16,719)	(54,998)
Offset against deferred tax liabilities				35,480
Deferred tax assets recognised				(19,518)

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

Deferred tax liabilities of the Company:

	2016 RM'000	2015 RM'000
Accelerated capital allowances		
At 1 January	20	23
Recognised in profit or loss	1	(3)
At 31 December	21	20

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

	Group	
	2016 RM'000	2015 RM'000
Unutilised tax losses	237,926	201,065
Unabsorbed capital and agriculture allowances	20,617	16,818
Unabsorbed reinvestment allowances	148,772	-
Other temporary differences	12,612	8,370
	419,927	226,253

The above unutilised tax losses, unabsorbed capital, agriculture and reinvestment allowances are subject to agreement with the Inland Revenue Board. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

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

24. SHARE CAPITAL, WARRANTS AND TREASURY SHARES

(a) Share capital

	Number of ordinary shares of RM1.00 each		Amount	
	2016	2015	2016	2015
	'000	'000	RM'000	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	2,249,731	2,226,779	2,249,731	2,226,779
Exercise of warrants	239,951	22,952	239,951	22,952
At 31 December	2,489,682	2,249,731	2,489,682	2,249,731

During the financial year, 239,950,446 (2015: 22,951,656) ordinary shares of RM1.00 each were issued at an exercise price of RM1.65 per ordinary share for cash pursuant to the exercise of warrants as disclosed in Note 24(b) below. Consequently, the Company's issued and paid-up share capital increased to RM2,489,681,583 (2015: RM2,249,731,137) comprising 2,489,681,583 (2015: 2,249,731,137) ordinary shares of RM1.00 each, with 2,000 (2015: 93,058,900) ordinary shares thereof being held as treasury shares.

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.

(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 warrant for every one 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 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;

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

(b) Warrants (continued)

Salient features of the warrants are as follows: (continued)

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

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

Movement in the warrants is as follows:

	Number of warrants
As of 1 January 2015	263,970,819
Exercised during the year	(22,951,656)
As of 31 December 2015/1 January 2016	241,019,163
Exercised during the year	(239,950,446)
Lapsed during the year	(1,068,717)
As of 31 December 2016	-

During the financial year, a total of 239,950,446 warrants were exercised before the expiry date of the warrants on 9 August 2016 ["Expiry Date"] which resulted in 239,950,446 ordinary shares of RM1.00 each being allotted, issued and listed. As at the Expiry Date, 1,068,717 unexercised warrants became null, void and cease to be exercisable and the same was removed from the official list of Bursa Securities with effect from 10 August 2016.

(c) Treasury shares

During the extraordinary general meeting of the Company held on 19 May 2016, shareholders of the Company renewed the then existing authorisation to the Company to repurchase its own shares.

During the financial year, the Company:

(a) repurchased 103,000 (2015: 12,495,200) shares at the cost of RM794,769 (2015: RM68,355,062). All repurchases of shares were financed by the Company's internally generated funds; and

(b) resold 93,159,900 (2015: 8,618,700) treasury shares at average net resale price of RM7.67 (2015: RM6.17) per share after transaction costs. Total net consideration received from the resale was RM714,303,215 (2015: RM53,154,516).

At 31 December 2016, the Company held 2,000 (2015: 93,058,900) treasury shares.

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

(c) Treasury shares (continued)

Movement in the treasury shares is as follows:

	Number of shares	Amount RM	Average cost per share RM
As of 1 January 2015	89,182,400	247,806,456	2.78
Repurchased during the year	12,495,200	68,355,062	5.47
Resold during the year	(8,618,700)	(26,257,731)	3.05
As of 31 December 2015/1 January 2016	93,058,900	289,903,787	3.12
Repurchased during the year	103,000	794,769	7.72
Resold during the year	(93,159,900)	(290,682,574)	3.12
As of 31 December 2016	2,000	15,982	7.99

25. RESERVES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) Non-distributable reserves	1,058,398	485,063	998,899	419,455
(b) Distributable reserves				
- Retained profits	1,942,612	1,797,758	782,889	769,536
	3,001,010	2,282,821	1,781,788	1,188,991

25. 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	Share option reserve RM'000	Warrant reserve RM'000	Other reserve RM'000	Total non-distributable reserves RM'000
Group										
At 1 January 2015	246,710	35,038	(9,066)	11,216	14,427	126,267	-	35,636	(30,973)	429,255
Foreign currency translation differences for foreign operations	-	-	-	14,795	-	-	-	-	-	14,795
Share of foreign currency translation differences of:										
- associates	-	-	-	7,085	-	-	-	-	-	7,085
- a joint venture	-	-	-	33	-	-	-	-	-	33
Change in fair value of cash flow hedge	-	-	(254)	-	-	-	-	-	-	(254)
Foreign currency translation differences for foreign operations reclassified to profit or loss	-	-	-	(11,600)	-	-	-	-	-	(11,600)
Revaluation of property, plant and equipment upon transfer of properties to investment properties	-	-	-	-	3,750	-	-	-	-	3,750
Total other comprehensive income for the year	-	-	(254)	10,313	3,750	-	-	-	-	13,809
Share-based payments by a subsidiary	-	-	-	-	-	-	184	-	-	184
Exercise of warrants	18,016	-	-	-	-	-	-	(3,098)	-	14,918
Resale of treasury shares	26,897	-	-	-	-	-	-	-	-	26,897
At 31 December 2015	291,623	35,038	(9,320)	21,529	18,177	126,267	184	32,538	(30,973)	485,063

25. RESERVES (CONTINUED)

(a) Non-distributable reserves (continued)

	Share premium RM'000	Capital reserve RM'000	Cash flow hedge reserve RM'000	Foreign exchange reserve RM'000	Revaluation reserve RM'000	Capital redemption reserve RM'000	Share option reserve RM'000	Warrant reserve RM'000	Other reserve RM'000	Total non-distributable reserves RM'000
Group										
At 1 January 2016	291,623	35,038	(9,320)	21,529	18,177	126,267	184	32,538	(30,973)	485,063
Foreign currency translation differences for foreign operations	-	-	-	(2,364)	-	-	-	-	-	(2,364)
Share of foreign currency translation differences of:										
- associates	-	-	-	3,588	-	-	-	-	-	3,588
- a joint venture	-	-	-	7	-	-	-	-	-	7
Change in fair value of cash flow hedge	-	-	(6,350)	-	-	-	-	-	-	(6,350)
Total other comprehensive income for the year	-	-	(6,350)	1,231	-	-	-	-	-	(5,119)
Share-based payments by a subsidiary	-	-	-	-	-	-	186	-	-	186
Exercise of warrants	188,361	-	-	-	-	-	-	(32,394)	-	155,967
Transfer of reserves upon expiry of warrants	-	-	-	-	-	-	-	(144)	-	(144)
Realisation of revaluation reserves	-	-	-	-	(1,176)	-	-	-	-	(1,176)
Resale of treasury shares	423,621	-	-	-	-	-	-	-	-	423,621
At 31 December 2016	903,605	35,038	(15,670)	22,760	17,001	126,267	370	-	(30,973)	1,058,398

25. 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 (2015: 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 (2015: RM641,000) represents the revaluation reserve of an associate.

(iii) Cash flow hedge reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships as at the reporting date relates to the cross currency interest rate swaps entered by the Group to limit its exposure to foreign currency risk on its foreign currency loan.

(iv) Foreign exchange reserve

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

(v) Revaluation reserve

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

(vi) Capital redemption reserve

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

(vii) Share option reserve

This reserve relates to performance shares awarded by a foreign subsidiary to its employees pursuant to the performance share plan.

(viii) Warrant reserve/Other reserve

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

25. RESERVES (CONTINUED)

(b) Distributable reserve - Retained profits

The Company may distribute dividend out of its entire retained profits as at 31 December 2016 under the single tier system.

26. REVENUE AND COST OF SALES

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Dividend income:				
- From subsidiaries	-	-	875,735	103,743
- From associates	-	-	3,299	3,905
Sale of plantation produce	503,427	434,875	-	-
Sale of goods and services	3,365,921	3,021,461	-	-
Interest income from provision of financial services	148,613	159,087	-	-
Sale of properties under development	686,176	714,426	-	-
Sale of completed properties	133,646	30,829	-	-
Property rental	53,931	32,660	-	-
	4,891,714	4,393,338	879,034	107,648

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 37.

27. FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense on:				
Bank borrowings	157,549	139,956	-	-
Borrowings from other institutions	5,325	7,385	-	-
Amount due to a related party	2,921	-	-	-
Amount due to a related company	-	-	3,833	-
	165,795	147,341	3,833	-
Less: Interest expense capitalised in:				
- Property, plant and equipment (Note 4)	(1,600)	(1,059)	-	-
- Land held for property development (Note 11)	(11,356)	(4,809)	-	-
- Property development costs (Note 16)	(21,919)	(24,721)	-	-
	130,920	116,752	3,833	-

28. OTHER GAIN/(LOSS) ITEMS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) Other gain items				
Gain on disposal of subsidiaries	-	508,798	-	511,614
Gain on disposal of 51% equity interest in a subsidiary	262,424	-	-	-
Gain on recognition of 49% equity interest retained in a former subsidiary at its fair value	252,661	-	-	-
Reversal of impairment loss in an associate	5,089	-	5,427	-
	520,174	508,798	5,427	511,614
(b) Other loss items				
Impairment loss on investment in subsidiaries	-	-	-	(5,351)
Impairment loss on investment in an associate	-	(2,161)	-	-
Impairment loss on intangible assets				
- goodwill	(15,813)	-	-	-
- customer relationship	(24,793)	-	-	-
	(40,606)	(2,161)	-	(5,351)

29. PROFIT BEFORE TAX

	Group		Company	
	2016 RM'000	2015 RM'000 (Restated)	2016 RM'000	2015 RM'000
Profit before tax is arrived at after charging/ (crediting):				
Auditors' remuneration:				
- current year				
- Ernst & Young	579	432	130	95
- overseas member firms of Ernst & Young	222	209	-	-
- other auditors	1,080	825	-	-
- (over)/under provision in prior years				
- Ernst & Young	(2)	42	-	5
- overseas member firms of Ernst & Young	(20)	7	-	-
- other auditors	(65)	-	-	-
Non audit fees for services rendered by				
- Ernst & Young	189	258	135	253
- local member firms of Ernst & Young	402	619	63	27
- overseas member firms of Ernst & Young	136	152	-	-
Operating lease – minimum lease payments on:				
- land and buildings	29,495	27,210	-	-
- plant and machinery	26,284	23,756	-	-
- motor vehicles	-	-	696	774
Depreciation of property, plant and equipment (Note 4)	115,820	97,214	458	467
Amortisation of prepaid lease payments (Note 5)	7,125	5,952	-	-
Amortisation of intangible assets (Note 12)	7,830	6,526	-	-
Property, plant and equipment written off	1,681	1,561	-	-
Replanting expenditure	21,690	17,242	-	-
Share-based payment expense	365	361	-	-
Biological assets written off (Note 6)	63	182	-	-
Investment properties written off (Note 7)	-	335	-	-
Bad debts written off	181	-	-	-
Allowance for impairment losses				
- trade receivables (Note 13)	12,727	16,937	-	-
Inventories written down	8,561	7,557	-	-

29. PROFIT BEFORE TAX (CONTINUED)

	Group 2016 RM'000	Group 2015 RM'000 (Restated)	Company 2016 RM'000	Company 2015 RM'000
Profit before tax is arrived at after charging/ (crediting) (continued):				
Employee benefits expenses (Note 30)	367,496	314,316	11,567	8,998
Direct operating expenses arising from investment properties – rental generating properties	21,661	17,321	-	-
(Gain)/loss on held for trading equity instruments at fair value	(1,741)	4,359	-	-
Net foreign exchange gains	(10,592)	(23,373)	(7,566)	(19,580)
(Gain)/loss on disposal of property, plant and equipment	(93,088)	(697)	(29)	119
Gain on disposal of held for trading equity instruments	-	(283)	-	-
Gain on money market deposits at fair value	(451)	-	-	-
Net loss/(gains) from fair value adjustments of investment properties (Note 7)	23,213	(22,739)	-	-
Impairment loss on property, plant and equipment	16,090	-	-	-
Dividend income from available-for-sale equity instruments	(800)	(1,200)	-	-
Dividend income from held for trading equity instruments	(2,316)	(2,114)	-	-
Dividend income from money market deposits	(8,396)	(4,101)	(4,236)	(324)
Dividend income from associates	-	-	(3,299)	(3,905)
Reversal of impairment losses				
- trade receivables (Note 13)	(2,478)	(4,132)	-	-
Reversal of provisions	(2,471)	-	-	-
Recovery of bad debts	(1,930)	(1,587)	-	-
Rental income from properties	(8,767)	(7,144)	(10)	(10)
Interest income from:				
- third parties	(11,432)	(12,940)	(4,988)	(8,133)
- subsidiaries	-	-	(4,789)	(31,248)

30. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries and other staff related expenses	336,840	293,213	10,293	8,014
Pension costs – defined contribution plans	30,656	21,103	1,274	984
	367,496	314,316	11,567	8,998

Included in employee benefits expenses of the Group and of the Company were executive directors' remuneration of RM30,446,000 (2015: RM23,560,000) and RM11,348,000 (2015: RM6,205,000) respectively as further disclosed in Note 31.

31. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive directors' remuneration:				
Fees				
- Directors of the Company	180	142	-	-
Other emoluments				
- Directors of the Company	9,399	7,223	8,162	6,205
- Other directors	20,867	16,195	3,186	-
	30,446	23,560	11,348	6,205
Non-executive directors' remuneration:				
Fees				
- Directors of the Company	840	840	680	683
- Other directors	1,161	1,058	-	-
Other emoluments				
- Other directors	318	318	-	-
	2,319	2,216	680	683
Total directors' remuneration	32,765	25,776	12,028	6,888
Other key management personnel compensation	44,373	44,088	-	2,602
	77,138	69,864	12,028	9,490

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel includes all the directors of the Group and certain members of senior management of the Group.

Included in key management personnel compensation of the Group and of the Company were contributions to statutory pension funds of RM7,369,000 (2015: RM6,558,000) and RM1,269,000 (2015: RM979,000) respectively.

31. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors of the Company	116	149	116	149
Other directors	397	398	81	-
Other key management personnel	1,307	1,388	-	70
	1,820	1,935	197	219

32. TAX EXPENSE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysian income tax:				
- Current income tax	170,912	158,656	2,022	7,266
- Under/(over) provision in prior year	3,780	(3,677)	(11)	(79)
	174,692	154,979	2,011	7,187
Foreign income tax:				
- Current income tax	10,164	7,939	-	-
- Under provision in prior year	73	984	-	-
	10,237	8,923	-	-
Total income tax	184,929	163,902	2,011	7,187
Deferred tax (Note 23):				
- Relating to origination and reversal of temporary differences	(6,543)	(5,861)	3	(3)
- Effect of change in statutory tax rate	-	(5,963)	-	-
- Under/(over) provision in prior year	1,106	(3,867)	(2)	-
Total deferred tax	(5,437)	(15,691)	1	(3)
Total tax expense	179,492	148,211	2,012	7,184

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

32. 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax	1,244,935	1,117,596	872,940	652,996
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	298,784	279,399	209,506	163,249
Effect of different tax rates in other countries	2,217	(1,774)	-	-
Effect of change in tax rate on deferred tax	-	(5,963)	-	-
Effect of gains taxed at Real Property Gains Tax rate	(5,563)	(2,294)	-	-
Income not subject to tax	(130,298)	(139,450)	(215,224)	(162,142)
Expenses not deductible for tax purposes	29,640	31,271	7,743	6,156
Effect of share of results of associates	(19,428)	(7,818)	-	-
Effect of share of results of a joint venture	(18)	(100)	-	-
(Utilisation of previously unrecognised deferred tax assets)/deferred tax assets not recognised	(801)	1,500	-	-
Under/(over) provision in prior year				
- income tax	3,853	(2,693)	(11)	(79)
- deferred tax	1,106	(3,867)	(2)	-
Tax expense for the year	179,492	148,211	2,012	7,184

33. 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	
	2016	**2015**
Profit attributable to owners of the Company (RM'000)	1,000,960	908,473
Weighted average number of ordinary shares ('000)		
Issued ordinary shares net of treasury shares at 1 January	2,156,672	2,137,597
Effect of warrants exercised during the year	153,782	14,386
Effect of shares resale during the year	52,496	1,627
Effect of shares buyback during the year	(48)	(3,786)
Weighted average number of ordinary shares at 31 December	2,362,902	2,149,824
Basic earnings per share (sen)	42.36	42.26

(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	
	2016	**2015**
Profit attributable to owners of the Company (RM'000)	1,000,960	908,473
Weighted average number of ordinary shares for basic earnings per share computation ('000)	2,362,902	2,149,824
Dilutive potential ordinary shares		
- Assumed exercise of warrants	-	162,882
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	2,362,902	2,312,706
Diluted earnings per share (sen)	42.36	39.28

The Company does not have any diluted earnings per share as at 31 December 2016 upon the expiry of the warrants as disclosed in Note 24(b).

34. DIVIDENDS

	Group/Company	
	2016	2015
	RM'000	RM'000
Recognised during the year:		
Dividends paid in respect of financial year ended 31 December 2015:		
- first interim (10.0 sen per share under single tier system)	-	215,318
- special interim (10.0 sen per share under single tier system)	-	214,948
- second interim (10.0 sen per share under single tier system)	-	215,664
Dividends paid in respect of financial year ended 31 December 2016:		
- first interim (15.0 sen per share under single tier system)	359,783	-
- second interim (20.0 sen per share under single tier system)	497,936	-
	857,719	645,930

The Board of Directors did not recommend any final dividend to be paid for the financial year ended 31 December 2016.

No dividend is payable for treasury shares held or cancelled.

35. CAPITAL COMMITMENTS

	Group	
	2016	2015
	RM'000	RM'000
Capital expenditure:		
Contracted but not provided for		
- Property, plant and equipment	54,444	136,405
- Biological assets	-	692
- Investment properties	8,697	85,034
	63,141	222,131
Approved but not contracted for		
- Property, plant and equipment	110,305	104,300
- Biological assets	821	-
	111,126	104,300
	174,267	326,431

36. LEASE COMMITMENTS

(a) Operating lease commitments

(i) Group as lessor

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

	Group	
	2016 RM'000	2015 RM'000
Within one year	46,546	39,420
After one year but not more than five years	67,618	48,695
After five years	35,834	16,092
	149,998	104,207

(ii) Group as lessee

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

	Group	
	2016 RM'000	2015 RM'000
Within one year	18,254	21,934
After one year but not more than five years	26,502	33,517
After five years	42,791	48,107
	87,547	103,558

36. LEASE COMMITMENTS (CONTINUED)

(b) Finance lease commitments

The Group has entered into finance leases on plant and equipment. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2016		2015	
	Minimum payments RM'000	Present value of payments RM'000	Minimum payments RM'000	Present value of payments RM'000
Group				
Within one year	1,729	1,646	926	883
After one year but not more than five years	2,165	2,097	1,011	981
Total minimum lease payments	3,894	3,743	1,937	1,864
Less: amounts representing finance charges	(151)	-	(73)	-
Present value of minimum lease payments	3,743	3,743	1,864	1,864
Carrying amount of plant and equipment under finance leases		5,025		2,696

37. SEGMENT INFORMATION

Segment information has been changed from seven reportable operating segments to six reportable operating segments by combining the Quarry and Building Materials segment and Trading segment as Building Materials segment. This is to reflect the changes in the basis of internal reports that are regularly reviewed by the management of the Group in order to allocate resources to the segment and assess its performance. Accordingly, the comparatives for segment information have been restated to conform with the current year's presentation.

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

(i)	Plantation	-	Cultivation of oil palm and processing of fresh fruit bunches
(ii)	Property	-	Property investment and property development
(iii)	Credit financing	-	Provision of financial services
(iv)	Automotive	-	Trading in motor vehicles, spare parts and servicing of motor vehicles
(v)	Fertilizer trading	-	Trading and distribution of fertilizers and agro-chemical
(vi)	Building materials	-	Operation of stone quarries and asphalt plants, manufacture of bricks and tiles, 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 finance costs are not allocated to operating segments.

37. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizer trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
2016									
Revenue									
External revenue	503,427	873,793	148,613	1,089,435	975,028	1,301,368	50	-	4,891,714
Inter-segment revenue	-	168,036	28,671	9,644	36,712	27,788	35,192	(306,043)	-
Total revenue	503,427	1,041,829	177,284	1,099,079	1,011,740	1,329,156	35,242	(306,043)	4,891,714
Results									
Operating profit	170,032	361,719	140,309	25,243	30,705	145,034	(8,369)	(53,537)	811,136
Finance costs									(130,920)
Other gain items									520,174
Other loss items									(40,606)
Share of results of associates									85,047
Share of results of a joint venture									104
Profit before tax									1,244,935
Tax expense									(179,492)
Profit for the year									1,065,443
Non-controlling interests									(64,483)
Profit attributable to owners of the Company									1,000,960

37. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizer trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Consolidated RM'000
2016 (continued)								
Assets and liabilities								
Segment assets	1,175,629	4,009,798	1,786,895	934,815	431,052	2,313,943	530,271	11,182,403
Investment in associates								500,934
Investment in a joint venture								844
Deferred tax assets								21,809
Tax recoverable								19,471
Total assets								11,725,461
Segment liabilities	25,451	1,158,303	1,612,003	70,612	179,306	1,046,942	1,232,424	5,325,041
Deferred tax liabilities								230,590
Tax payable								47,375
Total liabilities								5,603,006
Other information								
Additions to non-current assets	111,894	396,787	1,578	15,196	679	128,824	16,830	671,788
Depreciation and amortisation	30,140	4,563	841	6,710	626	86,149	1,746	130,775
Impairment losses	-	-	-	-	288	56,408	-	56,696

37. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizer trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
2015									
Revenue									
External revenue	434,875	777,973	159,087	1,164,573	852,482	1,004,348	-	-	4,393,338
Inter-segment revenue	-	37,899	7,413	6,291	41,597	40,779	45	(134,024)	-
Total revenue	434,875	815,872	166,500	1,170,864	894,079	1,045,127	45	(134,024)	4,393,338
Results									
Operating profit	123,112	360,723	129,878	24,108	30,326	58,143	4,225	(38,528)	691,987
Finance costs									(116,752)
Other gain items									508,798
Other loss items									(2,161)
Share of results of associates									35,133
Share of results of a joint venture									591
Profit before tax									1,117,596
Tax expense									(148,211)
Profit for the year									969,385
Non-controlling interests									(60,912)
Profit attributable to owners of the Company									908,473

37. SEGMENT INFORMATION (CONTINUED)

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Fertilizer trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Consolidated RM'000
2015 (continued)								
Assets and liabilities								
Segment assets	1,112,382	3,447,267	2,014,945	482,610	466,447	1,596,187	460,709	9,580,547
Investment in associates								420,875
Investment in a joint venture								965
Deferred tax assets								19,518
Tax recoverable								13,027
Total assets								10,034,932
Segment liabilities	29,613	740,203	1,657,174	115,033	276,378	787,324	1,348,708	4,954,433
Deferred tax liabilities								204,944
Tax payable								34,161
Total liabilities								5,193,538
Other information								
Additions to non-current assets	58,102	865,552	2,085	7,836	1,073	124,310	1,139	1,060,097
Depreciation and amortisation	26,949	2,320	667	5,745	549	72,075	1,387	109,692

37. SEGMENT INFORMATION (CONTINUED)

Additions to non-current assets consist of the following:

	Group	
	2016 RM'000	**2015 RM'000 (Restated)**
Property, plant and equipment	254,799	201,130
Prepaid lease payments	-	31
Biological assets	16,544	1,255
Investment properties	84,200	485,486
Land held for property development	316,245	372,195
	671,788	1,060,097

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	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Malaysia	4,024,278	3,810,199	4,437,339	3,943,137
Asia	851,087	582,998	501,763	312,452
Others	16,349	141	-	-
	4,891,714	4,393,338	4,939,102	4,255,589

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

	2016 RM'000	**2015 RM'000 (Restated)**
Property, plant and equipment	1,798,774	1,380,635
Prepaid lease payments	201,367	205,604
Biological assets	458,585	442,104
Investment properties	1,675,054	1,461,522
Land held for property development	720,173	674,049
Intangible assets	85,149	91,675
	4,939,102	4,255,589

38. MATERIAL LITIGATIONS

(a) A writ of summon ["said Writ"] was filed by certain natives of Sabah ["Plaintiffs"] claiming native customary rights ["NCR"] over all that parcel of land held under Title No. CL095330724 situated in Sungai Tongod, District of Kinabatangan, Sandakan ["Tongod Land"] or part thereof in the High Court in Sabah and Sarawak at Kota Kinabalu ["Tongod Suit and KKHC"] naming the Company as the first defendant, Genting Plantations Berhad ["GPB"] and its subsidiary Genting Tanjung Bahagia Sdn Bhd ["GTB"] as the second and third defendants, Director of Department of Lands and Surveys, Sabah as the fourth defendant, the Government of the State of Sabah as the fifth defendant, Assistant Collector of Land Revenues, Tongod as the sixth defendant, the Registrar of Titles as the seventh defendant and the Assistant Collector of Land Revenues, Kota Kinabatangan as the eighth defendant. The Company had on 9 May 2002 completed its disposal of the Tongod Land to GTB.

On 13 June 2003, the deputy registrar of the KKHC dismissed the Company's application to strike out the said Writ ["Striking-out Application"] and the Company appealed against the said dismissal ["said Striking-out Appeal"].

The Plaintiffs had earlier filed an application for injunction restraining the second and the third defendants from carrying out, inter-alia, planting activities on the Tongod Land or part thereof ["Injunction Application"]. On 20 June 2008 during the hearing of the Injunction Application, the KKHC upheld the defendants' preliminary objection to the KKHC's jurisdiction to determine NCR and the Tongod Suit was dismissed with costs awarded to the defendants ["PO Decision"]. Although the Plaintiffs' initial appeal against the PO Decision was also dismissed by the Court of Appeal on 9 June 2011 ["said Dismissal Decision"], the Federal Court allowed the Plaintiffs' further appeal on 24 November 2011 and set aside both the PO Decision and said Dismissal Decision. The Federal Court further ordered that the said Striking-out Appeal be remitted to the KKHC.

On 21 March 2012, the KKHC dismissed the said Striking-out Appeal with costs awarded to the Plaintiffs which decision was upheld by the Court of Appeal on 9 May 2013 upon the defendants' appeal. On 7 June 2013, the defendants filed a motion for leave to appeal to the Federal Court against the said decision of the Court of Appeal ["said Leave Application"]. On 25 February 2014, the Federal Court dismissed the said Leave Application with costs awarded to the Plaintiffs.

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

The Tongod Suit was part-heard from 26 to 29 November 2012, 14 to 18 January 2013, 18 to 22 February 2013, 11 to 15 March 2013, 8 to 11 July 2013, 23 to 24 September 2013, 2 to 13 December 2013, 27 to 28 January 2014, 27 to 28 March 2014, 2 to 6 June 2014, 11 to 14 August 2014, 29 September to 3 October 2014, 7 to 10 October 2014, 18 to 21 November 2014, 15 to 19 December 2014, 10 to 13 February 2015, 23 March to 2 April 2015, 18 to 29 May 2015, 29 to 30 June 2015, 1 to 10 July 2015, 3 to 6 August 2015, 26 to 30 October 2015 and 14 to 18 December 2015.

On 22 March 2016, a consent judgment was recorded before the KKHC whereby the Tongod Suit has been discontinued with no order as to costs and without liberty to file afresh, pursuant to the terms and conditions of the Settlement Agreement entered into among the parties on 10 March 2016.

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

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

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

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

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

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

On 13 December 2016, the KKHC allowed both the KK RESB Suit and KK Suit to be consolidated upon RESB's application. On 20 February 2017, the KKHC during the case management, set 23 to 26 May 2017 for full trial of both the KK RESB Suit and KK Suit.

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

38. 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 KKHC vide originating summon no. BKI-24-127/5-2012, and the same was served on RESB on 11 June 2012 [the "KK Suit"].

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

SYC is claiming for the following in the KK Suit:

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

On 27 July 2016, the KKHC, upon the application of RESB, granted an order converting the KK Suit from an originating summon to a writ action. On 13 December 2016, the KKHC allowed both the KK RESB Suit and KK Suit to be consolidated upon RESB's application. On 20 February 2017, the KKHC during the case management, set 23 to 26 May 2017 for full trial of both the KK RESB Suit and KK Suit.

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

39. FAIR VALUE MEASUREMENT

(a) Fair value of financial instruments

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

It is not practicable to estimate the fair value of the Group's investment in unquoted equity instruments (Note 14) due to lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

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

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

39. FAIR VALUE MEASUREMENT (CONTINUED)

(b) Fair value hierarchy

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

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

Fair value measurement hierarchy for assets/(liabilities):

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group				
2016				
Assets measured at fair value				
Investment properties (Note 7)	1,675,054	-	-	1,675,054
Held for trading equity instruments (Note 14)	97,074	97,074	-	-
Money market deposits (Note 17)	354,736	-	354,736	-
Derivative financial assets (Note 14)				
Forward currency contracts	3,347	-	3,347	-
Cross currency interest rate swaps	162,197	-	162,197	-
Derivative financial liabilities (Note 14)				
Cross currency interest rate swaps	(1,201)	-	(1,201)	-

39. FAIR VALUE MEASUREMENT (CONTINUED)

(b) Fair value hierarchy (continued)

Fair value measurement hierarchy for assets/(liabilities):

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group (continued)				
2015				
Assets measured at fair value				
Investment properties (Note 7)	1,461,522	-	-	1,461,522
Held for trading equity instruments (Note 14)	2,410	2,410	-	-
Money market deposits (Note 17)	98,636	-	98,636	-
Derivative financial assets (Note 14)				
Forward currency contracts	670	-	670	-
Cross currency interest rate swaps	171,416	-	171,416	-

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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, liquidity risk, credit risk and market price risk.

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

(a) Interest rate risk

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate instruments				
Financial assets				
Amount due from subsidiaries	-	-	400,123	123,363
Sundry receivables	-	208,338	-	208,338
Lease receivables	6,430	11,638	-	-
Hire purchase receivables	827,110	967,649	-	-
Deposits with licensed banks	325,264	191,726	203,173	123,435
	1,158,804	1,379,351	603,296	455,136
Financial liabilities				
Sundry payables	(121,484)	-	-	-
Term loans	(255,137)	(333,455)	-	-
Finance leases	(3,743)	(1,864)	-	-
Foreign currency loans	(134,565)	-	-	-
	(514,929)	(335,319)	-	-
	643,875	1,044,032	603,296	455,136

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk (continued)

Exposure to interest rate risk (continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Floating rate instruments				
Financial assets				
Loan receivables	900,332	1,030,537	-	-
Financial liabilities				
Term loans	(832,901)	(556,335)	-	-
Revolving credits	(1,250,885)	(1,189,972)	-	-
Trust receipts	(16,625)	(13,643)	-	-
Bankers' acceptances	(136,135)	(149,769)	-	-
Foreign currency loans	(1,795,011)	(1,942,305)	-	-
Bank overdrafts	(245)	(4,593)	-	-
	(4,031,802)	(3,856,617)	-	-
	(3,131,470)	(2,826,080)	-	-

The weighted average effective interest rates of deposits with licensed banks as at 31 December 2016 for the Group and the Company were 1.48% (2015: 3.13%) and 0.44% (2015: 3.09%) respectively and will mature within 3 months (2015: 3 months).

Cash flow sensitivity analysis for floating rate instruments

A change of 100 basis points ["bp"] in interest rates for the borrowings at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group	
	100 bp increase RM'000	100 bp decrease RM'000
2016		
Floating rate instruments	(11,005)	11,005
2015		
Floating rate instruments	(7,611)	7,611

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by subsidiaries in currencies other than their functional currencies. The Group is also exposed to currency risk in respect of its foreign investments in subsidiaries, associates and a joint venture. The Group uses forward currency contracts and cross currency interest rate swaps to limit its exposure on foreign currency receivables, payables and borrowings, and on cash flows generated from anticipated transactions denominated in foreign currencies.

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

	Net unhedged financial assets/(liabilities) Held in non-functional currencies						
	USD RM'000	**SGD RM'000**	**VND RM'000**	**Euro RM'000**	**AUD RM'000**	**BND RM'000**	**Total RM'000**
Group							
Functional currency of Group entities							
2016							
RM	39,843	211,264	-	(1,946)	342	512	250,015
Indonesia Rupiah ["IDR"]	6,806	-	-	-	-	-	6,806
SGD	(32,401)	-	1,337	(22,209)	-	-	(53,273)
Chinese Renminbi ["RMB"]	2,625	-	-	-	-	-	2,625
	16,873	211,264	1,337	(24,155)	342	512	206,173
2015							
RM	10,141	208,338	-	-	-	-	218,479
IDR	(1,289)	-	-	-	-	-	(1,289)
SGD	(48,880)	-	680	(24,569)	-	-	(72,769)
	(40,028)	208,338	680	(24,569)	-	-	144,421
Company							
Functional currency of the Company							
2016							
RM	-	202,413	-	-	-	-	202,413
2015							
RM	-	208,338	-	-	-	-	208,338

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

Currency risk sensitivity analysis

A 5% strengthening of the below foreign currencies against the functional currencies of the Group and of the Company at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
USD	522	(1,697)	-	-
SGD	8,028	7,813	7,692	7,813
VND	55	28	-	-
Euro	(996)	(1,020)	-	-
AUD	13	-	-	-
BND	19	-	-	-

A 5% weakening of the above foreign currencies against the functional currencies of the Group and of the Company at the end of the reporting period would had equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk (continued)

Hedging activities

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

	Currency	Within 1 year RM'000	1 - 5 years RM'000	Notional amount RM'000	Fair value Assets RM'000	Fair value (Liabilities) RM'000
Group						
2016						
Designated as fair value through profit or loss						
Borrowings hedge	USD/Euro	51,257	-	51,257	918	-
Designated as fair value hedges						
Firm commitment hedge	USD	110,203	-	110,203	2,250	-
Payables hedge	USD	6,317	-	6,317	179	-
		116,520	-	116,520	2,429	-
Designated as cash flow hedges						
Foreign currency loan hedge	SGD	-	250,000	250,000	37,070	-
Foreign currency loan hedge	USD	580,313	730,560	1,310,873	123,926	-
		580,313	980,560	1,560,873	160,996	-
		748,090	980,560	1,728,650	164,343	-

40. 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						
2015						
Designated as fair value through profit or loss						
Firm commitment hedge	USD	140	-	140	3	-
Borrowings hedge	USD/Euro	50,542	-	50,542	133	-
		50,682	-	50,682	136	-
Designated as fair value hedges						
Firm commitment hedge	USD	130,429	-	130,429	477	-
Payables hedge	USD	47,249	-	47,249	57	-
		177,678	-	177,678	534	-
Designated as cash flow hedges						
Foreign currency loan hedge	SGD	247,322	250,000	497,322	84,090	-
Foreign currency loan hedge	USD	296,174	890,413	1,186,587	87,326	-
		543,496	1,140,413	1,683,909	171,416	-
		771,856	1,140,413	1,912,269	172,086	-

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk

As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash equivalents and adequate amounts of credit facilities to meet its working capital requirements. In addition, the Group strives to maintain flexibility in funding by keeping its credit lines available at a reasonable level. As far as possible, the Group raises funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Within 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2016							
Non-derivative financial liabilities							
Borrowings							
Term loans	1,088,038	2.09 - 5.30	1,236,222	288,971	127,278	525,468	294,505
Finance lease	3,743	1.10 - 3.20	3,894	1,729	2,165	-	-
Revolving credits	1,250,885	2.64 - 4.52	1,262,717	1,262,717	-	-	-
Bankers' acceptances	136,135	3.63 - 4.15	136,135	136,135	-	-	-
Trust receipts	16,625	2.23	16,995	16,995	-	-	-
Foreign currency loans	1,929,576	1.92 - 5.08	2,061,295	923,452	754,721	383,122	-
Bank overdrafts	245	7.40	245	245	-	-	-
Trade and other payables	868,380	-	868,380	867,547	552	281	-
	5,293,627		5,585,883	3,497,791	884,716	908,871	294,505
Derivative financial liabilities							
Designated as hedging instruments Cash flow hedges	1,201	-	1,201	1,201	-	-	-
	5,294,828		5,587,084	3,498,992	884,716	908,871	294,505

40. 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							
2015							
Non-derivative financial liabilities							
Borrowings							
Term loans	889,790	2.18 - 5.20	1,000,385	212,997	261,244	350,191	175,953
Finance lease	1,864	1.10 - 2.28	1,937	926	1,011	-	-
Revolving credits	1,189,972	2.51 - 12.0	1,198,360	1,198,360	-	-	-
Bankers' acceptances	149,769	4.05 - 4.37	149,843	149,843	-	-	-
Trust receipts	13,643	1.95	13,643	13,643	-	-	-
Foreign currency loans	1,942,305	1.87 - 5.38	2,065,192	853,006	591,834	620,352	-
Bank overdrafts	4,593	6.85 - 7.60	4,593	4,593	-	-	-
Trade and other payables	736,886	-	736,886	734,853	1,199	834	-
	4,928,822		5,170,839	3,168,221	855,288	971,377	175,953

40. 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				
2016				
Non-derivative financial liabilities				
Trade and other payables	3,268	-	3,268	3,268
2015				
Non-derivative financial liabilities				
Trade and other payables	2,816	-	2,816	2,816

(d) Credit risk

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit worthiness review is regularly performed for new customers and existing customers who trade on credit, to mitigate exposure on credit risk. Where appropriate, the Group requires its customers to provide collateral before approvals are given to trade on credit.

The Group does not have any significant exposure to any individual customer or counterparty, nor does it have any major concentration of credit risk related to any financial instruments. The maximum exposure to credit risk is represented by the carrying amount of these financial assets.

Financial guarantees

The Company provides unsecured financial guarantees to banks and other institutions in respect of facilities granted to certain subsidiaries. The Company monitors on an on-going basis the results of the subsidiaries and repayments made by the subsidiaries.

Corporate guarantees with a nominal amount of RM3,979,389,000 (2015: RM3,816,586,000) 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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to market price risk arising from its investment in quoted equity instruments and placement in money market deposits. The instruments are classified as financial assets at fair value through profit or loss.

To manage its market price risk, the Group manages its portfolio in accordance with established guidelines and policies.

Sensitivity analysis

At the reporting date, if the instruments had been 2% higher/lower, with all other variables held constant, the Group's profit or loss would have increased/(decreased) by RM6,857,000 (2015: RM1,501,000) arising as a result of changes in the fair value of the financial assets classified as fair value through profit or loss.

41. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. The directors monitor and are determined to maintain an optimal gearing ratio that complies with the requirements of debt covenants.

There were no changes in the Group's approach to capital management during the year. The gearing ratios as at the end of the reporting period were as follows:

	Group	
	2016 RM'000	**2015 RM'000**
Borrowings (Note 22)	4,425,247	4,191,936
Money market deposits (Note 17)	(354,736)	(98,636)
Cash and bank balances (Note 18)	(684,284)	(414,738)
Net borrowings	3,386,227	3,678,562
Equity attributable to owners of the Company	5,490,676	4,242,648
Gearing ratio (times)	0.81	0.99
Net gearing ratio (times)	0.62	0.87

42. RELATED PARTIES

(a) Related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year.

Related parties	Transactions	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Directors of the Company:					
Dato' Jorgen Bornhoft	Sale of motor vehicle	221	-	-	-
Datuk Edward Lee Ming Foo, JP	Sale of completed property	-	714	-	-
	Rental expenses	(103)	(100)	-	-
	Sale of motor vehicle	228	-	-	-
Datuk Simon Shim Kong Yip, JP	Sale of completed property	-	3,000	-	-
	Sale of property under development	321	-	-	-
	Rental expenses	(35)	(40)	-	-
	Sale of motor vehicle	223	-	-	-
Firm connected to Datuk Edward Lee Ming Foo, JP, a director of the Company: Corporated International Consultants	Project consultancy fee payable	(5,579)	(6,995)	-	-
Firm in which Datuk Simon Shim Kong Yip,JP, a director of the Company, has interest: Shim Pang & Co	Legal fees	(954)	(951)	(450)	(600)
	Servicing of motor vehicles	2	-	-	-
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company ^	Advisory fees	(3,255)	(2,900)	(3,255)	(2,900)

^ 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.

42. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Foundation in which Datuk Edward Lee Ming Foo, JP, a director of the Company is also a trustee of the foundation:					
Lau Gek Poh Foundation #	Donation	(500)	(1,070)	(500)	(1,070)
	Rental expenses	-	(20)	-	(20)
Companies connected to Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak, a major shareholder of the Company:					
Glenealy Plantations (Malaya) Berhad Group	Sale of products	21,259	26,972	-	-
Samling Strategic Corporation Sdn Bhd Group	Sale of products	5,139	6,448	-	-
Lei Shing Hong Limited Group	Acquisition of land and building	-	(395,000)	-	-
	Disposal of 100% equity interest in a subsidiary	750,000	640,800	-	640,800
	Sale of products	38,033	34,753	-	-
	Management fees	1,776	60	-	-
	Sale of used motor vehicle	293	-	-	-
	Servicing of motor vehicles	300	15	-	-
	Sale of property stocks	122,224	-	-	-
	Administration fees	123	115	-	-
	Rental income	8,578	538	-	-
	Utilities and maintenance charges	3	57	-	-
	Purchase of products	(60,691)	(93,063)	-	-
	Rental expenses	(5,580)	(5,905)	-	-
	Administrative charges	(123)	(36)	-	-
	Interest income	423	4,727	423	4,727
	Interest expense	(1,298)	(653)	-	-
	Acquisition of subsidiaries	(393,781)	-	(393,781)	-
	Disposal of land	115,030	-	-	-

\# An organisation principally involved in charitable activities.

42. RELATED PARTIES (CONTINUED)

(a) Related party transactions (continued)

Related parties	Transactions	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Company in which Tong Chin Hen, a director of a subsidiary, has interest:					
Imaspro Resources Sdn Bhd	Purchase of products	(204)	(117)	-	-
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	Management fees	150	300	-	-
	Rental income	518	793	-	-
	Sale of products	1,178	2,668	-	-
	Purchase of products	(9,354)	(15,631)	-	-
	Insurance premium*	(12,955)	(12,720)	(121)	(98)
	Utilities and maintenance charges	212	459	-	-
	Servicing of motor vehicles	46	49	-	-
	Handling charges	(602)	(542)	-	-
	Handling fees	1,200	925	-	-
	Car usage	(19)	(132)	-	-
	Rental expense	(3)	-	-	-
Associates	Management fees received	168	175	168	175
	Rental income	10	10	10	10
	Sale of products	897	627	-	-
	Interest income	152	134	-	-
Joint venture	Sale of products	1,601	701	-	-
	Rental income	2,420	1,257	-	-
	Other income	199	179	-	-
	Receiving of services	(6,605)	(3,567)	-	-
Subsidiaries	Servicing of motor vehicles	-	-	(107)	(111)
	Rental expenses	-	-	(19)	(17)
	Management fees	-	-	(201)	(316)
	Car usage	-	-	(696)	(774)
	Purchase of products	-	-	(1,250)	(11)
	Interest expense	-	-	(3,833)	-

* 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 31.

42. RELATED PARTIES (CONTINUED)

(b) Balances with related parties

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amount due from/(to)				
Corporated International Consultants	(771)	(1,002)	-	-
Shim Pang & Co	(12)	(19)	-	-
Glenealy Plantations (Malaya) Berhad Group	4,056	10,197	-	-
Lingui Developments Berhad Group	588	3,289	-	-
Samling Strategic Corporation Sdn Bhd Group	3,918	5,887	-	-
Lei Shing Hong Limited Group	(36,683)	(30,764)	-	-
Imaspro Resources Sdn Bhd	(86)	-	-	-
Gek Poh (Holdings) Sdn Bhd and its subsidiaries	661	699	-	-
Director of the Company	91	2,000	-	-
Associates	185	75	-	-
Joint venture	(515)	(240)	-	-
Subsidiaries	-	-	(103)	(115)

The above balances arose from recurrent related party transactions of revenue or trading nature.

43. SIGNIFICANT EVENTS DURING THE YEAR

(a) On 20 January 2016, *Hap Seng Land Development Sdn Bhd ["HSLD"] acquired the entire issued and paid up share capital of Golden Suncity Sdn Bhd ["GSSB"] comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.00. On 29 January 2016, HSLD entered into a shareholders' agreement ["SHA"] with TTDI KL Metropolis Sdn Bhd ["TTDI KL"], a wholly-owned subsidiary of Naza TTDI Sdn Bhd, and GSSB to regulate their relationship inter-se as shareholders of GSSB based on a shareholding proportion of 70:30.

Simultaneous with the execution of the SHA, GSSB has entered into a development rights agreement ["DRA"] with TTDI KL, pursuant to which TTDI KL as the registered and beneficial proprietor of all that parcel of a leasehold land held under PN52352, Lot 80928, Mukim Batu, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan KL measuring 8.95 acres (approximately 389,862 square feet) ["Land"] has agreed to grant to GSSB, the exclusive rights to develop the Land at the consideration of RM467,834,400.

The DRA is currently pending fulfilment of the following conditions precedent ["CPs"] which CPs shall be satisfied on or before 1 September 2017:

(i) TTDI KL having obtained the relevant approval and consent from the relevant authorities for the relocation of the existing suction tank and pump house from the Land;

(ii) TTDI KL having obtained the approval from the State Authority for the charge of the Land in favour of GSSB's financier;

(iii) TTDI KL having completed the construction of the main sewerage reticulation lines for GSSB to connect from the agreed tapping points to the Land; and

(iv) GSSB having submitted the application for the development order and shall not have received any material adverse conditions.

The DRA shall become unconditional on the date of the last of the CPs being obtained or waived ["Unconditional Date"] and is expected to be completed within 10 years from the Unconditional Date.

(Hereinafter referred to as the "Proposed Development with TTDI KL")

(b) On 22 January 2016, the Company completed the acquisition of 2,000,000 ordinary shares representing the entire issued and paid-up share capital in Sasco Company Ltd *(formerly known as Lei Shing Hong Wood Products Limited)* from Lei Shing Hong Trading Limited, a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], at a cash consideration of USD3,215,401 ["LSHWP Acquisition"].

The LSHWP Acquisition was deemed a related party transaction. As at the date hereof, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was a 37.68% major shareholder of LSH and a 56.00% major shareholder and director of Gek Poh (Holdings) Sdn Bhd ["Gek Poh"]. Gek Poh held 12.42% shares of LSH and was also the holding company of the Company with an aggregate shareholding of 59.17%, comprising 53.99% direct shareholding and 5.18% indirect shareholding via Hap Seng Insurance Services Sdn Bhd ["HSIS"]. Lei Shing Hong Investment Ltd ["LSHI"], a wholly-owned subsidiary of LSH, was a 13.89% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH and LSHI were deemed interested in the LSHWP Acquisition.

43. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(c) On 5 February 2016, Hafary Pte Ltd ["HPL"], a wholly-owned subsidiary of Hafary Holdings Limited which is a 51% owned subsidiary of *Hap Seng Investment Holdings Pte Ltd, became a 51% shareholder of Hafary Balestier Showroom Pte Ltd ["HBSPL"], a joint venture company incorporated in Singapore on even date with an issued and paid-up share capital of SGD100 comprising 100 ordinary shares. HBSPL is principally involved in investment holding, including but not limited to the holding of properties.

(d) On 1 March 2016, *Hap Seng Star Sdn Bhd ["HSS"] entered into a shares sale agreement ["SSA"] with Lei Shing Hong Commercial Vehicles Limited ["LSHCV"], a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], pursuant to which:

(i) HSS had agreed to dispose its 51% equity interest in Hap Seng Commercial Vehicle Sdn Bhd *(formerly known as Hap Seng Industrial Sdn Bhd)* ["HSCV"] comprising 127,500,000 ordinary shares of RM1.00 each ["HSCV Shares"] ["Sale Shares"] to LSHCV and LSHCV had agreed to acquire the Sale Shares from HSS at a cash consideration of RM382.50 million ["51% Disposal"]; and

(ii) LSHCV granted a put option to HSS to sell the balance of 49% or part thereof of the equity interest in HSCV comprising 122,500,000 HSCV Shares ["Option Shares"] to LSHCV for a cash consideration of up to RM367.50 million ["Exercise Price"] ["Put Option"]. The Exercise Price is to be pro-rated according to the actual number of Option Shares put to LSHCV. The Put Option is exercisable for a period of 5 years only after the completion of the 51% Disposal ["Option Shares Disposal"].

(The 51% Disposal and the Option Shares Disposal are collectively referred to as the "HSCV Disposals").

The HSCV Disposals were deemed related party transactions. As at the date hereof, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was a 37.68% major shareholder of LSH and a 56.00% major shareholder and director of Gek Poh. Gek Poh held 12.42% shares of LSH and was also the holding company of the Company with an aggregate shareholding of 59.17%, comprising 53.99% direct shareholding and 5.18% indirect shareholding via Hap Seng Insurance Services Sdn Bhd ["HSIS"]. Lei Shing Hong Investment Ltd ["LSHI"], a wholly-owned subsidiary of LSH, was a 13.89% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH and LSHI were deemed interested in the HSCV Disposals.

The HSCV Disposals were approved by the shareholders during the extraordinary general meeting held on 19 May 2016.

The 51% Disposal was completed on 25 May 2016 and resulted in a total gain of approximately RM515.1 million to the Group including the gain recognised on the remaining 49% equity interest retained at its fair value as disclosed in Note 28.

On 28 December 2016, HSS exercised the Put Option to sell the Option Shares and the Exercise Price has been received subsequent to year end on 3 January 2017.

43. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(e) On 1 March 2016, the Company entered into a SSA with Gek Poh (Holdings) Sdn Bhd ["Gek Poh"], pursuant to which Gek Poh had agreed to sell, and the Company had agreed to purchase 158,599,450 ordinary shares of RM1.00 each in Malaysian Mosaics Sdn Bhd ["MMSB"], representing the entire issued and paid-up share capital of MMSB, for a cash consideration of RM380.00 million ["MMSB Acquisition"].

The MMSB Acquisition was deemed related party transaction. As at the date hereof, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was a 37.68% major shareholder of LSH and a 56.00% major shareholder and director of Gek Poh. Gek Poh held 12.42% shares of LSH and was also the holding company of the Company with an aggregate shareholding of 59.17%, comprising 53.99% direct shareholding and 5.18% indirect shareholding via Hap Seng Insurance Services Sdn Bhd ["HSIS"]. Lei Shing Hong Investment Ltd ["LSHI"], a wholly-owned subsidiary of LSH, was a 13.89% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH and LSHI were deemed interested in the MMSB Acquisition.

The MMSB Acquisition was approved by the shareholders during the extraordinary general meeting held on 19 May 2016.

The MMSB Acquisition was completed on 25 May 2016.

(f) On 20 April 2016, Hafary Pte Ltd ["HPL"], a wholly-owned subsidiary of Hafary Holdings Limited which is in turn a 51% owned subsidiary of *Hap Seng Investment Holdings Pte Ltd ["HSIH"], became a 56% shareholder of Gres Universal Pte Ltd ["GUPL"]. GUPL was incorporated in Singapore on even date with an issued and paid-up share capital of SGD500,000 comprising 500,000 ordinary shares and is principally involved in the distribution and wholesaling of building materials.

(g) On 1 June 2016, *Hap Seng Credit Sdn Bhd transferred the entire issued and paid-up share capital of Hap Seng Credit (Australia) Pty Ltd ["HSCA"] comprising 100 ordinary shares of AUD1.00 each to the Company, at a cash consideration of AUD100. HSCA is principally involved in provision of financial services.

(h) On 15 June 2016, Euro-Asia Brand Holding Company Sdn Bhd, the wholly-owned subsidiary of the Company entered into two (2) sale and purchase agreements ["Euro-Asia SPAs"] to acquire various parcels of freehold agricultural land with oil palm trees planted thereon, measuring approximately 1,449.524 acres from Shalimar (Malay) PLC and Indo Malay PLC, both subsidiaries of Goodhope Asia Holdings Ltd which were incorporated in the Republic of Sri Lanka [the "said Vendors"], for a total purchase consideration of RM228,749,128.40.

The Euro-Asia SPAs were completed on 3 November 2016 with full payment paid to the said Vendors.

43. SIGNIFICANT EVENTS DURING THE YEAR (CONTINUED)

(i) On 22 June 2016, *HS Mining Services Holding (Thailand) Co., Ltd ["HS Mining Holding"] and *HS Mining Services (Thailand) Co., Ltd ["HS Mining Services"] had been wound up voluntarily from the Department of Business Development, Thailand. HS Mining Holding and HS Mining Services were incorporated in Thailand as private limited companies on 18 April 2014 and 22 April 2014 respectively with registered capital of Baht 100,000 comprising 100 ordinary shares of Baht 1,000 each, out of which Baht 25,000 had been issued and fully paid up. HS Mining Holding and HS Mining Services were dormant companies.

(j) On 1 August 2016, *Malaysian Mosaics Sdn Bhd ["MMSB"] incorporated a wholly-owned subsidiary in Thailand, namely MML Ceramic (Thailand) Co., Ltd ["MML"]. MML has a registered capital of Baht 100,000 comprising 1,000 ordinary shares of Baht 100 each, of which Baht 25,000 have been issued and fully paid-up and is currently dormant.

(k) On 10 August 2016, *Hap Seng Land Development Sdn Bhd acquired the entire issued and paid-up share capital of Hap Seng Construction Sdn Bhd *(formerly known as Gemglobal Development Sdn Bhd)* ["HS Construction"] comprising 2 ordinary shares of RM1.00 each at a cash consideration of RM2.00. HS Construction is a private limited company incorporated in Malaysia which is currently dormant.

* *These are the Company's wholly-owned subsidiaries.*

44. SUBSEQUENT EVENTS

(a) On 13 January 2017, *Hap Seng Properties Development Sdn Bhd ["HSPD"], the registered owner of all that parcel of vacant leasehold land held under CL 105420666 measuring approximately 214.0 acres situated at Mile 10, Apas Road, District of Tawau, State of Sabah [the "said Land"] entered into a sale and purchase agreement ["SPA"] to dispose portions of the said Land, Lot 1 and Lot 4 measuring approximately 27.23 acres and 25.34 acres respectively to Goldcoin Ventures Sdn Bhd, the wholly-owned subsidiary of Akal Megah Sdn Bhd which in turn is wholly-owned by Lei Shing Hong Limited ["LSH"], for a total cash consideration of RM91,000,000 ["HSPD Disposal"].

HSPD Disposal was deemed related party transaction. As at the date hereof, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was a 37.68% major shareholder of LSH and a 56.00% major shareholder and director of Gek Poh (Holdings) Sdn Bhd ["Gek Poh"]. Gek Poh held 12.42% shares of LSH and was also the holding company of the Company with an aggregate shareholding of 61.43%, comprising 54.63% direct shareholding and 6.80% indirect shareholding via Hap Seng Insurance Services Sdn Bhd ["HSIS"]. Lei Shing Hong Investment Ltd ["LSHI"], a wholly-owned subsidiary of LSH, was a 12.08% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH and LSHI were deemed interested in the HSPD Disposal.

The SPA was completed on 23 January 2017 with the full purchase consideration paid by the purchaser and resulted in a net gain of approximately RM61.6 million to the Group.

44. SUBSEQUENT EVENTS (CONTINUED)

(b) On 7 March 2017, *Hap Seng Logistics Sdn Bhd ["HSL"], entered into a share sale agreement ["SPA"] with LSH Logistics Limited ["LSHL"], a wholly-owned subsidiary of Lei Shing Hong Limited ["LSH"], pursuant to which the Company agreed to dispose 250,000,000 ordinary shares representing 100% of the issued share capital of HSL for a cash consideration of RM750 million ["Proposed Disposal"].

The Proposed Disposal is deemed a related party transaction. As at the date hereof, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] deemed to have a 50.10% shareholding in LSH and a 56.00% major shareholder and director of Gek Poh (Holdings) Sdn Bhd ["Gek Poh"]. Gek Poh's aggregate shareholdings in HSCB is 60.83%, comprising 54.64% direct shareholding and 6.20% indirect shareholding through Hap Seng Insurance Services Sdn Bhd ["HSIS"], a wholly-owned subsidiary of Gek Poh. In addition, Lei Shing Hong Investment Limited ["LSHI"], a company incorporated in Hong Kong and a wholly-owned subsidiary of Lei Shing Hong Capital Limited ["LSHCL"] which in turn is the wholly-owned subsidiary of LSH, is a 12.08% major shareholder of HSCB. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI are deemed interested in the Proposed Disposal.

The Proposed Disposal is subject to the shareholders' approval to be obtained at the forthcoming extraordinary general meeting of the Company to be convened.

* *These are the Company's wholly-owned subsidiaries.*

45. COMPARATIVES

The presentation and classification in the current financial statements have been consistent with the previous financial year except for certain comparatives which have been reclassified to conform with current year's presentation as follows:

	As previously stated RM'000	Prior year reclassification RM'000	As restated RM'000
Group			
At 31 December 2015			
Statement of financial position			
Property, plant and equipment	1,250,005	130,630	1,380,635
Prepaid lease payments	336,234	(130,630)	205,604
Statement of cash flows			
Adjustment for:			
Depreciation of property, plant and equipment	92,407	4,807	97,214
Amortisation of prepaid lease payments	10,759	(4,807)	5,952
Purchase of property, plant and equipment	(199,182)	(889)	(200,071)
Additions to prepaid lease payments	(920)	889	(31)

The Group did not present the Statement of Financial Position of the Group as at 1 January 2015 as the reclassification did not have any impact to the said period.

46. 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	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Total retained profits of the Company and its subsidiaries				
- Realised	3,214,915	2,979,943	774,250	750,132
- Unrealised	226,291	259,349	8,639	19,404
	3,441,206	3,239,292	782,889	769,536
Total share of retained profits from associates and a joint venture				
- Realised	75,170	9,618	-	-
- Unrealised	38,201	39,123	-	-
- Breakdown unavailable *	30,183	26,647	-	-
	3,584,760	3,314,680	782,889	769,536
Less: Consolidation adjustments	(1,642,148)	(1,516,922)	-	-
Total retained profits as per financial statements	1,942,612	1,797,758	782,889	769,536

* 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.

The following additional information are provided in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements.

1. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

On 25 May 2016, Hap Seng Star Sdn Bhd, a wholly-owned subsidiary of the Company completed the disposal of its 51% equity interest in Hap Seng Commercial Vehicle Sdn Bhd ["HSCV"] comprising 127,500,000 ordinary shares of RM1.00 each to Lei Shing Hong Commercial Vehicles Limited, a wholly-owned subsidiary of Lei Shing Hong Limited at a cash consideration of RM382.50 million ["HSCV Sale Proceeds"].

On even date, the Company completed the acquisition of 158,599,450 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Malaysian Mosaics Sdn Bhd ["MMSB"] from Gek Poh (Holdings) Sdn Bhd at a cash consideration of RM380.00 million.

The HSCV Sale Proceeds was fully utilised during the financial year ended 31 December 2016 in accordance with the breakdown as disclosed in the Circular to Shareholders dated 5 May 2016 as below:

		RM'000
(a)	payment for the MMSB Acquisition	380,000
(b)	payment of fees and expenses for:	
	- HSCV Disposals	550
	- MMSB Acquisition	759
(c)	payment of stamp duty on shares transfer for MMSB Acquisition	1,140
(d)	settlement of other payables	51
		382,500

2. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered by the external auditors and/or its affiliates to the Group for the financial year ended 31 December 2016 was RM727,000 as disclosed in Note 29 to the Financial Statements.

3. MATERIAL CONTRACTS

Information regarding material contracts of the Company and its subsidiaries involving directors' and major shareholders' interest are disclosed in Note 43(b), (d) & (e) and 44(a) & (b) to the Financial Statements.

Other than those disclosed in Note 43(b), (d) & (e) and 44(a) & (b), there were no other material contracts of the Company and its subsidiaries involving the interests of the directors, chief executive who is not a director or major shareholders, subsisting as at 31 December 2016, and/or entered into since 31 December 2015.

4. RECURRENT RELATED PARTY TRASACTIONS

Pursuant to Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the recurrent related party transactions of a revenue or trading in nature which were entered into by the Company and its subsidiaries with the related parties during the financial year ended 31 December 2016 are as disclosed in Note 42 to the Financial Statements.

The Company will be seeking new or renewed shareholders' mandate for recurrent related party transactions at the annual general meeting to be convened on 31 May 2017.

Location	Area	Description	Date of Acquisition	Tenure	Year of Expiry	Approximate Age of Buildings (Years)	Carrying Amount at 31/12/2016 RM'000
MALAYSIA							
KUALA LUMPUR							
Lot 593 & 594, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur	7,436 m^2	Menara Hap Seng 22-storey office building for rental	June 2004	Freehold	-	44	279,806
Lot 11383, Seksyen 57, Jalan P. Ramlee, Kuala Lumpur	4,376 m^2	Menara Hap Seng 2 31-storey office building for rental	March 2010	Freehold	-	3	379,230
Lot 234, Seksyen 63, Jalan Kia Peng, Kuala Lumpur	3,796 m^2	Land held for development	August 2015	Freehold	-	-	133,446
SELANGOR							
PT 325 & PT 326, Section 23, Town of Shah Alam, District of Petaling, Selangor	81,860 m^2	Vacant industrial land	March/ September 2015	Leasehold 99 years	2098	-	155,000
PT 8417, Pekan Kinrara, District of Petaling, Selangor	30,255 m^2	2-storey Mercedes-Benz 3S centre and two adjoining blocks of 5 and 6 storey building for rental known as Wisma Hap Seng and Wisma Mercedes-Benz respectively	August 2005/ November 2008	Freehold	-	1 - 10	215,874
SABAH							
KOTA KINABALU							
29, Jalan Tunku Abdul Rahman, Kota Kinabalu	8,741 m^2	Plaza Shell 14-storey office building for rental	June 2015	Leasehold 99 years	2073	2	344,254

PARTICULARS OF TOP TEN PROPERTIES OF THE GROUP

Location	Area	Description	Date of Acquisition	Tenure	Year of Expiry	Approximate Age of Buildings (Years)	Carrying Amount at 31/12/2016 RM'000
MALAYSIA							
SABAH							
KINABATANGAN, LAHAD DATU							
Tomanggong Estate	4,890 ha	Oil palm plantation and buildings Tomanggong Palm Oil Mill	November 1978	Leasehold 99 years/ 999 years	2067/2094/ 2894	1 - 46	373,820
Tabin Estate	3,055 ha	Oil palm plantation and buildings	November 1978/ March 2016	Leasehold 99 years	2067/2076/ 2093/2096/ 2097/2098	1 - 31	
Tagas Estate	2,010 ha	Oil palm plantation and buildings	November 1978	Leasehold 99 years	2067/ 2076	1 - 40	
Litang Estate	1,571 ha	Oil palm plantation and buildings	November 1978	Leasehold 99 years/ 999 years	2076/2091/ 2887/2900	1 - 31	
Sungai Segama Estate	5,174 ha	Oil palm plantation and buildings Plantation Central Office and Clubhouse	December 1990	Leasehold 99 years	2089	1 - 24	
Bukit Mas Estate	4,733 ha	Oil palm plantation and buildings Bukit Mas Palm Oil Mill	December 1990	Leasehold 99 years/ 999 years	2089/ 2887	1 - 21	
Batangan Estate	3,633 ha	Oil palm plantation and buildings	July 1996	Leasehold 99 years	2078	1 - 34	286,223
Lutong Estate	2,448 ha	Oil palm plantation and buildings	July 1996/ July 2003	Leasehold 99 years	2078/2098/ 2099	1 - 25	
Lokan Estate	3,155 ha	Oil palm plantation and buildings	July 1996	Leasehold 99 years	2078	1 - 20	
Kapis Estate	2,681 ha	Oil palm plantation and buildings Jeroco Palm Oil Mill I and II	July 1996	Leasehold 99 years	2078	1 - 30	
Lungmanis Estate	2,200 ha	Oil palm plantation and buildings	July 1996	Leasehold 99 years	2078	1 - 19	
SINGAPORE							
105, Eunos, Avenue 3, Hafary Centre, Singapore, 409836	4,978 m^2	6-storey light industrial building	February 2015	Leasehold 60 years	2039	4	132,154
18, Sungei Kadut Street 2, Singapore, 729236	9,920 m^2	7-storey industrial building	February 2015	Leasehold 34 years	2043	1	179,155

	FINANCIAL YEAR ENDED 31 DECEMBER				
	2012	2013	2014	2015	2016
CROP PRODUCTION - TONNES					
FFB	665,812	704,241	727,937	709,984	662,774
PROCESSED - TONNES					
FFB - own	620,770	662,452	680,741	667,504	643,731
FFB - purchased	105,469	116,490	121,673	107,829	91,707
Palm Oil	154,595	166,202	172,980	170,546	154,682
Palm Kernel	34,587	36,554	38,778	38,087	35,872
EXTRACTION RATE - %					
Palm Oil	21.29	21.34	21.56	22.00	21.03
Palm Kernel	4.76	4.69	4.83	4.91	4.88
MATURE AREA - HECTARES					
Oil Palm					
30 months to 7 years	2,788	2,525	4,089	5,599	5,626
> 7 years to 17 years	13,332	10,981	10,122	8,480	7,246
> 17 years onwards	14,335	17,164	17,162	18,361	19,502
Total mature area	**30,455**	**30,670**	**31,373**	**32,440**	**32,374**
AVERAGE YIELD - TONNES/ HECTARE					
FFB yield per mature hectare	21.86	22.96	23.20	21.89	20.47
Oil per mature hectare	4.65	4.90	5.00	4.81	4.31
AVERAGE SELLING PRICE (Ex-Sandakan) RM/TONNE					
FFB	560	470	491	433	521
Palm Oil	2,773	2,343	2,386	2,168	2,643
Palm Kernel	1,494	1,288	1,654	1,600	2,564

PLANTATION STATISTICS

AREA SUMMARY (HECTARES) AS AT 31 DECEMBER 2016

	River Estates Group	Jeroco	* HSP (Kota Marudu)	Pelipikan Plantation	Total Plantation Division
Oil Palm					
Mature	20,297	10,589	585	903	32,374
Immature	1,492	2,133	-	-	3,625
Total Oil Palm	21,789	12,722	585	903	35,999
Other crop	60	86	-	-	146
Total planted area	21,849	12,808	585	903	36,145
Reserves	595	312	81	330	1,318
Buildings, roads etc	1,545	997	142	132	2,816
Grand Total	**23,989**	**14,117**	**808**	**1,365**	**40,279**

Conversion Rate : 1 Hectare = 2.4710 acres

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

Issued share capital	: RM2,489,681,583
Class of shares	: ordinary share
Voting rights	: one vote per ordinary share
Number of shareholders	: 9,096

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	*No. of Shares Held	% of Issued Capital
1 to 99	438	4.82	7,422	#
100 to 1,000	1,191	13.09	828,466	0.03
1,001 to 10,000	4,529	49.79	21,880,849	0.88
10,001 to 100,000	2,521	27.72	76,063,485	3.06
100,001 to less than 5% of issued shares	414	4.55	606,304,379	24.35
5% & above of issued shares	3	0.03	1,784,594,982	71.68
Total	**9,096**	**100.00**	**2,489,679,583**	**100.00**

* *The number of 2,489,679,583 ordinary shares was arrived at after deducting 2,000 treasury shares held by the Company from the original issued share capital of 2,489,681,583 ordinary shares of the Company.*

\# *Negligible*

LIST OF 30 LARGEST SHAREHOLDERS

		Shareholding	%(3)
1.	Gek Poh (Holdings) Sdn Bhd	966,760,542	38.83
2.	Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients Account)	524,500,440	21.07
3.	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Gek Poh (Holdings) Sdn Bhd	293,334,000	11.78
4.	Malaysia Nominees (Tempatan) Sendirian Berhad - Pledged Securities Account for Gek Poh (Holdings) Sdn Bhd	100,000,000	4.02
5.	Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Phillip Securities (Hong Kong) Ltd (Clients' Account)	94,035,500	3.78
6.	RHB Nominees (Tempatan) Sdn Bhd - Hap Seng Insurance Services Sdn Bhd	82,659,000	3.32
7.	Hap Seng Insurance Services Sdn Bhd	71,705,580	2.88
8.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company	15,960,800	0.64
9.	Chinchoo Investment Sdn Berhad	13,578,380	0.55
10.	Gan Teng Siew Realty Sdn Berhad	12,308,600	0.49
11.	Key Development Sdn Berhad	11,008,800	0.44
12.	Mikdavid Sdn Bhd	8,320,600	0.33

		Shareholding	%[3]
13.	H'ng Poh Gin	7,558,800	0.30
14.	Cartaban Nominees (Asing) Sdn Bhd - GIC Private Limited for Government of Singapore (C)	7,471,600	0.30
15.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.S.A)	5,964,089	0.24
16.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	5,564,921	0.22
17.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	5,394,082	0.22
18.	HSBC Nominees (Asing) Sdn Bhd - BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	5,342,200	0.21
19.	Rengo Malay Estate Sendirian Berhad	4,032,000	0.16
20.	Bidor Tahan Estates Sdn Bhd	3,780,000	0.15
21.	HSBC Nominees (Asing) Sdn Bhd - HSBC BK Plc for Abu Dhabi Investment Authority (TRANG)	2,735,800	0.11
22.	HSBC Nominees (Asing) Sdn Bhd - HSBC BK Plc for Abu Dhabi Investment Authority (AGUS)	2,614,800	0.11
23.	DB (Malaysia) Nominee (Asing) Sdn Bhd - BNYM SA/NV for People's Bank of China (SICL Asia EM)	2,546,000	0.10
24.	Maybank Nominees (Tempatan) Sdn Bhd - Maybank Trustees Berhad for Public Regular Savings Fund	2,421,200	0.10
25.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Liew Jew Fook	2,278,000	0.09
26.	Gemas Bahru Estates Sdn Bhd	2,243,000	0.09
27.	Chinchoo Holdings (S) Private Limited	2,041,200	0.08
28.	DB (Malaysia) Nominee (Asing) Sdn Bhd - SSBT Fund DU22 for Caisse De Depot ET Placement DU Quebec	1,913,500	0.08
29.	Citigroup Nominees (Asing) Sdn Bhd - Legal & General Assurance (Pensions Management) Limited	1,875,102	0.08
30.	Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund ZVMY for State Street MSCI Malaysia Index Non-Leading Common Trust Fund	1,739,800	0.07
Total		**2,261,688,336**	**90.84**

SUBSTANTIAL SHAREHOLDERS

	Shareholding			
	Direct	%[3]	Indirect	%[3]
Gek Poh (Holdings) Sdn Bhd	1,360,094,542	54.63	154,364,580[1]	6.20
Hap Seng Insurance Services Sdn Bhd (Hap Seng Insurance)	154,364,580	6.20	-	-
Affin Hwang Nominees (Asing) Sdn Bhd - Exempt AN for Lei Shing Hong Securities Limited (Clients A/C for Lei Shing Hong Investment Limited)	300,675,660	12.08	-	-
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak	-	-	1,815,134,782[2]	72.91

Notes:

(1) *Deemed interests through its wholly-owned subsidiary, Hap Seng Insurance, pursuant to section 8 of the Companies Act 2016 (the "Act").*

(2) *Deemed interests by virtue of his direct and/or indirect substantial interests in Gek Poh (Holdings) Sdn Bhd and Lei Shing Hong Investment Limited pursuant to section 8 of the Act.*

(3) *For purpose of computing the percentage of shareholding above, the number of ordinary shares used was 2,489,679,583 which was arrived at after deducting 2,000 treasury shares held by the Company from its issued share capital of 2,489,681,583 ordinary shares.*

	Direct Shareholding		Indirect Shareholding	
Company	**No. of Shares**	**%[1]**	**No. of Shares**	**%[1]**
Hap Seng Consolidated Berhad (HSCB)				
Dato' Jorgen Bornhoft	25,000	0.001	-	-
Dato' Mohammed Bin Haji Che Hussein	36,000	0.001	-	-

Related Corporation	**No. of Shares**	**%[2]**	**No. of Shares**	**%[2]**
Hap Seng Plantations Holdings Berhad (HSP)				
Dato' Jorgen Bornhoft	10,000	0.001	-	-
Ms. Cheah Yee Leng	31,200	0.004	-	-
Datuk Simon Shim Kong Yip, JP	180,000	0.023	-	-
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	5,000	0.001	-	-

Notes:

(1) *For purpose of computing the percentage of HSCB shareholding above, the number of ordinary shares used was 2,489,679,583 which was arrived at after deducting 2,000 treasury shares held by HSCB from its issued share capital of 2,489,681,583 ordinary shares.*

(2) *For purpose of computing the percentage of HSP shareholding above, the number of ordinary shares used was 799,695,200 which was arrived at after deducting 304,800 treasury shares held by HSP from its issued share capital of 800,000,000 ordinary shares.*

NOTICE IS HEREBY GIVEN THAT the 41st annual general meeting of Hap Seng Consolidated Berhad will be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 31 May 2017 at 10am to transact the following:-

AGENDA

ORDINARY BUSINESS

1. To table the audited financial statements for the financial year ended 31 December 2016 together with the reports of directors and auditors. Note 1

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

2. To re-elect the following directors who shall retire in accordance with article 97 of the Company's articles of association and being eligible, have offered themselves for re-election:- Note 2

    (a) Datuk Edward Lee Ming Foo, JP — **Resolution 1**

    (b) Mr. Lee Wee Yong — **Resolution 2**

    (c) Dato' Mohammed Bin Haji Che Hussein — **Resolution 3**

3. To approve the payment of directors' fees of the Company and its subsidiaries amounting to RM870,205.00 for the financial year ended 31 December 2016. Note 4 — **Resolution 4**

4. 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 5 — **Resolution 5**

SPECIAL BUSINESS

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

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

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

6. **Continuation of Dato' Jorgen Bornhoft as the independent non-executive chairman**

"That pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, Dato' Jorgen Bornhoft be and is hereby authorised to continue in office as the independent non-executive chairman of the Company until the conclusion of the next annual general meeting." Note 7 **Resolution 7**

7. **Continuation of Dato' Mohammed Bin Haji Che Hussein as an independent non-executive director**

"That subject to Resolution 3 above being passed and pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, Dato' Mohammed Bin Haji Che Hussein be and is hereby authorised to continue in office as an independent non-executive director of the Company until the conclusion of the next annual general meeting." Note 8 **Resolution 8**

8. **Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature**

"That, subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Part A, section 2.2 of the Circular/Statement to shareholders dated 28 April 2017, provided such transactions are necessary for the day-to-day operations of the Company and/or its subsidiaries and are carried out in the ordinary course of business, at arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

That this authority shall continue to be in force until:-

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

whichever shall be the earliest.

and that the directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the proposed renewal of and new shareholders' mandate. Note 9 **Resolution 9**

9. **Proposed renewal of share buy-back authority**

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

(a) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed 10% of the issued ordinary share capital of the Company;

(b) the funds allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, based on the Company's audited financial statements for the financial year ended 31 December 2016; and

(c) the authority conferred by this resolution shall continue to be in force until:-

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

whichever shall be the earliest, and that the directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:-

(i) cancel all the shares so purchased; and/or
(ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Malaysia Securities Berhad; and/or
(iii) retain part thereof as treasury shares and cancel the remainder,

and further that the directors of the Company be and are hereby authorised to take all such steps as are necessary and/or enter into any and all agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares." Note 10 **Resolution 10**

By order of the Board

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

Kuala Lumpur
28 April 2017

Explanatory notes to the Agenda:-

1. *Pursuant to section 340(1) and (2) of the Companies Act 2016 (Act), the directors shall lay before the Company at its annual general meeting (AGM) its 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 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 AGM, but shall be eligible for re-election.*

3. *Based on the satisfactory outcome of its review, the Nominating Committee had made recommendations to the Board for these directors to be re-elected.*

4. *Pursuant to section 230(1) of the Act, the Company shall at every AGM approve the fees of the directors of the Company and its subsidiaries. The directors' fees of RM870,205.00 excludes any directors' fees payable by its listed subsidiaries where their respective shareholders' approval has been obtained / is to be obtained.*

5. *Pursuant to section 271(4) of the Act, the Company shall at every AGM appoint its auditors who shall hold office until the conclusion of the next AGM.*

6. *This section 75 authority, if approved, will empower the directors of the Company to allot ordinary shares in the Company up to 10% of the issued 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 AGM of the Company.*

   As at the date of this notice of AGM, the Company has not issued any new shares pursuant to the section 132D of the Companies Act, 1965 authority obtained during the last AGM held on 19 May 2016, which authority shall lapse at the conclusion of this AGM.

7. *Despite having served as the independent non-executive chairman 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.*

8. *Despite having served as an independent director for almost nine years, the Board, upon the assessment and recommendation of the Nominating Committee, is of the opinion that Dato' Mohammed Bin Haji Che Hussein 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 resolution 9 is to enable the Company and its subsidiaries to enter into recurrent related party transactions which are necessary for day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not detrimental to the minority shareholders of the Company. This would also eliminate the need to make regular announcements to Bursa Malaysia Securities Berhad (Bursa Securities) or convene separate general meetings from time to time to seek shareholders' approval as and when recurrent related transactions arise, thereby reducing substantial administrative time and expenses in convening such meetings.*

   Further information on the said recurrent transactions is set out in Part A of the Circular/Statement to shareholders dated 28 April 2017 which is despatched together with the Company's 2016 Annual Report.

10. *The proposed resolution 10, if approved, will empower the Company to purchase its own shares of up to 10% of the issued ordinary share capital of the Company. This authority will, unless, revoked or varies by the Company, in general meeting, expire at the conclusion of next AGM of the Company. Further information on the proposed renewal of share buy-back authority is set out in Part B of the Circular/Statement to shareholders dated 28 April 2017 which is despatched together with the Company's 2016 Annual Report.*

Notes to the notice of AGM:-

1. *A depositor shall not be regarded as a member entitled to attend this annual general meeting, to speak and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 24 May 2017 (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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HAP SENG CONSOLIDATED BERHAD (26877-W)

No. of shares	CDS Account No.

PROXY FORM

I/We ______________________________ NRIC No. /Company No. ______________________
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS)

Tel No. ______________________ being a member/members of Hap Seng Consolidated Berhad, do hereby

appoint ______________________________ NRIC No. /Company No. ______________________
(FULL NAME OF PROXY IN BLOCK LETTERS)

of ____ Tel No. ______________
(FULL ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the 41st annual general meeting of the Company to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 31 May 2017 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 2016 together with the reports of directors and auditors.

ORDINARY BUSINESS		**FOR**	**AGAINST**
2. To re-elect Datuk Edward Lee Ming Foo, JP as director of the Company.	**Resolution 1**		
3. To re-elect Mr. Lee Wee Yong as director of the Company.	**Resolution 2**		
4. To re-elect Dato' Mohammed Bin Haji Che Hussein as director of the Company.	**Resolution 3**		
5. To approve the payment of directors' fees.	**Resolution 4**		
6. To reappoint Messrs Ernst & Young as auditors of the Company.	**Resolution 5**		
SPECIAL BUSINESS		**FOR**	**AGAINST**
7. Authority to allot shares pursuant to section 75 of the Companies Act 2016.	**Resolution 6**		
8. To approve the continuation of Dato' Jorgen Bornhoft as the independent non-executive chairman of the Company.	**Resolution 7**		
9. To approve the continuation of Dato' Mohammed Bin Haji Che Hussein as an independent non-executive director of the Company.	**Resolution 8**		
10. To approve renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.	**Resolution 9**		
11. To approve renewal of share buy-back authority.	**Resolution 10**		

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 __________________ 2017

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

Notes:-

1. *A depositor shall not be regarded as a member entitled to attend this annual general meeting, to speak and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 24 May 2017 (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 **(26877-W)**

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